BLOMINVEST BANK SAL

# BLOM Lebanon PMI®

## PMI drops to 44-month low in October

Contents



### BLOM Lebanon PMI at its lowest level since February 2021

### Israel's war against Hezbollah dents activity, sales and confidence

### Conflict also raises inflationary pressures

Business conditions in Lebanon deteriorated at the fastest pace in over three-and-a-half years during October, according to the latest BLOM PMI® survey data. Israel's war against Hezbollah, which has seen conflict spread across Lebanon, caused sharp declines in business activity and new orders, especially from international clients. Supply chains were also disrupted, denting purchasing activity and company stocks. Fears of the attacks continuing or intensifying led business confidence to weaken.

The latest survey data also revealed that the escalation of the conflict caused inflationary pressures to intensify, with suppliers reportedly raising their prices. Private sector firms in Lebanon raised their charges in response.

The headline BLOM Lebanon PMI® endured a two-point fall in October, dropping from 47.0 in September to 45.0. Overall, this was the lowest reading of the measure since February 2021 and signalled the sharpest deterioration in private sector business conditions in Lebanon for over three-and-a-half years.

Activity levels shrank at the start of the fourth quarter. Israel's war against Hezbollah was widely cited as a reason for reduced output volumes, panel member reports showed. The decline in business activity was the steepest in 44 months.

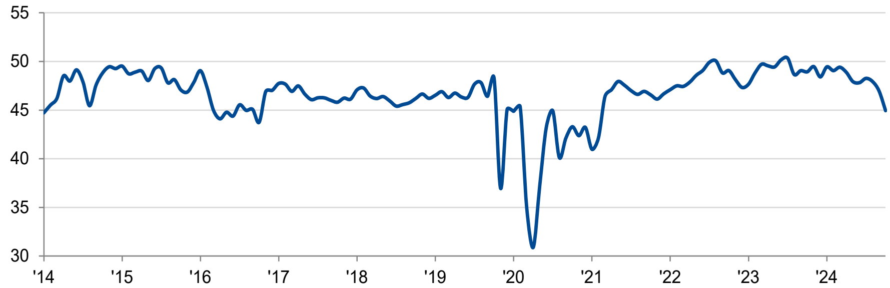
Sales performances across many parts of the economy deteriorated as a result of the intensified conflict. Total new order intakes were down compared to September, with the rate of contraction also the steepest since early 2021.

A considerable drag on demand came from international sources, with new export business plummeting during October. Anecdotal evidence indicated that foreign clients had withdrawn their interest in placing orders due not only to conflict in Lebanon, but also in the Middle East more broadly. The decrease in new export sales was the most pronounced since May 2020.

Fewer intakes of new work led

BLOM Lebanon PMI

sa, >50 = improvement since previous month

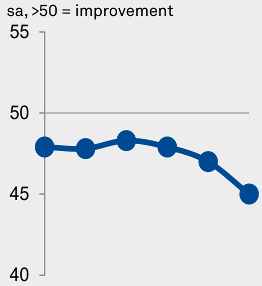



PMI® by S&P Global

# 45.0

LEBANON PMI
OCT '24

PMI
May - Oct '24
sa, >50 = improvement




employment levels to fall, although the rate of job shedding was only marginal. Backlogged orders were depleted at the quickest rate in just over two-and-a-half years amid the weaker demand environment.

As for the supply-side of the economy, October survey data revealed that Israel's war in Lebanon had caused disruption. Vendor delivery times lengthened to the greatest extent since March 2023 as the conflict hindered the movement of goods, particularly by road. Firms lowered their buying activity at the fastest pace since July 2021, partly due to security concerns. Subsequently, stocks of purchases were depleted at the sharpest rate in just over four years. Some firms took from their inventories to cover for item shortages across the market.

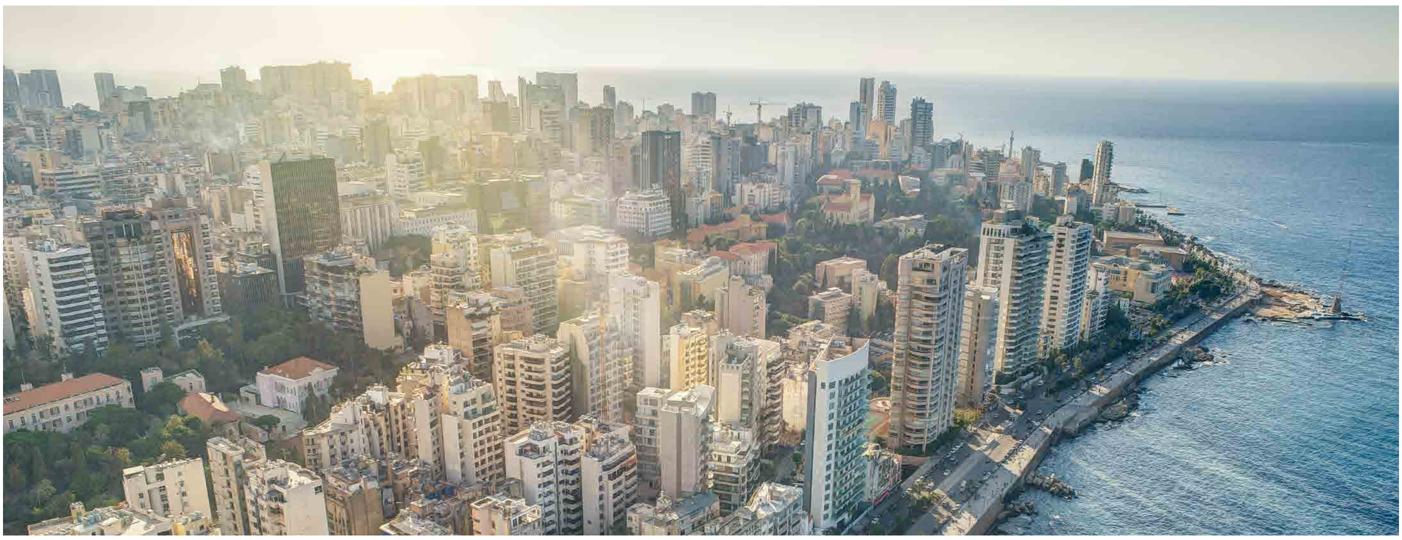
Panel member reports also indicated that the Israel-Hezbollah war had pushed up purchasing costs for Lebanese firms, with vendors ratcheting up their fees. The overall rate of input price inflation accelerated to a 19-month high. Prices charged by private sector firms in Lebanon likewise rose at the fastest rate in just over a year-and-a-half.

Lastly, business confidence slipped to a 16-month low as concerns of a prolongation of Israel's war in Lebanon dented future output expectations.

## Comment

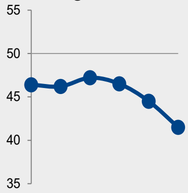
Commenting on BLOM Lebanon PMI for October 2024, Dr. Fadi Osseiran, General Manager at BLOMINVEST Bank, said:

*"The BLOM Lebanon PMI fell to 45.0 in October 2024 from 47.0 in September, dropping to a 44-month low as the war between Hezbollah and Israel escalated. The escalation of the war caused new orders and new export orders to decrease significantly, resulting in a crucial decrease in output activity at private sector firms. Moreover, the disruption of supply chains led to a drop in purchasing activity, causing private sector firms to resort to their stocks of inventory, hence stocks of purchases lessened for the first time since May. In addition, private sector firms incurred higher purchase prices as vendors raised their fees. The inflation rate accelerated and these cost increases were passed on to clients. Despite the sharp decrease in output and new orders, employment fell only marginally as the majority of firms kept staffing levels unchanged. Finally, it is devastating that private sector companies are pessimistic regarding the future outlook as 84% of panellists expect activity levels to shrink in the upcoming 12 months."*

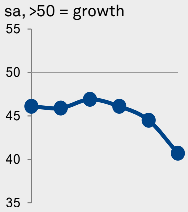


# Output and demand

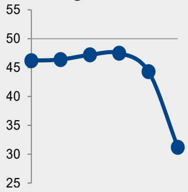
Output
Index
May - Oct '24
sa, >50 = growth




New Orders
Index
May - Oct '24
sa, >50 = growth




New Export
Orders Index
May - Oct '24
sa, >50 = growth




## Output

During October, private sector business activity in Lebanon fell sharply and at the fastest pace since February 2021. Conflict within the country since Israel's war against Hezbollah commenced was frequently cited as a reason for lower output, anecdotal evidence showed, with increased insecurity compounding pre-existing challenges such as political uncertainty and weak client purchasing power.

Output Index 41.5
sa, >50 = growth since previous month Oct '24


## New orders

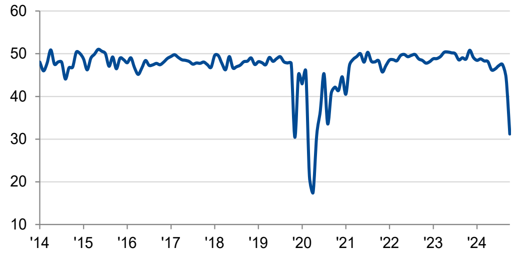
October survey data signalled a considerable drop in the volume of incoming new work received by private sector companies in Lebanon. The pace of contraction was the steepest seen in just over three-and-a-half years. Reduced intakes of new business were commonly associated with Israel's war in Lebanon, with sales performances in a wide variety of sectors reportedly suffering as a result.

New Orders Index 40.7
sa, >50 = growth since previous month Oct '24


## New export orders

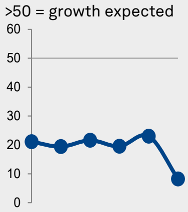
The seasonally adjusted New Export Orders Index plummeted at the start of the fourth quarter, falling by over 13 points to its lowest level since May 2020 and signalling a rapid decrease in new business receipts from international clients. Conflict in Lebanon and the Middle East more broadly led to a reduction in interest from foreign customers, according to panellists.

New Export Orders Index 31.2
sa, >50 = growth since previous month Oct '24




# Business expectations

Future
Output Index
May - Oct '24
>50 = growth expected




Private sector companies in Lebanon turned more pessimistic towards the outlook in October, as evidenced by the Future Output Index dropping sharply since September. Concern that the conflict between Israel and Hezbollah could continue or intensify was cited as a reason to be downbeat by a significant number of panellists. Indeed, around 84% of survey respondents expect activity levels to shrink over the next 12 months.

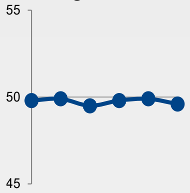
Future Output Index 8.2
>50 = growth expected over next 12 months Oct '24

# Employment and capacity

Employment Index

May - Oct '24

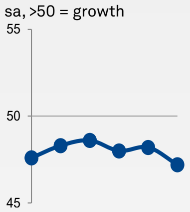
sa, >50 = growth




Backlogs of Work Index

May - Oct '24

sa, >50 = growth




## Employment

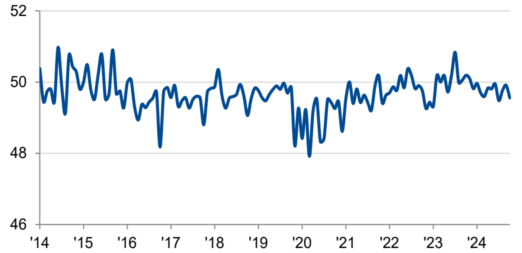
Lebanese private sector businesses registered a reduction in workforce numbers at the start of the fourth quarter. Where lower employment was reported, this was linked to weak demand and challenging working conditions. The rate of job shedding was only marginal overall, however, as the majority of firms (99%) kept staffing levels unchanged.

## Backlogs of work

The level of work outstanding across Lebanon's private sector continued to decline during October. The rate of depletion accelerated compared to September and was the fastest in just over two-and-a-half years. A lack of incoming new work was widely cited as a reason for lower volumes of backlogs, anecdotal evidence showed.

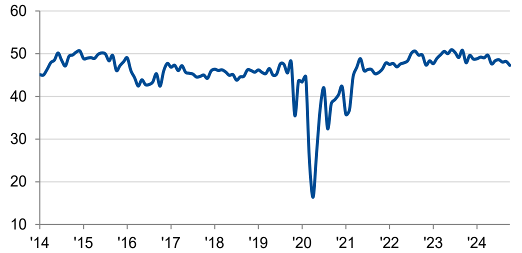
Employment Index — 49.6

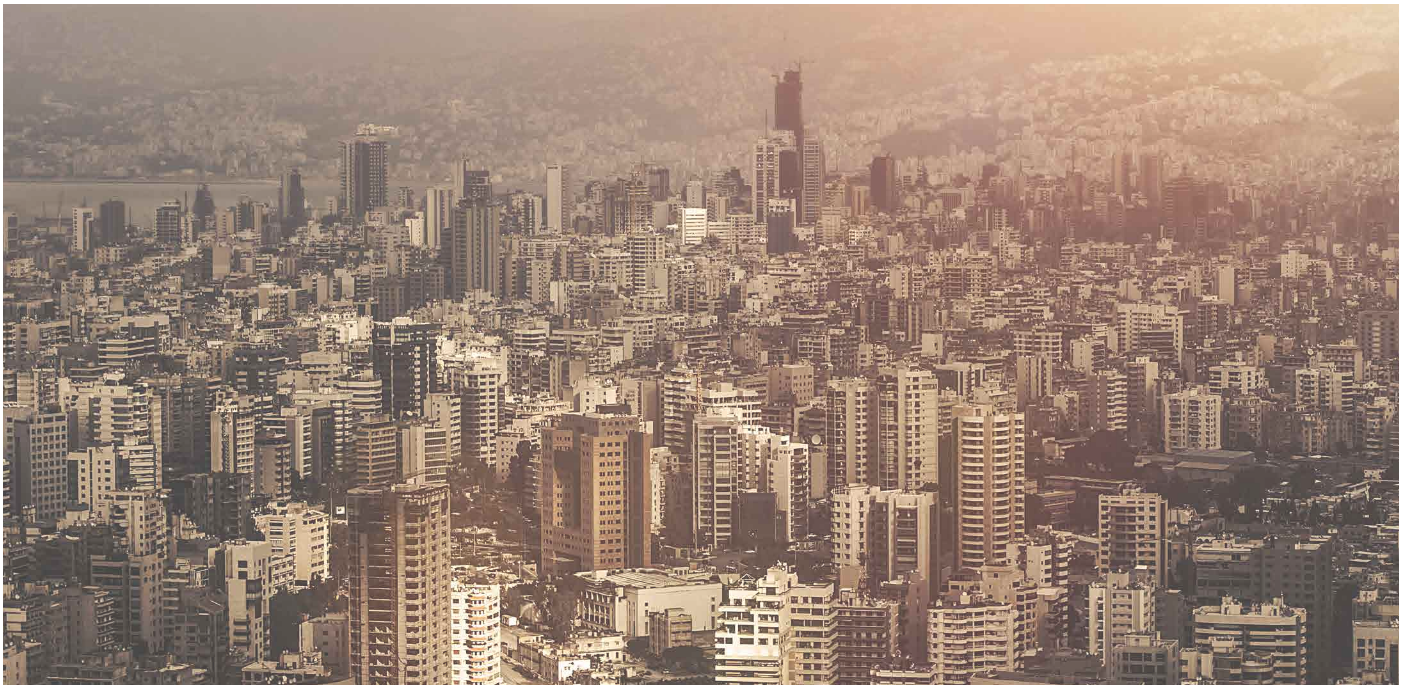
sa, >50 = growth since previous month — Oct '24




Backlogs of Work Index — 47.2

sa, >50 = growth since previous month — Oct '24



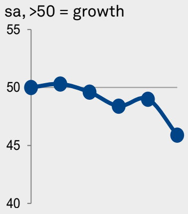



# Purchasing and inventories

Quantity of Purchases Index

May - Oct '24

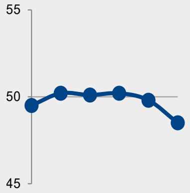
sa, >50 = growth




Suppliers' Delivery Times Index

May - Oct '24

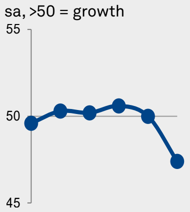
sa, >50 = faster times




Stocks of Purchases Index

May - Oct '24

sa, >50 = growth

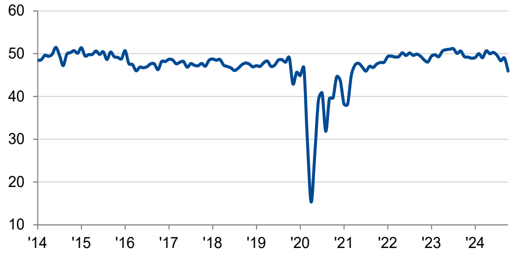



## Quantity of purchases

Adjusted for seasonality, the Quantity of Purchases Index fell deeper into sub-50.0 territory in October, signalling a sharper decline in input buying. Furthermore, the rate of decrease was the quickest since July 2021. In many cases, firms lowered their buying activity in response to falling client demand. Some firms also noted that the conflict in Lebanon led them to not make any purchases.

Quantity of Purchases Index 45.9

sa, >50 = growth since previous month Oct '24

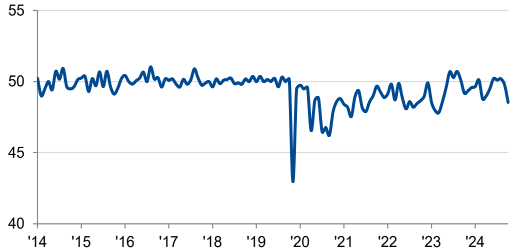



## Suppliers' delivery times

There was a deterioration in vendor performance at the beginning of the fourth quarter of 2024. In fact, the extent to which delivery times lengthened was the greatest in just over a year-and-a-half. Security concerns and Israel's war in Lebanon reportedly hindered the movement of goods across the country.

Suppliers' Delivery Times Index 48.5

sa, >50 = faster times since previous month Oct '24

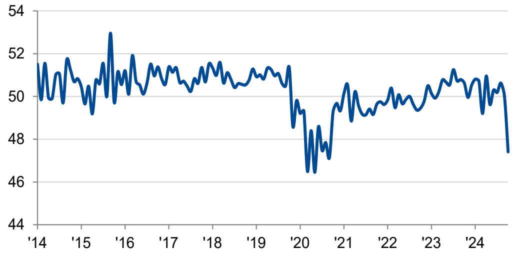



## Stocks of purchases

For the first time since May, stocks of purchases at Lebanese private sector businesses decreased during October. The depletion was also the sharpest since September 2020. According to panellists, some items had suffered from shortages, leading firms to resort to their inventories.

Stocks of Purchases Index 47.4

sa, >50 = growth since previous month Oct '24

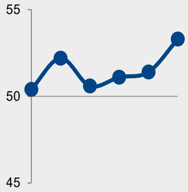



# Prices

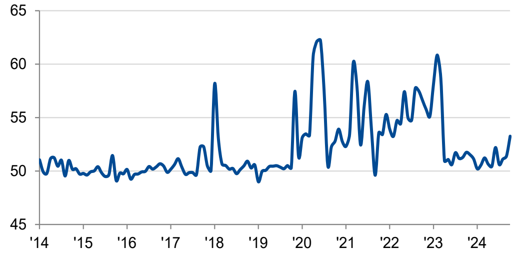
## Overall input prices

Operating expenses faced by private sector companies in Lebanon rose during October. The rate of inflation accelerated for a third successive month to the strongest seen since March 2023. The uptick was entirely reflective of greater purchasing prices, as staff costs remained broadly neutral.

Input Prices Index
May - Oct '24
sa, >50 = inflation



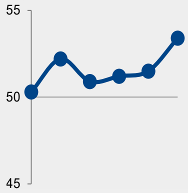

Input Prices Index 53.3
sa, >50 = inflation since previous month Oct '24



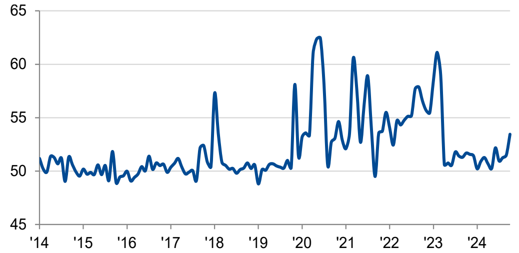

## Purchase prices

Amid reports of vendors ratcheting up their charges, the latest survey data highlighted a solid rise in prices paid for purchased items by private sector firms in Lebanon. The rate of inflation was the quickest in 19 months. Around 6% of companies reported greater purchasing costs, while less than 1% saw a decline.

Purchase Prices Index
May - Oct '24
sa, >50 = inflation



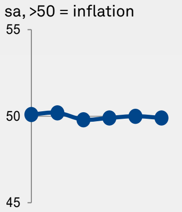

Purchase Prices Index 53.4
sa, >50 = inflation since previous month Oct '24



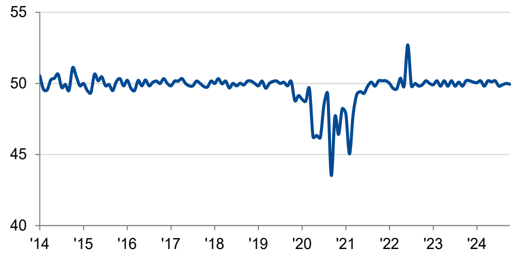

## Staff costs

The seasonally adjusted Staff Costs Index once again held close to the 50.0 no-change threshold during October, indicating that labour expenses for private sector firms in Lebanon were broadly the same as they were in September.

Staff Costs Index
May - Oct '24
sa, >50 = inflation



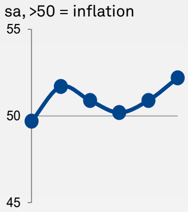

Staff Costs Index 49.9
sa, >50 = inflation since previous month Oct '24



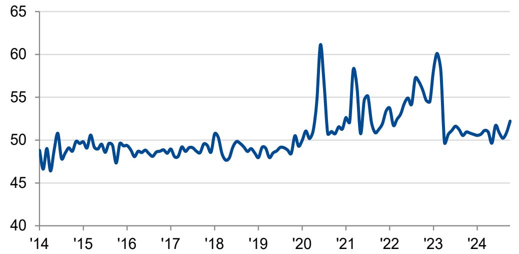

## Output prices

In response to the uptick in cost pressures, private sector companies in Lebanon raised their own prices charged at the beginning of the fourth quarter. The extent to which output prices rose was the greatest since March 2023. Precisely 4% of survey respondents lifted their fees, while 96% left charges unchanged.

Output Prices Index
May - Oct '24
sa, >50 = inflation




Output Prices Index 52.2
sa, >50 = inflation since previous month Oct '24

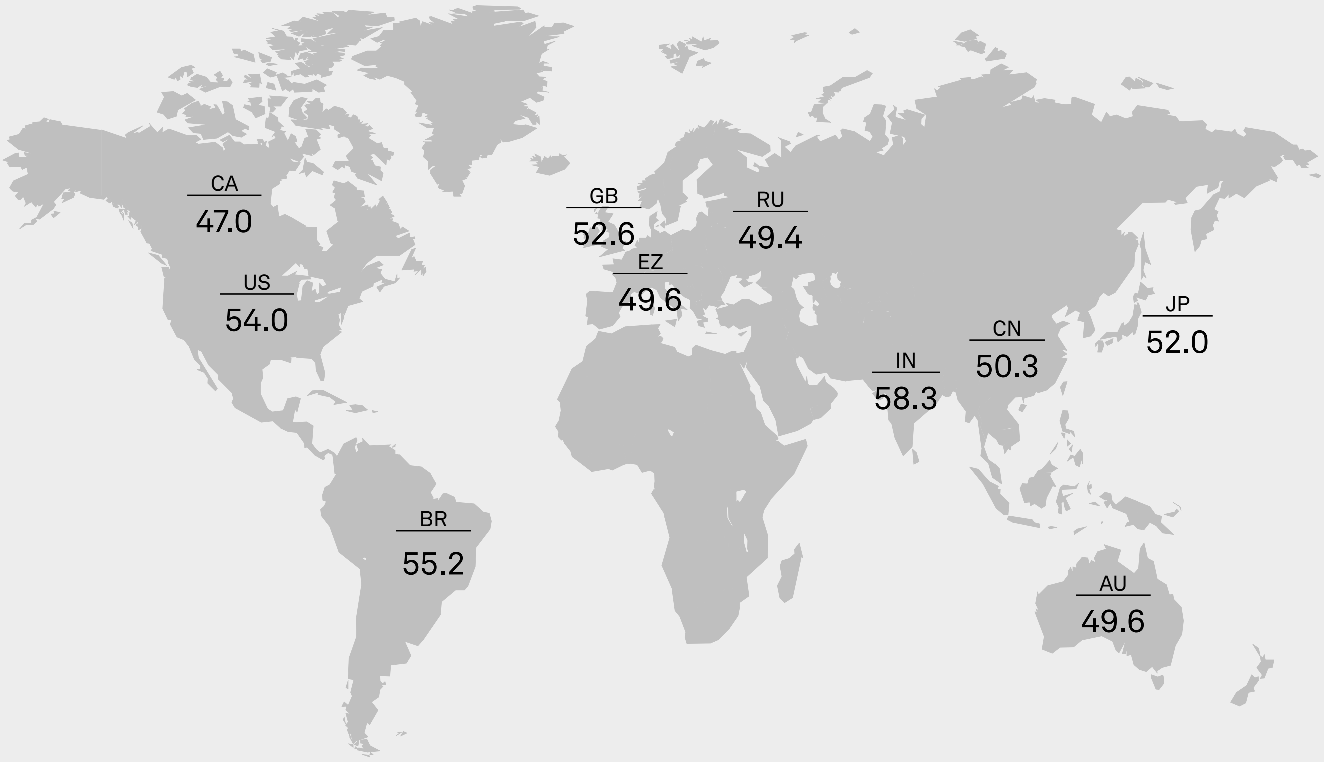


# International PMI

Composite Output Index, Sep '24

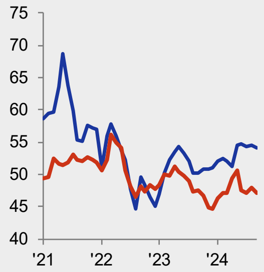
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.

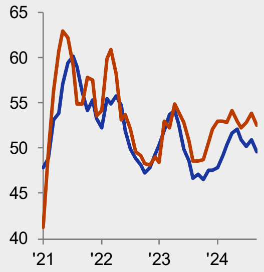



Composite Output Index

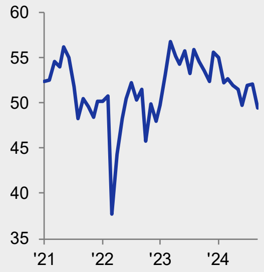
USA
Canada
sa, >50 = growth



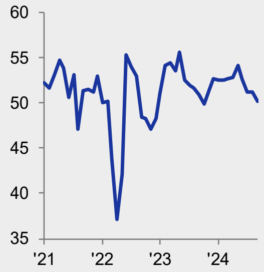

Eurozone
UK
sa, >50 = growth



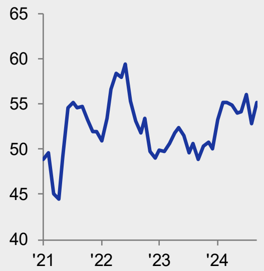

Russia
sa, >50 = growth



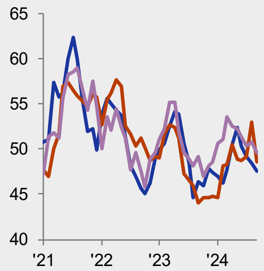

China
sa, >50 = growth



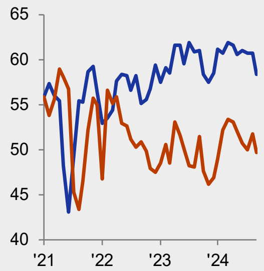

Brazil
sa, >50 = growth



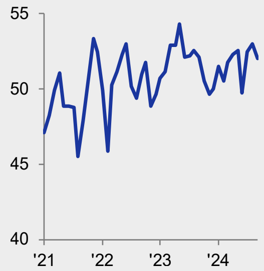

Germany Italy
France
sa, >50 = growth




India
Australia
sa, >50 = growth




Japan
sa, >50 = growth



# Survey methodology

The BLOM Lebanon PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include agriculture, mining, manufacturing, construction, wholesale, retail and services. Data were first collected May 2013.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

## Survey dates

Data were collected 10-25 October 2024.

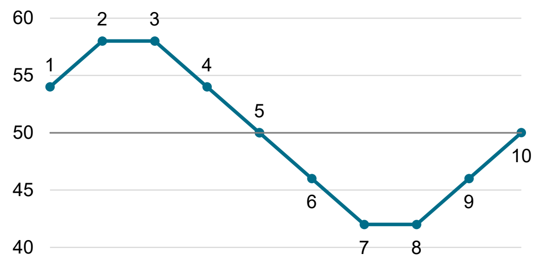
Survey questions
Private sector

| | |
|---|---|
| Output | Suppliers' Delivery Times |
| New Orders | Stocks Of Purchases |
| New Export Orders | Input Prices |
| Future Output | Purchase Prices |
| Employment | Staff Costs |
| Backlogs Of Work | Output Prices |
| Quantity Of Purchases | |

Index calculation

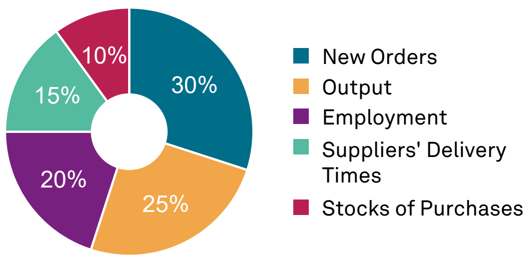
**% "Higher" + (% "No change")/2**

Index interpretation
50.0 = no change since previous month




1 Growth
2 Growth, faster rate
3 Growth, same rate
4 Growth, slower rate
5 No change, from growth
6 Decline, from no change
7 Decline, faster rate
8 Decline, same rate
9 Decline, slower rate
10 No change, from decline

PMI component weights




Sector coverage
PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.4 codes:

| | |
|---|---|
| C | Manufacturing |
| F | Construction |
| G | Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles |
| H | Transportation and Storage |
| I | Accommodation and Food Service Activities |
| J | Information and Communication |
| K | Financial and Insurance Activities |
| M | Professional, Scientific and Technical Activities |
| N | Administrative and Support Service Activities |
| P | Education* |
| Q | Human Health and Social Work Activities* |
| R | Arts, Entertainment and Recreation |
| S | Other Service Activities |

*Private sector

PMI® by S&P Global

# Index summary

Private sector

sa, 50 = no change over previous month. *50 = no change over next 12 months.

| | PMI | Output | New Orders | New Export Orders | Future Output* | Employ-ment | Backlogs of Work | Quantity of Purchases | Suppliers' Delivery Times | Stocks of Purchases | Overall Input Prices | Purchase Prices | Staff Costs | Output Prices |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 05 '24 | 47.9 | 46.4 | 46.1 | 46.2 | 21.1 | 49.8 | 47.6 | 50.0 | 49.5 | 49.6 | 50.4 | 50.3 | 50.1 | 49.7 |
| 06 '24 | 47.8 | 46.2 | 45.9 | 46.4 | 19.4 | 49.9 | 48.3 | 50.3 | 50.2 | 50.3 | 52.2 | 52.2 | 50.2 | 51.7 |
| 07 '24 | 48.3 | 47.2 | 46.9 | 47.2 | 21.6 | 49.5 | 48.6 | 49.6 | 50.1 | 50.2 | 50.6 | 50.9 | 49.8 | 50.9 |
| 08 '24 | 47.9 | 46.5 | 46.1 | 47.5 | 19.5 | 49.8 | 48.0 | 48.4 | 50.2 | 50.6 | 51.1 | 51.2 | 49.9 | 50.2 |
| 09 '24 | 47.0 | 44.5 | 44.5 | 44.3 | 23.0 | 49.9 | 48.2 | 49.0 | 49.8 | 50.0 | 51.4 | 51.5 | 50.0 | 50.9 |
| 10 '24 | 45.0 | 41.5 | 40.7 | 31.2 | 8.2 | 49.6 | 47.2 | 45.9 | 48.5 | 47.4 | 53.3 | 53.4 | 49.9 | 52.2 |

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**About BLOMINVEST BANK**

BLOMINVEST BANK, established in 1994, is the investment arm of BLOM Bank SAL, one of the largest banks in Lebanon. As part of its expansionary vision towards the MENA region, the bank has established one investment arm in Saudi Arabia, "BLOMINVEST KSA" and launched three brokerage and trading firms in Egypt, Syria, and Jordan, namely "BLOM Bank Egypt Securities", "Syria and Overseas for Financial Services", and "Financial Services Experts Company". BLOMINVEST BANK is one of few institutions within the greater Levant region that offer Private banking, Investment banking, Asset Management, Brokerage, and Research services under one roof. Based on its track record, BLOMINVEST BANK to date remains the most awarded local investment bank.
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