

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION

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Data collected October 10-25

BLOM Lebanon PMI®

PMI drops to 44-month low in October

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

sa, >50 = improvement since previous month



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.

Commenting on BLOM Lebanon PMI for October 2024, Dr. Fadi Osseiran, General Manager of 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."

The main findings of October's survey were as follows:

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 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.

-Ends-

The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI®). The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

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Note to Editors:

The BLOM Lebanon Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Lebanese economy, including manufacturing, services, construction and retail. The panel is stratified GDP and company workforce size. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index (PMI®) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global. Please contact economics@spglobal.com.

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About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to spglobal.com/marketintelligence/en/mi/products/pmi.html

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