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BLOM Lebanon PMI®

Operating conditions deteriorate markedly as firms continue to struggle following explosion

Key findings

Marked, albeit slightly softer, deterioration in business conditions

Further declines in output and new orders

Rate of job shedding remains modest

Data were collected 11-24 September

This report contains the latest public release of data collected from the monthly survey of business conditions in the Lebanese private sector. The survey, sponsored by Blominvest Bank and compiled by IHS Markit, has been conducted since May 2013 and provides an early indication of operating conditions in Lebanon. 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.

September's PMI reading of 42.1, up from 40.1 in August, pointed to another marked deterioration in Lebanese private sector business conditions, albeit one that was softer than in the previous survey period.

The latest downturn was partially driven by a further decline in output at the end of the third quarter. Although the rate of contraction eased from August, it remained among the quickest since data collection began nearly seven-and-a-half years ago. When explaining the fall in activity, panellists mentioned ongoing disruption related to the Beirut port explosion, as well as difficulties in securing US dollars.

In line with the trend for output, new orders received by Lebanese businesses continued to fall during September. The rate of decline softened from August but remained historically marked. Underlying data indicated that both domestic and foreign demand conditions were subdued, with new export orders falling.

Amid a further reduction in new business, private sector firms continued to cut their staff numbers in September. The result
continued...

Lebanon PMI

sa, >50 = improvement since previous month



Sources: BLOMINVEST BANK, IHS Markit.

Comment

Commenting on the BLOM Lebanon PMI for September 2020, Dr Ali Bolbol Chief Economist/Head of Research at BLOM Bank said:

“After the August 4, 2020 blast, the Lebanese economy is trying to stand on its wobbly legs again, albeit with little success. Though the PMI increased to 42.1 in September 2020 from 40.1 in August 2020, the business conditions remain markedly bad. Notwithstanding the current Corona epidemic, it is quite apparent that private sector fortunes will not turn around unless there is a government reform and recovery plan that takes measures to restore confidence in the banking system and the exchange rate regime and to bring good governance to public administrations, aided by sizeable concessional funding from outside. Unfortunately, the urgency of such a plan has yet to dawn on Lebanese politicians.”

extended the current sequence of workforce contraction that began in September 2019. The rate of job shedding was modest and little-changed from August.

In a sign of continued supply-side disruption, input delivery times lengthened further in the latest survey period. In fact, vendor performance deteriorated to the greatest extent for ten months. Anecdotal evidence suggested that firms struggled to obtain the necessary US dollars to pay their suppliers.

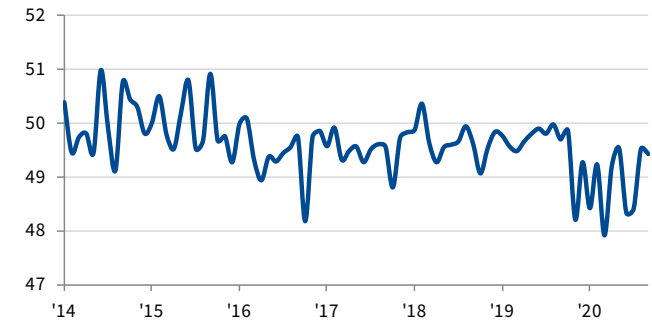
Meanwhile, input prices rose at a quicker pace in September. The result followed the slowest increase in cost burdens for ten months during August. The latest rise was solid overall and driven by higher purchase prices which more than offset a sharp decline in wages.

Private sector firms opted to pass on some of the higher costs to their clients with an increase in average output prices during September. However, the rate of charge inflation was little-changed from August and only marginal overall.

Looking forward, Lebanese businesses remained severely pessimistic towards the one-year business outlook. Negativity was driven by fears that the ongoing liquidity crisis would persist even with the formation of a new government. Sentiment was at the joint-weakest (level with August) since the survey's inception in May 2013.

Employment Index

sa, >50 = growth since previous month



Sources: BLOMINVEST BANK, IHS Markit.

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Methodology

The BLOM Lebanon PMI® is compiled by IHS Markit 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 manufacturing, construction, wholesale, retail and services.

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.

September 2020 data were collected 11-24 September 2020.

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

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.
ihsmarkit.com/products/pmi.html

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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. For more information, see www.blominvestbank.com.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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