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BLOM Lebanon PMI®

Softest deterioration in business conditions for three months

Key findings

Health of Lebanese private sector declines at softer, but still marked, pace

Output and new order contractions remain sharp despite easing further

Workforce numbers continue to steadily decrease

Data were collected 12-26 October

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.

October's PMI reading of 43.3, up from 42.1 in September, signalled another marked deterioration in business conditions faced by Lebanese private sector firms. That said, the latest decline was the softest for three months.

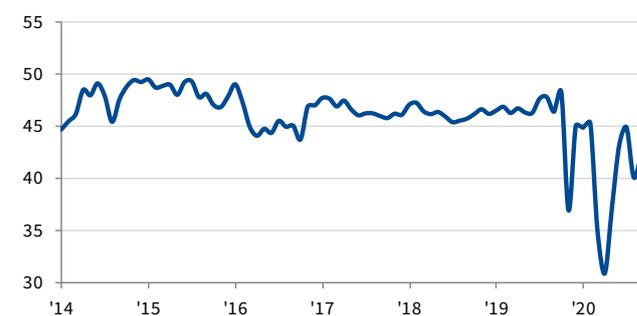
The further downturn in operating conditions was partially driven by another contraction in output at the start of the fourth quarter. However, in line with the headline trend, the rate of decline eased for the second month running. When explaining the prolonged fall in activity, panellists cited a broad-based deterioration in demand conditions.

The continued reduction in demand was evidenced by a further decrease in new orders during October. Although the rate of decline eased to the softest since July, it remained far quicker than the historical average. Anecdotal evidence indicated that both the ongoing liquidity crisis and the coronavirus disease 2019 (COVID-19) pandemic were continuing to hinder demand conditions.

Aggregate new orders received little support from international markets in the latest survey period, with new export business
continued...

Lebanon PMI

sa, >50 = improvement since previous month



Sources: BLOMINVEST BANK, IHS Markit.

Comment

Commenting on the BLOM Lebanon PMI for October 2020, Sarah Hadchiti, Research Analyst at BlomInvest Bank, said:

“Despite the continuous deterioration in business condition, many of the PMI Sub categories improved in October compared to September leading to a higher PMI reading of 43.3, the softest decline for 3 months. However, businesses are struggling to survive facing both supply and demand shocks due mainly to foreign currency shortages and surges in inflation, restrictions on withdrawals and transfers, and the spread of coronavirus. Meanwhile, one year has passed since the national protests in October 2019, and policy makers have failed to try to contain the damage and properly manage the crisis, with no serious reforms and recovery plans put in place.”

falling further. The rate of reduction continued to ease but was still marked overall.

Faced with weaker demand conditions, Lebanese business continued to cut their staff numbers in October. The result extended the current sequence of workforce contraction that began in September 2019. The rate at which employment fell was little-changed from those seen in August and September and only marginal overall.

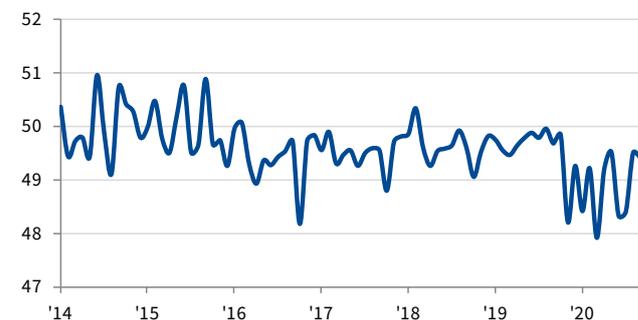
On the cost front, input prices faced by private sector firms rose solidly at the start of the fourth quarter. In fact, the rate of inflation accelerated to the quickest for three months. Underlying data suggested that the increase was driven by higher purchasing prices. Meanwhile, staff costs continued to fall, albeit at a far softer rate than September's series record.

Firms opted to pass on some of the additional costs to their clients, with an increase in average output prices during October. The rate of charge inflation was little-changed for the second month running and slight overall.

Finally, private sector companies remained deeply pessimistic towards the one-year business outlook during October. Panellists often commented that they expect the current crisis to persist.

Employment Index

sa, >50 = growth since previous month



Sources: BLOMINVEST BANK, IHS Markit.

Contact

Sara Hadchiti
Research Analyst
BLOMINVEST Bank
T: +961 1 991 784
sarah.hadchiti@blominvestbank.com

Ali Bolbol
Chief Economist / Head of
Research
BLOMINVEST Bank
T: +961 1 739 817
ali.bolbol@blominvestbank.com

Eliot Kerr
Economist
IHS Markit
T: +44-203-159-3381
eliot.kerr@ihsmarkit.com

Katherine Smith
Corporate Communications
IHS Markit
T: +1-781-301-9311
katherine.smith@ihsmarkit.com

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.

October 2020 data were collected 12-26 October 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](https://www.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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