BLOM Lebanon PMI®

Lebanese business conditions continue to deteriorate markedly in July

Key findings

Health of the Lebanese private sector deteriorates, albeit at softer rate

Declines in output and new orders ease but remain marked

Input cost inflation decelerates from June’s near-series record

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.

The latest PMI reading of 44.9, up from 43.2 in June, pointed to another marked deterioration in Lebanese business conditions during July, albeit one that was softest for five months.

The decline in the health of the private sector was partially driven by a further drop in output. Despite the rate of contraction easing to the softest since before the escalation of the coronavirus pandemic in March, it remained faster than the historical average. Anecdotal evidence suggested that firms continued to face liquidity issues.

Also contributing to the latest deterioration in business conditions was a marked fall in new orders during July. Sales have now decreased in each month since June 2013. Some panellists associated the latest decline with the ongoing challenges in the domestic economy.

Overall demand received little support from international markets at the start of the third quarter, with new export orders falling at a strong rate. That said, the latest decline in foreign sales was the softest since February. Survey participants suggested regional demand remained subdued.

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In line with softer inflows of new work, private sector firms continued to cut their staff numbers in July. The rate of workforce contraction was broadly consistent with that recorded in June and moderate overall.

On the cost front, overall input prices rose sharply. However, the rate of inflation eased from June's near-series record. Underlying data revealed a slightly slower increase in purchase prices and another decrease in staff costs albeit at a softer rate.

Firms opted to pass on some of the higher costs to their clients during July, with average charges rising for the sixth month in a row. Although the latest increase was softer than that recorded in June, it was still the second-quickest since data collection began in May 2013.

Looking forward, Lebanese businesses were still severely pessimistic towards the 12-month business outlook. Negativity was driven by fears that the current liquidity crisis in the domestic economy would persist.