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.

August’s PMI reading of 40.1, down from 44.9 in July, pointed to the quickest deterioration in Lebanese private sector business conditions for three months, and one that was marked overall. The result was partially driven by a sharp and accelerated contraction in output at private sector firms. The latest reduction was the quickest since May, with many panellists commenting that the recent explosion in Beirut had caused severe disruption to their operations.

Another factor contributing to the downturn in the headline index was a quicker fall in new orders midway through the third quarter. The result marked the first acceleration in the rate of decline since April. Anecdotal evidence indicated that temporary business closures related to the explosion had hindered demand conditions.

Contributing to the sharper decline in aggregate new work was a marked reduction in foreign sales during August. The fall in new export orders was the quickest for three months.

Adding to the hardship caused by both the ongoing liquidity...
difficulties and the coronavirus disease 2019 (COVID-19) pandemic, the Beirut explosion saw sentiment towards the 12-month business outlook hit rock bottom in August. The degree of negativity amongst private sector firms was the worst since data collection began in 2013, with some panelists citing expectations that the damage to Beirut’s port would prolong the current economic crisis.

In line with the further declines in output and new orders, Lebanese businesses continued to cut staff numbers in August. The result extended the current sequence of workforce contraction that began a year ago. That said, the rate of job shedding continued to trend towards stabilisation and was the softest for three months.

Meanwhile, following sharp increases in each of the previous four months, input costs faced by private sector firms rose only marginally in August. In fact, the rate of inflation was the slowest since last October, driven by a far softer increase in purchase prices and a further decrease in staff costs.

Finally, firms opted to pass on some of the additional costs to their clients with a further increase in average output charges during August. However, in line with the trend for input prices, the latest rise in output charges was far softer than registered in July and only marginal overall.

Sources: BLOMINVEST BANK, IHS Markit.