**BLOM Lebanon PMI®**

**Quicker deterioration in operating conditions during September**

**Key findings**

- Fastest decline in operating conditions since June
- Both output and new orders fall at quicker rates
- Input prices continue to rise marginally, but charges fall again

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 BLOM Lebanon PMI registered at 46.4 in September, down from 47.8 in August. The result signalled the fastest deterioration in business conditions faced by Lebanese private sector firms for three months.

A key factor behind the faster decline in operating conditions was an accelerated contraction in output during September. The latest reduction was the quickest recorded since June and marked overall. Many survey participants cited political instability when explaining lower business activity.

Similar to the trend in output, new orders placed with private sector firms in Lebanon continued to decrease at the start of the third quarter. The rate of deterioration quickened from August to reach the strongest since June.

The further decline in overall new orders was in part driven by another reduction in new export business. International sales have now fallen in each month since August 2015. The rate of decline accelerated to the fastest for six months and was moderate overall.

**Comment**

*Rouba Chbeir, Senior Economist at BLOMINVEST Bank, said:*

“Despite the renewed political willpower to reform and the plan to drive GCC investments into the country’s infrastructure, reports by Fitch Ratings among others this month downgraded Lebanon to “CCC” from “B-”, which also reflects the new rating of Lebanese banks. As a result, economic growth faltered and is expected to have registered 0 to 0.5% in the first 9 months of the year. The statements of rating agencies weighed down on investors’ confidence which is now key, to drive back inflows into the economy. Lebanon must implement structural reforms and reduce its fiscal deficit to unlock CEDRE funds and restore confidence.”

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On the cost front, input prices faced by Lebanese businesses rose further in September. Though only marginal overall, the rate of inflation was slightly quicker than in August. Underlying data suggested that the latest increase was driven by higher purchasing costs.

Despite a further rise in cost burdens, companies continued to reduce their average output charges at the end of the third quarter. Albeit modest overall, the latest decrease was the quickest for three months.

Following a brief stabilisation in employment during August, private sector firms reverted to cutting staff numbers in September. That said, the rate of reduction was only slight overall and broadly in line with the series average.

Meanwhile, purchasing activity in Lebanon’s private sector continued to decline. The result extended the current run of deterioration that began in February 2016. Moreover, the rate of decline accelerated from August to reach the fastest for three months.