

Embargoed until 1100 EEST (0800 UTC) 3 July 2020

BLOM Lebanon PMI®

Business conditions deteriorate sharply but at the softest pace in four months

Key findings

Health of the private sector declines markedly

Output and new orders slump further

Pace of job cutting accelerates

Data were collected 12-24 June

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 43.2, up from 37.2 in May, pointed to another marked deterioration in Lebanese business conditions during June, albeit one that was softest since February.

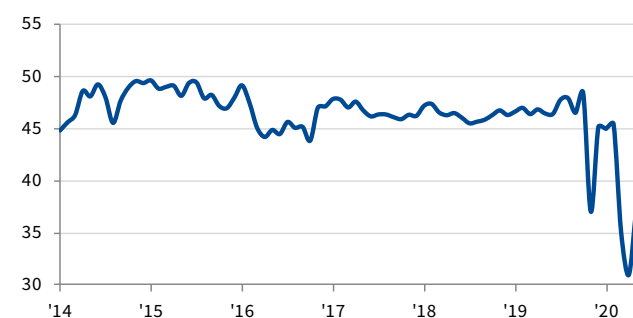
The further decline was partially driven by another contraction in output. Although the pace of reduction in activity eased for the second month running, it remained historically marked. Panellists widely mentioned disrupted operations amid liquidity issues caused by the ongoing monetary crisis.

Meanwhile, there were further signs of demand weakness as new orders continued to fall. The result extended the current sequence of decline that began just over seven years ago, with the rate of contraction among the fastest in that period. That said, June's decline was the softest since February.

A contributing factor to the overall reduction in new business was a continued decrease in international sales. New export orders fell drastically for the fourth month in succession, although the latest decrease was softest in that sequence.

Weaker demand conditions led to more job shedding at the end
continued...

Lebanon PMI
sa, >50 = improvement since previous month



Sources: BLOMINVEST BANK, IHS Markit.

Comment

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

“The BLOM Lebanon PMI for June 2020 came mostly as expected. With the easing of the Corona lockdown in June, all sub-indices – with the exception of future output and employment – deteriorated but at a much softer pace. These excepted sub-indices show, however, that the core of the Lebanese crisis is yet to be addressed as expectations of future recovery and of employment worsened even more. That is in addition to the highest rate on record of output price increases caused primarily by the steep exchange rate depreciations. If anything, these results indicate that the government and the financial community should stop arguing about what the exact financial losses are and move on to start implementing growth-enhancing reforms that are badly needed and largely independent of the size of these losses.”

of the second quarter. Moreover, the rate of workforce contraction accelerated to the quickest since March.

Volumes of outstanding business continued to decline markedly, although the rate of depletion eased for the second month running. Survey respondents commented that the fall in backlogs was due to softer inflows of new work.

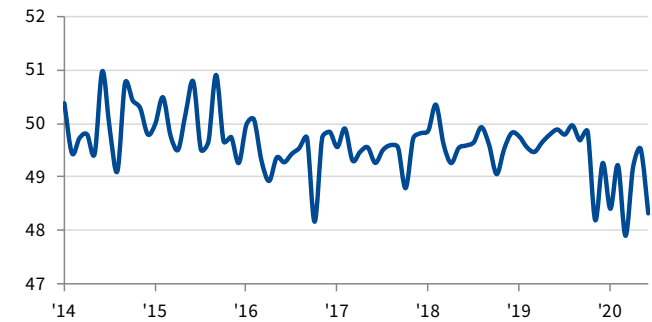
On the cost front, input prices continued to soar. In fact, the rate of inflation ticked up fractionally to the quickest in over seven years. Underlying data suggested that the rise in cost burdens was primarily driven by a sharp increase in purchase prices, which more than offset a solid reduction in staff costs.

Faced with higher input costs, firms opted to increase their average output prices in June. Moreover, the rate of inflation was by far the quickest on record, with panellists suggesting that increases were necessary to maintain acceptable margins.

Finally, Lebanese private sector firms were severely pessimistic towards the one-year business outlook in June. In fact, sentiment was the weakest since data collection began over seven years ago. Firms were fearful that the country's monetary and political crises would continue.

Employment Index

sa, >50 = growth since previous month



Sources: BLOMINVEST BANK, IHS Markit.

Contact

Rouba Chbeir
Senior Economist
BLOMINVEST Bank
T: +961-991-784, Ext. 324
rouba.chbeir@blominvestbank.com

Sara Hadchiti
Research Analyst
BLOMINVEST Bank
sarah.hadchiti@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.

June 2020 data were collected 12-24 June 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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About BLOMINVEST BANK

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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.