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BLOM Lebanon PMI®

Deterioration in business conditions deepens during April

Key findings

Headline PMI hits new record low

Unprecedented collapse in business activity

Sentiment plummets amid expectations for prolonged downturn

Data were collected 7-24 April

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 results presented in this report are best analysed in the context of the global coronavirus outbreak which triggered severe preventive measures in Lebanon, including the closure of most businesses. Therefore, the response rate of panellists was lower than usual in April.

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.

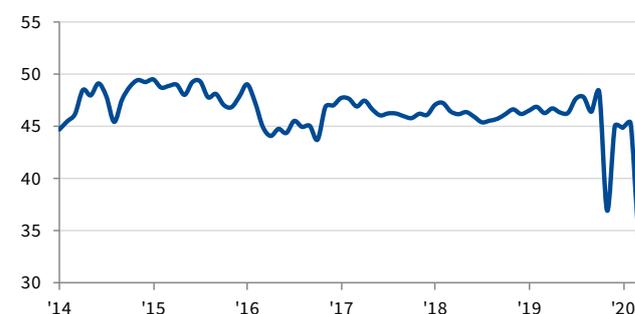
The latest PMI reading of 30.9, down from 35.0 in March, pointed to a record deterioration in business conditions faced by Lebanese private sector companies. A national lockdown led to widespread business closures and severe disruption to both supply and demand.

A key factor behind the record-low PMI was a further collapse in output during April. In fact, the rate of contraction was the sharpest since data collection began seven years ago, eclipsing the previous record set in March.

New business placed with private sector firms continued to plummet in April, pointing to an evaporation of demand amid the COVID-19 shutdown. The latest decrease in sales was sharper than in March, setting a new series record.

continued...

Lebanon PMI
sa, >50 = improvement since previous month



Sources: BLOMINVEST BANK, IHS Markit.

Comment

Commenting on the April 2020 PMI results, Sarah Hadchiti, Research Analyst at BLOMINVEST Bank, said:

“The impact of Lebanon’s coronavirus lockdown fully materialized in April. Businesses are facing sharp economic uncertainties while consumers demand weakened, which generated losses reflected in the PMI of 30.9. Moreover, the Lebanese pound accelerated its depreciation and reached unprecedented levels against the dollar, nurturing hyperinflation. On the monetary level, the Central Bank issued a series of circulars aiming to ease the pressure on the dollar and protect the purchasing power of citizens. These measures have to be complemented by reform plan and support from international financial institutions.”

Overall demand received little support from international markets at the start of the second quarter, with new export business tumbling. The decline was even faster than March's historic collapse, as foreign clients looked to cut costs amid the crisis.

With demand conditions faltering, Lebanese businesses pared back their purchasing activity in April. Moreover, the rate of reduction was the steepest since the survey's inception and sharp overall.

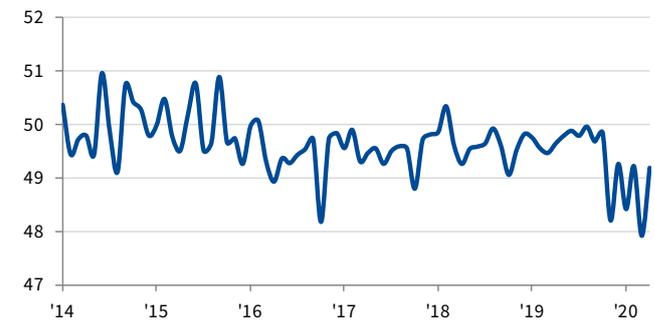
Looking forward, firms were severely pessimistic towards the 12-month business outlook. Sentiment fell to an unprecedented level, with the vast majority of firms expecting a decline in business activity over the next year.

Meanwhile, cost burdens faced by private sector companies rose drastically in April. The latest increase was the quickest since May 2013. The result was driven by a steep rise in purchase prices, which was in turn linked to a stronger US dollar. Higher material costs more than offset a record decline in wages.

Finally, despite the ongoing economic turmoil, firms reduced staff numbers at a softer rate in April. Although the result extended the current run of job losses that began last September, the latest cut was only marginal overall.

Employment Index

sa, >50 = growth since previous month



Sources: BLOMINVEST BANK, IHS Markit.

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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.

April 2020 data were collected 7-24 April 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

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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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