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## BLOM Lebanon PMI®

# Protests drive fastest output contraction in series history

### Key findings

Sharp deterioration in business conditions amid protest disruptions

Fastest reductions in output and new orders since data collection began

Supply disruption leads to sharp input price inflation

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.

November data pointed to the sharpest deterioration in Lebanese private sector business conditions since the survey's inception in May 2013. The result was driven by widespread protests that saw both output and new orders decline at historically marked rates. Meanwhile, amid reports of road and port blockages, supplier delivery times lengthened to the greatest extent on record. The supply issues also saw input prices rise at the fastest rate since January 2018.

The BLOM Lebanon PMI registered at 37.0 in November, down from 48.3 recorded in October before the onset of the civic protests on the 17th of the month. The latest reading was the lowest on record and pointed to a sharp deterioration in business conditions in the Lebanese private sector.

The decline in business conditions was partly driven by a marked contraction in output at private sector firms. In fact, the rate of decrease was the sharpest in the series' history, as panellists suggested that a lack of liquidity had stifled business.

Similarly, disruptions led to a fall in new orders midway through

*continued...*

Lebanon PMI  
sa, >50 = improvement since previous month



Sources: BLOMINVEST BANK, IHS Markit.

### Comment

Commenting on the November 2019 PMI results, Mr. Marwan Mikhael, Head of Research at BLOMINVEST Bank, said:

*“The PMI reached its lowest level since inception in November because of the political deadlock and the protests that have been going on from October 17. Output and new orders went down to hit the level of 25, knowing that 50 is the level that separates contraction from expansion, while new export orders were also hit and reached 30. These very low levels of production and demand were accompanied by a large increase in input and output prices as a parallel exchange market emerged due to the capital controls measures taken by banks. The LBP is exchanged at a 25 to 35 percent discount on this market, with importers being obliged to use this parallel market in order to get the foreign currency necessary for their imports. A new government has to be formed as soon as possible to start tackling the current unsustainable situation through a series of drastic structural and short term measures.”*

the fourth quarter. The rate of contraction was the fastest since the survey's inception in May 2013. Anecdotal evidence suggested that protests had acted to dampen demand.

Amid delays and resulting input shortages caused by road and port blockages, cost burdens faced by Lebanese businesses increased markedly during November. The rate of inflation was the quickest since January 2018, back when the country's sales tax rose. Underlying data suggested the latest increase was driven by purchase prices, while staff costs fell.

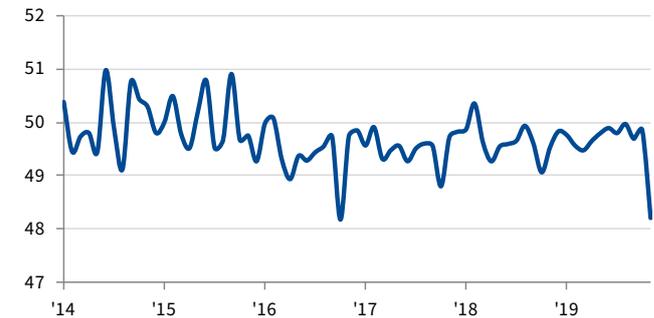
Firms opted to pass on some of the higher expenses to their clients, with the first increase in average output charges since February 2018. That said, the rate of inflation was only marginal overall.

In the context of protests and diminished new business, firms continued to reduce their staff numbers in the latest survey period. Albeit modest overall, the rate of job cutting was the quickest for just over three years.

Finally, companies remained pessimistic towards the one-year business outlook, driven by fears that the current political and economic turmoil would persist. Notably, sentiment was at the weakest level since May 2017.

## Employment Index

sa, >50 = growth since previous month



Sources: BLOMINVEST BANK, IHS Markit.

## Contact

Marwan Mikhael  
Head of Research  
BLOMINVEST Bank  
T: +961 173 7247  
F: +961 175 1953  
[marwan.mikhael@blominvestbank.com](mailto:marwan.mikhael@blominvestbank.com)

Eliot Kerr  
Economist  
IHS Markit  
T: +44-203-159-3381  
[eliot.kerr@ihsmarkit.com](mailto:eliot.kerr@ihsmarkit.com)

Katherine Smith  
Corporate Communications  
IHS Markit  
T: +1-781-301-9311  
[katherine.smith@ihsmarkit.com](mailto: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.

November 2019 data were collected 12-25 November 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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. To learn more go to [ihsmarkit.com/products/pmi.html](https://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](http://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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