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## BLOM Lebanon PMI®

# Operating conditions deteriorate further in August

### Key findings

Headline PMI little-changed from July

Slowest fall in output since January 2016

Softest reduction in new orders for just over two-and-a-half years

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 47.8 in August, little-changed from 47.7 in July. The result represented a further deterioration in operating conditions, but one that was the slowest since January 2016.

Output at private sector firms in Lebanon continued to fall in the middle of the third quarter, but the rate of contraction eased for the third month in a row. In fact, the latest reduction was the softest since January 2016. Where survey participants noted a decrease in output, they often suggested that political instability was weighing on economic demand.

In line with the trend in output, new orders placed with Lebanese private sector businesses contracted at a softer rate in August. Although the reduction was marked overall, it was the slowest for just over two-and-a-half-years. Anecdotal evidence pointed to continued demand weakness.

Despite the softer decline in total new orders, international sales fell at the fastest pace for five months. That said, the decrease was modest overall and softer than the series average.

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Lebanon PMI  
sa, >50 = improvement since previous month



Sources: BLOMINVEST BANK, IHS Markit.

### Comment

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

*“The tourism sector was able to give some breathing space for the country, thus stabilizing the PMI at 47.8 in August, its highest level since January 2016. Hence economic growth averaged 0%-0.5% in the first eight months of the year. Nonetheless investors’ confidence remains very low with Credit Default Swap reaching 1200 basis points before the recent downgrade by Fitch Ratings. The only way out of this vicious cycle of stagnation, high public debt, and low confidence is for the government to accelerate the pace of structural reforms and finish the 2020 budget on time, including all the necessary tough measures in order to reduce the deficit and unlock CEDRE funds.”*

Meanwhile, staff numbers at private sector firms in Lebanon were unchanged in the middle of the third quarter. The result ended a 17-month sequence of workforce contraction. However, companies continued to reduce their purchasing activity, albeit at the joint-softest rate since January last year.

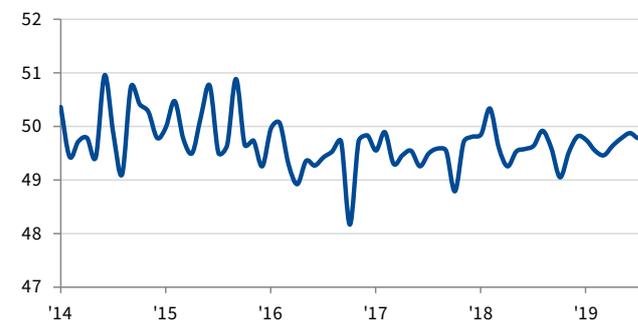
Capacity pressures in Lebanon's private sector eased further in August, with volumes of outstanding business contracting for the fiftieth month in a row. Panellist commonly linked the reduction in backlogs to a fall in new business.

On the price front, input cost inflation eased slightly from July and was only fractional overall. Underlying data suggested the latest rise was driven by higher purchasing and staff costs. Firms opted not to pass on increased input prices to their clients, with output charges falling further in August.

Finally, firms remained pessimistic towards the business outlook, driven by expectations for prolonged political instability. The degree of negativity was stronger than in July.

## 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.

August 2019 data were collected 12-23 August 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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