

Lebanon PMI slips to four-month low in April

Key findings:

- **Faster downturns in output and employment recorded at start of second quarter**
- **Firms' future output expectations deteriorate to 11-month low**
- **Selling prices fall at quickest rate since October 2015**

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 health of Lebanon's private sector economy deteriorated at the start of the second quarter. The headline BLOM Lebanon PMI dipped to 46.2 in April, from March's 46.5, to signal the most marked decline in business conditions in 2018 so far.

Private sector output fell sharply and at the fastest rate for four months in April. The contraction came amid reports from surveyed businesses of geopolitical instability in the region, which had in turn weighed on tourism and client demand. New orders decreased at a marked rate that was unchanged from that seen in March, while the level of new business from abroad fell to the greatest extent for two years.

With firms seeing a further decline in workloads in April, employment levels were reduced for a second consecutive month. The rate of job losses was the quickest seen since October last year, albeit still only modest overall. The reduction in the amount of incoming new work was also reflected in further marked drop in outstanding business.

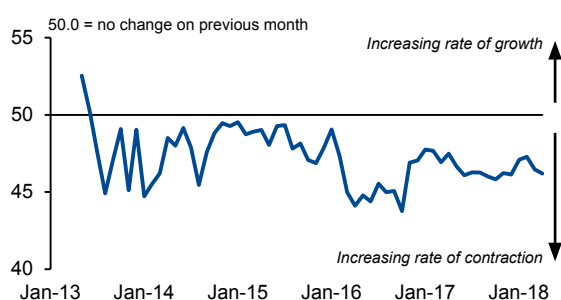
Latest data meanwhile showed a deterioration in firms' expectations for output in the year ahead. Business confidence was in fact at its lowest for 11 months, with the proportion of companies predicting lower output in 12 months' time rising steeply since the previous survey period.

Elsewhere, April saw a further weakening of cost pressures facing businesses in the private sector economy. The rate of input price inflation eased further from January's recent peak to the lowest in 2018 so far. The marginal increase in cost burdens reflected slight rises in both average purchase prices and staff pay.

Average prices charged for goods and services meanwhile fell for the second month in a row. Moreover, the rate of decline was the quickest seen since October 2015.

Finally, private sector companies reported a further reduction in their quantities of purchases in April. The extent to which buying levels decreased was the most marked since last November.

Lebanon Purchasing Managers' Index™ (PMI®)



Purchasing Managers' Index

		Unadj.	Seas. Adj.
2018	Feb	46.8	47.3
	Mar	46.4	46.5
	Apr	47.1	46.2

Index Summary

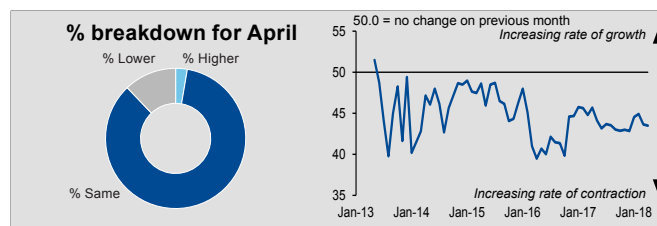
(seasonally adjusted, 50 = no change on previous month)

	PMI	Output	New Orders	Export Orders	Backlogs of Work	Employment	Output Prices	Overall Input Costs	Purchase Costs	Staff Costs	Delivery Times	Quantity of Purchases	Stocks of Purchases	Future Output
Feb'18	47.3	44.9	44.7	49.5	46.1	50.4	50.3	53.1	53.5	50.3	50.2	48.5	51.0	41.4
Mar	46.5	43.6	43.1	47.7	46.2	49.6	48.4	50.7	50.8	50.0	49.9	48.6	51.6	39.6
Apr	46.2	43.5	43.1	46.3	45.7	49.3	47.7	50.5	50.5	50.2	50.1	47.3	50.6	35.4

Output Index

Q. Please compare your production/output this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Dec	4.2	80.5	15.4	-11.2	44.4	42.8
2018	Jan	2.2	86.0	11.8	-9.6	45.2	44.5
	Feb	4.0	80.6	15.5	-11.5	44.2	44.9
	Mar	4.1	79.5	16.4	-12.3	43.8	43.6
	Apr	2.7	85.2	12.1	-9.4	45.3	43.5

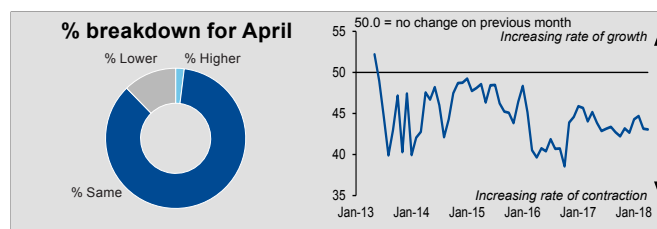


Lebanon's private sector started the second quarter on a weak footing, with business activity falling markedly and at the fastest rate seen in 2018 so far. Where a reduction in output was recorded, surveyed businesses commented on regional instability and a lack of tourism as being some of the main factors.

New Orders Index

Q. Please compare the level of new orders received this month with the situation of one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Dec	4.4	79.9	15.7	-11.3	44.3	42.7
2018	Jan	2.5	84.9	12.6	-10.2	44.9	44.3
	Feb	4.2	80.0	15.8	-11.6	44.2	44.7
	Mar	3.4	79.1	17.5	-14.1	43.0	43.1
	Apr	2.0	85.7	12.3	-10.3	44.8	43.1

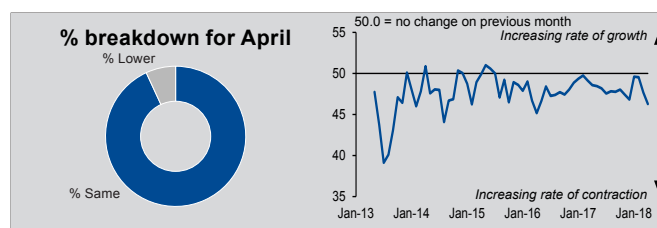


With demand for goods and services remaining subdued, the seasonally adjusted New Orders Index stayed below the neutral 50.0 level in April. Furthermore, the rate of decline in new business was sharp and unchanged from that recorded in the preceding survey period, which had in turn been the most marked since last December.

New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Dec	2.3	90.7	7.0	-4.6	47.7	46.8
2018	Jan	1.5	96.9	1.6	-0.1	50.0	49.6
	Feb	1.7	95.6	2.7	-0.9	49.5	49.5
	Mar	1.0	92.9	6.1	-5.0	47.5	47.7
	Apr	0.0	93.1	6.9	-6.9	46.6	46.3

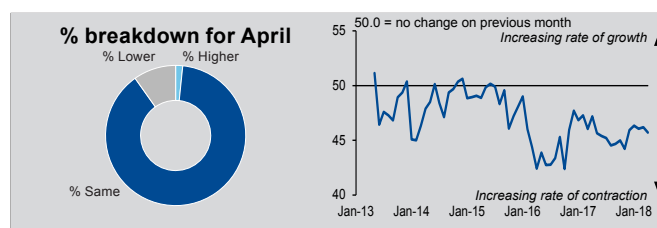


Latest survey data showed a solid and accelerated decrease in the level of new business from abroad in April. Having quickened for the third month in a row, the rate of contraction in new export orders was in fact the fastest seen for two years. Around 7% of respondents noted a drop in new work from non-domestic based clients, while none reported an increase.

Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Dec	5.7	85.0	9.3	-3.5	48.2	45.9
2018	Jan	2.2	86.6	11.3	-9.1	45.5	46.3
	Feb	3.1	84.4	12.4	-9.3	45.3	46.1
	Mar	4.4	82.8	12.7	-8.3	45.9	46.2
	Apr	1.6	88.6	9.8	-8.2	45.9	45.7

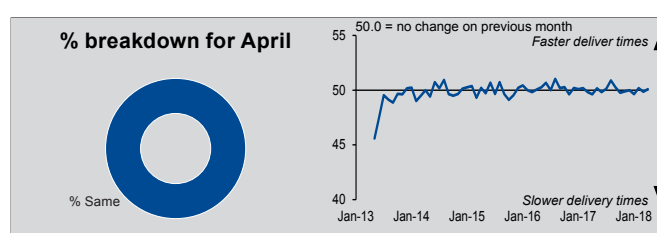


The amount outstanding business (i.e. work in progress or not yet started) among Lebanese private sector firms decreased in April, continuing the trend seen in every month since July 2015. Moreover, the rate of backlog depletion was marked, having picked up to the fastest seen since November last year.

Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.

		Faster %	Same %	Slower %	Net +/-	Index	S.Adj. Index
2017	Dec	0.0	99.7	0.3	-0.3	49.8	50.0
2018	Jan	0.0	100.0	0.0	0.0	50.0	49.6
	Feb	0.0	100.0	0.0	0.0	50.0	50.2
	Mar	0.6	99.1	0.3	+0.3	50.1	49.9
	Apr	0.0	100.0	0.0	0.0	50.0	50.1

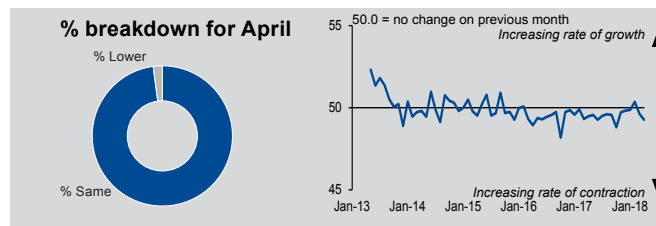


Average supplier delivery times were broadly unchanged on a seasonally adjusted basis in April, the second month in a row in which this has been the case. This was highlighted by the respective seasonally adjusted index registering a reading that was broadly in line with the 50.0 no-change mark.

Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Dec	0.8	98.2	1.0	-0.2	49.9	49.8
2018	Jan	0.3	98.9	0.8	-0.4	49.8	49.9
	Feb	0.0	99.7	0.3	-0.3	49.8	50.4
	Mar	0.6	97.9	1.6	-1.0	49.5	49.6
	Apr	0.0	97.9	2.1	-2.1	49.0	49.3

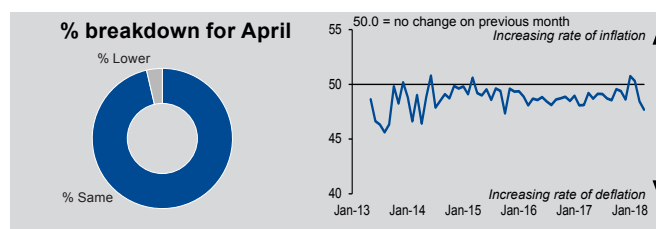


April data showed a sustained decline in the level of employment in Lebanon's private sector following a brief return to growth mid-way through the opening quarter. Although it remained only modest, the rate of job losses picked up from that seen in March to the fastest since last October.

Output Prices Index

Q. Please compare the average prices you charged this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Dec	0.2	97.4	2.4	-2.2	48.9	48.6
2018	Jan	5.4	91.4	3.2	+2.2	51.1	50.7
	Feb	0.6	94.8	4.6	-4.0	48.0	50.3
	Mar	0.8	95.8	3.4	-2.6	48.7	48.4
	Apr	0.0	96.4	3.6	-3.6	48.2	47.7

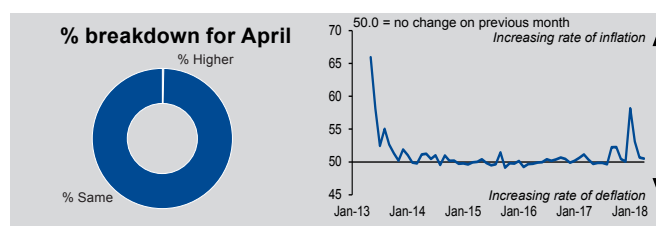


Lebanese businesses reported a second consecutive monthly decrease in prices charged for goods and services in April. Furthermore, the rate of decline was the quickest seen for two-and-a-half years. Those that reduced their output charges commented on efforts to attract new customers amid a strongly competitive environment.

Overall Input Prices Index

Q. Please compare your overall average input prices this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Dec	0.4	99.6	0.0	+0.4	50.2	50.0
2018	Jan	20.7	79.3	0.0	+20.7	60.3	58.2
	Feb	0.8	99.2	0.0	+0.8	50.4	53.1
	Mar	1.2	98.8	0.0	+1.2	50.6	50.7
	Apr	0.3	99.7	0.0	+0.3	50.2	50.5

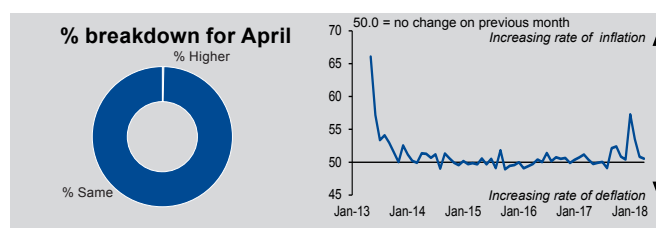


As has been the case in every month of 2018 so far, Lebanese private sector firms faced an increase in overall input prices in April. However, having slowed further from January's peak, the rate of inflation was the weakest in the year-to-date and only marginal overall. The survey showed modest cost pressures stemming from both purchase prices and staff pay.

Input Costs: Purchase Prices Index

Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Dec	0.4	99.6	0.0	+0.4	50.2	50.4
2018	Jan	21.0	79.0	0.0	+21.0	60.5	57.3
	Feb	0.8	99.2	0.0	+0.8	50.4	53.5
	Mar	1.3	98.7	0.0	+1.3	50.6	50.8
	Apr	0.3	99.7	0.0	+0.3	50.2	50.5

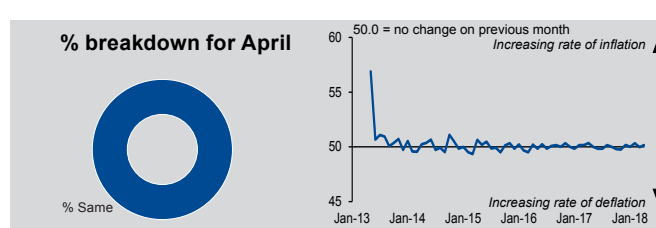


The seasonally adjusted Purchase Prices Index registered a reading above the neutral 50.0 threshold for the eighth month in a row in April. That said, the latest figure was indicative of only a marginal rate of inflation – the weakest in the year-to-date. Indeed, the vast majority of surveyed businesses reported no change in average purchase prices.

Input Costs: Staff Costs Index

Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Dec	0.0	100.0	0.0	0.0	50.0	50.2
2018	Jan	0.0	100.0	0.0	0.0	50.0	50.0
	Feb	0.0	100.0	0.0	0.0	50.0	50.3
	Mar	0.0	99.6	0.4	-0.4	49.8	50.0
	Apr	0.0	100.0	0.0	0.0	50.0	50.2

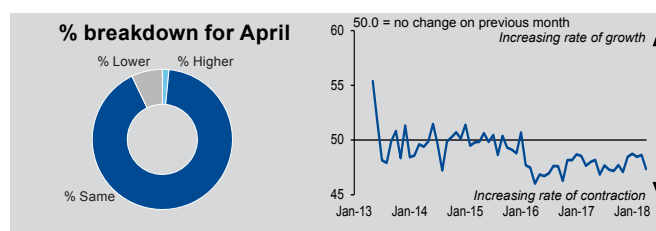


Average salaries/wages increased in Lebanon's private sector economy for the second time in the past three months in April, following no change in the previous survey period. However, as was the case in February, the extent to which staff costs rose was only marginal, with the respective seasonally adjusted index registering a reading only just above the neutral 50.0 threshold.

Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Dec	4.3	90.0	5.7	-1.4	49.3	48.5
2018	Jan	1.6	91.3	7.1	-5.5	47.2	48.8
	Feb	3.7	87.1	9.2	-5.5	47.3	48.5
	Mar	4.7	88.3	7.0	-2.4	48.8	48.6
	Apr	1.5	91.3	7.1	-5.6	47.2	47.3

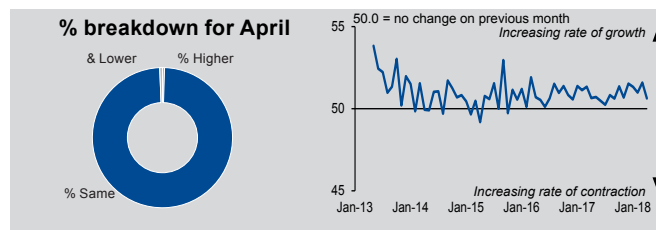


Firms' quantities of purchases decreased in April, thereby extending the current sequence of contraction to 27 months. Furthermore, the rate of decline was the quickest seen since last November, with some 7% of businesses noting lower buying levels against only 2% reporting an increase.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Dec	4.4	95.0	0.6	+3.8	51.9	51.5
2018	Jan	1.0	99.0	0.0	+1.0	50.5	51.3
	Feb	1.6	96.5	2.0	-0.4	49.8	51.0
	Mar	4.9	94.5	0.6	+4.3	52.2	51.6
	Apr	0.5	98.9	0.6	-0.1	49.9	50.6

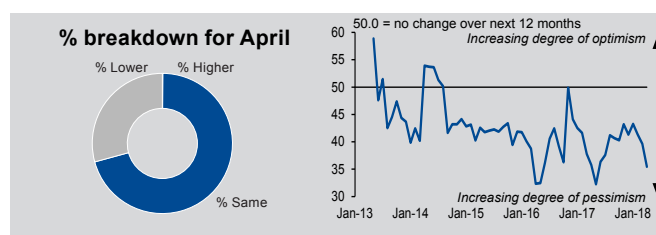


Stocks of purchases (including raw materials, semi-manufactured goods and items for resale) held by private sector Lebanese firms increased during April. However, having eased from March's two-year high, the rate of inventory accumulation was only marginal and the weakest seen since September last year.

Future Output Index

Q. In 12 months' time do you expect the overall volume of output to be higher, the same or lower than now?

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2017	Dec	0.0	82.6	17.4	-17.4	41.3	n/a
2018	Jan	2.2	82.1	15.7	-13.5	43.3	n/a
	Feb	3.6	75.6	20.8	-17.3	41.4	n/a
	Mar	1.2	77.0	21.9	-20.7	39.6	n/a
	Apr	0.1	70.6	29.2	-29.1	35.4	n/a



Latest data showed a further deterioration in firms' confidence towards the outlook for output over the next 12 months. Future expectations were at their lowest for 11 months, with businesses on balance forecasting a drop in activity over the coming year. Firms often linked their pessimism to heightened geopolitical tensions and generally difficult economic conditions.

Notes on the Data and Method of Presentation

The *Purchasing Managers' Index™* is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Lebanese economy, including manufacturing, services, construction and retail. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP, and by company workforce size. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The *Purchasing Managers' Index (PMI®)* is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease. IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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