

BLOM Lebanon PMI®

BLOM Lebanon PMI falls to 33-month low in September as security concerns mount

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BLOM Lebanon PMI falls to 47.0, its lowest since December 2021

Output and new orders decline at stronger rates

Purchase price inflation ticks higher due to rising shipping costs

According to the latest BLOM PMI® survey for Lebanon, the country's private sector economy deteriorated at its fastest pace since December 2021 in September as the conflict between Israel and Hezbollah intensified. Heightened security concerns adversely impacted businesses, anecdotal evidence showed, with activity levels and new orders, particularly from abroad, shrinking at the end of the third quarter. There were also reports of increased shipping costs, which drove purchase price inflation up to a three-month high.

Nevertheless, the latest survey data signalled broadly stable staffing levels across the Lebanese private sector.

The headline BLOM Lebanon PMI slipped to a 33-month low of 47.0 in September, down from 47.9, marking the second successive month that the index has decreased. Overall, the PMI signalled the fastest deterioration in the health of Lebanon's private sector economy since December 2021.

The weightiest component of the

headline PMI – new orders (30%) – registered a stronger decrease at the end of the third quarter. According to panellists, the conflict between Israel and Hezbollah, and the ensuing pick-up in domestic security concerns, led the volume of incoming new work to shrink. The fall in total new sales was the most pronounced since January 2022.

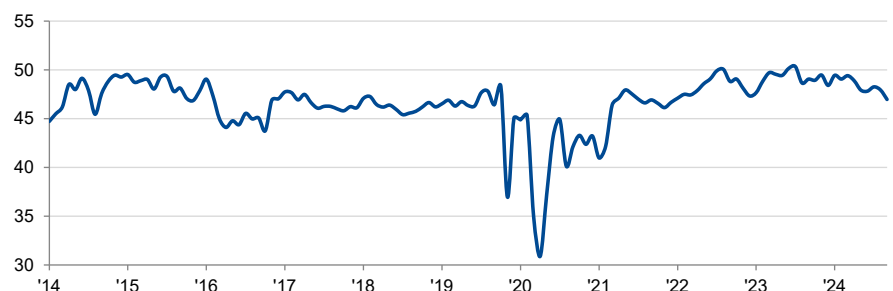
The level of new business received from non-domestic clients was also detrimentally impacted by the escalating conflict, anecdotal evidence suggested. The pace of contraction in new export orders was the quickest in over three-and-a-half years.

Consequently, private sector business activity levels decreased across Lebanon during September. The pace of decline was the most marked since the end of 2021. Around 13% of respondents lowered output, while just 2% reported growth.

With firms experiencing a lack of new business, further inroads were made into backlogs of work at the end of the third quarter. The rate of depletion

BLOM Lebanon PMI

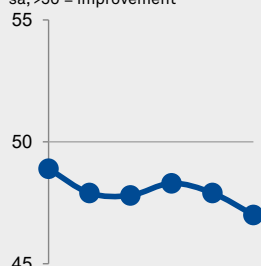
sa, >50 = improvement since previous month



47.0

LEBANON PMI
SEP '24

PMI
Apr - Sep '24
sa, >50 = improvement



was modest overall. Nevertheless, net employment levels were broadly stable, in line with the general trend seen since the summer of 2023.

Surveyed companies in Lebanon's private sector lowered their buying activity in September, but at a softer pace than in August. After three successive months of inventory growth, stocks of purchased items were unchanged.

The reduction in procurement activity coincided with an accelerated uptick in purchase prices. According to surveyed businesses, this primarily reflected greater shipping costs. Although wage bills were stable, overall input expenses

rose at the quickest pace in three months. Private sector companies in Lebanon chose to pass on the rise in their costs burdens during September. Output charges rose, albeit marginally.

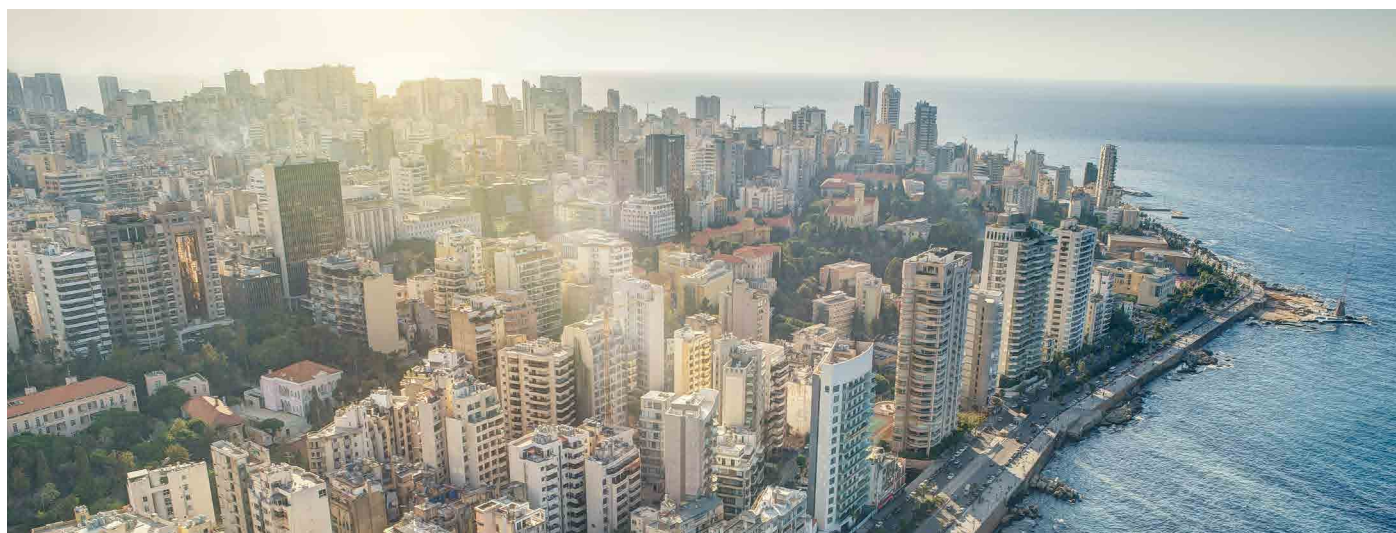
Looking towards the next 12 months, surveyed companies in Lebanon's private sector were pessimistic. An intensification of the conflict between Israel and Hezbollah was cited as a risk to the outlook.

Comment

Commenting on BLOM Lebanon PMI for September 2024, Mira Said, Research Analyst at BLOMINVEST Bank, said:

"The BLOM Lebanon PMI fell to 47.0 in September, recording a new low not seen since December 2021. This decline is attributed to the escalation in the Israeli-Hezbollah war, which has severely affected economic activity. Output, new orders and new export orders fell sharply as domestic demand is limited to essential goods during wars, while international clients avoid requests from conflict-affected

countries due to increased shipping costs and supply chain disruptions, which also raised output prices. Still, what is most regrettable is the private sector's pessimism towards the country's outlook. The ongoing war has led to significant setbacks for Lebanon's infrastructure, agriculture and tourism sectors, compounded by mass displacements, creating complicated challenges. As a result, Lebanon stands at a pivotal moment, desperately needing stability to revive its struggling economy, without much hope of attaining it soon."



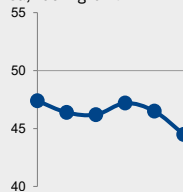
PMI®

by **S&P Global**

Output and demand

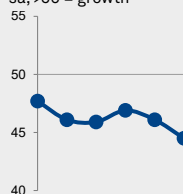
Output Index

Apr - Sep '24
sa, >50 = growth



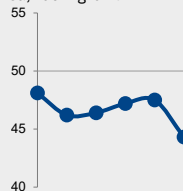
New Orders Index

Apr - Sep '24
sa, >50 = growth



New Export Orders Index

Apr - Sep '24
sa, >50 = growth



Output

The level of private sector business activity across the Lebanese economy contracted during September. In fact, the decrease was the sharpest seen since December 2021. Approximately 13% of survey respondents recorded less output than in August, which they frequently attributed to heightened security concerns domestically. By contrast, less than 2% of panel members reported higher activity on the month.

New orders

Escalating tensions between Israel and Hezbollah adversely affected the level of incoming new work received by private sector companies in Lebanon during September, latest survey data showed. The decrease in new business was sharp and on par with that seen for output. Additionally, the overall pace of contraction was the quickest since January 2022.

New export orders

According to surveyed private sector companies in Lebanon, the volume of sales made to non-domestic clients shrank at the end of the third quarter. Instability, both locally and within the region more broadly, reportedly deterred foreign customers from placing new orders, anecdotal evidence suggested. The pace of decline was the strongest in over three-and-a-half years.

Output Index

sa, >50 = growth since previous month

44.5

Sep '24



New Orders Index

sa, >50 = growth since previous month

44.5

Sep '24



New Export Orders Index

sa, >50 = growth since previous month

44.3

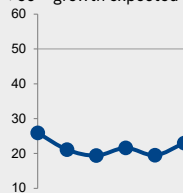
Sep '24



Business expectations

Future Output Index

Apr - Sep '24
>50 = growth expected



The Future Output Index remained well below the 50.0 no-change threshold during September, signalling a downbeat assessment towards business activity prospects over the coming 12 months by private sector firms in Lebanon. More than half of respondents (54%) predict output to fall in the year ahead, with pessimism primarily attributed to fears of conflict escalating. Some companies also identified the political situation as a drag on the economy.

Future Output Index

>50 = growth expected over next 12 months

23.0

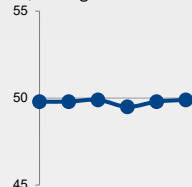
Sep '24



Employment and capacity

Employment Index

Apr - Sep '24
sa, >50 = growth



Employment

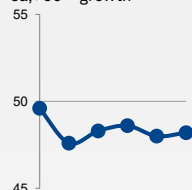
The seasonally adjusted Employment Index held close to the 50.0 neutral threshold in September, once again indicating very little change in total workforce numbers across the Lebanese private sector. This was broadly in line with the trend seen since the summer of 2023. There were a few mentions of firms reducing their headcount due to a lack of new work.

Backlogs of work

Adjusted for the influence of seasonal factors, the Backlogs of Work Index posted below the 50.0 no-change mark at the end of the third quarter, signalling lower volumes of orders pending completion. Overall, this marked a twelfth successive monthly decline in the level of outstanding business across Lebanon's private sector. The pace of depletion was modest overall.

Backlogs of Work Index

Apr - Sep '24
sa, >50 = growth

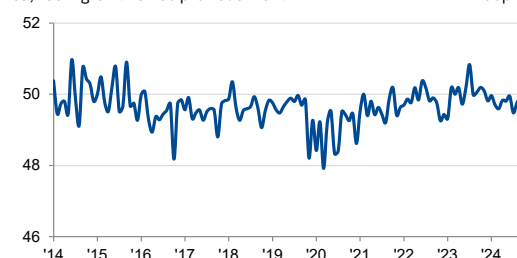


Employment Index

sa, >50 = growth since previous month

49.9

Sep '24

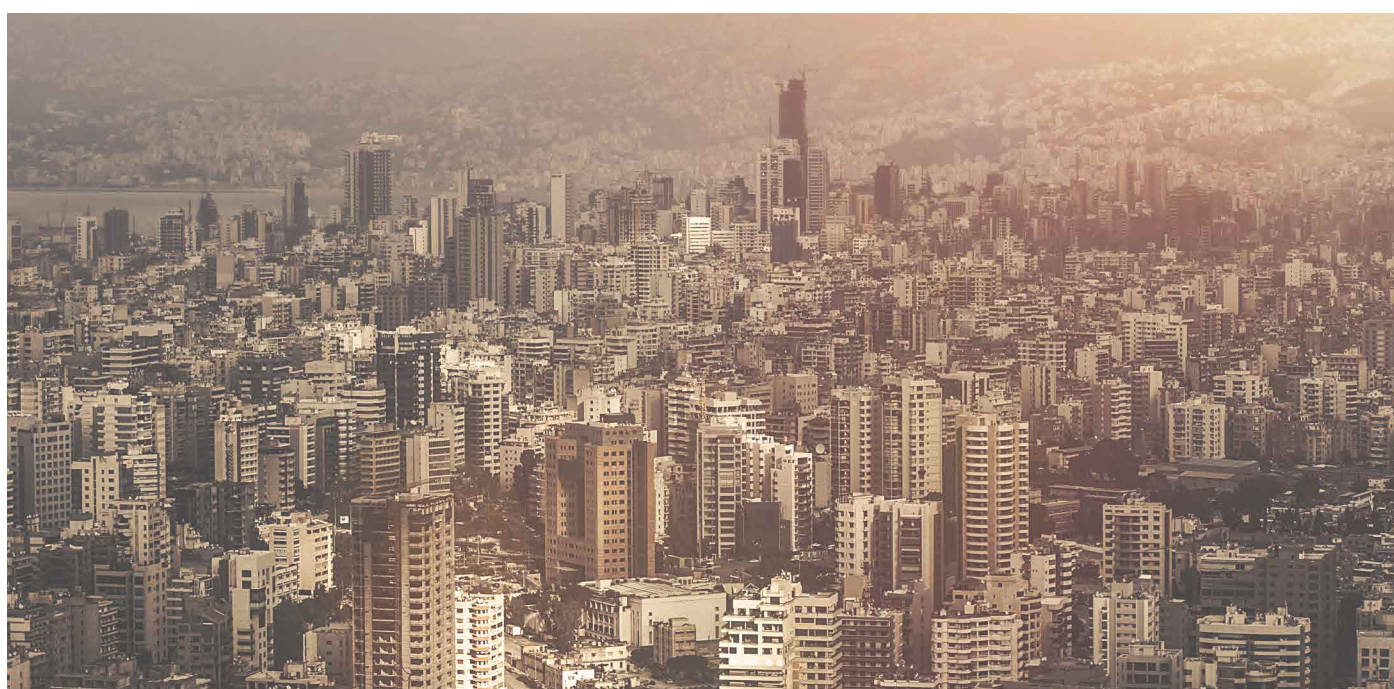


Backlogs of Work Index

sa, >50 = growth since previous month

48.2

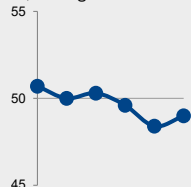
Sep '24



Purchasing and inventories

Quantity of Purchases Index

Apr - Sep '24
sa, >50 = growth



Quantity of purchases

Latest survey data highlighted a reduction in the purchasing of raw materials, semi-manufactured goods and other items private companies in Lebanon require to fulfil orders. According to anecdotal evidence, a lack of new work led respondents to taper their spending activity in September. That said, the decrease was only marginal overall.

Quantity of Purchases Index

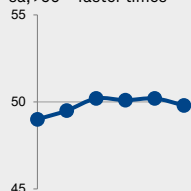
sa, >50 = growth since previous month

49.0
Sep '24



Suppliers' Delivery Times Index

Apr - Sep '24
sa, >50 = faster times



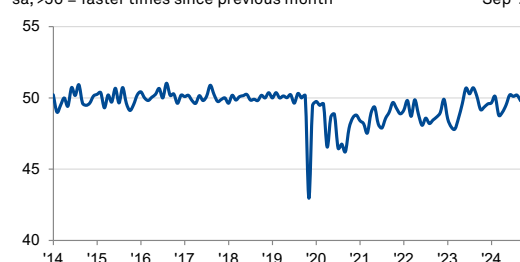
Suppliers' delivery times

The seasonally adjusted Suppliers' Delivery Times Index posted below the 50.0 no-change threshold in September for the first time in four months, signalling a renewed deterioration in vendor performance. However, the extent to which lead times lengthened was fractional.

Suppliers' Delivery Times Index

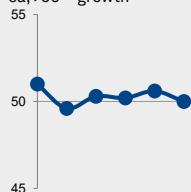
sa, >50 = faster times since previous month

49.8
Sep '24



Stocks of Purchases Index

Apr - Sep '24
sa, >50 = growth



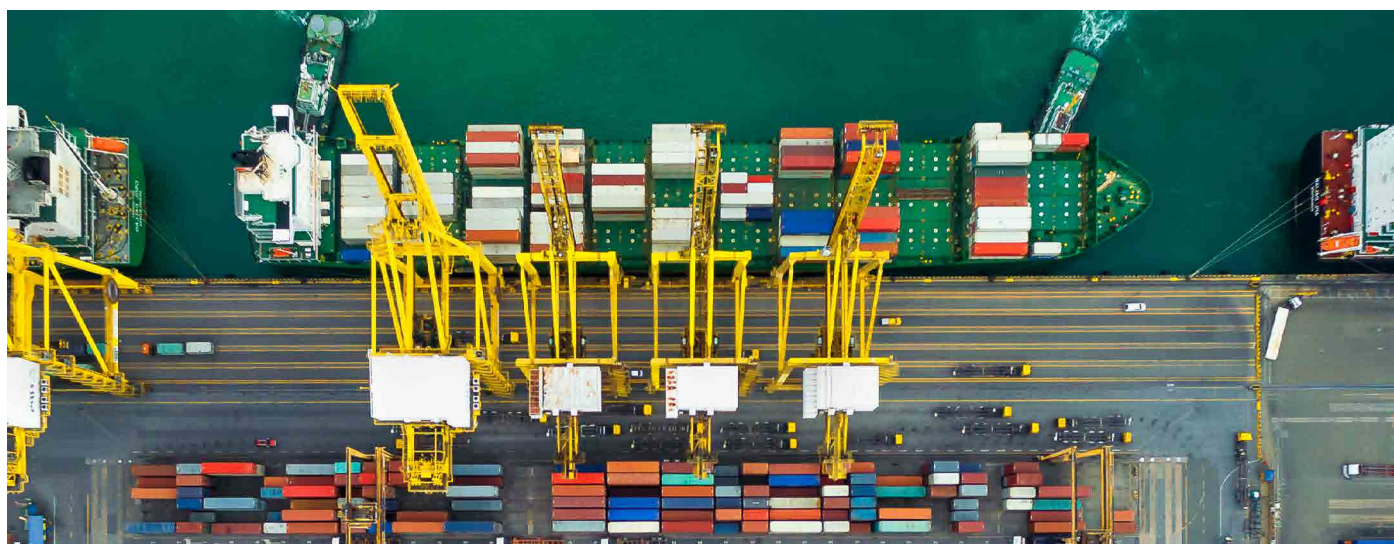
Stocks of purchases

There was no change in the volume of purchased items held in stock by private sector companies in Lebanon during September. This was evidenced by the respective seasonally adjusted index scoring precisely 50.0, thereby ending a three-month sequence of inventory building.

Stocks of Purchases Index

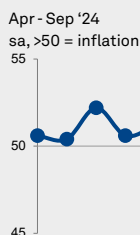
sa, >50 = growth since previous month

50.0
Sep '24



Prices

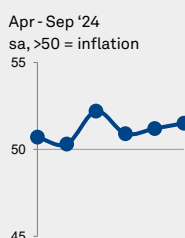
Input Prices Index



Overall input prices

According to September's survey results, overall operating costs faced by private sector businesses in Lebanon increased at the end of the third quarter. The pace of inflation picked up to a three-month high, but remained below the long-run average dating back to May 2013 when the survey started.

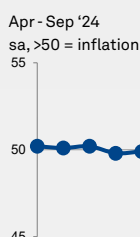
Purchase Prices Index



Purchase prices

Purchase price inflation was the major driver of rising costs during September, underlying data showed. According to panel members, shipping costs were the primary factor behind the latest increase. The rate at which purchase prices rose was modest overall and the quickest since June.

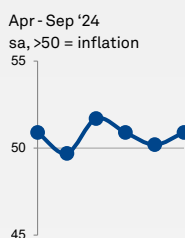
Staff Costs Index



Staff costs

With a reading of precisely 50.0, the seasonally adjusted Staff Costs Index signalled no change to labour expenses for private sector companies across Lebanon at the end of the third quarter. Stable wage bills coincided with broadly no change to workforce numbers during September.

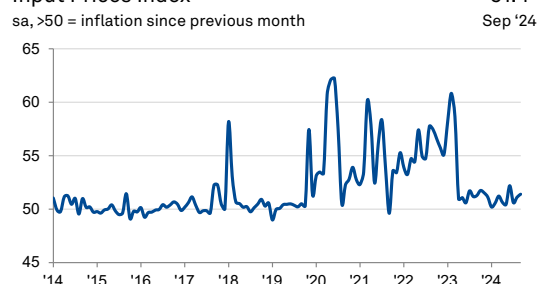
Output Prices Index



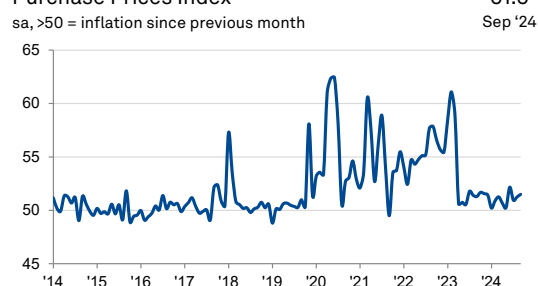
Output prices

For a fourth month in succession, private sector businesses in Lebanon lifted their prices charged in September. Additionally, the rate of inflation accelerated slightly and was just above the average recorded across the survey history. In most cases, charges were increased in response to greater purchasing costs, anecdotal evidence revealed.

Input Prices Index



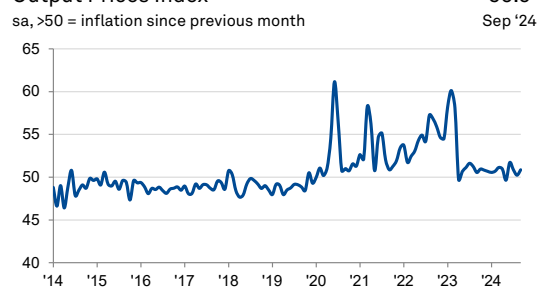
Purchase Prices Index



Staff Costs Index



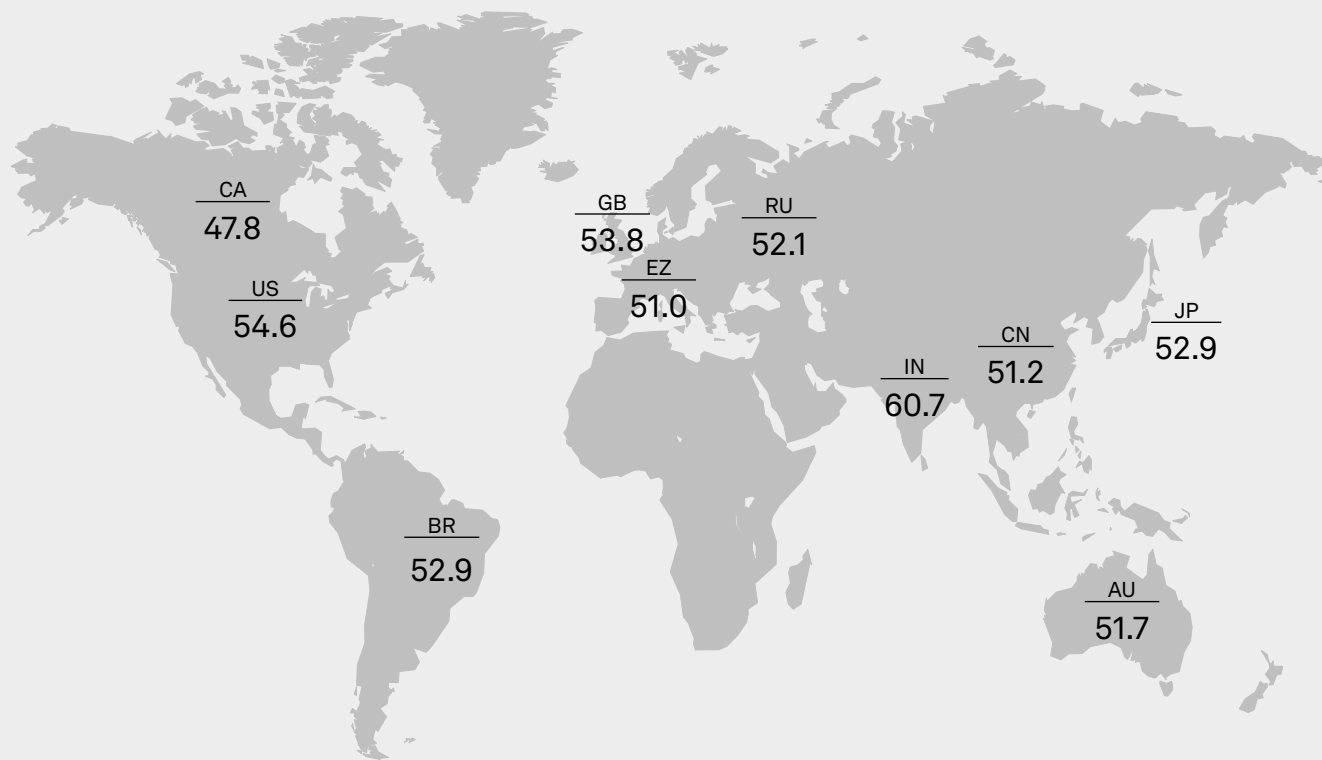
Output Prices Index



International PMI

Composite Output Index, Aug '24
 sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.

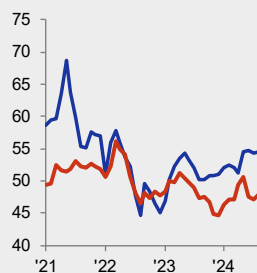


Composite Output Index

■ USA

■ Canada

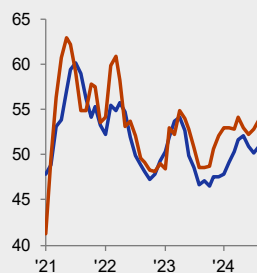
sa, >50 = growth



■ Eurozone

■ UK

sa, >50 = growth



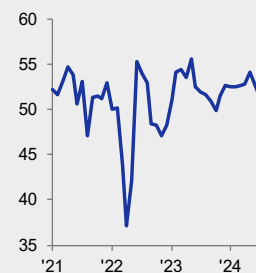
■ Russia

sa, >50 = growth



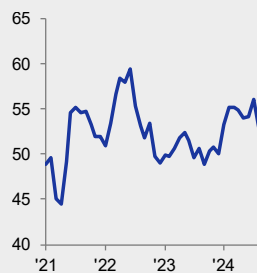
■ China

sa, >50 = growth



■ Brazil

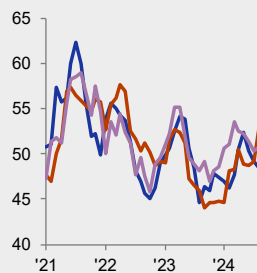
sa, >50 = growth



■ Germany ■ Italy

■ France

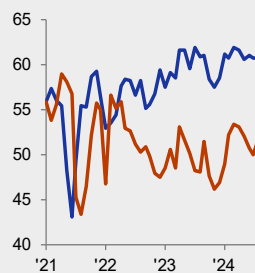
sa, >50 = growth



■ India

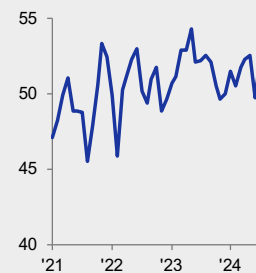
■ Australia

sa, >50 = growth



■ Japan

sa, >50 = growth



Survey methodology

The BLOM Lebanon PMI® is compiled by S&P Global 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 agriculture, mining, manufacturing, construction, wholesale, retail and services. Data were first collected May 2013.

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.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

Survey dates

Data were collected 12-24 September 2024.

Survey questions

Private sector

Output
New Orders
New Export Orders
Future Output
Employment
Backlogs Of Work
Quantity Of Purchases

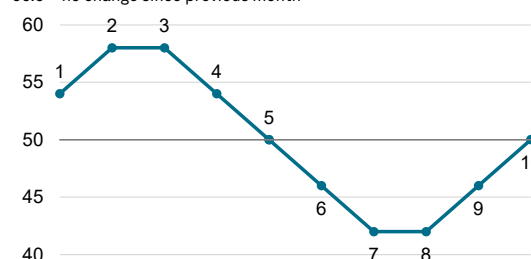
Suppliers' Delivery Times
Stocks Of Purchases
Input Prices
Purchase Prices
Staff Costs
Output Prices

Index calculation

$$\% \text{ "Higher"} + (\% \text{ "No change"})/2$$

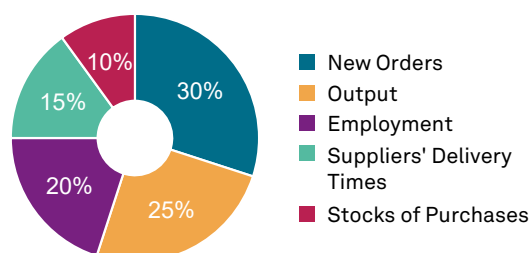
Index interpretation

50.0 = no change since previous month



- | | |
|--------------------------|----------------------------|
| 1 Growth | 6 Decline, from no change |
| 2 Growth, faster rate | 7 Decline, faster rate |
| 3 Growth, same rate | 8 Decline, same rate |
| 4 Growth, slower rate | 9 Decline, slower rate |
| 5 No change, from growth | 10 No change, from decline |

PMI component weights



Sector coverage

PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.4 codes:

C	Manufacturing	M	Professional, Scientific and Technical Activities
F	Construction	N	Administrative and Support Service Activities
G	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	P	Education*
H	Transportation and Storage	Q	Human Health and Social Work Activities*
I	Accommodation and Food Service Activities	R	Arts, Entertainment and Recreation
J	Information and Communication	S	Other Service Activities
K	Financial and Insurance Activities		

*Private sector

Index summary

Private sector

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	PMI	Output	New Orders	New Export Orders	Future Output*	Employment	Backlogs of Work	Quantity of Purchases	Suppliers' Delivery Times	Stocks of Purchases	Overall Input Prices	Purchase Prices	Staff Costs	Output Prices
04 '24	48.9	47.4	47.7	48.1	25.9	49.8	49.6	50.7	49.0	51.0	50.6	50.7	50.2	50.9
05 '24	47.9	46.4	46.1	46.2	21.1	49.8	47.6	50.0	49.5	49.6	50.4	50.3	50.1	49.7
06 '24	47.8	46.2	45.9	46.4	19.4	49.9	48.3	50.3	50.2	50.3	52.2	52.2	50.2	51.7
07 '24	48.3	47.2	46.9	47.2	21.6	49.5	48.6	49.6	50.1	50.2	50.6	50.9	49.8	50.9
08 '24	47.9	46.5	46.1	47.5	19.5	49.8	48.0	48.4	50.2	50.6	51.1	51.2	49.9	50.2
09 '24	47.0	44.5	44.5	44.3	23.0	49.9	48.2	49.0	49.8	50.0	51.4	51.5	50.0	50.9

Contact

Dr Ali Bolbol
 Chief Economist / Head of Research
 BLOMINVEST Bank
 T: +961 1 739 817
ali.bolbol@blominvestbank.com

Joe Hayes
 Principal Economist
 S&P Global Market Intelligence
 T: +44-1344-328-099
joe.hayes@spglobal.com

Sabrina Mayeen
 Corporate Communications
 S&P Global Market Intelligence
 T: +44 7967 447 030
sabrina.mayeen@spglobal.com

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.

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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.

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