

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

EMBARGOED UNTIL: 11:00 (BEIRUT) / 08:00 (UTC), May 8th 2024

BLOM Lebanon PMI®

Lebanon PMI slips to four-month low in April as demand and business activity decline

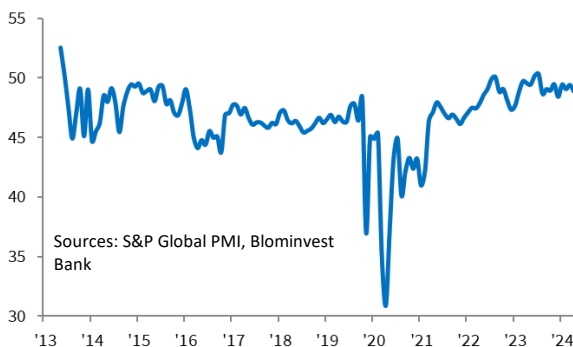
Data collected April 04-24

Geopolitical tensions weigh on Lebanese economy

Quickest fall in sales to non-domestic clients since December 2022

Private sector employment broadly stabilises

sa, >50 = improvement since previous month



Sources: S&P Global PMI, Blominvest Bank

According to the latest BLOM Lebanon PMI® survey, Lebanon's private sector economy weakened at the fastest rate in the year-to-date. The contraction was driven by weaker demand and a subsequent drop in business activity, which firms linked to escalating geopolitical tensions. Notably, sales to non-domestic customers fell at the steepest rate for nearly a year-and-a-half.

Nevertheless, employment broadly stabilised during April, while companies boosted their stocks and purchased more materials. There was also a slight softening in the rate of input cost inflation.

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 headline BLOM Lebanon PMI decreased in April to a four-month low of 48.9, from 49.4 in March. Subsequently, this indicated the fastest deterioration in the health of Lebanon's private sector economy since December last year.

Commenting on BLOM Lebanon PMI for April 2024, Dr. Fadi Osseiran, General Manager at BLOMINVEST Bank, said:

"In April 2024, Lebanon's Purchasing Managers' Index (PMI) registered a decline to 48.9, down from 49.4 in March 2024, reflecting a challenging economic landscape. The decrease was primarily driven by a notable downturn in both output and new orders, signalling subdued demand and business activity. This decline can be attributed to escalating geopolitical tensions, notably the conflict between Israel and Gaza and the Lebanese southern border, which has cast a shadow of uncertainty over Lebanon's economic prospects. Despite these headwinds, there is a glimmer of resilience as employment levels appeared to have broadly stabilized in April 2024, indicating a degree of adaptability within the labour market. Nevertheless, the overarching concern remains the volatile geopolitical landscape and its potential to further undermine economic stability and growth prospects in Lebanon."

The main findings of April's survey were as follows:

Weaker sales volumes were seen across Lebanon's private sector at the start of the second quarter, according to the latest survey results. Panellists indicated that escalating geopolitical tensions lifted security concerns domestically and across the wider region, deterring some clients from placing new orders. Total new business intakes fell at the quickest pace in the year-to-date. These factors were also to blame for the quickest drop in new export orders since December 2022. Higher shipping costs to Europe due to disruption in the Red Sea was also cited as a drag on international sales.

In turn, private sector business activity across Lebanon declined in April. The contraction was moderate, but the quickest for four months.

Backlogs of work were again used to supplement activity where possible. The rate of depletion was only marginal, however, and the slowest since last November. Despite weaker sales and activity trends, employment levels were broadly unchanged since March.

Meanwhile, private sector companies in Lebanon lifted purchasing activity and stocks of inputs to the greatest extents seen in nine months. New product launches reportedly drove inventory growth. Higher stock levels were achieved despite worsening supplier performance, as delivery times lengthened for a second month running.

Meanwhile, although there was a renewed uptick in staff costs, a softer increase in purchase prices led to a weaker rise total operating expenses. Nevertheless, higher shipping costs and greater fees from suppliers were cited. Output charges rose further in April as firms passed higher costs on to customers.

Looking ahead, private sector companies in Lebanon remained pessimistic towards the 12-month outlook for business activity, reflecting concerns of escalating geopolitical tensions and spillovers to the economy.

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Note to Editors:

The BLOM Lebanon 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 GDP and 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.

S&P Global 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. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global. Please contact economics@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. For more information, see www.blominvestbank.com.

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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. To learn more go to spglobal.com/marketintelligence/en/mi/products/pmi.html

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