

# News Release

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## S&P Global Myanmar Manufacturing PMI™

### Health of Myanmar's manufacturing sector deteriorates at a sharper rate during September

#### Key findings

Rates of contraction quicken for both output and new orders

Lead times lengthen to the greatest extent on record

Inflation rates hit survey highs

Myanmar's manufacturing industry contracted for the fifth month running during September, according to the latest PMI™ data from S&P Global. The downturn stemmed from weak demand conditions fuelled by rising prices and unfavourable exchange rates. As a result, output and new orders both contracted at the sharpest rates since August 2021. Raw material shortages also resulted in a severe lengthening of lead times, whilst also resulting in the fastest build-up of backlogs registered on record.

On the prices front, inflationary pressures mounted during the latest survey period, as both input and output price inflation rates hit record highs during September.

The headline S&P Global Myanmar Manufacturing PMI™ – a composite single-figure indicator of manufacturing performance – printed 43.1 in September, falling from 46.5 in August. Posting below the 50.0 no-change mark, that separates growth from contraction, since May, the latest reading registered the lowest in a year and signalled a sharp deterioration in the health of Myanmar's manufacturing sector.

Pulling down the headline index was a sharp contraction in production volumes. The index reported its most severe downturn in 13 months. Firms linked the fall output to fewer new orders.

At the same time, inflows of new business received at manufacturing firms across Myanmar also fell at the quickest rate in 13 months during September. Higher charges due to rising raw material prices, further exacerbated by the unfavourable exchange rate, weighed on client demand.

In line with the fall in business requirements, firms continued to cut back on purchasing activity. Moreover, the pace of reduction in raw materials and semi-finished goods quickened on the month, as the respective index hit a 13-month low.

S&P Global Myanmar Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-22 September 2022.

#### Comment

Commenting on the latest survey results, Maryam Baluch, Economist at S&P Global Market Intelligence, said:

*"The end of the third quarter of the year revealed a further deterioration across Myanmar's manufacturing sector during September. The pace of reduction gained momentum, as we saw sharper declines in both production levels and new orders being received.*

*"Furthermore, ongoing depreciation of the kyat, alongside globally rising prices for oil and raw materials, meant that client appetite suffered as inflationary pressures registered the most severe on record. The culmination of weak demand conditions and supply constraints resulted to another month of decline.*

*"Lastly, business confidence across manufacturing firms was largely neutral. The struggling economic and political climate heavily weighed on the 12-month outlook."*

PMI™

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Similarly, as firms made fewer sales, staffing levels were also reduced during September. Some firms also mentioned workers leaving for better pay opportunities elsewhere. However, the rate of job shedding did ease on the month, registering the softest downturn in the current three-month sequence of contraction.

Raw material shortages and lengthened delivery times continued to hinder production. Firms reported that average lead times were extended to the greatest extent on record. Moreover, shortages and delays meant that manufacturing firms in Myanmar struggled to work through their backlogs. Signalling a twenty-third month consecutive rise in level of outstanding business, the rate of accumulation hit a survey high in September.

Adding further strain on production was a survey-record rate of input price inflation. Consequently, manufacturers raised their own output prices at the fastest rate on record.

The overall dismal performance of Myanmar's manufacturing sector, with the rate of deterioration gathering pace, meant that the outlook for the coming 12 months remained largely subdued with only 2% of the respondents expecting growth.

### PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global.

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### Survey methodology

The S&P Global Myanmar Manufacturing PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in December 2015.

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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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