

News Release

Embargoed until 0700 MMT (0030 UTC) 2 January 2023

S&P Global Myanmar Manufacturing PMI™

Output slumps amid quicker contraction in new orders

Key findings

Quickest reduction in output in 16 months

Incoming new orders contract sharply

Input price inflation remains relatively mild

According to the latest PMI™ data, operating conditions across Myanmar further deteriorated during December. Depressed demand conditions weighed on production and factory orders, with both declining at an accelerated pace from November. Moreover, destocking across the sector prevailed, with firms sought to reduce spending. As a result, reductions in purchasing activity and headcounts were reported.

However, in some good news, the recent drop in demand has led to extensive moderation in price pressures since the third quarter. Moreover, some firms were able to benefit from a favourable exchange rate which meant only mild increments in average cost burdens and factory gate charges were reported during December.

The headline S&P Global Myanmar Manufacturing PMI™ – a composite single-figure indicator of manufacturing performance – fell from 44.6 in November to a 15-month low of 42.1 in December. The health of the manufacturing sector has worsened for the twenty-eighth successive month, barring the brief and timid growth reported during April earlier this year.

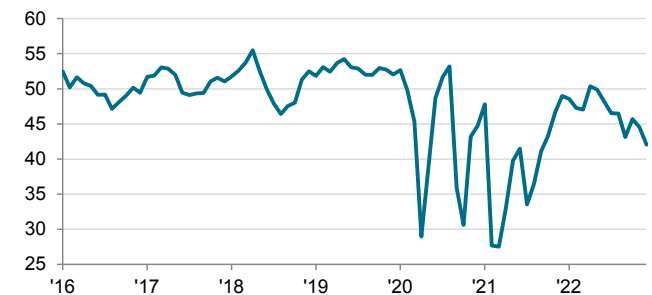
Lower new orders, shortages of materials and electricity outages resulted in the pace of reduction in manufacturing output quickening. The respective seasonally adjusted index remained well within contraction territory and was the lowest in 16 months. Moreover, financial worries among clients negatively impacted demand, resulting in fewer factory orders.

In efforts to trim operating expenses as a result of falling business requirements, December data pointed to a much more severe reduction in purchasing activity. The pace of contraction was the fastest in three months.

As a result of an ongoing contraction in factory orders, workforce numbers also fell amid widespread reports of staff cuts and voluntary resignations. Moreover, the latest

S&P Global Myanmar Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 05-15 December 2022.

Comment

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

"The latest PMI data revealed yet another contraction across Myanmar's manufacturing sector. Demand and material shortfalls and power outages weighed heavily on performance. Operating conditions deteriorated at the quickest rate in 15 months."

"While the immense alleviation of price pressures in the final quarter has been welcome news, this mainly stemmed from cooling demand, and slight easing of supply chains as input buying was heavily curbed."

"As a result, manufacturing firms continued to cut back on headcounts as operating requirements fell. Business confidence regarding the 12-month outlook for output remains was also severely muted and subdued in the context of historical data."

PMI™

by S&P Global

round of job shedding measured the fastest in the current six-month sequence of decreases. That said, nearly 90% of the panellists reported no change in headcounts.

While the manufacturing again sector failed to deliver primarily due to stymied demand, this has in turn helped allow price pressures to cool in recent months. Since the penultimate quarter, when record high rates were observed for both input cost and output price inflation, readings over the last three months have been noticeably more subdued. However, material scarcity and transportation difficulties continue to exert an upward pressure on input costs.

Latest survey data across Myanmar's manufacturing sector also showed some easing of supply chain pressures during the fourth quarter. That said, the rate at which average lead times lengthened did worsen slightly since November.

Overall, the gloomy picture painted by the latest survey results was reflected in the subdued output outlook. Business confidence across the manufacturing sector in Myanmar, while strengthening fractionally from November, remained weaker in terms of the historical survey average and was feeble overall. This was largely due to the vast majority of the panellists (98%) predicting no change in output in the coming year-ahead, compared to a meagre 2% that were upbeat.

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.

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