

MARKET SENSITIVE INFORMATION
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S&P Global ASEAN Manufacturing PMI™

Manufacturing conditions improve further in February

Key findings:

Upturn in output accelerates

Employment rises for the first time in four months

Suppliers' delivery times stabilise

Data were collected 10-22 February

The ASEAN manufacturing sector reported a further improvement in operating conditions in February, as expansions in output and new orders gained momentum. Additionally, employment rose for the first time since last October.

Encouragingly, suppliers' delivery times stabilised in February, as the seasonally adjusted index rose for the second month running, to thereby end a three-year sequence of deteriorating vendor performance.

The headline S&P Global ASEAN Manufacturing Purchasing Managers' Index (PMI™), posted in expansionary territory for the seventeenth month running in February. Moreover, the pace of growth across the sector improved further from December's recent low, with the index rising from 51.0 in January to 51.5.

Growth was reported across all monitored ASEAN nations bar two, with Thailand leading the expansion for the second month running in February. Operating conditions faced by Thai manufacturers improved at the second-fastest pace on record (index at 54.8).

The Filipino manufacturing sector recorded the second-best improvement in operating conditions. The pace of increase (52.7) eased slightly from January's seven-month high, but remained historically strong. In joint-third position, the Indonesian and Vietnamese manufacturing sectors both recorded modest rates of growth, with PMI readings of 51.2 in February.

Myanmar meanwhile returned to expansion in February (51.1), following nine successive months of deteriorating business conditions.

Singapore slid into contraction for the second time in the last three survey periods. While the rate of deterioration in operating conditions was only marginal (49.7), the downturn was a notable

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sa, >50 = improvement since previous month



Source: S&P Global.

shift from the strong rates of growth seen for much of the past year-and-half.

Lastly, Malaysia was the worst performing constituent for the second successive month. The health of the sector has now declined in each month since last September. However, the latest headline PMI reading of 48.4 indicated the softest contraction in four months.

After the headline PMI slipped to a 15-month low in December, the ASEAN manufacturing sector strengthened further mid-way through the first quarter of 2023. Growth largely stemmed from the strong rise in production levels. Manufacturing output increased at the quickest pace in four months, with the latest upturn extending the current run of expansion to 17 successive months. Moreover, new order inflows rose for the second consecutive month, and at a quickened pace.

In line with the recent uptick in production, employment rose for the first time since last October, albeit only slightly. Meanwhile, the level of work-in-hand (but not yet completed) declined for the fifth month running.

Additionally, February data pointed to a further upturn in buying activity at ASEAN goods producers. The pace of increase was the fastest in five months and solid. However, holdings of both pre- and post-production inventories fell during February, the latter for the first time since December 2021. The data therefore suggest that companies are relying on current stocks to accommodate the strong rise in

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production levels, despite expanding their purchasing activity at a quicker pace.

Perhaps the most encouraging result from the latest survey is the stabilisation of supplier lead times. February data indicated that pressures on supply chains steadied, thereby ending a three-year period of deteriorating vendor performance.

Moreover, cost pressures lessened in February, with the rate of input price inflation broadly in line with the long-term average. At the same time, firms raised their output charges at the softest pace in 13 months.

However, international demand for ASEAN goods remained weak, as new business from overseas continued to contract in February.

Finally, the outlook for output over the coming 12 months remained optimistic across ASEAN manufacturers in February. That said, the respective index weakened to an 18-month low and has now printed below the historical average for four successive months.

Commenting on the ASEAN Manufacturing PMI data, Maryam Baluch, Economist at S&P Global Market Intelligence said:

“The ASEAN manufacturing sector reported a strong improvement in operating conditions during February. The rate of expansion across the sector was the fastest in four months, as output grew at one of the fastest rates on record. Factory orders also rose at a quicker rate, while employment levels recovered and grew slightly for the first time in four months.

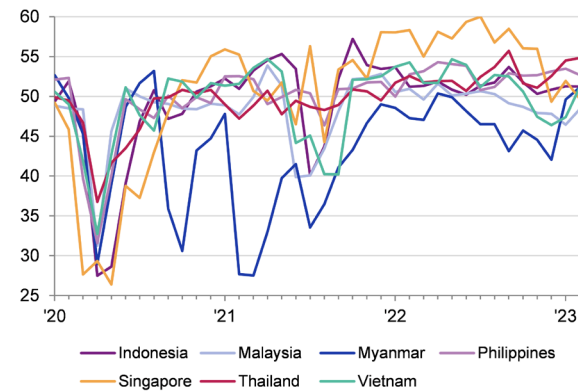
“Greater business requirements also led firms to increase their buying activity at the fastest pace in five months, and companies utilised existing stocks to meet the strong rise in production levels. Encouragingly, supply-side pressures subsided for the first time in 37 months, as average lead times for inputs stabilised. At the same time, inflationary pressures eased from January.

“Overall, the ASEAN manufacturing sector performed positively in February. However, sentiment continued to remain relatively subdued amid concerns over the broader global economic climate.”

-Ends-

Manufacturing PMI

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Source: S&P Global

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Methodology

The S&P Global ASEAN Manufacturing PMI™ is compiled by S&P Global from responses to monthly questionnaires sent to purchasing managers in panels of manufacturers in Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam, totalling around 2,100 manufacturers. These countries account for 98% of ASEAN manufacturing value added*. The panels are stratified by detailed sector and company workforce size, based on contributions to GDP.

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 at the national level. 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. ASEAN indices are calculated by weighting together the national indices. Country weights are calculated from annual manufacturing value added*.

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.

*Source: World Bank World Development Indicators.

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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 <https://ihsmarkit.com/products/pmi.html>.

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