

News Release

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S&P Global Myanmar Manufacturing PMI™

Manufacturing sector worsens as output and new orders contract at quicker rates

Key findings

Output falls at the quickest rate in 11 months

Factory orders contract for the fourth month running

Price pressures rebound during August amid material shortages

Myanmar's manufacturing sector contracted for a fourth consecutive month during August. The deterioration in operating conditions stemmed from quicker reductions in output and order book volumes. According to panel members, material and energy scarcity continued to hinder production.

Furthermore, acute price pressures resulted to a sharp rise in charges levied, as a result, heavily impacting client appetite as they became financially constrained.

The headline S&P Global Myanmar Manufacturing PMI™, a composite single-figure indicator of manufacturing performance, remained unchanged from that seen in the previous survey period, posting 46.5 during August. The latest reading signalled the joint-fastest deterioration in the health of the sector since October 2021.

Weighing on the PMI was a sharper reduction in production levels. August data reported the fastest decline in output in 11 months. According to panel members, the latest downturn was largely linked to reduced order volumes being received at manufacturing firms.

Elevated prices were blamed for dampened demand. Due to this, a fractionally accelerated reduction in factory orders was also recorded in August, thereby, extending the current run of decrease to four months. Moreover, the respective seasonally adjusted index posted the lowest in ten months and signalled a sharp drop in order book volumes.

The overall deterioration in the health of the sector also reflected a second monthly fall in employment. Firms reduced staffing levels in line with lower business requirements. Simultaneously, prospects of higher wages elsewhere resulted in high staff turnover.

The data also suggested that firms preferred to utilise their inventories. Both pre- and post-production inventories held at manufacturing firms continued to fall. Companies noted that reduced factory orders and immediate delivery of goods

S&P Global Myanmar Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-22 August 2022.

Comment

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

"August data revealed a solid deterioration across Myanmar's manufacturing sector. As per surveyed businesses, inflation and material shortages continued to hinder production. However, it seems unlikely that the drag on the sector will recede in the coming months as political uncertainty and COVID-19 heavily weigh on the economic performance of the country."

"Furthermore, with the kyat continuing to depreciate and supply chain disruptions, further increases in prices are likely. We can therefore expect a continued squeeze on customer demand, with lower consumption anticipated in the remaining months of 2022."

"The outlook appears severely subdued as the sanctions placed by the EU and the US will hinder the ruling military party and will add short-term vulnerability to the economic infrastructure of the country."

PMI™

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resulted to notable fallbacks in stocks held. At the same time, in line with the falling production levels and lower order volumes, firms again cut back on purchasing activity, thereby extending the current sequence of contraction to 30 months. Moreover, the rate of reduction was the fastest in a year and severe overall.

Average lead times lengthened at the fastest rate on record during August. Consequently, delivery challenges and material scarcity, alongside unfavourable fluctuations of the kyat, added upward pressure on input prices. The rate of input price inflation recorded amongst the fastest in the survey history.

As per anecdotal evidence, higher costs burdens were then shared with clients wherever possible in the form of higher charges levied for goods produced in August. Factory gate charges increased for the twenty-first month running, with the latest rate of inflation the second-fastest recorded to date.

Lastly, the ongoing worsening of business conditions in the sector resulted in a muted 12-month outlook during August. Forecasts remained gloomy as the vast majority of manufacturing firms expected no change in production levels. Confidence levels were greatly subdued across the panel with only a few upbeat respondents.

PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global.

Contact

Maryam Baluch
Economist
S&P Global Market Intelligence
T: +44-13-4432-7213
maryam.baluch@spglobal.com

SungHa Park
Corporate Communications
S&P Global Market Intelligence
T: +82 2 6001 3128
sungha.park@spglobal.com

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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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