

## MARKET SENSITIVE INFORMATION

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# S&P Global ASEAN Manufacturing PMI™

## Business conditions continue to improve at ASEAN manufacturers

### Key findings:

Headline ASEAN PMI at three-month high

Output and new order growth quickens in August

Sentiment improves to highest since November 2016

Data were collected 12-24 August

August data signalled an eleventh monthly improvement in business conditions across the ASEAN manufacturing sector, according to the latest S&P Global PMI data. Growth was supported by quicker upturns in production levels and new factory orders.

The headline PMI posted at 52.3 in August, up from 52.2 in July, marking eleven months of expansion. Moreover, the latest reading indicated a solid improvement in the health of the ASEAN manufacturing sector.

Six of the seven constituents recorded improvements in operating conditions in August with Singapore registering the quickest upturn, and for the ninth month running. That said, the rate of increase (56.8) softened from the survey high observed in July, to the weakest since March.

Thai manufacturers posted the second-fastest increase. Moreover, adjusted for seasonality, the headline figure (53.7) hit a record high during August. Vietnam also noted a quicker improvement in business conditions during the latest survey period, thereby extending the current run of expansion to 11 months. Moreover, the rate of growth accelerated from July's recent low.

Mild growth was noted at Indonesian manufacturers, thereby extending the current run of increase to 11 months. At 51.7, the rate of increase was the quickest in four months. Similarly, at 51.2, the Philippines also reported an improvement in business conditions.

While the headline PMI figure posted above the neutral 50.0 threshold for the fifth month running at Malaysian manufacturers (50.3), the pace of increase softened from July and signalled only a marginal improvement in operating conditions.

### S&P Global ASEAN Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Myanmar, the only country that saw manufacturing conditions worsen in August, registered a fourth successive monthly deterioration. The headline index (46.5) remained unchanged from the preceding survey period and indicated a solid contraction.

Overall, the ASEAN manufacturing sector recorded modest growth in August. The latest upturn in output was the fastest recorded since April. At the same time, order book volumes increased at the quickest pace in four months.

Rising business requirements allowed firms across the ASEAN manufacturing sector to increase hiring activity for the second month running. That said, the rate of job creation eased from that posted in July, and was moderate overall.

Furthermore, purchasing activity also grew during August. Moreover, the rate of growth quickened to a three-month high, was amongst the fastest on record and stretched the current sequence of expansion to 11 months.

Manufacturing companies were keen to build inventories amid higher production levels. Both stocks of pre- and post-production holdings increased during August. Moreover, stocks of manufactured items expanded at the strongest pace on record.

Elsewhere, while vendor performance deteriorated, the rate at which lead times lengthened was the weakest in almost two years suggesting supply-chain pressures lessened during the month.

# PMI™

by **S&P Global**

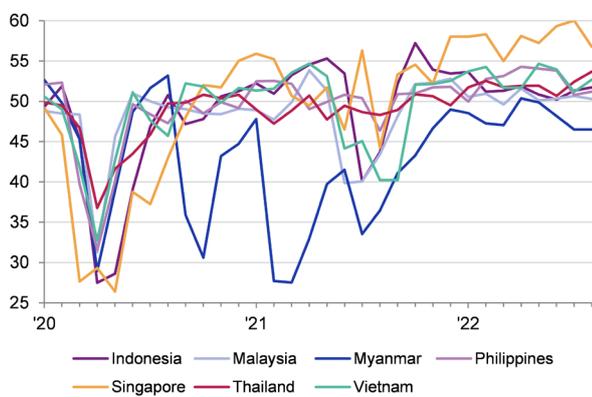
# News Release

Turning to prices, manufacturing firms reported another sharp increase in average cost burdens. Although the rate of input price inflation was the softest in six months, it remained quicker than the historical average. Additionally, the pace at which firms raised output charges strengthened in August, with firms reporting that cost burdens were shared with customers.

Looking ahead 12 months, manufacturing companies remain hopeful of expansions in output. Sentiment improved for the third month running with the degree of confidence the highest since November 2016.

## Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

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

*“August data signalled yet another modest expansion across the ASEAN manufacturing sector. Data suggested that higher production volumes and intakes of new orders resulted in firms raising employment and inventories.*

*“We also saw supply-side and inflationary pressures ease during the latest survey period. Lead times lengthened at the slowest pace in 23 months, while input price inflation eased to the weakest in six months. Firms will hope these trends continue.*

*“Overall, client appetite across ASEAN nations remained strong. However, interest rate hikes following persistently high inflation will likely challenge and curtail demand in the coming months.”*

-Ends-

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# News Release

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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](mailto:economics@ihsmarkit.com).

\*Source: World Bank World Development Indicators.

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

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