

MARKET SENSITIVE INFORMATION

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S&P Global ASEAN Manufacturing PMI™

Growth across the ASEAN manufacturing sector softens

Key findings:

Growth in output moderates

New orders rise at slowest pace in 13 months

Business confidence highest since April 2016

Data were collected 12-25 October

Growth softened across ASEAN manufacturing firms after ending the third quarter strongly, according to the latest S&P Global PMI survey data.

At 51.6 in October, down from 53.5 in September, the headline PMI signalled the slowest improvement in operating conditions across the region since the current series of expansion began in October 2021.

A majority of the ASEAN constituents recorded an improvement across their manufacturing sector during October, with the exception of Myanmar and Malaysia. Singapore remained the strongest performer for the eleventh successive month. However, adjusted for seasonality, the headline PMI fell to 56.0 in October. While the indicated expansion was sharp overall, it was also the weakest since March.

The Philippines moved up the ranking table, registering the second fastest growth of all seven nations. Despite the rate of expansion (52.6) easing marginally from September's three-month high, goods producers reported a modest improvement in the health of the manufacturing sector.

The latest upturn across Indonesian manufacturers also lost momentum during the latest survey period (51.8). Similarly, Thai manufacturers registered a slower upturn than in September. In fact, the pace of increase was the second-softest in the current sequence of growth that began in January (51.6).

Growth was sluggish across Vietnam's manufacturing sector (50.6). The latest rise ticked down from September to the slowest in the present 13-month series of expansion.

Elsewhere, Malaysia and Myanmar reported contractions for the second and sixth consecutive months, respectively. Malaysian manufacturers saw a quicker downturn during October (48.7). Adjusted

S&P Global ASEAN Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

for seasonality, the headline PMI for Myanmar increased from September's recent low, but continued to signal a strong deterioration across the sector (45.7).

Production levels rose sharply - albeit to a lesser extent - across ASEAN manufacturing firms during October amid evidence of improved demand conditions. However, the latest upturn in incoming new business was the slowest in the current 13-month series of expansion and only marginal overall.

While job creation extended into its fourth straight month, indicating firms willingness to increase capacity to cope with rising production needs, the rate of growth softened from September's survey high, to signal only a fractional expansion in payroll numbers. Similarly, the pace of expansion in purchasing activity slowed from the record-rate reported in the preceding month.

The slower rise in acquisitions of raw materials and semi-finished goods impacted inventory levels. Stocks of pre-production inventories contracted for the first time in four months, having a negative impact on the headline PMI.

A renewed fall in the level of unfinished work was registered across the ASEAN manufacturing sector in October, indicating spare capacity. Backlogs have now fallen in three of the past four survey periods.

At the same time, average lead times lengthened at the fastest pace in three months. Shipping delays,

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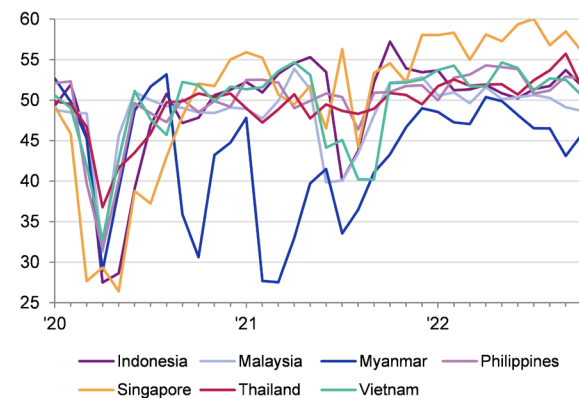
port congestion and material shortages continued to add pressure on supply chains.

In terms of prices, average cost burdens rose across manufacturing firms in the ASEAN region. However, while the rate of input price inflation remained rapid, it decelerated for the fourth straight month to the slowest since August 2021. Charges levied also rose during October. However, though output price inflation was marked overall, it was the second-softest in eight months.

Despite ASEAN manufacturers reporting subdued rates of growth during the latest survey period, future expectations picked up, with the latest data signalling the strongest optimism since April 2016. According to panellists, positive expectations were underpinned by improving demand conditions.

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:

“Latest PMI data signalled a slowdown in growth across the ASEAN manufacturing sector. Operating conditions improved at the weakest rate in the current 13-month sequence of expansion. Softer upturns were noted for both output and new orders. While expansion in production levels remained resilient, factory orders grew sluggishly during October.

“The slowdown also resonated in weak hiring activity and a softer expansion in purchasing levels, with firms noting rates of growth ticking down from the record speeds seen in the preceding month.

“That said, there were signs of continued easing of price pressures, with average cost burdens increasing at the weakest rate in 14 months. However, this can be partly linked to the slowdown in demand. Nonetheless, manufacturers across the regions maintained their positive outlook, with business confidence notably rising to highest since April 2016.”

-Ends-

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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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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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