

MARKET SENSITIVE INFORMATION

Embargoed until 0730 ICT (0030 UTC) 4 January 2023

S&P Global ASEAN Manufacturing PMI™

Muted growth across the ASEAN region amid lacklustre demand conditions

Key findings:

Softest expansion in output for 15 months

New business falls at quicker pace

Inflationary pressures continue to ease

Data were collected 06-19 December

Growth across the ASEAN manufacturing sector softened again in December, with output rising only modestly as new orders declined at a quicker rate. The pace of job shedding also gained speed during December. At the same time, there were further signs of inflationary pressures easing, with rates of both input cost and output charge inflation moderating again in December.

The headline PMI figure fell for the third consecutive month, posting 50.3 in December, down from 50.7 in November. Though manufacturing firms across the ASEAN region reported an improvement in operating conditions, thereby extending the current run of expansion that began in October 2021, the reading pointed to a further loss of momentum at the end of the year. Moreover, the latest reading was the lowest in the aforementioned sequence and signalled only a fractional rate of improvement overall.

Only three of the seven ASEAN nations covered by the survey reported growth, namely the Philippines (PMI at 53.1), Thailand (52.5) and Indonesia (50.9), and all three saw business conditions improve at an accelerated pace since November. Notably, Filipino manufacturers led growth across the ASEAN region for the first time in 34 months.

In terms of the countries that reported a deterioration in manufacturing conditions, the softest downturn was seen in Singapore. That said, after toping the rankings table for a year, the latest downtick in the headline reading – which was among the largest index drops recorded over the PMI series history – marked the first month of contraction in 16 months.

The health of the Malaysian manufacturing sector also worsened during December, thereby stretching the current sequence of deterioration to four months. Moreover, at 47.8 the pace of decrease was the

S&P Global ASEAN Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

fastest in 16 months. Posting 46.4, the PMI figure for Vietnam signalled a second successive month of weakening conditions in December. Moreover, the rate of decline gained speed from November.

The sharpest contraction was seen across Myanmar (42.1). The latest reading marked the eighth straight month whereby the PMI has registered below the neutral 50.0 threshold. Additionally, the downturn accelerated for the second consecutive month to the fastest since September 2021.

The relatively subdued performance of the ASEAN manufacturing sector was partly driven by weaker demand conditions. Factory orders contracted for the second straight month and at a quicker pace than in November.

Firms still raised their output volumes during December, however, extending the current run of expansion to 15 months. That said, the rate of increase was the softest recorded over this period and only mild. Purchasing activity expanded at a similarly modest pace.

Subdued order inflows were reflected in a back-to-back slide in workforce numbers. Moreover, the pace of job shedding gathered speed from November, albeit remaining relatively soft overall. With firms on top of their workloads, backlogs fell for the third month running, and at the steepest rate since September 2020.

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The slowdown across the region did mean some caution around stock levels in December. When looking at inventory levels, stocks of purchased items declined for the third month in a row. That said, the rate of depletion was the softest seen over this period and fractional overall. Stocks of finished products meanwhile rose only fractionally for the second consecutive month.

There were also signs that softer demand conditions helped to reduce price pressures. Latest data revealed a further easing in the rate of input cost inflation faced by goods producers at the end of 2022. Though marked, the latest upturn in operating expenses was the softest seen in two years. Similarly, the rate of output price inflation moderated to an 11-month low, but remained sharp overall.

Supply chain disruption persisted across the region during December. Difficulties sourcing materials and port congestion resulted in average lead times lengthening for the thirty-fifth successive month. While the rate at which vendor performance deteriorated was slightly quicker than in November, it was mild overall and amongst the softest recorded since the current run of deterioration began.

Finally, while manufacturers across the ASEAN region remained confident towards the 12-month outlook for output, the degree of optimism weakened for the second consecutive month to the lowest since August 2021. According to anecdotal evidence, sluggish global economic conditions had led some firms to become more cautious with regards to the outlook for 2023.

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

“The latest PMI data indicated that growth across the ASEAN region was losing steam. The slowdown was driven in part by increasingly subdued demand conditions across the region which resulted in a second month of contraction in new orders. Job shedding also entered its second month, as firms trimmed staff amid falling business requirements.”

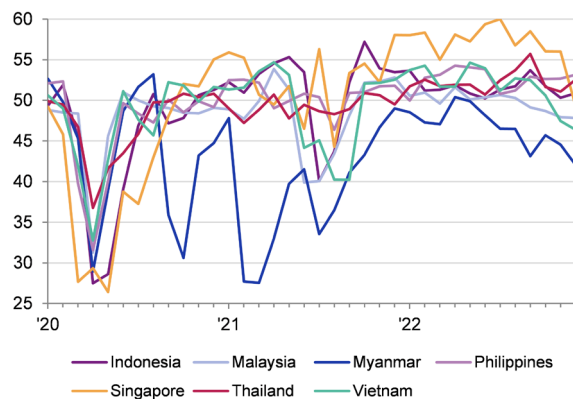
“While the drop in demand has restrained growth, the effect on prices, along with the ongoing monetary policy tightening of central banks across the region, has helped curb inflationary pressures. Nonetheless, prices still continue to rise sharply across the region.”

“Lastly, output expectations for the year ahead fell to the lowest in over a year. The weaker global economic climate was a key concern, alongside inflation and further cuts to client spending.”

-Ends-

Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global

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.

*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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