

News Release

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S&P Global Myanmar Manufacturing PMI™

Operating conditions improve for first time in ten months

Key findings

Production levels rise at a quickened pace in February

Growth in new work strengthens as demand picks up

Inflationary pressures gain momentum

Expansions across both output and new orders strengthened over the course of the month during February, as client demand picked up, thus resulting in an overall improvement in operating conditions across Myanmar's manufacturing sector for the first time in ten months.

However, due to material scarcity and supply side challenges, cost burdens also rose at a sharp and accelerated pace in February. Firms in turn raised their charges to sustain margins.

The headline S&P Global Myanmar Manufacturing PMI™ – a composite single-figure indicator of manufacturing performance – printed 51.1 in February, up from 49.6 in January. The seasonally adjusted index ticked up for the second month running, with the latest reading posting above the no-change 50.0 mark for the first time since last April and signalling a modest overall improvement in the health of Myanmar's manufacturing sector.

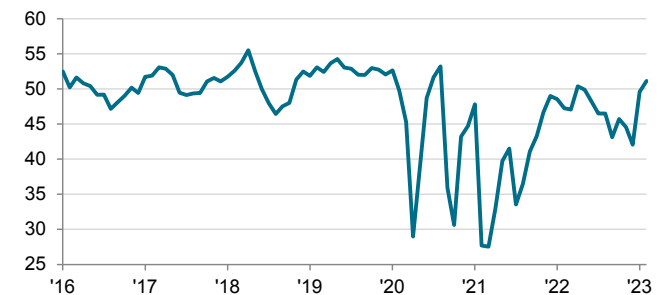
Bringing the headline PMI index up were expansions reported for output and factory orders, both of which expanded for the second month running. Moreover, the latest upturns were faster than those recorded in January.

Additionally, while firms continued to record lower levels of employment amid reports of resignations, the rate of job shedding was the least severe in the current eight-month period of reduction. Payroll numbers fell only fractionally in February, with some companies bumping hiring activity to meet the growing numbers of new orders. Furthermore, the rise in order book volumes resulted in a second monthly rise in buying activity in February. Moreover, the rate of expansion quickened from the preceding month.

Despite the overall improvement across Myanmar's manufacturing sector, supply side constraints continued to hold back the pace of expansion. Material shortages, power outages and labour scarcity were all cited to have caused a further sharp rise in the level of work outstanding

S&P Global Myanmar Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 10-20 February 2023.

Comment

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

"February data showed that the revival in demand for manufacturing goods produced in Myanmar at the start of the year has extended through to the latest survey period, as both output and new orders rose at faster rates. As a result, the headline index was pulled back above the crucial 50.0 mark for the first time in ten months, signalling a modest improvement in the health of the manufacturing sector. Buying activity also increased to meet growing demand, while employment fell at the softest pace in the current eight-month sequence of reduction.

"However, supply side challenges remained, leaving a question mark over the capacity of firms to meet demand. Although purchasing rose, backlogs continued to grow rapidly in February."

PMI™

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at manufacturing firms in Myanmar. Moreover, backlogs rose at one of the fastest rates on record, suggesting pressures on capacity rose further and will continue to do so if new business inflows continue to expand strongly.

As a result, the reliance on stocks remained strong with inventories of both pre- and post-production holdings continuing to deplete sharply during the latest survey period, with the later even registering the sharpest rate of decrease in 11 months.

Moreover, supply-side constraints could also be seen in the sustained rise in average lead times. While the incidence of delays during February was softer than that experienced on average in 2022, it remained sharp overall as material scarcity severely led to worsening vendor performance.

Additionally, the recent growth in demand and the continued deterioration in vendor performance contributed to a rise in cost burdens. The pace of input price inflation accelerated to a five-month high, with firms then raising their charges at a quickened rate in order to maintain margins. Unfavourable exchange rates and higher material prices were largely linked for the latest incline in costs.

Despite recent growth across the sector expectations were neutral, with sentiment weakening to a seven-month low as firms predicted no change in output in the coming 12 months.

PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global.

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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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