

MARKET SENSITIVE INFORMATION
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S&P Global ASEAN Manufacturing PMI™

ASEAN manufacturing sector growth slows during May

Key findings:

ASEAN PMI ticks down from April

Output and new orders rise at a slower pace

Pre-production inventories expand for first time since February

Data were collected 12-25 May

May data signalled another modest expansion across the ASEAN manufacturing sector according to the latest S&P Global Purchasing Manager's Index™ (PMI™). That said, operating conditions improved at a softer pace in May, reflective of weaker expansions in output, new orders and employment. Nonetheless, sustained expansions in output supported a rise in pre-production inventories, thereby ending two months of destocking.

The headline PMI registered at 52.3 in May, marginally down from 52.8 in April. Although indicating a loss in growth momentum, the latest reading extended the run of expansion to eight successive months.

Singapore was one of the four nations where the pace of increase slowed. However, leading the ranking table at 57.3, the rate of expansion was marked, with growth now seen in each of the last nine months.

Of the seven constituents, only Vietnam noted a quicker uplift in May. At 54.7, the rate of expansion was the strongest for four months. Meanwhile, manufacturing firms in the Philippines (54.1) recorded a slightly softer uplift than that seen in April. Nevertheless, the pace of increase was the second-fastest since November 2018.

The headline PMI reading for Thailand remained at 51.9 in May. While the overall expansion was mild, it was among the strongest in the series history. Indonesia and Malaysia also saw the rates of increase soften in the latest survey period, recording 50.8 and 50.1, respectively. Operating conditions across Malaysia broadly stagnated, however.

S&P Global ASEAN Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

After expanding for the first time in 20 months during April, Myanmar's manufacturing sector fell back into contraction territory. However, the rate of decline (49.9) was only fractional.

The ASEAN manufacturing sector observed a weaker improvement in operating conditions midway through the second quarter. Output growth was the second-softest in the current eight-month sequence of expansion. Similarly, new orders also rose at a slower pace. However, after stabilising in the previous survey period, foreign demand for ASEAN manufactured goods strengthened, with new export orders expanding for the first time in three months.

Manufacturing firms across the region increased their inventory reserves during May. Sustained demand growth prompted companies to raise their pre-production inventory levels for the first time in three months. Moreover, the rate of expansion was the quickest since July 2014. Holdings of finished goods rose for the fifth month running and at the second-fastest pace on record.

However, capacity pressures continued to intensify with the rate of backlog accumulation quickening in May. Firms often reported facing difficulties securing materials due to delayed deliveries. Vendor performance has now deteriorated in each month since February 2020. Additionally, the rate at which lead times lengthened gathered pace in May.

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On the price front, average cost burdens rose substantially, and at the third-strongest rate in the series history. Firms passed on a large proportion of the burden with factory gate charges rising at the second fastest pace on record.

ASEAN manufacturing companies increased employment levels for the second month in a row during May, albeit at a softer pace. The respective seasonally adjusted index posted marginally above the 50.0 no-change mark, pointing to only a slight uplift in headcounts.

Finally, sentiment regarding the 12-month outlook for output receded to a three-month low during May. That said, business confidence remained firmly in positive territory.

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

"Business conditions across the ASEAN manufacturing sector improved at a softer rate in May. Anecdotal evidence suggested weaker demand resulted in a slower expansion in new orders and output. However, expansions have been seen in each of the last eight months."

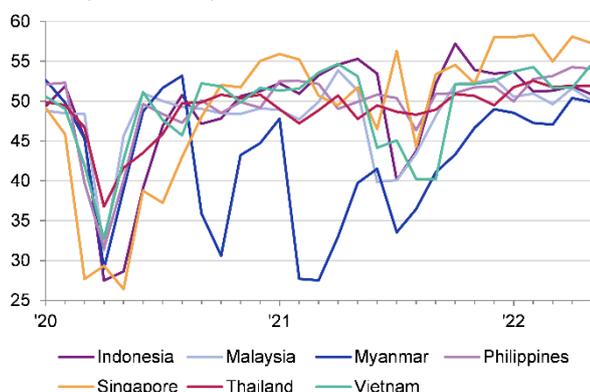
"Supply chain and inflationary pressures continued to intensify during May, which weighed slightly on growth. Geopolitical tensions, lockdowns in China and ongoing transportation bottlenecks further exacerbated supply issues."

"As a result, business sentiment eased to a three-month low, also reflective of the recent slowdown. However, ASEAN manufacturers remained confident with firms hopeful that strong demand would support output growth in the next 12 months."

-Ends-

Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

PMI™

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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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