

MARKET SENSITIVE INFORMATION

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S&P Global ASEAN Manufacturing PMI™

Business confidence drops to three-year low in July

Key findings:

Headline PMI slips to seven-month low

Softer increases in output and new orders

Business confidence hits weakest in three years

Data were collected 12-25 July

The start of the second half of the year signalled a slowdown across the ASEAN manufacturing sector. Demand conditions cooled, leading to softer expansions in factory orders and production. Weighing further on the sector's performance was the fifth consecutive month of payroll reduction, albeit with the rate of job shedding remaining marginal overall. Another point of concern was the loss of business confidence, as sentiment regarding the outlook slipped to a three-year low.

Delivery times for purchased inputs shortened again during July. Though only slight, the rate at which lead times improved remained among the strongest recorded in the survey history.

The headline S&P Global ASEAN Manufacturing *Purchasing Managers' Index (PMI™)* posted above the neutral 50.0 threshold for the twenty-second successive month in July. However, at 50.8, the headline index edged down from 51.0 in June and for the third consecutive month, signalling the weakest improvement in the health of the ASEAN manufacturing sector since last December.

July data pointed to a mixed picture across the ASEAN region, with only four of the seven constituents registering an improvement in operating conditions. Displacing Thailand, Indonesia led the PMI rankings for the first time in 20 months. Moreover, the latest reading of 53.3 signalled a solid rate of expansion that was the quickest in ten months.

After the headline index eased to an 11-month low in June, manufacturing firms across the Philippines also registered a stronger improvement in conditions in July (PMI at 51.9). Goods producers in Myanmar were not far behind, with the headline PMI reading of 51.1 picking up from a five-month low in June.

S&P Global ASEAN Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

The only other country to record growth across its manufacturing sector was Thailand. However, the pace of improvement cooled further from April's record high. Notably, at 50.7, the PMI signalled the joint-weakest pace of expansion since the current period of recovery began in January 2022.

The countries that reported a deterioration in conditions were Vietnam (PMI at 48.7), Singapore (48.5) and Malaysia (47.8). Vietnamese manufacturers signalled a fifth successive monthly deterioration in operating conditions during July. However, the latest decline was the softest seen over this period and only mild.

Goods producers across Singapore, however, signalled a contraction for the first time in four months. Despite being modest, the headline reading was the lowest recorded in nearly two years.

Lastly, as has been the case since September 2022, Malaysian manufacturers remained in contraction territory at the start of the third quarter. Moreover, the pace of decrease was stronger than that seen historically.

July data signalled that overall growth momentum moderated across the ASEAN manufacturing sector. Growth in factory orders eased over the course of the month, while the upturn in production was the joint-weakest since the current sequence of expansion began in October 2021. However, with the New Export Orders Index signalling the fastest reduction in international demand for ASEAN

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manufactured goods in four months, this suggests that domestic markets were key in sustaining manufacturing growth across the region.

The softer expansion in production resulted in a further slowdown in input buying. Though modest, the latest upturn in purchasing activity was the slowest seen in the year to date. Concurrently, stocks of pre-production inventories expanded at the quickest rate in three months.

However, holdings of finished items were depleted for the third successive month, as goods were often shipped out for delivery. Moreover, the rate of reduction was the fastest seen since October 2021.

Meanwhile, cost burdens grew again in July. However, the pace of input price inflation was unchanged from the previous month and among the weakest since the current period of rising expenses began in April 2020.

With input prices rising, ASEAN manufacturers raised their charges and at a quicker rate. The rate of selling price inflation was mild, however, and slower than the series trend.

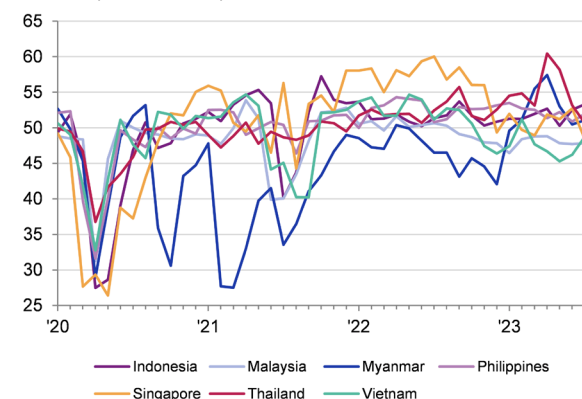
Supply chain pressures receded again, with ASEAN manufacturers registering a fifth consecutive monthly improvement in vendor performance during July.

Manufacturing employment was meanwhile cut further during July. The rate of job shedding, though marginal, was the fastest recorded in five months. Moreover, surveyed firms were able to keep up with tasks in hand, as backlogs dropped for the first time in three months.

Finally, business confidence regarding output over the coming year weakened and slipped to a three-year low, with a number of firms expressing concerns over a relatively sluggish global economic climate.

Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

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

“PMI data for the start of the third quarter highlighted a sustained slowdown across the ASEAN manufacturing sector. Both output and total new orders expanded at weaker rates than in June. Moreover, data suggested that growth was predominantly driven by domestic markets, as new orders from overseas contracted at an accelerated pace.

“Moreover, the outlook for output seems to have dimmed, as signalled by the Future Output Index slumping to a three-year low. Lingering global market uncertainty, China’s softening post-COVID recovery, and relatively subdued domestic demand all weighed on sentiment.

“However, with inflationary pressures having abated notably from the highs seen in the previous two years, this suggests not only that monetary policy tightening cycles at many central banks in the region have now peaked, but that there may be scope for looser policy if conditions continue to soften, as seen recently in Vietnam.”

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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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