

News Release

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S&P Global Myanmar Manufacturing PMI™

Output increases amid greater client demand

Key findings

Output and new orders both rise for the first time in nine months

Buying activity rises in January, albeit only fractionally

Price pressures pick-up from December

Production and new business at manufacturing firms across Myanmar both returned to growth in January, following eight successive months of reduction, according to the latest PMI™ data from S&P Global. The revival in demand across clients also resulted in the first increase in buying activity in nearly three years.

Turning to prices, the pace of input price inflation gained momentum from December, as material shortages continued to exert an upward push on expenses. In response, firms raised their charges to recoup some of the costs.

Despite an upturn in two of the PMI's largest components, output and new orders, the headline S&P Global Myanmar Manufacturing PMI™ – a composite single-figure indicator of manufacturing performance – continued to print below the neutral 50.0 threshold for the ninth month running in January, indicating a further deterioration in operating conditions across Myanmar. However, the latest sharp uptick from December's 15-month low of 42.1 to 49.6 in January, signalled a noticeable easing of the downturn and recorded the weakest contraction since May last year.

January data revealed rises in both output and new work across manufacturing businesses in Myanmar. While the rates of expansion were only marginal, the latest readings marked only the second month of growth in almost two-and-a-half-years. According to anecdotal evidence, increased client activity drove the expansions.

Moreover, rising business requirements meant that goods producers increased their buying activity in January. Though the respectively adjusted index signalled only a fractional increase, it was nevertheless the first reading above the 50.0 no-change threshold in 35 months.

The revival in client activity helped ease the downturn across the manufacturing sector in Myanmar. However, the sector remained constrained by a number of factors. Ongoing electricity outages and material shortages continued to

S&P Global Myanmar Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-23 January 2023.

Comment

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

"January data signalled a softening downturn as renewed increases in output and new orders were recorded. While the rates of growth were only marginal, growth came after eight successive months of reductions.

"However, while demand helped boost production levels, challenges to the sector continued to hinder growth and resulted in a further worsening in the overall health of the manufacturing sector in January. Price pressure limited buying activity, while power outages and material scarcity meant further steep increases in backlogs of work. Moreover, employment across manufacturing firms fell strongly, with the latest round of job shedding quickening from December.

"Though increased client activity helped in the noticeable easing the ongoing downturn, supply-side challenges and inflation prevented growth. Furthermore, growth prospects were largely subdued as business confidence hit a six-month low."

PMI™

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hinder production and consequently led to a steep rise in the levels of unfinished work in January. Moreover, firms remained cautious to raise buying activity and relying on stocks of pre- and post-production inventories to meet growing orders. Thus, destocking across the sector remained prevalent and sharp overall.

Sharp rises in operating expenses also limited growth. Higher prices of raw materials, greater shipping costs and the unfavourable pinning of the kyat against the US dollar meant that firms were dissuaded in increasing their purchasing levels, and again opted to utilise stocks to complete orders. Moreover, the rates of both input price and output charge inflation quickened in January. That said, the rates of growth where relatively softer than the averages for 2022.

Further concerning was the sustained drop in employment. Falling for the seventh consecutive month, the latest round of job shedding was sharp and the fastest overall since October 2021. Voluntary resignations were widely reported by panellists.

Overall, following the severe downturn in manufacturing conditions reported at the end of last year, January data showed signs of stabilisation. However, growth prospects for the future remained greatly subdued, with nearly all of the of surveyed panellists expecting output to remain unchanged 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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