

MARKET SENSITIVE INFORMATION

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S&P Global ASEAN Manufacturing PMI™

ASEAN manufacturing firms signal modest growth in July

Key findings:

Headline ASEAN PMI improves fractionally from June

Softer uptick in output and new orders

Job creation resumes in July

Data were collected 12-25 July

July PMI data signalled yet another modest improvement in operating conditions across the ASEAN manufacturing sector. Output and new orders expanded at solid rates, despite the pace of increase softening marginally on the month. Additionally, employment and purchasing activity increased during the latest survey period, overturing the previous months' contraction.

At 52.2 in July, up from 52.0 in June, the headline PMI posted above the neutral 50.0 threshold that separates growth from contraction for the tenth successive month. The latest figure signalled a modest overall improvement in operating conditions at the start of the third quarter.

Singapore led the rankings table in July, a trend observed since December 2021, with manufacturers recording a fresh new survey-high, and for a second month in a row during July. At 60.0, the headline figure was the highest reading ever recorded across all ASEAN manufacturers.

Thailand climbed up the rankings in July with business conditions improving at a quicker rate. Moreover, the latest reading of 52.4, was just below the record-high registered back in February. Elsewhere, after marking the weakest improvement in ten months during June, growth also picked up across goods producers in Indonesia. At 51.3 in July, the overall improvement was modest.

Vietnam followed closely behind, noting a softer improvement in operating conditions compared to that seen in June. The headline PMI index (51.2) highlighted the weakest growth in the current 10-month expansion period.

Muted rates of expansion were also noted in the Philippines (50.8) and Malaysia (50.6). However, while the Philippines experienced the slowest

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sa, >50 = improvement since previous month



Source: S&P Global.

improvement in six months, the PMI reading for Malaysia hit a three-month high in July.

Myanmar was the only ASEAN country to report a contraction across its manufacturing sector during July. The latest reduction (46.5) was the quickest since October 2021.

Expansions across the region as a whole improved marginally in July when compared to the previous month. Both production and factory orders increased, stretching the current sequence of expansion to ten months each. That said, both sub-indices also hit four-month lows in July.

The PMI was further boosted by a renewed expansion in workforce numbers. Moreover, pre-production inventories also increased fractionally in July, after noting a mild reduction in June.

Backlogs of unfinished work have risen in each month since July 2021 across ASEAN manufacturers. However, the respective seasonally adjusted index dipped below the 50.0 threshold during the latest survey period, providing evidence of spare capacity in the sector.

In terms of prices, inflationary pressures remained strong across the ASEAN manufacturing sector. Although, there were signs of inflation rates cooling as both the seasonally adjusted Input Cost and Output Price Index hit five-month lows during July.

At the same time, vendor performance further deteriorated, extending the current run of delays to

PMI™

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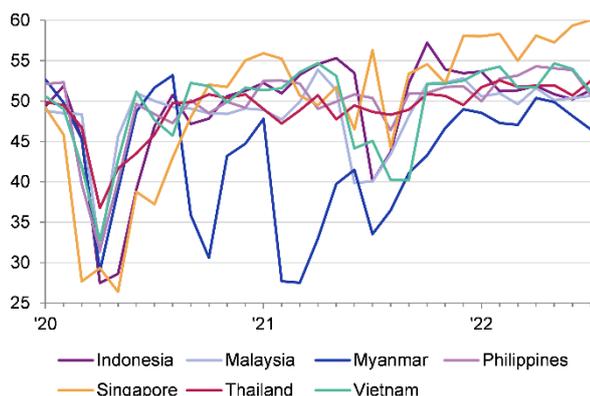
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two-and-a-half years. The rate at which average lead times lengthened was unchanged from that seen in June.

Overall, a moderate performance was observed during July, despite moderations in output and new order growth. As a result, sentiment across the region strengthened to a three-month high and was broadly in line with the long-run series average.

Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

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

“The latest PMI data indicated further growth in the ASEAN manufacturing sector, with the latest figure improving from June’s three-month low. Improved demand conditions and easing pandemic restrictions boosted production and sales volumes. Furthermore, rising business requirements resulted in a marginal increase in staffing levels

“While all nations except Myanmar signalled an improvement in the health of their respective manufacturing sectors during July, the rates of increase across the constituents highlighted a varying narrative. Growth across Singapore was strong as the PMI hit a new series high, and for the second month in a row. At the same time, slowdowns were visible across the Philippines and Vietnam, with the latest improvements the weakest in six, and ten months, respectively.

“Additionally, price pressures remain persistently high, despite easing marginally on the month. In response, central banks around the region are likely to exercise tighter monetary policies. This could potentially impact growth momentum and demand in the coming months, which continues to find its bearing as the COVID-19 shocks subside.”

-Ends-

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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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