

News Release

Embargoed until 0700 MMT (0030 UTC) 1 August 2022

S&P Global Myanmar Manufacturing PMI™

Quickest deterioration in manufacturing conditions for nine months

Key findings

Firms signal faster falls in output and new orders

Workforce numbers contract for the first time in eight months

Expectations regarding the year-ahead remain muted

Latest survey data signalled a deterioration in business conditions across Myanmar's manufacturing sector for the third month in a row during July. Moreover, the pace of reduction quickened from that experienced in June. The strong deterioration was partly driven by faster falls in output and new orders. Additionally, employment across the sector declined for the first time in eight months. The overall weakening of prospects for the sector meant that confidence regarding the 12-month outlook for output remained subdued, with panellists generally expecting no improvement in production volumes.

In terms of prices, while we did see inflationary pressures cool noticeably during July, both input and output prices continued to increase sharply overall.

The headline S&P Global Myanmar Manufacturing PMI™ – a composite single-figure indicator of manufacturing performance – fell from 48.2 in June to 46.5 in July, to signal a third successive monthly deterioration in the health of the sector. Moreover, the rate of deterioration was the fastest seen since October 2021.

Production volumes dropped at a quicker rate in July, with the pace of decrease in factory orders also accelerating on the month. Panellists often highlighted that financial constraints of customers had weighed on inflows of new orders. Moreover, ongoing material shortages and supplier price hikes further dampened output volumes, and at times resulted in temporary factory closures.

In line with a fall in production requirements, firms reduced their staffing levels during July. While the rate of job shedding was modest, it ended a seven-month sequence of rising employment. Though a majority of firms reported no change in staffing levels, the firms that signalled a drop often attributed this to wage dissatisfaction amongst employees and declining order book volumes.

Furthermore, while there were signs of sustained capacity

S&P Global Myanmar Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 12-21 July 2022.

Comment

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

"The latest PMI figures for July revealed that Myanmar's manufacturing sector continued to contract at the start of the third quarter. Customer's financial constraints, material shortages and supplier price hikes were linked to faster declines in output and new orders. Moreover, headcounts fell for the first time in eight months, and purchasing activity dropped at a quicker pace.

"The lingering political turmoil continues to plague the country, and the impact on the manufacturing sector remains severe as factory closures, supply chain disruption and material scarcity are often reported by our panellists.

"The cocktail of ongoing political and economic challenges alongside strong inflationary pressures paint a much gloomier picture of the sector and its prospects as we start the second half of the year."

PMI™

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pressures across the sector, with backlogs rising further in July, the rate of accumulation eased considerably on the month. The latest index reading indicated the softest rise in levels of outstanding business for 17 months.

In response to falling production volumes, firms also continued to cut back on purchasing activity and inventories. The latest survey data highlighted the sharpest fall in buying levels in ten months. Moreover, the rate of decrease across both pre- and post-production inventories remained marked in the context of historical data.

Turning to prices, cost pressures remained elevated in July, despite easing on the month. High raw material costs, input scarcity and unfavourable fluctuations of the kyat against the dollar were all linked to the latest increase in expenses. That said, the rate of input price inflation slipped to a six-month low, and output charges increased at the softest pace since last December.

Raw material shortages also impacted vendor performance, which has been deteriorating for almost two years. The rate at which lead times lengthened was marked overall, albeit the weakest in five months.

The latest survey also showed that business confidence remained subdued. Overall, panellists anticipate that output will be stagnant over the next 12 months amid a backdrop of weak demand conditions and notable cost pressures.

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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