News Release

Embargoed until 0700 MMT (0030 UTC) 1 January 2024

S&P Global Myanmar Manufacturing PMI®

Faster declines in output and new orders in December

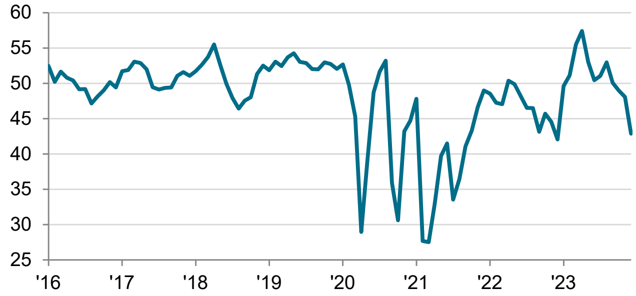
Key findings

Steepest drop in new orders in over two years

Record lengthening in supplier delivery times

Security concerns weigh on business confidence

S&P Global Myanmar Manufacturing PMI
sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 06-14 December 2023.

Myanmar's manufacturing downturn worsened at the end of 2023. The recent escalation in the conflict in northern Myanmar stifled an already fragile demand environment. As a result, steep reductions in production and new orders were reported. Amid the current collapse in business conditions, firms in turn adjusted their buying activity and staffing levels, with accelerated rates of contraction noted in each of these two variables.

Despite the drop in purchasing, supply chains remained under pressure, as material shortages and transportation challenges added to average lead times. In fact, vendor performance worsened to the greatest degree in the series history (which began in December 2015). Meanwhile, confidence levels weakened to a ten-month low with political instability weighing down on expectations across manufacturers.

The headline S&P Global Myanmar Manufacturing PMI® – a composite single-figure indicator of manufacturing performance – posted below the neutral 50.0 mark for the entirety of the fourth quarter. The latest reading of 42.9 in December, down notably from 48.1 in November, signalled the strongest deterioration in operating conditions across all of 2023.

The worsening performance of the sector reflected sharper declines in new orders and output. The respective seasonally adjusted indexes slipped by nearly ten index points each, receding further from the neutral 50.0 mark to signal the sharpest reductions in 28 and 12 months, respectively.

The downturn in new orders stemmed from the recent collapse in demand conditions, which have come under further strain amid the latest escalation in armed conflict. Manufacturers also noted that financial restrictions at clients fed through to lower sales.

The combination of a weak demand environment and scarcity of inputs (material, electricity, and fuel) led firms to reduce

Comment

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

"Myanmar's manufacturing sector plunged at the end of 2023 as the recent escalation in armed conflict between the military and rebel forces took a toll on the economy. Output and new orders declined sharply in December, with the PMI headline index recording the lowest for a year.

"As a result of the growing conflict, trade routes have been impacted. Moreover, businesses are already struggling in obtaining import licences and reporting ongoing material shortages. The severity of the collapse in supply chains was demonstrated by the latest PMI data, as average input delivery times lengthened the most on record. Moreover, price pressures intensified in the latest survey period.

"Myanmar's manufacturing firms are operating in a dire environment, facing growing challenges as conflict spreads across the country. Overall, expectations regarding future activity remains bleak as companies prioritise survival. Additionally, political instability is ever increasing and geopolitical ties, especially with mainland China, will in part dictate the course of the country as we head into 2024."

their production in December. Contractions have now been recorded in each of the past four months.

In line with falling business requirements, firms reduced their purchases of inputs and employment sharply and at accelerated rates in December. Firms pared back their buying activity at the strongest pace since September 2022, while job shedding was the most marked in over two years. To support production, firms instead continued to deplete their stocks. Pre- and post-production inventories were cutback substantially in December, and at accelerated rates.

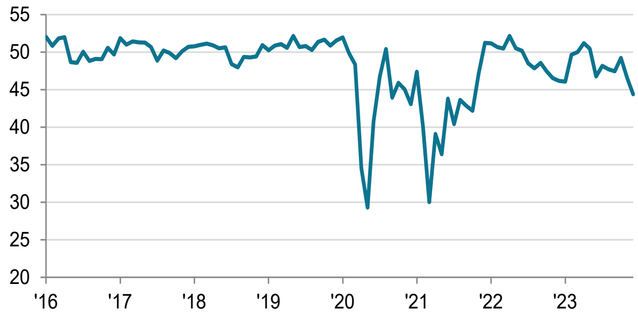
Material and fuel shortages, as well as power outages, meant that backlogs of work again rose at a historically elevated rate in the final month of the year. Moreover, with the strongest deterioration on record noted in vendor performance only further strained operating capacity.

In terms of prices, cost burdens intensified in December because of higher material, fuel and supplier prices, as well as the unfavourable movement of the kyat against the dollar. Firms in turn raised their output prices in response to the uptick in input costs.

Looking ahead, optimism levels weakened across manufacturers in Myanmar. The degree of confidence was at a ten-month low. Political instability and growing uncertainty served to dampen expectations across respondents.

PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

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Survey methodology

The S&P Global Philippines 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 January 2016.

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@spglobal.com.

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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. spglobal.com/marketintelligence/en/mi/products/pmi.

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