# News Release

MARKET SENSITIVE INFORMATION
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# S&P Global ASEAN Manufacturing PMI™

## PMI slips into contraction territory for first time in over two years

**Key findings:**

Headline index falls to 49.6 in September from 51.0 in August

Output growth moderates to a two-year low…

…as new orders fall for the first time this year

Data were collected 12-25 September

Having improved in each month since October 2021, September data revealed a deterioration in the health of the ASEAN manufacturing sector. Companies reported a fresh fall in new orders, while production expanded at the weakest pace in two years. Goods producers also lowered their workforce numbers, following a fractional rise in August.

September data also pointed to a further pick up in inflationary pressures. Though subdued by historical standards, the increases in both input prices and output charges were the fastest in five and four months, respectively.

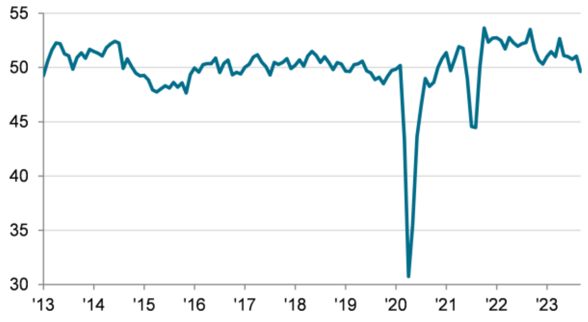
The headline S&P Global ASEAN Manufacturing *Purchasing Managers' Index (PMI™)* slipped into contraction territory for the first time in 25 months in September, with the index printing 49.6, down from 51.0 in August. The latest result signalled a renewed deterioration in business conditions, albeit one that was marginal overall.

Four of the seven ASEAN constituents monitored by the survey reported a deterioration in the health of their manufacturing sector in September. Malaysia recorded the strongest decline for the third month running. Notably, the respective headline index of 46.8 signalled the quickest downturn since the start of 2023.

The second-worst performer was Singapore, where manufacturers registered a fresh contraction in September. The respective headline figure (47.3) indicated a solid rate of decline overall, and one that was the fastest recorded since August 2021. Thailand recorded a second consecutive month of weakening business conditions. Moreover, the downturn deepened in September, with the headline PMI falling to a 28-month low of 47.8.

**S&P Global ASEAN Manufacturing PMI**

sa, >50 = improvement since previous month




Source: S&P Global PMI.

With the headline PMI at 49.7, Vietnam registered only a marginal deterioration in manufacturing conditions. The PMI for Vietnam has now posted below the neutral 50.0 mark in six of the last seven survey periods.

Of the three countries that registered an improvement in operating conditions, growth was the slowest across Myanmar's manufacturing sector. In fact, the rate of expansion moderated notably from August to signal only a fractional improvement (PMI at 50.1).

Following its first deterioration in two years during August, Filipino manufacturers reported a fresh improvement in conditions in September. That said, the rate of increase was marginal overall (PMI at 50.6). The strongest expansion was recorded across Indonesia. Nonetheless, here the headline PMI fell to a four-month low of 52.3.

Overall, the ASEAN manufacturing sector ended the third quarter of 2023 on a weaker note, as the headline PMI slipped into contraction territory for the first time in 25 months. Driving the downturn was a fresh, albeit modest, fall in factory orders. This followed an eight-month run of growth. A further decline in new export business also weighed on overall volumes of new work. Subsequently, growth in output slowed to the weakest in the current two-year sequence of expansion.

PMI™ by S&P Global

Concurrently, purchasing activity stagnated in September, thereby ending a period of expansion that stretched back to October 2021. Instead, manufacturers looked to increase their usage of current inventories. Pre-production stocks were depleted for the first time in six months, while stocks of finished goods shrank for the fifth month in a row and at the strongest pace in nearly two years.

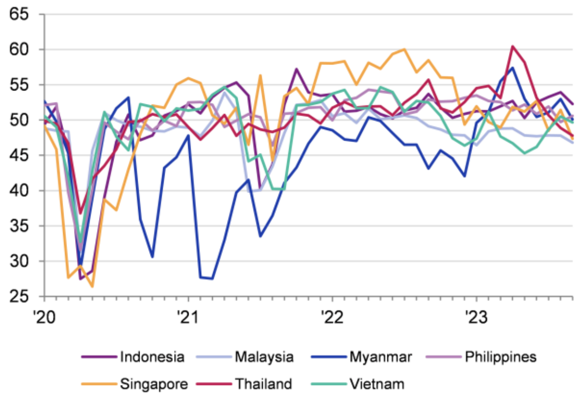
Manufacturers continued to make inroads in their backlogs, which declined at the quickest pace in nine months. With firms able to keep on top of their workloads, and a fresh reduction in orders, employment fell slightly during September.

Meanwhile, ASEAN manufacturers continued to face rising cost burdens. Input prices rose sharply and at the fastest pace since April. Similarly, output charges were raised at the quickest pace in four months. That said, the rates of inflation remained well below those seen a year ago.

Encouragingly, suppliers' delivery times for inputs shortened for the seventh successive month. Additionally, firms remained optimistic of higher output in the coming 12 months. The degree of confidence strengthened to a five-month high, though continued to post below the long-run average.

**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:

*"The ASEAN manufacturing sector exhibited renewed signs of weakness in September as the headline PMI fell below the neutral 50.0 mark for the first time in over two years. New work fell for the first time in 2023 to date, while the rate of production growth eased to a 24-month low.*

*"Moreover, four of the seven ASEAN nations covered by the survey recorded a deterioration in operating conditions, of which two (Singapore and Thailand) registered the strongest contractions in over two years.*

*"With demand for ASEAN goods weakening, firms opted to rely on their current stock holdings to meet business requirements, with both pre- and post-production inventories depleted in September, while purchasing activity stagnated.*

*"With confidence across ASEAN manufacturers remaining subdued by historical standards amid concerns over the wider global economic climate, the data point to further downside risks for the sector going forward."*

-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@spglobal.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 www.spglobal.com/marketintelligence/en/mi/products/pmi .



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