

News Release

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S&P Global Myanmar Manufacturing PMI™

Operating conditions deteriorate at faster rate in June

Key findings

Output contracts at quicker pace amid lower sales

Lead times lengthen at near-record rate

Cost burdens continue to rise rapidly

Latest survey data signalled a quicker deterioration in operating conditions across Myanmar's manufacturing sector. Output and new orders both contracted at faster rates, while suppliers' delivery times lengthened at a near record pace.

Moreover, input costs and prices charged by manufacturing firms continued to rise sharply in June, with the rates of increase amongst the fastest since the survey began back in 2015.

The headline S&P Global Myanmar Manufacturing PMI™ - a composite single-figure indicator of manufacturing performance registered 48.2 in June, slipping from 49.9 in May. Therefore, after a fractional deterioration in the health of the sector during May, the latest reading firmly placed the sector back in contraction territory. That said, the rate at which business conditions deteriorated was mild.

The lower headline index reading partly stemmed from a faster fall in productions levels. Firms linked lower output to depressed client demand as well as material and electricity shortages.

Moreover, high selling prices and financial limitations of clients meant that new business received by manufacturing firms shrank for the second consecutive month. The rate of reduction was the steepest seen since March.

In line with the drop in sales, purchasing activity fell sharply, with firms hesitant to buy input materials. The pace of decline was the quickest since September 2021. Panellists also acknowledged that rising raw material prices also weighed on input buying. June data showed that firms continued to rely on current stocks to fulfil orders. As a result, both pre- and post-production inventories contracted, and at sharp rates.

S&P Global Myanmar Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 13-22 June 2022.

Comment

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

"PMI data for June showed a more marked deterioration in operating conditions across Myanmar's manufacturing sector. Output and new orders both fell at faster rates, with buying activity also taking a hit.

"Employment growth also slowed and showed signs of near-stalling. Staffing levels expanded only fractionally and at the slowest rate in seven months.

"Weaker demand conditions and supply-side challenges continued to weigh on the manufacturing sector. In addition, the ongoing energy crises and widespread shortages of raw materials further exacerbated the problems faced by manufacturing firms.

"The outlook for the coming year looks subdued, with inflation remaining strong and the lingering political uncertainty straining the sector. With the cards stacked against Myanmar's manufacturing sector, it seems unlikely that the sector will return to growth anytime soon."

PMI™

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Despite the falls in output and new work across the manufacturing sector, firms continued to hire additional staff to help speed up the production process. That said, the rate of job creation softened to a seven-month low, and pointed to only a fractional rise in payroll numbers. Moreover, staff turnover was cited as a key factor preventing firms from maintaining headcounts.

Supply-side constraints weighed heavily on the manufacturing sector in June. Longer delivery times for inputs continued to hinder production, with levels of unfinished work increasing for the twentieth consecutive month. Panellists noted that suppliers were facing difficulties in sourcing raw materials and transport delays. As a result, lead times for purchased items lengthened at the second-fastest rate on record.

In terms of prices, average cost burdens and prices charged by goods producers both rose sharply. Companies commented that a variety of inputs had risen in cost, such as raw materials and transport, which was partially passed on to customers in the form of higher selling prices.

Overall, the downturn across the manufacturing sector gained momentum in June, which impacted business confidence. Notably, only 1% of surveyed businesses anticipated an increase in output in the coming year.

PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global.

Contact

Maryam Baluch
Economist
S&P Global Market Intelligence
T: +44-13-4432-7213
maryam.baluch@spglobal.com

Joanna Vickers
Corporate Communications
S&P Global
T: +44207-260-2234
joanna.vickers@spglobal.com

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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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