

News Release

Embargoed until 0700 MMT (0030 UTC) 2 September 2024

S&P Global Myanmar Manufacturing PMI[®]

Sharp drop in demand drives outlook to record low

Key findings

Steep declines in new orders and output

Year-ahead outlook for production worst in survey history

Inflationary pressures heat up

The latest PMI[®] data for Myanmar revealed a deteriorating picture of the manufacturing sector in August. Output and new orders declined at accelerated and sharp rates. Manufacturing employment also remained in a downturn, and buying activity was further curbed. Price pressures also intensified during August, with input costs rising at the strongest pace for a year. As a result, firms raised their charges at a stronger rate. Moreover, the 12-month outlook for production was the most pessimistic in the survey history.

The headline S&P Global Myanmar Manufacturing PMI – a composite single-figure indicator of manufacturing performance – posted below the neutral 50.0 mark for a second successive month in August. The headline index fell from 48.4 to 43.4, the lowest reading in the year to date. The latest print indicated a sharp deterioration in the health of Myanmar's manufacturing sector.

Central to the worsening health of the sector was a steep decline in new orders. Businesses highlighted that rising prices for goods had dampened customer activity. Violence within the country and flooding was also said to have resulted in a fallback in demand.

Deteriorating demand trends and material shortages impacted production levels, with goods producers noting a severe drop during August. In fact, the rate of decrease was the most marked since December 2022.

Falling business requirements meant that manufacturers steeply curbed back their buying activity in August. The decline in purchases was sharp overall and the strongest in eight months. Firms also noted that material shortages and higher prices for inputs often deterred buying activity.

The drop in purchasing activity resulted in a further round of destocking of pre-production inventories. The rate of depletion was the strongest since September 2022 and among the most marked on record.

S&P Global Myanmar Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-21 August 2024.

Comment

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

"Goods producers in Myanmar find themselves operating in an increasingly challenging environment, August data showed. Rising operating costs, largely resulting from a weakening currency, fed through to a marked rise in selling prices. Already failing to generate demand, firms struggled to market their higher priced products to customers facing severe financial limitations. The repercussion was a severe pullback in production, as output fell at the most pronounced rate in 20 months. Moreover, despite falling business requirements, companies have been struggling to keep on top of their workloads, as a result of longer delivery times and a contracting workforce.

"Moreover, sentiment took a severe hit in August with pessimism rife across manufacturers and the respective Future Output Index hitting a record low. The data thus indicates a testing path ahead for Myanmar's manufacturing sector."

PMI[®]

by S&P Global

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Where purchases were made, manufacturing companies struggled to receive them in a timely manner, with average lead times for inputs lengthening notably in August. Material shortages, internal fighting and difficulties in obtaining import licenses were all said to have added further strain on supply chains.

Additionally, firms again struggled to maintain their staffing levels during the latest survey period, as reports of resignations were widespread. The ongoing armed conflict and depressed wages were said to have triggered workers to migrate internally, or seek better economic opportunities abroad.

Material shortages and an anaemic workforce meant that firms struggled to keep on top of their workloads, despite the ongoing downturn in new orders. While the rate of backlog accumulation was the softest in seven months, it was substantial overall.

Turning to prices, inflationary pressures continued to heat up in August. Firms faced rising operating costs, as the depreciation of the kyat against the US dollar severely inflated expenses. Material shortages were also said to have driven up operating costs. The rate of input price inflation was the strongest since August 2023. In turn, goods producers raised their charges at a sharper pace.

Another concerning development during the latest survey period was the deepening pessimism across Myanmar's manufacturing sector. Firms were the most downbeat in the series history, with worries surrounding political and market instability severely damaging forecasts for the year ahead.

PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

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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@spglobal.com.

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