

IHS Markit ASEAN Manufacturing PMI™

ASEAN manufacturing sector returns to growth in March

Key findings

Renewed upturns in output and new orders

Input cost inflation strongest for more than seven years

Business confidence ticks up

Data were collected 12-25 March 2021.

The ASEAN manufacturing sector saw a return to growth in the closing month of the first quarter, according to latest IHS Markit Purchasing Managers' Index (PMI™) data. Following marginal declines in February, both output and new orders increased during March, although the upturns were only mild. Supply chain delays added further upwards pressure on prices, however, with the rate of cost inflation the steepest since January 2014. Nonetheless, business confidence ticked up to a three-month high, although the level of sentiment remained slightly below the series long-run average.

The headline PMI rose from 49.7 in February and back above the neutral 50.0 mark to 50.8 in March. This signalled a renewed improvement in ASEAN manufacturing conditions, albeit one that was only slight.

Expansions were seen in four of the seven constituent nations during March. The strongest upturn was seen in Vietnam, where the headline figure (53.6) pointed to a fourth straight monthly improvement in the health of the sector and one that was the quickest since December 2018.

Sustained growth was also registered in Indonesia and the Philippines during March. In the former, the headline index reached a survey record high (since April 2011) of 53.2 and signalled a robust rate of expansion, while the latter saw growth moderate slightly, but remain solid overall (PMI at 52.2).

Singapore was the only other ASEAN nation to register an improvement in manufacturing conditions during March. Here, the headline PMI (50.7) was indicative of a noticeably slower rate of growth than in the prior three months and one that was mild overall.

Elsewhere, the health of the Malaysian goods producing sector

ASEAN Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Lewis Cooper, Economist at IHS Markit, said:

"The ASEAN manufacturing sector saw a fresh improvement in conditions at the close of the first quarter, with growth driven by renewed increases in both output and inflows of new work following slight falls in February.

"Data highlighted ongoing supply disruptions, however, with vendor performance deteriorating again and contributing to the strongest rate of cost inflation for more than seven years. Companies used their pricing power to pass some of these additional costs to clients during March, as factory gate charges increased at the strongest pace for nearly two-and-a-half-years.

"At the national level, performances remained uneven, with just four of the seven constituent countries registering growth in March. Downturns eased in Malaysia and Thailand, but political turmoil led to a new record rate of contraction in Myanmar.

"Overall, the short-term outlook for the sector remains uncertain. Although now in a better position to continue a recovery from the pandemic, we are yet to see signs of a solid, sustained rebound."

continued...

was largely stable on the month, as the headline index registered just below the neural 50.0 mark. In Thailand, the downturn eased since February, but at 48.8, the PMI still signalled a modest rate of contraction overall.

Finally, Myanmar recorded another severe decline during March. The headline figure slipped to a fresh record low (27.5), as factories remained closed amid political turmoil.

Central to the improvement in ASEAN manufacturing conditions during March were renewed upturns in both output and new orders. The rates of growth were mild overall, however, and weaker than those seen in December and January.

Nonetheless, improved demand boosted firms' confidence towards output over the coming 12 months during March. The level of positive sentiment was the highest since last December, although slightly subdued in the context of historical data.

March data also highlighted ongoing supply disruptions, as average lead times for inputs lengthened for the fourteenth straight month. Delays were the least severe since November last year, however.

Strained supply chains once again pushed up input costs during March. The rate of inflation was the steepest since January 2014. As a result, firms upped their average charges to the greatest extent in nearly two-and-a-half years.

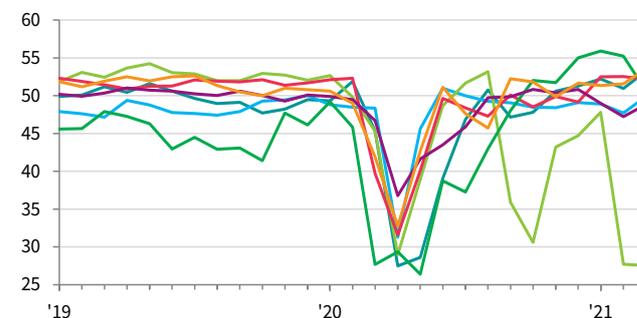
Firms continued to cut back on employment during March, although the rate of job shedding was the slowest for over a year, perhaps reflective of more robust capacity pressures, as backlogs of work increased for the first time since June 2014.

At the same time, buying activity rose for the first time since May 2019, as firms sought to firm up inventories. Stocks of both purchases and finished goods declined further, however.

Manufacturing PMI

Indonesia / Malaysia / Myanmar / Philippines
Singapore / Thailand / Vietnam

sa, >50 = improvement since previous month



Source: IHS Markit.

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Methodology

The IHS Markit ASEAN Manufacturing PMI™ is compiled by IHS Markit 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.

March 2021 data were collected 12-25 March 2021.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

*Source: World Bank World Development Indicators.

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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.

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