NIKKEI

PMI™ By IHS Markit

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Nikkei Myanmar Manufacturing PMI™

PMI rises to seven-month peak in December

Key points:

- Operating conditions improve at fastest pace since May
- Rates of output and new order growth accelerate
- Price pressures ease to slowest since March 2016

Data collected December 5-13

December survey data indicated a solid improvement in operating conditions across the Myanmar manufacturing sector. The expansion was driven by the fastest rises in output and new orders for seven months. In line with a stronger increase in new business, employment rose for the first time since June. Greater staff hiring meant that pressure on capacity was reduced and backlogs were depleted at a marked rate that was the quickest for five months. Meanwhile, input price inflation softened notably in December. Following a record high in September, cost burdens rose at the slowest pace since March 2016.

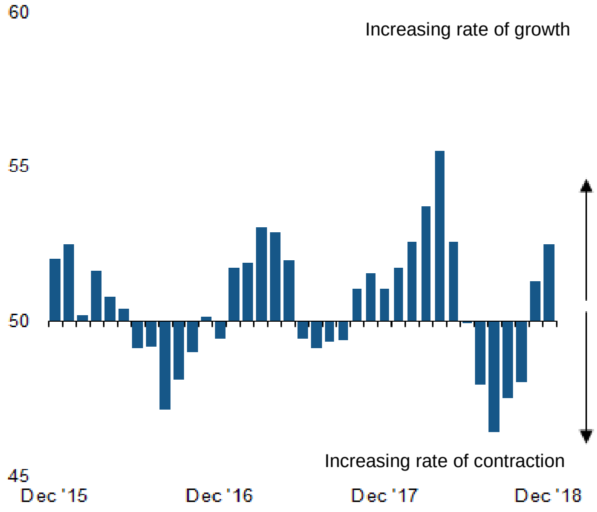
At 52.5 in December, the headline Nikkei Myanmar Manufacturing Purchasing Managers' Index™ (PMI™) – a composite single figure indicator of manufacturing performance – was up from 51.3 in November and signalled the strongest improvement in the health of the Myanmar manufacturing sector since May. The moderate expansion signalled a stronger end to the year, with the final quarterly average indicating a rebound in growth momentum.

Production increased for the second month running in December, with the rate of expansion accelerating to reach a seven-month high. The solid upturn was attributed to greater new order volumes and stronger client demand.

Similarly, new business received by manufacturers rose for the second consecutive month in December, and at a faster pace. The rate of growth was the quickest since May and above the series trend. Panellists stated that greater client demand and new client acquisitions drove the latest upturn.

Nikkei Myanmar Manufacturing PMI

50 = no change on previous month; S.Adj



Sources: Nikkei, IHS Markit

On the price front, cost burdens rose at a much slower pace than seen in recent months. The rise in input prices was solid overall, but the weakest since March 2016. Although the kyat depreciated further in December, a fall in fuel prices eased pressure on input costs. Subsequently, firms continued to increase their factory gate charges. Output price inflation eased to a 17-month low, despite stronger client demand.

Meanwhile, employment increased for the first time since June. Although only marginal, the rate of job creation was the fastest since April and was attributed to a quicker rise in new orders. Larger workforce numbers led to a further fall in backlogs, with the rate of decline in outstanding business accelerating to the strongest since July.

Despite a faster rise in new business, purchasing activity across Myanmar's manufacturing sector declined for the seventh successive month. That said, the downturn was only marginal and the weakest in the current sequence of contraction. Pre-production inventories also decreased at a slower pace in December, with stock levels falling to the least marked extent since April.

Finally, output expectations towards the year ahead remained historically subdued at manufacturers in December. The degree of optimism dipped to a five-month low, despite reports citing a boost to confidence from rising new business volumes.

Comment:

Commenting on the Myanmar Manufacturing PMI survey data, **Siân Jones, Economist** at IHS Markit, which compiles the survey, said**:**

"Manufacturers in Myanmar signalled an encouraging end to 2018, with faster expansions in output and new orders. Employment grew for the first time since June despite a lack of pressure on business capacity.

"The depreciation of the kyat against the US dollar through the second half of 2018 continued to push up imported input costs in December. However, panellists stated that the fall in oil prices helped to offset higher raw material costs, with the overall rate of input price inflation easing to the slowest since March 2016."

-Ends-

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In 2013, we kicked off the Nikkei Asian Review, an English-language news service provided both online and as a weekly print magazine. The following year, we established an Editorial Headquarters for Asia in Bangkok to deepen our coverage of Asian economic news. In addition, we doubled the number of reporters stationed in Asia outside Japan. 2014 also saw the launch of Nikkei Group Asia Pte., a new company in Singapore tasked with spreading the Nikkei brand in the region. Our goal is to make Nikkei the leading media voice in Asia.

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Notes to Editors:

The Nikkei Myanmar Manufacturing *PMI*™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by GDP and company workforce size. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper, Transport.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Nikkei Myanmar Manufacturing *PMI*™ is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

IHS Markit does not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@markit.com.

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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 ihsmarkit.com/products/pmi