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IHS Markit ASEAN Manufacturing PMI™

December data signals only a fractional deterioration in operating conditions

Key findings

Operating conditions deteriorate at softest pace since current downturn began in June

Output rises for first time in six months amid uptick in new orders

Workforce numbers fall further, albeit at slower rate

ASEAN manufacturing conditions continued to deteriorate in December, albeit at the softest rate in the current seven-month sequence of decline, according to latest IHS Markit Purchasing Managers' Index (PMI™) data.

The headline PMI rose from 49.2 in November to 49.8 in December, to signal a seventh consecutive deterioration in the health of the ASEAN manufacturing sector. That said, the headline figure climbed to the highest since May to highlight only a fractional decline overall. Contributing to the softer downturn was the first rise in output since June, albeit one that was only fractional, alongside an uptick in order book volumes for the first time in five months. Weighing on the headline index was a further modest improvement in suppliers' delivery times and falls in both employment and input inventories.

At the country level, Myanmar continued to top the rankings, recording the highest headline figure of the seven monitored countries. At 52.0 the latest reading for Myanmar was the lowest for three months, and signalled a modest improvement in operating conditions. The Philippines also registered an improvement, as has been the case in each month since the series began in early-2016. The headline figure (51.7) was also indicative of a moderate expansion overall, driven by continued new order growth. Meanwhile, Vietnam reported a back-to-back monthly improvement in manufacturing conditions during December. The headline index (50.8) highlighted only a slight uptick, however.

At the same time, Thailand recorded broadly stagnant conditions during the latest survey period, with the headline figure (50.1) signalling only a fractional improvement. Concurrently, Malaysia's headline index posted at the neutral 50.0 mark during December, to signal no change in operating conditions across the manufacturing sector.

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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 further deterioration in operating conditions at the end of 2019, with the PMI posting in contractionary territory for the seventh month in a row.

"That said, the decline was the softest in the current sequence of contraction, with ASEAN goods-producers signalling only a fractional deterioration in the health of the sector. Production increased for the first time since June, albeit barely, whilst incoming new business rose for the first time in five months, to highlight some improvement in demand conditions.

"Nonetheless, 2019's overall performance has been subdued, with the average PMI reading (49.6) down from that seen in 2018 (50.6). In order for the ASEAN sector to begin next year on a stronger footing, a further improvement in total new business will be needed, as muted demand conditions remain a key concern."

Indonesian goods producers recorded a sixth successive deterioration in conditions according to December data. That said, the rate of decline was the softest in the aforementioned sequence and only marginal overall.

Meanwhile, Singapore’s downturn continued during December, with the headline figure (46.1) signalling a deterioration in operating conditions for the seventeenth month in a row. Moreover, the rate of decline accelerated from November and was solid overall.

December data highlighted further weakness in the ASEAN manufacturing sector at the end of 2019, with the downturn persisting for the seventh successive month, though there were some positive developments. Output increased for the first time since June, although barely, whilst order book volumes rose slightly for the first time in five months. New business from abroad declined at the sharpest rate for three months, however.

Firms continued to cut workforce numbers during the latest survey period, as has been the case in each month since June. The rate of job shedding was the softest for four months and only slight, however. Meanwhile, outstanding business also contracted during December. The rate of backlog depletion was unchanged from November and moderate overall.

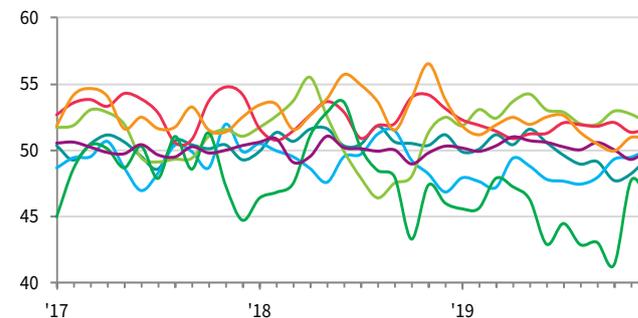
On the price front, cost burdens rose further during December, as has been the case in each month since the series began in early-2011. The rate of cost inflation quickened to the fastest since September, but remained marginal. Average prices charged by ASEAN manufacturers also increased, following two months of no-change. The rate of selling price inflation was the only fractional, however.

Nonetheless, ASEAN goods producers remained confident that output would increase over the coming year in December, though the level of positive sentiment softened from November.

Manufacturing PMI

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

sa, >50 = improvement since previous month



Source: IHS Markit.

Contact

Lewis Cooper
Economist
IHS Markit
T: +44 1491-461-019
lewis.cooper@ihsmarkit.com

Bernard Aw
Principal Economist
IHS Markit
T: +65 6922 4226
bernard.aw@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1-781-301-9311
katherine.smith@ihsmarkit.com

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.

December 2019 data were collected 04-17 December 2019.

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. To learn more go to ihsmarkit.com/products/pmi.html.