

Nikkei Myanmar Manufacturing PMI™

PMI rises to highest since April 2018

Key points:

- Operating conditions improve at solid rate
- Faster growth in output and new orders
- Employment expansion quickest in series history

Data collected May 13-22

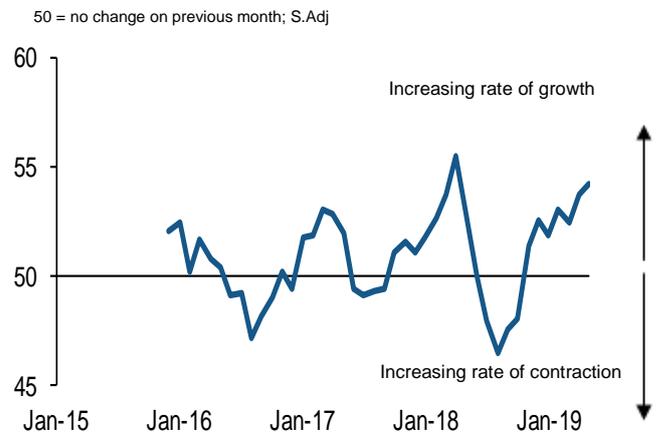
Goods producers across Myanmar registered a solid improvement in the health of the manufacturing sector in May. Overall growth was supported by quicker expansions in output and new orders, following stronger client demand. Consequently, firms recorded the fastest rise in workforce numbers since the series began in December 2015. On the price front, inflationary pressures picked up as rates of increase in both input prices and output charges quickened to six-month highs. Meanwhile, planned investment in machinery and new product development drove a stronger degree of confidence in output growth over the coming year.

At 54.2 in May, the headline Nikkei Myanmar Manufacturing Purchasing Managers' Index™ (PMI™) – a composite single figure indicator of manufacturing performance – was up from 53.7 in April and signalled the greatest improvement in operating conditions across Myanmar's goods-producing sector since April 2018. The latest headline PMI reading extended the current sequence of expansion to seven months, and was above the series trend.

Production continued to increase across Myanmar's manufacturing sector in May. The upturn was sharp overall and accelerated to a 13-month high. Anecdotal evidence suggested the latest expansion was linked to greater client demand and increased new order volumes.

In line with the trend for output, goods producers registered a faster increase in new business. A number of survey respondents stated that higher new order volumes were due to greater construction activity and improvements in

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Sources: Nikkei, IHS Markit

infrastructure. The rate of growth was the quickest since April 2018 and steep overall.

Subsequently, firms indicated a stronger rise in employment during May. The rate of growth in workforce numbers was moderate but also the fastest in the series history (since December 2015). Manufacturers commonly attributed the increase in staffing levels to greater new order volumes. Meanwhile, backlogs contracted at the slowest rate since September 2018.

At the same time, input costs increased further in May, with the rate of inflation picking up to a six-month high. Higher purchase prices were linked to greater raw material costs following stronger demand for inputs and supplier shortages. The rate of output charge inflation also reached a six-month high as firms passed higher costs on to clients.

Input buying among manufacturing firms increased for the fifth consecutive month in May, following greater production requirements. Meanwhile, post-production inventories were depleted further as stocks were utilised in production.

Output expectations among goods producers improved in May, with firms expressing the greatest degree of confidence in production growth over the

coming 12 months since September 2018. Optimism was reportedly driven by planned investment in machinery and new product development.

Comment:

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

“The health of the Myanmar manufacturing sector strengthened further in May, with the latest PMI reading reaching a 13-month high. Output and new order growth accelerated as firms stepped up their hiring, increasing workforce numbers at the fastest pace in the series’ history.

“However, reports of frequent electricity outages and greater demand for inputs led to supplier shortages and further delays to delivery times. Firms also registered a faster rise in cost burdens which was partly passed on to clients through higher factory-gate prices.

“Meanwhile, the sharper rise in new business was reflected in more positive expectations towards the year ahead. Manufacturers signalled the highest degree of optimism towards a rise in production since last September.”

-Ends-

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Notes to Editors:

The early June releases of May data from the Asia PMI series will be the final releases to carry Nikkei branding.

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@ihsmarkit.com.

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