

IHS Markit Myanmar Manufacturing PMI™

Output continues to decline whilst price pressures build at record rates in May

Key findings

Output and new orders decline sharply, although at softer rates

Record inflation of both output and input prices

Sentiment plummets to new series low amid political uncertainty

Data were collected 12-20 May 2021.

Myanmar's manufacturing sector registered another marked contraction in May as many factories remained closed following the military-staged coup which came into force in February. Output and new orders fell sharply – albeit more slowly than in April – while pre- and post-production inventories contracted at fresh record rates. Workers continued to return to their hometowns in May, and firms found it difficult to source skilled replacements. As a result, incomplete work rose with the rate of backlog accumulation the sharpest in the five-and-a-half-year history of the survey. Material shortages remained evident during the month, which were reflected in a near-record lengthening in suppliers' delivery times. Meanwhile, output expectations dipped to the lowest in the series history.

Turning to prices, goods producers faced a substantial rise in cost burdens. Unfavourable exchange rate movements against the dollar led to the sharpest uptick in input prices in the series history. Firms sought to pass on higher expenses by raising factory gate charges at a record rate.

The headline IHS Markit Myanmar Manufacturing PMI™ – a composite single-figure indicator of manufacturing performance – rose from 33.0 in April to 39.7 in May, indicating a softer yet still marked decline in operating conditions.

Production volumes were hampered by a combination of factory closures, internet outages and material shortages during May. Political instability was commonly associated with the reduction. The rate of decline eased to the softest in four months, however.

Similarly, new orders declined sharply, with firms linking client business closures to the subdued demand environment. That

continued...

Myanmar Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Shreeya Patel, Economist at IHS Markit, said:

"Myanmar's goods producing sector recorded another sharp decline in operating conditions during May. The headline PMI posted at 39.7, with negative contributions from four out of five components. That said, the overall rate of decline eased to the softest in four months, with weaker falls seen in output and new orders."

"Although there are signs the most challenging period has passed, data continues to highlight concerns over the longer-term implications of the coup. The return of employees back to their hometowns led to marked declines in staffing levels and a record increase in backlogs, with firms finding it difficult to replace skilled workforces."

"Meanwhile, input and output costs rose at record rates following a depreciating kyat-dollar exchange rate. Should inflationary and capacity pressures persist, companies will find it difficult to complete new and existing orders, which can continue to pose its threats to foreign direct investments."

"Firms will hope these pressures are only temporary, but for now expectations are reflective of the sombre trading environment."

said, the rate of decline eased to the softest since January. According to panel members, some firms were able to resume their operations and saw returning customer demand.

Employment fell for the ninth consecutive month with workers continuing to return to their hometowns. Firms found it difficult to hire skilled replacements leading to a record accumulation in backlogs. Incomplete work has now risen for the seventh month running, the most sustained period of accumulation in the five-and-a-half-year history of the survey.

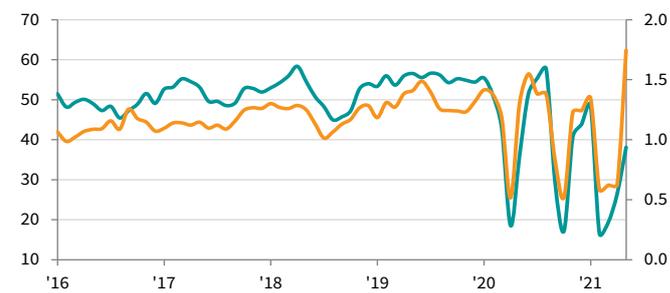
Supply chains continued to be impacted by anti-coup protests with lead times lengthening further in May. Anecdotal evidence also linked raw material shortages to supply-chain pressures. As a result, firms looked to fulfil new orders with existing supplies, with both pre-and post-production inventories declining at record rates in May.

Cost pressures built further in May, with the rate of input price inflation the most marked in the series to date. A strengthening US dollar against the Burmese kyat was overwhelmingly linked to sharp inflationary pressures. Other firms noted higher raw material and transportation costs.

A record increase in input costs led firms to raise their own charges. Output price inflation was the strongest in the survey to date.

Looking ahead, sentiment across Myanmar's manufacturing sector moderated in May, with output expectations broadly flat. Moreover, the level of optimism dipped to a series low despite softer contractions in output and new order volumes. Political instability and strong inflationary pressures weighed heavily on the growth outlook during the latest survey period.

Myanmar Manufacturing PMI Output Index New orders : inventories ratio
sa, >50 = growth since previous month New Orders Index / Stocks of Finished Goods Index



Source: IHS Markit.

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Methodology

The IHS Markit Myanmar Manufacturing PMI™ is compiled by IHS Markit from responses to monthly 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.

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.

Data were collected 12-20 May 2021.

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

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