

# Nikkei Myanmar Manufacturing PMI™

## June PMI signals unchanged manufacturing operating conditions

### Key points:

- PMI dips to 50.0 in June
- Output growth eases to weakest since April 2016
- New orders contract for first time since August 2017

Data collected June 12-21

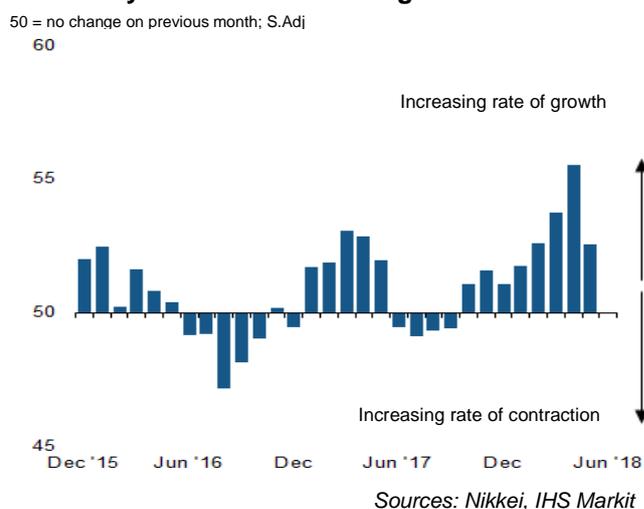
June survey data signalled no change in operating conditions on the previous month across Myanmar's manufacturing sector. Although output levels continued to grow, new orders contracted for the first time since August 2017. Backlogs also fell, extending the current sequence of contraction to 25 months. Meanwhile, input prices continued to rise at a marked pace, but output charges increased at only a marginal rate in response to reduced client demand.

At 50.0 in June, the headline Nikkei Myanmar Manufacturing *Purchasing Managers Index*™ (PMI™) – a composite single figure indicator of manufacturing performance – was down from 52.6 in May. The latest index figure indicated no change in operating conditions from the previous survey period, ending an eight-month period of manufacturing growth. The headline PMI reading was the lowest since September 2017.

Output growth softened for the second month running in June, with the rate of expansion easing to the weakest since April 2016. The marginal increase in production was largely attributed to greater demand from domestic clients across Myanmar's regions. That said, some panellists stated that a scarcity of raw materials and transportation delays had impacted output growth.

New orders received by manufacturers contracted for the first time since August 2017. Although only marginal, the latest fall signalled a sharp loss of momentum for manufacturing sales. Anecdotal evidence suggested that alongside a decrease in new business opportunities, fewer new orders were accepted due to transportation delays.

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Despite a fall in client demand, employment levels rose further in June. The rate of job creation was broadly in line with those seen throughout 2018 so far and faster than the series average.

Meanwhile, a reduction in production requirements led to a further fall in backlogs. The level of outstanding business contracted at the fastest rate since January and was marked overall.

On the price front, input cost inflation matched the rate seen in the previous survey period. The marked increase in cost burdens was driven by a scarcity of raw materials, exchange rate movements and stronger demand for inputs from China.

Furthermore, supplier delivery times lengthened further in June as transportation difficulties and supply chain delays took hold. Moreover, the quantity of inputs purchased contracted for the first time since February.

A loss of momentum in client demand contributed to only a marginal rise in average charges in June. Although just above the series average, panellists were only partly able to pass higher costs onto clients.

Finally, expectations towards the output outlook over the coming year were subdued among goods producers in June. Although largely in line with the level of positive sentiment seen throughout 2018 so far, confidence was well below the series average.

**Comment:**

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

*“June survey data signalled an end to the recent eight month period of expansion across Myanmar’s manufacturing sector. Operating conditions were unchanged from the previous month, with output growth slowing. Moreover, new orders contracted for the first time since August 2017.*

*“Meanwhile, input prices rose sharply driven by high demand for inputs from China and exchange rate movements. Panellists also stated that adverse weather conditions delayed supplier deliveries further.”*

-Ends-

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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](mailto:economics@markit.com).

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