

IHS Markit Myanmar Manufacturing PMI™

Resurgence of COVID-19 cases forces factory closures and weak domestic demand in July

Key findings

Production and new order volumes fall at sharp and accelerated rates

Workforce numbers decline for eleventh month in succession

Output and input price inflation both moderate, but remain strong

Data were collected 12-22 July 2021.

July data revealed a marked and accelerated contraction in operating conditions across Myanmar's manufacturing sector. A third wave of COVID-19 cases forced business and factory closures, while employees returned to their hometowns. Output, new orders, purchases, employment, and post-production inventories all fell at quicker rates, with declines which were amongst the quickest in the series history. Firms remained confident of higher output levels over the next 12 months, though the degree of optimism was still much lower than the long-run series average.

At the same time, input price inflation was strong despite easing considerably from that seen in June. Raw material shortages and unfavourable exchange rate movements remained evident and were often passed onto clients in the form of higher selling prices.

The headline IHS Markit Myanmar Manufacturing PMI™ – a composite single-figure indicator of manufacturing performance – fell from 41.5 in June to 33.5 in July, indicating an eleventh consecutive monthly decline in operating conditions. Moreover, the rate of contraction quickened to a three-month record and was amongst the steepest since the series began in December 2015.

Panellists often reported factory and client business closures in light of a resurgence of COVID-19 case numbers. Consequently, output fell at the fastest rate since March, bringing the current period of contraction to 11 successive months.

Weak client demand in domestic markets persisted at the start of the third quarter, with new orders falling markedly. A combination of business closures and cash shortages were

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:

"The second half of 2021 began with a sharp reduction in operating conditions at Myanmar's manufacturing sector. A third wave of COVID-19 cases pushed the sector further into contraction territory, just after it had recovered some ground following severe contractions in the wake of the military-staged coup. Factory and business closures were a common theme in the latest survey period while employees continued to return to their hometowns. Lower output requirements and a relatively gloomy outlook discouraged firms from adding to their inventories.

"Meanwhile, although inflationary pressures eased notably from May and June's previous peaks, intense cost burdens persisted in July. Depreciating kyat-dollar exchange rate movements and cash shortages were often the biggest threat.

"On a more hopeful note, rising backlogs suggest once factories operations do resume, firms will be able to work through the orders accumulated over the last nine months.

"Nevertheless, the COVID-19 outbreak has shaken Myanmar's economy once again, with the latest surge in cases the most severe since the onset of the crisis. The military-staged coup and COVID-19 will result in another challenging period, but prioritising vaccination efforts could help protect against future outbreaks and shield the healthcare system."

often reported by panellists in July.

Rising COVID-19 case numbers led employees to return to their hometowns, after factories ceased operations. Staffing levels have now fallen in 17 of the last 18 months, with the latest reduction marked.

Although demand was muted in July, backlogs rose for the ninth month running. The military staged coup, COVID-19, difficulty sourcing skilled workers and a shortage of raw materials were all cited as drivers of incomplete work. The rate of backlog accumulation was robust, and the second-quickest in the series to date.

Lower output requirements, higher prices and factory closures resulted in a sharp and accelerated decline in purchasing activity. Moreover, amid efforts to better control stock levels, pre-and post-production inventory holdings also fell during the month.

Turning to prices, raw material shortages and unfavourable exchange rate movements against the dollar contributed to a robust rate of input price inflation. Although the rate of increase eased notably from May and June's recent peaks, it was much higher than the long-run average. Firms often reported raising their selling prices in efforts to protect profit margins.

Finally, sentiment regarding output over the next 12 months remained in positive territory, and improved fractionally from that seen in June amid business expansion plans. That said, the degree of optimism was weak in the context of the historical average.

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 12-22 July 2021.

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

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