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IHS Markit Myanmar Manufacturing PMI™

Manufacturing goes into reverse in September as new virus restrictions imposed

Key findings

PMI dives to 35.9, second-lowest on record

Output and new orders fall at rapid rates due to new lockdown measures

Marked reduction in workforce as factories close

Data were collected 11-22 September 2020.

The manufacturing sector of Myanmar was hit hard in September by a range of new lockdown measures introduced to fight a surge in coronavirus cases, according to the latest PMI™ survey data from IHS Markit. Output and new orders both declined rapidly and the workforce shrank again as factories were temporarily closed, including in key industrial zones in Yangon province. The deterioration in business conditions in September abruptly ended a brief period of recovery between July and August.

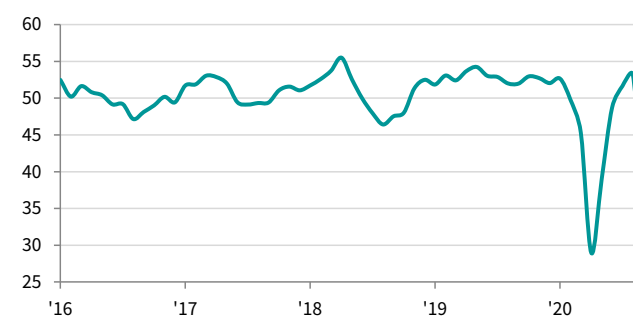
The headline IHS Markit Myanmar Manufacturing PMI – a composite single-figure indicator of manufacturing performance – fell from August's 15-month high of 53.2 to 35.9 in September, signalling a rapid overall deterioration in the manufacturing business climate. The latest figure was the second-lowest since the survey began in December 2015, ahead only of April's 29.0. Moreover, the month-on-month drop in the PMI, at 17.3 points, was the largest on record, bigger than the 16.3 point fall in April.

Four of the five PMI components had negative directional influences in September, the exception being suppliers' delivery times. Output and new orders both declined at the second-fastest rates in the survey history, with these indices registering record month-on-month declines of over 28 points. Employment and stocks of purchases contracted at the fastest rates in three and six months, respectively.

Manufacturing production suffered a severe decline in September as factories temporarily closed in key regions to fight a surge in coronavirus cases. The rate of contraction was the second-fastest in the survey history, behind April's record plunge. More than half of firms surveyed (54%) reported lower production, compared with the record high of 81% in April.

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Myanmar Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Trevor Balchin, Economics Director at IHS Markit, said:

"September heralded an abrupt reversal for Myanmar's manufacturers, as new lockdown restrictions were imposed to address a surge in coronavirus cases. Many companies reported temporary plant closures and the return of workers to their hometowns, repeating the scenes from earlier in the year during the first wave."

"The impact has so far been less severe than the record deterioration in business conditions seen in April. But the month-on-month decline in the PMI was the largest on record as it collapsed by over 17 points from August's 15-month high of 53.2 to 35.9."

"With a two-week lockdown introduced in Yangon towards the end of September, the trajectory in cases over the coming weeks will be crucial as authorities judge when to ease the new restrictions and enable the manufacturing sector to resume its recovery. The October PMI will provide the first signs of any rebound in activity, or indeed further retrenchment."

The fall in the latest period followed a three-month period of recovering output following the spring lockdown.

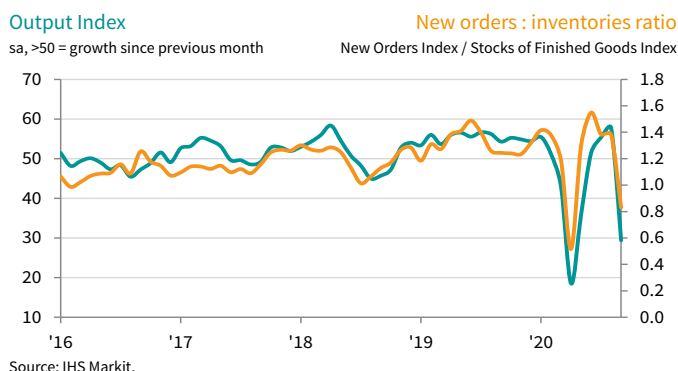
Demand faltered amid the introduction of new restrictions. The volume of new work fell at the second-fastest rate since the survey began, following renewed growth throughout the June-August period. Demand from domestic markets was particularly weak, although firms reported weak demand from Asian markets including India, Thailand, Vietnam and Qatar.

With new work dropping sharply in September, backlogs fell at the strongest rate in three months and the 12-month outlook for production moderated to the weakest since April.

With many factories temporarily closed in September, workers returned to their hometowns and the overall level of employment in the sector fell sharply. This followed the first increase in staffing in seven months in August. Around 16% of firms cut workforces, and the rate of job shedding was stronger than in any other survey period except for the second quarter of 2020.

Purchasing activity declined markedly in September, leading to the strongest rate of input destocking since March. Inventories of finished goods declined at the fastest pace in four months.

Deflationary pressures remained in September, with input prices falling for the fifth month running and output charges cut at a record pace.



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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 11-22 September 2020.

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

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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.
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