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IHS Markit Myanmar Manufacturing PMI™

Manufacturing sector continues to contract as factories remain closed amid political turmoil

Key findings

PMI falls to new series low of 27.5 in March

Output and new orders fall at rapid rates amid factory closures

Record increase in backlogs of work

Data were collected 12- 23 March 2021.

Myanmar's manufacturing sector registered another marked contraction in March as political uncertainty, following the military-staged coup, extended into the final month of the opening quarter. Nation-wide protests continued, with many factories and client businesses remaining closed. At the same time, uncertain demand conditions led to a near-record decline in workforce numbers. Meanwhile, the sustained periods of factory closures added to an accumulation in incomplete work, which was the strongest in the series history, whilst raw material shortages and transportation delays contributed to supply chain setbacks. Sentiment moderated during the month with the sombre demand environment underpinning weaker levels of optimism.

Turning to prices, raw material shortages and unfavourable exchange rate movements against the dollar had added to robust inflationary pressures in March.

The headline IHS Markit Myanmar Manufacturing PMI™ – a composite single-figure indicator of manufacturing performance – fell from 27.7 in February to a fresh record low of 27.5 in March, signalling the sharpest deterioration in manufacturing business conditions since the series began in December 2015.

Manufacturing production continued to suffer severe declines in March as factories remained temporarily closed. The rate of reduction eased from February's nadir but was still the fourth-fastest in the survey history. Demand meanwhile remained weak, with new order volumes falling for the seventh month in succession. The latest contraction was among the sharpest in the series history, over 70% of panel members reported lower new order volumes in March than in February.

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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:

"March data indicates another severe deterioration in business conditions across Myanmar's manufacturing sector. Country-wide protests, factory closures and political uncertainty bring a drastic setback for the industry's growth prospects."

"The headline PMI figure pointed to the sharpest deterioration in operating conditions since the series began over five years ago. Output and new order volumes contracted markedly, while the uncertain operating conditions led to a record decline in employment levels. Meanwhile, protests and demonstrations added to transportation difficulties whilst material shortages and unfavourable exchange rate movements drove a robust rate of inflation."

"Myanmar's manufacturing sector has seen a difficult start to the year, although March's record rise in backlogs provides some cause for encouragement should factory operations resume."

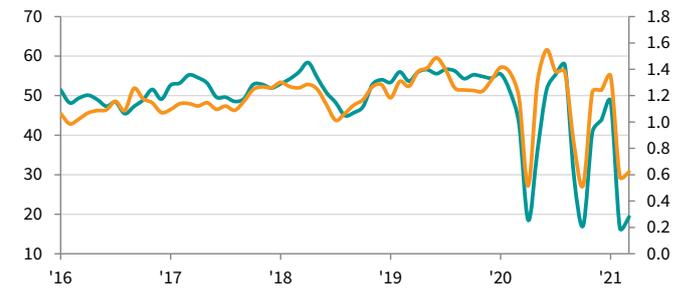
With factories remaining suspended, and new work dropping sharply, firms cut their workforce numbers which extended the run of job shedding that began last September. Firms also mentioned the political unrest had led to employees returning back to their hometowns during the month.

Despite softer new order inflows, backlogs rose to the greatest extent in the series history. Anecdotal evidence suggested that the sustained period of factory closures had led to an accumulation of work. Meanwhile, softer new order inflows and uncertainty surrounding demand in the months ahead caused firms to cut back on both pre- and post-production inventories. Protests added to supply chain disruption in March, with vendor performance deteriorating solidly.

Manufacturing input prices rose for the sixth month in a row, with firms often linking inflation to surcharges at suppliers due to material shortages, and higher transportation costs. Panellists also linked unfavourable kyat-dollar exchange rate movements to the robust rate of inflation. The weak overall demand picture weighed on firm's ability to pass on cost burdens and, as a result, firms raised selling prices only modestly.

Finally, the outlook for production volumes in the year ahead was reflective of the muted demand environment. Sentiment moderated to the lowest since last September and posted far below than the long-run series 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 12-23 March 2021.

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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