Nikkei Myanmar Manufacturing PMI™

Output and new orders return to growth territory in November

Key points:

- Production and new business increase at solid rates
- PMI signals first improvement in the health of the sector since May
- Inflationary pressures ease

Data collected November 12-22

November survey data signalled the first improvement in operating conditions across Myanmar's goods producing sector for six months. Overall growth was driven by a rebound in output and new business volumes, with both increasing at solid rates. That said, employment levels continued to fall amid a sharp contraction in backlogs. Meanwhile, inflationary pressures softened in November. Rates of increase in input prices and output charges eased to five- and four-month lows, respectively, in response to more intense competition and a slower rise in raw material costs. Despite solid output growth, business confidence remained subdued.

At 51.3 in November, the headline Nikkei Myanmar Manufacturing Purchasing Managers' Index™ (PMI™) – a composite single figure indicator of manufacturing performance – rose from 48.0 in October to signal the first improvement in operating conditions across Myanmar's manufacturing sector since May. Moreover, the index figure was above the series trend and indicated a pick up in growth momentum across the sector.

Production levels at manufacturers in Myanmar returned to growth territory in November. Output increased solidly and at the fastest rate since May. Anecdotal evidence suggested the rise was due to greater new order volumes and increased client demand.

Consequently, manufacturing firms registered a solid rise in new business, following five successive monthly contractions. Moreover, the upturn was the quickest for six months and largely attributed to stronger client demand.

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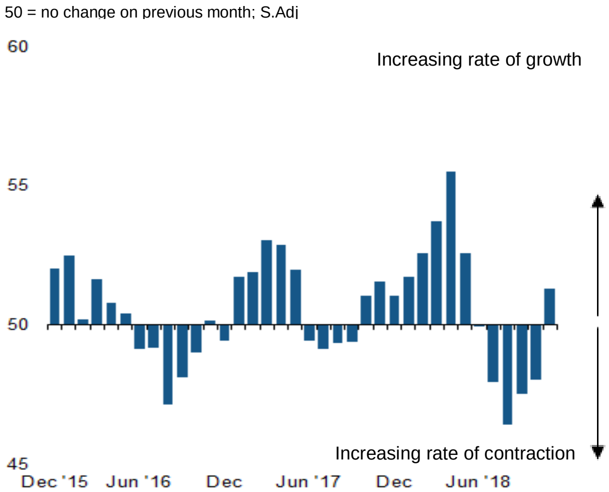

Sources: Nikkei, IHS Markit

Although demand conditions became more favourable during November, firms expressed a muted degree of business confidence. Manufacturers registered one of the weakest levels of optimism since the series began. Positive sentiment was reportedly buoyed by new product development and investment in new technology.

At the same time, inflationary pressures eased. Although the rate of increase in input prices remained marked, it softened from September's record high to a five-month low. The rise in cost burdens was attributed to higher raw material prices and further reports of a scarcity of raw materials.

Subsequently, manufacturing firms raised their output charges strongly. The rate of charge inflation was faster than the series average, with many respondents reportedly trying to partly pass on higher costs on to clients.

Difficulties sourcing raw materials was commonly mentioned as a driving factor behind a strong fall in input buying, with vendor performance deteriorating for the sixteenth successive month. Panellists reportedly used current input inventories in production, leading to a further decrease in stock levels.

Despite a solid rise in new orders, employment levels continued to fall. A number of firms stated that employees who had resigned were not being replaced. Meanwhile, backlogs contracted at a marked rate, extending the current sequence of decline that began in June 2016.

Comment:

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

"Manufacturers in Myanmar registered the first improvement in operating conditions for six months, according to November survey data. Both output and new orders returned to growth territory, with business confidence picking up slightly.

"That said, workforce numbers continued to fall in response to a lack of pressure on capacity, with the rate of backlog depletion accelerating for the second month running.

"Although marked overall, input price inflation moderated in November, following some of the sharpest rates of increase in the series' history. IHS Markit currently forecasts CPI at 6.2% in 2018 as a whole, easing to 5.8% in 2019."

-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.

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