

Nikkei Myanmar Manufacturing PMI™

Output and new orders continue to contract in October

Key points:

- Operating conditions deteriorate in October
- Price pressures remain heightened
- Business confidence drops to muted level

Data collected October 12-23

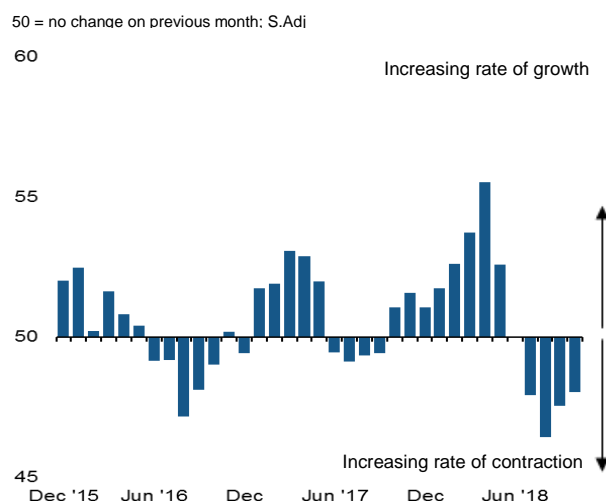
Latest data signalled a moderate deterioration in operating conditions across Myanmar's manufacturing sector in October. The overall decline in the health of the sector was driven by further contractions in both output and new orders. On the price front, although rates of input price and output charge inflation softened, they remained the second-fastest in the series history following exchange rate depreciation. Weaker client demand led to a quicker downturn in backlogs of work and a further fall in employment. Meanwhile, manufacturing firms signalled increasing concerns towards output over the coming 12 months, with confidence dipping to a three-month low.

At 48.0 in October, the headline Nikkei Myanmar Manufacturing Purchasing Managers' Index™ (PMI™) – a composite single figure indicator of manufacturing performance – increased slightly from 47.5 in September, but remained below 50.0 to indicate a modest decline in operating conditions across the goods-producing sector going into the final quarter of 2018. Moreover, the health of the sector deteriorated for the fourth successive month.

Output levels among manufacturers contracted further in October, albeit at a slightly weaker rate. The decline in production was the softest since July and only moderate overall. Where a fall in output was reported, panellists linked this to muted client demand.

Subsequently, new business received by goods producers fell for the fifth successive month. The rate of decrease eased slightly however and was the slowest since June. Anecdotal evidence suggested that a combination of higher factory gate charges, more substitute imports on the market and unfavourable demand conditions led to the latest

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Sources: Nikkei, IHS Markit

downturn.

Downbeat market demand led to goods producers expressing more concerns regarding the year-ahead outlook for output in October. Business confidence dipped to a three-month low and was subdued in the context of the series history, following September's ten-month high.

Input price inflation remained elevated in October, with the rate of increase easing only slightly to the second-fastest in the series history. Panellists stated that exchange rate factors, higher raw material prices and increased transportation fees drove cost burdens up.

Consequently, firms increased their output prices in an effort to protect profit margins. The rate of charge inflation eased slightly, but remained marked and was the second-quickest since the series began in December 2015.

In line with muted client demand, the level of outstanding business contracted in October, extending the current sequence of backlog

depletion that began in June 2016. Similarly, little strain on capacity contributed to a further reduction in employment.

Meanwhile, manufacturing firms indicated a further decline in purchasing activity. Input buying decreased for the fifth month running amid higher raw material prices and greater supplier delays. Pre-production inventories also fell at a marked rate.

Comment:

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

“October data continued to signal difficulties across the Myanmar manufacturing sector. Further contractions in output and new orders reflected sustained weaknesses in demand. Little strain was placed on capacity as a result, with backlogs and employment falling.

“Notably, price pressures remained intense. Input cost and output charge inflation softened slightly since September but were nonetheless the second-fastest in the series history. Some firms stated that factory gate price rises had damaged competitiveness and reduced client demand.

“Business confidence also dropped from recent highs, as panellists forecast little change in output levels over the coming year.”

-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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