

# IHS Markit ASEAN Manufacturing PMI™

## ASEAN manufacturing output stabilises in August

### Key findings

Headline PMI registers just below the 50.0 mark at 49.0

Total new orders fall at softest rate since March...

... but foreign demand continues to decline markedly

Data were collected 12-24 August 2020.

August data signalled the weakest deterioration in ASEAN manufacturing conditions for six months, according to latest IHS Markit Purchasing Managers' Index (PMI™) data, with the health of the sector declining only slightly overall. Factory production stabilised, while order book volumes fell at the slowest rate in the current six-month sequence of contraction.

The headline PMI signalled a sixth consecutive monthly deterioration in the health of the ASEAN manufacturing sector during August. That said, the index rose from 46.5 in July to 49.0, and was indicative of a much slower rate decline that was only marginal overall, as the sector moved closer to stabilisation.

Key to the upwards trajectory of the headline figure was a stabilisation of factory production, alongside a softer fall in total new orders. The seasonally adjusted Output Index registered at the 50.0 mark in August, to signal no-change in manufacturing output following six consecutive monthly declines. Meanwhile, the latest reduction in order book volumes was the softest recorded since the current sequence of contraction began in March, and only slight. Foreign demand remained a key source of weakness, however. Despite easing, the latest contraction in new export orders remained marked.

Across the seven constituent countries, manufacturing performance remained uneven, with only two registering an improvement in overall conditions during August. Myanmar's headline figure (53.2) was the highest for 15 months and indicative of a moderate improvement in operating conditions, driven by the quickest increase in output since April 2018. Indonesia was the only other country to record growth, but the headline PMI (50.8) signalled only a marginal rate of expansion.

Elsewhere, Malaysia recorded a renewed deterioration in the health of its manufacturing sector. After posting at the neutral

continued...

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



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Lewis Cooper, Economist at IHS Markit, said:

*"The ASEAN manufacturing sector moved closer to stabilisation during August, as the headline figure gained a further two-and-a-half points to signal a further easing of the downturn. Factory production stabilised following six consecutive monthly declines, whilst the level of total new business fell at the softest rate since the current sequence of contraction began in March.*

*"Exports remained a key drag however, with new export work declining markedly as ongoing lockdown measures continued to stifle foreign demand for ASEAN goods.*

*"Overall, August data provided some tentative signs of a move towards stabilisation, with the latest readings for key indicators such as output and total new orders much higher than the nadir's seen at the height of the pandemic in April and May.*

*"Nonetheless, we are yet to see any concrete indications that the sector is recovering. Factories need to see a marked improvement in client demand and production volumes before the recovery can get underway."*

50.0 threshold in the previous survey period, the respective headline index fell to 49.3 in August and pointed to a mild contraction. Meanwhile, the downturn continued in Thailand, although the headline reading (49.7) signalled the softest rate of deterioration since January.

In contrast, both the Philippines and Vietnam registered sharper declines in operating conditions during August. At 47.3 and 45.7 respectively, the headline figures both signalled the quickest deteriorations since May.

Lastly, Singapore remained at the bottom of the ASEAN PMI rankings. The headline PMI rose from July, but at 43.0 in August, was the lowest across the seven constituent countries and indicative of a further marked deterioration in manufacturing conditions.

Overall, August data highlighted a better, but still subdued, performance of the ASEAN manufacturing sector. Subsequently, firms continued to cut staffing levels, with ongoing spare capacity again reflected by a further marked drop in backlogs of work. The rate of job shedding was steep, albeit the softest since February.

At the same time, firms pared back on buying activity. The latest fall in purchasing was the slowest for six months, but solid nonetheless. Inventories also declined, although the pace of reduction in stocks of purchases eased.

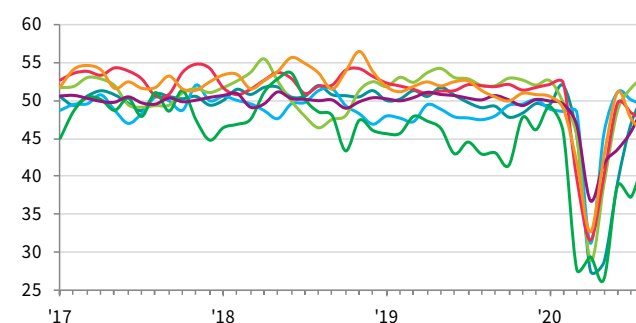
On the price front, cost burdens rose again in August, with the rate of inflation quickening from July. However, average output charges were broadly stagnant, with the respective seasonally adjusted index posting only just above the neutral 50.0 mark.

Finally, sentiment regarding the 12-month outlook for output improved further during August. Optimism was the highest since January, but still subdued in the context of the series long-run average.

### Manufacturing PMI

Indonesia / Malaysia / Myanmar / Philippines  
Singapore / Thailand / Vietnam

sa, >50 = improvement since previous month



Source: IHS Markit.

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### Methodology

The IHS Markit ASEAN Manufacturing PMI™ is compiled by IHS Markit from responses to monthly questionnaires sent to purchasing managers in panels of manufacturers in Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam, totalling around 2,100 manufacturers. These countries account for 98% of ASEAN manufacturing value added\*. The panels are 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 at the national level. 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. ASEAN indices are calculated by weighting together the national indices. Country weights are calculated from annual manufacturing value added\*.

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.

August 2020 data were collected 12-24 August 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

\*Source: World Bank World Development Indicators.

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### About PMI

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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