

IHS Markit ASEAN Manufacturing PMI™

PMI slips to near four-year low in October

Key findings

Output contracts at fastest rate since November 2015

New business declines for third month running

Job shedding persists

ASEAN manufacturing operating conditions continued to deteriorate in October, according to latest IHS Markit Purchasing Managers' Index (PMI™) data.

The headline PMI fell from 49.1 in September to 48.5 in October, signalling a deterioration in operating conditions across the ASEAN manufacturing sector for the fifth consecutive month, albeit of a moderate pace. Nonetheless, the headline figure was the lowest seen since November 2015, with only two of the seven constituent countries reporting an improvement in conditions. Weighing on the headline index were faster declines in output and new orders, alongside the quickest rate of contraction in employment since late-2015.

As has been the case in each month since February, Myanmar recorded the strongest overall performance of the seven monitored countries. The headline PMI for Myanmar (53.0) was the highest since June, signalling a solid improvement in operating conditions, driven by strong growth in output, new orders and a further rise in employment. The Philippines was the only other country to report an uptick, the headline index (52.1) highlighted a moderate improvement in the health of the manufacturing sector, with the rate of growth quickening to the joint-fastest since January.

Meanwhile, Thailand's manufacturing sector stagnated in October, the headline figure (50.0) signalled no-change in operating conditions following a marginal improvement in September. Similarly, a headline reading of 50.0 was recorded in Vietnam, highlighting no-change in the health of the manufacturing sector in October to end the survey record 46-month sequence of growth.

By comparison, Malaysia reported a deterioration in business conditions for the thirteenth month in a row. The headline index (49.3) signalled a marginal downturn, with the pace of decline the slowest since April. Indonesia meanwhile, continued

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 contracted further in October, with the headline PMI slipping to a near four-year low. Businesses signalled the steepest decline in output since November 2015, whilst new orders fell for the third month in a row.

"Amid weaker demand conditions and lower production requirements, firms cut employment for the fifth successive month, with the rate of job shedding quickening since September.

"At the country level, only Myanmar and the Philippines reported an improvement in operating conditions, contrasting heavily with a marked deterioration in Singapore and a further decline in Malaysia.

"Despite turbulent conditions, ASEAN manufacturers remain optimistic regarding output expectations for the next year. That said, sentiment weakened to the lowest since February amid an increasingly uncertain outlook."

to signal a deterioration in manufacturing conditions, as the headline index fell to a near four-year low (47.7). Lastly, Singapore reported a further marked deterioration in operating conditions, with the latest headline figure (41.4) the lowest in the survey history (since August 2012).

Overall, the ASEAN manufacturing sector continued to struggle in October, with operating conditions deteriorating at the sharpest rate for nearly four years. A further reduction in output was among the key contributing factors, with production falling at the fastest pace since November 2015. A third consecutive monthly decline in order book volumes, which was the quickest for nearly four years, also underpinned the downturn. New business from abroad likewise fell, albeit at the softest rate in the current three-month sequence of decline.

Lower production requirements led manufacturers to cut jobs further in October. The rate of job shedding accelerated to the sharpest since late-2015. Nonetheless, backlogs of work declined moderately and at the quickest pace since February.

Meanwhile, inflationary pressures weakened in October. Input prices rose only slightly, with the rate of cost inflation easing to the slowest in the series history. Output charges were unchanged in October, thereby ending a 83-month sequence of rising factory gate prices.

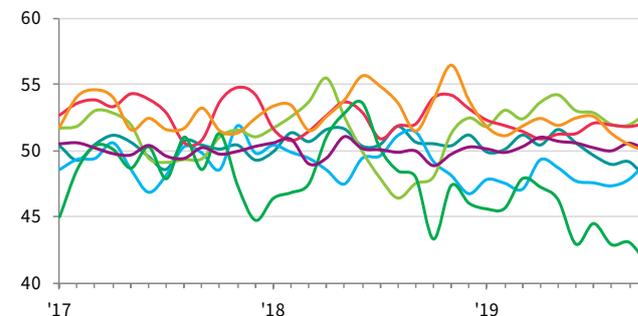
October data highlighted a further fall in buying activity, with the rate of reduction accelerating to the fastest since November 2015. Concurrently, pre-production inventories dropped. The reduction was the quickest since July, albeit modest overall.

Finally, businesses remained confident that output would increase over the next year. That said, the degree of positive sentiment weakened to the lowest since March, as challenging market conditions and uncertainty weighed on ASEAN manufacturers expectations.

Manufacturing PMI

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

sa, >50 = improvement since previous month



Source: IHS Markit.

Contact

Lewis Cooper
Economist
IHS Markit
T: +44 1491-461-019
lewis.cooper@ihsmarkit.com

Bernard Aw
Principal Economist
IHS Markit
T: +65 6922 4226
bernard.aw@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

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.

October 2019 data were collected 11-24 October 2019.

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

*Source: World Bank World Development Indicators.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).

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. To learn more go to ihsmarkit.com/products/pmi.html.