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IHS Markit Myanmar Manufacturing PMI™

Manufacturing recovery continues in August

Key findings

PMI rises to 15-month high

Strongest output growth since April 2018

First increase in employment since January

Data were collected 12-20 August 2020.

The latest PMI™ survey data from IHS Markit signalled a stronger recovery in Myanmar's manufacturing sector in August, following a severe contraction earlier in the year due to the lockdown implemented to contain the coronavirus disease 2019 (COVID-19) pandemic. The headline IHS Markit Myanmar Manufacturing PMI – a composite single-figure indicator of manufacturing performance – rose to the highest since May 2019 as growth of output and new orders strengthened and employment grew for the first time since January. Manufacturers also continued to benefit from falling input prices, allowing them to cut their own prices to stimulate demand. Less positively, the 12-month outlook for output remained weak.

The PMI rose from 51.7 in July to a 15-month high of 53.2 in August. This was the fifth-highest reading in the survey history and signalled a strong improvement in operating conditions. Prior to July, conditions had deteriorated for five consecutive months, with a record low PMI reading of 29.0 reached in April when the lockdown to contain the virus was in its most intense phase. That said, the 1.5-point increase in the headline figure in August was the smallest gain in four months.

Four out of five of the PMI components had positive directional influences on the headline figure in August. Employment and output had the biggest contributions (+0.7 and +0.6 points, respectively), followed by stocks of purchases (+0.3) and new orders (+0.1). The fifth component, suppliers' delivery times, weighed slightly on the PMI figure (-0.2). Although vendor performance improved in August, this index is inverted for the PMI calculation.

The volume of new orders rose strongly for the second month running in August. The rate of expansion was the sharpest *continued...*

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



Source: IHS Markit.

Comment

Commenting on the latest survey results, Trevor Balchin, Economics Director at IHS Markit, said:

"The continued ascent of the PMI from April's record low is further evidence of a recovery in business conditions in the manufacturing sector as the economy continued to reopen in August. Output and new orders expanded at faster rates, with the former growing at the second-sharpest pace since the survey began at the end of 2015."

"For the second month running it was the employment component that provided the largest upward directional contribution to the PMI, with the respective index rising above 50.0 for the first time since January. Companies reported returning workers who had departed for their hometowns during the lockdown."

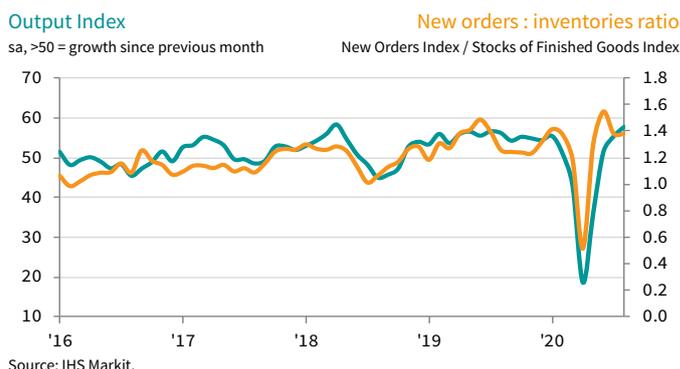
"The 12-month outlook remains subdued, however, which partly reflects a lack of momentum in demand. The New Orders Index was only fractionally higher than in July, and the deficit compared with the Output Index was the largest for a year."

since November 2019, although only slightly faster than July’s pace. Companies reported that regular customers had resumed placing orders. Higher new work was also linked to the ongoing reopening of the economy.

Production continued to rise in August as factory capacity was expanded to meet new business inflows. The rate of growth in output was the strongest since April 2018, and the second-fastest on record since the series began in December 2015. Output increased at a faster rate than new work, resulting in a slightly quicker fall in backlogs during the month. That said, the 12-month outlook for production remained subdued.

Manufacturing employment in Myanmar increased in August, following a six-month period of job shedding as factories suspended operations and demand collapsed during the coronavirus lockdown. Firms reported hiring more staff to work on new business, and the return of workers who had left for their hometowns during the lockdown. That said, the overall rate of job creation was weak.

Purchasing activity declined further in August, despite higher new orders, as firms continued to cut input stocks. That said, in both cases the rates of contraction slowed. Weak overall demand for inputs resulted in quicker supplier delivery times, only the third such occurrence in the survey history. Average input prices fell for the fourth month running, leading to another cut in output prices as firms attempted to stimulate sales.



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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 12-20 August 2020.

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

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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. ihsmarkit.com/products/pmi.html