News Release

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IHS Markit ASEAN Manufacturing PMI™

PMI signals first improvement of business conditions for nine months

Key findings

New orders rise at fastest pace since last May...

...but output falls for first time in three months

Suppliers' delivery times lengthen to greatest extent since August 2014

Operating conditions in the ASEAN manufacturing sector improved for the first time since May last year during February, amid the fastest increase in order book volumes for nine months, according to latest IHS Markit Purchasing Managers' Index (PMI™) data. That said, the overall improvement was only fractional, with production declining for the first time in three months and employment falling once again.

The headline PMI rose from 49.8 in January to 50.2 in February, signalling the first improvement in the health of the ASEAN manufacturing sector for nine months, albeit one that was only fractional. New orders increased at the quickest rate since May last year, but only mildly. Falls in output and employment weighed on the headline figure, however, as production declined for the first time since last November and workforce numbers fell at the quickest rate for three months.

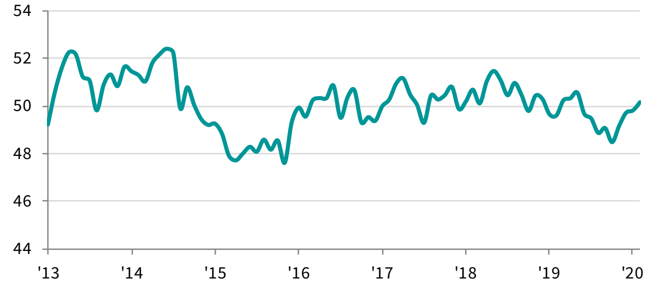
The Philippines recorded the best performance of the seven monitored countries in February, with the headline PMI (52.3) signalling the joint-fastest improvement in operating conditions since December 2018. Indonesia also reported an expansion, the first for eight months, with the headline figure (51.9) indicative of a modest uptick.

Elsewhere, Myanmar reported broadly stagnant operating conditions, with the headline PMI weakening to just below the neutral 50.0 threshold. At 49.8, the latest reading ended a survey record 15-month period of continuous improvement. Meanwhile, Thailand reported a second consecutive deterioration in manufacturing conditions, with the headline index (49.5) among the lowest since October 2018. At the same time, Vietnam's headline figure (49.0) signalled the first deterioration in the health of the sector since late-2015 amid reports of coronavirus disruption. That said, the decline was only mild overall.

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 saw a tentative improvement in conditions in February, ending an eight month sequence of deterioration. A third consecutive increase in order book volumes was partly responsible, although new business rose only mildly overall. That said, the first reduction in output for three months weighed on the headline index, whilst workforce numbers declined further.

"Meanwhile, firms continued to pare back their buying activity and inventories, while vendor performance deteriorated at the quickest rate since August 2014 amid reports of supply chain disruptions stemming from the COVID-19 outbreak.

"The lack of output growth so far this year, coupled with renewed supply chain pressures, adds to concerns over whether the health of the sector can improve further. Next months data will provide a further indication of the effect of the coronavirus outbreak on ASEAN goods producers."

Malaysian goods producers also recorded a deterioration in operating conditions during February, as has been the case through the majority of the past 5 years. The headline index (48.5) signalled only a mild rate of decline, however. Finally, Singapore's downturn continued during February. The headline figure (45.8) was the lowest for four months and indicative of a solid deterioration in the health of the manufacturing sector.

Overall, operating conditions in the ASEAN manufacturing sector improved fractionally in February, helped in part by further and faster new order growth. Latest survey data highlighted further signs of weakness, however, with production contracting for the first time in three months (albeit marginally), whilst new export orders fell at the quickest rate since last September and firms cut staffing levels for the ninth month in a row.

Meanwhile, buying activity declined, as has been the case in each month since last June. The fall was the quickest for three months, albeit only mild. Nonetheless, vendor performance deteriorated for the first time since last September amid increased supply chain pressures resulting from the COVID-19 outbreak. Although modest, the extent to which lead times lengthened was the quickest since mid-2014.

February data also highlighted the quickest fall in pre-production inventories for four months, whilst stocks of finished items declined for the first time since August last year.

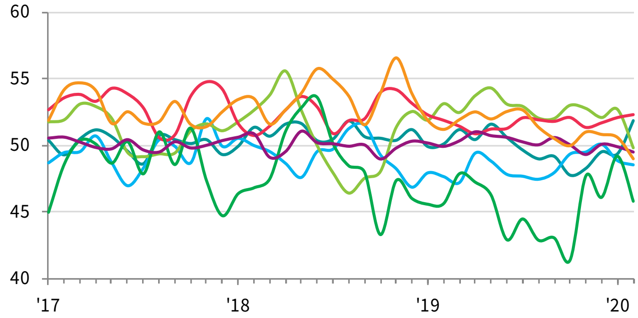
On the price front, cost burdens continued to rise, with the rate of inflation the quickest since May last year and moderate overall. Higher costs were not passed through to clients, however, as selling prices were broadly stagnant.

Firms remained, on average, positive that output would increase over the coming year, but overall optimism slipped to a four-month low.

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.

February 2020 data were collected 12-24 February 2020.

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

*Source: World Bank World Development Indicators.

About IHS Markit

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.

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