

IHS Markit ASEAN Manufacturing PMI™

Manufacturing downturn continues into August

Key findings

PMI remains firmly in contraction territory at 44.5

Further rapid falls in output and new orders

Business confidence weakest since July 2020

Data were collected 12-24 August 2021.

The ASEAN manufacturing sector remained in a downturn during August, according to the latest IHS Markit Purchasing Managers' Index (PMI™) data, as rising COVID-19 cases and lockdown measures continued to impact the sector. Operating conditions declined sharply again amid further rapid falls in factory production and new orders, while sentiment among goods producers towards output over the year ahead slipped to a 13-month low.

The headline PMI posted 44.5 in August, down slightly from July's reading of 44.6, to signal a third straight monthly deterioration in the health of the ASEAN manufacturing sector and one that was sharp overall.

For the first time since May 2020, each of the seven constituent nations recorded deteriorations in conditions during August. The steepest pace of contraction was seen in Myanmar, where the PMI (36.5) remained among the lowest on record. This was followed by Vietnam, where the headline index (40.2) fell to the lowest since April 2020 amid the ongoing COVID-19 outbreak.

Elsewhere, sustained deteriorations were recorded in Malaysia and Indonesia, although both saw the rates of decline ease from July. Nonetheless, the latest PMI readings of 43.4 and 43.7, were indicative of sharp deteriorations in the health of the respective manufacturing sectors.

Renewed contractions were meanwhile registered in Singapore and the Philippines. In the former, the headline index (44.3) moderated noticeably from July's more than eight year high, and sunk to the lowest since last September. In the Philippines, the latest reading (46.4) signalled the first deterioration in conditions since May and one that was the sharpest for 15 months.

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:

"COVID-19 outbreaks and stricter lockdown measures continued to adversely impact the ASEAN manufacturing sector during August, which remained firmly mired in a downturn. Client demand continued to retreat, while factory production declined rapidly again. Subsequently, companies cut back on staffing, despite a record upturn in backlogs, while business confidence moderated to a 13-month low.

"Moreover, for the first time since May 2020, contractions were recorded across each of the seven constituent nations during August, highlighting the severe impact of rising COVID-19 cases and stronger lockdown measures across the region. The fastest rates of decline were recorded in Myanmar, Vietnam and Malaysia.

"Overall, the latest data provided little good news. Companies were still confident overall of higher output in 12 months' time, however, with firms hopeful that once restrictions are eased the sector will once again rebound."

Finally, Thailand's PMI dipped further below the 50.0 mark in August. At 48.3, the latest reading signalled the quickest rate of decline for three months, but one that was only marginal.

Overall, the ASEAN manufacturing sector remained firmly in contraction territory in August. Output and new orders fell for the third straight month, with the rates of decline little-changed since July and among the strongest on record, reflecting ongoing challenges posed by the reintroduction of stricter containment measures. Foreign demand also weakened during August, as new export orders decreased for the third month in a row and markedly, although the rate of reduction did ease since July.

As a result, ASEAN goods producers pared back on their purchasing again in August, extending the current sequence of declining buying activity which began in June. The rate of reduction was marked, despite slowing on the month. Subsequently, inventories declined further. Nonetheless, supply chain disruption remained substantial. Although delays were slightly less severe than in July, lead times for inputs lengthened to one of the greatest degrees on record.

Meanwhile, goods producers continued to trim their workforces in August, extending the current sequence of falling employment which began in June 2019. The rate of job shedding eased on the month, but was still strong overall. August data also highlighted sustained capacity pressures, as backlogs of work rose at a series record pace.

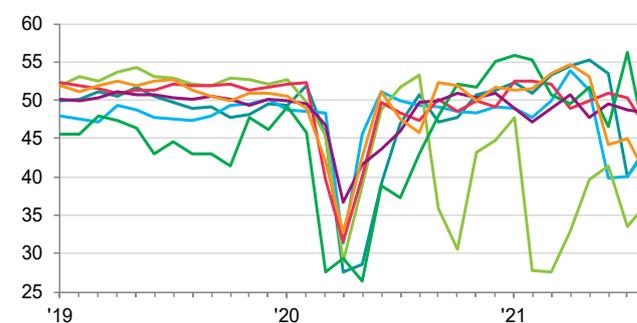
Inflationary pressures also remained elevated. Input costs increased markedly again, with firms raising their average charges at an accelerated pace as a result.

The continued downturn also weighed on business confidence during August. Although still optimistic overall, the level of positive sentiment towards output over the next year dipped to the weakest since June 2020 and was historically muted.

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 2021 data were collected 12-24 August 2021.

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

*Source: World Bank World Development Indicators.

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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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