

IHS Markit ASEAN Manufacturing PMI™

ASEAN manufacturing conditions stabilise in September

Key findings

PMI moves up to 50.0 neutral mark in September

Broad stabilisation of both output and new orders

Input costs rise at steepest pace since November 2013

Data were collected 13-24 September 2021.

Manufacturing conditions across the ASEAN region stabilised during the closing month of the third quarter, according to the latest IHS Markit Purchasing Managers' Index (PMI™) data. Following marked decreases in August, both output and new orders declined at noticeably slower rates, with the latter broadly stable in September as the respective seasonally adjusted index posted only just below the neutral 50.0 level.

The headline PMI registered on the 50.0 mark that separates expansion from contraction during September, rising from August's 14-month low of 44.5. This signalled no-change in manufacturing conditions on the month, thereby ending a three-month sequence of deterioration. The average reading over the third quarter, at 46.3, was the lowest since the second quarter of 2020 and second-lowest on record, however.

Three of the seven constituent ASEAN nations recorded improvements in the health of their respective manufacturing sectors during September. The strongest upturn was seen in Singapore, where the headline PMI rebounded from 44.3 in August to 53.4 in September, signalling a solid rate of expansion. This was followed closely by Indonesia, which registered the first improvement in the health of the goods producing sector since June. The headline index (52.2) was indicative of a moderate improvement in conditions overall.

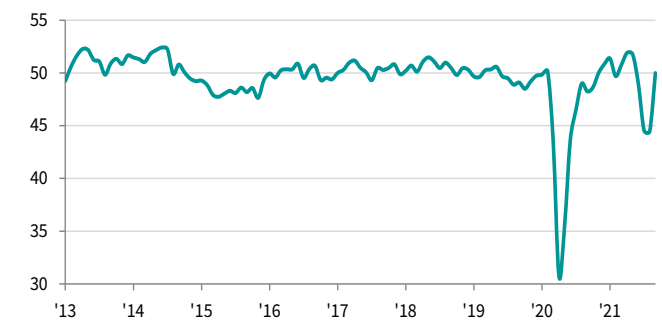
The only other constituent nation to see the health of its manufacturing sector improve was the Philippines. Here, the PMI (50.9) returned to expansionary territory following a solid contraction in August, with the rate of growth the fastest since March, but only marginal overall.

Elsewhere, Thailand registered a further deterioration in manufacturing conditions in September, as client demand remained weak, despite an upturn in output amid the slightly

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 closing month of the third quarter saw ASEAN manufacturing conditions stabilise following a three-month long downturn. Output declined at a notably slower pace, and one that was only fractional, with new orders broadly unchanged on the month.

"The slightly improved performance was aided by a return to growth for three of the seven constituent manufacturing sectors - Singapore, Indonesia and the Philippines - with the rates of deterioration easing in the remaining nations, with the exception of Vietnam.

"Overall, the sector remains on an uneven footing in September. Inflationary pressures add to downside risks, with the latest data highlighting the steepest increase in cost burdens for nearly eight years. COVID-19 restrictions and rising cases in parts of the region continue to adversely impact goods producers, and until this subsides, it's unlikely we will see a meaningful return to growth for the manufacturing sector."

improved pandemic situation. That said, the headline index (48.9) pointed to the slowest rate of contraction for three months.

Similarly, in Malaysia, the rate of contraction eased to the slowest in the current four-month sequence of deterioration (PMI: 48.1) during the closing month of the quarter.

Elsewhere, Myanmar too saw a slower rate of decline during September, although at 41.1, the PMI was still indicative of a rapid deterioration in manufacturing conditions.

Finally, a fourth successive monthly contraction was recorded in Vietnam during September, as the sector continued to be impacted by the current wave of the COVID-19 pandemic and subsequent containment measures. The PMI was unchanged from August's reading of 40.2, and signalled the joint-second-quickest deterioration in the health of the sector since the survey began in March 2011.

Overall, the ASEAN goods producing sector remained on an uneven footing in September. Output continued to fall, albeit only fractionally, while new orders stabilised, but failed to return to growth.

As a result, job shedding continued for the twenty-eighth month running, with the rate of decline in employment remaining sharp. This was despite a record increase in backlogs of work.

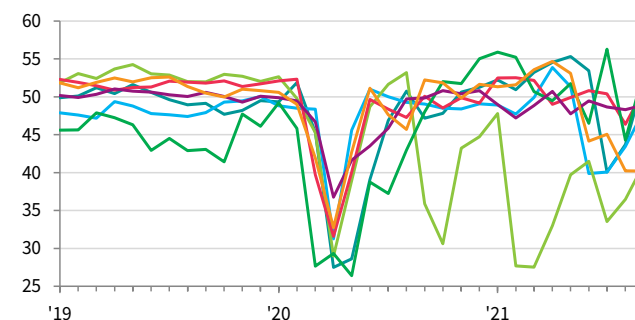
At the same time, supply disruption continued. Average lead times for inputs lengthened again, with delays slightly more severe than in August.

Inflationary pressures also intensified in September. Cost burdens rose at the fastest rate since November 2013, with goods producers subsequently raising their average charges at the strongest pace for over seven years.

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.

September 2021 data were collected 13-24 September 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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