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IHS Markit Myanmar Manufacturing PMI™

Robust new business growth continues in June

Key findings

Output and new orders increase steeply

Output expectations reach strongest since January 2017

Input price inflation remains marked

June survey data signalled a solid improvement in operating conditions across Myanmar's manufacturing sector. Overall growth was driven by sharp increases in output and new orders. Subsequently, business confidence strengthened and was the highest since the start of 2017. Employment continued to increase in response to rising workloads.

Meanwhile, input costs rose at a steep rate that was the second-fastest in 2019 so far (behind May's recent peak).

At 53.0 in June (May: 54.2), the Myanmar Manufacturing Purchasing Managers' Index™ (PMI™) pointed to a solid improvement in the health of Myanmar's goods-producing sector. Although dipping to a three-month low, growth was above the trend recorded since the survey began in December 2015. Moreover, the latest quarterly average (53.7) was the strongest in the short series history.

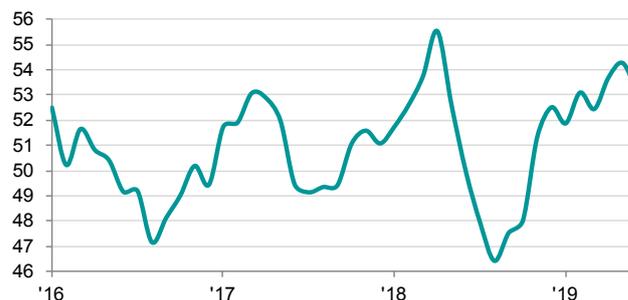
A key contributing factor behind June's headline PMI was a strong rise in production. Despite the rate of growth softening slightly, it remained among the fastest in the series history. A number of survey respondents linked the upturn to greater domestic and foreign client demand.

Growth in new business received by manufacturers remained sharp in June, with panellists stating that demand from returning customers and the acquisition of new clients had driven the expansion. The latest upturn extended the current sequence of growth that began in November 2018.

Subsequently, goods producers registered stronger output expectations towards the year ahead. The improvement in business confidence was often linked to new product development and planned investment in new technology. Furthermore, the level of optimism was at its highest since January 2017.

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



Source: IHS Markit.

Comment

Commenting on the latest survey results, Siân Jones, Economist at IHS Markit, said:

"Myanmar's manufacturers registered another solid improvement in business conditions in June. Upturns in production and new business remained sharp following further buoyancy in client demand at home and abroad.

"Following several months of muted business confidence, optimism picked up and was the strongest since January 2017. Panellists expressed greater expectations towards investment in new technology and product development.

"Meanwhile, input cost inflation remained elevated as higher supplier prices put pressure on profit margins. Nevertheless, the rate of charge inflation quickened for the fourth successive month amid greater client demand.

"At the same time, backlogs of work fell at the slowest pace for three years as production was held back by ongoing electricity outages."

On the price front, input cost inflation remained elevated in June, as higher supplier prices and raw material shortages drove up cost burdens. The rate of increase dipped only slightly from May's recent peak. Nonetheless, greater client demand allowed firms to partly pass on higher input prices to customers. The pace of charge inflation accelerated to the fastest since November 2018.

Meanwhile, employment continued to increase, stemming from a sharp rise in new business. The upturn was marginal but quicker than the series trend. Pressure on capacity was exacerbated by electricity shortages which led to the slowest decline in backlogs of work for three years.

Electricity outages were also linked to longer supplier delivery times. Panellists stated that the fractional deterioration in vendor performance was due to difficulties processing orders. Nonetheless, lead times lengthened to the smallest extent since last November.

Goods producers increased their input buying in June. The rate of expansion in purchasing was moderate and mainly reflected greater production requirements.

Inventories were depleted among manufacturers in June. Post-production stock levels fell markedly as firms sought to ship goods immediately. Meanwhile, stocks of purchases decreasing following three consecutive months of expansion.



Sources: IHS Markit, CSO.

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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.

June 2019 data were collected 12-20 June 2019.

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