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IHS Markit Myanmar Manufacturing PMI™

Manufacturing PMI eases to a four-month low in July

Key findings

New order growth softens in July

Stocks of purchases fall at fastest pace since October 2018

Higher electricity costs push up input prices

Manufacturing companies in Myanmar remained on a growth footing in July, but the latest improvement in overall business conditions was the slowest since March. This largely reflected a weaker rise in new business volumes and more cautious inventory strategies during the latest survey period.

The seasonally adjusted Myanmar Manufacturing Purchasing Managers' Index™ (PMI™) eased from 53.0 in June to 52.9 in July, thereby signalling the weakest upturn in manufacturing performance for four months.

New orders increased at the slowest pace since March, reflecting more subdued customer demand and tighter budget setting among clients. However, on a more positive note, manufacturing production volumes increased at a robust pace in July, with the rate of expansion edging up to a 15-month high.

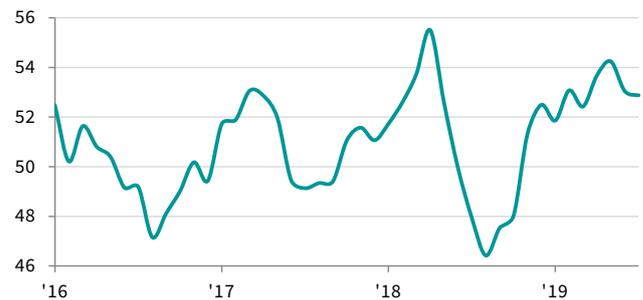
A combination of rising production and a sharp depletion of finished goods inventories contributed to another fall in backlogs of work across the manufacturing sector in July. Work-in-hand (but not yet completed) has decreased in each month since June 2016, although the latest rate of decline was the slowest over this period.

Greater production requirements encouraged manufacturers to take on more staff in July. Higher employment numbers have now been recorded in each of the past eight months, although the rate of job creation remained only modest during the latest survey period.

Purchasing activity continued to rise across the manufacturing sector in July and the rate of input buying strengthened to its fastest since April 2018. Survey respondents commented on rising workloads and, in some cases, the need to replenish depleted stocks of purchases. July data signalled a sharp and accelerated reduction in pre-production inventories amid

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



Source: IHS Markit.

Comment

Commenting on the latest survey results, Tim Moore, Associate Director at IHS Markit, said:

"Myanmar manufacturers experienced another slight loss of momentum in July as softer new order growth more than offset a reasonably solid pick up in production volumes.

"The sharp and accelerated decline in stocks of inputs is a cause for concern because this can only be partly explained by leaner inventory management. In fact, supply chain difficulties persisted in July as vendor lead times lengthened and manufacturers continued to report shortages of some raw materials.

"Despite challenges from softer new business growth and stretched supplier capacity, latest data reveals that manufacturers remain positive about their business prospects for the year ahead. The degree of confidence is among the highest since the start of 2017, supported by planned investment in new machinery and greater spending on plant capacity."

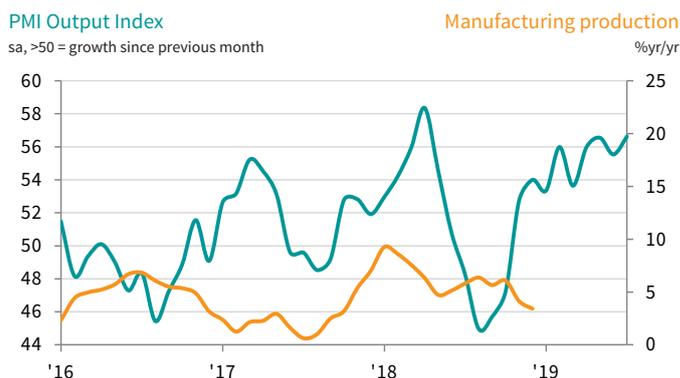
efforts to improve cash flow and working capital efficiency.

Efforts to adopt leaner manufacturing strategies were hindered by longer wait times for raw materials in July. Worsening vendor performance has been recorded in each month since August 2017. Survey respondents commented on difficulties sourcing raw materials amid shortages of spare capacity among suppliers.

Stretched supply chains contributed to upward pressure on manufacturing costs in July. Latest data revealed a robust and accelerated rise in input prices, with the overall rate of inflation much faster than that seen at the start of 2019. A number of manufacturers also noted that rising electricity bills had pushed up their average cost burdens in July.

Meanwhile, prices charged by manufacturing companies increased only moderately in July. Factory gate prices have now risen for six consecutive months, reflecting efforts to protect operating margins by passing on higher costs to customers.

Looking ahead, manufacturers remain optimistic about their growth prospects for the coming 12 months. The degree of optimism eased since June, but was stronger than at any other time since the start of 2017. Confidence regarding future production was linked to long-term business expansion strategies, supported by planned investments in additional plant capacity and hopes of a rise in new business volumes.



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.

July 2019 data were collected 12-23 July 2019.

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

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