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IHS Markit ASEAN Manufacturing PMI™

ASEAN manufacturing downturn intensifies with record falls in output and new orders

Key findings

Headline PMI plummets to a fresh survey low of 30.7

Output, new orders and exports all decline at fastest rate on record

Business confidence sinks further

Data were collected 7-24 April 2020.

ASEAN manufacturers suffered the most marked deterioration in operating conditions recorded in the series near eight-year history during April, as the coronavirus disease 2019 (COVID-19) virus continued to hit the sector, according to latest IHS Markit Purchasing Managers' Index (PMI™) data. Output, new orders and exports all declined at unprecedented rates, while firms' confidence with regards to output over the year ahead sank to a fresh series low.

The headline PMI dropped to an all-time low of 30.7 in April, down from a prior record low of 43.4 in March, to indicate by far the largest monthly deterioration in manufacturing conditions since the series began in July 2012. As was the case in March, the headline figure partly reflected a record lengthening of suppliers' delivery times, the index for which is inverted in the PMI calculation, as longer times are usually associated with improving demand. This was outweighed, however, by unprecedented contractions in output, new orders, employment and pre-production inventories.

Each of the seven constituent countries reported a further deterioration in operating conditions during April, with the downturn intensifying in every country except Singapore. Indonesia reported the most marked deterioration overall, with the headline figure (27.5) slipping 17.8 points on the month to a fresh series low (since April 2011) amid factory closures and slumping demand. Elsewhere, Myanmar recorded a third successive deterioration in operating conditions, with the headline PMI diving to a new record low (29.0) and indicating the second most severe downturn of all seven countries.

Singapore's headline figure rose slightly from an all-time low in March to post 29.3 in April, although it remained indicative of a substantial deterioration in the health of the sector. Meanwhile,

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 registered by far its worst performance on record during April, with the headline PMI dropping further to a fresh series low and signalling the most marked downturn in the sector since data collection began in July 2012. Furthermore, all of the seven constituent countries reported a deterioration in operating conditions simultaneously for the second month in a row.

"Central to the substantial deterioration were record rates of decline across all five components of the headline figure, with output, new orders, employment and pre-production inventories dropping markedly across the region to drag the PMI down further as the impact of the COVID-19 outbreak intensified. Meanwhile, firms' output expectations for the year ahead sank to a fresh series low.

"Overall, April data highlight the substantial impact of the coronavirus pandemic on ASEAN manufacturers. With measures to restrict the spread of the virus likely to continue for some time, and demand both at home and abroad essentially frozen, firms need to prepare for a tough second quarter."

the negative impact of COVID-19 was also felt in Malaysia, with the headline index dropping further and signalling the most marked deterioration in operating conditions in nearly eight years of data collection during April.

The worsening trend continued with the Philippines, with the headline index (31.6) highlighting the most substantial deterioration in operating conditions in the series more than four-year history. Vietnam registered a similar rate of decline, with the headline figure (32.7) also the lowest on record. Finally, Thailand's manufacturing sector remained in contractionary territory for the fourth month running in April. The headline index (36.8) was indicative of an unprecedented deterioration in manufacturing conditions.

April data, on the whole, signalled a severe deterioration in ASEAN manufacturing conditions, with the headline PMI falling to a fresh series low amid further adverse COVID-19 impacts. Central to the downturn were the most marked reductions in output, new orders and exports since the series began in July 2012, with client demand both domestically and internationally plummeting as a result of widespread lockdowns and other emergency measures. Unsurprisingly, firms continued to cut workforce numbers in April, with the rate of job shedding the fastest on record.

Meanwhile, purchasing activity was scaled back substantially, with the fall the quickest in the series history. Supply chain disruptions persisted, however, with suppliers' delivery times lengthening to the greatest extent recorded in nearly eight years of data collection. In line with the reductions in purchasing and output, inventories fell at record rates.

Firms confidence with regards to output over the next year slipped further in April, with huge uncertainty regarding the coronavirus outbreak weighing heavily on expectations. The level of positive sentiment dropped to a fresh record low.

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.

April 2020 data were collected 07-24 April 2020.

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

*Source: World Bank World Development Indicators.

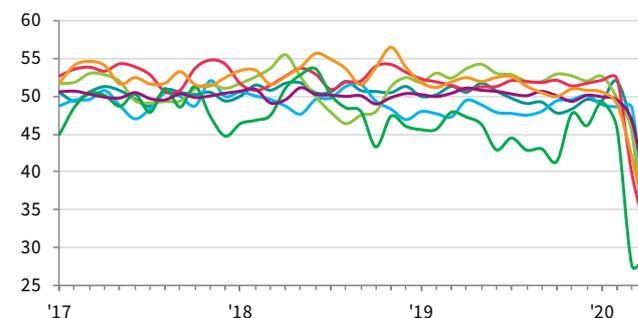
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Manufacturing PMI

Indonesia / Malaysia / Myanmar / Philippines
Singapore / Thailand / Vietnam

sa, >50 = improvement since previous month



Source: IHS Markit.

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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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