News Release

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IHS Markit
Myanmar Manufacturing PMI™

Manufacturing sector continues to contract sharply in May as economy remains locked down

Key findings

New orders and output decline at second-fastest rates since survey began

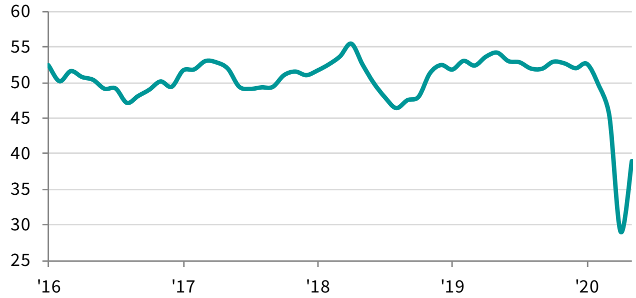
Record falls in employment and stocks of finished goods

Business expectations recover some ground since April

Data were collected 12-20 May 2020.

Myanmar Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Myanmar's manufacturing sector registered another marked contraction in May as large parts of the economy remained locked down to contain the coronavirus disease 2019 (COVID-19) outbreak, according to PMI™ survey data from IHS Markit. Output, new orders and purchasing all declined at the second-fastest rates on record since the survey began in December 2015, while jobs and finished goods inventories fell at fresh record paces. That said, many survey indicators recovered some territory from April lows and the 12-month outlook improved slightly, in a sign that the most extreme phase of disruption to the goods-producing sector had passed.

The headline IHS Markit Myanmar Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The PMI remained well below 50.0 in May, signalling another rapid overall deterioration in manufacturing business conditions in Myanmar. The headline figure rose from April's nadir of 29.0 to 38.9 in May, but the latest figure was still much lower than in any prior survey period in four-and-a-half years of data collection.

The output, new orders and employment components, accounting for three-quarters of the weight of the PMI, continued to weigh heavily on the headline figure in May as factory operations remained suspended, demand weakened further due to local and international lockdowns and workers continued to return to their hometowns. Suppliers' delivery times lengthened further, but by less so than in April and March. The final PMI component, stocks of purchases, fell at the third-

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Comment

Commenting on the latest survey results, Trevor Balchin, Economics Director at IHS Markit, said:

"Myanmar's manufacturing economy remained heavily impacted by lockdown measures in May, with key indicators for output, new orders and employment all signalling further rapid declines. The notable bounce in the headline figure should not be viewed as a recovery, for it merely indicates a less severe month-on-month downturn than when the lockdown first took effect. At 38.9, the PMI was still the second-lowest on record since the series began in December 2015.

"The rate of job shedding accelerated to a new record pace in May, although the degree to which this represents permanent cuts remains unclear.

"The Future Output Index provides a glimmer of hope that the worst of the disruption has passed, rising slightly since April and further into positive territory. A number of firms reported that they expect to restart production in the coming months."

fastest rate on record.

The indices for output and new orders rose from their April lows, as less firms reported declines during May. That said, the latest data still represented the second-fastest reductions on record.

The manufacturing workforce was reduced at a record pace in May, as firms gauged the long-term impact on demand from the global coronavirus pandemic. Around 45% of firms cut workforces in May, compared with 37% in April.

Although production remained suspended at many manufacturing units across Myanmar in May, backlogs still fell rapidly, reflecting the unprecedented falls in new orders during the past three months. Though marked, the rate of depletion was the slowest since January. Finished goods inventories declined at a fresh record pace.

Purchasing of new inputs continued to fall rapidly in May due to both demand and supply side factors. The rate of decline eased from April but was still the second-fastest on record. Suppliers' delivery times lengthened, albeit by less than in March and April.

Manufacturing input prices fell for the second time in three months as demand weakened. Meanwhile, prices charged for manufactured goods fell for the fifth time in six months. In both cases the rate of reduction was only marginal, however.

In a sign that the most extreme phase of disruption from the pandemic had passed, output expectations picked up slightly in May. Some firms expect production to resume in the coming months. That said, sentiment remained weak in the context of the four-and-a-half-year survey history.

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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.

Data were collected 12-20 May 2020.

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

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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.
ihsmarkit.com/products/pmi.html.