

IHS Markit ASEAN Manufacturing PMI™

Manufacturing sector returns to growth as COVID-19 restrictions ease

Key findings

PMI rises to all-time high of 53.6

Growth of output and new work quickest on record

Inflationary pressures strengthen amid worsening supply disruptions

Data were collected 12-25 October 2021.

The ASEAN manufacturing sector rebounded during the October, according to the latest IHS Markit Purchasing Managers' Index (PMI™) data, as the easing of COVID-19 measures resulted in record rates of expansion in both factory production and new orders. Worsening supply disruptions contributed to more intense inflationary pressures, however, as both input costs and average charges rose at the fastest rate for eight years.

The headline PMI rose from 50.0 in September to 53.6 in October, signalling the first improvement in ASEAN manufacturing conditions since May, and one that was the quickest since data collection began in July 2012.

Improved operation conditions were recorded in all but one of the seven constituent ASEAN nations during October. Indonesia topped the rankings, with the headline PMI (57.2) the highest on record and indicative of a rapid improvement in the health of the sector, amid looser lockdown measures.

This was followed by Singapore, where the headline index (54.5) remained firmly in expansion territory for the second month in a row and signalled a sharp uplift in manufacturing conditions.

Elsewhere, Malaysia registered a return to growth, with the PMI posting above the neutral 50.0 level for the first time since May. At 52.2, the latest reading was indicative of the second-fastest improvement in the health of the sector since April 2014. Vietnam too saw its first expansion since May, with the headline index (52.1) signalling a modest improvement in conditions.

At the same time, both the Philippines and Thailand recorded marginal improvements in the health of their goods producing sectors, with the PMI posting 51.0 and 50.9, respectively.

Finally, Myanmar was the only ASEAN nation to record a deterioration in operating conditions during October. At 43.3,

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 easing of COVID-19 measures across the region saw the ASEAN manufacturing sector rebound during October. The PMI hit an all-time high of 53.6 and signalled a sharp improvement in operating conditions, aided by record rates of expansion in both output and new orders."

"Across the constituent nations, growth was broad-based with the exception of Myanmar. Indonesia topped the growth rankings with a survey record PMI reading, followed by Singapore, Malaysia and Vietnam, with the latter two registering the first improvement in the health of their respective goods producing sectors since May. The Philippines and Thailand also recorded improved operating conditions in October."

"This was good news following a third quarter plagued by downturns, and the latest data suggest that the sector has turned a corner as COVID-19 restrictions loosen and the sector rebounds. Next month's PMI data will subsequently give the first indication into the ongoing strength of the recovery as it gets underway."

the headline index was indicative of the slowest decline since January, but one that was sharp nonetheless.

The return to expansion territory was driven by rebounds in both output and new work during the opening month of the fourth quarter. Factory production rose for the first time since May, with the rate of growth the fastest on record. Order book volumes saw a similar trend, rising for the first time in five months and at the steepest pace in the series history, albeit one that was slightly slower than for output, in part due to a broad stabilisation of new export orders.

Greater production requirements were reflected in a renewed rise in purchasing activity at ASEAN goods producers in October, with the rate of increase the quickest on record. Pre-production inventories increased as a result, but only marginally.

Stronger input buying placed further pressure on supply chains, however, as average delivery times lengthened again. Delays were among the most severe on record.

Subsequently, ASEAN goods producers registered intense inflationary pressures in October. Cost burdens rose for the nineteenth month in a row, with the latest increase rapid and the quickest since October 2013. As a result, firms raised their average charges at the fastest rate for eight years.

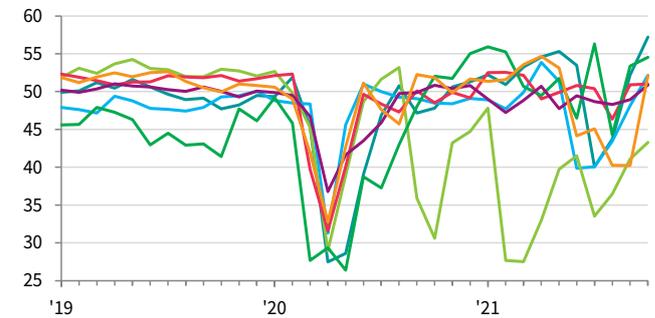
Supply constraints were also echoed in sustained capacity pressures during October, as backlogs of work rose for the fourth month in a row. Notably, the rate of backlog accumulation was broadly unchanged from September's series peak.

The return to growth for the ASEAN manufacturing sector was also reflected in improved confidence towards output over the year ahead. Sentiment was the strongest since June 2019 and broadly in line with the series long-run average.

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.

October 2021 data were collected 12-25 October.

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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