

# IHS Markit ASEAN Manufacturing PMI™

## Manufacturing downturn continues during May

### Key findings

Headline PMI rises from record low but remains firmly in contraction territory

Further rapid declines in output and new orders

Employment continues to fall sharply amid signs of spare capacity

Data were collected 12-22 May 2020.

The downturn in the ASEAN manufacturing sector brought on by the coronavirus disease 2019 (COVID-19) pandemic continued during May, according to latest IHS Markit Purchasing Managers' Index (PMI™) data. Operating conditions deteriorated for a third successive month, amid further rapid contractions in both output and new orders.

The headline PMI registered 35.5 in May, up from April's nadir of 30.7, but indicating a third successive deterioration in the health of the manufacturing sector. The headline figure was the second-lowest recorded since the series began in July 2012. Both factory production and order book volumes continued to fall sharply, albeit at softer rates than in April as some lockdown restrictions were loosened. Firms output expectations picked up from April's record low, but remained among the weakest on record.

For the third month in a row, each of the seven constituent countries registered a deterioration in operating conditions during May. Singapore was hardest hit, and the only country which saw the downturn intensify. The headline figure (26.4) was indicative of a substantial deterioration in the health of the sector and the lowest in the series near eight-year history. Indonesian manufacturers reported a similarly marked decline, with the headline index (28.6) the second-lowest on record.

Manufacturers in Myanmar signalled a further severe contraction, despite the headline figure (38.9) rising from April's historical low. Meanwhile, the Philippines recorded a third successive monthly deterioration in operating conditions, although the headline index (40.1) signalled the softest rate of decline over this period. Thailand's headline figure also indicated an easing in the rate of deterioration, although at 41.6, it was among the lowest since data collection began in late-2015.

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:

"ASEAN manufacturing sector performance remained weak during May, with operating conditions deteriorating at the second-quickest rate since the series began in July 2012 as the COVID-19 pandemic continued to negatively impact the sector.

"May data highlighted further rapid contractions in both output and new orders. Although the rates of decline were not as severe as those seen in April due to the slow reopening of economies, they nonetheless remained historically marked.

"Meanwhile, substantial job cuts continued in May as client demand remained muted. Firms expectations with regards to output did improve from April's nadir, but only slightly.

"Notably, each of the seven monitored countries remained mired in a downturn for the third month running during May, which lays bare the enormous impact the pandemic is having on the sector. Although data appear to suggest that the downturn bottomed out in April, ASEAN manufacturers are still a long way from a recovery."

Elsewhere, Vietnam registered a further contraction, although at a much slower rate, with the headline index rising to 42.7. Finally, Malaysia registered the softest downturn across the seven monitored countries in May. That said, the headline figure (45.6) was indicative of a solid deterioration in operating conditions.

Overall, operating conditions in the ASEAN manufacturing sector remained particularly challenging during May. Output and new orders continued to decline sharply, as did foreign demand for ASEAN goods, although in all cases rates reduction eased slightly from April as quarantine restrictions were loosened and more factories began to reopen.

In line with weak demand conditions, firms cut staffing levels again in May, with the rate of job shedding the second-quickest in nearly eight years of data collection. Concurrently, the 12-month outlook for output remained weak, with the level of positive sentiment only slightly above April's all-time low.

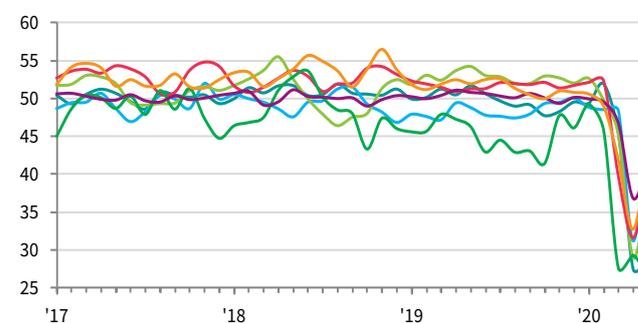
Meanwhile, buying activity declined further, with the drop among the quickest on record. As a result, pre-production inventories declined at the second-fastest pace in the series history (after April 2020). Holdings of finished goods also fell sharply, reflecting firms' reluctance to hold inventories. Nonetheless, supply chain disruptions persisted due to the lingering impact of the pandemic, with lead times lengthening to one of the greatest extents on record.

On the price front, cost burdens rose only slightly during May, with the rate of inflation unchanged from April. At the same time, average selling prices were broadly stable following three successive months of decline.

### 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.

May 2020 data were collected 12-22 May 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

\*Source: World Bank World Development Indicators.

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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.

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