Manufacturing business conditions improve in July as PMI breaches 50.0 threshold

Key findings

- PMI above 50 on stronger output and new order growth
- Slowest fall in employment since March
- Record falls in both input and output prices

Business conditions in Myanmar's manufacturing sector improved in July, according to PMI™ survey data from IHS Markit. Output and new orders both increased at the fastest rates since January, resulting in the headline IHS Markit Myanmar Manufacturing PMI — a composite single-figure indicator of manufacturing performance — to rise above the crucial 50.0 mark that separates expansion from contraction. Any figure greater than 50.0 indicates overall improvement of the sector.

Employment continued to fall, but at the slowest rate since March. The latest survey also revealed record declines in both input and output prices.

The PMI rose from 48.7 in June to a six-month high of 51.7 in July. It was the first reading above 50.0 since January and above the long-run average of 50.4, signalling a relatively solid improvement in operating conditions since the prior month.

The three-point rise in the PMI reflected stronger growth of new orders and output, and a much slower fall in employment. These three components account for 75% of the weight of the PMI. The remaining components — suppliers’ delivery times and stocks of purchases — had broadly neutral directional influences on the headline figure. Stocks of purchases continued to fall sharply as firms used up surplus inventories in production, while suppliers’ delivery times lengthened only slightly during the month.

Manufacturers in Myanmar reported improving demand in July, as regular customers began to place orders again. The volume of new work rose for the second month running, and at the fastest rate since January. The seasonally adjusted New Orders Index was well above its long-run trend level during the latest period. There were reports, however, that international demand

Comment

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

“The PMI has risen for a third successive month from April’s record low, and breached the crucial 50.0 mark in July. This is a clear sign that the sector is starting to recover from the severe downturn triggered by the coronavirus pandemic, with output and new orders rising strongly at the start of the second half of 2020. Firms reported that regular customers had started placing orders again.

“The headline figure continues to be weighed down by the employment component, as many factories are reopening well below capacity. That said, the near-six point rise in the employment index since June was actually the biggest single directional influence on the PMI during the month, suggesting that the worst phase of job cuts have passed.”

Data were collected 13-23 July 2020.

© 2020 IHS Markit
remained weak, notably from Japan, India, Europe and the USA. The sustained recovery in growth of total new orders led to a second consecutive monthly rise in output in July. The pace of expansion accelerated to the fastest since January and was above the long-run series average. The level of finished goods held in stock declined as firms sought to avoid an overhang of inventory, though the rate of depletion was the slowest in seven months.

As well as depleting their inventories of finished goods, manufacturers continued to pare down their stocks of inputs in July. The rate of inventory depletion was little-changed from June’s marked pace, and extended the current sequence to 14 months. The volume of new inputs purchased fell for the fifth month running, albeit at the slowest rate over this period.

Although output and new orders rose further in July, the manufacturing workforce in Myanmar continued to contract. This partly reflected a further decline in backlogs of work and a weak business outlook, with firms’ 12-month output expectations remaining historically subdued amid the pandemic.

The July survey data revealed further declines in both input and output prices. Moreover, the rates of deflation in both cases were the strongest since the survey began in December 2015. Firms linked lower input prices to the stronger kyat-dollar exchange rate and weak global demand for raw materials.

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 13-23 July 2020.

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

Contact
Trevor Balchin
Economics Director
IHS Markit
T: +44-1491-461-065
trevor.balchin@ihsmarkit.com

Bernard Aw
Principal Economist
IHS Markit
T: +65 6922 4226
bernard.aw@ihsmarkit.com

Katherine Smith
Corporate Communications
IHS Markit
T: +1-781-301-9311
katherine.smith@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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved. If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.

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.

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

Disclaimer
The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit’s prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information (“Data”) contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers’ Index™ and PMI™ are either registered trade marks of Market Economics Limited or licensed to Market Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

© 2020 IHS Markit