

Nikkei Myanmar Manufacturing PMI™

PMI falls to series low in August

Key points:

- Manufacturing operating conditions deteriorate for second month running
- Output and new orders contract at faster rates
- Inflationary pressures intensify

Data collected August 13-22

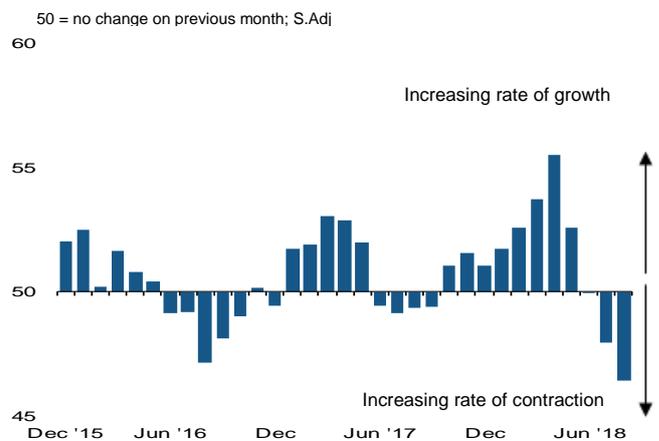
August survey data signalled a sharp deterioration in operating conditions across the Myanmar manufacturing sector. The headline figure was driven by faster contractions in output and new business. Subsequently, employment and backlogs fell further, with purchasing activity also decreasing markedly. Notably, rates of both input price and output charge inflation quickened to series highs, largely stemming from a scarcity of raw materials and higher costs for imported goods. On a positive note, manufacturers expressed a greater degree of confidence towards output over the coming year.

At 46.4 in August, the headline Nikkei Myanmar Manufacturing *Purchasing Managers Index*™ (PMI™) – a composite single figure indicator of manufacturing performance – was down from 47.9 in July. The latest figure indicated the greatest decline in the health of the goods-producing sector since the series began in December 2015. The solid deterioration signalled the second successive contraction in manufacturing performance.

Output at manufacturers contracted further in August, with the rate of decline accelerating to the fastest in the series history. Anecdotal evidence attributed the strong fall to weaker client demand and difficulties sourcing raw materials.

Meanwhile, new orders decreased for the third month running in August. The pace of the downturn accelerated to the quickest since the series began and was strong overall. A number of survey respondents linked the decline in new business to a drop in client demand following a sustained rise in output charges.

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Sources: Nikkei, IHS Markit

In line with lower production requirements, business capacity was placed under less strain. Employment and backlogs continued to contract, with the rate of job shedding accelerating from the previous survey period. Although the pace of backlog depletion was the weakest since July 2016, it remained marked.

Meanwhile, inflationary pressures intensified in response to a scarcity of raw materials and higher input costs. Rates of both input price and output charge inflation reached series highs and were marked overall. Panellists commonly noted that charges were raised due to the pass through of higher costs to clients.

Manufacturing firms also reported an increase in supplier delays. Vendor performance deteriorated to the greatest extent since June 2016 amid supplier capacity constraints and transportation delays.

Weaker client demand and reduced access to raw materials also impacted buying activity, with the quantity purchased declining markedly. Pre-production inventories also decreased further, and at the quickest rate since September 2016.

Finally, business confidence picked up in August. Goods producers signalled the strongest degree of

optimism since November 2017, with many attributing this to new product development and plans to expand into new markets.

Comment:

Commenting on the Myanmar Manufacturing PMI survey data, **Sian Jones, Economist** at IHS Markit, which compiles the survey, said:

“Operating conditions across Myanmar’s manufacturing sector deteriorated to the greatest extent in the series history in August. The overall performance was hampered by strong falls in output and new orders.

“Despite weak demand conditions, firms raised their output prices steeply. A sharp fall in the value of the kyat over the last couple of months has pushed up the costs of imported goods, reflected in a marked rise in input prices. Higher charges reportedly stemmed from strain on profit margins following the fastest rise in costs since the survey began in December 2015.

“On a more positive note, goods producers were more buoyant in their optimism towards future output. Subsequently, business confidence reached a nine-month high following muted sentiment in recent months.”

-Ends-

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Notes to Editors:

The Nikkei Myanmar Manufacturing *PMI*[™] is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by GDP and company workforce size. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper, Transport.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Nikkei Myanmar Manufacturing *PMI*[™] is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

IHS Markit does not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@markit.com.

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