

IHS Markit ASEAN Manufacturing PMI™

ASEAN manufacturing conditions deteriorate at softer pace in June

Key findings

Headline PMI rises to four-month high, but remains in contraction territory

Softer, but still marked, falls in output and new orders

Job shedding persists

Data were collected 12-24 June 2020.

ASEAN manufacturing conditions continued to deteriorate in June, though the rate of decline eased since May, according to latest IHS Markit Purchasing Managers' Index (PMI™) data. Factory production and new orders fell further, with the rates of decline remaining marked despite softening notably from the previous month. In line with weak demand conditions, firms continued to reduce workforce numbers in June, with the rate of job shedding sharp overall.

The headline PMI registered a record one-month gain of 8.2 points, rising from 35.5 in May to 43.7 in June. The figure indicated that the current downturn eased notably at the end of the second quarter. Nonetheless, the index remained firmly in contraction territory, and signalled a fourth successive monthly deterioration in the health of the ASEAN manufacturing sector. Helping to lift the headline figure were slower reductions in both output and new orders, but the drops remained sharper than their respective pre-coronavirus records. With demand remaining muted, firms continued to cut staff numbers sharply.

At the country level, two of the seven constituent countries saw an improvement in operating conditions during June. Vietnam recorded the strongest increase, although the headline figure (51.1) pointed to only a mild improvement in manufacturing conditions. Similarly, Malaysian manufacturers reported the first improvement in the health of the sector since September 2018. At 51.0 in June, the headline index was also indicative of only a marginal uptick.

Elsewhere, the Philippines registered a fourth successive monthly deterioration in manufacturing conditions during June. The headline index (49.7) was indicative of only a slight contraction, however. Myanmar also saw conditions weaken, with the headline figure (48.7) below the 50.0 neutral mark for

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 downturn in the ASEAN manufacturing sector continued for a fourth successive month in June. The deterioration in operating conditions was the softest in the aforementioned sequence, however, with output and order book volumes falling at much slower rates as larger swathes of the sector re-opened and production lines restarted.

"However, demand conditions remained notably weak, and in light of this firms reduced their workforce numbers again. The rate of job shedding softened slightly, but remained sharp.

"Encouragingly, the 12-month outlook for output picked-up, with sentiment the highest since February. Still, the sector has a way to go to recover from the COVID-19 pandemic. Although the rates of contraction in output and new orders have eased from the unprecedented drops in April and May as restrictions related to the virus have generally been loosened, ASEAN goods producers still face weak demand conditions at home and abroad. Until there is a meaningful recovery in customer demand, it's unlikely the sector will see any notable improvements in conditions in the months ahead."

the fifth month running. That said, the decline was the slowest since February and only modest.

At the same time, the downturn in Thailand’s manufacturing sector continued, with the headline figure (43.5) signalling a marked deterioration despite rising from May. Similarly, Indonesia recorded a further contraction, although the rate of decline softened considerably from the previous survey period, with the headline index rising to 39.1.

Finally, operating conditions in Singapore also deteriorated, with the downturn the most marked across each of the monitored countries. The headline figure (38.8) signalled a steep contraction, despite a noticeable 12.4 point rise from May.

Overall, operating conditions across the ASEAN manufacturing sector continued to deteriorate markedly in June. Softer reductions in factory production and new orders pushed the headline figure up, but the PMI was still notably below the pre-coronavirus low of 47.6 in November 2015. Amid weak client demand, firms cut workforce numbers again in June. The rate of job shedding was the third-sharpest on record, despite softening from May.

At the same time, ASEAN goods producers continued to pare back on purchasing, with buying activity falling markedly. Inventories of both pre- and post-production items also declined. Supply chain disruptions continued, although the extent to which lead times lengthened was the least severe since February.

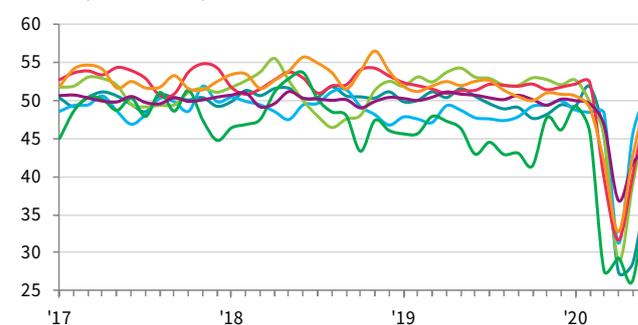
Meanwhile, cost burdens rose for the third month running, with the rate of inflation the steepest since November 2018. Latest data highlighted a renewed fall in average charges, however, although the pace of reduction was only slight.

The 12-month outlook for output improved further in June, with sentiment climbing to a four-month high. That said, confidence remained subdued in the context of historical data.

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.

June 2020 data were collected 12-24 June 2020.

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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