News Release

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IHS Markit ASEAN Manufacturing PMI™

Operating conditions continue to deteriorate in September

Key findings

Output falls at quickest rate since July 2017

Back-to-back decline in new orders

Fastest drop in employment for nearly four years

ASEAN Manufacturing PMI

sa, >50 = improvement since previous month

Source: IHS Markit.

Operating conditions at ASEAN manufacturing firms deteriorated for the fourth consecutive month in September, according to the headline IHS Markit Purchasing Managers' Index (PMI™).

The headline figure rose from 48.9 in August to 49.1 in September, signalling a marginal deterioration in the health of the ASEAN manufacturing sector. Although the contraction eased from August, the latest headline PMI figure was the second-lowest since November 2015. Weighing on the index was the fastest decline in production since July 2017, and a back-to-back reduction in new orders.

Myanmar reported the strongest performance across the region, as has been the case in every month since February. The headline figure (52.0) was unchanged from August, highlighting a modest improvement in operating conditions that was driven by solid expansions in both output and new orders. The Philippines headline index (51.8) signalled a moderate improvement in the health of the manufacturing sector. That said, the rate of growth was the slowest in three months.

Thailand also recorded an improvement in operating conditions in September, following no-change in the previous survey period. The headline figure (50.6), signalled marginal growth with the respective index reading rising above the series average. A similar pace of improvement was seen in Vietnam, which recorded the forty-fifth consecutive month of growth across the goods-producing sector. That said, the latest PMI reading for Vietnam (50.5) was the weakest for over three-and-a-half years.

By comparison, operating conditions in Indonesia continued to deteriorate, posting its second-lowest headline PMI figure (49.1) since July 2017 in September (behind August). Malaysia also saw operating conditions decline at a moderate pace, despite the headline index (47.9) reaching a four-month high.

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Comment

Commenting on the latest survey results, Lewis Cooper, Economist at IHS Markit, said:

"September PMI data highlighted further issues facing the ASEAN manufacturing sector, as operating conditions declined for the fourth successive month. Companies signalled a back-to-back fall in new business, with output also decreasing. Consequently, employment contracted at the sharpest rate for nearly four years, and expectations towards future output became less optimistic.

"Although, the overall deterioration in the health of the sector was only marginal, the PMI fell to its second-lowest level since November 2015. Subdued demand appears to be a key factor weighing on growth, while inflationary pressures were muted in the context of historical data.

"Data broken down by country showed that the sharpest deterioration was seen in Singapore, alongside downturns in Indonesia and Malaysia."

Meanwhile, Singapore reported a sharp downturn in the health of its manufacturing sector in September. The headline reading (43.1) was among the lowest in the series history (since August 2012).

Overall, the ASEAN manufacturing sector continued to struggle in September, with latest data signalling a downturn for the fourth successive month. Order book volumes declined at the second-fastest rate for almost a year. Foreign demand fell for the third time in four months, albeit only marginally. Subsequently, output continued to decline, with the fall accelerating to the quickest since July 2017.

Workforce numbers contracted in September, as has been the case in every month since June. Moreover, the rate of job shedding accelerated to the quickest in nearly four years.

In line with weaker demand conditions, firms pared back their input purchases in September. The fall in purchasing activity was the fastest for nearly four years. Pre-production inventory levels fell for the fourth consecutive month, while weak demand conditions led to the first increase in stocks of finished goods since May, albeit fractional. Suppliers' delivery times lengthened for the first time since January, and to the greatest extent in 11 months.

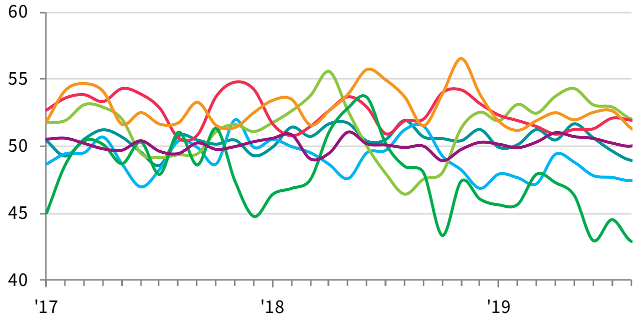
Meanwhile, inflationary pressures weakened in September. Input prices rose modestly, with the rate of increase the slowest since April. The rate of output charge inflation eased to the weakest in the current sequence of increase which began in November 2012, rising only fractionally overall.

Lastly, expectations regarding future output remained upbeat in September. That said, the level of positive sentiment fell to the lowest in six months and was markedly below the series 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.

September 2019 data were collected 12-24 September2019.

For further information on the PMI survey methodology, please contact 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. To learn more go to ihsmarkit.com/products/pmi.html.

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