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IHS Markit Myanmar Manufacturing PMI™

PMI slides to seven-month low amid softer new order growth

Key findings

New order growth eases to slowest since January

Rate of job creation weakens

Input price inflation slows, but remains strong overall

Operating conditions across Myanmar's manufacturing sector improved at the slowest pace since the start of 2019 in August. The loss of momentum was partly caused by the softest rise in order book volumes since January, and a slower rate of output growth. Nonetheless, output and new orders increased markedly overall. In line with the softer upturn in new business, firms signalled only a fractional rise in employment. Concerns surrounding future output growth were also reflected in a dip in business confidence. Meanwhile, the rate of input price inflation eased to a four-month low.

The seasonally adjusted Myanmar Manufacturing Purchasing Managers' Index™ (PMI™) slipped from 52.9 in July to 52.0 in August, posting its lowest reading in seven months. Though only modest, the latest index reading remained above the historical average.

The performance of the sector was undermined by slower growth in order book volumes, which rose at the softest pace in seven months. Despite a less marked increase in new business, production growth remained sharp overall.

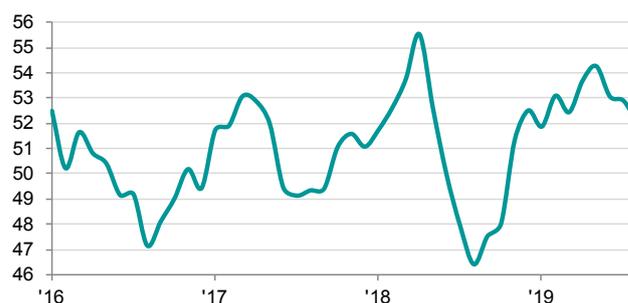
August data also signalled a softer rate of job creation, as the expansion of workforce numbers eased to its slowest since January.

At the same time, the level of outstanding work decreased in August, as has been the case in each month since June 2016. The rate of backlog depletion accelerated amid increased efforts to clear work-in-hand and was solid overall.

On the price front, input cost inflation slowed in August, signalling softer inflationary pressures. That said, input prices continued to rise sharply overall. Firms often linked increased input prices to supplier shortages, currency fluctuations and higher electricity costs. Greater input costs were partially

continued...

Myanmar 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:

"Manufacturers in Myanmar signalled the slowest improvement in operating conditions since January in August. Despite reports of stronger demand conditions, production and new orders both expanded at softer rates. That said, growth rates remained above their respective long-run averages. The rate of job creation slipped to a seven-month low, amid signs of softer client demand.

"Business confidence for the year ahead weakened slightly but remained positive overall. Firms linked optimism to plans to expand operations and invest in new machinery.

"Meanwhile, manufacturers noted a sharp rise in input costs amid reports of persistent supplier shortages and higher electricity costs. Consequently, firms raised their selling prices again, albeit at a similar pace to that seen in July."

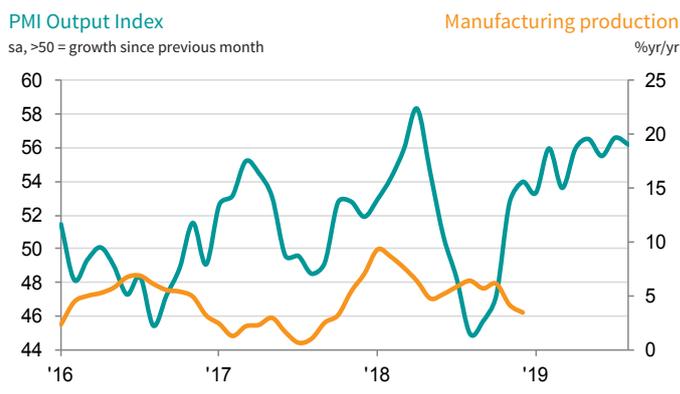
passed on to customers, as selling prices rose moderately, for the seventh month in a row. The rate of output price inflation was broadly in line with that seen in July and modest.

Supplier delivery times were broadly stable in August, with the respective seasonally adjusted index posting fractionally below the 50.0 no change mark.

Purchasing activity rose across the manufacturing sector for the eighth consecutive month in August, although the rate of input buying eased from July's recent high.

Meanwhile, inventories continued to decline. Holdings of raw materials and semi-finished items fell markedly, despite the rate of depletion easing. Survey respondents stated that the fall in pre-production inventories was linked to prompt supplier delivery times and reduced pressure to stockpile. Post-production inventories decreased sharply, despite the pace of reduction also easing from July.

Finally, business confidence towards the year ahead remained robust, with panellists often citing plans to grow operations and upgrade machinery. That said, the level of optimism was the lowest in three months.



Sources: IHS Markit, CSO.

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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.

August 2019 data were collected 12-21 August 2019.

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

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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. To learn more go to ihsmarkit.com/products/pmi.html.