

IHS Markit Myanmar Manufacturing PMI™

Operating conditions deteriorate at softest pace in ten months

Key findings

New orders decline only marginally in November

Output falls solidly due to ongoing material and staff shortages

Input and output price inflation soften, but remain historically elevated

Data were collected 12-22 November 2021.

Myanmar's manufacturing sector recorded another deterioration in operating conditions midway through the final quarter of the year. The sector continued to be impacted by the military-staged coup and COVID-19 as well as material, cash, and labour shortages. Nevertheless, the rate of decline eased notably with softer reductions in output, new orders and employment recorded during the month.

In other areas, steep increases in costs persisted as shortages resulted in supplier surcharges. The rates of both output and input price inflation eased considerably, however.

The headline IHS Markit Myanmar Manufacturing PMI™ – a composite single-figure indicator of manufacturing performance – registered at 46.7 in November, up from 43.3 in October, but still below the no-change mark of 50.0. Operating conditions have deteriorated in each month since September 2020, but the downturn eased for the fourth month running and was the softest since January.

Production volumes at goods producers in Myanmar contracted further in November, albeit at a softer pace. The decline was again linked to material scarcity, staff shortages and ongoing political disruption.

Meanwhile, new orders fell marginally, at the softest pace in the current 15-month sequence of decline and at a rate that was softer than the long-run series average. There were reports of a pick-up in footfall and a resumption in business operations.

Although there were some signs of improving demand conditions, firms remained reluctant to purchase inputs in the wake of steep cost pressures. The rate of reduction in buying activity was sharp, and broadly in line with that seen during

continued...

Myanmar Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Shreeya Patel, Economist at IHS Markit, said:

"November PMI data provided some encouragement for Myanmar's manufacturing sector, with the headline figure improving to a ten-month high of 46.7. Central to the improvement was a much softer decline in new orders, suggesting that sales could start to grow over the next few months."

"On the whole data shows movement towards stability, however, the global implications of the pandemic continue to weigh heavily on production with supply-side issues and intense cost pressures continuing. There were also ample reports of both material and staff shortages, suggesting the sector has further hurdles to overcome in the quest for growth."

"For now, policymakers will take encouragement from latest data, but tough and concerning trading conditions for the region will certainly persist."

the previous survey period. Firms also continued to pare back inventories during the month.

Employment levels fell again in November, with job shedding seen in 21 of the last 22 months. Whilst there were reports of lower output requirements and employees returning to their hometowns, anecdotal evidence suggested workers resigned voluntarily, and in search of higher wages. The overall rate of reduction was solid, but eased noticeably from that seen in October.

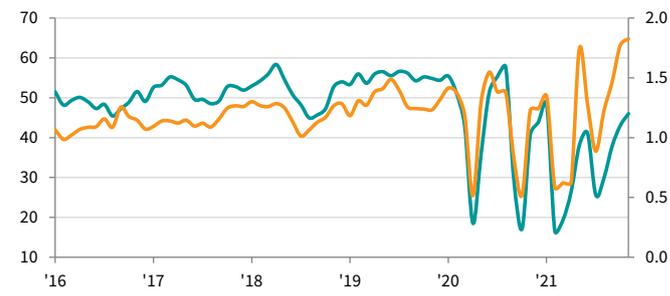
Pandemic restrictions and a lack of input availability resulted in further supply chain disruption. Average lead times for inputs lengthened markedly.

Subsequently, outstanding business rose sharply with firms finding it particularly difficult to source skilled workforces and materials. In fact, backlogs rose at the second-quickest rate in the series history, surpassed only by that seen in October.

Cost pressures continued to rise in November. Input costs rose for the fourteenth month running, which was again linked to raw material scarcity as well as higher prices for oil and transportation. Unfavourable exchange rate movements were also cited. The rate of inflation softened notably from October, however. Increased input costs resulted in firms raising their charges. Output price inflation was sharp by historical standards, but in line with the average for 2021 so far.

Looking ahead 12 months, manufacturers were optimistic of production growth. Sentiment improved to a ten-month high amid business expansion plans.

Myanmar Manufacturing PMI Output Index New orders : inventories ratio
sa, >50 = growth since previous month New Orders Index / Stocks of Finished Goods Index



Source: IHS Markit.

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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.

Data were collected 12-22 November 2021.

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.
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