

Nikkei Myanmar Manufacturing PMI™

Output expansion accelerates to ten-month high in February

Key points:

- Production growth quickens to fastest since April 2018
- Strong rise in new business
- Rate of job creation accelerates to joint-fastest since March 2018

Data collected February 12-20

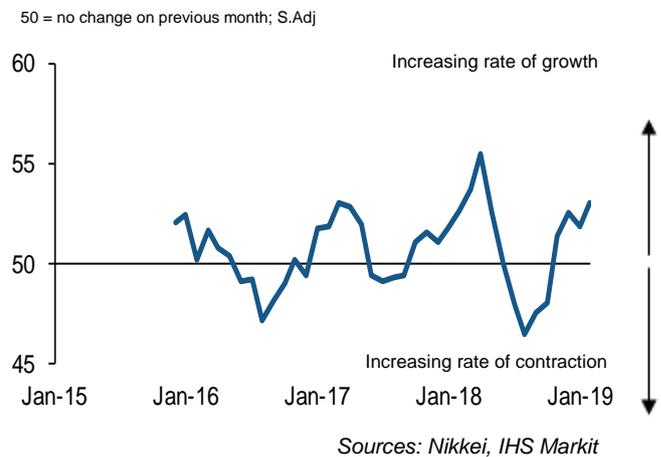
February data signalled a stronger improvement in operating conditions across Myanmar's manufacturing sector. Rates of expansion in output and new orders accelerated to ten-month highs amid reports of greater client demand. Moreover, employment growth accelerated following a rise in production requirements. Meanwhile, inflationary pressures remained historically muted. Although the rate of cost inflation picked up, it was well below the series trend and output charges were broadly unchanged in February. Despite the faster rise in new business, manufacturing firms expressed a lower degree of optimism, with the level of confidence dipping to a series record low.

At 53.1 in February, the headline Nikkei Myanmar Manufacturing *Purchasing Managers' Index*™ (PMI™) – a composite single figure indicator of manufacturing performance – was up from 51.9 in January, signalling a solid improvement in the health of the manufacturing sector midway through the first quarter of 2019. Furthermore, the headline PMI rose to its highest since April 2018.

Output increased for the fourth successive month in February, and the rate of expansion accelerated to a ten-month high. The sharp rise in production was attributed to increased client demand and greater new order book volumes.

New business received by manufacturers also rose at a faster pace. The upturn in new orders was the quickest since April 2018 and was commonly linked to greater client demand from across Myanmar's

Nikkei Myanmar Manufacturing PMI



regions. Some also noted that increased activity in the construction sector had driven new business growth.

Subsequently, goods producers continued to increase their workforce numbers, with the seasonally adjusted index signalling a third successive monthly rise in employment. Panellists stated that job creation stemmed from greater production requirements. That said, backlogs of work fell further in February.

At the same time, inflationary pressures remained historically muted. A number of survey respondents registered a slightly faster rise in input costs in February, but the solid increase was one of the slowest in the series history. Output charges, were broadly unchanged following a slight fall in January.

Adjusted for seasonal factors, manufacturing firms across Myanmar signalled a further deterioration in vendor performance in February. Nonetheless, a stronger upturn in new business led to a faster rise in buying activity. The expansion in input purchasing was the quickest since April 2018. February data pointed towards further contractions

in both pre- and post-production inventories, with stocks of finished goods decreasing at the quickest rate since last October.

Output expectations across Myanmar's manufacturing sector eased slightly in February, with firms registering only a fractional degree of confidence. Moreover, the level of optimism dipped to a series low despite stronger gains in new order volumes during the latest survey period.

Comment:

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

“Myanmar’s manufacturers registered a boost to operating conditions in February, with the PMI reaching a ten-month high. Stronger expansions in output and new orders led to a rise in hiring activity.

“Slower rises in raw material prices compared to those seen in 2018 resulted in another subdued rate of cost inflation. That said, factory gate prices were broadly unchanged following a fall in January.

“Firms were not, however, buoyed by the improvement in the health of the sector as business expectations dipped to a series record low in February.”

-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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