

Nikkei ASEAN Manufacturing PMI™

Manufacturing conditions deteriorate further in February

Key points:

- New orders fall for second month in a row
- Output growth remains weak
- Purchasing activity drops at fastest pace in three years

The health of the manufacturing sector in ASEAN countries deteriorated for the second month running in February, according to the headline **Nikkei ASEAN Manufacturing Purchasing Managers' Index (PMI™)**, which is compiled by IHS Markit.

The headline PMI edged down to 49.6 in February, from 49.7 in January, to signal the first back-to-back monthly deterioration in business conditions for over two years. Although only signalling a marginal reduction, the index was at its lowest since July 2017, as signs of weak demand conditions persisted midway through the first quarter.

Manufacturers saw a further fall in new orders in February, albeit one that was slightly softer than in January. This was partly due to foreign sales declining for the seventh month running. As such, production at ASEAN companies rose at the joint-softest rate in the current 19-month sequence of expansion.

However, results continued to differ widely across the region, with four of the seven monitored countries reporting stronger operating conditions in February. Myanmar was top of the rankings, partly due to the sharpest rise in output in ten months. New business meanwhile grew at the steepest rate since May 2018.

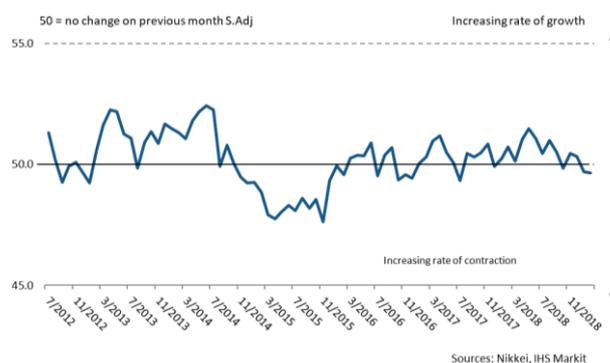
The Philippines placed in second, despite the headline PMI slipping to a six-month low. Similarly, third-placed Vietnam saw the weakest rate of improvement for nearly three years. Indonesia ranked fourth as manufacturing conditions continued to broadly stagnate.

Thailand came fifth in the league table, and registered a marginal reduction in the health of the manufacturing sector. Malaysia placed sixth, and extended the current run of decline to five months. Singapore remained last with another solid deterioration in operating conditions.

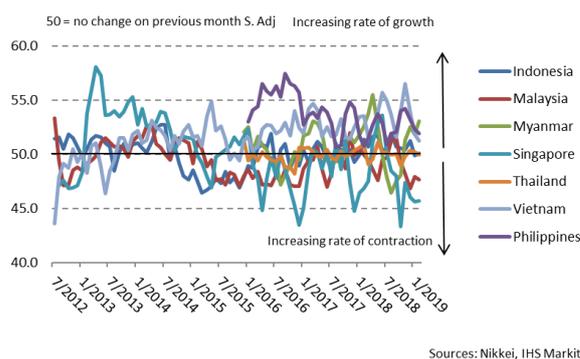
Countries ranked by Manufacturing PMI™

February	PMI	Change signalled
Myanmar	53.1	Solid increase (faster than January)
Philippines	51.9	Modest increase (slower than January)
Vietnam	51.2	Modest increase (slower than January)
Indonesia	50.1	Marginal increase (change in direction)
Thailand	49.9	Marginal decrease (change in direction)
Malaysia	47.6	Modest decrease (faster than January)
Singapore	45.7	Solid decrease (slower than January)

Nikkei ASEAN Manufacturing PMI™



National Manufacturing PMI™



In response to softer demand conditions, ASEAN manufacturers cut their input buying in February. While modest, the pace of decline was the most marked in three years. At the same time, inventories of both pre- and post-production goods fell at quicker rates.

After stalling in January, employment rose marginally in February. Indonesia recorded the strongest expansion of payrolls, while three of the seven monitored countries reported lower employment. Nevertheless, backlogs dropped at the quickest pace in 14 months.

Output charges set by ASEAN manufacturers rose only slightly in February. The rate of inflation was slightly higher than January's 27-month low. Notably, both Vietnam and Malaysia reported a fall in selling prices. Firms that reduced their charges related this to weak demand conditions and little pressure from input costs.

The rate of input price inflation was broadly unchanged from January's record low and marginal. Thai and Malaysian manufacturers reported a decline in purchasing costs, owing this to muted demand and discounted bulk buying.

Looking ahead, ASEAN manufacturers were slightly less confident regarding the 12-month outlook for output. Filipino firms remained the most optimistic, while firms in Myanmar generally expected output to remain the same in one year's time.

Comment:

Commenting on the ASEAN Manufacturing PMI survey data, **David Owen, Economist** at IHS Markit, which compiles the survey, said:

“ASEAN manufacturing firms hoping to see a rebound in sales were disappointed in February, with survey results pointing to lacklustre demand once again. Export orders continued to deteriorate, although US-China trade talks may offer some relief to producers. Input price inflation remained notably weak as well, allowing firms to maintain strong balance sheets during this difficult period.”

-Ends-

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Notes to Editors:

The ASEAN Manufacturing *PMI*[™] (*Purchasing Managers' Index*[™]) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 2100 manufacturing firms. National data are included for Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. Taken together, these countries account for an estimated 98% of ASEAN manufacturing activity.

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