

IHS Markit ASEAN Manufacturing PMI™

Operating conditions deteriorate only slightly in January

Key findings

Softest decline in health of the sector since current downturn began in June 2019

Output increases amid back-to-back rise in order book volumes...

...but workforce numbers continue to fall

Operating conditions across the ASEAN manufacturing sector deteriorated for the eighth month running in January, according to latest IHS Markit Purchasing Managers' Index (PMI™) data. The rate of decline was the softest since the downturn began in June 2019, however, with output rising for the first time in seven months amid a back-to-back increase in new business.

The headline PMI rose from 49.7 in December to 49.8 in January, signalling a further deterioration in the health of the ASEAN manufacturing sector. That said, the decline was the softest in the current eight-month sequence of contraction and only marginal. Increases in output and new orders contributed to higher PMI reading, with production rising for the first time since June amid back-to-back growth of new orders. Weighing on the index was a further fall in workforce numbers, the quickest reduction in input stocks since last October, and a mild improvement in suppliers' delivery times.

Myanmar registered the best performance of the seven monitored countries, as has been the case in each of the past 12 months. Myanmar's headline index (52.7) signalled a solid improvement in operating conditions, following a slight loss of momentum in December. The Philippines also recorded an expansion, as the headline figure (52.1) climbed to the joint-highest since January 2019 to signal a moderate improvement in the health of the manufacturing sector, driven by solid new order growth. Meanwhile, Vietnam saw a third successive monthly improvement in operating conditions in January. The headline figure (50.6) was indicative of only marginal growth, however, and among the lowest recorded in the past six years.

By comparison, manufacturing conditions in Thailand were broadly stagnant at the start of the year, with the headline index slipping to 49.9 in January. Elsewhere, Indonesia's downturn continued for the seventh month running, although the headline

continued...

ASEAN 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:

"The ASEAN manufacturing sector remained mired in a downturn at the start of 2020, with the PMI signalling an eighth successive deterioration in operating conditions. That said, the rate of decline was the softest since the current downturn began in June 2019 and only marginal overall.

"Output increased slightly amid back-to-back new order growth, highlighting some improvement in demand conditions. That said, the increase in order book volumes softened from December and was only mild.

"However, workforce numbers continued to decline in January, as has been the case in each month since last June. The rate of job shedding was only slight, but weighed on the performance of the sector nonetheless.

"Overall, the ASEAN manufacturing sector remained in a subdued state at the start of 2020. Despite some positive signs, further momentum is required for the sector to return to growth."

figure (49.3) signalled only a marginal rate of decline.

Meanwhile, Singapore recorded a further deterioration in operating conditions during January, although the pace of decline was the softest in the current 18-month sequence (headline index at 49.2), signalling only a mild deterioration in the health of the sector. Lastly, Malaysia registered the sharpest rate of deterioration of the seven monitored countries. The headline figure (48.8) was the lowest since September 2019, though was consistent with only a mild pace of contraction.

Overall, January data highlighted a subdued performance across the ASEAN manufacturing sector. There were some tentative signs of an improving outlook, however, with the first uptick in output for seven months and back-to-back growth in new orders.

A key drag on performance was employment, as firms continued to cut workforce numbers during January, stretching the current sequence of decline to eight months. The rate of job shedding was unchanged from December and only mild, however.

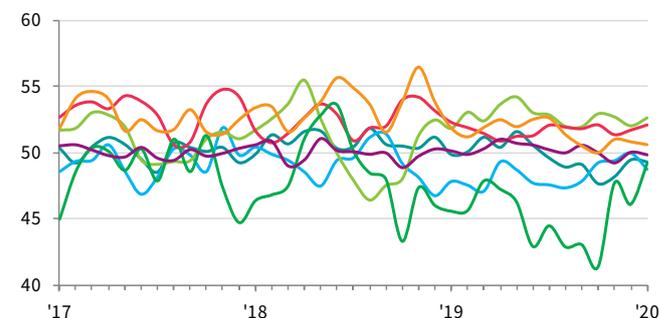
On the price front, inflationary pressures remained historically muted. Despite rising at the fastest rate since last July, cost burdens faced by ASEAN goods producers increased only mildly. Selling prices also rose, but the rate of charge inflation was only fractional.

Encouragingly, ASEAN manufacturing firms remained confident output would increase over the coming year. Expectations strengthened to a seven-month high, although remained muted in the context of the series long-run average.

Manufacturing PMI

Indonesia / Malaysia / Myanmar / Philippines
Singapore / Thailand / Vietnam

sa, >50 = improvement since previous month



Source: IHS Markit.

Contact

Lewis Cooper
Economist
IHS Markit
T: +44 1491-461-019
lewis.cooper@ihsmarkit.com

Bernard Aw
Principal Economist
IHS Markit
T: +65 6922 4226
bernard.aw@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1-781-301-9311
katherine.smith@ihsmarkit.com

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.

January 2020 data were collected 13-27 January 2020.

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

*Source: World Bank World Development Indicators.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.

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.