

IHS Markit ASEAN Manufacturing PMI™

Operating conditions deteriorate at fastest pace since November 2015

Key findings

Second successive monthly fall in output

New orders fall for the first time in six months

Decline in purchasing activity gathers pace

Operating conditions at ASEAN manufacturing firms deteriorated at the fastest pace since November 2015 in August, according to the headline IHS Markit Purchasing Managers' Index (PMI™), with a fall in new business and output weighing on the headline index reading.

The headline index fell further below the 50.0 neutral mark, slipping from 49.5 in July to 48.9 in August and signalling a further deterioration in the health of the ASEAN manufacturing sector, the quickest since late-2015. Contributing to the decline was a moderate reduction in new business inflows and a second consecutive downturn in output. The strongest fall in external demand since November 2015 also weighed on overall new orders. That said, only three of the seven monitored countries reported a deterioration in operating conditions.

Singapore reported a sharp downturn in the health of its manufacturing sector, with August's headline reading (42.9) the joint-lowest in the series history. Malaysia also posted a solid deterioration in manufacturing conditions, with the headline index (47.4) posting at its lowest reading since March. Indonesia registered back-to-back falls in business conditions, with the headline figure (49.0) highlighting the quickest decline since July 2017.

By comparison, Thailand's headline figure (50.0) signalled no change in operating conditions, highlighting a stagnation across the manufacturing sector. Meanwhile, Vietnam's headline index (51.4) signalled a marginal expansion, albeit the slowest in six months. The Philippines reported one of the fastest improvements in operating conditions in 2019 so far. At 51.9, the headline index signalled a modest upturn. Lastly, Myanmar's headline index (52.0) marked the tenth consecutive improvement in conditions, albeit the slowest in seven months.

Overall the ASEAN manufacturing sector struggled in August, as operating conditions fell to a near four-year low. Foreign demand

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 continued to signal contraction in August, according to the latest PMI survey data. The rate of deterioration quickened to the fastest since November 2015, as falls in new orders and output weighed on the headline figure.

"Notably, there was stark variation between the monitored countries, as Singapore posted the joint-strongest deterioration since this index began in 2012, whilst by comparison, Myanmar signalled a modest improvement in operating conditions.

"Despite rocky business conditions, manufactures remain broadly optimistic in regard to future output growth, with hopes of improvements in client demand driving positive expectations."

fell for the second time in three months, whilst new business declined for the first time since February. Order book volumes fell marginally, breaking a five-month sequence of growth and leading to the first back-to-back decline in production since July 2017. That said, the reduction in output was only marginal overall.

Subdued demand conditions led to a faster fall in buying activity, quickening moderately from July to the fastest since November 2015. Firms remained cautious about their inventories in August, with pre-production stocks decreasing for the third successive month, albeit at a softer pace than July. Stocks of manufactured items fell fractionally, with the rate of stock depletion unchanged from July. Vendor performance improved further in August, as suppliers' delivery times were shortened.

August data highlighted a third successive monthly reduction in workforce numbers. That said, the rate of job shedding eased slightly from July's three-and-a-half-year low. Notably, only three of the seven monitored countries reported a fall in workforce numbers, whilst the Philippines recorded its strongest expansion of staffing levels for almost two years.

On the prices front, ASEAN manufacturers registered muted inflationary pressures in August. Input costs increased only marginally, and at a slower rate than in July. Meanwhile, output price inflation eased amid difficult demand conditions.

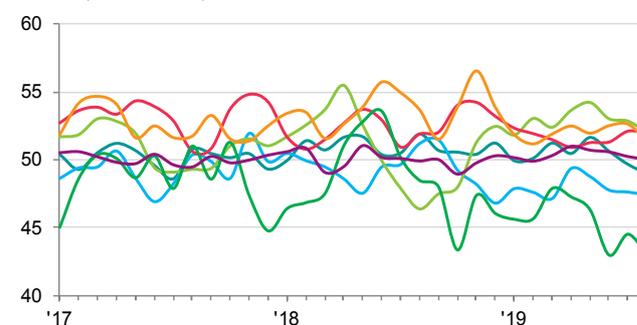
Volumes of incomplete work fell for the second consecutive month, although the rate of backlog depletion eased from July.

Finally, expectations regarding future output remained generally upbeat in August, with the level of positive sentiment broadly unchanged from July. That said, it remains firmly subdued compared to the series average.

Manufacturing PMI

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

sa, >50 = improvement since previous month



Source: IHS Markit.

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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.

August 2019 data were collected 12-23 August 2019.

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

*Source: World Bank World Development Indicators.

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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.