News Release

Embargoed until 0830 (Kuala Lumpur) / 0030 (UTC) March 1st 2019

Nikkei Malaysia Manufacturing PMI®

Manufacturing sector downturn continues in February

Key points:

- Output and new orders both fall for fifth month running
- Employment stagnates, while price pressures ease
- Business confidence dips to three-month low

Data collected February 12 - 22

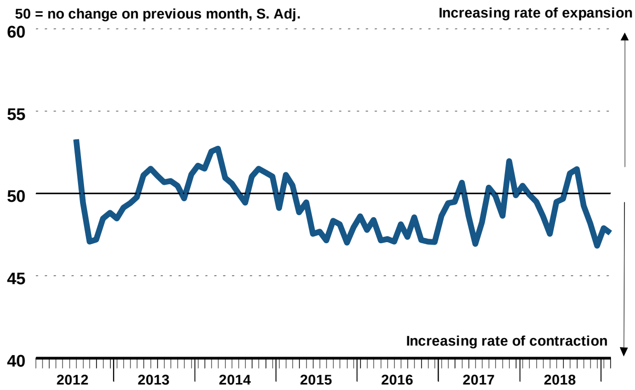
The health of Malaysia's goods-producing economy deteriorated for a fifth successive month during February, with continued declines seen in both output and new orders. Employment levels stagnated, while output charges stopped rising for the first time in eight months amid a fractional fall in operating costs. Sustained downturns in production in sales led companies to reduce purchasing activity and inventories. Nevertheless, expectations towards output over the coming 12 months remained positive despite dipping since January.

The headline Nikkei Malaysia Manufacturing *Purchasing Managers' Index™ (PMI)* – a composite single-figure indicator of manufacturing performance – recorded 47.6 in February, down from 47.9 in January, thereby pointing to a sharper deterioration in manufacturing sector business conditions. Latest data extended the current downturn in the goods-producing economy to five months.

Intakes of new work fell during February, with firms attributing this to a general market slowdown causing existing client demand to decline. The decrease was marked overall and among the strongest seen across the near seven-year survey history. New orders from international sources were also down in February. Asian markets were cited as a drag on export sales. As a result, production volumes were cut for a fifth successive month. The rate of decrease was only moderate, but accelerated amid some reports of factory shutdowns.

The strong decline in new business led capacity pressures to ease further during the latest survey period. Backlogs of work fell at a faster pace and for the sixth time in as many months. Employment remained flat, with staffing levels unchanged from January. Although headcounts were raised in some instances as part of company expansions, this was

Nikkei Malaysia Manufacturing PMI



Sources: Nikkei, IHS Markit

offset by job cutting at other firms due to reduced demand. that excessive stock levels and a challenging business environment prompted lower input buying.

With lower production requirements, input purchasing was decreased at the second-fastest rate since June 2017 and at a marked rate overall. This filtered through to inventories, with stocks of purchases declining at one of the strongest rates seen since data collection started in mid-2012. Malaysian manufacturers also scaled back their holdings of finished items.

Despite softer demand for inputs, vendor performances deteriorated at a faster pace. Delivery delays were blamed on material shortages at suppliers and logistic troubles. The extent to which lead times lengthened was mild, but the strongest since last October.

Against the current downbeat manufacturing picture, Malaysian goods producers remained upbeat on the output prospects over the coming 12 months. Forecasts of improved demand and planned new product launches supported optimism. Nevertheless, the degree of optimism was the weakest for three months.

Lastly, input prices fell marginally amid reports of favourable exchange rate movements, enabling firms to leave output prices broadly unchanged.

Continued…

Comment:

Commenting on the Malaysian Manufacturing PMI survey data, **Joe Hayes,** Economist at IHS Markit, which compiles the survey, said**:**

"February data pointed to a sustained contraction of Malaysia's manufacturing economy, reflecting further falls in production and sales. New orders decreased at one of the strongest rates across the survey history, as panellists reported unfavourable underlying demand.

"Near-term manufacturing prospects appear downbeat, as firms opted to leave workforce numbers unchanged, scaled back input buying sharply and reduced inventories, suggesting that firms are bracing themselves for continued production cutbacks."

-Ends-

Nikkei Malaysia Manufacturing PMI® is sponsored by NIKKEI

Nikkei is a media organization with newspaper publishing at its core. Our flagship daily newspaper, The Nikkei, has approximately two and a half million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

Since our founding in 1876 as the Chugai Bukka Shimpo (Domestic and Foreign Prices News), we have consistently provided high-quality reporting while maintaining fairness and impartiality. The Nikkei brand has become synonymous with trustworthiness at home and abroad.

Nikkei Inc. offers a range of media platforms to satisfy the diverse needs of our readers. At the core of these services is The Nikkei which has a circulation of approximately two and a half million. Adding further depth to our offerings are our premium content and strong digital technology. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 500,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Eight years after its creation, the online edition has evolved from a medium for providing news to readers into a tool that helps people advance their careers.

In 2013, we kicked off the Nikkei Asian Review, an English-language news service provided both online and as a weekly print magazine. The following year, we established an Editorial Headquarters for Asia in Bangkok to deepen our coverage of Asian economic news. In addition, we doubled the number of reporters stationed in Asia outside Japan. 2014 also saw the launch of Nikkei Group Asia Pte., a new company in Singapore tasked with spreading the Nikkei brand in the region. Our goal is to make Nikkei the leading media voice in Asia.

http://www.nikkei.co.jp/nikkeiinfo/en/

NIKKEI ASIAN REVIEW **http://asia.nikkei.com/**

INTRODUCING THE ONLY BUSINESS PUBLICATION THAT BRINGS YOU INSIGHTS ABOUT ASIA, FROM THE INSIDE OUT

With more reporters and contributors across the region than any other business publication, only Nikkei Asian Review can give you a view of business in Asia from the inside.

Stay abreast of the latest news, analysis and insights with a subscription to Nikkei Asian Review – available in print, online, and on your mobile and tablet device.

Asia300:
Providing extensive coverage of over 300 leading companies in 11 countries and regions in Asia. Nikkei Asian Review aims to build the largest hub for Asian corporate news through enhanced reporting backed by large database of business and financial information on companies in the region.

JAPAN UPDATE:
Keeping you up-to-date with business and news from Japan.

VIEWPOINTS:
Bringing views of leading minds on Asia from around the world, including our column "Tea Leaves" written by some of our best writers.

POLITICS & ECONOMY:
Looking at fiscal and monetary policy, international affairs and more

MARKETS:
Deep analysis if the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.

Video:

Watch analysts explain our articles, catch interviews with top executives.

Print Edition:

Weekly delivery of the best content from Nikkei Asian Review to your home or office

For further information, please contact:

IHS Markit (About PMI and its comment)
Joe Hayes, Economist
Telephone +44 1491 461 006
Email: joseph.hayes@ihsmarkit.com

Jerrine Chia, Marketing and Communications
Telephone +65 6922 4239
E-mail: jerrine.chia@ihsmarkit.com

Bernard Aw, Economist
Telephone +65 6922 4226
E-mail: bernard.aw@ihsmarkit.com

Nikkei inc. (About Nikkei)
Ken Chiba, Deputy General Manager, Public Relations Office
Atsushi Kubota, Manager, Public Relations Office
Telephone + 81 3 6256 7115
Email koho@nex.nikkei.co.jp

Notes to Editors:

The Nikkei Malaysia Manufacturing PMI® is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 450 industrial companies. The panel is stratified by Standard Industrial Classification (SIC) group, based on the industry contribution to GDP. 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 Malaysia 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 do 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@ihsmarkit.com.

About IHS Markit (www.ihsmarkit.com)
IHS Markit (Nasdaq: 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.

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 https://ihsmarkit.com/products/pmi.html.