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IHS Markit Myanmar Manufacturing PMI™

Manufacturing production rises in June as new orders grow

Key findings

Output and new business both expand for first time since February

Further marked drop in employment keeps PMI below 50

Year-ahead output expectations remain weak

Data were collected 12-22 June 2020.

Myanmar's manufacturing sector showed signs of recovery in June despite ongoing measures to contain the coronavirus disease 2019 (COVID-19) outbreak, according to PMI™ survey data from IHS Markit. Output and new orders both increased for the first time in four months. Less positively, employment continued to decline at a marked rate, although anecdotal evidence suggested that at least some layoffs were temporary. Expectations for output over the next 12 months remained positive, but relatively weak in comparison to historical trends.

The headline IHS Markit Myanmar Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The PMI remained below 50.0 in June, signalling another overall deterioration in the manufacturing climate in Myanmar. That said, the headline figure rose from 38.9 in May to 48.7, the highest since February and indicative of only a modest worsening of conditions in the sector.

Moreover, the two PMI components with the largest weights – new orders (30%) and output (25%) – both rose sharply since May and signalled growth.

The trends for output and new orders contributed most to the near-ten point rise in the PMI since May, but it remained below 50.0 mainly due to another sharp reduction in the manufacturing workforce. Employment (20% weight in PMI) fell more slowly than in April and May, but still at a stronger rate than in any previous survey period. That said, with many firms

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Myanmar Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Trevor Balchin, Economics Director at IHS Markit, said:

"Myanmar's goods producers showed signs of emerging from the coronavirus crisis in June. The PMI recovered further ground, repeating the near-ten point rise seen in May. It remained below 50.0, but the key indices for new orders and output both returned to growth territory for the first time since February.

"Moreover, the ratio of the new orders and stocks of finished goods indices rose to 1.55 in June, the highest on record. In normal times this would be a good indication that output growth will be sustained in the near term as firms look to replenish inventories, though clearly the recovery of the global economy and any potential second waves of the virus will be key."

"The main drag on the manufacturing sector's overall performance in June was a further marked drop in employment. The rate of job shedding slowed from May's record, but was still the third-fastest in the survey's four-and-a-half year history. One-quarter of survey respondents reporting cutting staff in June, down from 45% in May. It is still unclear, however, how many firms are reporting permanent as opposed to temporary layoffs."

reporting that staff had returned to hometowns, anecdotal evidence suggested that some layoffs were temporary.

Although new orders rose in June, the historic declines in March, April and May meant that overall workloads remained low and the volume of outstanding business fell further. That said, backlogs of work dropped at the slowest pace in seven months at the halfway point of 2020.

Supply chains continued to be impacted by measures to halt the coronavirus outbreak. Average lead times for inputs lengthened again in June, albeit by the least for four months as purchasing activity declined much more slowly in the latest period. Stocks of purchases continued to contract sharply in June, albeit to the smallest extent for five months.

Cost pressures eased further in June. Input prices fell for the third time in four months, linked to weak demand, lower oil prices and the weakening US dollar against the Burmese kyat.

Reduced input costs led to firms cutting their own prices further in June. Output prices fell for the sixth time in seven months, and at a slightly faster rate than in May.

Looking ahead 12 months, manufacturers in Myanmar were optimistic of growth of production. A number of firms reported plans to expand productive capacity. Sentiment improved further from April's 14-month low, but remained historically subdued.

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Methodology

The IHS Markit Myanmar Manufacturing PMI™ is compiled by IHS Markit from responses to monthly questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is 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. 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.

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.

Data were collected 12-22 June 2020.

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

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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.
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