

IHS Markit ASEAN Manufacturing PMI™

ASEAN manufacturing sector sinks further into downturn amid rising COVID-19 cases

Key findings

PMI falls to 13-month low at 44.6

Demand slumps as restrictions return, leading to fastest decline in output since May 2020

Rate of job shedding quickens despite near record increase in backlogs

Data were collected 12-26 July 2021.

The latest IHS Markit Purchasing Managers' Index (PMI™) data signalled a further deterioration in conditions across the ASEAN manufacturing sector in July. The resurgence of COVID-19 cases and subsequent tightening of some containment measures saw demand slump further, with factory production contracting at the fastest pace since May 2020 as a result.

The headline PMI sunk to a 13-month low of 44.6 in July, noticeably further into contraction territory than June's reading of 49.0. Moreover, the latest figure signalled the fifth quickest deterioration in the health of the sector on record, and one that was sharp overall.

Across the seven constituent ASEAN nations, five saw business conditions decline during July. The most severe rate of contraction was registered in Myanmar, where the headline PMI shed a notable eight points on the month as businesses were again forced to close due to rising virus case numbers. Moreover, the latest reading (33.5) was the lowest since April and signalled a rapid decline in conditions.

Indonesia too saw a severe rate of contraction in July, the headline figure dropped markedly from 53.5 in June to 40.1, pointing to the first deterioration in the health of the sector since last October, and one that was the steepest for 13 months. Meanwhile, Malaysia's headline figure (40.1) was little-changed on the month and indicative of second straight monthly decline in manufacturing conditions, with the rate of reduction marked and among the quickest on record.

At the same time, Vietnam recorded a slightly reduced rate of deterioration in July. Although, at 45.1, the headline PMI still signalled a sharp rate of contraction overall. Thailand was the only other monitored nation to record a deterioration in manufacturing conditions during July. Here, 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:

"Rising COVID-19 cases and stricter containment measures saw the ASEAN manufacturing sector fall further into contraction territory during July. The PMI slumped to a 13-month low and signalled a sharp deterioration in conditions amid the quickest reductions in output and new work since May 2020.

"As a result, goods producers trimmed their staff levels at the fastest pace for nearly a year, despite stronger capacity pressures, while business confidence remained historically subdued.

"Divergence at the country level was again notable, as five of the seven constituent nations recorded a contraction in July, the most substantial of which were in Myanmar, Malaysia and Indonesia.

"Overall, the latest PMI data indicate that manufacturers are likely to face more challenges in the coming months. Containment measures have once again stifled demand, and until it recovers, it is unlikely that the sector will record any significant rebound."

index (48.7) dipped slightly on the month, and indicated only a marginal rate of decline.

Positive news came from the Philippines and Singapore during July. In the former, growth continued for a second straight month, albeit at only a fractional pace (PMI: 50.4), while Singapore's manufacturing sector recorded a notable rebound, with the headline figure rising above the 50.0 mark in July to 56.3, and signalling the sharpest improvement in manufacturing conditions since May 2013.

Overall, the ASEAN manufacturing sector saw a sharp deterioration in conditions during July. Both output and new orders fell for the second month in a row, with the rates of decline the fastest since May 2020 and steep overall.

As a result, firms pared back on their purchasing again in July, with the latest reduction the fastest for 14 months. Subsequently, pre-production inventories decreased further, albeit at a slightly slower pace than in June. Nonetheless, supply constraints remained prevalent. Average lead times for inputs lengthened to the third greatest degree on record.

July data also highlighted renewed capacity pressures at ASEAN manufacturers, as backlogs rose at the second-quickest rate on record. Nonetheless, firms continued to trim their staffing levels in July. The rate of job shedding was the fastest since August 2020 and sharp overall.

Turning to prices, inflationary pressures remained substantial. Costs rose rapidly again in July, although the rate of inflation was the slowest for five months, while average charges increased for the ninth month in a row and moderately overall.

Finally, goods producers remained upbeat with regards to output over the next year during July. The level of positive sentiment hit a three-month high, although remained subdued in the context of historical data.

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.

July 2021 data were collected 12-26 July 2021.

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

*Source: World Bank World Development Indicators.

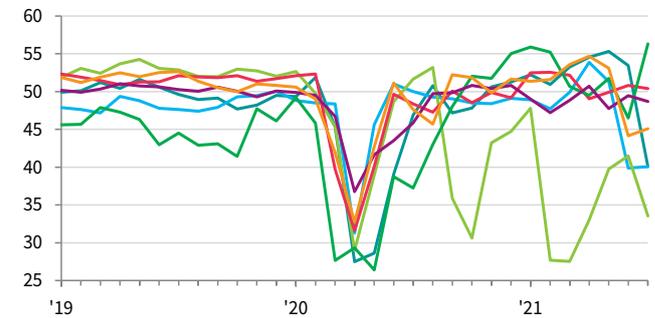
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Manufacturing PMI

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

sa, >50 = improvement since previous month



Source: IHS Markit.

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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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