

IHS Markit Myanmar Manufacturing PMI™

Manufacturing business conditions continue to deteriorate in December

Key findings

Output and new orders contract sharply amid ongoing restrictions

Record rise in outstanding work

Sharpest decline in workforce numbers since June

Data were collected 5-15 December 2020.

Latest data signalled another sharp deterioration in operating conditions across Myanmar's manufacturing sector during December. The overall decline was driven by further contractions in output and new orders as lockdown restrictions, implemented to curb the surge in coronavirus diseases 2019 (COVID-19) cases, continued into the final month of 2020. Factory closures and subdued demand conditions caused further cuts in workforce numbers and purchasing activity. Meanwhile, material shortages led to incomplete work rising at the fastest pace on record. Nevertheless, sentiment improved to the strongest since June, with respondents hoping to expand operations in 2021.

On the price front, strong inflationary pressures led firms to pass higher cost burdens on to clients for the first time since February.

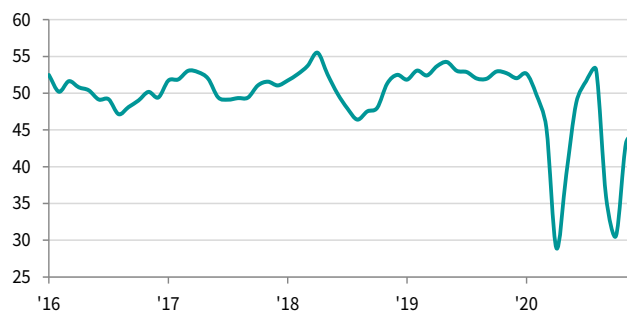
The headline IHS Markit Myanmar Manufacturing PMI – a composite single-figure indicator of manufacturing performance – rose to 44.7 in December, up marginally from 43.2 in November, indicating a softer decline in operating conditions across Myanmar's goods-producing sector.

Output levels among manufacturers in Myanmar contracted further in December, albeit at a slightly weaker rate. The decline was the softest in the current four-month period of contraction, but remained marked overall. Factory closures continued to impact output volumes, according to respondents.

Subdued domestic demand persisted during December with new orders contracting for the fourth straight month. Lockdown restrictions were overwhelmingly linked to the latest decline. That said, the rate of reduction was the slowest in the current

continued...

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



Source: IHS Markit.

Comment

Commenting on the latest survey results, Shreeya Patel, Economist at IHS Markit, said:

"Latest data showed encouraging signs for Myanmar's manufacturing sector, with softer contractions in output and new orders in December. Despite ongoing restrictions in key regions such as Yangon, latest data points to a movement towards stability."

"That said, business closures and muted demand conditions are not sustainable for firms in the long-term. Panellist reported further job shedding while purchasing activity remained historically weak. At the same time, material shortages added to price pressures at the end of 2020."

"Looking ahead, case numbers remain relatively high suggesting restrictions are likely to remain in place, however, firms will welcome resumptions in domestic flights and movement of labour during December and the start of the new year."

sequence.

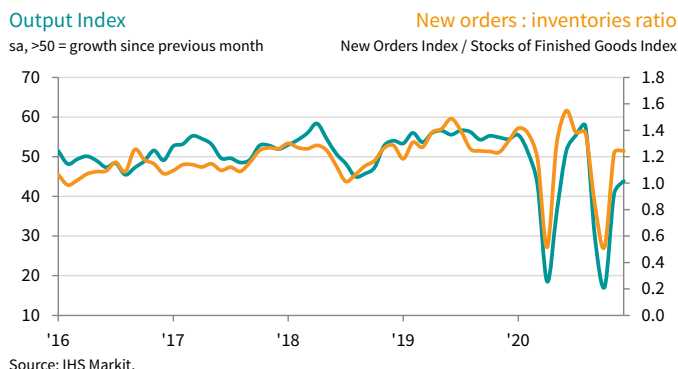
Muted client demand and employees returning back to their hometowns led to a fourth successive monthly fall in workforce numbers during December. The latest contraction was robust overall, and among the sharpest in the series history.

Input price inflation remained elevated in December, with the latest increase accelerating to the fastest since November 2018. Material shortages and higher transportation costs were overwhelmingly linked to the latest rise. Firms passed part of the cost burden on to customers through higher output prices.

In line with softer new order inflows and strong inflationary pressures, purchasing activity fell in December. The rate of contraction was marked, and slightly faster than that seen in November. Stocks of inputs and finished goods were reduced amid efforts to control inventories.

Despite contractions in new orders, the combination of material shortages and falling workforce numbers contributed to a substantial rise in backlogs accumulated by firms in Myanmar. The latest figure was the sharpest since the series began in December 2015.

Business confidence remained in positive territory in December, improving to its highest level since June. Planned business expansions, new product launches and hopes of recovering client demand contributed to optimism. That said, sentiment remained historically weak as the global pandemic continued to weigh on expectations in December.



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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 5-15 December 2020.

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

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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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