

Nikkei ASEAN Manufacturing PMI™

Business conditions improve at strongest rate in nine months

Key points:

- Output and new orders increase at faster rates
- Inflationary pressures pick up
- Input stocks grow for first time in 32 months

Operating conditions at ASEAN manufacturing firms improved marginally in May, according to the headline **Nikkei ASEAN Manufacturing Purchasing Managers' Index (PMI™)**, which is compiled by IHS Markit.

At 50.6 in May, the headline PMI rose from 50.4 in April. Despite signalling only a slight improvement in the health of the manufacturing sector, it was the highest index reading since last August, driven by quicker expansions of output and new orders.

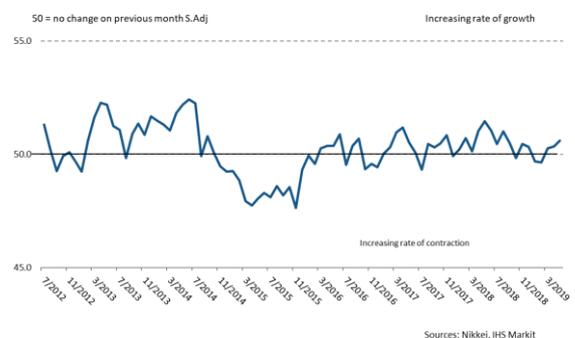
Of the seven monitored countries, five recorded stronger operating conditions in May compared to April. Notably, Myanmar recorded the sharpest rate of improvement for 13 months, amid another marked increase in new orders.

Vietnamese producers noted a solid expansion in output levels, alongside the quickest rise in new business seen this year so far. Meanwhile, Indonesian and Filipino firms reported marked accelerations in production growth. In particular, Indonesia's manufacturing sector saw a renewed rise in new orders after a slight drop in April.

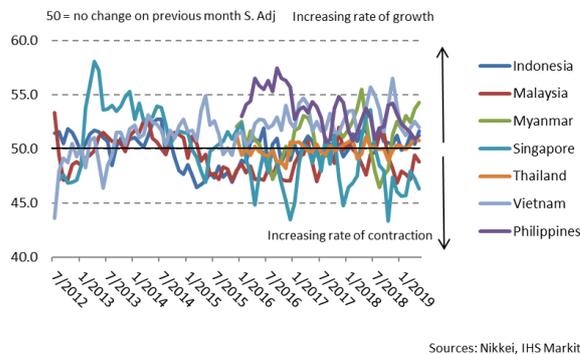
At the same time, Thai manufacturers reported a softer improvement in operating conditions in May. That said, the rate of growth was only marginally slower than the 11-month high recorded in the previous month.

Malaysia and Singapore registered further downturns in overall manufacturing conditions in May. In both cases, the rate of decline accelerated from April amid steeper drops in output and new orders. Malaysia has now remained in contraction territory for eight months, while Singapore has recorded successive deteriorations for ten months.

Nikkei ASEAN Manufacturing PMI™



National Manufacturing PMI™



ASEAN manufacturing firms were buoyed by stronger demand growth in May, which supported the quickest expansion of production for six months. Firms raised their inventories of inputs for the first time since September 2016, albeit marginally. Similarly, stocks of finished goods grew for the first time in one-and-a-half years.

At the same time, employment was broadly unmoved from the level seen in April. Rising job numbers in four of the monitored countries were largely offset by declines elsewhere. Notably though, companies in Myanmar reported the quickest uplift in employment in its survey history (since 2015).

Meanwhile, input prices rose at a quicker pace in May, albeit one that remained softer than the series average. All seven monitored countries saw an overall increase in manufacturing costs for the first time in seven months. This was partly due to firmer demand, which in turn led suppliers to raise their charges. However, some panellists also noted higher fuel prices and unfavourable exchange rates.

As such, ASEAN manufacturers raised their charges at a quicker rate. The increase was widespread across the region, except for Vietnam where firms reduced their prices for the sixth month in a row.

Lastly, business sentiment around output in 12 months' time improved markedly in May. In fact, the level of optimism was the highest in two-and-a-half years, with five of the seven monitored countries expressing a more positive outlook.

Comment:

Commenting on the ASEAN Manufacturing PMI survey data, **David Owen, Economist** at IHS Markit, which compiles the survey, said:

“ASEAN manufacturing firms saw an established recovery of business conditions in May, building on the progress made after the downturn at the start of the year. Output grew more strongly as firms enjoyed the quickest increase in sales for nine months. Specifically, the PMI signalled an improved picture for the region’s export market, which remained broadly stable following an eight-month sequence of decline.

“However, given the impact of the US-China trade war last year, businesses will be downbeat on news of tariff increases in May. Export demand from China may be damaged once more, possibly leading to another period of decline in foreign sales. Luckily, domestic markets are holding up, offering hope of continued strength in new factory orders.”

-Ends-

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Notes to Editors:

The early June releases of May data from the Asia PMI series will be the final releases to carry Nikkei branding.

The ASEAN Manufacturing PMI™ (*Purchasing Managers' Index*™) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 2100 manufacturing firms. National data are included for Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. Taken together, these countries account for an estimated 98% of ASEAN manufacturing activity.

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