

# IHS Markit Myanmar Manufacturing PMI™

## Deterioration in manufacturing business conditions softens further in January

### Key findings

Output and new orders contract at modest rates

Cost pressures mount amid material shortages

Sentiment improves to 11-month high

Data were collected 12-21 January 2021.

Business conditions in Myanmar's manufacturing sector continued to deteriorate at the start of 2021 according to PMI™ survey data from IHS Markit. Ongoing restrictions, imposed to curb the spread of the coronavirus disease 2019 (COVID-19), led to factory closures and a fifth successive monthly decline in output. New orders also fell for the fifth month running, although at the softest pace in this sequence, while job shedding persisted across the industry. The decline in output contributed to another sharp reduction in purchasing activity as firms maintained their efforts to control inputs. Nevertheless, plans to expand operations underpinned optimism in January, which strengthened to an 11-month high.

On the price front, material shortages led to sharp inflationary pressures. Selling prices increased only slightly, however, which indicated only a limited passing on of cost burdens to clients.

The headline IHS Markit Myanmar Manufacturing PMI – a composite single-figure indicator of manufacturing performance – rose to 47.8 in January, up from 44.7 in December, signalling the softest contraction in operating conditions of the current five-month downturn.

Production volumes dropped for the fifth month running in January, although to the weakest extent since the second downturn began in September. Anecdotal evidence mostly cited factory closures and subdued demand conditions.

Mirroring the trend for output, new orders placed at manufacturers in Myanmar fell at a slower rate, with the latest decline the softest in the current five-month downturn. According to panellists, lockdown restrictions weighed on demand. Firms that registered an uptick mentioned the return

*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:

*"January data suggests a gloomy start to 2021 with another contraction registered at Myanmar's manufacturing sector. Subdued demand conditions and factory closures were linked to further declines in output and new orders. At the same time, job shedding persisted and purchasing activity fell sharply."*

*"On a more positive note, latest figures signalled the softest overall deterioration since the current downturn began last September as the headline figure moved towards stability. Meanwhile, the second lockdown has proved effective as virus case numbers remain relatively tamed."*

*"For now, controlling the spread of COVID-19 remains at the heart of government policy to avoid a third wave. Residents will now welcome news of vaccine roll-out plans which will begin in February."*

of customers.

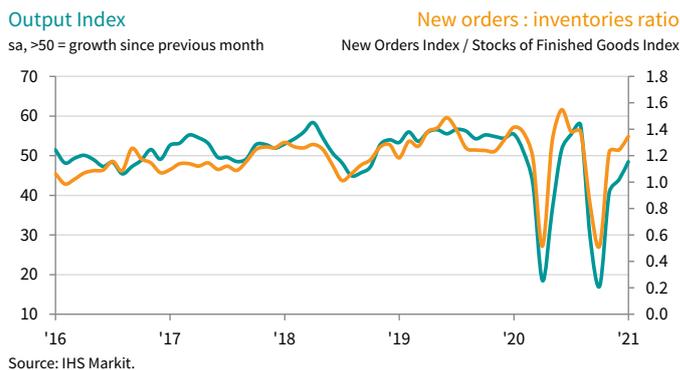
Despite lower production volumes there were further signs of capacity pressures with backlogs accumulating solidly in January. Manufacturers continued to hold back hiring efforts, which extended the current run of job shedding to five months. Some respondents mentioned that employees had returned to their hometowns.

Manufacturers remained cautious about their inventory levels in January amid ongoing efforts to realign stocks with the subdued demand environment. As a result, both pre-production and stocks of finished goods were depleted substantially.

Supply chain pressures continued to mount at the start of the year with average lead times lengthening for the fifth month running. The latest deterioration in vendor performance was linked to transportation restrictions, although times were up only modestly overall.

Meanwhile, input cost inflation accelerated to its fastest since November 2018. Material shortages and higher transportation costs led to surcharges at suppliers. Manufacturers chose to increase factory gate charges in January, but the overall pace of inflation was only slight as some firms attempted to stimulate demand by reducing prices.

Looking ahead, panellists remain optimistic about their output volumes over the next 12 months. Plans to expand operations and invest in new machinery fuelled hopes of greater demand. Sentiment improved to an 11-month high but was still subdued in the context of historical survey data as pandemic restrictions weighed on optimism.



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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 12-21 January 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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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