

## IHS Markit ASEAN Manufacturing PMI™

### Manufacturing sector slips back into contraction during June

#### Key findings

Fastest fall in output since July 2020

Renewed decline in new orders

Business confidence dips to ten-month low

Data were collected 11-24 June 2021.

The ASEAN manufacturing sector fell back into contraction during June, according to latest IHS Markit Purchasing Managers' Index (PMI™) data. Both output and new orders fell for the first time in four months, with the rate of decline in factory production the fastest for nearly a year. Consequently, firms recorded a weaker level of optimism towards output over the coming 12 months.

The headline PMI fell from 51.8 in May and below the neutral 50.0 mark to register at 49.0 in June. This signalled the first deterioration in the health of the sector since February, albeit marginal.

Driving the renewed downturn in June were contractions across five of the seven constituent ASEAN nations. The most marked deterioration in conditions was seen in Malaysia, where the headline index dropped sharply from 51.3 in May to a near series low of 39.9 in June, reflecting stricter COVID-19 containment measures.

Myanmar also saw a rapid contraction during June. The PMI was the highest for five months, as parts of the sector began to reopen, but was still among the lowest in the series history.

Elsewhere, both Vietnam and Singapore registered renewed deteriorations in the health of their respective manufacturing sectors. In the former, the headline index (44.1) signalled the sharpest fall since May 2020, while Singapore's PMI reading (46.5) was indicative of the strongest decline for ten months.

Thailand's manufacturing sector meanwhile saw a sustained downturn in June. The PMI (49.5) rose noticeably on the month to signal only a fractional rate of decline, however, as the sector neared stabilisation.

Positive news came from the Philippines in June, as 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:

*"The ASEAN manufacturing sector slipped back into contraction during June amid renewed falls in both output and new work. The rate of deterioration in the sector was only marginal, but nonetheless the quickest since last October.*

*"Subsequently, business confidence moderated further, with the level of positive sentiment the lowest since last August.*

*"Divergence at the national level remained striking, with the downturn primarily driven by substantial contractions in Malaysia and Myanmar, with the former seeing a notable turnaround from growth in the previous two months as COVID-19 restrictions were tightened.*

*"Once cases are back under control, and lockdown measures loosened across the region, we should once again see movement towards a recovery in the manufacturing sector, with plenty of ground lost to the pandemic in 2020 still to be made back."*

PMI registered above the neutral value of 50 for the first time in three months. That said, at 50.8, the index signalled only a mild upturn. Indonesia also signalled an expansion in June, extending the current sequence of growth to eight months. The headline PMI (53.5) pointed to a solid improvement overall, despite falling from May.

Central to the renewed contraction of the ASEAN manufacturing sector were fresh falls in both factory production and order books during June. The decline in output was the fastest since July 2020 and moderate, while the rate of reduction in total new orders was the quickest for nine months, in part due to a renewed contraction in foreign demand.

Although firms remained upbeat with regards to output over the coming 12 months, the level of positive sentiment moderated and was the weakest since last August.

Meanwhile, ASEAN goods producers pared back on their input buying for the first time since February. Notably, the fall was the steepest since November 2020. Pre-production inventories also declined in June, with the rate of reduction among the quickest in the current 25-month sequence of contraction and sharp.

At the same time, average delivery times lengthened again, with the respective seasonally adjusted index little-changed from May and indicative of the second-most severe delays seen since May 2020.

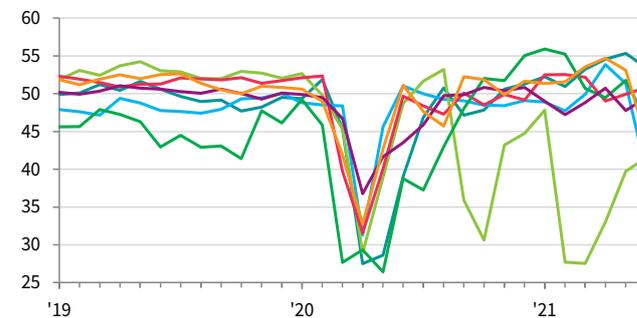
June data also pointed to weaker capacity pressures. Backlogs of work were broadly stable, following a three-month sequence of accumulation, while firms continued to trim their staffing levels at a modest pace.

Turning to prices, input costs surged further in June. Despite easing to a four-month low, the rate of inflation remained rapid. Subsequently, average output charges rose further. The rate of increase remained solid and above the long-run series average.

Manufacturing PMI

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

sa, >50 = improvement since previous month



Source: IHS Markit.

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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.

June 2021 data were collected 11-24 June 2021.

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

\*Source: World Bank World Development Indicators.

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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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