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IHS Markit ASEAN Manufacturing PMI™

Manufacturing conditions improve at quickest rate for 32 months

Key findings

Output growth accelerates amid fastest upturn in new orders since July 2014

Rate of job shedding slowest since last February

Cost pressures mount while suppliers' delivery times lengthen further

Data were collected 12-25 January 2021.

The ASEAN manufacturing recovery continued into 2021, according to latest IHS Markit Purchasing Managers' Index (PMI™) data.

The headline PMI registered 51.4 in January, rising from 50.8 in December, and signalled the quickest improvement in the health of the ASEAN manufacturing sector since May 2018.

Central to the stronger recovery were quicker expansions in both factory production and new orders. Output increased at the quickest rate for over two-and-a-half years, while the upturn in new work was the fastest since July 2014.

A further lengthening of suppliers' delivery times also pushed up the headline figure in January. Vendor performance deteriorated solidly overall, with the severity of delays little-changed from December.

Meanwhile, with demand improving again, firms eased back on job cuts during the first month of 2021. The latest reduction in employment was the slowest since last February and only mild. Despite the fall in staffing levels, the level of work –in-hand (but not yet completed) decreased further, albeit at the slowest rate in the current 19-month sequence of falling backlogs.

At the same time, goods producers continued to pare back input buying in January, although the rate of reduction was unchanged from December and remained only marginal. Subsequently, pre-production inventories fell, as has been the case in all but one month since October 2016. That said, the rate of decline eased to the slowest for over a year. Similarly, the latest fall in stocks of finished goods was the weakest since February 2020.

On the price front, cost pressures intensified in January. Input prices rose at the steepest pace since October 2018 and

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 recorded a solid start to 2021, as the health of the sector improved for the second straight month and at the strongest pace since May 2018. Central to the sustained recovery were faster upturns in both production and new orders, with growth of output accelerating to a 32-month high, while the latest increase in new work was the quickest since 2014.

"Nonetheless, firms continued to trim their staffing levels in January, perhaps in part to combat mounting cost pressures in the face of another marked lengthening in lead times for inputs. That said, the rate of job shedding slowed further and was the slowest since last February.

"Overall, the latest PMI data are welcome news for the manufacturing sector, indicating that a recovery is finally underway. Conditions remain uneven at the national level, however, as stricter lockdown measures stifle demand in some countries. But, if current restrictions are successful in curbing virus case numbers, the sector as a whole should see further growth as the vaccine is rolled-out and measures are loosened across the board."

markedly overall. As a result, manufacturers increased their factory gate charges for the third straight month, with the rate of charge inflation the fastest since May 2019.

Looking ahead, ASEAN firms remained confident of higher output in 12 months' time. The level of positive sentiment dipped slightly from December and was historically subdued, however.

Across the seven constituent ASEAN nations, performances remained uneven in January. Leading the recovery was Singapore, where the headline PMI (55.9) signalled the sharpest upturn in conditions since May 2013. Elsewhere, the Philippines registered a renewed improvement in the health of the sector, with the PMI (52.5) the highest since December 2018 and indicative of a moderate expansion overall.

Meanwhile, Indonesia's recovery strengthened at the start of 2021. The headline index climbed to a six-and-a-half year high of 52.2, and pointed to a modest rate of growth. Vietnam was the only other country to see an improvement in manufacturing conditions during the first month of 2021. The headline PMI dipped slightly to 51.3 in January, from 51.7 in December, but still signalled a moderate improvement in the health of the sector.

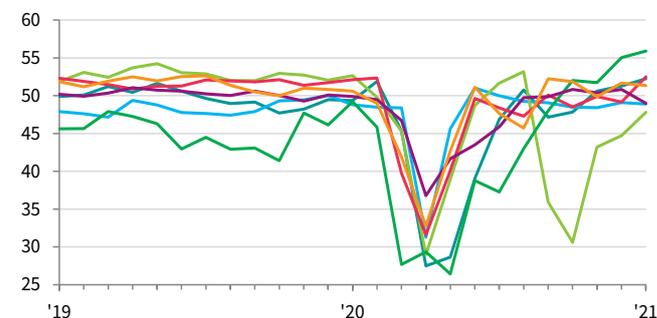
At the same time, Thailand recorded a renewed deterioration in conditions. The headline PMI (49.0) dipped below the neutral 50.0 mark for the first time since last September and pointed to a mild rate of contraction. Elsewhere, the downturn continued in Malaysia, extending the current sequence of deteriorating manufacturing conditions to six months (PMI at 48.9).

Finally, January data highlighted a further decline in the health of Myanmar's manufacturing sector. That said, the headline PMI rose for the third straight month to 47.8, and signalled the weakest rate of contraction since June.

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.

January 2021 data were collected 12-25 January 2021.

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

*Source: World Bank World Development Indicators.

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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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