

Nikkei Myanmar Manufacturing PMI™

Headline PMI slips back into contraction territory in December

Key points:

- Output and new orders fall, following November's expansions
- Staffing numbers drop, albeit at fractional pace
- Input price inflation the most marked in 13-month survey history

Data collected December 5-16

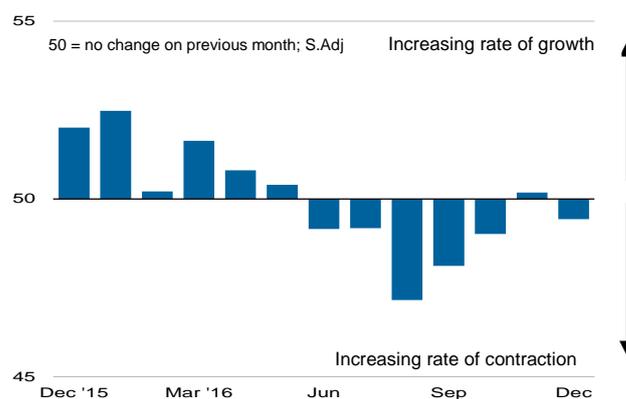
Myanmar's manufacturing companies reported a decline in operating conditions in December, following last month's broad stabilisation. The marginal deterioration was driven by falls in output, new orders, employment and stocks of purchases, while a lengthening of average lead times was the only component to exert a positive influence on the headline PMI.

The headline **Nikkei Myanmar Manufacturing Purchasing Managers Index (PMI)™** – a composite single-figure indicator of manufacturing performance – posted below the all-important 50.0 neutral threshold in December. That said, at 49.4 (down from 50.2 in November), the rate of decline was marginal. The health of the sector has weakened in six of the past seven months.

Underpinning the downturn was a decline in output. A fall has now been registered in seven of the past eight months. That said, the rate of contraction was slight overall. Anecdotal evidence suggested that a shortage of raw materials and a drop in client demand had weighed on company production levels. In turn, this led to a further fall in post-production inventories, albeit at the weakest rate in seven months.

The amount of new business placed with goods-producing companies in Myanmar fell in December, following November's expansion. That said, the rate of decline was fractional. There was some evidence that suggested client demand was dampened by inflationary pressures.

Nikkei Myanmar Manufacturing PMI



Sources: Nikkei, IHS Markit

Faced with a drop in new orders, firms reduced their staffing numbers during December, albeit at a fractional rate. In spite of this, backlogs of work fell for the seventh consecutive month to signal a further lack of pressure on operating capacity. Although easing substantially from the preceding survey period, the rate of backlog depletion remained marked.

Goods-producing companies in Myanmar reduced their purchasing activity in December, following a general stagnation in November. That said, the rate of decline was only slight. Where a decrease was recorded, some firms commented on higher raw material costs. This, in turn, contributed to a seventh successive drop in pre-production inventories.

Meanwhile, the depreciation of the kyat against the US dollar continued to put upward pressure on input costs. Furthermore, the latest rate of purchase price inflation was the sharpest since data collection began in December 2015. This led to a solid rise in average selling prices as some firms passed additional costs on to their clients.

Finally, average lead times on inputs lengthened in December, thereby continuing a trend that has been evident since the survey's inception 13 months ago. The rate of deterioration in supplier performance accelerated from the previous month.

Comment:

Commenting on the Myanmar Manufacturing PMI survey data, **Alex Gill, Economist** at IHS Markit, which compiles the survey, said:

“Myanmar’s manufacturing sector deteriorated in December, following last month’s broad-stabilisation. The downturn was driven by a drop in both output and new orders, which, in turn, encouraged firms to curtail their staffing numbers. Meanwhile, input price inflation continued to outstrip the rise in average selling prices, indicating a further erosion of company profit margins.”

-Ends-

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Notes to Editors:

The Nikkei Myanmar Manufacturing *PMI*[™] is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by GDP and company workforce size. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper, Transport.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Nikkei Myanmar Manufacturing *PMI*[™] is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

IHS Markit does not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@markit.com.

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