

Nikkei ASEAN Manufacturing PMI™

ASEAN manufacturing conditions stagnate in March

Key points:

- Slower rises in output and new orders drag on headline PMI
- ASEAN employment broadly stagnates
- Business confidence at lowest in survey history

Manufacturing operating conditions across ASEAN were broadly unchanged at the end of the first quarter, according to the **Nikkei ASEAN Manufacturing Purchasing Managers' Index (PMI™)**, which slipped from 50.7 in February to 50.1 in March.

Slower rises in both output and new order volumes, alongside inventory depletion and largely stagnant employment, were key factors weighing on the headline reading.

March data pointed to mixed manufacturing sector performances across the monitored ASEAN nations. Four of the seven countries covered by the survey indicated an improvement in business conditions, down from five in the first two months of 2018.

Myanmar displaced Vietnam to lead the ASEAN manufacturing rankings, as growth in its manufacturing sector picked up to a solid pace. Vietnam slipped to second position, having registered a slower improvement in operating conditions, while the Philippines climbed to third place as adverse effects on demand from recent tax reforms showed signs of fading.

Indonesia saw slower growth in its manufacturing economy while Malaysia reported weaker business conditions. Thai manufacturers signalled a deterioration in operating conditions for the first time since last October. Singapore remained in contraction, though the rate of deterioration was the slowest seen for five months.

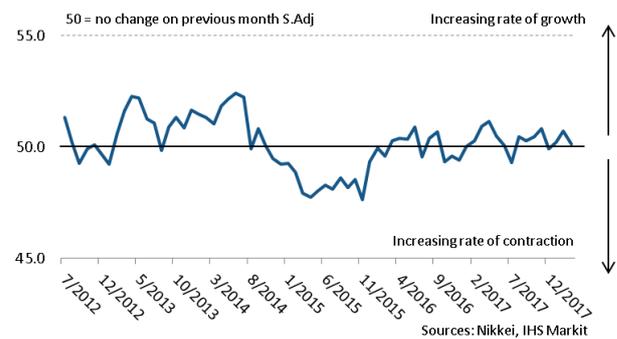
Overall, client demand softened across the region at the end of the first quarter. This was despite a renewed rise in foreign sales, suggesting that lower domestic demand was a key reason for slower growth in total new business. However, the rate of expansion in export sales was only marginal.

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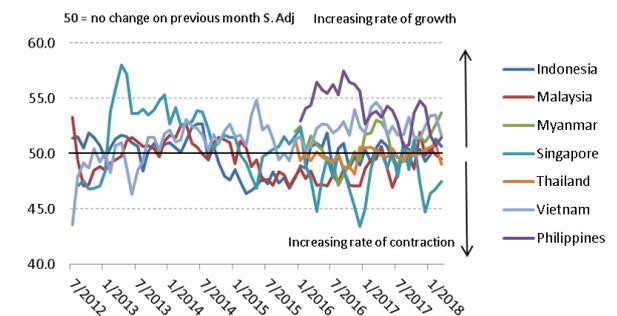
Countries ranked by Manufacturing PMI™

March	PMI	Change signalled
Myanmar	53.7	Solid increase (faster than February)
Vietnam	51.6	Modest increase (slower than February)
Philippines	51.5	Modest increase (faster than February)
Indonesia	50.7	Marginal increase (slower than February)
Malaysia	49.5	Marginal decrease (faster than February)
Thailand	49.1	Marginal decrease (change in direction)
Singapore	47.5	Modest decrease (slower than February)

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National Manufacturing PMI™



Softer demand conditions coincided with a slower increase in production across the region. The rate of output growth weakened from February and was only slight.

There were also signs of spare capacity within the ASEAN manufacturing sector, which weighed on hiring. Backlogs of unfinished work continued to fall in March, stretching the current trend to over three-and-a-half years.

Weaker increases in production and new order intakes led businesses to be cautious about hiring and inventory management. Staff numbers were broadly unchanged in March, following two months of expansion. Growth in purchasing activity also slowed from February. Concurrently, inventories of both purchases and finished goods declined further.

Vendor performance deteriorated slightly in March following a brief improvement in February. However, the degree to which lead times lengthened was only slight. In many cases across the region, there were reports of supply shortages in certain raw materials such as industrial metals, chemicals and paper.

ASEAN manufacturers continued to face higher input costs, which led some firms to pass on some of the increase to customers. However, subdued demand conditions limited the extent to which firms could raise their selling prices.

Input cost inflation remained marked in March, with the pace of increase accelerating to the greatest for almost a year. Inflation remained strongest in the Philippines as new excise taxes worked their way through to higher input prices. Myanmar, Indonesia, Malaysia and Singapore all saw a faster increase in input costs. Vietnam meanwhile reported a softer, albeit still steep, increase in cost burdens.

In response to increased costs, all covered nations registered higher selling prices, led by the Philippines.

Finally, business confidence regarding output in the next 12 months remained positive, but slipped to the lowest in the survey history.

Comment:

Commenting on the ASEAN Manufacturing PMI survey data, **Bernard Aw, Principal Economist** at IHS Markit, which compiles the survey, said:

“The ASEAN manufacturing upturn hit a snag at the end of the first quarter, with forward-looking survey indicators pointing to slower growth in coming months.

“Both output and new orders grew at slower rates while employment was broadly stagnant. Firms barely raised purchasing activity, preferring to tap into current inventories. But perhaps most concerning was a further dip in optimism. Though positive, business confidence slipped to the lowest since the survey’s inception nearly six years ago.

“Another area of concern is rising input costs. ASEAN manufacturers continued to face marked increases in input costs. However, subdued demand saw limited growth of selling prices, suggesting that companies have struggled to pass on greater costs to customers, which puts pressure on profit margins. The bulk of cost increases stemmed from higher global commodity prices for inputs such as industrial metals, fuel, paper and chemicals, implying that firms have little control over rising cost burdens.”

-Ends-

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Notes to Editors:

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.

The *Purchasing Managers' Index* (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

IHS Markit do 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 revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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