

## Nikkei ASEAN Manufacturing PMI™

### ASEAN manufacturing conditions improve for third month running

#### Key points:

- Headline PMI signals marginal pace of improvement
- Export sales increase at faster pace
- Supply chain delays lead to higher costs

#### Countries ranked by Manufacturing PMI™: October

|             | PMI         | Change signalled                          |
|-------------|-------------|---|
| Philippines | <b>53.7</b> | Solid increase (faster than September)    |
| Vietnam     | <b>51.6</b> | Modest increase (slower than September)   |
| Singapore   | <b>51.3</b> | Modest increase (change in direction)     |
| Myanmar     | <b>51.1</b> | Marginal increase (change in direction)   |
| Indonesia   | <b>50.1</b> | Marginal increase (slower than September) |
| Thailand    | <b>49.8</b> | Marginal decrease (change in direction)   |
| Malaysia    | <b>48.6</b> | Modest decrease (faster than September)   |

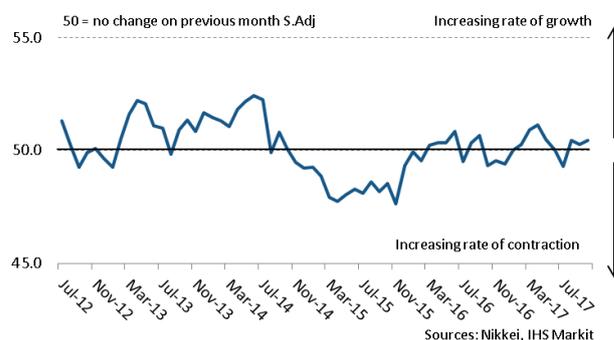
The ASEAN manufacturing economy started the fourth quarter on a positive note and expanded marginally in October, as was the case in the previous two months.

The headline **Nikkei ASEAN Manufacturing Purchasing Managers' Index (PMI™)** rose slightly to 50.4 in October, from 50.3 in September, signalling another mild improvement in the health of the sector.

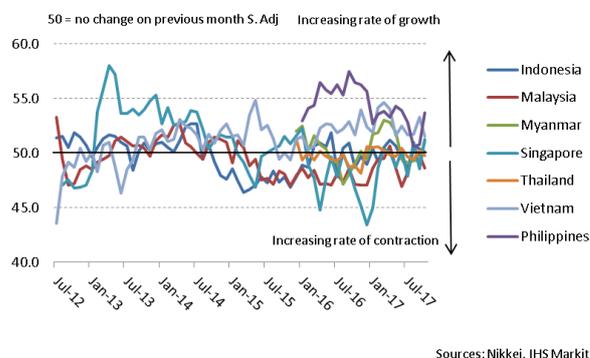
Further expansions in output and new orders were key drivers of the latest upturn.

The majority of the nations covered by the survey registered an improvement in operating conditions, with the number of countries recording an improvement rising from four in September to five in October.

#### Nikkei ASEAN Manufacturing PMI



#### National Manufacturing PMI



The Philippines overtook Vietnam to lead the overall growth rankings, with its PMI picking up to a four-month high during October. Vietnam slipped to second position as its rate of growth slowed to the weakest since May. Singapore and Myanmar returned to expansion, with the latter showing an improvement for the first time in five months.

Having seen growth in the previous two months, Indonesia's manufacturing sector was broadly stagnant during October. Thailand slid into contraction territory, though the rate of decline was only marginal. Malaysia came in at the bottom of the PMI rankings, with business conditions deteriorating modestly overall.

ASEAN manufacturers continued to enjoy steady expansion in new business during October, with total new order inflows up for a third consecutive

month, supported by rising sales from abroad. In fact, new export orders rose at the joint-fastest pace since May 2013, reflecting strengthening global trade.

Improved client demand lifted production across the region. Notably, ASEAN manufacturing output expanded at the quickest rate for six months during October.

Despite increased new orders, the ASEAN manufacturing sector showed no signs of capacity strains. On the contrary, manufacturing backlogs fell for the fortieth month running, which in turn continued to weigh on hiring. Overall, employment decreased for the second straight month, with the rate of decline the steepest since last August.

Firms indicated a preference of using existing stocks for production, with pre-production stocks declining again in October. The rate of depletion was the fastest for ten months. Inventories of finished goods also fell and at a quicker pace than in the previous month. At the same time, purchasing activity rose only slightly across the region.

While ASEAN countries continued to suffer supply chain delays despite subdued appetite for inputs, there were reports of supply shortages for raw materials, which in turn pushed input prices higher.

There were signs of inflationary pressure building across the ASEAN manufacturing sector. Although lower than September's peak, the Input Prices Index indicated another sharp increase in cost burdens during October. All monitored countries reported higher input costs during the latest survey period. Myanmar, the Philippines and Vietnam continued to report steep cost increases, linked to supply shortages and weaker exchange rates.

ASEAN manufacturers generally passed on higher costs to customers by raising selling prices for their goods in October. However, the rate of increase remained below that of input costs, suggesting an ongoing squeeze on profit margins.

Finally, business confidence across the region remained upbeat at the start of the fourth quarter. The Future Output Index picked up from a five-year low in September, though the latest reading remained below the historical average. Moreover, the degree of optimism among the countries covered by the survey showed great variation.

**Comment:**

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

*“The ASEAN manufacturing economy enjoyed a positive start to the fourth quarter, maintaining the steady momentum seen in recent months. Even business confidence across the region improved on September’s recent low.*

*“PMI data indicated that strengthening demand from abroad was a key source of growth for the sector, contributing to a further rise in overall new business. Improved client demand boosted production but the presence of spare capacity, as signalled by falling backlogs, deterred ASEAN manufacturers from hiring additional workers.*

*“ASEAN goods producers continued to face supply chain delays amid reports of raw material shortages rather than overwhelming demand. This raises concerns that further delays may impact future output. A side effect of supply chain pressures was higher prices. Input cost inflation across the region remained sharp, driven also by weaker exchange rates and rising global commodity prices. As output charges rose at a relatively modest pace, the prices data indicated a further squeeze on margins as firms have limited pricing power.”*

-Ends-

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**Notes to Editors:**

The ASEAN Manufacturing *PMI*<sup>™</sup> (*Purchasing Managers' Index*<sup>™</sup>) 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.

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