

Nikkei Malaysia Manufacturing PMI[®]

Business confidence strengthens as output and exports return to growth in August

Key points:

- Operating conditions improve for the first time in four months
- Order book volumes fall at reduced pace as new exports grow
- Most optimistic outlook since December 2013

Data collected 11- 24 August

The Malaysian manufacturing sector showed signs of recovery in August, registering the first expansion of production and overall improvement in operating conditions since April. Although total new orders continued to decline, the rate of contraction softened against a backdrop of rising exports.

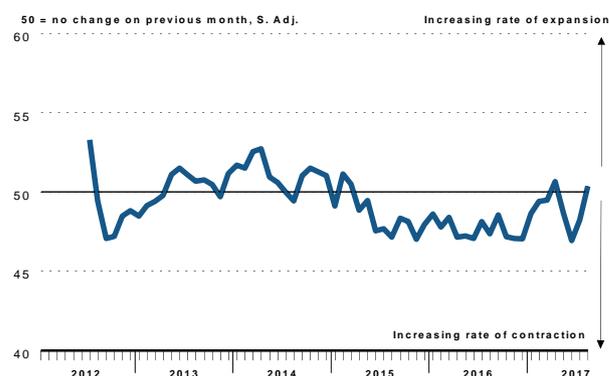
Firms also expanded workforce numbers, which enabled them to keep on top of overall workloads, whilst also indicating a preference for destocking by opting to deplete inventories of both inputs and finished goods. Cost pressures continued to ease, whilst business optimism was its highest since December 2013.

The headline Nikkei Malaysia Manufacturing Purchasing Managers' Index[™] (PMI[®]) – a composite single-figure indicator of manufacturing performance – rose above the 50.0 no-change mark to 50.4 in August, up from July's 48.3 and indicating the first improvement in operating conditions since April.

Manufacturing output rose during August at the fastest rate since February. Although order book volumes failed to increase, the rate of contraction was the weakest since growth was last recorded in April whilst exports rose after a slight fall in July. In particular, firms highlighted growing demand from foreign markets in China, South East Asia and the Middle East.

Purchasing activity fell for the fourth consecutive month in August. The still underwhelming trend in overall sales encouraged firms to utilise existing stocks of purchases for production. Inventories of finished goods also fell, although the rate of decline was the softest in the current five-month sequence of contraction.

Nikkei Malaysia Manufacturing PMI



Sources: Nikkei, IHS Markit

Despite reduced acquisitions of raw materials and semi-finished goods, vendor performance worsened for a sixth month in succession.

Workforce numbers continued to grow in August, with panellists citing positive demand projections as the primary reason for the expansion. Higher production and employment alongside falling new orders helped firms to reduce their levels of outstanding business. Backlogs of work were depleted for a third consecutive month, according to the latest survey results.

Input price inflation eased to the weakest rate since October 2016 in August. This marks the sixth month where inflation has fallen since February's record high. According to respondents, higher raw material costs were to blame for further price increases. Firms protected their margins by increasing selling prices at a slightly faster rate than in July. However, inflation remained well below the average for 2017 so far.

Finally, optimism among panellists regarding the coming 12 months reached its highest level since December 2013. Higher production and exports in August, combined with hopes of growth in new orders, were linked to the improvement in the business outlook.

Comment:

Commenting on the Malaysian Manufacturing PMI survey data, **Paul Smith**, Director at IHS Markit, which compiles the survey, said:

“August’s survey painted a stronger picture of the Malaysian manufacturing economy compared to previous months, with overall operating conditions improving for the first time in four months.

“Growth was underpinned in the main by an improvement in new export orders, which helped to bolster output, in turn shoring up confidence and driving employment higher.

“However, current growth seems a little precarious given the ongoing weakness in total sales, which continue to fall on the back of underwhelming domestic demand.”

-Ends-

Nikkei Malaysia Manufacturing PMI[®] is sponsored by

Nikkei is a media organization with newspaper publishing at its core. Our flagship daily newspaper, The Nikkei, has approximately three million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

The Nikkei marks its 140th anniversary this year. Since our founding in 1876 as the Chugai Bukka Shimpo (Domestic and Foreign Prices News), we have consistently provided high-quality reporting while maintaining fairness and impartiality. The Nikkei brand has become synonymous with trustworthiness at home and abroad.

Nikkei Inc. offers a range of media platforms to satisfy the diverse needs of our readers. At the core of these services is The Nikkei which has a circulation of approximately three million. Adding further depth to our offerings are our premium content and strong digital technology. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 400,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Five years after its creation, the online edition is set to evolve from a medium for providing news to readers into a tool that helps people advance their careers.

In 2013, we kicked off the Nikkei Asian Review, an English-language news service provided both online and as a weekly print magazine. The following year, we established an Editorial Headquarters for Asia in Bangkok to deepen our coverage of Asian economic news. In addition, we doubled the number of reporters stationed in Asia outside Japan. 2014 also saw the launch of Nikkei Group Asia Pte., a new company in Singapore tasked with spreading the Nikkei brand in the region. Our goal is to make Nikkei the leading media voice in Asia.

<http://www.nikkei.co.jp/nikkeiinfo/en/>

ASIAN REVIEW <http://asia.nikkei.com/>

INTRODUCING THE ONLY BUSINESS PUBLICATION THAT BRINGS YOU INSIGHTS ABOUT ASIA, FROM THE INSIDE OUT

With more reporters and contributors across the region than any other business publication, only Nikkei Asian Review can give you a view of business in Asia from the inside.

Stay abreast of the latest news, analysis and insights with a subscription to Nikkei Asian Review – available in print, online, and on your mobile and tablet device.



Asia300:

Providing extensive coverage of over 300 leading companies in 11 countries and regions in Asia. Nikkei Asian Review aims to build the largest hub for Asian corporate news through enhanced reporting backed by large database of business and financial information on companies in the region.



JAPAN UPDATE:

Keeping you up-to-date with business and news from Japan.



VIEWPOINTS:

Bringing views of leading minds on Asia from around the world, including our column "Tea Leaves" written by some of our best writers.



POLITICS & ECONOMY:

Looking at fiscal and monetary policy, international affairs and more

MARKETS:

Deep analysis if the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.



Video:

Watch analysts explain our articles, catch interviews with top executives.



Print Edition:

Weekly delivery of the best content from Nikkei Asian Review to your home or office

For further information, please contact:

IHS Markit (About PMI and its comment)

Paul Smith, Director
Telephone +44 1491 461 038
Email: paul.smith@ihsmarkit.com

Jerrine Chia, Marketing and Communications
Telephone +65 6922 4239
E-mail: jerrine.chia@ihsmarkit.com

Bernard Aw, Principal Economist
Telephone +65 6922 4226
E-mail: bernard.aw@ihsmarkit.com

Nikkei inc. (About Nikkei)

Ken Chiba, Deputy General Manager, Public Relations Office
Atsushi Kubota, Manager, Public Relations Office
Telephone + 81 3 6256 7115
Email koho@nex.nikkei.co.jp

Notes to Editors:

The Nikkei Malaysia Manufacturing PMI® is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 450 industrial companies. The panel is stratified by Standard Industrial Classification (SIC) group, based on the industry contribution to GDP. 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 Malaysia 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 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 subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved.

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 30 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. To learn more go to www.markit.com/product/pmi.

The intellectual property rights to the Nikkei Malaysia Manufacturing PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PM® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Nikkei uses the above marks under license. IHS Markit is a registered trademark of IHS Markit Ltd.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).