

## Nikkei ASEAN Manufacturing PMI™

### ASEAN manufacturing sector improves further in September

#### Key points:

- Headline PMI signals further recovery...
- ...but business confidence slips to five-year low
- Inflationary pressures intensify

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

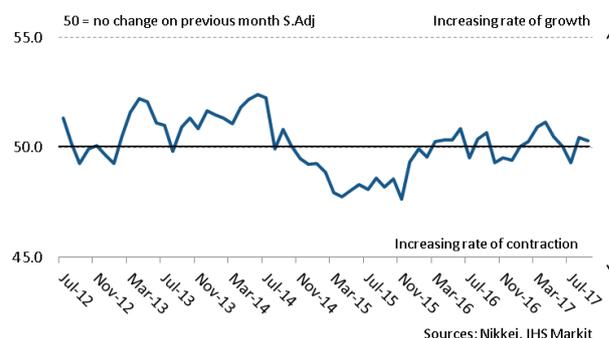
	PMI	Change signalled
Vietnam	<b>53.3</b>	Solid increase (faster than August)
Philippines	<b>50.8</b>	Marginal increase (faster than August)
Indonesia	<b>50.4</b>	Marginal increase (slower than August)
Thailand	<b>50.3</b>	Marginal increase (change in direction)
Malaysia	<b>49.9</b>	Marginal decrease (change in direction)
Myanmar	<b>49.4</b>	Marginal decrease (slower than August)
Singapore	<b>48.6</b>	Modest decrease (change in direction)

Latest PMI data indicated that the ASEAN manufacturing economy rounded off the third quarter on a positive note, although growth remained marginal.

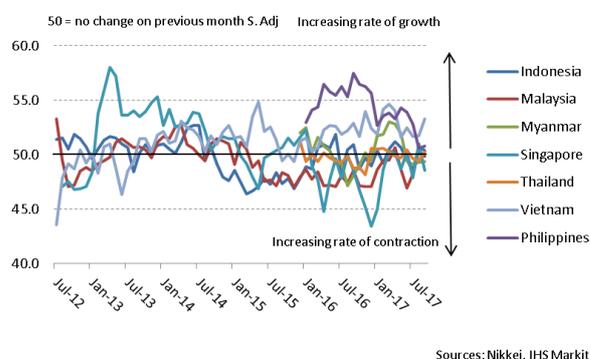
The headline **Nikkei ASEAN Manufacturing Purchasing Managers' Index (PMI™)** registered 50.3 in September, slightly down from 50.4 in August, but signalling a further improvement in the health of the sector. However, the pace of improvement remained slight.

Further expansions in output and total new business underpinned the latest upturn. However, only a slim majority of the countries covered by the survey recorded an improvement in operating conditions, with the number of nations recording an improvement shrinking from five in August to four in September.

#### Nikkei ASEAN Manufacturing PMI



#### National Manufacturing PMI



Vietnam continued to lead the overall growth rankings, and saw its PMI pick up to a five-month high during September. The Philippines moved up the table to second position, though its pace of growth remained marginal overall. Indonesia showed a further improvement in business conditions while Thailand returned to growth after showing deteriorations in the previous two months.

Having seen an improvement in the previous month, Malaysia reported broadly stagnant manufacturing conditions in September. Singapore meanwhile slipped into contraction territory. Myanmar continued to signal weakening business conditions, although the rate of decline remained slight.

ASEAN manufacturing output rose for a second straight month during September, in line with signs of strengthening demand. Total new business

inflows increased at the strongest rate for five months, supported by rising export sales.

Increased demand failed to add pressure on production capacity, however, as ASEAN manufacturing backlogs declined again. A lack of pressure on operating capacity continued to weigh on hiring. Furthermore, overall employment fell in September, albeit marginally.

Despite greater demand, firms did not scale up their buying activity. On the contrary, the quantity of purchases remained broadly stagnant, and that in turn weighed on inventories. Companies depleted existing stocks for production and to meet orders, as shown by inventories of both inputs and finished goods falling in September. Notably, pre-production stocks have now fallen in each of the past 12 months.

Business confidence also dipped in September. While firms generally signalled optimism about output for the year ahead, the Future Output Index came in at the lowest level for five years. Detailed survey data also revealed varying degrees of confidence among the countries covered.

On the price front, there were signs of rising cost pressures, with the Input Prices Index reaching a four-month high. All monitored nations reported higher input costs during September — with a number of countries recording a faster rate of inflation than in the previous month. Myanmar showed the quickest rise in cost burdens, but it was the Philippines and Vietnam that registered sharper pickups in inflation amid reports of rising costs for raw materials.

In response to higher input costs, manufacturers raised their factory gate prices again in September in order to protect their margins. Notably, the rate of charge inflation was the strongest since April.

**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 ended the third quarter on a positive note, however an air of caution continued to weigh on confidence across the region.*

*“September PMI surveys indicated a slight moderation in output growth despite rising sales. Business optimism about the year ahead, as signalled by Future Output Index, came in at a five-year low, suggesting that companies have become less confident towards the longer-term outlook. That in turn impacted plans to build inventories or hire more staff. The ongoing presence of spare capacity also weighed on employment prospects.*

*“Factories across the region are facing a pickup in cost inflation, linked to higher costs for raw materials, and in some countries, a weaker exchange rate. Anecdotal evidence suggested that in some cases, higher input costs had led some firms to delay plans to expand production.”*

-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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