

Nikkei Myanmar Manufacturing PMI™

September PMI signals further output contraction

Key points:

- Output levels decline for fourth month running
- New orders grow for first time since May
- Input price inflation accelerates to marked rate

Data collected September 12-21

September survey data indicated a further deterioration in operating conditions within Myanmar’s manufacturing sector. Driven by a marginal contraction in output and little-change in client demand levels, business confidence hit a series low. That said, new orders increased for the first time in four months. On the price front, input cost inflation accelerated and reached a six-month high. Conversely, output price inflation eased to a moderate rate despite rises in raw material costs.

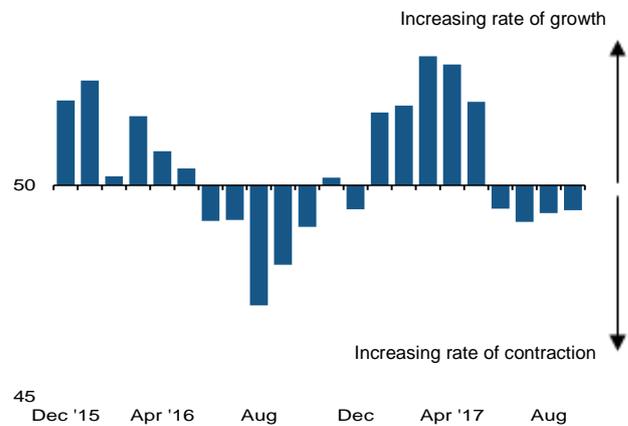
At 49.4, the headline **Nikkei Myanmar Manufacturing Purchasing Managers Index™ (PMI™)** - a composite single figure indicator of manufacturing performance - was broadly in line with August’s reading of 49.3. The latest survey data signalled a marginal deterioration in the manufacturing sector. The third quarter of 2017 indicated the second-weakest performance in the short series history, despite only a slight overall contraction.

Output levels at manufacturers in Myanmar contracted for the fourth consecutive month in September. The decline in production eased from August to a marginal rate. Anecdotal evidence commonly attributed the fall in output to difficulties relating to raw material shortages and issues sourcing skilled labour.

Conversely, new orders grew for the first time since May. The expansion was only fractional, and slower than the series average. Panellists linked the upturn to entrance into new markets and greater order volumes from new and existing clients.

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50 = no change on previous month; S.Adj



Sources: Nikkei, IHS Markit

Mirroring the recent trend in production, outstanding business levels at goods producers in Myanmar contracted in September. Moreover, the rate of decline was the joint-strongest since last November. Similarly, following a fractional expansion in workforce numbers during August, employment stagnated in September.

The rate of input price inflation accelerated to reach a six-month high in September. Anecdotal evidence largely linked the marked rise in cost burdens to raw material price increases stemming from supplier shortages and exchange rate fluctuations. Panel member reports signalled that higher input costs contributed to a rise in average prices charged. That said, the rate of output charge inflation was moderate and softened from August’s four-month high.

Panellists reported reduced purchasing activity as supplier shortages added pressure to cost burdens. The quantity of purchases fell for the fourth month running and at a steep pace. Moreover, pre-production inventories declined at the fastest rate since last November.

The contraction in production levels and difficult demand conditions were reflected in reduced stocks of finished goods. Post-production inventories held by goods producers decreased at the quickest pace since last October.

Business confidence among manufacturers in Myanmar was subdued in September, with the degree of optimism falling to the lowest level in the short series history.

Comment:

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

“September survey data indicated a further deterioration in manufacturing performance in Myanmar. Despite a fractional expansion in new orders, client demand remained muted. Less favourable market conditions were key drivers behind the continued contraction in production levels and a marked fall in backlogs.

“Supplier shortages and exchange rate fluctuations were commonly cited as reasons for steep input price inflation. Difficulties in sourcing a wide range of raw materials and weak client demand were reflected in a strong downturn in buying activity.

“Subdued business confidence persisted, with the degree of optimism about the year-ahead outlook falling to a series low.”

-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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