

Nikkei ASEAN Manufacturing PMI™

ASEAN manufacturing upturn loses momentum in September

Key points:

- Slower rises in both output and new orders
- Exports decline further
- Cost inflation intensifies

Manufacturing conditions in ASEAN improved further at the end of the third quarter, but at a slower pace, according to the headline **Nikkei ASEAN Manufacturing Purchasing Managers' Index (PMI™)**, which is compiled by IHS Markit.

The headline PMI fell from 51.0 in August to 50.5 in September to signal another marginal improvement in the health of the manufacturing sector. September data took the average quarterly PMI reading to 50.6, which was lower than the average seen over the previous quarter (51.2).

Latest data showed slower growth in both output and new orders, with export sales declining further. The overall manufacturing performance across the region remained uneven. Four of the seven monitored countries indicated an improvement in manufacturing conditions in September, unchanged from August.

The Philippines topped the ASEAN manufacturing PMI rankings in September, with a marginally quicker improvement in operating conditions. Vietnam, which was the best performer in August, registered a noticeably slower expansion in its goods-producing sector. As a result, Vietnam slipped to joint-second place alongside Malaysia.

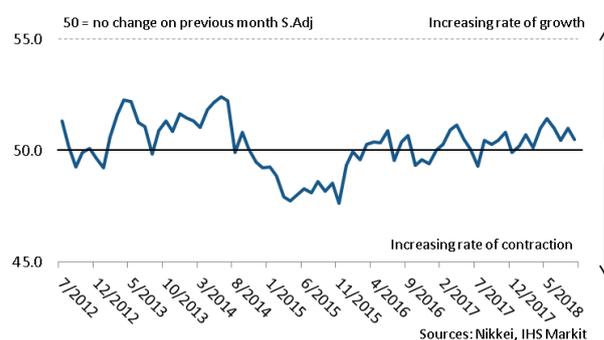
Indonesia fell to fourth position, after recording a slower improvement in operating conditions, while Thailand saw a stagnation in its manufacturing sector in September. Singapore and Myanmar continued to signal a decline in the health of their manufacturing sectors.

September's survey brought signs of softening client demand. Growth in total new business eased from August, as exports fell for a second consecutive month.

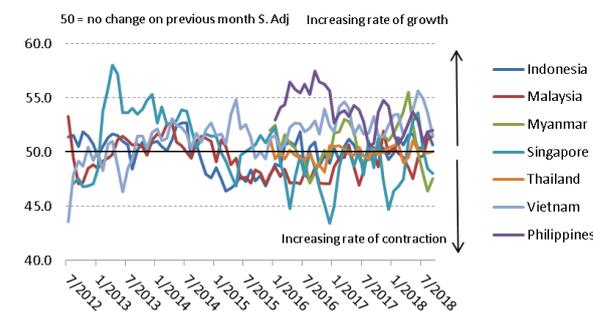
Countries ranked by Manufacturing PMI™

September	PMI	Change signalled
Philippines	52.0	Modest increase (faster than August)
Malaysia	51.5	Modest increase (faster than August)
Vietnam	51.5	Modest increase (slower than August)
Indonesia	50.7	Marginal increase (slower than August)
Thailand	50.0	No change (deterioration in August)
Singapore	48.0	Modest decrease (faster than August)
Myanmar	47.5	Modest decrease (slower than August)

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National Manufacturing PMI™



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Sources: Nikkei, IHS Markit

Softer demand conditions were accompanied by the weakest rate of output expansion for six months during September. Moreover, firms cut back on purchasing activity for the first time so far this year. Buying levels fell marginally at the end of the third quarter, which likely contributed to a further decline in stocks of purchases. Notably, inventories of inputs have not increased in any month for the past two years. Stocks of finished goods meanwhile fell for the tenth month in a row during September.

Despite higher new orders, there appeared to be little pressure on operating capacities. On the contrary, the level of unfinished work continued to decrease. Job creation was sustained in September, extending the trend of rising employment to six months, the longest seen in the survey history.

Longer delivery times were reported for a seventh straight month during September, although there was evidence suggesting input shortages and weather-related disruption across the region were factors behind delivery delays.

Strong cost pressures persisted across the region. Input price inflation accelerated to the fastest for nearly one-and-a-half years. Six of the seven countries covered by the survey continued to report higher cost burdens at the end of the third quarter. Thailand was the only country recording reduced input costs. Myanmar continued to see the steepest rate of inflation, which quickened to a new survey-high amid strong downward pressure on the kyat. The Philippines, Indonesia, Malaysia and Singapore all reported faster rates of input cost inflation. To alleviate cost pressures, firms raised their average selling prices further in September, with the pace of output charge inflation reaching a seven-month high.

Finally, business confidence remained positive in September, improving slightly from August. That said, the degree of optimism remained well below the historical average.

Comment:

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

“The manufacturing upturn across ASEAN lost momentum at the end of the third quarter, with slower growth seen in both new orders and output. Export sales declined further.

“Although confidence around future output remained positive and job creation continued, other survey indicators raised doubts about the sustainability of the current expansion: inventories fell further, and ASEAN manufacturers scaled back on input purchases. Furthermore, strong cost pressures persisted across the region, with several countries reporting sharp increases in input prices due to unfavourable exchange rates against the dollar.”

-Ends-

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For further information, please contact:

IHS Markit (About PMI and its comment)

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

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

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