Nikkei Malaysia Manufacturing PMI®

Further deterioration in operating conditions

Key points:

- Continued declines of output and new orders
- Backlog depletion reaches series-record high
- Inventories and purchasing activity continue to be cut

Data collected 12 - 25 July

Malaysia's manufacturing sector continued to under-perform during July, registering further contractions in both output and new orders amid reports of weak market activity and demand. However, manufacturers added to their workforces, partly in anticipation of an increase in production over the coming year. Confidence regarding future output remained inside positive territory during July.

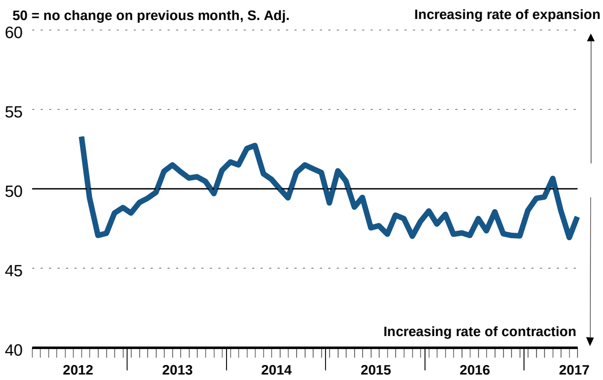
Meanwhile, on the price front, average input costs rose at a marked, but again slower rate during the month. This in part led to a weaker increase in output prices, with the pace of inflation the slowest recorded by the survey in 2017 so far.

The headline Nikkei Malaysia Manufacturing *Purchasing Managers' Index™ (PMI®)* – a composite single-figure indicator of manufacturing performance – rose to 48.3 in July, indicating a slower rate of decline in the manufacturing sector compared to June (46.9). However, persistent weaknesses in several key indices meant that the deterioration of operating conditions in July was worse than the average for the first half of 2017.

Manufacturing production declined for a third successive month during July. The degree to which output fell was weaker than in June, but nonetheless still marked. Falling levels of new orders, linked to underwhelming market demand, was the primary factor behind the deterioration in sales. Weakness in the domestic market was a key reason for reduced overall new orders: foreign sales were broadly unchanged in July.

July's survey indicated little pressure on capacity. Backlogs of work declined for the third time in the past four months, with the rate of contraction the greatest recorded by the survey since data were first collected over five years ago.

Nikkei Malaysia Manufacturing PMI



Sources: Nikkei, IHS Markit

The weak trend in new orders was widely reported to have enabled firms to reduce their unfinished work, and was also cited as a reason for why purchasing activity was reduced for a third month running. Poor near-term prospects led to reductions in stocks of both purchases and finished goods.

That said, longer-term expectations were seen as more positive, with respondents on average anticipating a rise in production over the coming 12 months. Expected growth underpinned a slight increase in employment, the second time in the past three surveys that a rise in workforce numbers has been recorded.

Input price inflation continued its recent descent from February's survey high during July, falling for a fifth successive month to the lowest recorded by the survey since last October. That said, price pressures remain marked, with a weak exchange rate and rising raw material prices noted. Strong global demand for inputs was reported, reflected by a further lengthening of delivery times over the month.

Matching input price inflation, the latest data showed a similar trend in output prices. July's survey indicated that average charges rose modestly and at the weakest rate of the year so far.

Comment:

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

"The Malaysian manufacturing sector continued to struggle in the face of tepid demand, particularly from within the domestic economy, during July. Output, purchasing activity and inventories were all cut as near-term prospects remained bleak.

"However, companies retained some hope of an improvement in operating conditions over the medium-term, expecting growth to occur in the next 12 months. This helped to bolster employment, which subsequently rose marginally for the second time in the past three months."

-Ends-

Nikkei Malaysia Manufacturing PMI® is sponsored by NIKKEI

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/

NIKKEI 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, 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.

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.