

# Nikkei Malaysia Manufacturing PMI™

## PMI signals renewed downturn in May

### Key points:

- Production falls for first time in four months
- Total new work declines amid lower exports
- Price pressures ease but remain marked

Data collected 12 - 24 May

Malaysia's manufacturing sector returned to contraction territory in May. Output, new orders and purchasing activity all fell after having risen in the prior month, with anecdotal evidence pointing to a downturn in client demand. On a brighter note, employment rose for the first time since January, while price pressures eased. Goods producers maintained positive expectations towards output in 12 months' time, although the degree of optimism was relatively subdued.

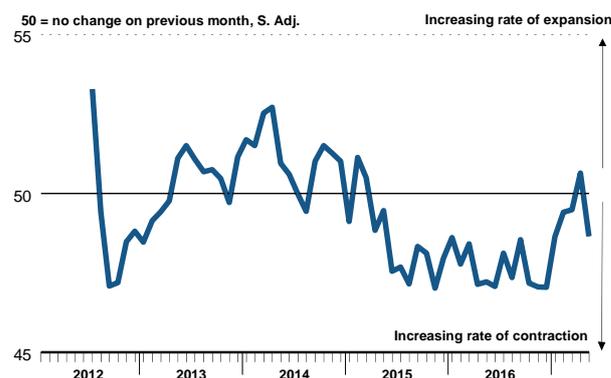
The headline Nikkei Malaysia Manufacturing Purchasing Managers' Index™ (PMI)™ – a composite single-figure indicator of manufacturing performance – dipped below the 50.0 no-change mark to 48.7 in May. The PMI signalled a renewed deterioration in business conditions, contrasting with April's marginal improvement (the first in over two years). That said, the rate at which conditions worsened was only modest overall.

Output fell for the first time in four months during May. Although only moderate overall, the rate of contraction was faster than the series average. Panellists generally linked lower production to weaker client demand.

Anecdotal evidence of reduced demand was reinforced by survey data in May, with the seasonally adjusted New Orders Index posting below the crucial 50.0 threshold. The latest fall marked a resumption of the trend seen for more than two years prior to April's fractional expansion.

Lower new export work was a factor behind the decline in total new business. There were reports of lower new orders in nearby Asian economies in the latest period. Singapore, Thailand and Indonesia were among those mentioned.

Nikkei Malaysia Manufacturing PMI



Sources: Nikkei, IHS Markit

Purchasing activity showed an identical trend to new orders in May. Input buying dropped following an increase in the previous month, with the rate of decline only modest overall. Both pre- and post-production inventories were depleted, with firms highlighting efforts to streamline stocks amid subdued client demand.

Employment was the main bright spot in the latest survey. Job creation was signalled at Malaysian manufacturers for the first time since January, although the rate of hiring was only modest. Backlogs of work were meanwhile broadly unchanged – panellists indicated that volumes of work-in-hand were often dependent on incoming new orders.

On the price front, both input costs and output charges rose more slowly in May. That said, the respective rates of inflation were strong in the context of historical data, with companies citing the impact of adverse currency movements on import costs.

Looking ahead, manufacturers were optimistic about their growth prospects. Higher sales, new projects and new product lines were expected to underpin output over the next 12 months. That said, concerns regarding the state of the economy and client demand remained evident. Optimism was therefore lower than the average over nearly five years of data collection.

**Comment:**

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

*“Latest data dashed hopes of a sustained manufacturing upturn in Malaysia, with the headline PMI returning to contraction territory. Simultaneous growth of production and new work in April had raised the prospect of an economic turnaround, but both returned to decline in May. Panellists reported weak demand both domestically and abroad, citing disappointing sales in nearby Asian economies.*

*“That said, there were some positives to take from May’s survey. Employment rose for the first time in four months and firms remained optimistic towards the 12-month outlook. The degree of positive sentiment was relatively muted, however.”*

-Ends-

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**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](mailto:economics@ihsmarkit.com).

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