

Nikkei ASEAN Manufacturing PMI™

ASEAN manufacturing sector returns to growth in August

Key points:

- Renewed rises in both output and total new orders boost the headline PMI
- Backlogs fall further, pointing to ongoing spare capacity
- Inflationary pressures pick up

Countries ranked by Manufacturing PMI™: August

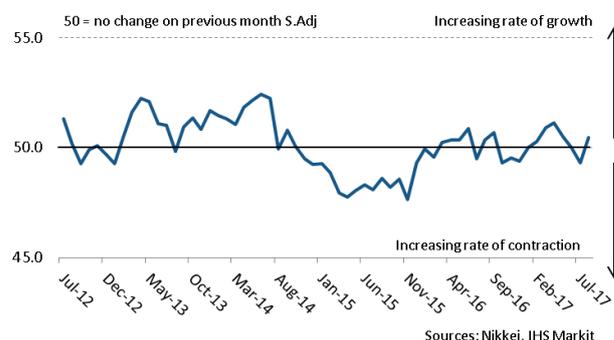
	PMI	Change signalled
Vietnam	51.8	Modest increase (faster than July)
Singapore	51.0	Marginal increase (change in direction)
Indonesia	50.7	Marginal increase (change in direction)
Philippines	50.6	Marginal increase (slower than July)
Malaysia	50.4	Marginal increase (change in direction)
Thailand	49.5	Marginal decrease (faster than July)
Myanmar	49.3	Marginal decrease (slower than July)

After a weak start to the third quarter, the ASEAN manufacturing economy returned to growth in August, according to the latest PMI survey data.

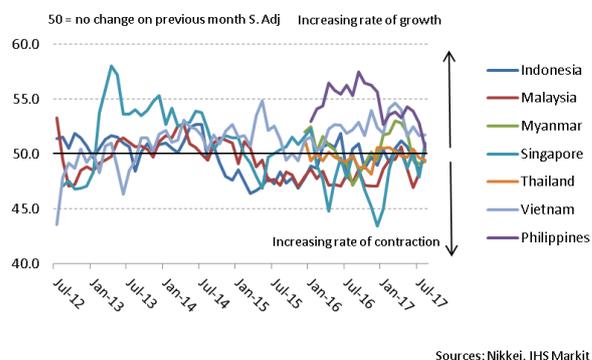
The headline **Nikkei ASEAN Manufacturing Purchasing Managers' Index (PMI™)** came in at 50.4, up from 49.3 in July, signalling an improvement in operating conditions across the region. Although only marginal, the pace of improvement was the quickest for three months.

Driving the upturn was renewed expansions in both total new orders and output. August data also showed a largely broad-based underlying improvement in ASEAN manufacturing conditions: five nations posted an upturn in business conditions, up from two in July.

Nikkei ASEAN Manufacturing PMI



National Manufacturing PMI



Vietnam led the PMI rankings in August, displacing the Philippines, and was the only nation to see its rate of improvement picking up since July. The Philippines meanwhile fell to fourth position, as business conditions improved at the weakest pace on record.

Meanwhile, Singapore, Indonesia and Malaysia returned to growth after showing deteriorations in July. Notably, Singapore posted the strongest improvement for just over one-and-a-half years.

Thailand recorded a second straight month of worsening manufacturing conditions, with the rate of deterioration the quickest seen since last November. Myanmar continued to signal weakening business conditions, although the rate of decline was slower than in July.

There were signs of improving demand — from both domestic and external sources — for ASEAN manufactured goods midway through the third quarter. Recovering from a dip in July, total new business inflows grew at the fastest pace for four months during August, supported by renewed growth in export sales.

Growth in order book volumes lifted production levels: output across the region increased for the first time since May.

Despite greater demand, manufacturing backlogs in ASEAN declined again, as has been the case in each month for over three years, providing evidence of ongoing spare capacity in the sector. This continued to weigh on hiring across the region, and overall employment was unchanged in August.

ASEAN manufacturers continued to adopt a cautious approach towards purchasing activity and stocks. Buying levels were broadly stagnant in the latest survey period, which in turn weighed on inventories. Pre-production stocks fell for an eleventh month, albeit at a slower rate than in July.

However, supply chain delays were seen during August, even with the relatively weak appetite for inputs. In some cases, firms blamed longer delivery times on raw material shortages at vendors.

On the price front, signs of a pick-up in cost pressures emerged in the middle of the third quarter, ending the recent trend of cooling inflation. All the monitored nations (except Thailand) reported higher input costs during August. Myanmar continued to register the fastest rate of inflation, followed by the Philippines and Indonesia. Vietnam also recorded a much quicker rise in cost burdens. Meanwhile, Malaysia posted an easing in the rate of cost inflation for a sixth straight month.

Greater cost pressures led firms to raise selling prices, although the pace of charge inflation continued to run well below that seen for input costs.

Encouragingly, the upturn was accompanied by rising optimism. Business confidence perked up from the previous month to the highest level for four months.

Comment:

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

“After a weak start to the third quarter, the ASEAN manufacturing sector returned to growth in August, with the PMI showing an improvement in overall business conditions.

“Encouragingly, the survey highlighted the broad-based nature of the renewed upturn, with five out of seven monitored countries indicating an improvement in manufacturing conditions, up from two in July. Furthermore, the expansion was supported by a mix of strengthened demand from both domestic and external sources.

“However, improving demand may not boost employment in the short-term as the sector still struggles with ongoing spare capacity, as signalled by the prolonged fall in backlogs. Furthermore, business confidence remained below the historical average despite improving from July, suggesting that firms will maintain a cautious approach to staff hiring.”

-Ends-

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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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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 revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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