

Nikkei Myanmar Manufacturing PMI™

December PMI signals moderate manufacturing growth

Key points:

- Modest but softer overall manufacturing expansion
- Output growth eases to weakest for three months
- Inflationary pressures intensify

Data collected December 4-13

December survey data indicated slightly softer growth across Myanmar’s manufacturing sector. Although the expansion remained modest, weaker upturns in output and new orders were reflected in a marginally slower overall improvement in operating conditions. Despite a modest rise in employment, backlogs continued to contract and fell at the fastest pace since November 2016. On the price front, both input price and output charge inflation accelerated and were the quickest since January. Meanwhile, business confidence was subdued and slipped from November’s ten-month high.

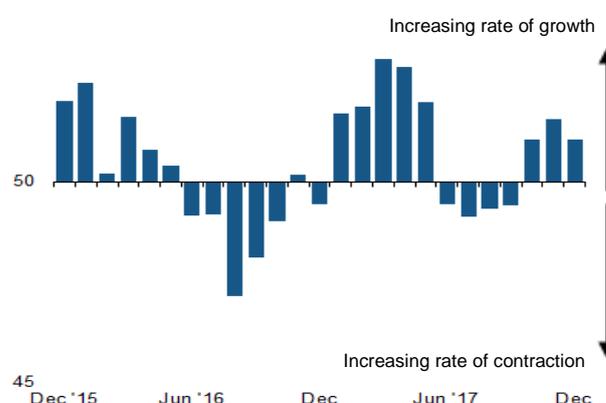
At 51.1, the headline *Nikkei Myanmar Manufacturing Purchasing Managers Index™ (PMI™)* – a composite single figure indicator of manufacturing performance – was below 51.6 seen in November. The latest index reading signalled a modest improvement in operating conditions across the Myanmar manufacturing sector. Although lower than the previous survey period, it was broadly in line with the average for 2017 as a whole (51.0).

Production levels in Myanmar’s manufacturing sector continued to rise in December, despite the pace of expansion easing to the weakest since September. That said, the rate of growth was moderate overall. Anecdotal evidence suggested that the latest upturn was driven by greater demand from new and existing clients.

New orders received by manufacturing firms also rose at a softer pace in December. Although the rate of expansion dipped to a three-month low, it was above the series trend. Panellists linked the

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50 = no change on previous month; S.Adj



Sources: Nikkei, IHS Markit

rise in order volumes to stronger domestic demand and an improvement in product quality.

In line with upturns in output and new orders, employment levels increased for the second consecutive month in December. Moreover, the rate of job creation was the fastest since June. In contrast, the level of outstanding business contracted markedly. The pace of backlog depletion accelerated and was the quickest since November 2016, extending the current sequence of decline that began in June 2016.

Meanwhile, inflationary pressures intensified and the latest survey revealed a greater deterioration in supplier delivery times. Furthermore, lead times lengthened to the greatest extent since the end of 2016. Panellists attributed the latest rise in input costs to higher raw material prices which stemmed from supplier shortages. Input price inflation accelerated to a sharp pace and was the fastest since January. Moreover, average charges also increased at the quickest pace in eleven-months.

Purchasing activity and stockpiles of raw materials continued to decline in December. Although the contraction in buying was only marginal, pre-production inventories fell at the fastest pace since September 2016.

Business confidence was subdued in December, and dipped from November's ten-month high. Where optimism was reported, panellists linked this to planned investment in machinery and expansion into new markets.

Comment:

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

“The latest survey data indicated a modest expansion across Myanmar’s manufacturing sector, which broadly continued the pattern seen in 2017 as a whole. That said, goods producers signalled softer overall growth than in November, reflecting slower upturns in output and new orders.

“Although new orders continued to grow and employment expanded marginally, backlogs contracted at the quickest pace since November 2016.

“Meanwhile, inflationary pressures intensified as higher raw material prices increased cost burdens and were largely passed on to clients. Moreover, both input price and output charge inflation accelerated to the fastest rates since January.

“Alongside softer expansions in output and new orders, business confidence dipped from November’s ten-month high. Output expectations were subdued, but where optimism was reported panellists linked this to planned investment in machinery and expansion into new markets.”

-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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