

Nikkei Myanmar Manufacturing PMI™

Survey record price increases signalled during September

Key points:

- Unfavourable exchange rates drive up input costs and output charges
- Output and new orders deteriorate further
- Record fall in purchasing activity, but confidence up to its highest since November 2017

Data collected September 12-20

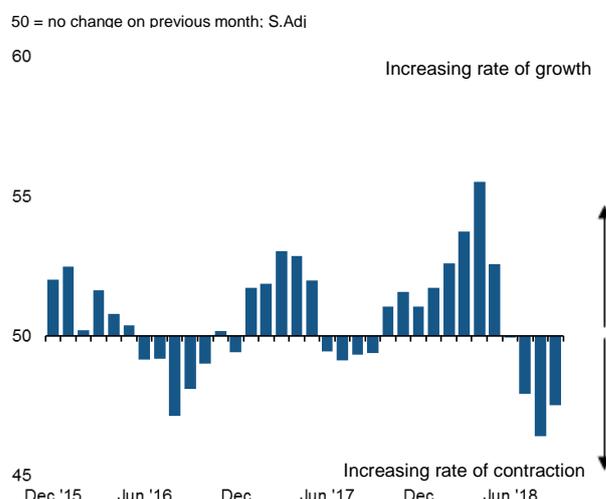
Manufacturing operating conditions in Myanmar continued to deteriorate during September, with output, new orders and employment all recording net monthly reductions. Surging prices were at the heart of the latest downbeat manufacturing sector performance, with September's survey showing a considerable and record increase in input prices. Reports indicated that unfavourable currency movements against the US dollar had driven inflation.

Posting a level of 47.5 in September, the headline Nikkei Myanmar Manufacturing *Purchasing Managers Index™* (PMI™) – a composite single figure indicator of manufacturing performance – improved on August's series low of 46.4 but continued to indicate a marked deterioration in the health of the sector. The headline PMI has now posted below the 50.0 no-change mark that separates growth from contraction for three months in succession.

The standout development in the latest survey was a new series record increase in manufacturing input prices. Over 71% of the survey panel signalled a rise in purchasing costs, amid widespread reports that unfavourable exchange rate movements, especially against the US dollar, had driven up the price of inputs. In response, output charges were also increased at the fastest pace in the survey history.

Many panellists commented that general inflationary pressures had undermined demand during the month. With reports of flooding in some

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Sources: Nikkei, IHS Markit

regions also impacting on business, levels of new work placed at Myanmar manufacturers deteriorated for a fourth month in succession.

With market demand falling, output levels were cut. There was also evidence that sharply rising prices had led to a scarcity of production inputs and weighed negatively on output. September marked the third month in succession that production volumes have fallen, with the latest contraction again marked and only slightly weaker than August's series record.

The high cost of raw materials, alongside another round of lengthening supplier delivery times, plus falling output and new work, discouraged manufacturers from purchasing additional inputs. Buying activity was reduced for the fourth time in as many months, with the latest fall a new survey record. Manufacturers inevitably leant on their stocks of purchases in September, which were again cut at a near two-year record rate.

Meanwhile, staffing levels were reduced for a third month in a row. However, the fall was marginal, with anecdotal evidence implying that companies had generally kept production higher to retain employees. This helped to explain another reduction in outstanding business during the month.

Finally, business confidence remained inside positive territory during September, improving to its highest level since November 2017. Companies reported positive plans to expand their factories, invest in new machinery and develop new products.

Comment:

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

“The latest survey data signalled rather challenging operating conditions for Myanmar’s manufacturers during September.

“At the centre of the difficulties was the impact of surging prices as a stronger US dollar rapidly raised the cost of inputs. Moreover, general inflationary pressures ate into demand, and led to a reluctance amongst firms to purchase new materials at a time of falling production and orders.

“The result was naturally downward pressure on employment, however, workforce numbers fell only marginally during the month. Efforts to retain employees by keeping output intentionally higher were reported, perhaps signalling a belief amongst firms that they can ride out the current storm. Indeed, confidence about the future remains surprisingly upbeat, with optimism reaching its highest in just under a year during September.”

-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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