

# Nikkei Myanmar Manufacturing PMI™

## Headline PMI at 12-month high

### Key points:

- Manufacturing sector returns to growth in January...
- ...driven by expansions in production, new business and staffing levels
- Inflationary pressures remain marked

Data collected January 11-23

Myanmar's manufacturing sector returned to growth at the start 2017. Having deteriorated slightly in December, the improvement in business conditions was supported by growth in output, new orders and employment. However, supply chain pressures persisted while firms maintained stock reduction policies. On the price front, higher input costs led Myanmar's goods producers to increase selling prices further.

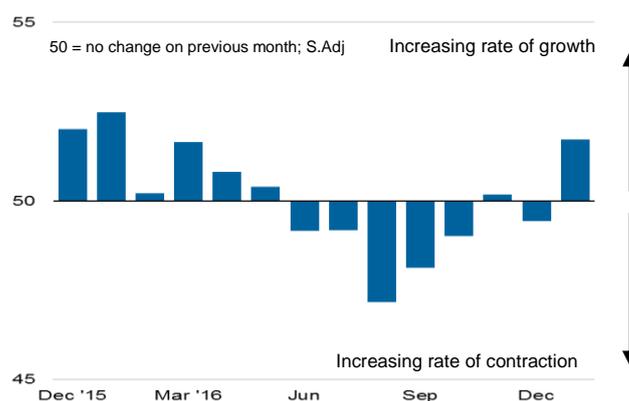
At 51.7, up from 49.4 at the end of 2016, the headline **Nikkei Myanmar Manufacturing Purchasing Managers Index (PMI)™** – a composite single-figure indicator of manufacturing performance – rose to its highest level for one year in January. Moreover, the latest figure signalled a return to growth for Myanmar's manufacturing sector, albeit at only a moderate pace.

Driving the upturn in Myanmar's manufacturing performance was stronger underlying demand for goods, as new business rose. The increase followed a slight decline in December, with the pace of expansion the sharpest in ten months.

In line with the trend for new orders, goods producers operating in Myanmar raised their output in January. In fact, the rate of growth was the second-fastest reported during the survey's 14-month history, despite being only modest. There was some evidence provided by panellists linking the rise in production with the introduction of new machinery.

Latest survey data pointed to an increase in headcounts at Myanmar manufacturers, returning to growth having declined at the end of 2016. Moreover, the rate of job creation accelerated to the sharpest for nine months. Firms commented that greater workloads led to the rise in staffing levels during the month.

### Nikkei Myanmar Manufacturing PMI



Sources: Nikkei, IHS Markit

With the health of the sector strengthening, business confidence amongst manufacturers rose to a four-month high. According to anecdotal evidence, skilled labour, manufacturing developments and business expansions would be reflected in output growth over the coming 12 months.

Meanwhile, backlogs of work in Myanmar's manufacturing sector deteriorated further in January. The rate of deterioration picked up since December and was substantial. Furthermore, firms have registered a decline in outstanding business in each of the past eight months.

Stock levels held in Myanmar's goods-producing sector fell during the opening month of 2017. The decline was broad-based, with both pre- and post-production inventories contracting.

Exchange rate instability and a scarcity of certain raw materials resulted in higher average cost burdens in Myanmar's manufacturing sector during January. Although the rate of inflation slowed from the record high posted in December, it remained substantial overall.

Subsequently, firms raised their selling prices further. In fact, the rate at which output charges increased was the second-quickest recorded during the survey so far.

Finally, manufacturers recorded a further lengthening of delivery times during January, extending the current trend to 14 months.

**Comment:**

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

*“Myanmar’s manufacturers started 2017 in the best possible way, with the health of the sector improving at the fastest pace for one year. Higher new orders contributed to the rises in both output and staffing levels, with all three respective indices returning to growth territory having contracted at the end of last year.*

*“However, survey data unearthed a few concerning areas within the sector. Firstly, outstanding business levels continued to deteriorate at a substantial pace, offering signs that jobs growth could slow or reverse in coming months. Meanwhile, cost pressures remained marked and could soon reflect in a sharper rate of output charge inflation, which could consequently impact new order growth.”*

-Ends-

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**For further information, please contact:**

**IHS Markit (About PMI and its comment)**

Samuel Agass, Economist  
Telephone 44-1491-461-006  
Email [samuel.agass@ihsmarkit.com](mailto:samuel.agass@ihsmarkit.com)

Jerrine Chia, Marketing and Communications  
Telephone +65 6922-4239  
E-mail [jerrine.chia@ihsmarkit.com](mailto:jerrine.chia@ihsmarkit.com)

Bernard Aw, Economist  
Telephone +65 6922 4226  
Email [bernard.aw@ihsmarkit.com](mailto: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](mailto:koho@nex.nikkei.co.jp)

**Notes to Editors:**

The Nikkei Myanmar Manufacturing *PMI*<sup>™</sup> 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*<sup>™</sup> 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](mailto:economics@markit.com).

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