

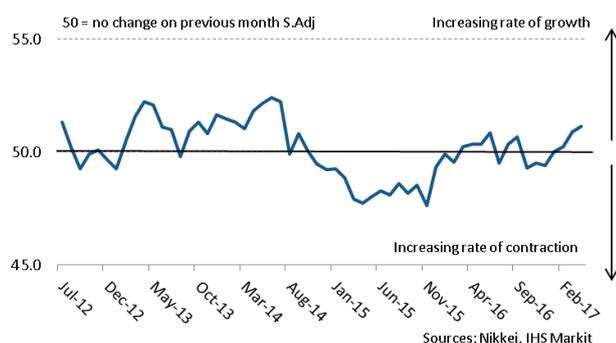
Nikkei ASEAN Manufacturing PMI™

ASEAN manufacturing sector gains further momentum into Q2

Key points:

- Faster rises in both output and new orders boost PMI to 33-month record
- Export sales return to growth
- Inflationary pressures remain marked

Nikkei ASEAN Manufacturing PMI



The ASEAN manufacturing economy gathered further momentum at the start of the second quarter, supported by expansions in output and new business.

The **Nikkei ASEAN Manufacturing Purchasing Managers' Index (PMI™)** rose from 50.9 in March to 51.1 in April, to signal a further improvement in the health of the sector. Though only slight, the rate of improvement was the quickest recorded in 33 months.

The vast majority of surveyed nations reported an improvement in business conditions during April. Latest PMI data showed that six of the seven countries covered by the survey saw growth across their manufacturing sectors, which was identical to March.

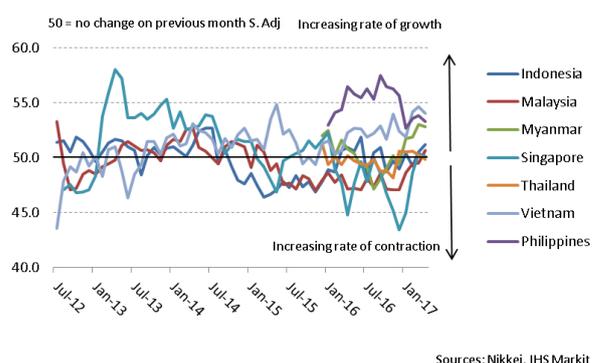
Vietnam, the Philippines and Myanmar remained the top three performers, although in three cases business conditions improved at a slower rate compared to March.

After a marginal improvement in March, Indonesian factories registered a quicker rate of expansion, albeit modest. Singapore's manufacturing sector was meanwhile broadly stagnant.

Countries ranked by Manufacturing PMI™: April

	PMI	Change signalled
Vietnam	54.1	Solid increase (slower than March)
Philippines	53.3	Solid increase (slower than March)
Myanmar	52.9	Solid increase (slower than March)
Indonesia	51.2	Modest increase (faster than March)
Malaysia	50.7	Marginal increase (change in direction)
Singapore	50.1	Marginal increase (slower than March)
Thailand	49.8	Marginal decrease (change in direction)

National Manufacturing PMI



Malaysia indicated a return to growth after two years of deteriorating conditions, reporting higher manufacturing output and new orders. Thailand replaced Malaysia at the bottom of the rankings, signalling a slight deterioration in the health of its manufacturing sector.

While data suggest that the domestic market remained a key growth driver for ASEAN manufacturers, an upturn in foreign demand was registered for the first time since September 2016 during April. New export sales showed a return to growth after six months of decline, and rose at the quickest pace in over two-and-a-half-years.

Subsequently, growth in total new business improved to its strongest in 33 months.

Faster growth in new orders lifted production volumes in April. Furthermore, output across the region increased at the quickest rate since July 2014.

Despite greater demand, manufacturing backlogs in ASEAN declined for the thirty-fourth month running, providing further evidence of ongoing spare capacity in the sector. This weighed on hiring across the region, and overall employment was broadly unchanged in April.

Higher activity had led ASEAN manufacturers to step up input buying for the third successive month, which continued to strain supply chains. Delivery times deteriorated further in April, albeit only slightly. That said, increased purchasing activity did not lead to a build-up in inventories. On the contrary, there were further falls in both pre- and post-production inventory levels due to greater usage of manufacturing inputs and finished goods to meet demand.

Meanwhile, cost inflation eased further in April but remained one of the highest in recent years. Malaysia saw the fastest rate of increase for the third straight month, underpinned by adverse currency movements. Singapore reported a significant rise in input costs, where the pace of increase reached the quickest in almost three-and-a-half years. In comparison, a marginal rise was observed in Thailand.

Where possible, ASEAN factories sought to pass on their increased costs to clients through a rise in average output charges. However, the rate at which factory gate prices were raised stayed markedly below the pace of cost inflation. Nevertheless, all covered nations reported higher selling prices in April.

PMI data suggested that business confidence towards the year ahead continued to ebb despite stronger expansions in new orders and production during April. The Future Output Index edged down for the third month in a row, reaching its lowest level in four-and-a-half years.

Comment:

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

“The ASEAN manufacturing sector started the second quarter on a stronger footing, building on the growth momentum seen in the first quarter. Growth was modest but nevertheless the strongest in nearly three years.

“The upturn remained largely broad-based, and underpinned by stronger increases in new orders and production. Notably, a revival of export order growth also contributed to the improvement in the sector. Factories also stepped up purchasing activity.

“However, it seems a little hasty to conclude that the upturn is sustainable. Employment levels were little-changed, partly due to spare capacity across the region. A further rise in backlogs had restrained firms’ hiring.

“On the price front, input cost inflation continued to increase at a quicker rate than firms’ selling prices, suggesting an ongoing squeeze on margins. This could weigh on future plans for hiring and investment, if the trend holds. Lastly, future expectations for manufacturing output continued to ebb, with substantial variations in the degree of business confidence observed across the region.”

-Ends-

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Notes to Editors:

The ASEAN Manufacturing PMI[®] (*Purchasing Managers' Index*[®]) is produced by 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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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 Markit. Please contact economics@ihsmarkit.com.

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