

Nikkei ASEAN Manufacturing PMI™

ASEAN manufacturing sector stagnates during June

Key points:

- Production little-changed as total new order growth slows
- Export sales expand at fastest rate for four years
- Inflationary pressures ease further

Countries ranked by Manufacturing PMI™: June

	PMI	Change signalled
Philippines	53.9	Solid increase (slower than May)
Vietnam	52.5	Modest increase (faster than May)
Thailand	50.4	Marginal increase (change in direction)
Singapore	50.3	Marginal increase (change in direction)
Indonesia	49.5	Marginal decrease (change in direction)
Myanmar	49.4	Marginal decrease (change in direction)
Malaysia	46.9	Solid decrease (faster than May)

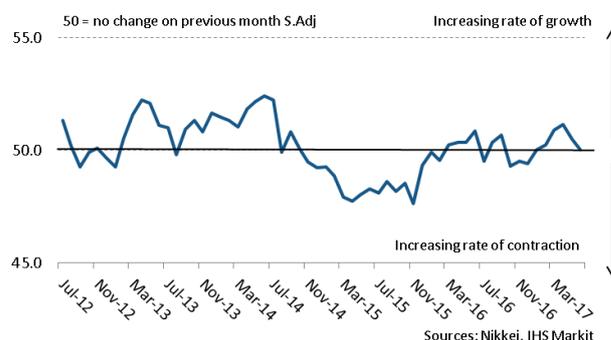
Manufacturing operating conditions across ASEAN were unchanged at the end of the second quarter, according to the latest PMI surveys.

The **Nikkei ASEAN Manufacturing Purchasing Managers' Index (PMI™)** slipped from 50.5 in May to 50.0 in June, which marked the first time that the PMI has not posted above the no-change 50.0 level since January.

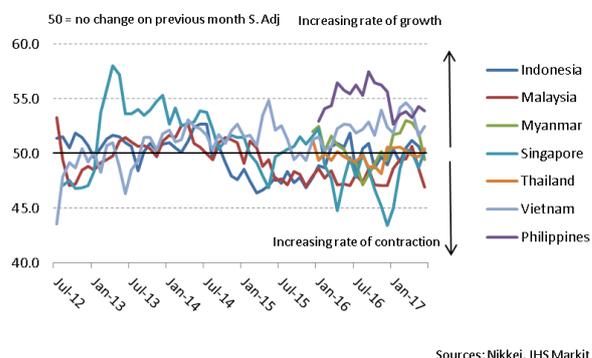
Increases in both total new orders and employment provided key supports to the headline index, although in each case the rate of expansion was marginal. By contrast, output growth was broadly stagnant after five months of expansion.

June data pointed to mixed manufacturing sector performances across the monitored ASEAN nations, as many struggled to sustain growth momentum. Four of the seven countries covered by the survey

Nikkei ASEAN Manufacturing PMI



National Manufacturing PMI



indicated a change in direction in terms of manufacturing performance, up from two in May.

A slim majority again reported an improvement in business conditions, with four nations seeing growth across their manufacturing sectors.

Growth remained strongest in the Philippines for the second successive month, although the rate of expansion slowed since May. Vietnam moved up to second place as growth in its manufacturing sector picked up from the previous month.

Both Thailand and Singapore indicated a return to improving business conditions after showing deteriorations in May. By contrast, Indonesia and Myanmar fell back into decline after recording expansions in the previous month, though the rates of deterioration were marginal in both cases. Malaysian factories registered a steeper rate of deterioration compared to May.

Overall, client demand across the region appeared to wane further, as growth in total new business eased to its weakest for five months. This was despite demand from foreign clients strengthening in June, as shown by new export sales rising at the quickest pace for just over four years.

The slowdown in total new business inflows prompted firms to leave production little-changed in June. It was the first time so far this year that output has not expanded across the region.

Softer overall demand led ASEAN manufacturers to be cautious about purchasing activity. Input buying levels in June were unchanged compared to May, which in turn weighed on inventory levels. Stocks for both manufacturing inputs and finished goods shrank further, albeit marginally. Consistent with the weaker appetite for inputs, suppliers became less busy, leading to shorter delivery times. Moreover, vendor performance improved for the first time since last October.

Amid softer growth in new orders, backlogs fell again thereby extending the current period of decline to three years. This highlighted spare capacity across the region, which continued to weigh on hiring. Notably, employment growth remained marginal despite picking up slightly in June.

On the price front, there were signs of a further easing of inflationary pressures in June. Cost inflation moderated to a six-month low but remained strong. Myanmar again recorded the quickest rate of cost inflation, followed by Indonesia. Malaysia dropped to third place in the rankings, as cost pressures moderated further. Singaporean manufacturers reported higher input costs after a decline in May.

Consistent with slower rises in input costs, charges for ASEAN goods rose at a modest rate that was similar to that seen in May. Furthermore, the rate at which selling prices were raised continued to run below that of costs, suggesting an ongoing squeeze on profit margins. Overall, five of seven covered nations reported higher selling prices in June.

Meanwhile, business confidence improved from the previous month, although still remained at one of the lowest levels in the series history.

Comment:

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

“The ASEAN manufacturing sector stagnated in June amid waning demand, which is disappointing news after a promising start to the second quarter.

“After five months of expansion, output across the region was broadly unchanged while growth in total new orders eased further.

“The greatest worry is that there were signs of a struggle to maintain manufacturing growth among many of the ASEAN nations covered under the survey. Rising international trade has not noticeably helped regional countries boost their manufacturing activity, despite export sales rising at the fastest rate for four years in June.

“If domestic demand continues to soften, employment prospects will be affected, especially when there is evidence of spare capacity in the sector. That said, the uneven pace of manufacturing development across the region suggests that some ASEAN nations may be more affected than others.

“While the Future Output Index (a proxy for business confidence) improved slightly in June, it remained significantly below the historical average, reflecting an air of caution among ASEAN manufacturers.”

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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.

The *Purchasing Managers' Index* (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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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