

Nikkei Myanmar Manufacturing PMI™

PMI signals first improvement in manufacturing performance since May

Key points:

- Operating conditions improve in October
- Output and new orders grow at strong rates
- Business confidence falls to new series low

Data collected October 12-23

October survey data signalled the first improvement in operating conditions in Myanmar’s manufacturing sector since May. Overall growth was supported by strong upturns in output and new orders, with production levels also rising for the first time in five months. Despite increased demand, backlogs and employment continued to contract. Meanwhile, input price inflation remained steep and output charges rose at the quickest rate since January. Concurrently, the degree of optimism across the manufacturing sector decreased and reached a new series low.

At 51.1 in October, the headline Nikkei Myanmar Manufacturing *Purchasing Managers Index™* (PMI™) – a composite single figure indicator of manufacturing performance – was up from September’s reading of 49.4. The latest figure indicated a modest improvement in operating conditions, following four months of deterioration.

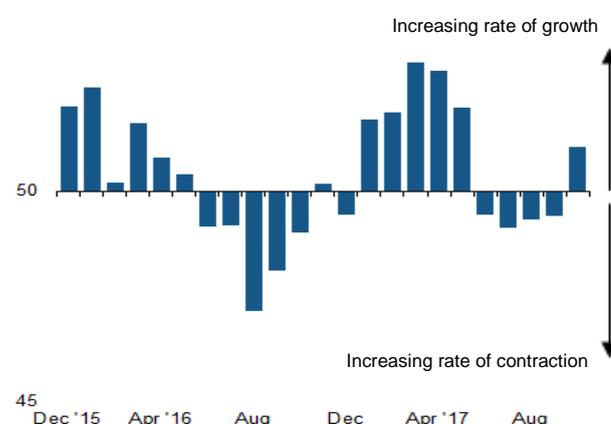
Production levels at manufacturing firms in Myanmar increased for the first time since May in October. Following a marginal decline in September, output grew at a solid rate. Anecdotal evidence linked the upturn to greater client demand and a less competitive environment.

Similarly, new orders received by Myanmar’s goods producers rose at a strong pace. Moreover, the rate of growth accelerated from September. A number of panel members attributed the rise to larger orders from new clients and expansion into new markets.

The level of outstanding business held by goods producers decreased for the seventeenth consecutive month in October. Monitored firms

Nikkei Myanmar Manufacturing PMI

50 = no change on previous month; S.Adj



Sources: Nikkei, IHS Markit

recorded the fastest contraction in backlogs since last November. This lack of pressure on operating capacity caused a further decline in employment levels. That said, payroll numbers fell at a marginal rate.

On the price front, cost burdens continued to rise in October. Although the pace of input price inflation eased slightly, it was marked overall. Panellists largely attributed the increase to higher raw material prices, sometimes caused by transportation delays, and exchange rate fluctuations. Average charges for goods also rose, with the rate of output price inflation accelerating to the fastest since January.

In line with reported transportation delays, suppliers’ delivery times lengthened further in October. Moreover, vendor performance in Myanmar’s manufacturing sector deteriorated to the greatest extent since last December. The ongoing scarcity of resources extended the current sequence of declines in stocks of inputs. Notably, pre-production inventories fell at the strongest pace in 12 months. Similarly, buying activity decreased for the fifth successive month. That said, the rate of decline was the weakest since June.

Business confidence among Myanmar's manufacturers remained subdued in October. Furthermore, output expectations decreased for the third successive month and reached a new series low.

Comment:

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

“October survey data signalled the first improvement in manufacturing operating conditions since May. The return to growth was supported by strong upturns in output and new orders.

“That said, the level of outstanding business continued to deteriorate and contracted at the fastest pace since last November. Reflecting the lack of pressure on capacity, workforce numbers fell for the second month running.

“Unconvinced by the sustainability of growth of production and new business, goods producers in Myanmar reported a third month of subdued optimism, with output expectations reaching a new series low.”

-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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