

Nikkei Myanmar Manufacturing PMI™

Growth of Myanmar manufacturing sector continues at solid pace

Key points:

- PMI little-changed from March's series-record high
- Robust expansions of output and new work
- Substantial spare capacity remains

Data collected April 11-27

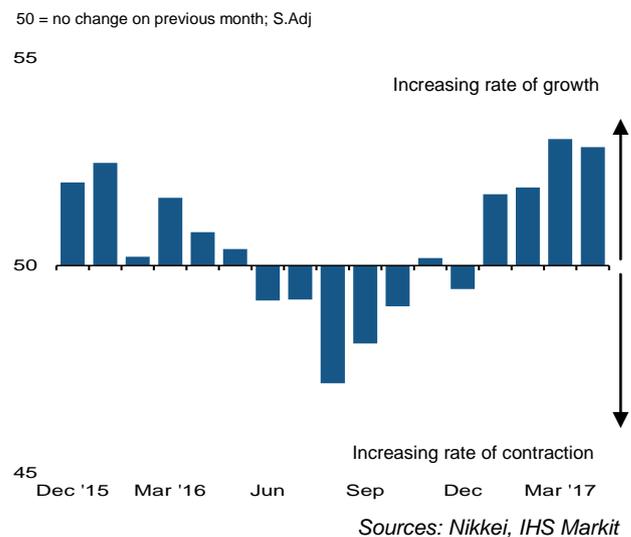
Myanmar manufacturers saw their positive start to the year extend into the second quarter during April. Business conditions improved for the fourth straight month, driven by near-record growth of output and new business. Both employment and purchasing activity also increased. Despite the ongoing upturn, companies' optimism remained relatively subdued. Meanwhile, data signalled ample spare capacity as backlogs of work fell sharply.

At 52.9, the headline Nikkei Myanmar Manufacturing Purchasing Managers Index™ (PMI™) – a composite single-figure indicator of manufacturing performance – remained close to March's series-record high of 53.1 in April. Moreover, the latest reading continued the sector's strong start to 2017 – operating conditions have improved in all four months of 2017 so far.

Marked expansions of output and new work were the leading factors behind overall growth. Both rose at the second-fastest rates since the survey started in December 2015, just behind those seen in March. Panellists commented on a general improvement in client demand in the latest period.

Anecdotal evidence highlighted a substantial rise in productivity in Myanmar's manufacturing sector during April. This was borne out by survey data, which pointed to another sharp decline in backlogs of work. A number of firms took on extra staff in an effort to support workloads. That said, the rate of job creation remained only modest overall.

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Reflective of the rise in new business, purchasing activity expanded for the fourth consecutive month. The rate of growth eased to a three-month low, however. Meanwhile, stocks of both purchases and finished goods declined in April. The former dropped at the slowest rate in 11 months, while the latter fell to the least extent in over a year.

On the price front, cost pressures faced by Myanmar manufacturers eased further in April. The rate of input price inflation slowed for the fourth month running, but remained sharp overall. Exchange rate volatility and a lack of raw materials at suppliers' units were mentioned as factors behind the rise.

Prices charged for finished goods rose for the ninth straight month. That said, the rate of inflation was modest, particularly in comparison to that seen for input costs.

Average lead times lengthened further in April. Slower deliveries have been a feature of the survey's short history – vendor performance has deteriorated in 16 out of 17 months of data collection so far – but the latest lengthening was only marginal overall.

Looking ahead, Myanmar manufacturers were cautiously optimistic in April. The Future Output

Index picked up to a three-month high, but remained well below the average since the series started in December 2015. Where output was expected to rise, panellists mainly commented on promising order pipelines both domestically and abroad.

Comment:

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

“Myanmar’s manufacturing sector was in good health at the start of the second quarter. Despite falling short of March’s record high, the PMI pointed to another solid upturn amid strong growth of output and new orders. The sharp fall in backlogs of work was among the most encouraging takeaways from the latest survey, despite strong growth in new business. This suggests goods producers are well placed to accommodate more new work in the coming months. That said, firms’ optimism towards the year ahead remained muted in the latest period.”

-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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