

Nikkei Malaysia Manufacturing PMI™

Manufacturing production returns to growth

Key points:

- Output expands for the first time since March 2015
- Outstanding business accumulates at sharpest rate in 56-month series history
- Exchange rate depreciation sees input costs and output prices increase at record pace

Data collected 09 - 22 February

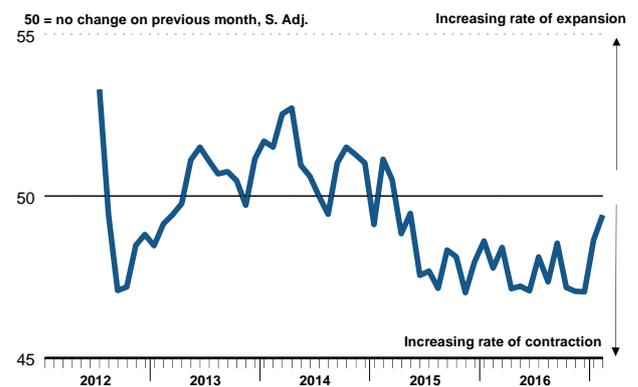
The health of Malaysia's manufacturing sector deteriorated at a weaker pace in February. Manufacturers raised production for the first time in 23 months, as levels of outstanding business accumulated at the quickest pace in the series history. However, goods producers had to contend with another decline in new business levels, contributing to job shedding for the first time in six months. Meanwhile, unfavourable exchange rate movements were reflected in input costs and output charges increasing at survey record rates.

The headline Nikkei Malaysia Manufacturing Purchasing Managers' Index™ (PMI)™ – a composite single-figure indicator of manufacturing performance – rose from January's 48.6 to record 49.4 in February. Moreover, the latest figure was the highest recorded since May 2015 and pointed to a weaker downturn in Malaysia's goods producing sector.

New business received by Malaysia's manufacturing firms contracted further during February, lengthening the current sequence of decline to two years. There was some evidence provided by panel members linking the fall in new work to sluggish market conditions. Meanwhile, volumes of new export orders remained unchanged since January.

Despite new orders contracting, goods producers raised their output levels for the first time since March 2015. That said, the rate of expansion was only moderate. The rise was reflected in the sharpest accumulation of finished goods stock for 15 months.

Nikkei Malaysia Manufacturing PMI



Sources: Nikkei, IHS Markit

Job shedding was evident in Malaysia's manufacturing sector for the first time since August 2016, albeit at a relatively moderate pace. Subsequently, firms registered a second successive accumulation in their outstanding business. In fact, the rate at which backlogs of work increased was the quickest recorded in the series history so far.

Exchange rate pressures contributed to a further increase in average cost burdens faced by Malaysian manufacturers in February. Moreover, the rate of inflation surged to a record-high and was substantial overall.

The marked increase in input costs led goods producers to raise selling prices to the greatest extent in the survey's four-and-a-half-year history during February. Anecdotal evidence suggested higher raw material prices were a further factor contributing to the rise in output charges.

Meanwhile, manufacturers scaled back their input buying for a twenty-first month in a row in February, albeit at the weakest rate of since August 2016. However, pre-production inventories grew for the first time in six months.

Latest survey data pointed to an improvement in vendor performance. Faster average supplier lead times were partly linked to the lower level of purchasing activity undertaken by manufacturers.

Malaysia's manufacturers remained confident towards their 12-month outlook on output growth in February. In fact, the level of positive sentiment rose to a 31-month high, despite being only moderate overall.

Comment:

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

"The first increase in Malaysian manufacturing output for 23 months could not prevent a further deterioration in the health of the sector, as declines in both new orders and hiring weighed on the overall performance of goods producers."

"However, the downturn is easing and with backlogs of work accumulating at the quickest pace in the survey's history, firms look set to sustain the uptick in output over the coming few months."

"One concerning aspect extracted from February's survey data is the record increases in both output prices and input costs, brought about by a further depreciation of the exchange rate. Firms will hope this doesn't hinder any possibility of new order growth in the near future."

-Ends-

Nikkei Malaysia Manufacturing PMI™ is sponsored by

Nikkei is a media organization with newspaper publishing at its core. Our flagship daily newspaper, The Nikkei, has approximately three million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

The Nikkei marks its 140th anniversary this year. Since our founding in 1876 as the Chugai Bukka Shimpo (Domestic and Foreign Prices News), we have consistently provided high-quality reporting while maintaining fairness and impartiality. The Nikkei brand has become synonymous with trustworthiness at home and abroad.

Nikkei Inc. offers a range of media platforms to satisfy the diverse needs of our readers. At the core of these services is The Nikkei which has a circulation of approximately three million. Adding further depth to our offerings are our premium content and strong digital technology. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 400,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Five years after its creation, the online edition is set to evolve from a medium for providing news to readers into a tool that helps people advance their careers.

In 2013, we kicked off the Nikkei Asian Review, an English-language news service provided both online and as a weekly print magazine. The following year, we established an Editorial Headquarters for Asia in Bangkok to deepen our coverage of Asian economic news. In addition, we doubled the number of reporters stationed in Asia outside Japan. 2014 also saw the launch of Nikkei Group Asia Pte., a new company in Singapore tasked with spreading the Nikkei brand in the region. Our goal is to make Nikkei the leading media voice in Asia.

<http://www.nikkei.co.jp/nikkeiinfo/en/>

ASIAN REVIEW <http://asia.nikkei.com/>

INTRODUCING THE ONLY BUSINESS PUBLICATION THAT BRINGS YOU INSIGHTS ABOUT ASIA, FROM THE INSIDE OUT

With more reporters and contributors across the region than any other business publication, only Nikkei Asian Review can give you a view of business in Asia from the inside.

Stay abreast of the latest news, analysis and insights with a subscription to Nikkei Asian Review – available in print, online, and on your mobile and tablet device.



Asia300:

Providing extensive coverage of over 300 leading companies in 11 countries and regions in Asia. Nikkei Asian Review aims to build the largest hub for Asian corporate news through enhanced reporting backed by large database of business and financial information on companies in the region.



JAPAN UPDATE:

Keeping you up-to-date with business and news from Japan.



VIEWPOINTS:

Bringing views of leading minds on Asia from around the world, including our column "Tea Leaves" written by some of our best writers.



POLITICS & ECONOMY:

Looking at fiscal and monetary policy, international affairs and more

MARKETS:

Deep analysis of the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.



Video:

Watch analysts explain our articles, catch interviews with top executives.



Print Edition:

Weekly delivery of the best content from Nikkei Asian Review to your home or office

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

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

Bernard Aw, Economist
Telephone +65 6922 4226
E-mail: 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

Notes to Editors:

The Nikkei Malaysia Manufacturing PMI™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 450 industrial companies. The panel is stratified by Standard Industrial Classification (SIC) group, based on the industry contribution to GDP. 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 Malaysia 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.

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 subsequently revised data are available to subscribers from Markit. Please contact economics@ihsmarkit.com.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved.

About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 30 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/product/pmi.

The intellectual property rights to the Nikkei Malaysia Manufacturing PMI™ provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. Nikkei uses the above marks under license. IHS Markit is a registered trademark of IHS Markit Ltd.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).