

Nikkei Myanmar Manufacturing PMI™

Solid growth in manufacturing indicated by May PMI data

Key points:

- PMI signals continued improvement in business conditions, albeit weakest in three months
- Output expansion remains strong
- Input prices increase at weakest rate since last October

Data collected May 12-22

Myanmar's manufacturing sector registered a continuation of improving conditions in May, with the latest PMI data indicating a solid upturn. Improvements to operating conditions were supported by expansions in output and new orders, both of which increased at robust rates. On the price front, input costs continued to rise but at the weakest pace since last October. Output charge inflation also eased in May. Meanwhile, employment growth continued despite backlogs falling.

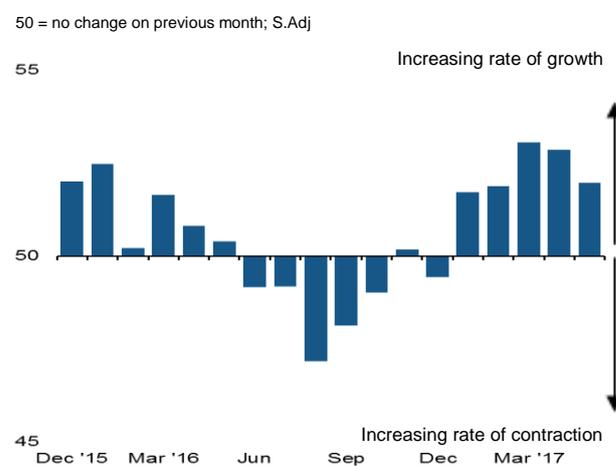
At 52.0 in May, the headline **Nikkei Myanmar Manufacturing Purchasing Managers Index™ (PMI™)** – a composite single-figure indicator of manufacturing performance – was lower than April's reading of 52.9. The latest PMI data signalled relatively solid growth, albeit the slowest in three months. This extended the current period of expansion to five months.

Output grew for the fifth consecutive month in May, and at a strong pace. Anecdotal evidence linked higher production to greater demand from new and existing clients. That said, the pace of expansion eased to the weakest since January.

New orders expanded for the fifth month running in May. Panellists commonly attributed growth in new business to new clients from domestic markets, including previous clients returning to make additional purchases.

Input prices rose for the eighteenth consecutive month in May, extending the trend spanning the

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Sources: Nikkei, IHS Markit

series history. Manufacturers linked input cost inflation to higher raw material prices, exchange rate movements and an increase in wages. That said, the pace at which cost burdens increased was the weakest since last October.

Prices charged experienced an uplift for the tenth month running in May. Panellists commonly attributed the rise in output prices to greater cost burdens which were passed on to clients. That said, the pace of factory gate price inflation eased to a three-month low.

Suppliers' delivery times deteriorated for the third straight month in May. Panellists stated that some vendors were struggling with scarcity of raw materials, which lengthened lead times and raised the price of inputs. That said, the extent to which times lengthened was only marginal.

Employment grew for the fifth month running in May. Anecdotal evidence linked job creation to increased production and new orders. The pace of expansion in workforces was little-changed from both March and April.

In contrast, backlogs contracted for the twelfth consecutive month in May. The pace of decline in outstanding work was historically sharp.

Many firms chose to utilise their stocks of finished goods to meet client demand. The decline in post-production inventories was extended to 14 months.

Output expectations were positive overall in May. Anecdotal evidence linked confidence to improvements in product quality. That said, the degree of optimism eased from April to the weakest in the series history.

Comment:

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

“The manufacturing sector of Myanmar signalled continued solid growth in May. Supported by strong expansions in output and new orders, operating conditions in the sector improved further. Input and output prices rose, but at a more muted pace than seen in previous months. Job creation was sustained with companies expanding workforces in order to accommodate production requirements. Despite greater workloads, backlogs declined further, pointing towards greater efficiencies. However, expectations for output over the next 12 months became more subdued in May.

“IHS Markit forecasts overall GDP to increase by 7.1% in 2017.”

-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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