

Nikkei ASEAN Manufacturing PMI™

ASEAN manufacturing conditions deteriorate for first time this year

Key points:

- Falls in both output and total new orders weigh on the headline PMI
- Renewed drop in export sales after expansions through Q2
- Inflationary pressures ease further

Countries ranked by Manufacturing PMI™: July

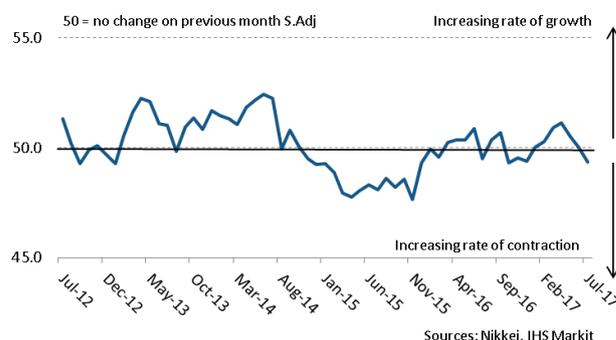
	PMI	Change signalled
Philippines	52.8	Solid increase (slower than June)
Vietnam	51.7	Modest increase (slower than June)
Thailand	49.6	Marginal decrease (change in direction)
Myanmar	49.1	Marginal decrease (faster than June)
Indonesia	48.6	Modest decrease (faster than June)
Malaysia	48.3	Modest decrease (slower than June)
Singapore	47.9	Modest decrease (change in direction)

Manufacturing operating conditions across ASEAN worsened at the start of the third quarter, according to the latest PMI survey data.

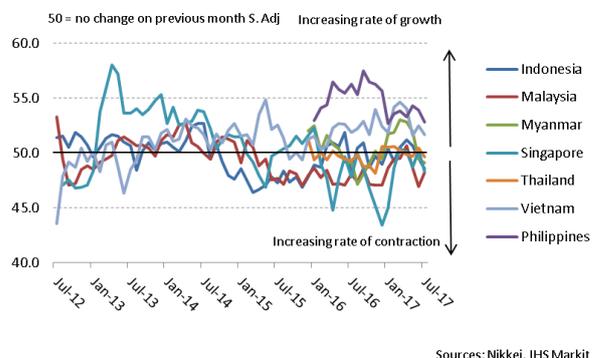
The headline **Nikkei ASEAN Manufacturing Purchasing Managers' Index (PMI™)** slipped to 49.3 in July from 50.0 in June, marking the first deterioration in the health of the sector so far this year.

Weighing on the ASEAN manufacturing economy were declines in both total new orders and output, which in turn weighed on staff hiring. July data saw more countries across the region reporting a decline in operating conditions: overall, five nations indicated a deterioration in business conditions, up from three in June.

Nikkei ASEAN Manufacturing PMI



National Manufacturing PMI



The Philippines and Vietnam remained the top two performers in July and were the only two countries to see manufacturing sector conditions improve. Even then, both countries saw the rate of improvement moderate since June.

Meanwhile, Thailand and Singapore returned to a decline after showing improvements in June. Indonesia recorded a second consecutive month of worsening business conditions, with the rate of deterioration the quickest seen for a year. Myanmar also reported a further weakening of manufacturing sector conditions, although the rate of decline remained marginal. Malaysia continued to signal worsening business conditions but the rate of decrease was noticeably slower compared to June's record low.

Survey data indicated that demand for ASEAN manufactured goods weakened at the start of the third quarter. Total new business inflows fell for the first time this year in July. Weaker demand was not only limited to the domestic market, but foreign orders as well, which was shown by new export sales decreasing after expanding through the second quarter.

Lower volumes of total new business led factories to cut back on production in July. The fall in output was the first so far this year, with the rate of contraction the steepest since November 2015.

Softer overall demand prompted ASEAN manufacturers to reduce buying activity for the first time since January. Lower purchasing activity in turn weighed on inventory levels. Notably, stocks of inputs shrank at the quickest rate in 2017 to date. Post-production inventories also decreased but at a marginal rate.

However, supply chain delays were seen in the latest survey period, despite the weaker appetite for inputs, as highlighted by a renewed deterioration in vendor performance.

Lower new orders led to a further decrease in backlogs, underlining spare capacity across the region, which in turn weighed on hiring. Lower employment was reported for the first time in four months in July.

On the prices front, there were signs of a further pullback in inflationary pressures at the start of the third quarter. Input cost inflation moderated to a nine-month low but remained solid overall. Myanmar still reported the fastest rate of cost inflation, while the Philippines moved up to second place, with Indonesia close behind. Meanwhile, Malaysia continued to see an easing in cost pressures. Overall, all the monitored countries reported higher input costs in July.

Consistent with slower rises in input costs, factory gate prices for ASEAN goods rose at a modest rate that was the slowest so far this year.

Meanwhile, business confidence slipped from the previous month, and 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 economy started the third quarter on a weaker note, with the PMI signalling a renewed deterioration in overall operating conditions.

“Latest data signalled a renewed fall in client demand – which was not limited to just the domestic market but also included foreign demand. ASEAN factories reported a fall in total new business inflows for the first time this year, with a corresponding drop in new export sales.

“Weaker demand had an impact on production volumes and backlogs, which in turn harmed employment prospects. Moreover, business optimism remained below the historical average, reflecting uncertainties over manufacturing growth across the region.”

-Ends-

Nikkei ASEAN Manufacturing PMI™ is sponsored by **NIKKEI**

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/>

NIKKEI 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 if 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)

Bernard Aw, Economist
Telephone +65-6922-4226
Email bernard.aw@ihsmarkit.com

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

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 ASEAN 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 trade marks of Markit Economics Limited or licensed to Markit Economics Limited. 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](#).