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# Nikkei Malaysia Manufacturing PMI™

## Marginal growth of Malaysian manufacturing sector signalled in April

### Key points:

- Production up again, supported by marginal rise in new orders
- Foreign demand underpins growth as export orders rise at solid pace
- Unfavourably exchange rate continues to underpin inflation

Data collected 11 - 24 April

Supported by rises in output and new orders, a marginal improvement in manufacturing operating conditions was recorded for the first time in just over two years during April. Growth was underpinned by a solid gain in new export orders, as foreign demand for Malaysian produced goods strengthened and helped to offset ongoing weakness from domestic-based clients.

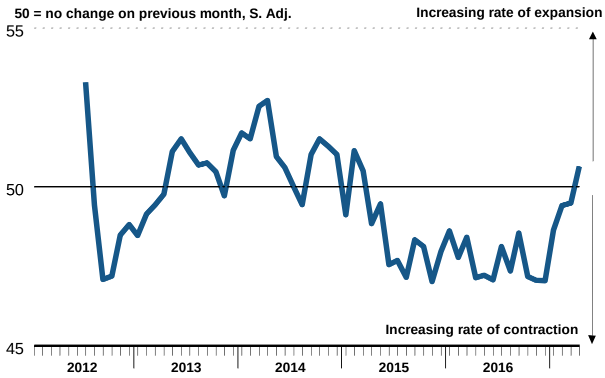
Meanwhile, adverse exchange rate factors meant that input prices continued to rise markedly over the month, and helped to drive another sharp increase in output charges.

The headline Nikkei Malaysia Manufacturing *Purchasing Managers' Index™ (PMI)™* – a composite single-figure indicator of manufacturing performance – improved to 50.7 in April. Although indicative of only marginal growth, the index compared favourably to March's 49.5 and indicated the first net improvement in the health of the sector since March 2015.

Output volumes rose for a third successive month during April. Growth was again modest, improving only slightly since March. Panellists attributed increased production to a combination of new project start-ups as well as higher demand and new orders. Although only marginal, April's survey snapped a twenty-five month run of falling new business, amid reports of strengthened demand from abroad.

Indeed, the April survey showed that new export orders rose at a solid pace that was the best since July 2014. China, Europe, Japan and the Middle East were all notable sources of new sales success.

**Nikkei Malaysia Manufacturing PMI**




*Sources: Nikkei, IHS Markit*

With output rising at a slightly faster rate than new business over the month, manufacturers were able to make inroads into their backlogs of work outstanding. April's survey marked the first time that backlogs have fallen in 2017 so far, with the decline the greatest recorded for a year.

Subsequently there was little need for companies to recruit additional staff, and April's survey showed little change in employment numbers compared to the previous month. A number of firms commented on difficulties and delays in the recruitment of foreign workers.

There was also evidence in the latest survey of deteriorating supplier delivery times, with April's figures showing the greatest lengthening for nearly three-and-a-half years. A number of firms commented on difficulties with imported goods clearing Malaysian customs.

Meanwhile, there were again reports that adverse currency movements had raised the price of raw materials. Average input prices subsequently rose sharply during April, with the rate of inflation remaining historically high. Where possible, Malaysian manufacturers sought to pass on their increased costs to clients through a rise in average output charges.

Finally, a number of companies reported being buoyed by April's strengthening of new orders and production. This helped to underpin ongoing confidence that growth will be sustained over the coming 12 months.

**Comment:**

Commenting on the Malaysian Manufacturing PMI survey data, **Paul Smith,** Senior Economist at IHS Markit, which compiles the survey, said**:**

*"April's survey marked a somewhat positive turnaround for the Malaysian manufacturing economy, with output and new orders rising concurrently for the first time in over two years. Growth is being underpinned by strengthened sales from abroad, which has helped to offset ongoing domestic demand weakness.*

*"With export growth also possibly supported by relative currency weakness, the corollary was a further sharp rise in input costs, with firms seeking to pass these on wherever possible to clients."*

-Ends-

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## For further information, please contact:

**IHS Markit (About PMI and its comment)**
Paul Smith, Senior Economist
Telephone +44 1491 461 038
Email: paul,smith@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.

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