

## Nikkei ASEAN Manufacturing PMI™

### ASEAN manufacturing sector stagnates during December

#### Key points:

- Output increases at fractional pace
- Employment declines slightly
- Marked rise in average input prices

#### Countries ranked by Manufacturing PMI™: December

	PMI	Change signalled
Philippines	<b>54.2</b>	Solid increase (slower than November)
Vietnam	<b>52.5</b>	Modest increase (faster than November)
Myanmar	<b>51.1</b>	Marginal increase (slower than November)
Thailand	<b>50.4</b>	Marginal increase (No change in November)
Malaysia	<b>49.9</b>	Marginal decrease (change in direction)
Indonesia	<b>49.3</b>	Marginal decrease (change in direction)
Singapore	<b>44.7</b>	Sharp decrease (faster than November)

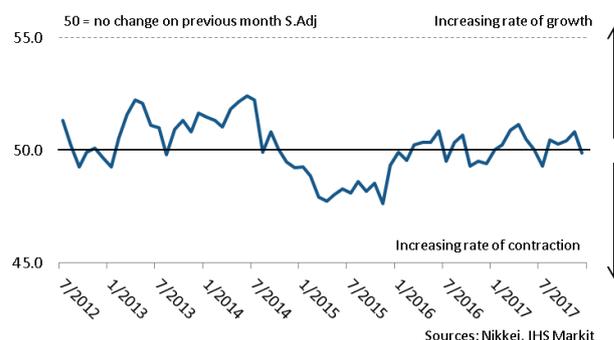
Manufacturing operating conditions across ASEAN were broadly unchanged at the end of the year, according to the headline **Nikkei ASEAN Manufacturing Purchasing Managers' Index (PMI™)**, which slipped from 50.8 in November to 49.9 in December.

Although only slightly below the threshold, this marked the first time that the PMI has posted below the no-change 50.0 level since July.

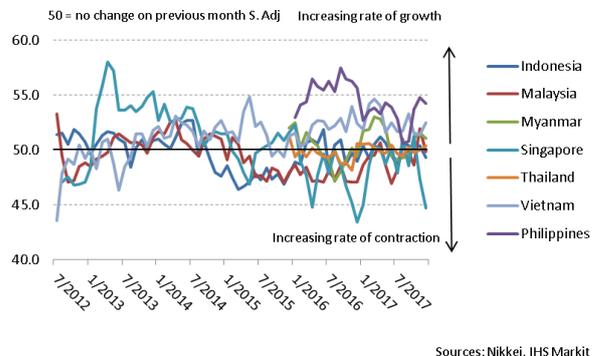
A softer increase in output and largely stagnant new order volumes were key factors weighing on the headline index.

December data pointed to mixed manufacturing sector performances across the monitored ASEAN nations. Four of the seven countries covered by the survey indicated an improvement in business conditions, down from five in November.

#### Nikkei ASEAN Manufacturing PMI



#### National Manufacturing PMI



Growth remained strongest in the Philippines for the third successive month, although the rate of improvement slowed slightly since November. Vietnam moved up to second place as growth in its manufacturing sector picked up to a three-month high,

Myanmar and Thailand were the other two countries seeing an improvement in manufacturing operating conditions, with the latter indicating the first upturn for three months. Both Malaysia and Indonesia fell back into decline after recording expansions in the previous month, though the rates of deterioration were marginal in both cases. Singaporean manufacturers registered a steeper rate of deterioration compared to November.

Overall, client demand across the region softened as a renewed fall in foreign demand contributed to broadly unchanged volumes of total new business.

Largely stagnant new order inflows coincided with a softer increase in production across the region. Notably, output expanded at the slowest pace for five months.

Subdued client demand led ASEAN manufacturers to be cautious around their purchasing activity. Input buying fell for the first time since August in December, which in turn weighed on inventory levels. Stocks of both manufacturing inputs and finished goods returned to contraction territory, albeit marginally. Vendor performance deteriorated further, but the rate at which delivery times lengthened was the slowest for three months amid weaker appetite for inputs.

Backlogs of work fell further in December and at the steepest pace for a year. Unfinished business has now fallen in each month for the past three-and-a-half years. This highlighted spare capacity across the region, which continued to weigh on hiring. Notably, employment slipped into decline in December, albeit marginally.

On the price front, there were few signs of an easing of inflationary pressures at the end of the year. Cost inflation remained marked and held close to November's seven-month peak. Myanmar continued to record the fastest rate of inflation, followed by Vietnam and the Philippines. Singaporean and Thai manufacturers reported modest cost increases in December.

In response to strong cost inflation, charges for ASEAN goods were raised further in December and at a similar rate to that seen in November. However, the rate at which selling prices were hiked continued to run below that of cost inflation, suggesting an ongoing squeeze on profit margins. Overall, all the covered nations reported higher selling prices in December.

Meanwhile, business confidence improved at the end of 2017, with the Future Output Index reaching a nine-month high.

**Comment:**

Commenting on the ASEAN Manufacturing PMI survey data, **Bernard Aw, Principal Economist** at IHS Markit, which compiles the survey, said:

*“The ASEAN manufacturing economy finished the year on a subdued note as business conditions were broadly stagnant in December.*

*“The Nikkei survey data showed that output growth slowed and new orders failed to expand for the first time in five months. There was little support from external markets either, as export sales fell at the end of the year.*

*“Other survey indicators suggest that the ASEAN manufacturing sector is likely to have a disappointing start to 2018. Firms scaled down buying activity, and continued to cut back on their inventory levels. Additionally, a persistent fall in backlogs of work highlighted spare capacity across the region, which continued to weigh on hiring. It was therefore not surprising to see a renewed decline in employment in December.*

*“Weak manufacturing conditions were accompanied by strong cost pressures, which continued to squeeze profit margins as firms’ pricing powers remained limited amid weak demand.*

*“A bright spot however was a further improvement in business confidence about the 12-month outlook. The Future Output Index rose to the highest level since March.”*

-Ends-

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**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](mailto:economics@ihsmarkit.com).

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