

Nikkei Myanmar Manufacturing PMI™

March PMI rises to survey-record high

Key points:

- PMI increases to signal strong improvement in manufacturing conditions
- Output and new order growth fastest in short series history...
- ...but business confidence remains subdued

Data collected March 11-21

March survey data indicated a strong improvement in operating conditions across Myanmar’s manufacturing sector. The overall upturn was supported by steep increases in output and new orders, with both rates of growth reaching series peaks. Although backlogs continued to contract, job creation accelerated and was the fastest since May 2017. Meanwhile, despite a greater improvement in business conditions, output expectations for the year-ahead remained muted in the context of the short series history.

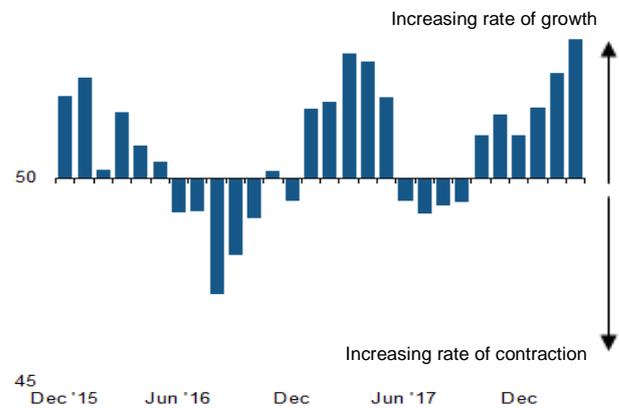
At 53.7, the headline *Nikkei Myanmar Manufacturing Purchasing Managers Index™ (PMI™)* – a composite single figure indicator of manufacturing performance – was up from 52.6 posted in February. Moreover, the latest PMI reading was the highest since the survey began in December 2015. In addition, the average for the first quarter of 2018 signalled the quickest expansion over a three-month period in the survey history.

Output levels across Myanmar’s manufacturing sector expanded at the fastest pace in the short series history in March. Moreover, the growth rate accelerated for the third successive month to a steep pace. Anecdotal evidence linked the rise to greater demand from current clients and the acquisition of new customers.

In line with stronger client demand, new orders received by goods producers increased for the seventh consecutive month in March. Moreover, the pace of expansion quickened to a sharp rate and reached a series peak. Panellists stated that increased new orders stemmed from greater

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50 = no change on previous month; S.Adj



Sources: Nikkei, IHS Markit

demand from clients, particularly those in the construction sector.

Meanwhile, employment growth accelerated slightly to its quickest since May 2017. Faster job creation was commonly attributed to greater production requirements. That said, the level of outstanding business at manufacturers continued to contract. Although backlogs fell at the weakest pace since July 2016, the decline was marked overall.

On the price front, the pace of input cost inflation quickened slightly from that seen in February, and was marked overall. Anecdotal evidence suggested that larger cost burdens were driven by higher raw material prices. In contrast, the rate of output charge inflation softened to a six-month low. Where an increase was reported, panellists linked this to greater cost burdens.

In addition, increased strain on capacity at suppliers led to the greatest extension in supplier delivery times since December 2016. At the same time, manufacturers reported the first rise in buying activity since May 2017. Moreover, the increase was strong and the fastest in a year.

Finally, business confidence was muted in the context of the short series history in March, despite

goods producers signalling the highest degree of optimism in three months. Where positive sentiment was reported, respondents attributed this to improvements in product quality and, in some cases, a greater online advertising presence.

Comment:

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

“March survey data signalled a stronger improvement in operating conditions across Myanmar’s manufacturing sector. Notably, growth in output and new orders accelerated to reach survey-record peaks. Currently, IHS Markit forecasts year-on-year GDP growth of 7.6% in 2018.

“Although backlogs contracted strongly, manufacturing employment continued to rise with the rate of job creation accelerating to the fastest in ten months. Meanwhile, purchasing activity increased for the first time since May 2017. Buying growth was largely driven by greater client demand.

“In contrast, business confidence towards the year-ahead output outlook remained muted in the context of the short series history.”

-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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