

Nikkei Myanmar Manufacturing PMI™

PMI hits series-high as output and new orders grow at sharper rates

Key points:

- Headline figure rises to highest level since the survey began in December 2015
- Output and new orders expand at record rates
- Business confidence weakest in survey's history

Data collected March 13-23

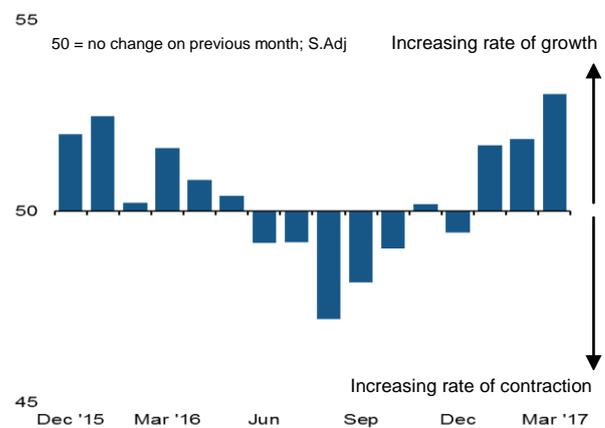
The health of Myanmar's manufacturing sector improved again at the end of the first quarter. In fact, the sector grew at the strongest pace in the series history, as output, new orders and employment all increased at faster rates. However, business confidence fell to the weakest reported in the survey so far and was only moderate. On the price front, firms raised their selling prices only marginally, despite a further substantial increase in input costs.

The headline **Nikkei Myanmar Manufacturing Purchasing Managers Index™ (PMI™)** – a composite single-figure indicator of manufacturing performance – rose from 51.9 in February to a series-high of 53.1 in March. The latest reading signals a solid improvement in the health of Myanmar's manufacturing sector and lengthens the current sequence of growth to three successive months.

Driving the stronger upturn in the sector was a marked increase in new business wins at Myanmar's manufacturing companies. Moreover, the rate of new order growth was the quickest since the series began in 2015, with firms linking this to stronger demand from clients in the Yangon, Magway and Patheingyi regions.

In line with the increase in new work, manufacturers raised their production at the end of the first quarter with the pace of expansion the sharpest in the survey's history. There was some evidence linking output growth to a combination of improved productivity and better weather conditions. Meanwhile, post-production inventories declined for the twelfth successive month, albeit at the weakest pace during this trend.

Nikkei Myanmar Manufacturing PMI



Sources: Nikkei, IHS Markit

March survey data pointed to an increase in employment in Myanmar's manufacturing sector, the third time in as many months that this has been the case. That said, the rate of job creation was only slight. Higher staffing levels resulted in firms reducing their outstanding business at a substantial pace.

Input buying rose for a further month, with manufacturers commenting on a need to satisfy rising new orders. In fact, the increase in purchasing volumes was solid and quickened to the sharpest since December 2015. Firms continued to report a fall in their pre-production inventories however, linking this to stronger demand.

Goods producers operating in Myanmar's manufacturing sector raised their selling prices further in March, extending the current trend of inflation to eight straight months. Although output charges rose at a sharper pace than in February, it was still only moderate overall.

Meanwhile, cost pressures intensified at Myanmar's manufacturers, with firms reflecting on a scarcity of available raw materials and unfavourable exchange rate movements. Input costs have risen in every month of data collection so far.

Average lead times lengthened in March after having shortened during the previous month. That

said, the rate at which vendor performance deteriorated was only fractional.

Optimism in Myanmar's manufacturing sector towards future output growth fell to a record-low in March, after the vast majority of panel members expected production to remain the same as current levels.

Comment:

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

“Myanmar’s manufacturing upturn strengthened at a survey-record pace during March, as firms recorded sharper increases in output, new orders and employment. In fact, new business growth accelerated for the third month running, subsequently encouraging manufacturers to raise production at the sharpest pace in the survey’s history. Firms also maintained a solid rate of input buying, suggesting manufacturers are positioning themselves to sustain this growth in the near-term.

“Surprisingly, despite the fast increase in new orders, backlogs of work again declined at a substantial pace, indicating that the sector is still experiencing a lack pressure on capacity. With this being the case, Myanmar’s manufacturing engine has some way to go before it is fully firing on all cylinders.”

-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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