

Nikkei Myanmar Manufacturing PMI™

January PMI signals strongest manufacturing growth for eight months

Key points:

- PMI indicates moderate but faster manufacturing expansion
- Output growth quickens to solid rate
- New orders increase at strongest pace since last April

Data collected January 12-23

January survey data indicated a moderate improvement in operating conditions across Myanmar's manufacturing sector. Overall growth was supported by a solid rise in production levels and the fastest increase in new orders since last April. Moreover, greater client demand was reflected in further job creation. Meanwhile, input cost inflation accelerated for the third successive month and was marked overall. Although output charge inflation softened slightly, it was the second-fastest since January 2017. Despite stronger growth in output and new orders, firms reported a lower level of business confidence.

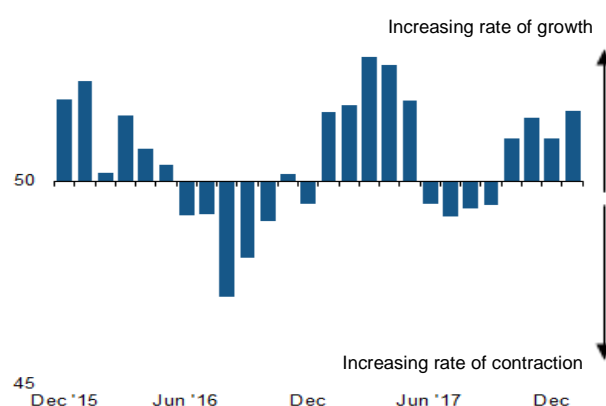
At 51.7, the headline *Nikkei Myanmar Manufacturing Purchasing Managers Index™ (PMI™)* – a composite single figure indicator of manufacturing performance – was higher than 51.1 seen in December. The latest reading was the highest since May 2017 and signalled a moderate improvement in operating conditions across the manufacturing sector.

Output levels across Myanmar's manufacturing sector increased solidly in January, with the pace of growth accelerating to the fastest since last May. Anecdotal evidence linked the rise in production levels to stronger client demand and greater access to new markets.

In line with increased demand from new and existing clients, new order levels rose further and the rate of expansion quickened to a strong pace. Moreover, the latest upturn was the fastest since last April and extended the current sequence of growth to five successive months. Panellists

Nikkei Myanmar Manufacturing PMI

50 = no change on previous month; S.Adj



Sources: Nikkei, IHS Markit

suggested that the rise in new business was linked to the acquisition of new clients.

On the price front, average cost burdens faced by goods producers rose further in January, and at a marked pace. Moreover, the pace of inflation accelerated to the fastest in twelve months amid ongoing supplier shortages and stronger global demand for raw materials. In line with anecdotal evidence citing constraints on supply chain capacity, vendor performance deteriorated for the sixth successive month.

Despite the rate of output charge inflation softening slightly, the pace of increase was solid and the second-quickest since January 2017. Where factory-gate price rises were reported, firms attributed this to higher input costs. Survey respondents also noted that purchasing activity and warehouse stocks were reduced further amid higher raw material prices and supplier delays.

Following an increase in production requirements, employment levels continued to rise in January. Although only marginal, panellists linked the latest upturn in hiring to strong new order growth. That said, backlogs continued to fall at a marked pace.

Business confidence remained subdued in January, with the degree of optimism among manufacturers slipping to a three-month low. Where positive sentiment was reported, survey respondents linked this to planned expansion into new markets and forthcoming product launches.

Comment:

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

“January survey data signalled a solid start to 2018 with overall growth picking up in the Myanmar manufacturing sector. Moreover, the latest upturn was supported by a strong expansion in new orders and a faster rise in output levels.

“On the price front, input cost inflation accelerated for the third successive month to a marked rate amid reports of higher raw material prices and supplier shortages. Longer lead times also impacted on purchasing activity and warehouse stock levels, with pre-production inventories contracting at the fastest pace since September 2016.

“Despite stronger client demand and planned expansion into new markets, firms remained subdued with regards to the year-ahead outlook. Moreover, business confidence slipped to a three-month low and remained much softer than the peaks seen in early 2016.”

-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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