

Nikkei Myanmar Manufacturing PMI™

July PMI signals modest manufacturing contraction

Key points:

- PMI indicates second month of decline
- Fractional decrease in output
- Employment declines for first time in 2017 so far

Data collected July 12-21

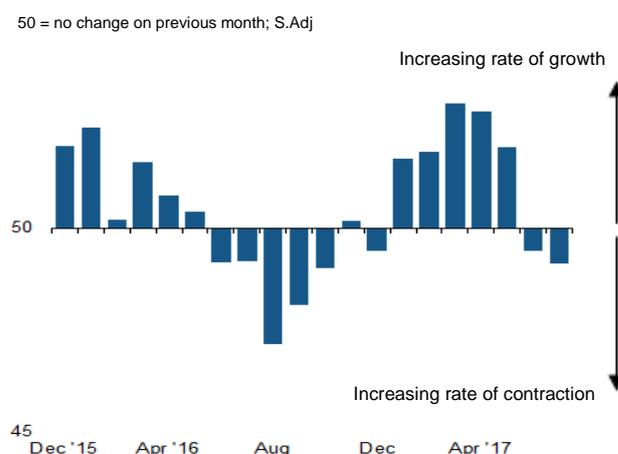
July survey data signalled a deterioration in operating conditions within the Myanmar manufacturing sector for the second consecutive month. The overall decline was led by contractions in output and new orders. On the price front, input price inflation increased at a pace in line with that seen in June, while output price inflation remained modest. Meanwhile, staffing levels fell for the first time in 2017 so far, driven by the reduction in order volumes. The degree of optimism improved in July and reached a three-month high.

At 49.1, the headline **Nikkei Myanmar Manufacturing Purchasing Managers Index™ (PMI™)** – a composite single-figure indicator of manufacturing performance – was lower than June’s reading of 49.4. July data therefore indicated that operating conditions among manufacturers in Myanmar worsened at a slightly faster pace in July.

The level of production in the Myanmar manufacturing sector decreased for the second consecutive month. Local firms largely linked the decline in output to lower demand from current clients and increased competition within the market. That said, the downturn was in line with that seen in June and was only fractional.

New orders received by firms in Myanmar’s manufacturing sector fell for the second month running. Many respondents stated that the reduction in new business was due to lower client demand. That said, the pace of contraction was fractional.

Nikkei Myanmar Manufacturing PMI



Sources: Nikkei, IHS Markit

Prices paid by Myanmar’s manufacturers for inputs increased in July. This extended the current sequence of input price inflation which spans the series history (since December 2015). Panellists commonly attributed the rise in costs to higher commodity prices from abroad, stemming from exchange rate fluctuations.

Average prices charged by manufacturing firms in Myanmar rose at a modest pace, with the pace of charge inflation accelerating slightly from that seen in June. Anecdotally, firms linked inflation to the increase in higher input costs.

Employment in Myanmar’s manufacturing sector declined for the first time in 2017 so far in July. Panellists noted that the modest reduction in workforces was due to decreased new orders and output.

July data indicated the fourteenth consecutive month of decline in work-in-hand. Backlogs fell at the fastest pace since last November. Anecdotally, manufacturers stated that the downturn in output and new orders contributed to the decrease in outstanding business.

In line with the reduction in new business and production, purchasing activity contracted for the second month running.

More positively, business confidence among manufacturers in Myanmar improved in July. Panellists noted that sentiment was driven by planned investment and future expansion into new markets. The degree of optimism within the sector reached a three-month high, but remained muted in the context of the series.

Comment:

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

“July survey data signalled a second month of deterioration in operating conditions in the Myanmar manufacturing sector. This was driven by further declines in output and new orders. Panellists largely cited that the downturn was due to lower client demand and increased competition. Meanwhile, employment in the sector contracted for the first time in 2017 so far and was linked to the decrease in production.”

“Prices paid for inputs by local firms continued to rise, mainly due to higher raw material costs. The pace of input price inflation remained steep and was in line with the rate seen in June. Average prices charged increased at a modest pace, with output price inflation accelerating slightly from June.”

“On a more positive note, business confidence among manufacturers in Myanmar improved. Although the degree of optimism was muted in the context of the series, sentiment reached a three-month high.”

-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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