

IHS Markit ASEAN Manufacturing PMI™

PMI tumbles to record low in March amid global COVID-19 pandemic

Key findings

Headline PMI plunges to 43.4, lowest since survey began in July 2012

Record declines of both output and new orders

Sentiment weakens to all-time low

ASEAN manufacturers reported their worst month on record in March, according to latest IHS Markit Purchasing Managers' Index (PMI™) data. Operating conditions deteriorated at the sharpest pace since the survey began in July 2012 amid record declines of output, new orders, inventories and employment.

The headline PMI fell from 50.2 in February to 43.4 in March, to signal a renewed deterioration in the health of the ASEAN manufacturing sector. Moreover, the figure was the lowest in the survey's near eight-year history and indicative of a marked downturn. All of the survey indicators hit a record low, with substantial rates of decline reported for output and total new orders.

At the country level, deteriorations were reported in each of the seven constituent countries. The downturn was most marked in Singapore, with the headline figure slipping a record 18.1 points from February to 27.7, the lowest in the series near eight-year history. The Philippines also registered a deterioration in March, with the headline index (39.7) posting below the 50.0 no-change mark for the first time since the survey began January 2016.

Elsewhere, Vietnam recorded a back-to-back contraction, with the headline index falling to the lowest on record at 41.9 in March, and signalling a steep decline in the health of the manufacturing sector. Similarly, Myanmar registered a deterioration in operating conditions for the second month running. The headline figure (45.3) was the lowest since the survey began in December 2015, amid record contractions in output, new orders and inventories.

Concurrently, Indonesia returned to contractionary territory following an expansion in February. March's headline figure (45.3) was an all-time low and signalled a solid deterioration in the health of the sector. Thailand too recorded a marked decline in operating conditions, amid quicker falls in both production

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ASEAN Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Lewis Cooper, Economist at IHS Markit, said:

"ASEAN manufacturers felt the full force of the coronavirus pandemic in March. The headline PMI dropped to the lowest in the survey's near eight-year history, amid record contractions of output, new orders, inventories and employment. Notably, March was the first time on record that all of the seven constituent countries posted a deterioration in the health of their respective manufacturing sectors simultaneously."

"Restrictive measures stemming from efforts to contain the COVID-19 outbreak and substantial uncertainty surrounding the outlook also eroded firms output expectations during March. Sentiment was the lowest since the series began in mid-2012, although firms still remain, on average, optimistic output will increase over the next 12 months."

"Overall, March highlighted the worst performance of the ASEAN manufacturing sector on record, as repercussions from the COVID-19 pandemic are realised, and indeed it is likely that they will be felt for several months to come, if not longer."

and new orders. The headline index (46.7) was also a record low. Finally, Malaysia's downturn continued during March, with operating conditions deteriorating at the steepest rate since September 2019. That said, the decline was only mild overall.

Overall, operating conditions across the ASEAN manufacturing sector deteriorated markedly in March, with survey record rates of decline in output and new orders primarily driving the downturn. Factory production declined at the quickest pace since the survey began in mid-2012, while Incoming new business also fell at a record rate, as the impact of shutdowns and emergency measures globally to tackle the COVID-19 pandemic led to a collapse of client demand and disrupted supply chains. New export orders were also hit hard, with the rate of decline the quickest on record.

In line with lower production requirements and weaker demand conditions, ASEAN goods producers reduced workforce numbers again in March, with the pace of job shedding accelerating to a solid rate. Furthermore, there was evidence of spare capacity in March with outstanding business falling for the ninth month running. The rate of backlog depletion was the sharpest on record.

Meanwhile, firms pared back on buying activity in March, with the decline the quickest in the series near eight-year history. Inventories also declined substantially, while delivery times lengthened sharply amid greater supply chain pressures.

Firms output expectations for the coming year weakened notably during March. Although firms were generally still optimistic that output would increase, the level of positive sentiment was the lowest in the series history.

Price pressures eased in March, with average input costs falling for the first time in the survey's history while selling prices declined at a record pace.

Methodology

The IHS Markit ASEAN Manufacturing PMI™ is compiled by IHS Markit from responses to monthly questionnaires sent to purchasing managers in panels of manufacturers in Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam, totalling around 2,100 manufacturers. These countries account for 98% of ASEAN manufacturing value added*. The panels are stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable at the national level. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted. ASEAN indices are calculated by weighting together the national indices. Country weights are calculated from annual manufacturing value added*.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

March 2020 data were collected 11-25 March 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

*Source: World Bank World Development Indicators.

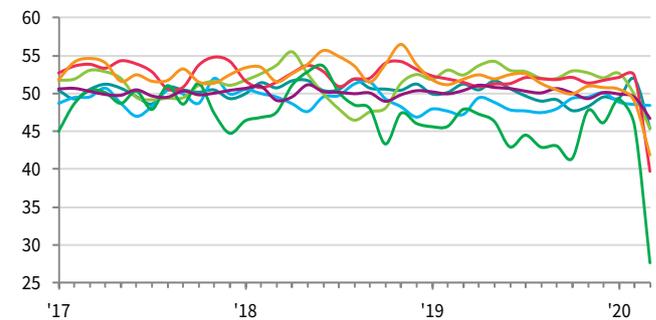
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Manufacturing PMI

Indonesia / Malaysia / Myanmar / Philippines
Singapore / Thailand / Vietnam

sa, >50 = improvement since previous month



Source: IHS Markit.

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Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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