



IHS Markit™

Asia PMI

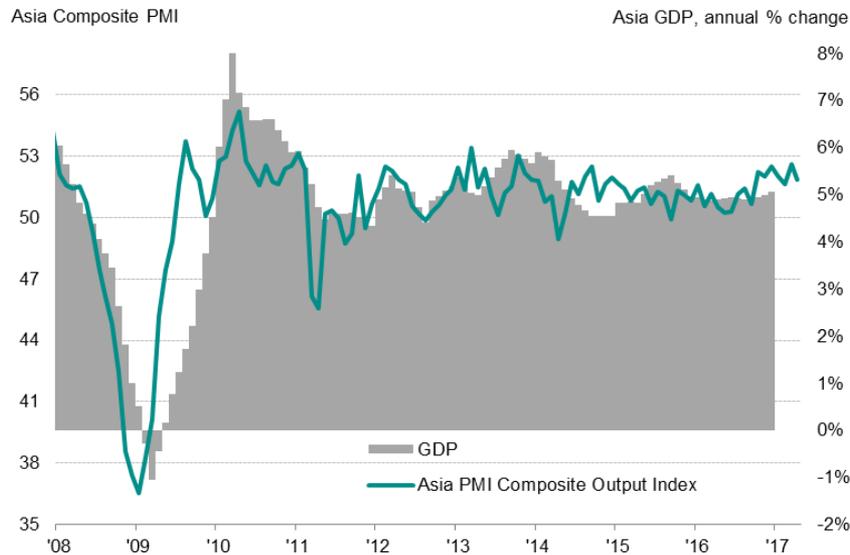
Slower growth and weaker inflation seen across Asia at start of Q2

May 2017

Asia PMI signals softer growth momentum at start of Q2

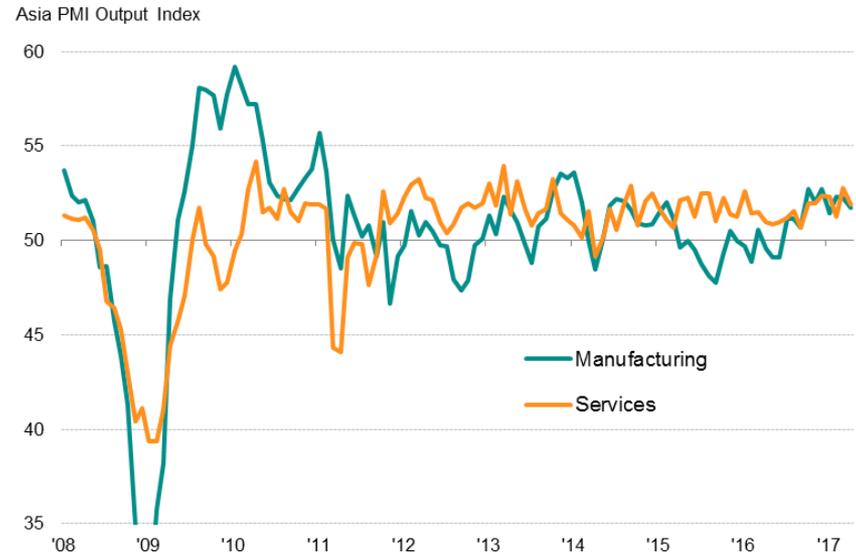
- Growth momentum across Asia weakened slightly at the start of the second quarter, according to PMI survey data. The Asia Composite PMI, compiled by Markit from its various national surveys, registered 51.8 in April, down from March’s near 3½-year high of 52.6 and lower than the average seen over the first quarter.
- The latest reading is broadly consistent with Asia GDP growing at an annual rate of around 5.2% into the second quarter, down from approximately 5.5% at the end of Q1. Rates of output expansion in both manufacturing and services were in lockstep with each other, albeit both slower than seen in March. Nevertheless, the surveys point to on-going, broad-based moderate growth.

Asia PMI & economic growth



Sources: IHS Markit, Nikkei, Caixin, Thomson Reuters Datastream.

Manufacturing & service sectors



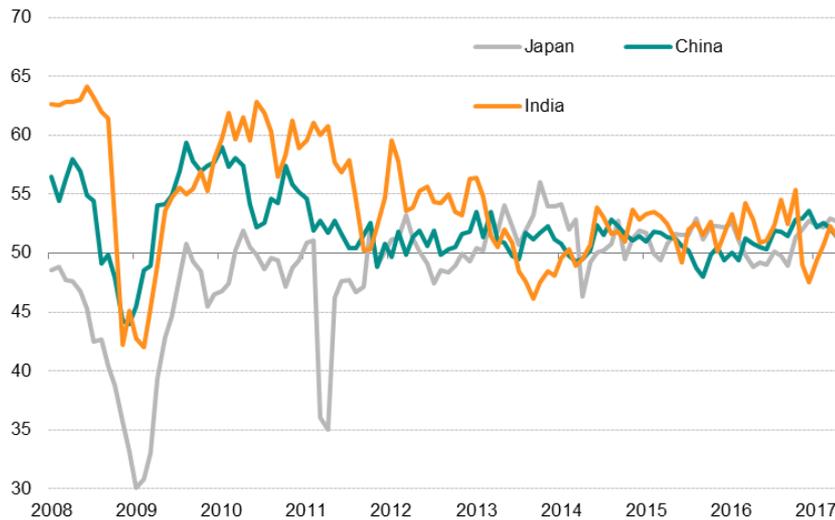
Sources: IHS Markit, Nikkei, Caixin.

Slower growth and inflation

- Of the major Asian economies, Japan led growth for the second consecutive month, while weaker PMI readings were reported in China and India. But the fact that India's PMI remained in growth territory represents a marked improvement on the downturn signalled late last year after the implementation of the demonetisation policy.
- A waning of growth in the region was accompanied by an easing of inflationary pressures, especially in terms of input costs. Average cost burdens in Asia showed the weakest rate of increase in six months during April, which helped take pressure off selling prices. Firms raised their charges at the second slowest pace since September 2016. The moderation in inflationary pressures was seen across both manufacturing and service sectors.

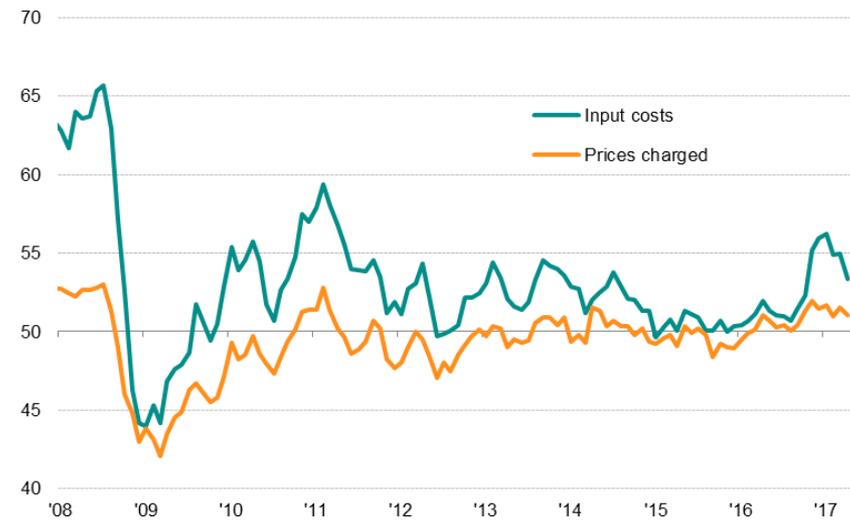
Major Asian economies

Asia Composite PMI Output Index



Inflationary pressures

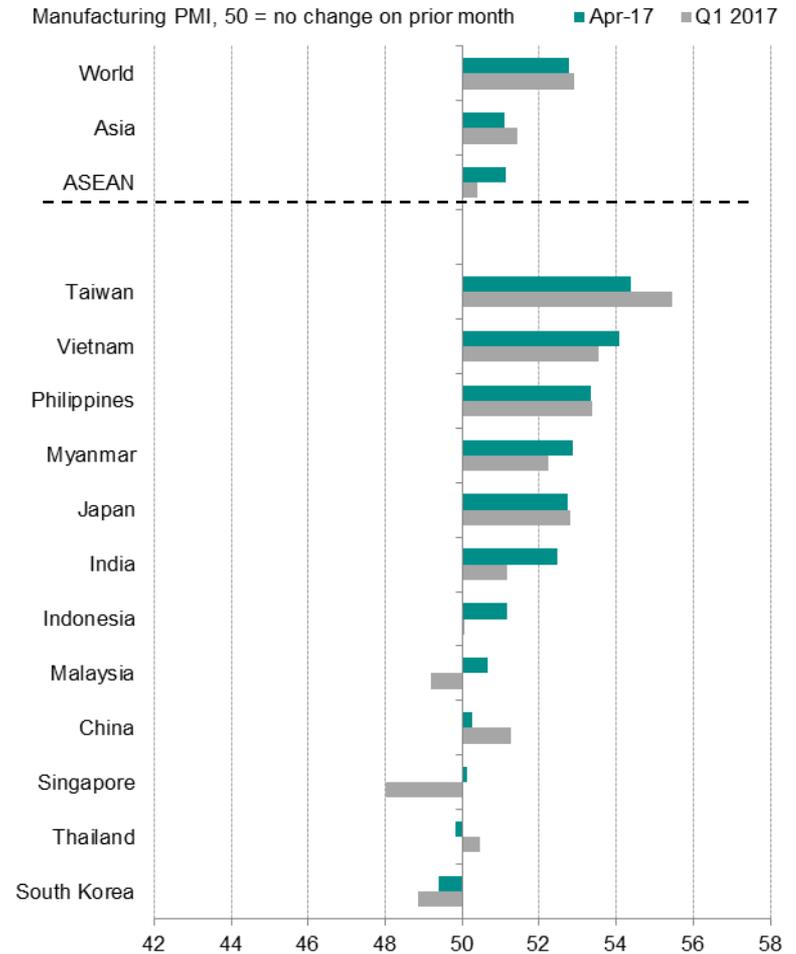
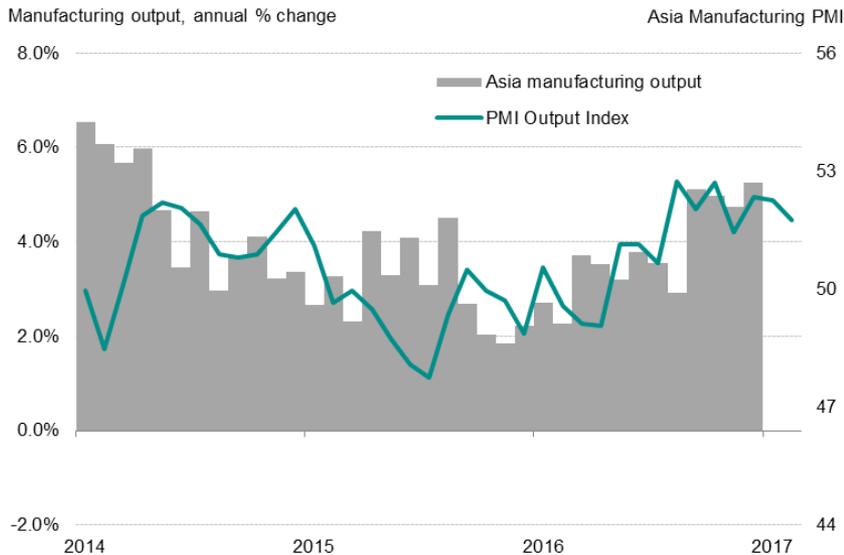
Asia PMI Prices



Sources: IHS Markit, Nikkei, Caixin

Taiwan leads Asia manufacturing rankings

- The headline Asia Manufacturing PMI slipped to a five-month low in April but the latest reading still represents a marked improvement from a year ago. Furthermore, the outlook remains positive, with rising backlogs of work and higher levels of business optimism auguring well for future manufacturing activity.
- The upturn was led by [Taiwan](#) for a fifth straight month, with [Vietnam](#) close behind. [India](#) showed a robust performance in April compared to the average reading for Q1. Only two countries signalled a deterioration in manufacturing operating conditions, with South Korea seeing the steepest rate of decline.

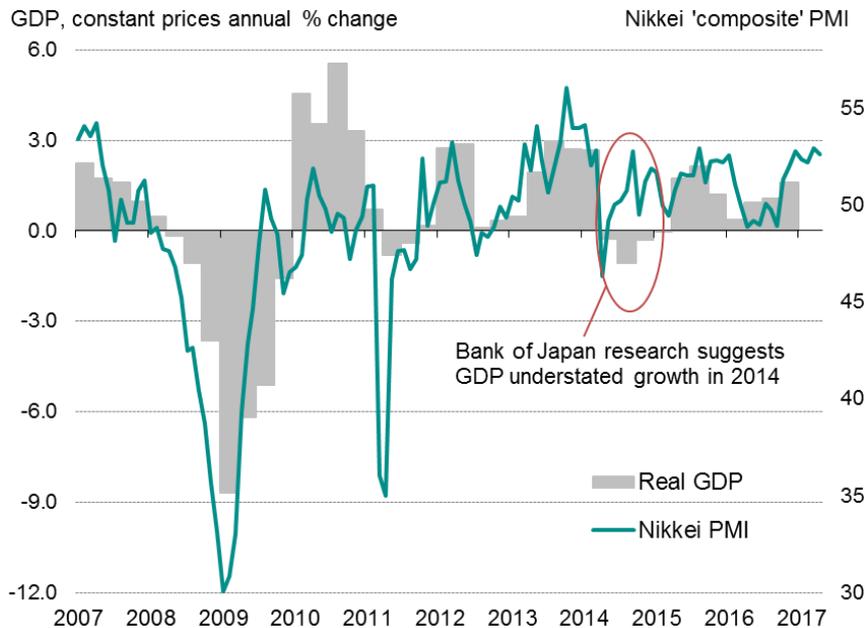


Sources: IHS Markit, Nikkei, Caixin, JPMorgan.

Japan's PMI holds close to 1½ year high

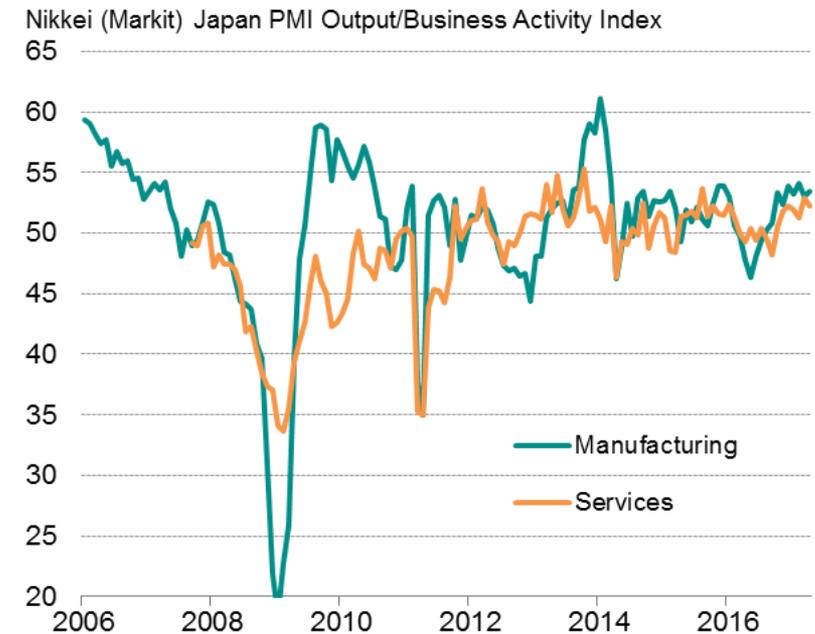
- In [Japan](#), the composite Nikkei PMI fell from March's recent peak to 52.6, but still signalled one of the fastest rates of expansion seen over the past three years. The data add to a recent flow of improving news on the health of the Japanese economy which has led us to raise our forecasts for 2017 GDP growth to 1.3%.
- The weak yen continued to help boost the manufacturing sector via improved export performance, with the goods-producing sector continuing to enjoy its best growth spell for two years. Service sector growth meanwhile eased only slightly from March's one-and-a-half year high.
- Average prices charged for goods and services rose for a fourth straight month, but the rate of increase moderated.

Japan economic growth*



Sources: IHS Markit, Nikkei, Japan Cabinet Office.

Japan manufacturing & services output



Sources: IHS Markit, Nikkei.

* PMI shown above is a GDP weighted average of the survey output indices.

China PMI slides to ten-month low at start of Q2

- The softer pace of expansion in the emerging markets was mainly the result of a fall in the Caixin composite [PMI for China](#) to a ten-month low of 51.2; a consequence of weaker rates of expansion in both manufacturing and services. Moreover, there were some indications to suggest that growth could decelerate further in coming months. Inflows of new business sank to a seven month low, and the renewed drop in employment suggested firms are cautious about the outlook, while business optimism about the year ahead moderated to the lowest level in 2017 to date.
- The renewed slide in the PMI adds to widespread expectations that the acceleration of GDP growth to 6.9% in the first quarter will prove short-lived. IHS Markit expects the Chinese economy to grow 6.6% in 2017, down from 6.7% in 2016.

China PMI* & economic growth



Sources: IHS Markit, Caixin, NBS.

China sector output



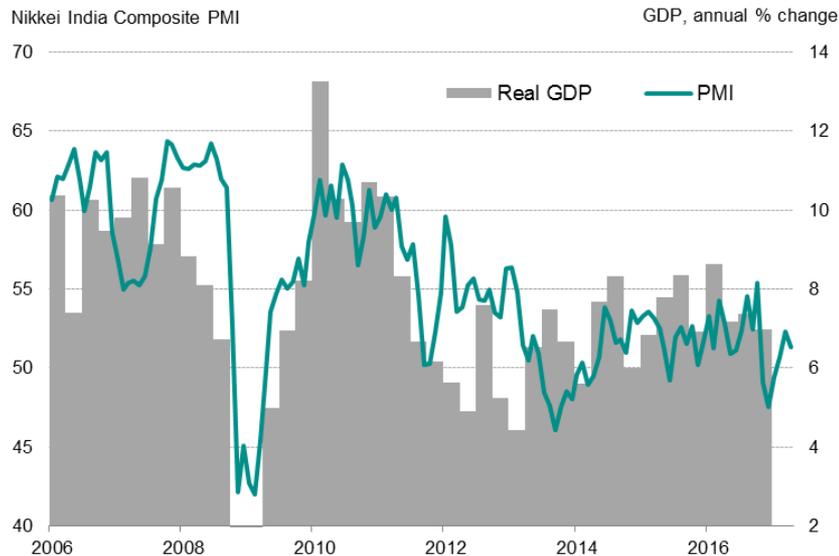
Sources: IHS Markit, Caixin.

* PMI shown above is a GDP weighted average of the survey output indices.

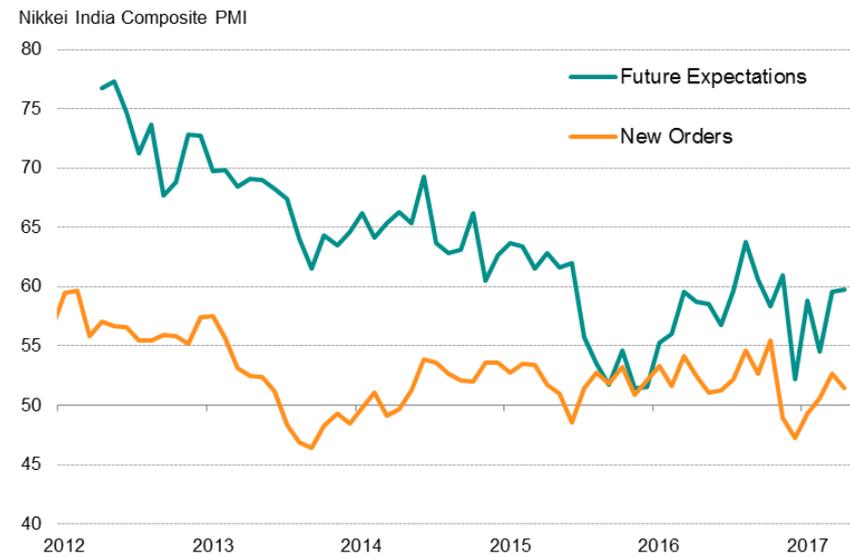
India PMI signals slower growth but remains in expansion

- Growth slowed in [India](#), with the Nikkei PMI down to 51.3, but the fact that the PMI remained in growth territory for a third month running represents a marked improvement on the downturn signalled late last year and suggests the economy continues to recover from disruptions caused by the government’s withdrawal of high denomination bank notes.
- The quick rebound in the indicators following the government’s demonetisation has prompted IHS Markit economists to upgrade their forecasts for fiscal year 2017 (ending March 2018) to 7.3% from 7.2%, which assumes consumer spending will pick up marginally as the currency crunch resulting from the demonetisation policy subsides.

India PMI* v GDP



Forward-looking indicators

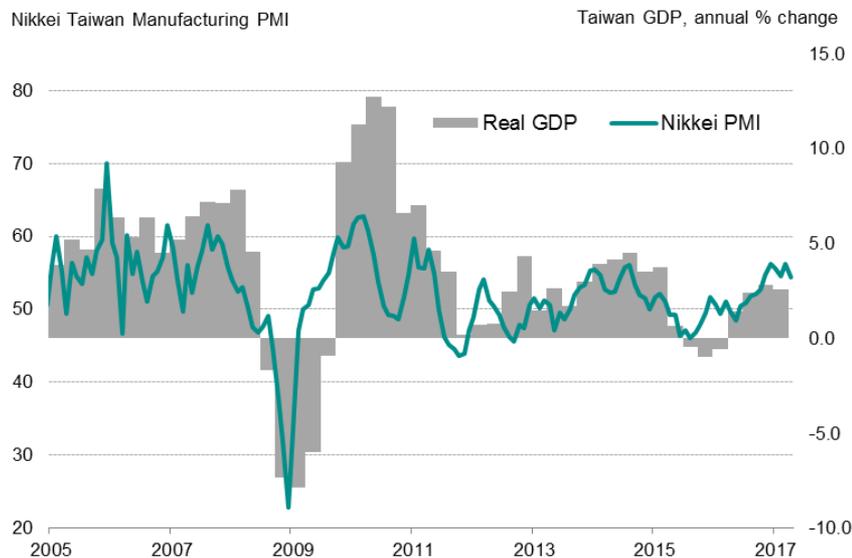


* Chart uses composite PMI covering both manufacturing and services. Sources: IHS Markit, Nikkei, MOSPI.

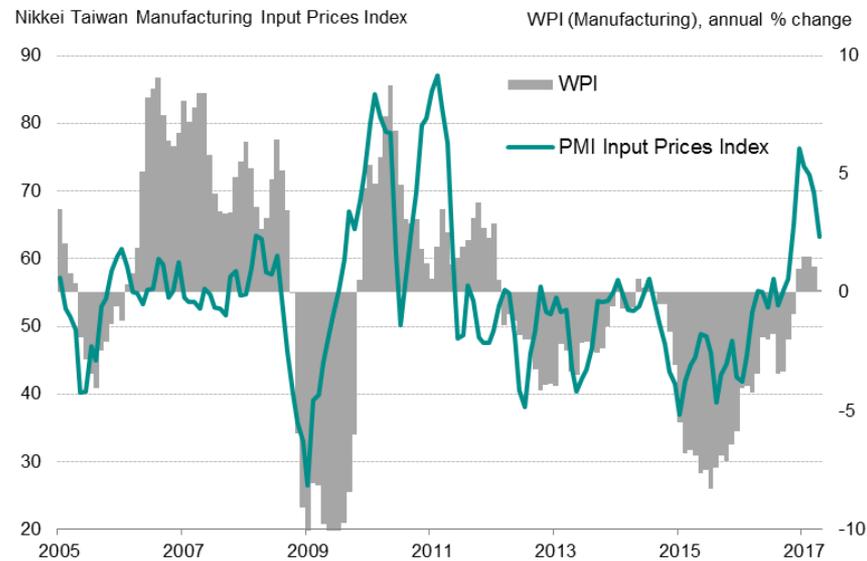
Taiwan's PMI shows slower, but still strong, growth

- The Nikkei Taiwan Manufacturing PMI fell from March's recent peak to a six-month low of 54.4 in April, but showed the sector is still enjoying one of its strongest patches of expansion since early 2011. Business optimism meanwhile remained the highest in just over two years. The strong start to the year has led us to expect a higher GDP growth rate of 1.8% in 2017, compared to 1.5% in 2016. Despite the signs of softening growth in output and new orders, Taiwan remained the quickest growing manufacturing economy in Asia amid strong demand from both domestic and overseas markets.
- However, input cost inflation continued to outpace the rise in output prices, indicating that Taiwanese factories are seeing a further squeeze on operating margins.

Taiwan PMI & economic growth



Inflationary pressures

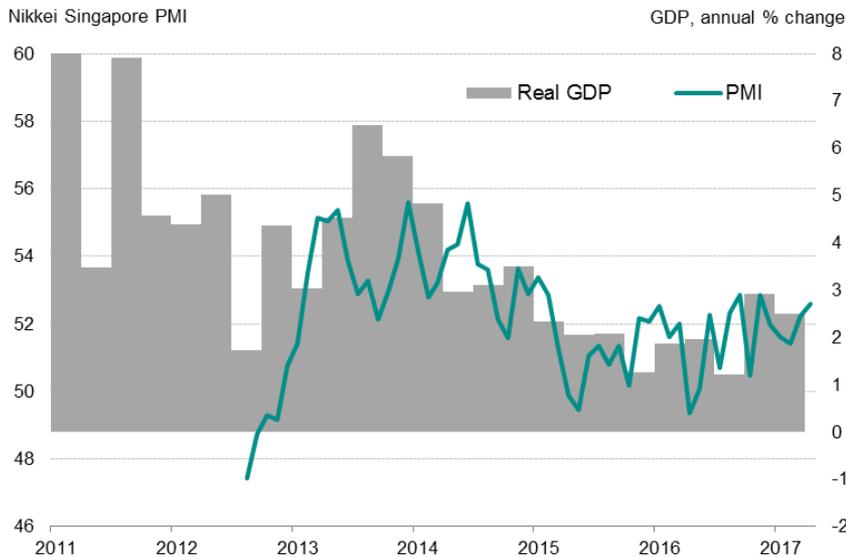


Sources: IHS Markit, Nikkei, DGBAS.

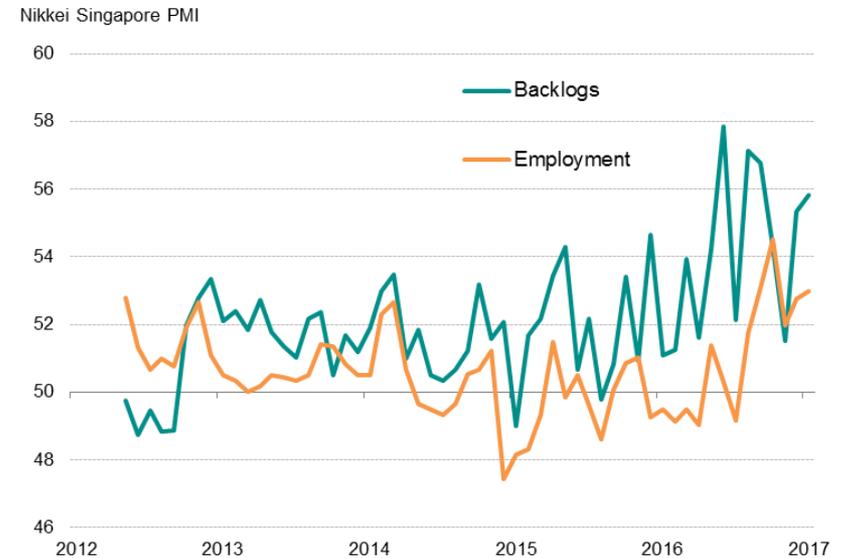
Singapore starts Q2 on stronger growth footing

- In Singapore, the [Nikkei PMI](#) rose from 52.2 in March to 52.6 in April, to signal the fastest rate of growth in five months and stronger growth momentum at the start of the second quarter. Notably, export sales increased at the quickest pace in 2017 so far, reflecting a pick up in international trade.
- With the upturn gathering speed, higher business optimism was signalled, which contrasted with the pessimism seen earlier this year.
- However, Singaporean firms faced a further squeeze on margins as cost pressures remained elevated while greater competition limited the extent to which businesses could pass on higher costs to consumers.

Singapore PMI* & economic growth



Rising capacity pressures



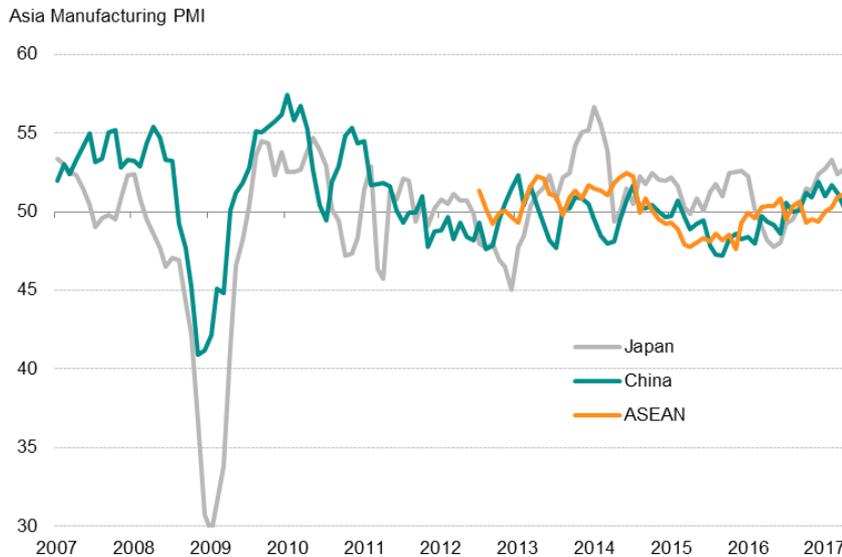
*The Nikkei Singapore PMI is a Whole Economy PMI, which includes manufacturing, services, construction and retail.

Sources: IHS Markit, Nikkei, MTI.

ASEAN manufacturing gains speed into Q2

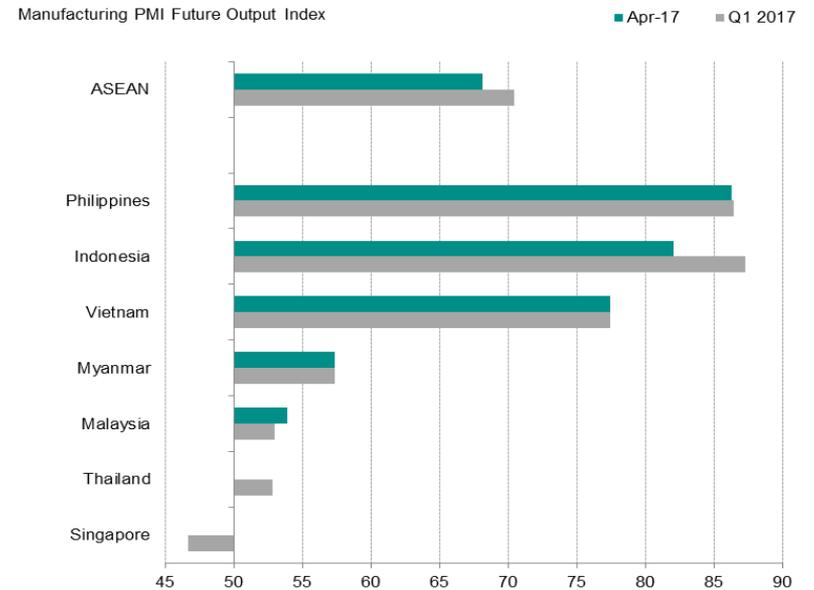
- Growth in the ASEAN manufacturing sector accelerated to its strongest in 33 months, according to the [ASEAN Manufacturing PMI](#). The upturn remained largely broad-based and underpinned by stronger increases in new orders and output. Notably, a revival of export order growth contributed to the expansion.
- Vietnam, the Philippines and Myanmar remained the top three performers, while Malaysia indicated a return to growth after two years of deteriorating conditions.
- However, there were concerns about the sustainability of the recent upturn amid elevated input cost inflation, stagnant employment and varied levels of business confidence across the region.

Asia v ASEAN manufacturing growth



Sources: IHS Markit, Nikkei, Caixin.

Future expectations



Sources: IHS Markit, Nikkei.

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