



IHS Markit™

Asia PMI

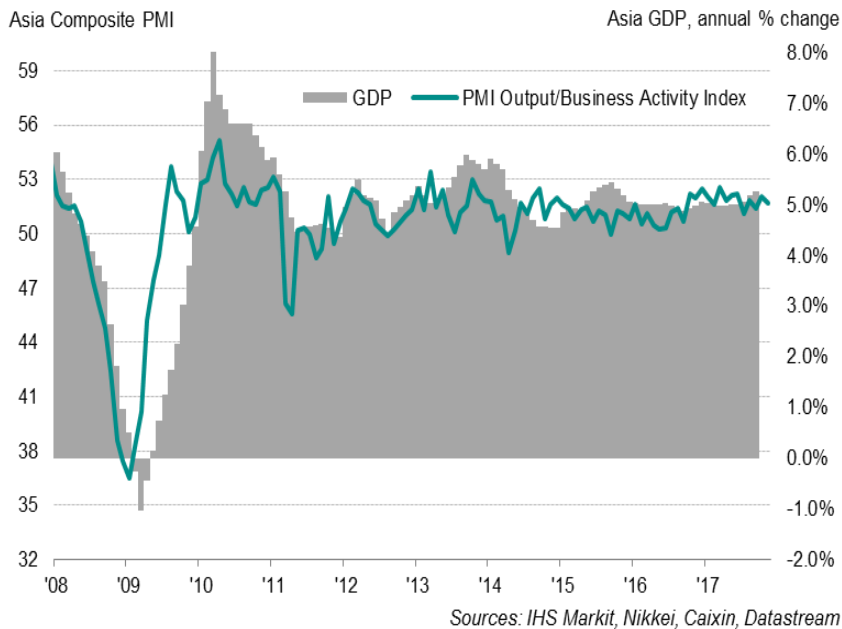
Asia economic growth holds broadly steady in November,
but still lags global expansion

December 2017

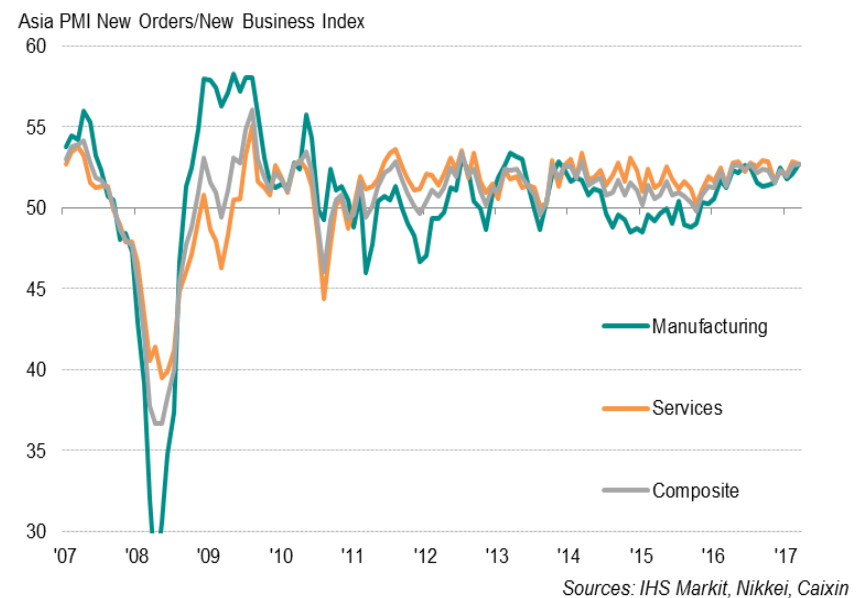
Asia PMI shows steady growth buoyed by higher demand

- The Asian economy continued a steady growth path midway through the fourth quarter, according to latest PMI surveys. The headline Asia Composite PMI™ edged slightly lower to 51.7 in November from 52.0 in October, but otherwise showed a stable economic expansion. Furthermore, signs of rising demand and fuller order books, particularly in manufacturing, suggest that the pace of growth may pick up in early 2018.
- Historical comparisons suggest that the latest survey data indicate that Asian GDP is maintaining an annual pace of growth of around 5.0%. However, the November survey found that Asian markets continued to underperform global growth, with the latter pulling higher on the back of stronger growth in developed markets – a trend that developed late last year. Job creation continued to run at only a modest, marginal pace as few firms felt pressured to raise capacity to meet future demand.

Asia PMI & economic growth



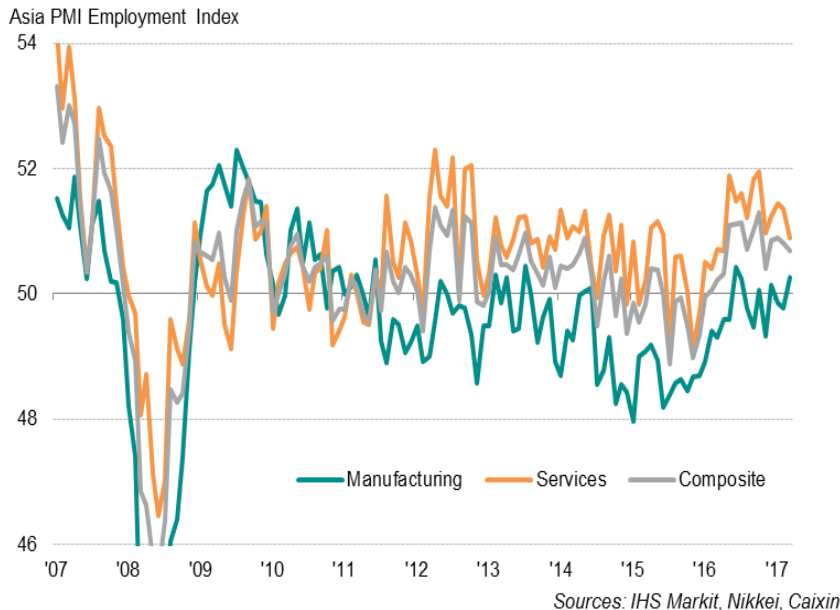
Asia new business



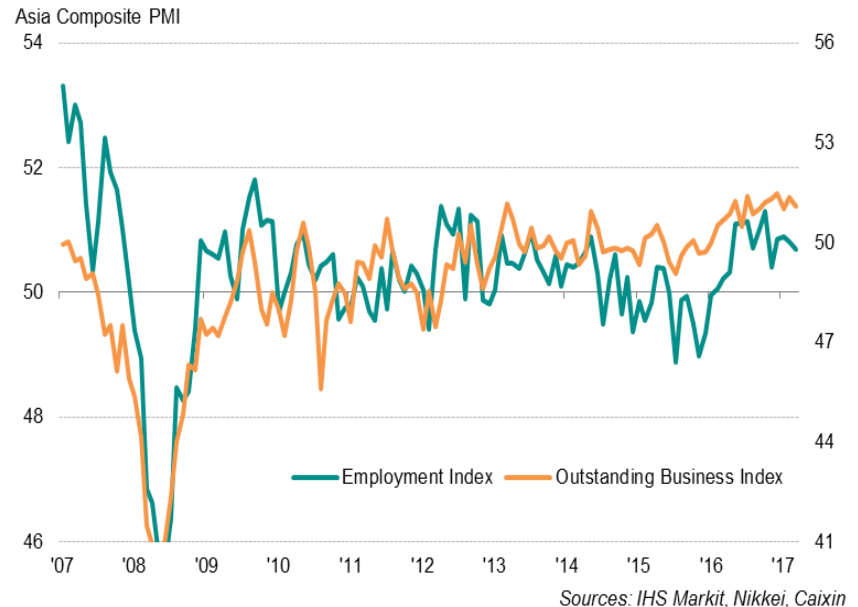
Manufacturing jobs up but services employment growth slows

- The PMI employment indices showed a mixed picture across the manufacturing and service sectors. While the gap between the manufacturing and service job markets narrowed, supported in part by a return to manufacturing employment growth, a slowdown in service sector employment gains was seen.
- Manufacturers raised staff numbers for the first time since August to cope with the strongest rate of inflows in new business for over three years, but the gain was more than offset by slower growth in service jobs, resulting in a dip in overall employment growth. Nonetheless, the persistent (though modest) pressure on operating capacity, as indicated by a sustained rise in backlogs, suggest that further jobs growth can be expected, with many companies anticipating higher output in the year ahead.

Asia employment



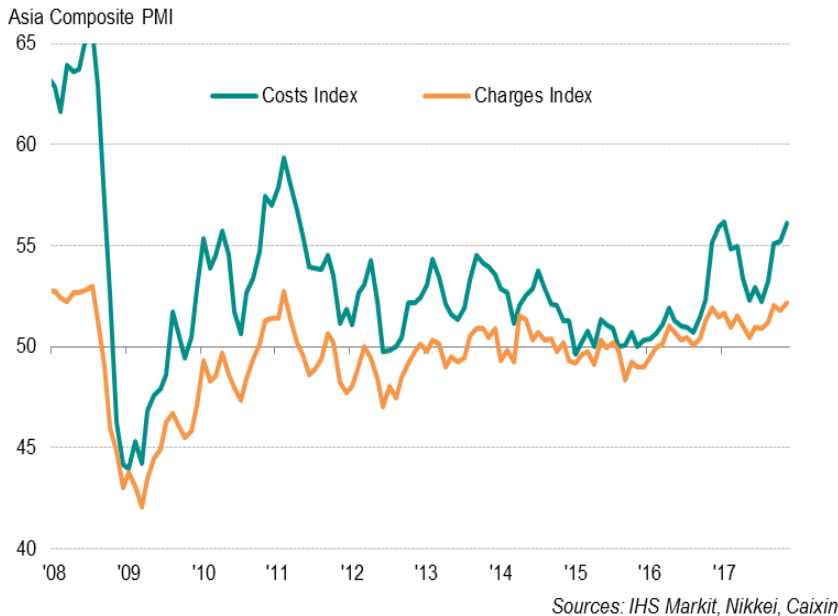
Capacity pressure



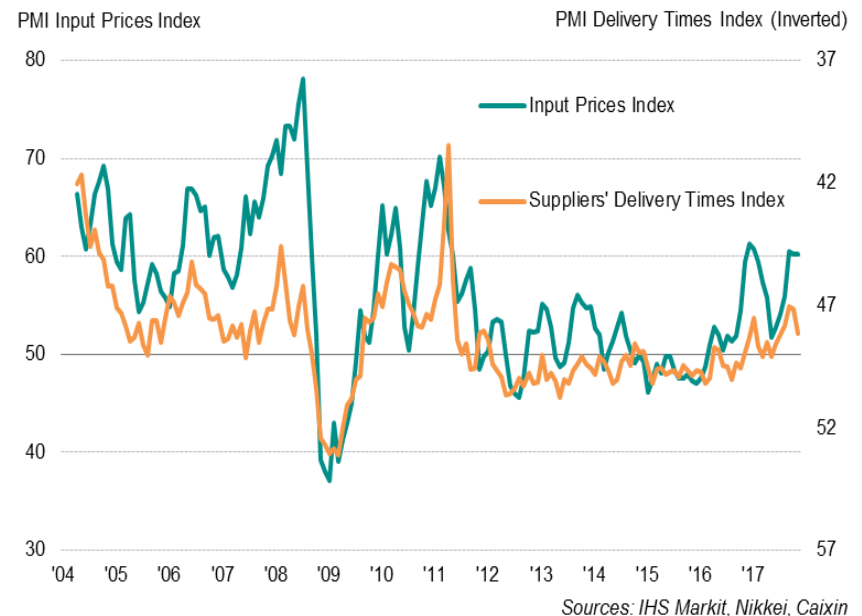
Asian cost pressures at second-highest since early-2011

- The upturn continued to be accompanied by higher price pressures, notably in manufacturing, with inflation showing signs of accelerating. Input prices showed the second-largest monthly rise since April 2011, in part driven by higher oil prices, which rose 6% during the month. As a result, firms raised average selling prices to the greatest extent in nearly seven years, as they sought to protect profit margins by passing on higher costs to customers.
- Survey data suggested that many price hikes were also associated with supply shortages for certain raw materials such as metals and paper. That, in part, diminished suppliers' ability to make timely deliveries. Average lead times have been lengthening since September 2016. Although the incidence of delays was reduced somewhat in November, deteriorating vendor performance still suggested that at least some of the upward pressure on costs was driven by increasing demand.

Asia price pressures

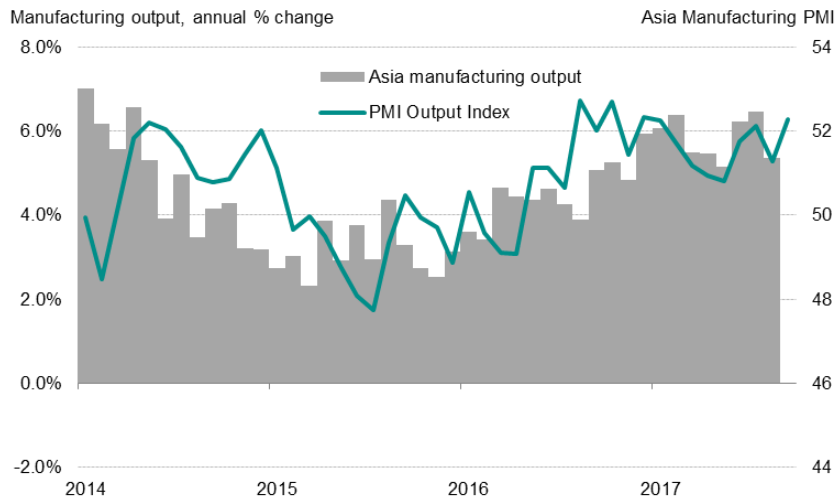


Supply delays and input prices

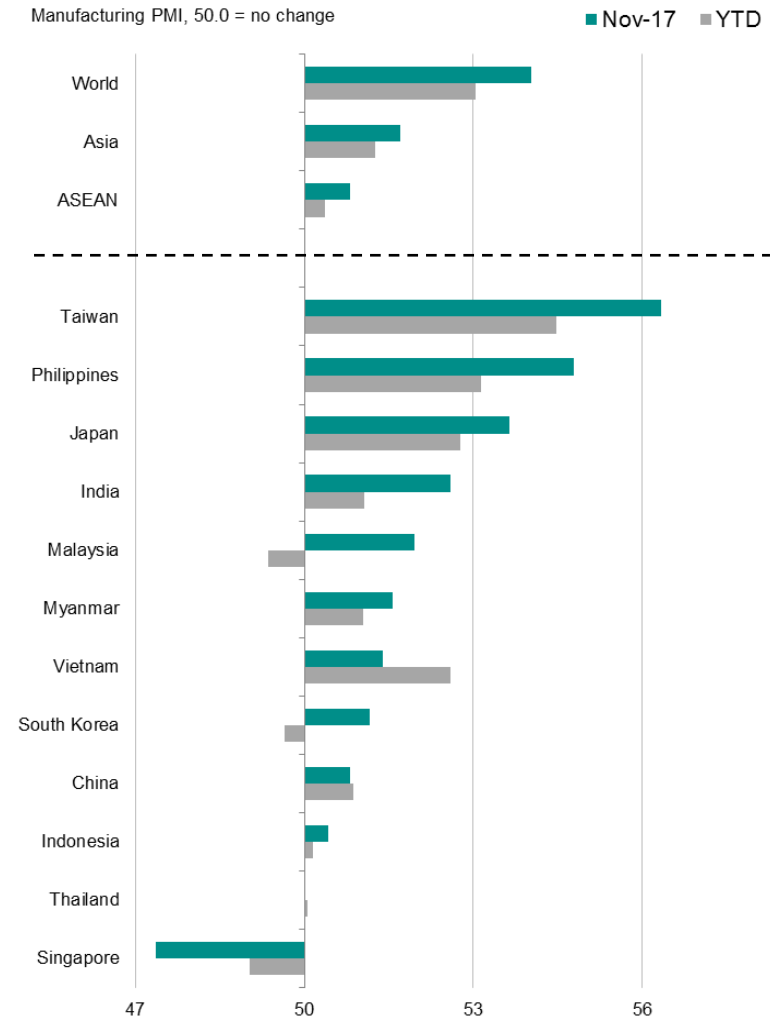


Asia manufacturing PMI among strongest for four years

- The Asia manufacturing PMI rose to the one of the highest levels in four years, with both output and new order growth strengthening. Particularly encouraging was a return to factory jobs growth for the first time since August, albeit only marginal.
- Furthermore, the vast majority of nations covered by the survey reported an improvement in operating conditions, with only two countries failing to expand: Thailand reported stagnation in manufacturing activity, while Singapore returned to contraction.
- Taiwan, the Philippines and Japan continued to dominate the rankings. India rose to fourth position from eighth. Notably, Malaysia returned to growth, recording a moderate expansion.



Sources: IHS Markit, Nikkei, Caixin, Datastream

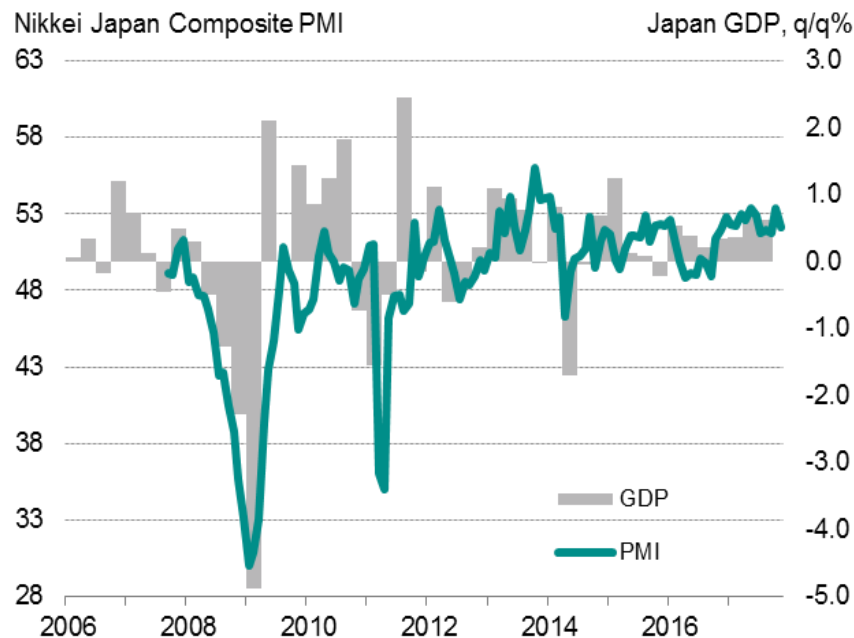


Sources: IHS Markit, Nikkei, Caixin, JPMorgan.

Japan PMI points to solid Q4, but cost inflation hits near-decade high

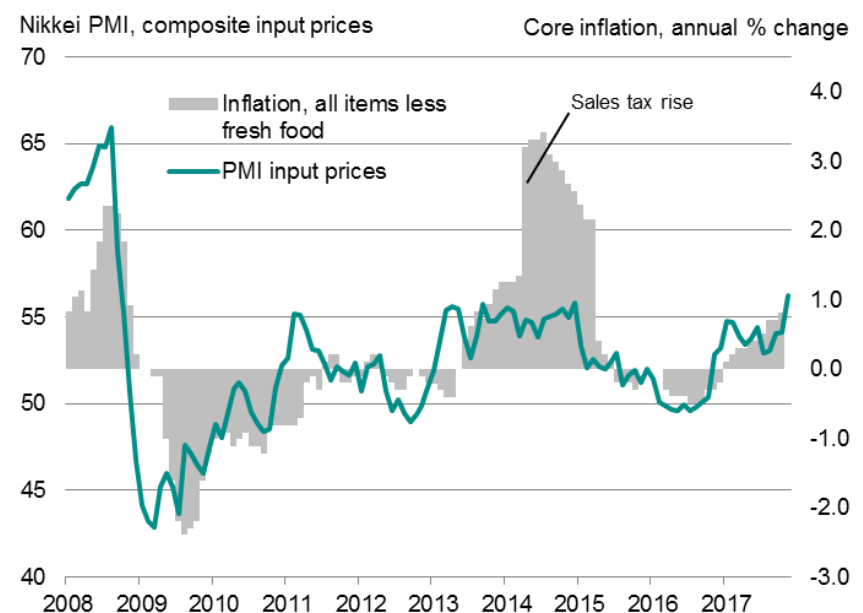
- Japanese growth remained robust in November, setting the scene for another solid quarter, according to the [latest Nikkei PMI surveys](#). At 52.8, the average PMI reading for Q4 so far represents one of the strongest performances seen in recent years and suggests GDP growth will remain robust, building on the upwardly-revised 0.6% gain seen in Q3. The manufacturing PMI was especially strong, showing the best expansion in over 3½ years during November, supported by rising exports.
- At the same time, companies are struggling with rising costs. Input price inflation reached the fastest rate since the global financial crisis, pointing to an upturn in core inflation. However, the extent to which inflation will rise remains uncertain, as many firms were unable to raise selling prices to match the rise in costs, suggesting tighter profit margins.

Japan economic growth and the PMI*



Sources: IHS Markit, Nikkei, Japan Cabinet Office

Japan inflation



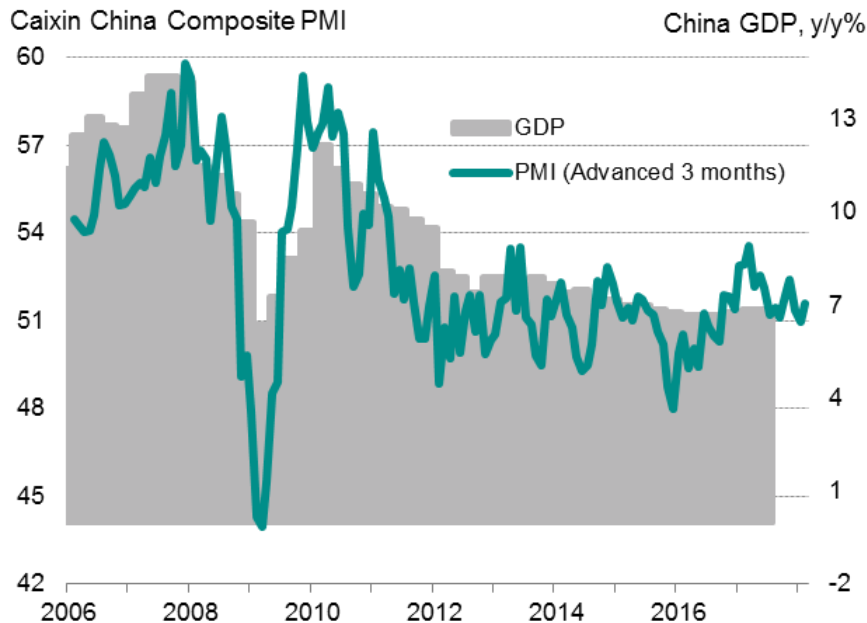
Sources: IHS Markit, Nikkei, Thomson Reuters Datastream.

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

China PMI at three-month high, but price pressures stay elevated

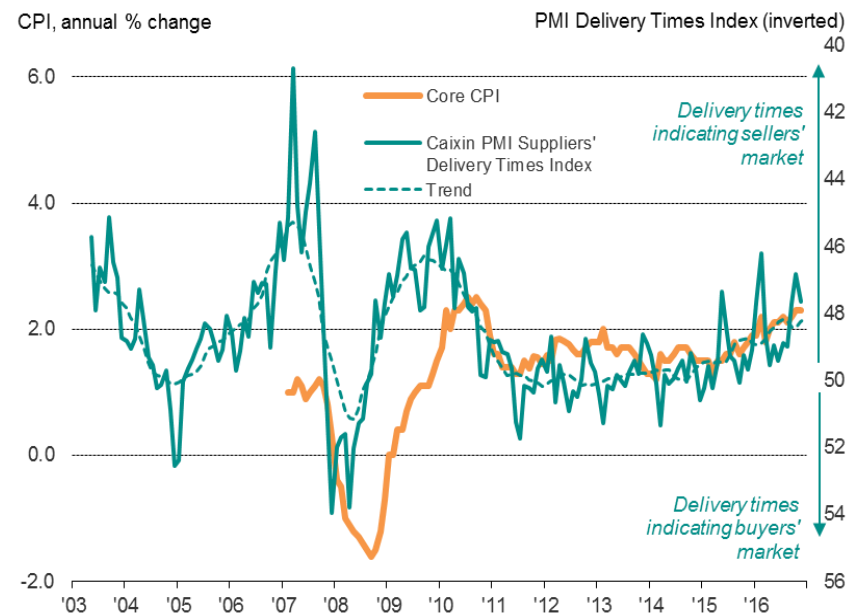
- The [Caixin PMI](#) rose from 51.0 in October to a three-month high of 51.6 in November, indicating modestly faster growth of business activity. The November reading takes the average PMI so far for Q4 to 51.3, down from 51.9 in Q3 but nonetheless still suggesting that the Chinese economy is resilient and maintains relatively steady momentum.
- Pressures on manufacturing firms' margins meanwhile persisted as the rate of inflation of input costs continued to outpace that of selling prices. Higher costs were commonly associated with increased prices for raw materials, including oil and energy, as well as supply constraints. A gauge of price pressures based on input costs and supply constraints has been running at one of its highest levels since 2010 in recent months.

China PMI* & economic growth



Sources: IHS Markit, Caixin, NBS.

China delivery times and inflation



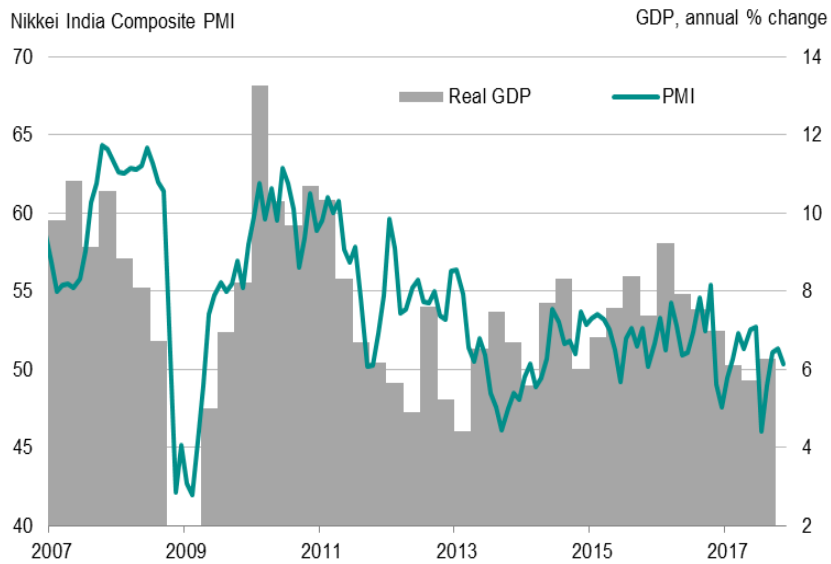
Sources: IHS Markit, Caixin.

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

Indian services activity falls, still affected by sales tax hike

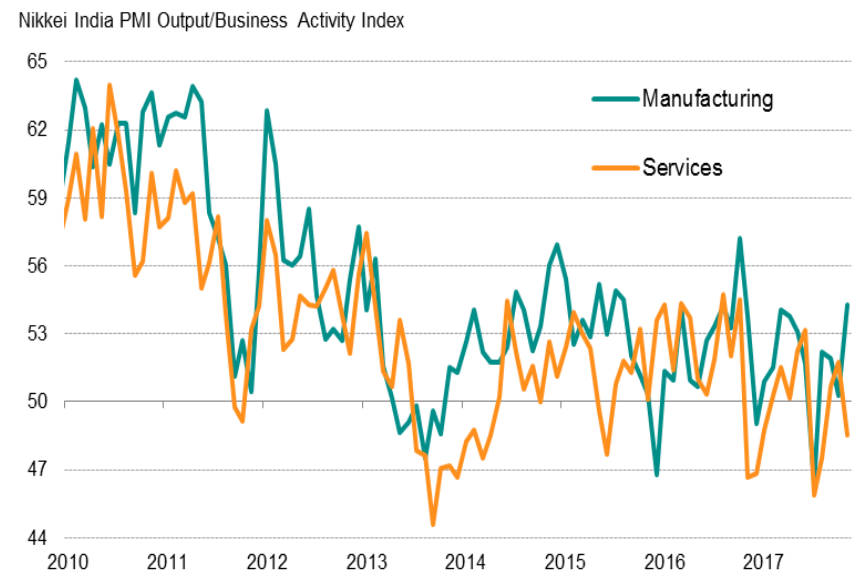
- Hopes of a sustained recovery in India's economy waned as the sales levy again hit demand for services. Having recorded expansions in the previous two months, [services activity](#) fell back into contraction territory in November, matched by a decline in new business inflows. However, other survey indicators suggest that this deterioration is likely to be short-lived. Service providers continued to add jobs despite the declines in business activity and new sales, pointing towards a resilient labour market. Business expectations about output growth in the year ahead also remained positive, contributing to firms' decisions to continue hiring.
- Another reason for optimism is the solid improvement in [manufacturing conditions](#), with output and new order growth both reaching the strongest since October 2016, resulting in the best rate of factory job creation in more than five years.

India PMI & economic growth



Sources: IHS Markit, Nikkei, CSO

India manufacturing and services

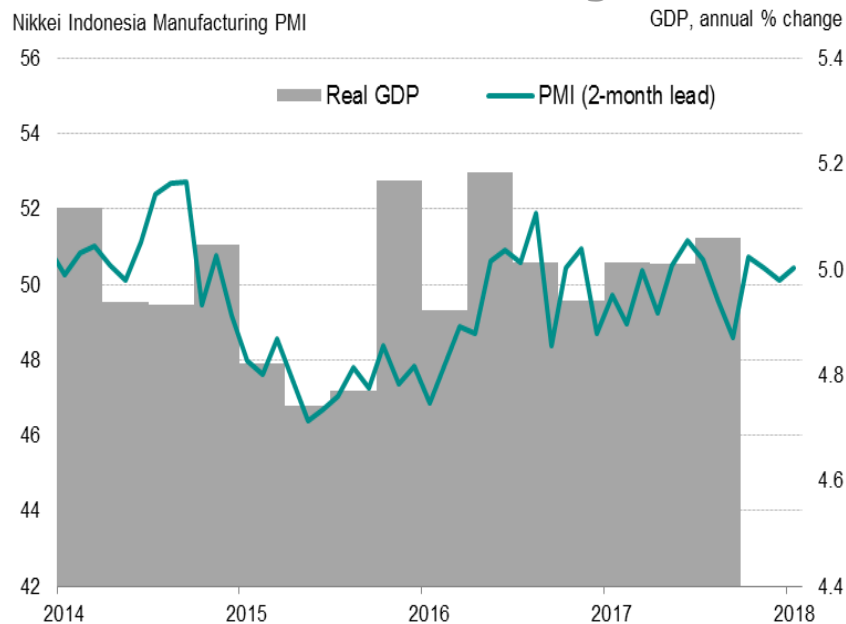


Sources: IHS Markit, Nikkei

Indonesia manufacturing improves but Q4 still looking subdued

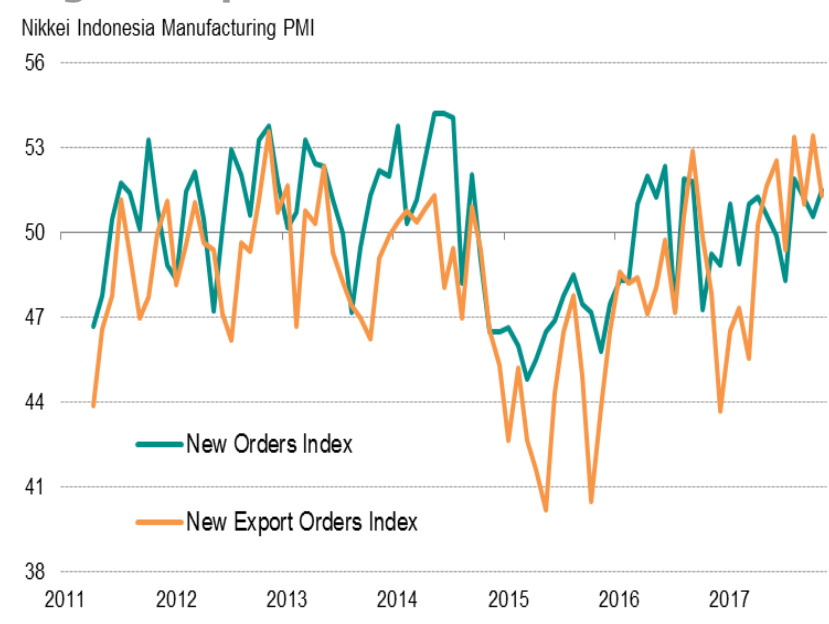
- Manufacturing conditions in Indonesia improved in November after a disappointing start to the fourth quarter. The headline [Nikkei Indonesia Manufacturing PMI](#) rose from 50.1 in October to 50.4 in November. However, the upturn merely indicated a slight improvement in the health of the sector, suggesting that economic growth is unlikely to pick up into the end of the year. PMI surveys also showed a further fall in employment numbers amid signs of an ongoing lack of capacity pressure, which could dampen hopes of a revival in household consumption.
- A bright spot has been seen in external demand. Survey data indicated a sustained (albeit slower) increase in Indonesia's goods exports.

Indonesia PMI & economic growth



Sources: IHS Markit, Nikkei, Statistics Indonesia

Higher exports

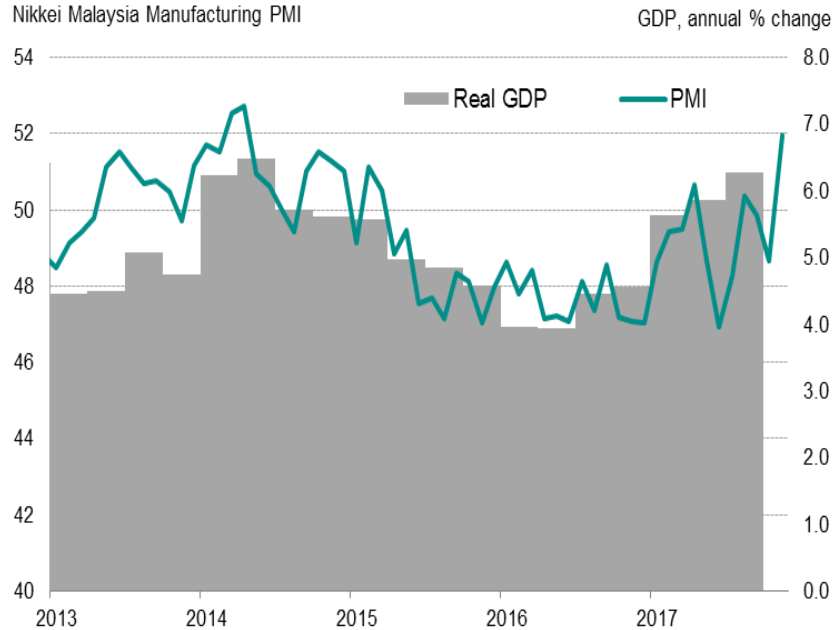


Sources: IHS Markit, Nikkei

Malaysia manufacturing revives as PMI hits over 3½-year high

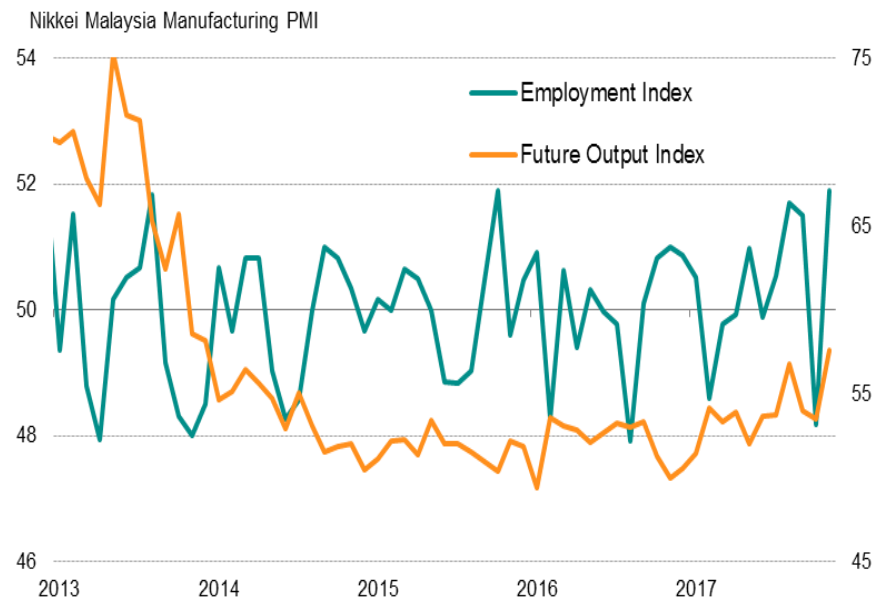
- Malaysia surged back into expansion territory in November, recording the strongest manufacturing growth in over three-and-a-half years, according to the [Nikkei PMI surveys](#). The upturn was supported by output and new order growth, both of which strengthened to the greatest extent since late-2014. Notably, export sales showed the joint-second largest monthly rise over the survey history.
- Even better news came with a rise in optimism about the year ahead to a near four-year high as companies grew more positive about the 2018 outlook. Growing confidence saw employment growth hit the joint-sharpest in nearly five years. Meanwhile, input cost inflation remained marked. Overall, the pickup in growth momentum in Malaysia is likely to be sustained at the end of the year, thereby presenting a welcome change to the recent period of almost continuous decline seen over the past couple of years.

Malaysia PMI & economic growth



Sources: IHS Markit, Nikkei, DoS

Employment and optimism

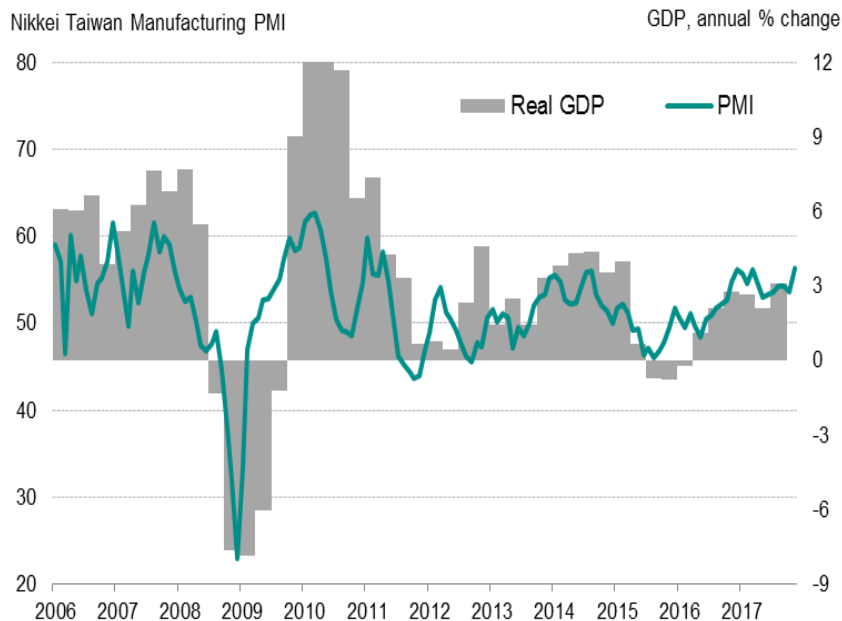


Sources: IHS Markit, Nikkei

Taiwan sees faster manufacturing growth despite supply woes

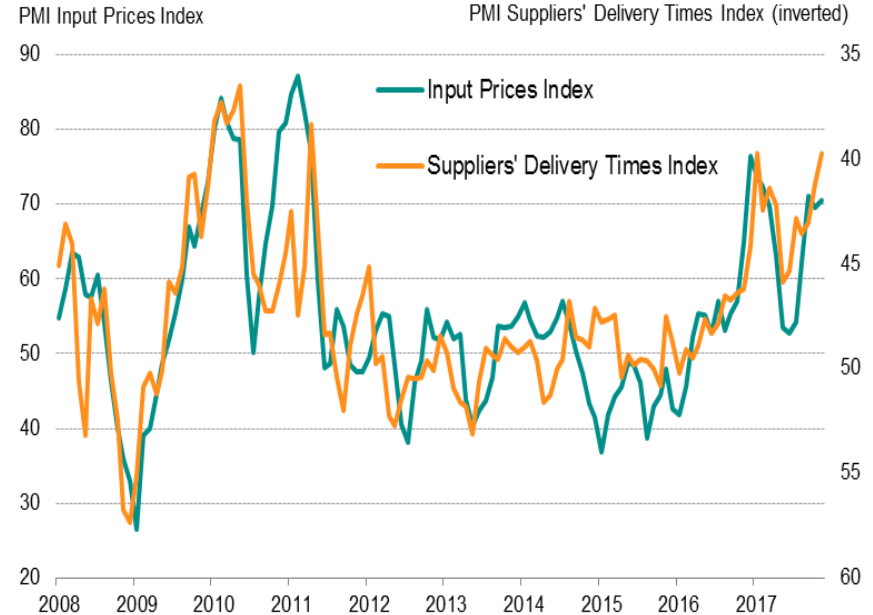
- Taiwan's [manufacturing sector](#) kicked up a gear in November, expanding at the fastest pace since early-2011, setting the scene for a buoyant end to the year. At 55.0, the average PMI reading for Q4 so far represents one of the strongest quarterly performances seen in recent years. Exports remained a key growth driver, as the steepest increase in export sales for over three years led total new orders to expand at a sharp rate. Input buying meanwhile rose at a pace not seen since 2016, while inventories also rose at historically marked rates, suggesting that the sector is on course to remain on an upward trajectory in coming months.
- However, manufacturers continued to be plagued by supply chain disruptions, as insufficient stock levels at vendors meant that delivery times for inputs lengthened sharply. With supply falling short of demand, purchasing costs rose steeply again in November, which fed through to a further marked rise in selling prices.

Taiwan PMI & economic growth



Sources: IHS Markit, Nikkei, DGBAS

Rising price pressures



Sources: IHS Markit, Nikkei

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