



IHS Markit™

Asia PMI

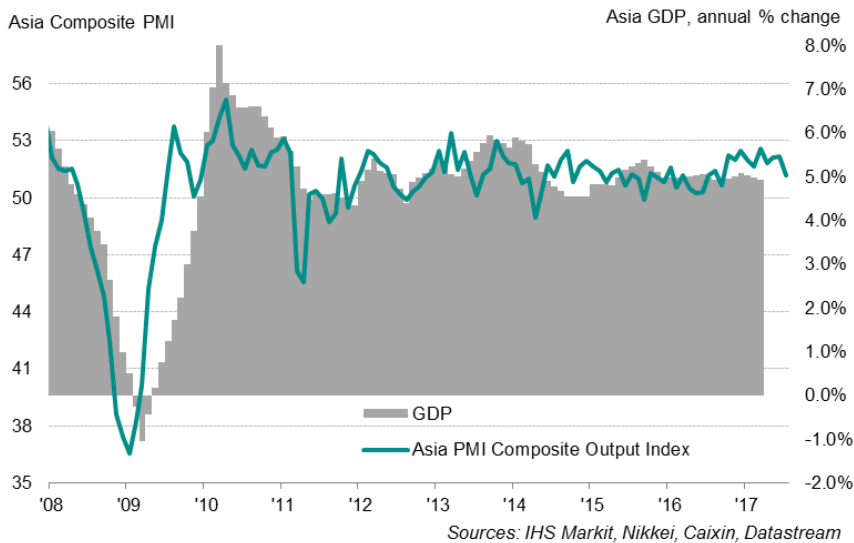
Asia growth eases at start of Q3 as manufacturing struggles

August 2017

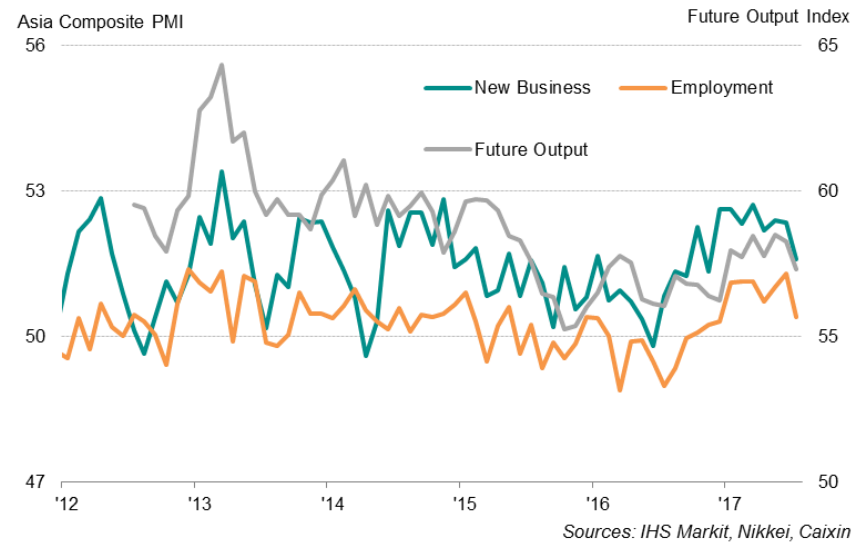
Asia growth eases, led by slowdown in manufacturing

- Latest PMI data signalled softer growth momentum across Asia, led by a slowdown in manufacturing. The Asia Composite PMI Output Index, compiled by IHS Markit, fell to a ten-month low of 51.2 in July, from 52.2 in June. The latest reading was also below the average for the first half of 2017, though it was consistent with Asia GDP rising at an annual rate of around 5.0%.
- There were signs that growth could slow further in coming months. Inflows of new business rose at the weakest pace since last November, and employment expanded at the slowest rate so far this year. Expectations about future output came in at a seven-month low, albeit still positive.

Asia PMI & economic growth



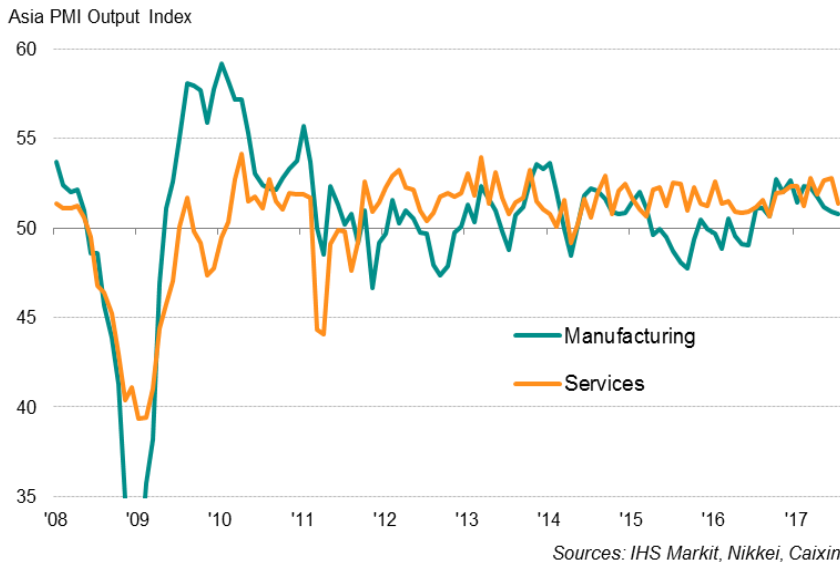
New work, employment and expectations



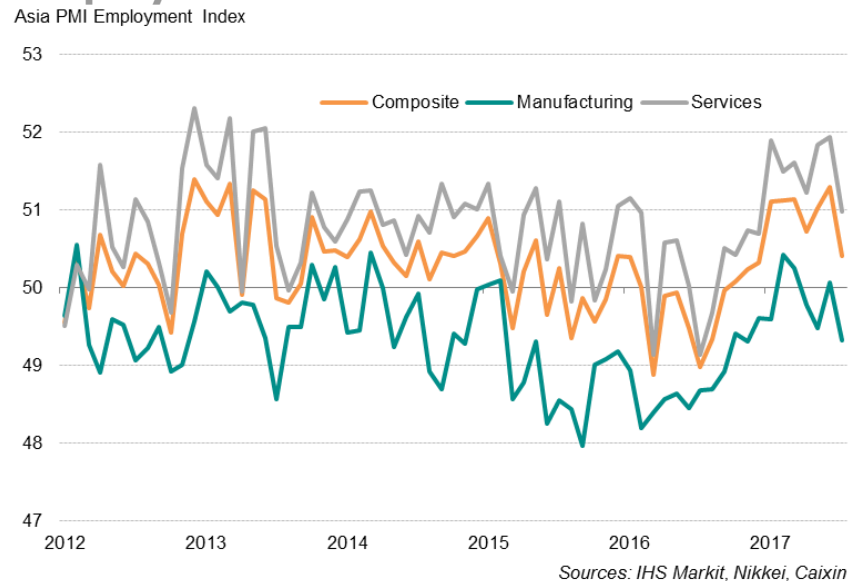
Manufacturing weakens further, as services growth also slows

- The Asian manufacturing sector saw only a marginal improvement in operating conditions in July. Production expanded at the weakest rate since last September, which in turn weighed on hiring. Though marginal overall, the latest reduction in Asian manufacturing employment was the quickest seen for eight months.
- Growth in the Asian service sector continued to outpace that seen in manufacturing, but signs of weakness also emerged. Furthermore, services business activity increased at the slowest pace for five months in July. The latest data therefore amplify concerns that slower manufacturing growth could weigh on the performance of the service sector going forward.

Manufacturing & service sectors

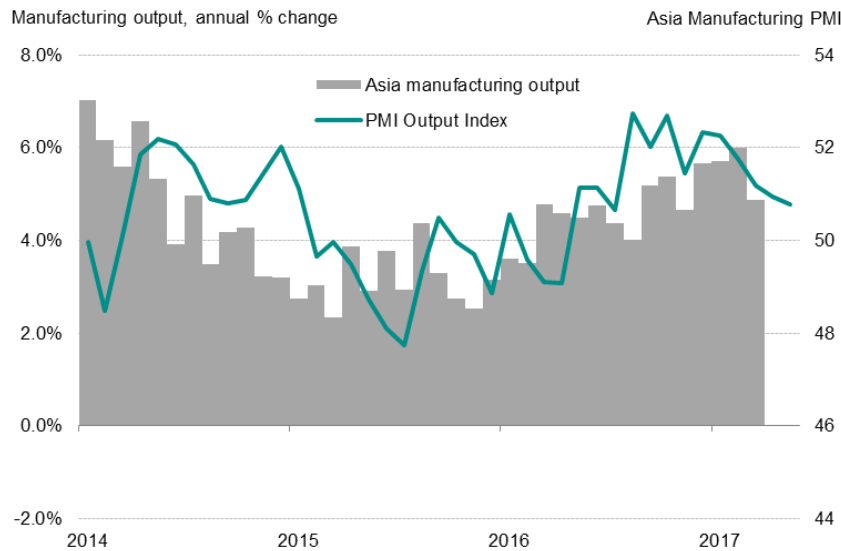


Employment

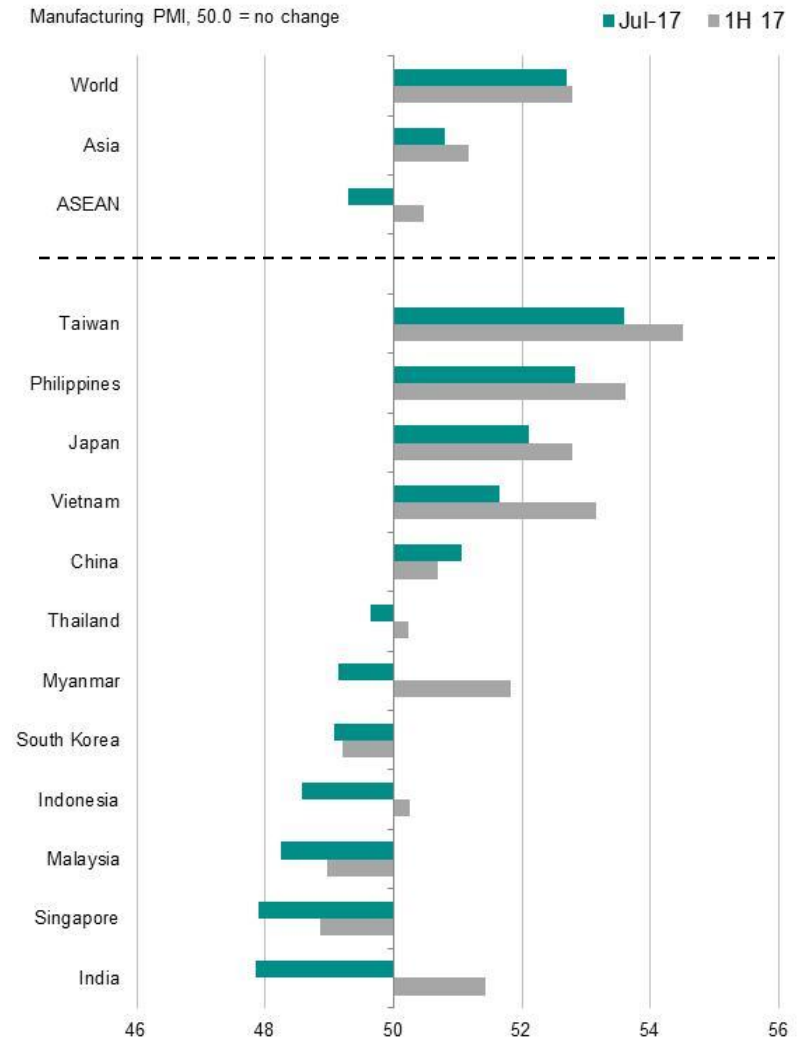


Asia manufacturing struggles

- The Asian manufacturing malaise continued at the start of the third quarter. More Asian manufacturers struggled to sustain growth: PMI data showed that only five of 12 countries covered by the surveys recorded an improvement in manufacturing conditions in July, down from nine in June. Moreover, output growth waned again, easing to a 10-month low.
- Taiwan and the Philippines were the top two performers, followed by Japan, Vietnam and China. At the bottom of the rankings, India and Singapore saw the sharpest declines, with the former hit by the new sales tax.



Sources: IHS Markit, Nikkei, Caixin, Datastream

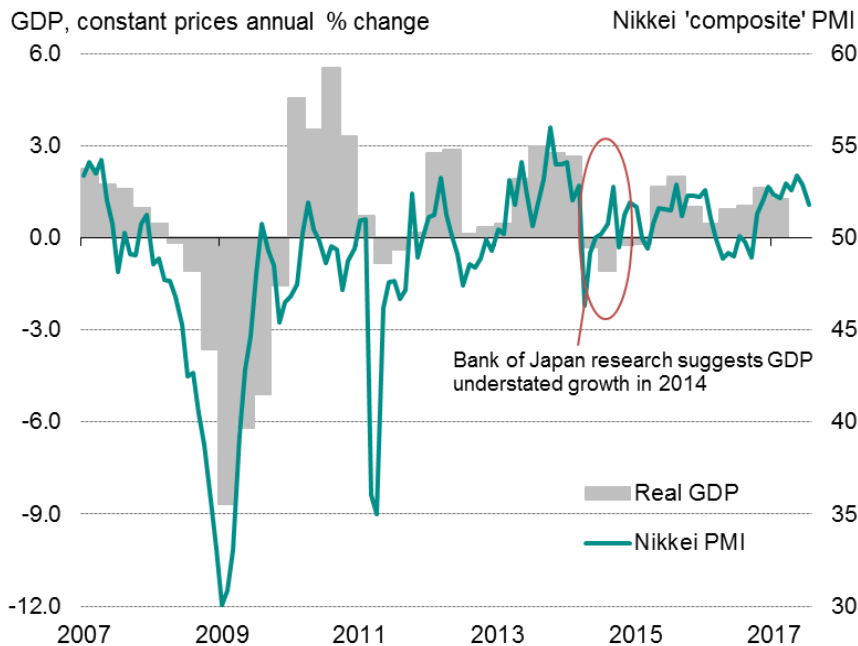


Sources: IHS Markit, Nikkei, Caixin, JPMorgan.

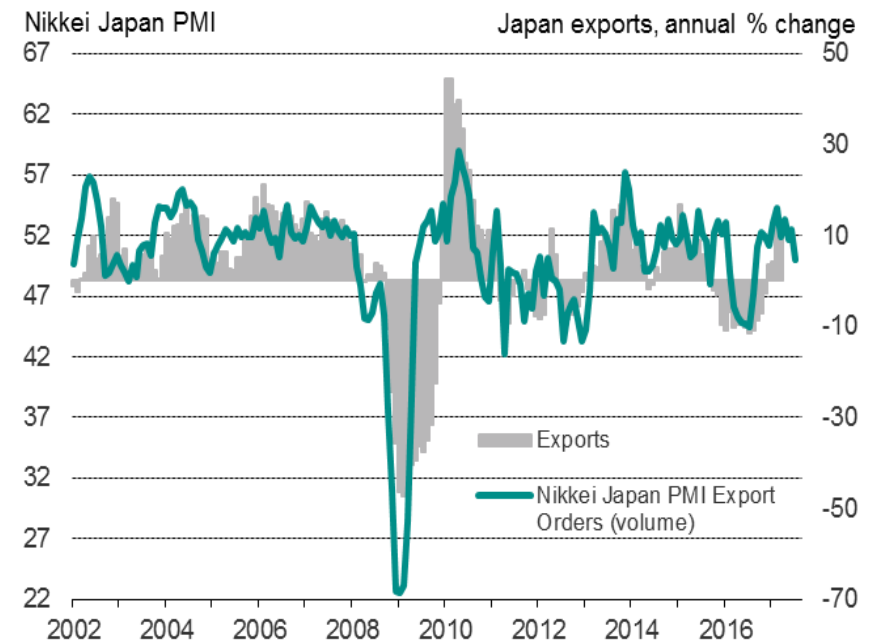
PMI surveys show Japan's economy slowing at start of Q3

- Japan's economy saw further signs of losing momentum at the start of Q3. The Nikkei Japan Composite PMI Output Index fell from 52.9 in June to 51.8 in July, to signal the weakest rate of expansion since last October. Signs of a renewed slowdown contrasts with robust rates of growth seen through each of the previous three quarters.
- Broken down by sector, July saw a notable slowdown in manufacturing output growth, with the latest increase the weakest since September last year as softer growth in export sales weighed on manufacturing production. Services also grew at a slower pace, registering the smallest increase in business activity since February. The surveys nevertheless suggest that GDP expanded at an annual rate approaching 1.5%.

Japan economic growth*



Japan manufacturing exports

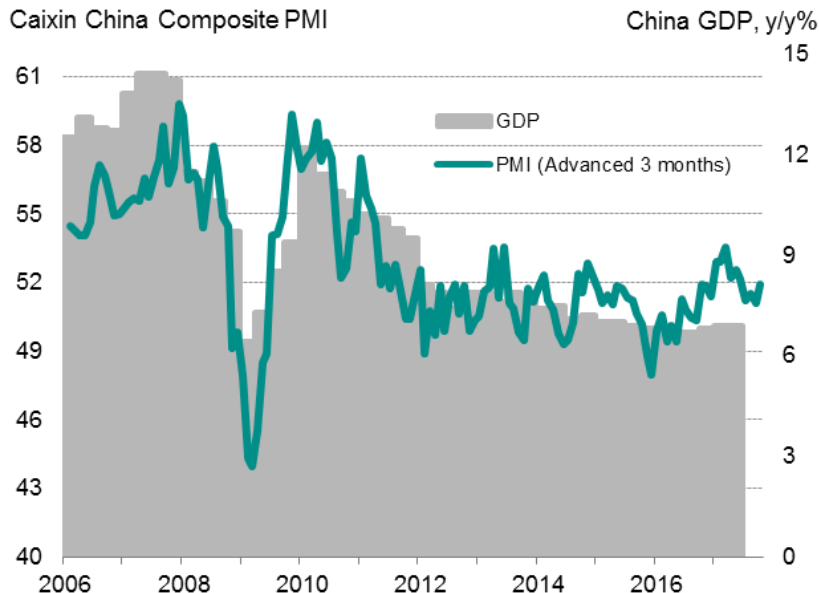


Sources: IHS Markit, Nikkei, Japan Cabinet Office, Thomson Reuters Datastream.
 * PMI shown above is a GDP weighted average of the survey output indices.

China PMI signals firmer start to Q3 but still no jobs growth

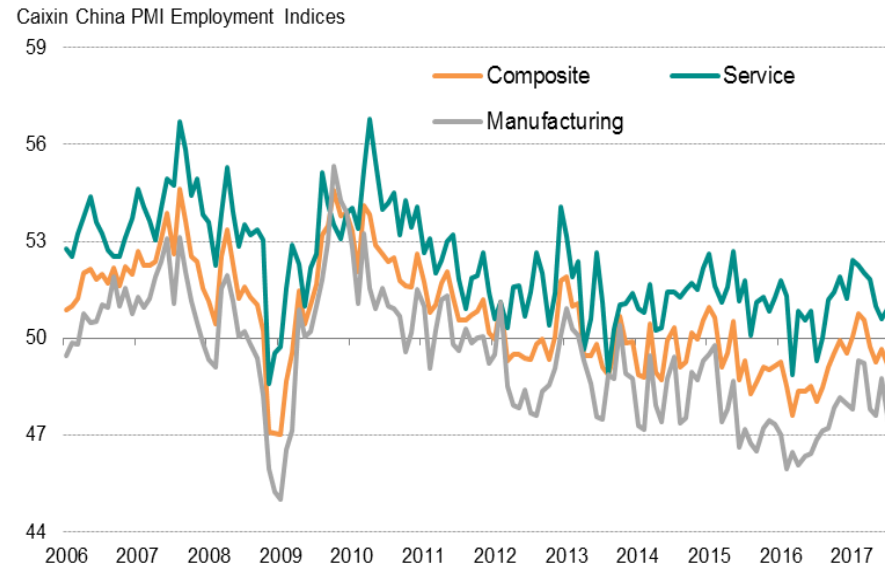
- The Chinese economy started Q3 on a firm footing, led by a pickup in manufacturing which was in turn supported by stronger foreign demand. The Caixin China Composite PMI Output Index rose to 51.9 in July — a four-month high — from 51.1 in June. Growth in new business accelerated to a four-month high in July.
- The upturn in activity and new business at the start of Q3 could pose an upside risk to current GDP growth projections. GDP growth is expected to cool to an annual rate of 6.6% in 2017, according to a Reuters poll and IHS Markit’s forecasts.
- However, employment fell for a fourth straight month in July and at the steepest rate since last September. The increase in service sector jobs was insufficient to offset the persistent decline in manufacturing employment.

China PMI* & economic growth



Sources: IHS Markit, Caixin, NBS.

China employment



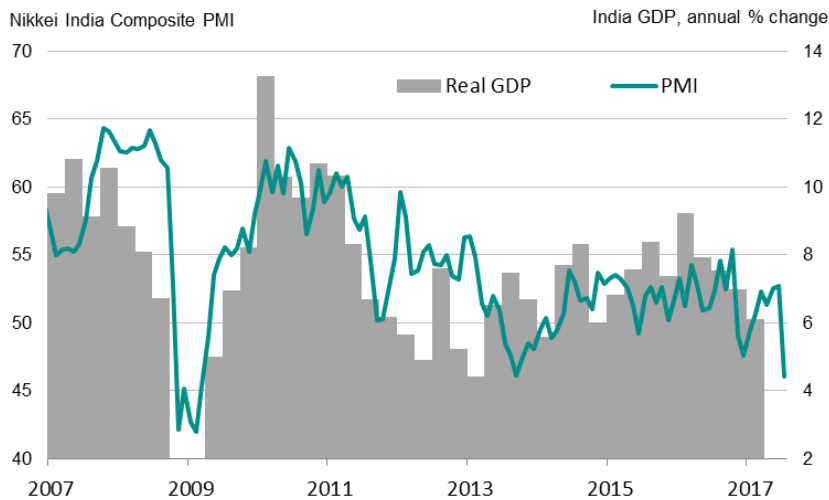
Sources: IHS Markit, Caixin.

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

India slumps on sales tax rollout

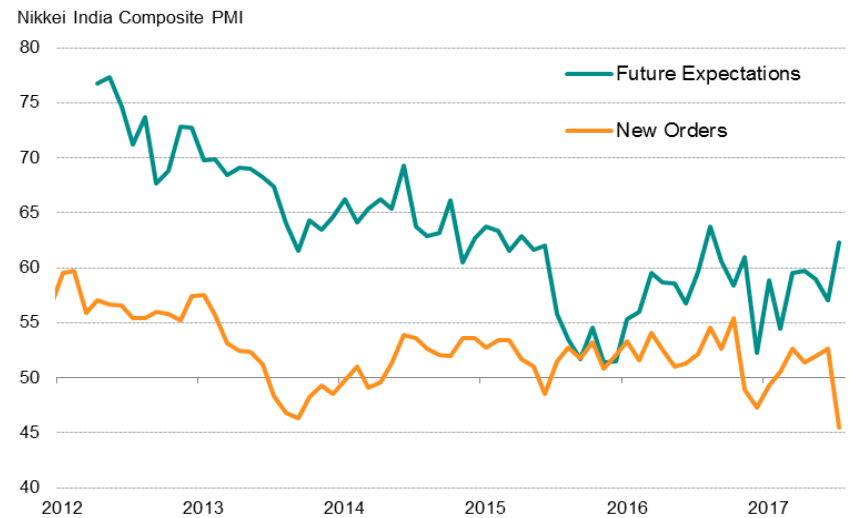
- The Nikkei India Composite PMI Output Index hit a post-crisis low as business was hurt by the new sales tax, although expectations about future output still painted an upbeat picture. Activity in both the manufacturing and service sectors fell for the first time since the demonetization shock, plunging to the greatest extent since early 2009.
- The bulk of the decline was blamed on the rollout of the goods and services tax (GST) in July, and the confusion it caused. However, the impact of GST on private sector activity is expected to be transitory, with firms convinced that prospects will brighten over the next 12 months. Notably, business confidence climbed to an 11-month high at the start of the third quarter.

India PMI & economic growth



Sources: IHS Markit, Nikkei, CSO

Forward-looking PMI indices



Sources: IHS Markit, Nikkei

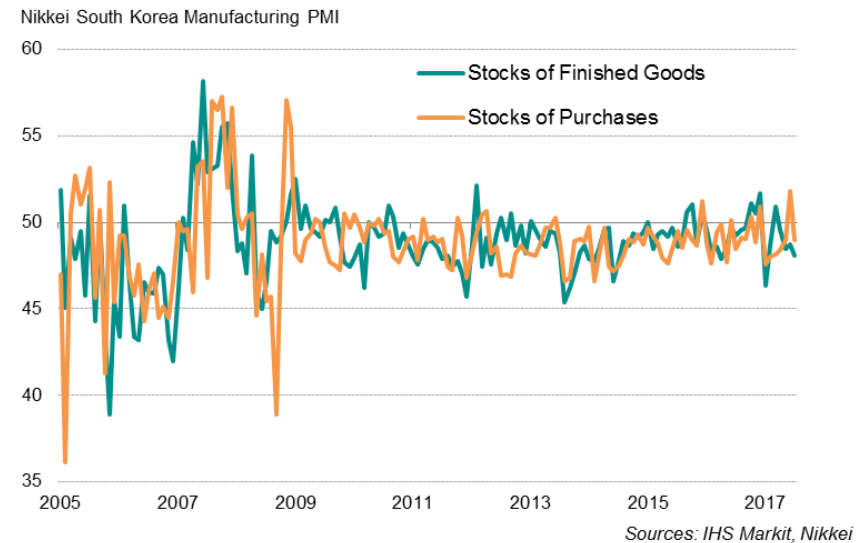
South Korea's manufacturing sector contracts

- South Korea's manufacturing sector continued to struggle amid underwhelming demand, with the headline PMI slipping back into contractionary territory in July. Companies revealed that orders from key export markets like China and Japan, as well as those linked to important industries such as autos, were down.
- Given tepid demand, manufacturers engaged in destocking efforts, aiming to rebalance inventories with current customer requirements. Until this is achieved and customer demand recovers, growth in the sector is likely to remain subdued in the near-term. Nevertheless, there was some optimism about future conditions, with firms on average projecting output growth in the year ahead.

South Korea PMI & economic growth



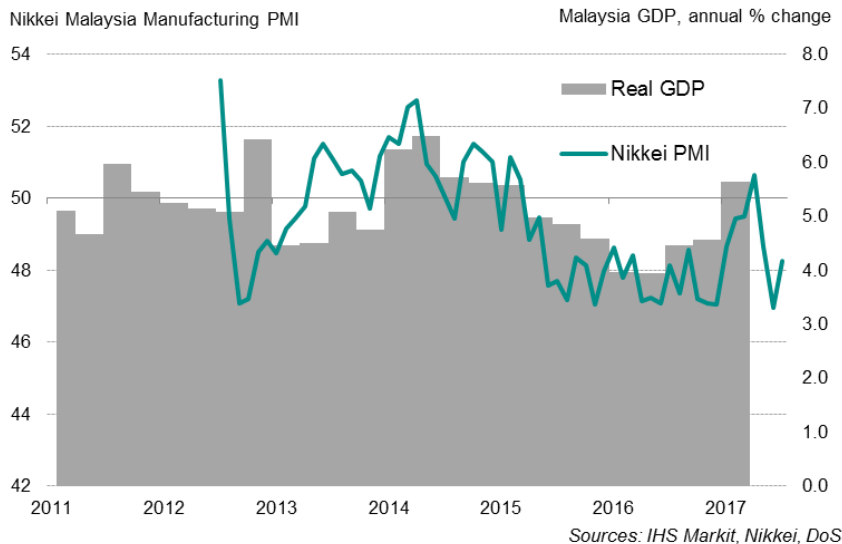
Lower inventories



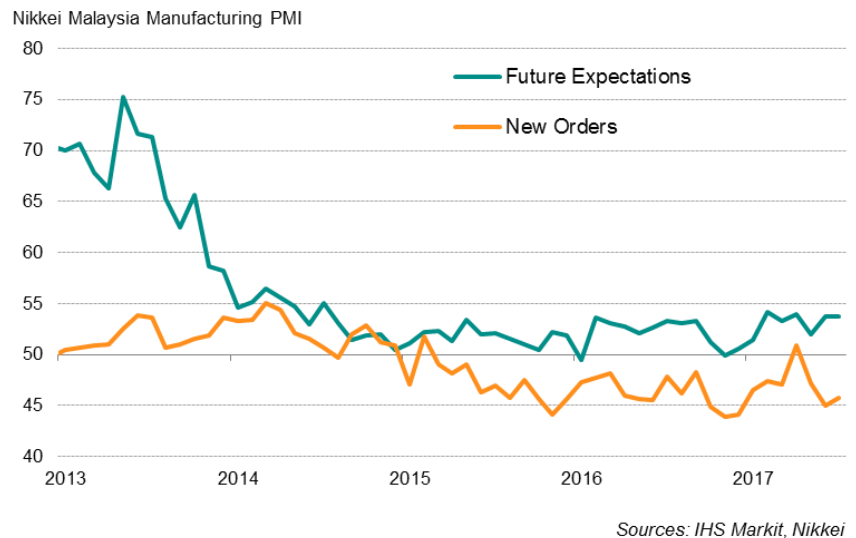
Malaysia's manufacturing sector remains in decline

- The Malaysian manufacturing economy reported a deterioration of business conditions for the third month running in July. While the rate of decline was slower than the record low seen in the previous month, the headline PMI reading was still one of the weakest so far this year.
- Output, purchasing activity and inventories were all cut as near-term prospects remained bleak, with inflows of new business declining solidly at the start of the third quarter. Nevertheless, Malaysian manufacturers generally remained hopeful of an improvement in production over the next year. This optimism helped to bolster employment, though the rate of job creation was only slight.

Malaysia PMI & economic growth



Forward-looking PMI indices



Disclaimer

The information contained in this presentation is confidential. Any unauthorised use, disclosure, reproduction or dissemination, in full or in part, in any media or by any means, without the prior written permission of Markit Group Limited or any of its affiliates ("Markit") is strictly prohibited.

Opinions, statements, estimates and projections in this presentation (including other media) are solely those of the individual author(s) at the time of writing and do not necessarily reflect the opinions of Markit. Neither Markit nor the author(s) has any obligation to update this presentation in the event that any content, opinion, statement, estimate or projection (collectively, "information") changes or subsequently becomes inaccurate.

Markit makes no warranty, expressed or implied, as to the accuracy, completeness or timeliness of any information in this presentation, and shall not in any way be liable to any recipient for any inaccuracies or omissions. Without limiting the foregoing, Markit shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with any information provided, or any course of action determined, by it or any third party, whether or not based on any information provided.

The inclusion of a link to an external website by Markit should not be understood to be an endorsement of that website or the site's owners (or their products/services). Markit is not responsible for either the content or output of external websites.

Copyright ©2017, Markit Group Limited. All rights reserved and all intellectual property rights are retained by Markit.