



IHS Markit™

Asia PMI

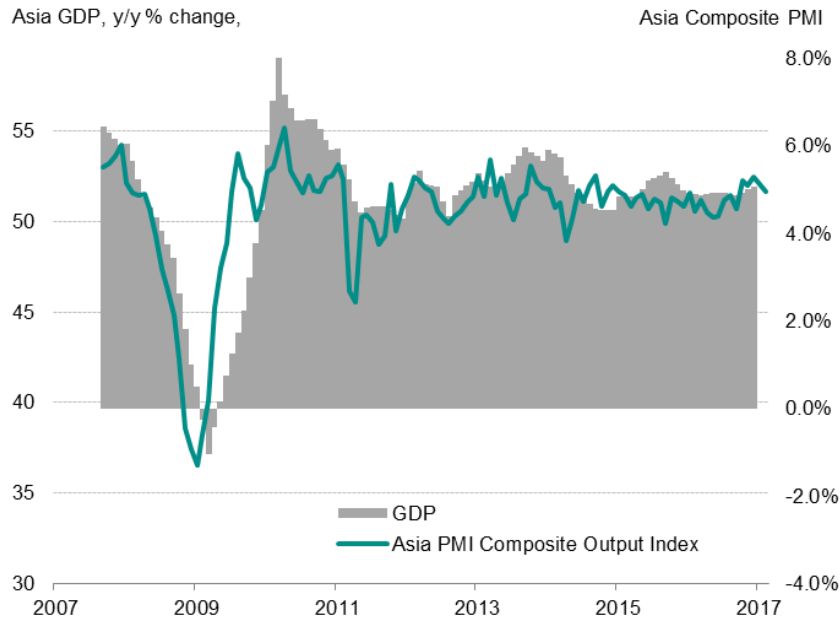
Asian economy maintains steady growth, with trade picking up

March 2017

Asia growth slows for second successive month

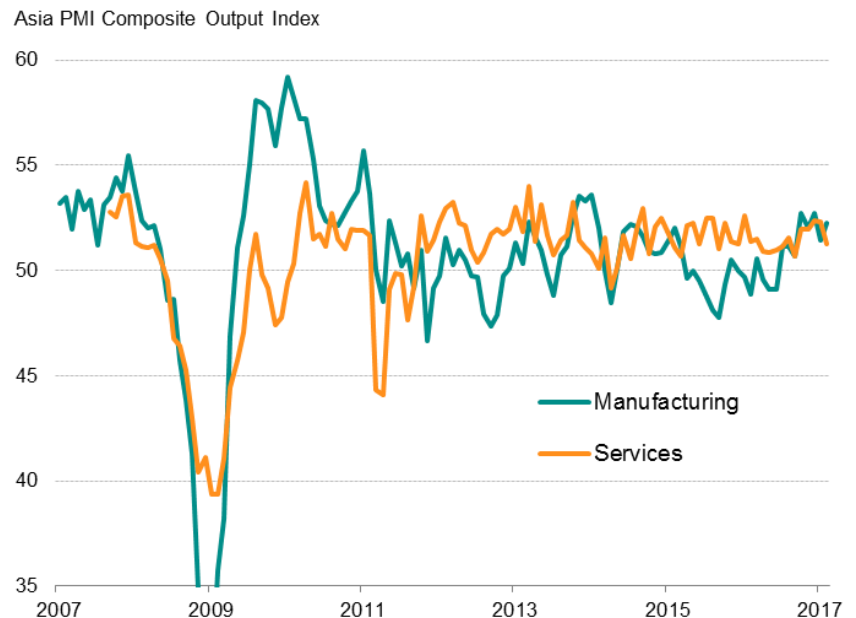
- PMI data indicated that Asia lost some growth momentum for a second month in a row in February. The Asia Composite PMI, compiled by Markit from its various national surveys, edged down from 52.0 in January to 51.6 in February, signalling the slowest rate of growth in five months. However, the pace of expansion remained above that seen throughout much of last year.
- The data are consistent with Asia GDP rising at an annual rate of 5% in the first quarter. Steady expansions in both the manufacturing and service sectors continued to drive the Asian upturn. Manufacturing output growth accelerated, while the pace of expansion of services activity slowed.

Asia PMI & economic growth



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

Manufacturing & service sectors



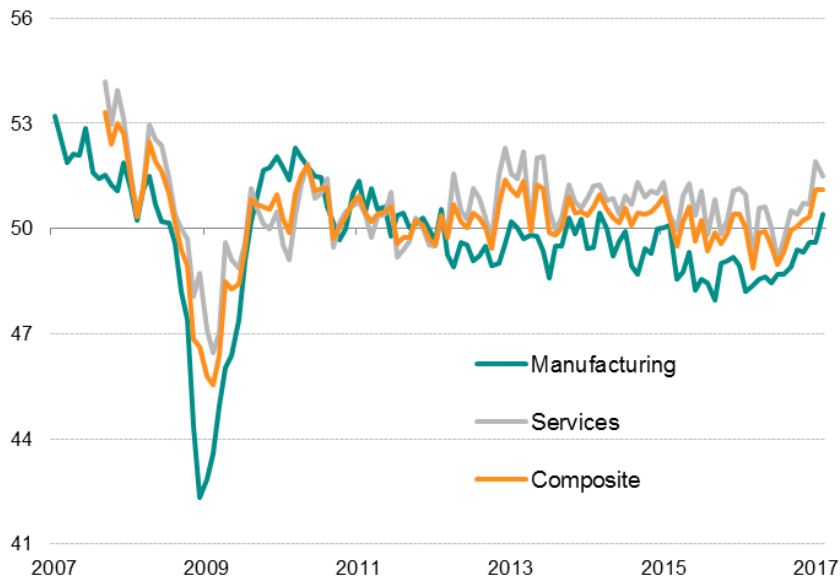
Sources: IHS Markit, Nikkei, Caixin.

Asia hiring remains at 3½ year high despite cost worries

- Although slowing, the still-robust strength of Asian economic growth encouraged firms to raise staff numbers. Asia’s employment levels rose at an identical rate to January’s 3½ year high. Notably, manufacturing jobs increased for the first time in two years, reflecting recent improvements in the sector across the region.
- The rate of job creation remained only modest, however, in part reflecting cost worries. Average input costs rose sharply again in Asia during February, albeit at a slower rate than the near six-year high seen in January. Cost increases were again especially marked in the manufacturing sector, widely linked to higher commodity prices. Average prices charged for goods and services meanwhile rose as firms passed some of the increase in costs on to customers.

Employment

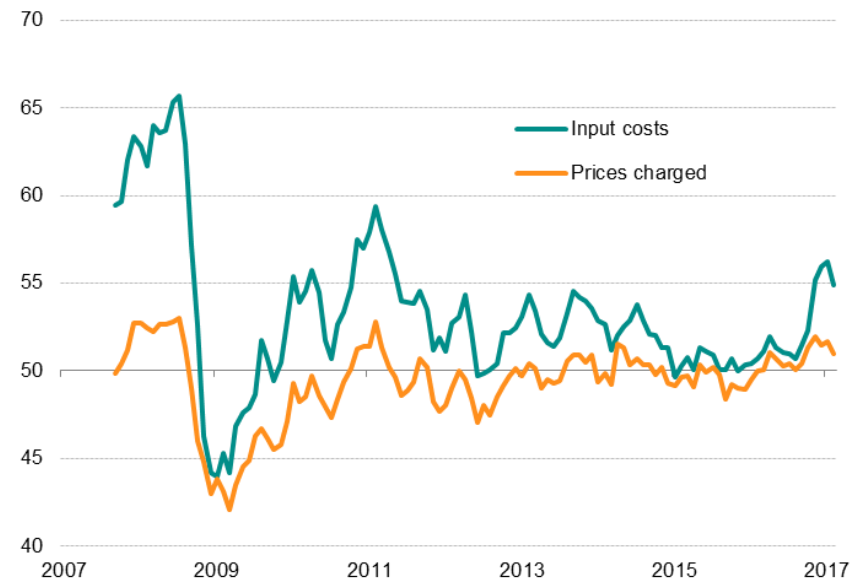
Asia PMI Employment Index



Sources: IHS Markit, Nikkei.

Asian price pressures

Asia PMI Composite



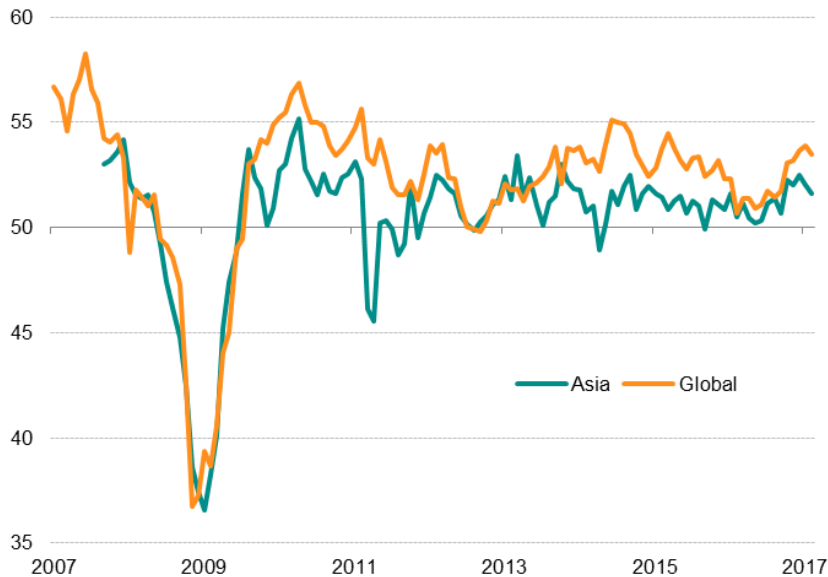
Sources: IHS Markit, Nikkei.

Asia underperforms global growth

- Business activity growth in Asia continued to underperform relative to the global rate of expansion seen in February. A strengthening manufacturing upturn in the developed world (and the eurozone in particular) drove the improvement in business conditions.
- Subdued growth in Asian emerging markets was key to the continued underperformance relative to the global picture. Growth in Japan remained among the highest seen in the past three years, according to the Nikkei PMI surveys, but in India and China growth rates remained below long-run averages. India nevertheless showed signs of recovery in February, after the implementation of the demonetisation policy had disrupted business and consumer spending in the previous three months.

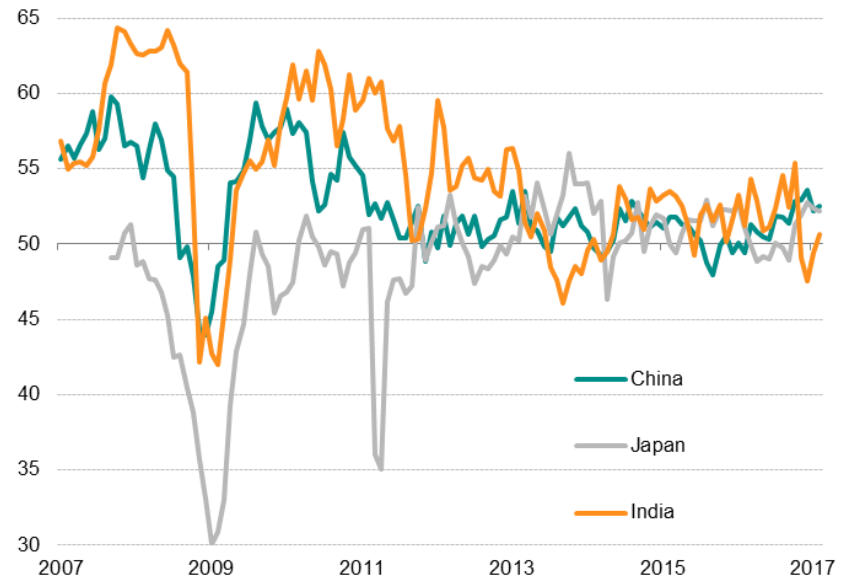
Asia growth v. global

PMI Output/Business Activity Index



Major Asian economies

PMI Output/Business Activity Index

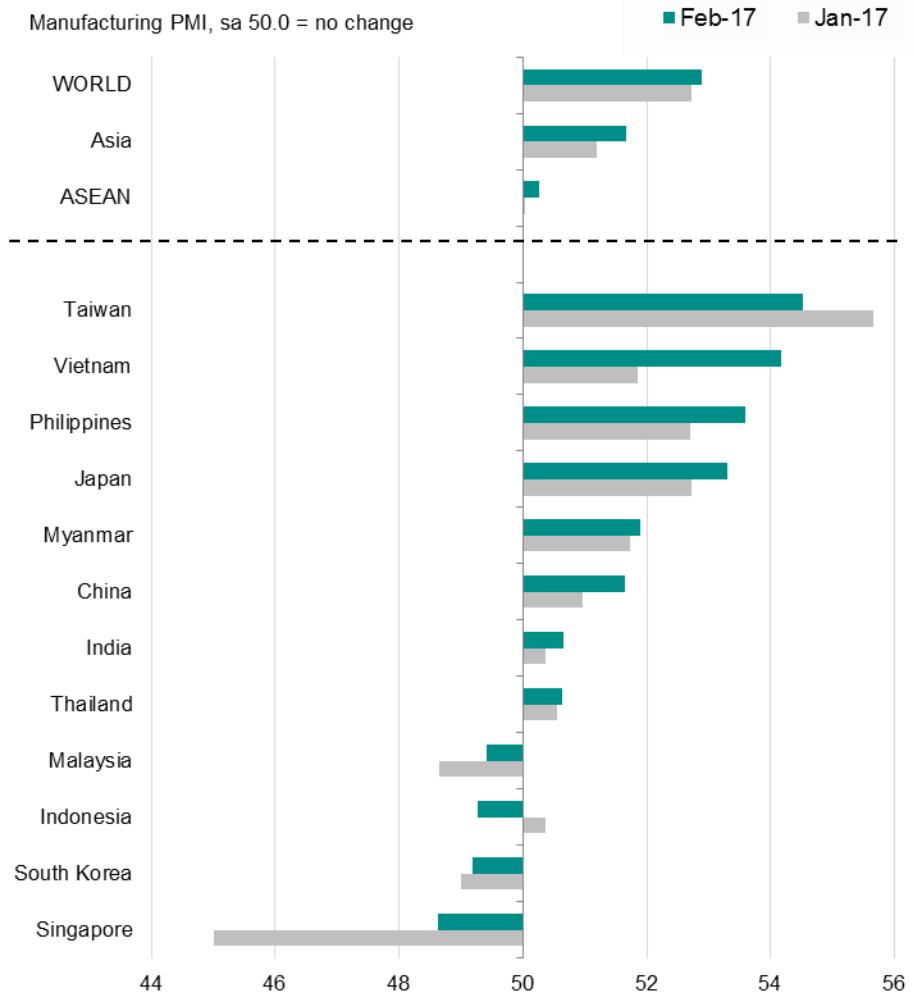
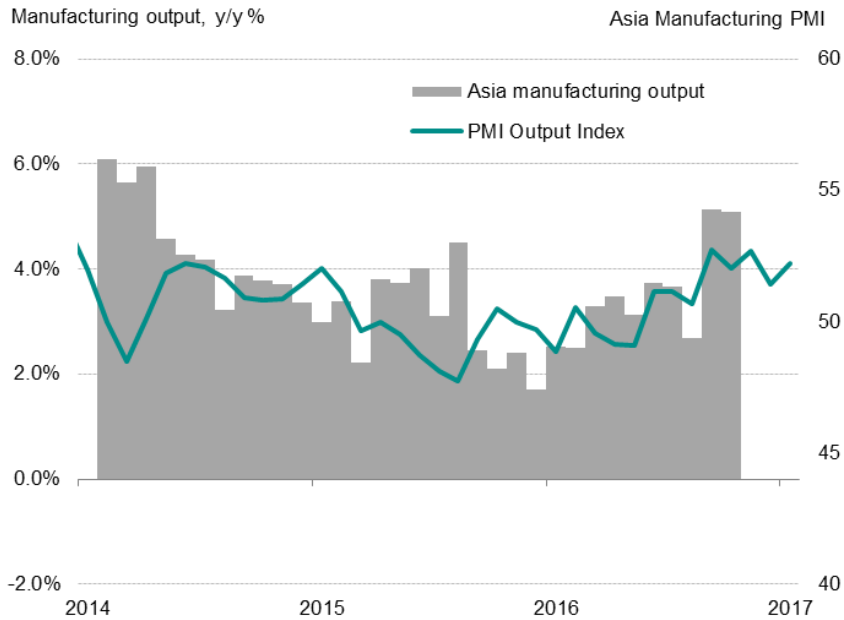


Sources: IHS Markit, Nikkei, Caixin

Asia trade picks up

After easing in January, Asia manufacturing growth picked up speed in February. Asian exports strengthened further, rising at the fastest rate for almost seven years. ASEAN countries also reported the first manufacturing growth since September 2016.

Taiwan topped the manufacturing rankings again in February, followed by Vietnam, the Philippines and Japan. Only four of the 12 countries covered by the Asia PMI surveys reported a deterioration of manufacturing conditions, led once again by Singapore.

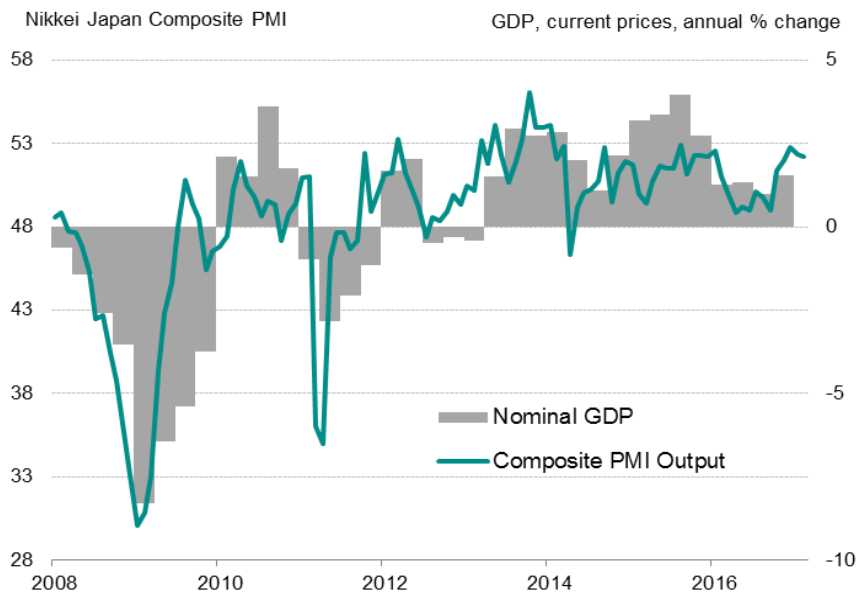


Sources: IHS Markit, Nikkei, Caixin, Thomson Reuters Datastream.

Japan's robust growth encourages hiring

- Japan's economy continued to expand at a robust pace in February, albeit with the rate of increase easing slightly for a second month running. The Nikkei PMI Composite Output Index dipped from 52.3 in January to 52.2. Job creation was the best in almost four years, while order book growth remained solid and business optimism moved higher, all auguring well for growth to maintain strong momentum in months ahead. Meanwhile, cost inflation remained at its highest for two years.
- The latest upturn was driven by the manufacturing sector, where output rose to the greatest extent in nearly three years, fuelled by stronger export growth. In turn, this was supported by a weak yen and improving global trade flows. Notably, the increase in manufacturing export orders was the strongest for over three years.

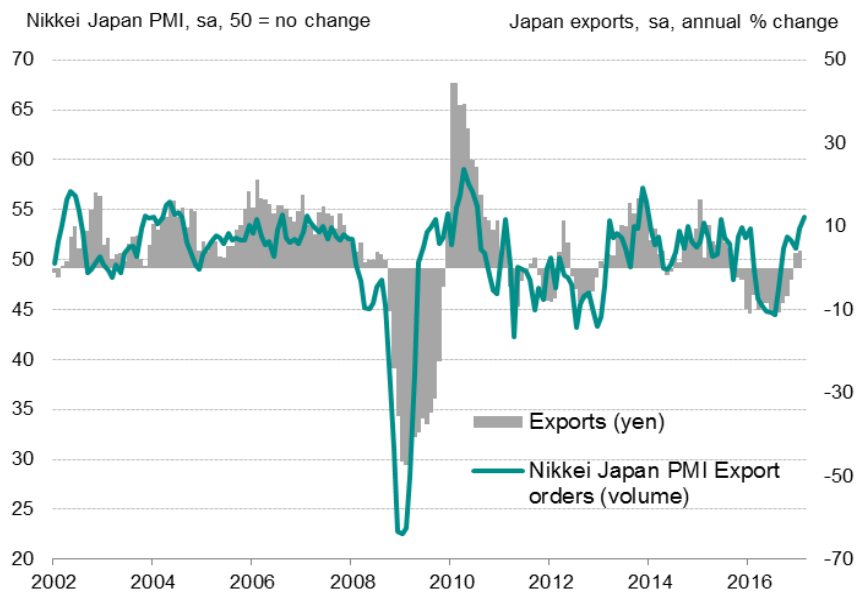
Japan PMI* & economic growth



Sources: IHS Markit, Nikkei, Japan Cabinet Office

* Composite PMI is a GDP weighted average of the survey indices

Japan manufacturing exports

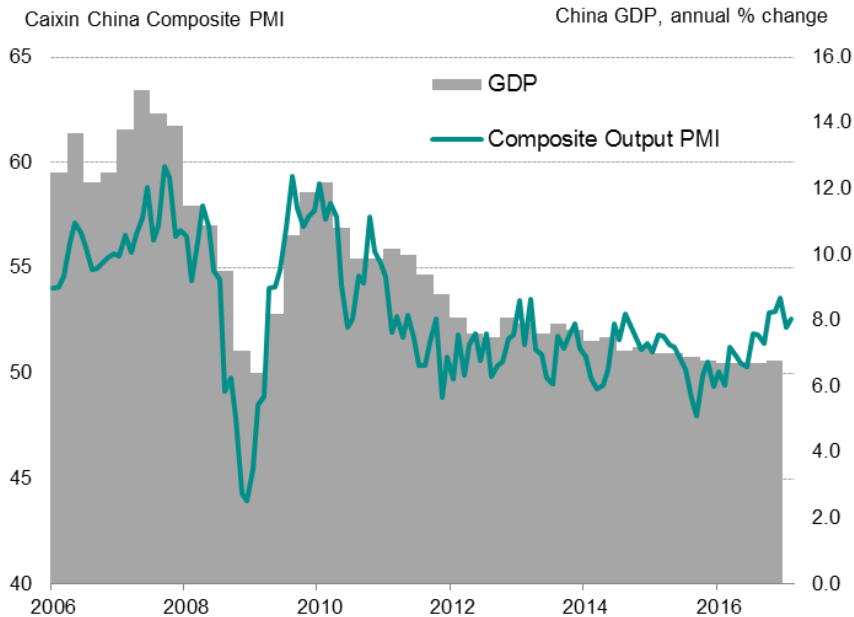


Sources: IHS Markit, Nikkei, Japan Ministry of Finance

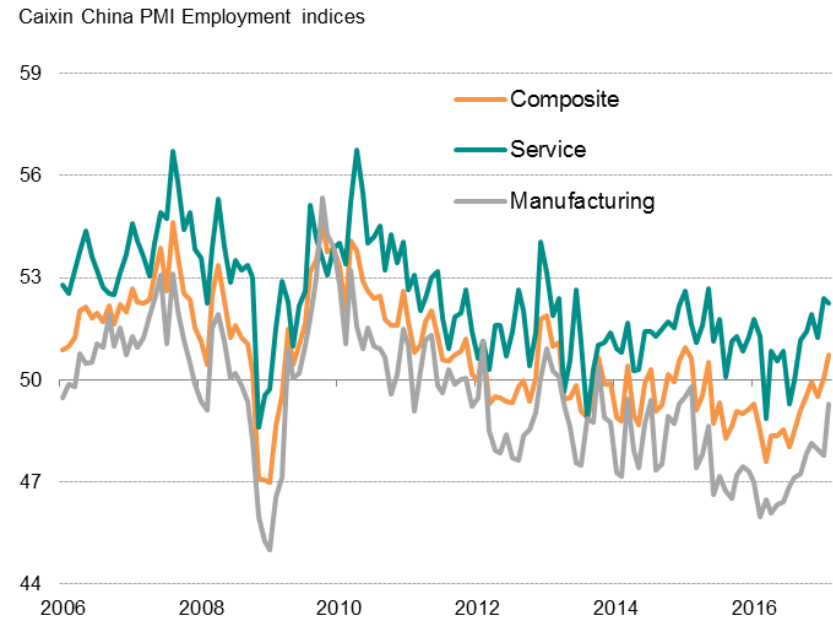
China PMI surveys signal first jobs gain for nearly two years

- The Chinese economy strengthened in February, with overall employment increasing for the first time in 21 months. The Caixin China PMI Composite Output Index, compiled by Markit, rose from 52.2 in January to 52.6 in February, reversing the slowdown that had been indicated at the start of the year.
- A recovery in manufacturing sector growth offset a slowdown in services, which was supported by the strongest increase in manufacturers' new export orders for nearly 2½ years amid improving global trade.
- Stronger overall business activity growth was accompanied by the first increase in composite employment since May 2015. However, manufacturing payrolls continued to be cut, albeit at the slowest rate in two years.

China PMI* & economic growth



China employment

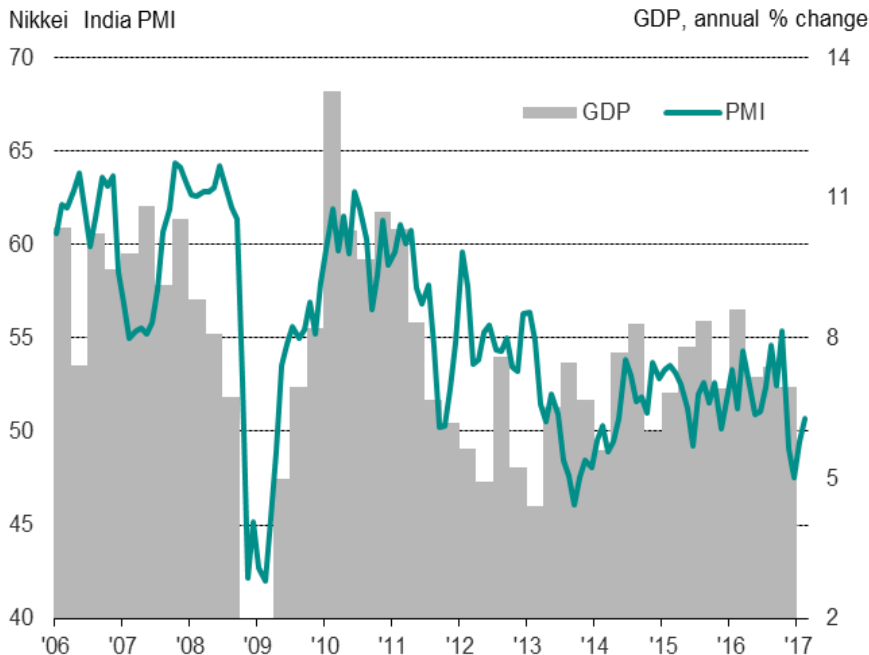


* Charts use composite PMI covering both manufacturing and services. Sources: IHS Markit, Caixin.

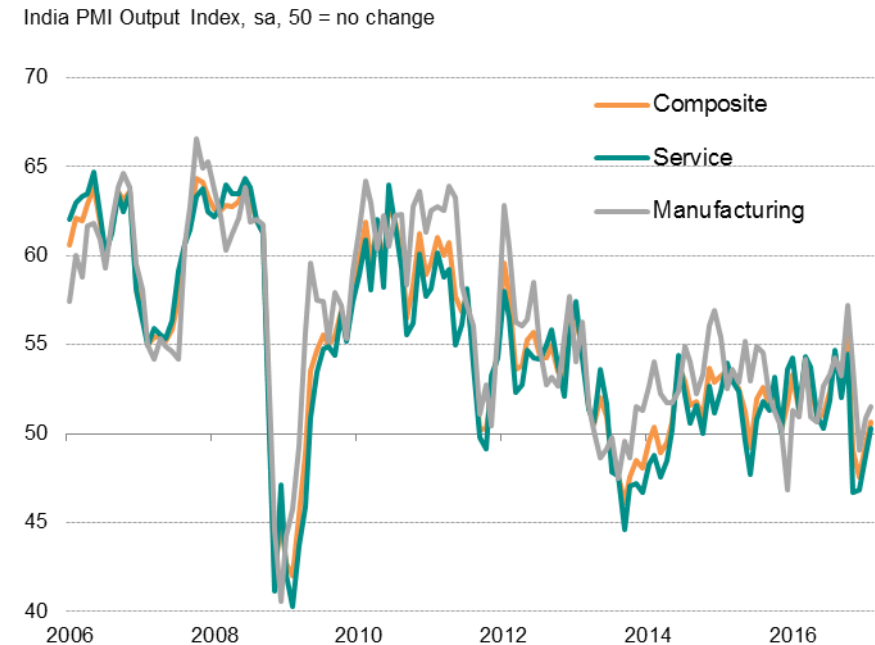
India PMI indicates recovery after demonetisation shock

- India's economy lurched back into growth in February, after suffering three months of deterioration because of demonetisation. The Nikkei India PMI Composite Output Index, compiled by Markit, rose from 49.4 in January to 50.7 in February. Though encouraging, growth rates remained subdued in both manufacturing and services, while employment fell, indicating that businesses are still doubtful of the longevity of the economic recovery.
- Stronger output growth was accompanied by higher inflation, with manufacturers seeing particularly sharp cost increases. The rise in manufacturing input costs was the greatest in two-and-a-half years, underpinned by higher commodity prices.

India PMI* v GDP



India output/activity

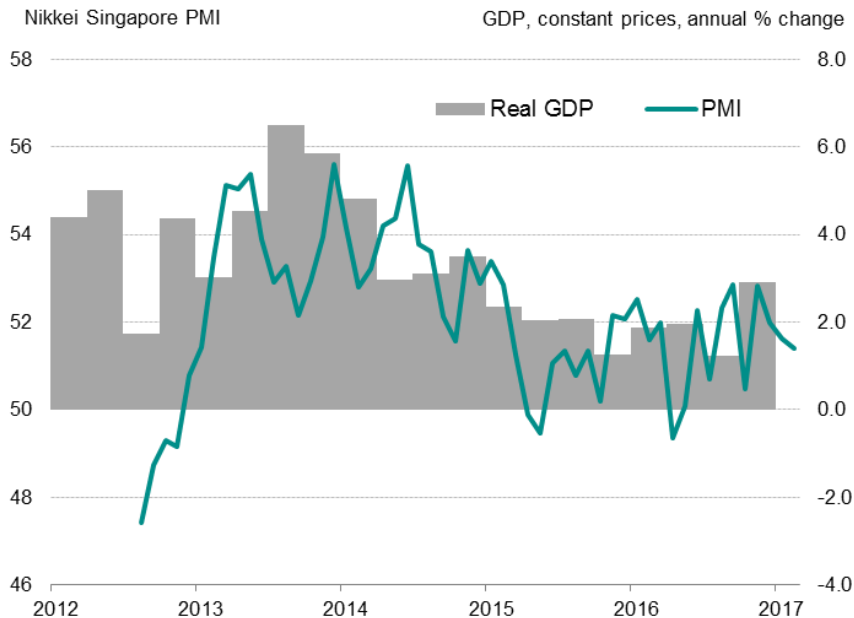


* Chart uses composite PMI covering both manufacturing and services.
Sources: IHS Markit, Nikkei, MOSPI

Singapore's growth slows amid business pessimism

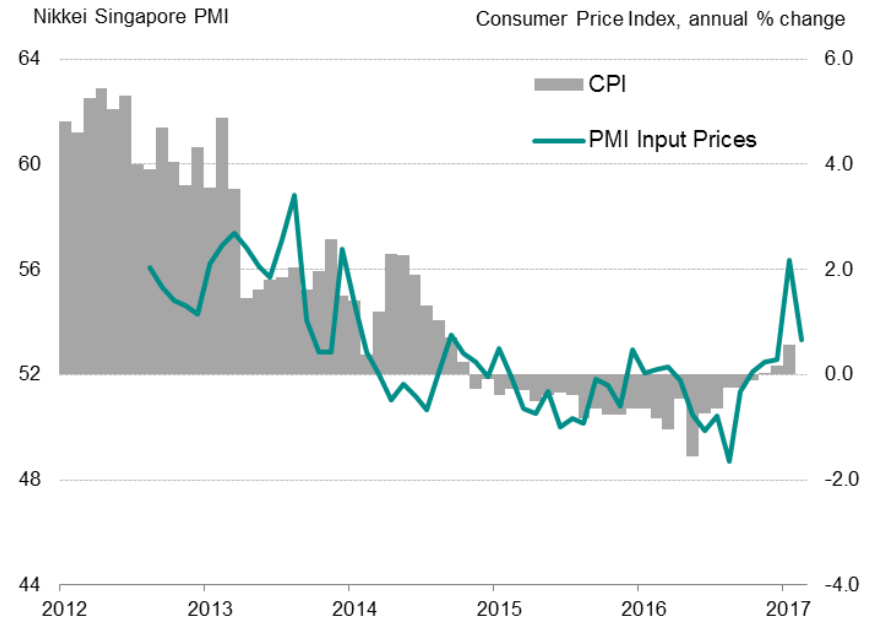
- The moderating growth trend in Singapore's private sector economy continued on the back of slower expansions in both output and new orders. The Nikkei Singapore PMI fell from 51.6 in January to 51.4 in February. External demand weakened, with lower export sales seen for the first time in six months.
- Increasing business pessimism meanwhile contributed to companies becoming more conservative in hiring. Employment levels grew at the slowest rate in three months during February.
- At the same time, easing cost inflation resulted in a slower rise in firms' selling prices.

Singapore PMI* & economic growth



* PMI refers to whole economy. Sources: IHS Markit, Nikkei, Statistics Singapore.

Inflationary pressures

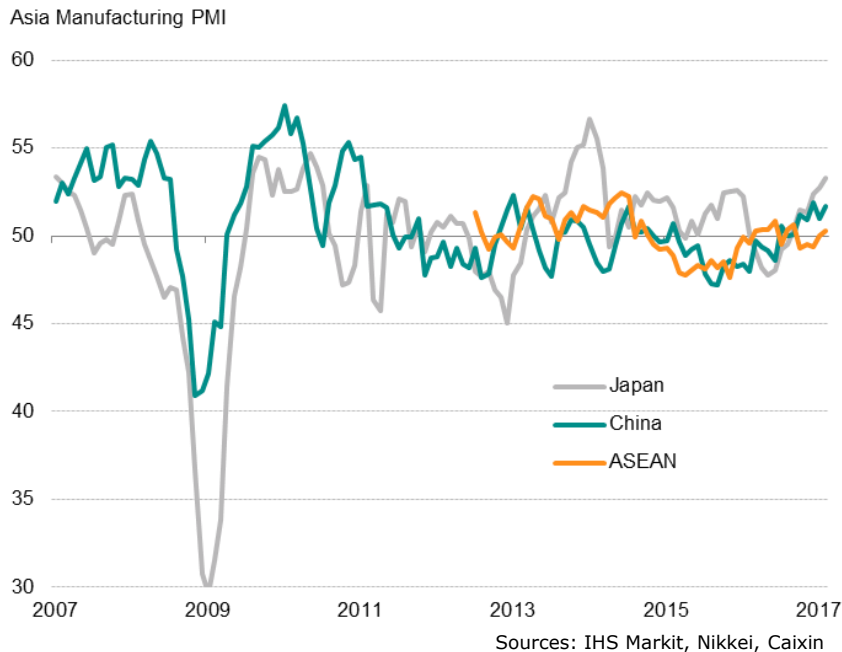


Sources: IHS Markit, Nikkei, Statistics Singapore.

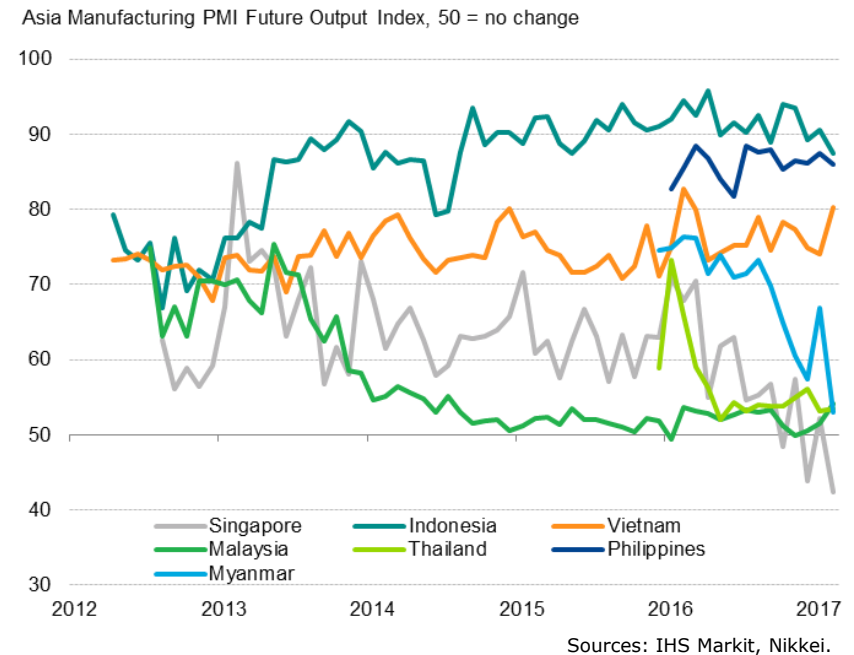
ASEAN manufacturing expansion masks uneven growth

- Expansion in the ASEAN manufacturing economy masked varied national economic performances. The Nikkei ASEAN PMI increased from 50.0 in January to 50.3 in February. Four of the seven nations covered registered an improvement in business conditions.
- Vietnam overtook the Philippines to show the strongest growth in February. The Philippines saw a robust rate of expansion, albeit one that was weaker than the average in 2016. Worryingly, manufacturers' optimism, while still positive, reached the lowest in over 2½ years. Moreover, substantial variations in future expectations for manufacturing output were seen across the region.

Asia v ASEAN manufacturing growth



Future expectations



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.