

# Asia

## Basic materials sectors move up Asian growth rankings

- Chemicals tops the detailed sector rankings
- Basic materials show general revival
- Strong year for technology so far

The start of the third quarter saw a sustained upturn in the majority of Asian sectors. One of the notable performances was that of chemicals, which recorded a sharp improvement to become the best performing sector in July, reflecting a general turnaround seen across the broader basic materials group.

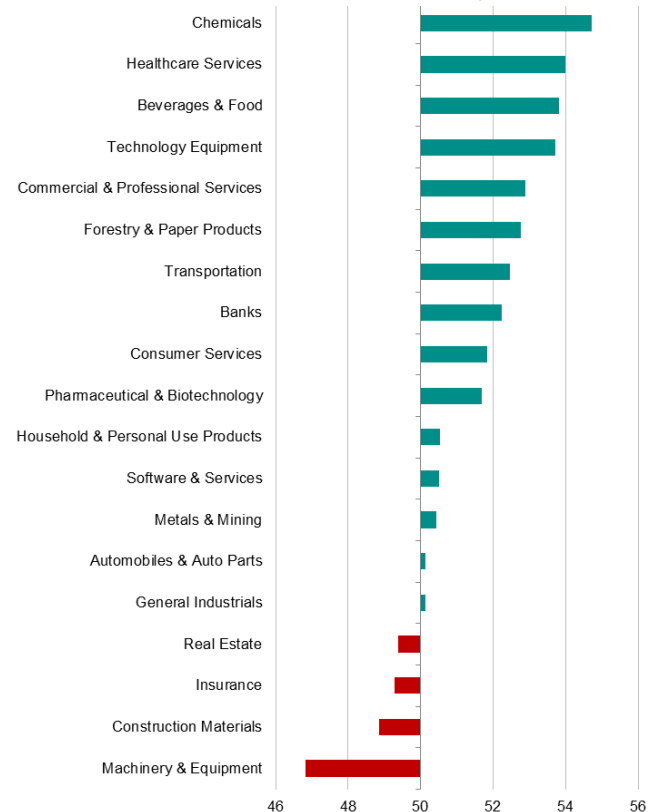
The **Nikkei Asia Sector PMI** showed that 15 of the 19 detailed sectors covered by the surveys registered an increase in business activity, the same number as seen in each of the previous two months. June's growth leader, commercial & professional services, slipped to fifth in the rankings, overtaken by chemicals for the top position. Forestry & paper products, another basic materials sub-sector, rose four places to sixth, while metals & mining eked out a marginal gain in output after four months of contraction.

### Basic materials sectors revive

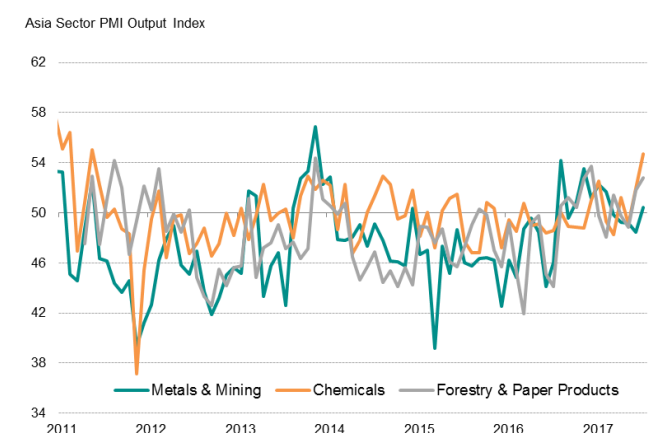
Since bottoming out in March 2015, the PMI Output Index for the broadly defined basic materials category — comprising chemicals, forestry & paper products, and metals & mining — has trended upwards, albeit not in a smooth manner. When comparing the averages for the January–July period this year with those for 2015–2016 (chart 4), all three basic materials sub-sectors have returned to growth. In fact, metals & mining posted the largest positive swing among the 19 sub-sectors, with forestry & paper products and chemicals also in the top five.

Moreover, despite chemicals output growth being the highest for over six years in July, the PMI survey indicated that the upturn has more room to run: new orders rebounded in July and increased at the fastest rate since January, leading to another build-up of backlogs of work. Confidence about future output also remained strongly positive.

Nikkei Asia Sector PMI Output Index: July 2017



### Basic materials



Sources: IHS Markit, Nikkei

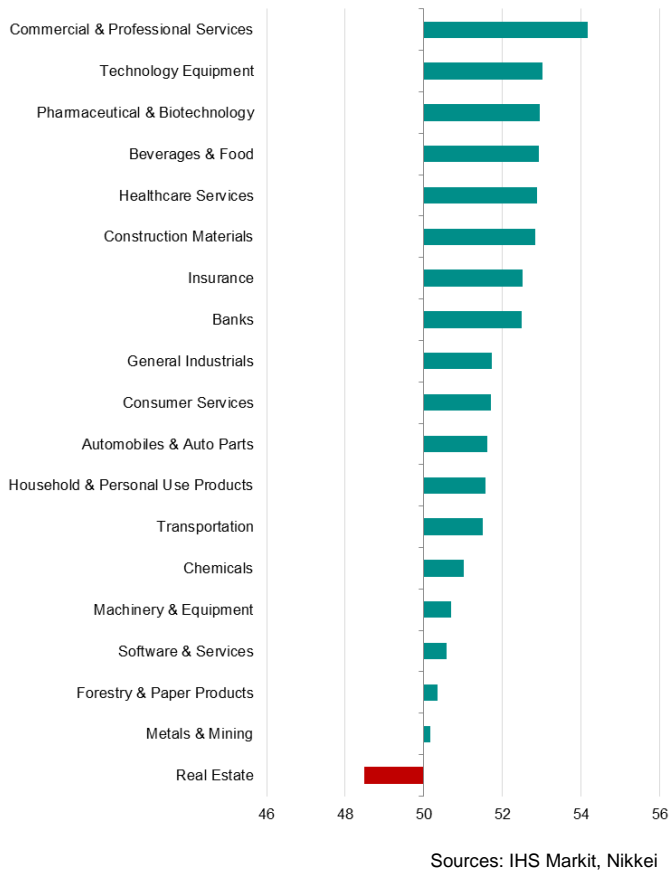
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## Strong year for technology so far

Technology equipment remained one of the strongest performers in July, with its output growth rate the fourth-highest in the rankings (and the second-highest in 2017 so far). Latest data showed a sustained solid increase in business activity in the sector, with growth above the average seen in the first half of this year. Driving the upturn was another robust rise in new business, which also contributed to higher employment. By contrast, machinery & equipment — another gauge for capital expenditure — saw a steep fall in output, which ended nine months of expansion.

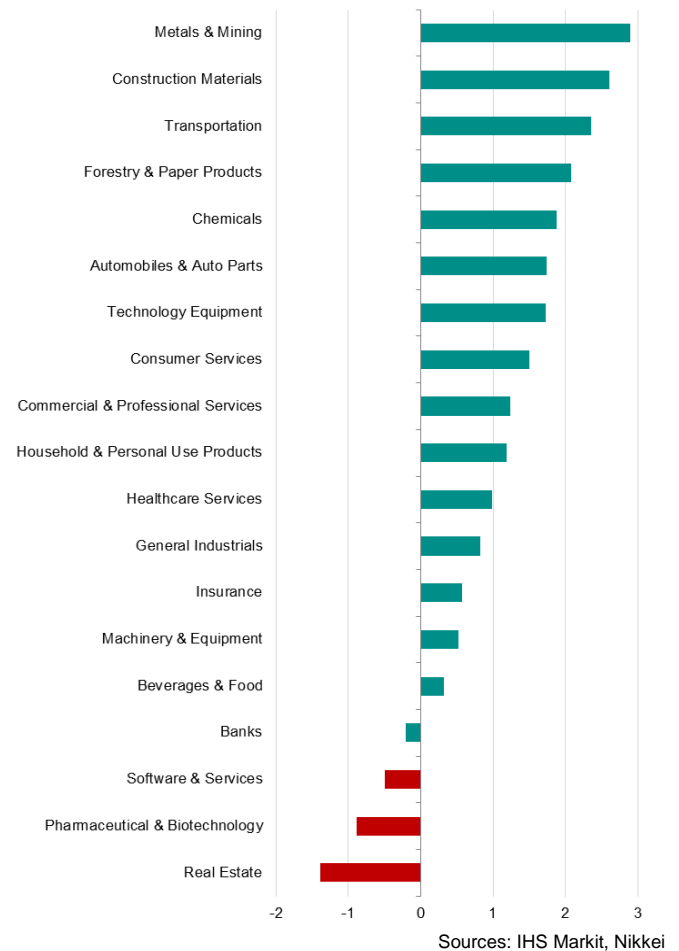
### Nikkei Asia Sector PMI Output Index: January–July

Output / Business Activity, sa 50.0 = no change



## Basic materials sectors see large positive swings

Output / Business Activity, Difference between YTD 2017 and 2015-2016 average



## Notes on data

Nikkei Asia Sector PMI™ data are derived from surveys of over 6,700 companies operating in 13 economies. The data are released on the fifth working day of each month at 0830 Hong Kong time.

The data create powerful insights into sector profitability and provide tools for investment strategy and asset allocation. Corporate users are able to monitor trends within industry sectors, to help with industry forecasting and inventory planning. The dataset provides monthly indicators of business trends across variables such as output, order books, prices, inventories and employment for seven major groups including: basic materials, consumer goods, consumer services, financials, healthcare, industrials and technology.

Detailed historical Asia sector data are available via a subscription from IHS Markit, and datasets are also

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