



IHS Markit™

Asia PMI

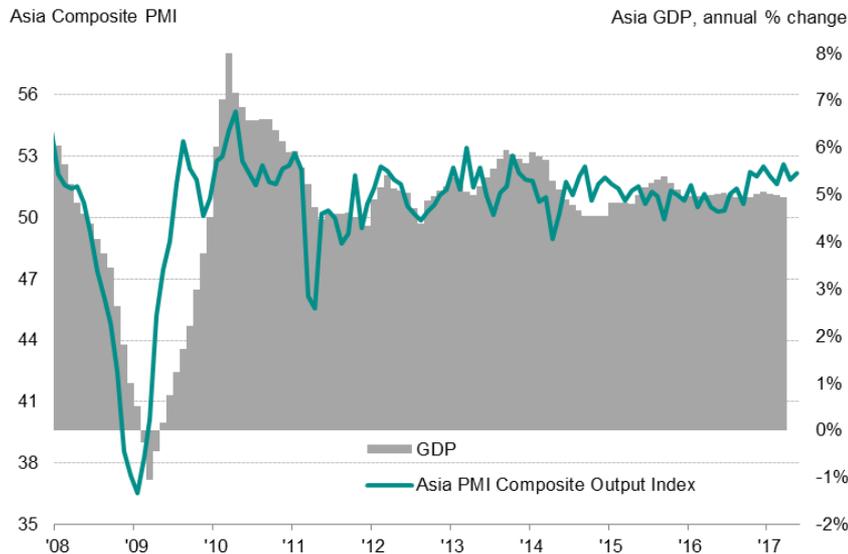
Growth in Asia regains momentum in May, but
manufacturing struggles

June 2017

Service sector drives faster growth in Asia

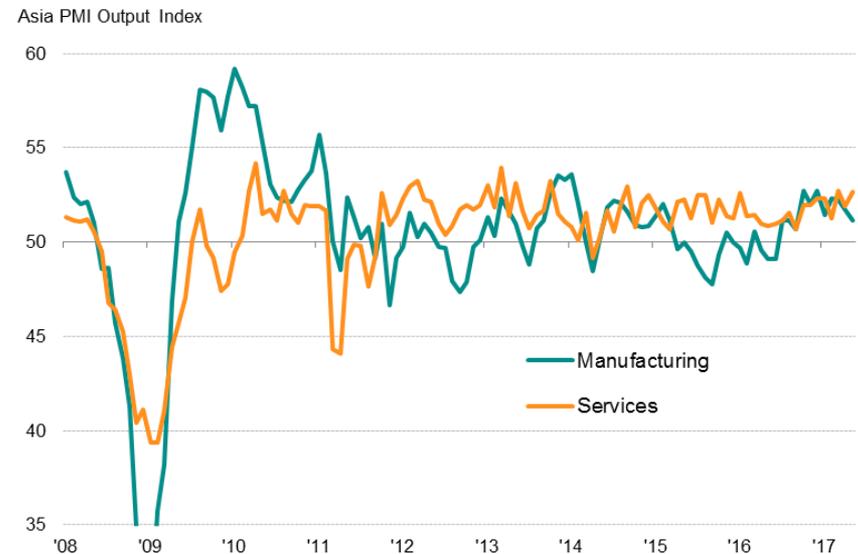
- The Asian economy regained some growth momentum in May, but the manufacturing sector slowed further, according to PMI survey data. The Asia Composite PMI, compiled by IHS Markit from its various national surveys, rose from 51.8 in April to 52.1 in May. The latest reading is in line with the average seen so far this year and broadly consistent with Asia GDP growing at an annual rate of 5.5%.
- Growth was led by an upturn in the service sector. The Asia Services PMI showed a pick-up in business activity growth to the joint-highest in over 3½ years. While there has been an improvement in services activity compared to early last year, manufacturing has struggled, with output growth across Asia slowing for a second straight month in May.

Asia PMI & economic growth



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

Manufacturing & service sectors



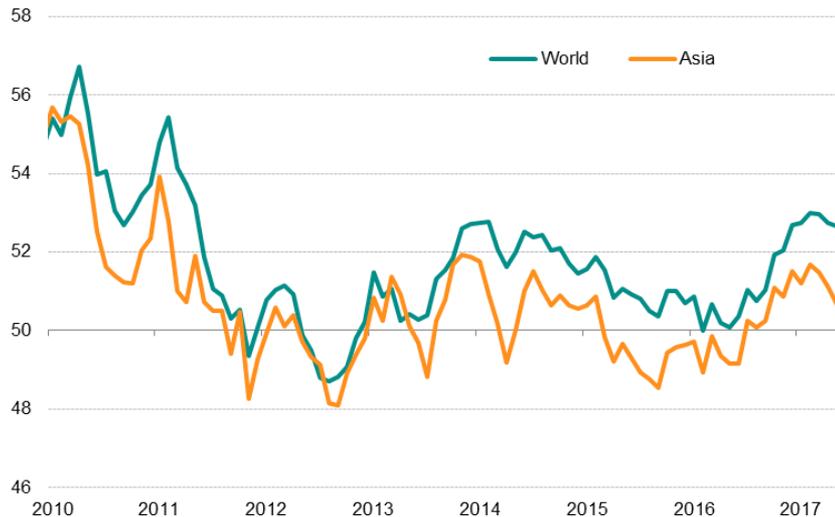
Sources: IHS Markit, Nikkei, Caixin.

Asia manufacturing slows further

- The May PMI surveys brought further signs of easing in Asia’s manufacturing industry, which continues to lag behind wider global manufacturing growth trends. The latest slowing was mainly the result of a fall in the Caixin China Manufacturing PMI to an 11-month low.
- The slowdown is likely to persist in the coming months, as signalled by forward-looking PMI sub-indices. New orders grew at a slower rate in May and expectations of future output weakened.
- Slowing manufacturing activity has coincided with easing inflationary pressures, particularly in terms of input costs. Average cost burdens for Asian manufacturers showed the weakest rate of increase since August last year. That helped to take pressure off selling prices, which decreased for the first time in nine months.

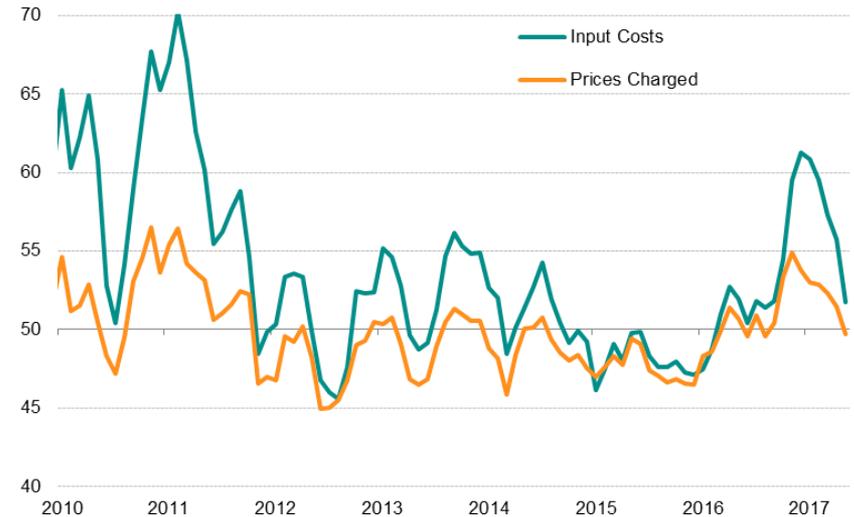
Asia & Global manufacturing

Manufacturing PMI



Inflationary pressures

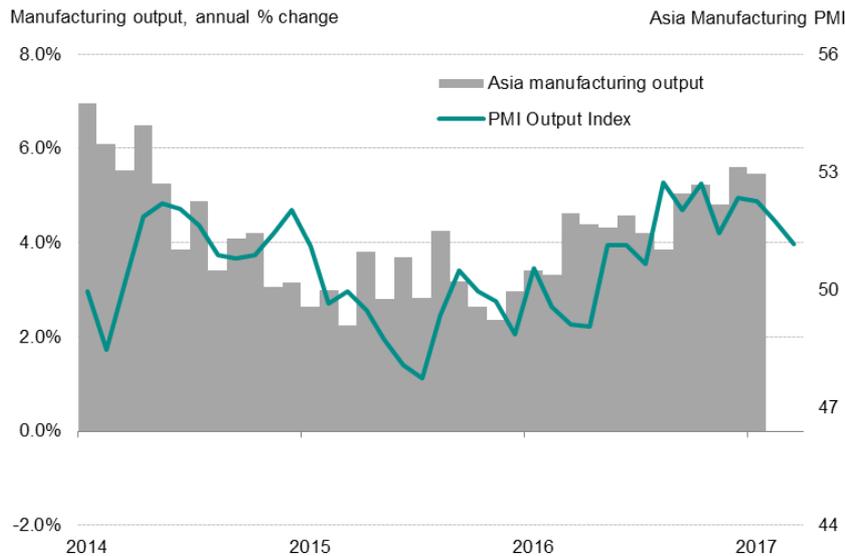
Asia Manufacturing PMI



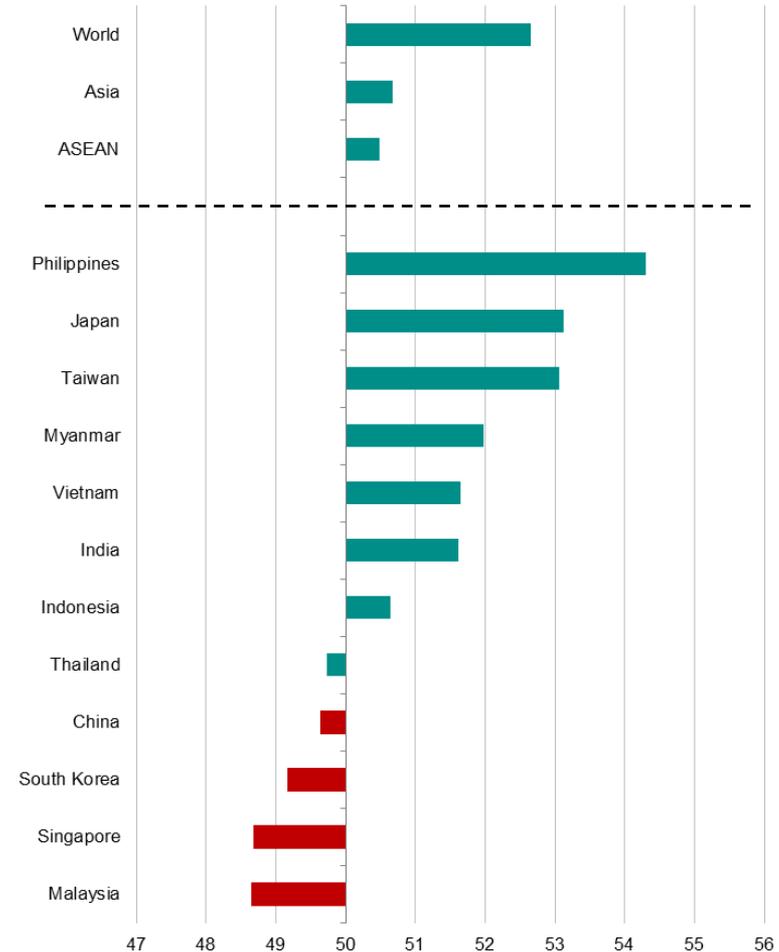
Sources: IHS Markit, Nikkei, Caixin, JPMorgan

Asia lags global manufacturing

- The latest headline Asia Manufacturing PMI was at an eight-month low during May. The survey data also showed a greater divergence in manufacturing performances across the region, contrasting with European producers.
- Of the 12 Asian countries covered, four saw manufacturing conditions deteriorate, up from two in April.
- The [Philippines](#) leap-frogged [Taiwan](#) and [Vietnam](#) to be the strongest performer in Asia, followed by [Japan](#). Taiwan meanwhile slipped from first to the third position. Vietnam fell to fifth place from second. Notably, China recorded a deterioration for the first time in nearly a year



Manufacturing PMI, 50.0 = no change (May 2017)

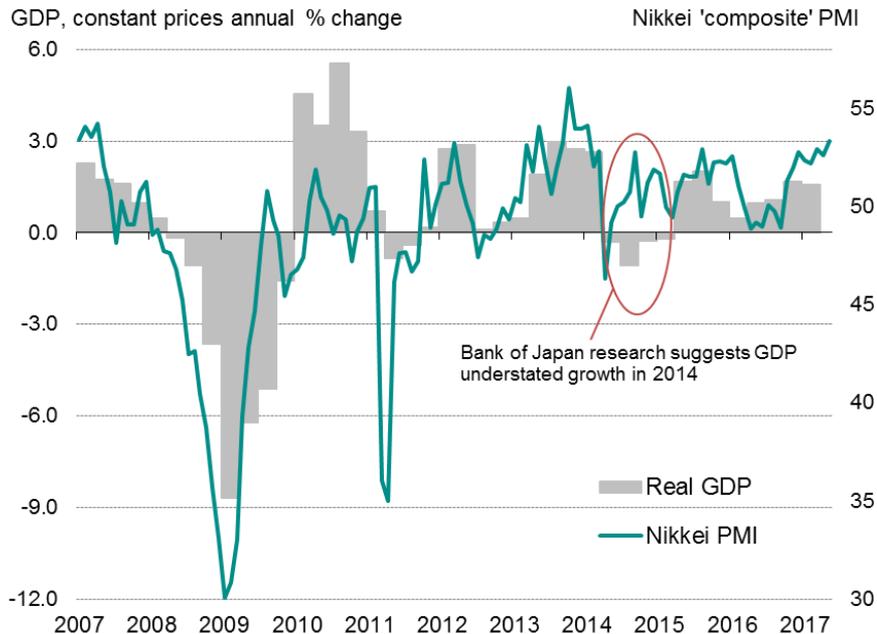


Sources: IHS Markit, Nikkei, Caixin, JPMorgan.

Japan set for robust Q2 as PMI hits three-year high

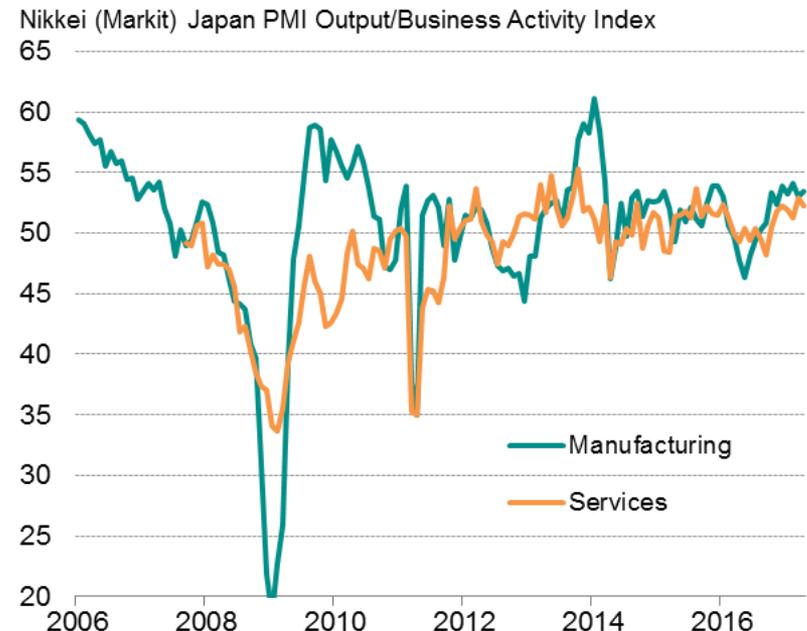
- The [Nikkei Japan Composite PMI](#) rose from 52.6 in April to 53.4 in May, marking the eighth successive month of expansion and the best performance since January 2014. The solid PMI readings so far in the second quarter follow upbeat readings in the opening three months of the year, which had correctly foretold the upturn in the official Q1 GDP numbers, the strength of which had caught many economists by surprise.
- The upturn in May was again led by stronger manufacturing activity, but it has become more broad-based as the service sector played an increasingly important role. Solid expansions in new work and employment were also reported as firms became increasingly optimistic towards economic prospects. The PMI survey showed confidence about the year ahead to have struck a four-year high.

Japan economic growth*



Sources: IHS Markit, Nikkei, Japan Cabinet Office

Japan manufacturing & services output



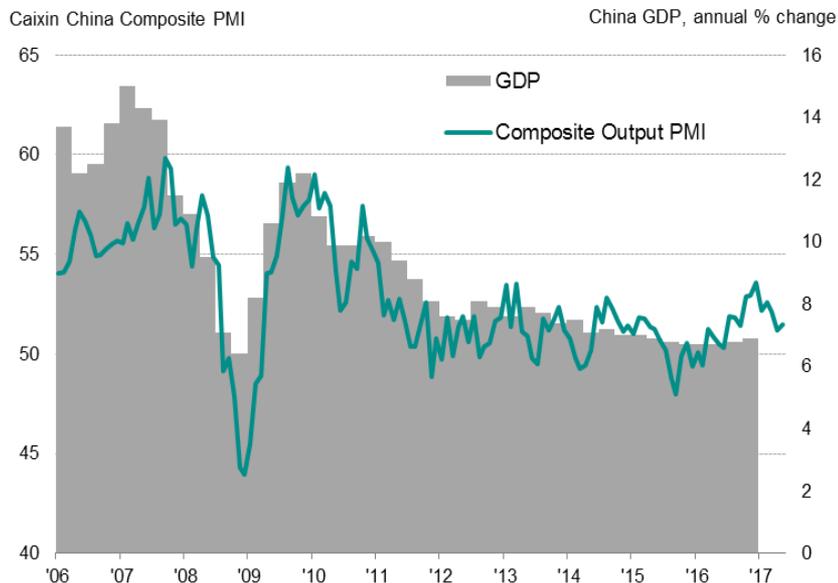
Sources: IHS Markit, Nikkei, Thomson Reuters Datastream.

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

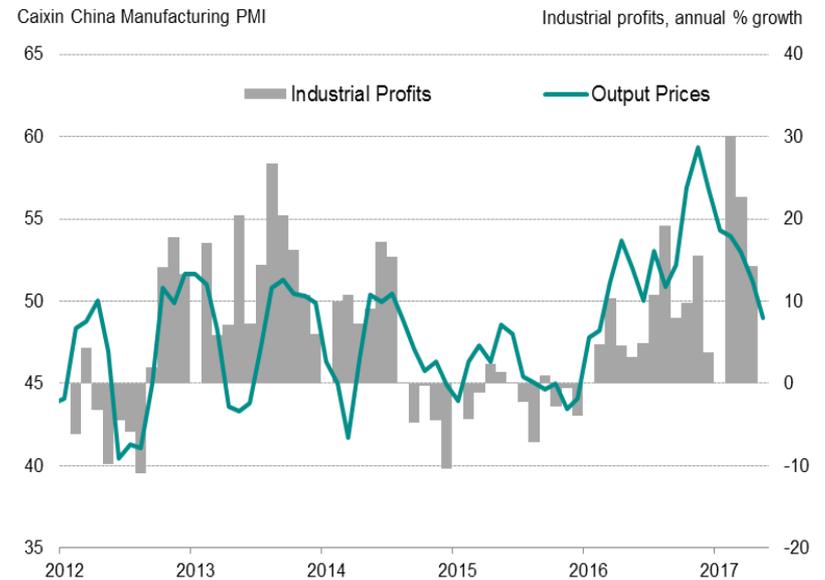
China PMI adds to signs of Q2 slowdown

- The Chinese economy gained a little momentum in May, but the upturn was insufficient to quell widespread expectations of softer GDP growth in Q2. The headline [Caixin China PMI](#) rose slightly from 51.2 in April to 51.5 in May, but that was the second-weakest reading in eight months. There was an encouraging pick-up in services activity to the fastest since January, but the headline manufacturing PMI fell below 50, signalling decline, for the first time in nearly a year.
- Average prices charged by firms for their goods and services fell for the first time since February of last year. The worry is that reduced pricing power may affect company profits, which could in turn have a renewed impact on growing corporate debt levels.

China PMI* & economic growth



China manufacturing prices & profits



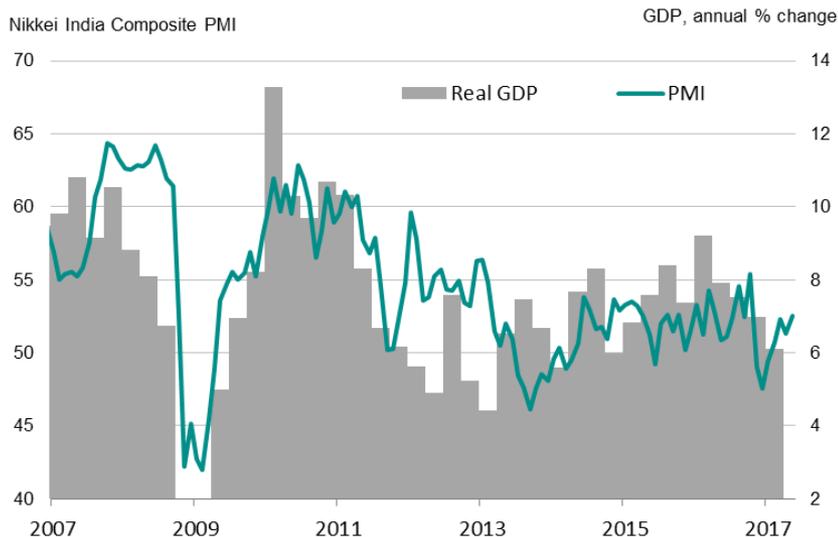
Sources: IHS Markit, Caixin, NBS.

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

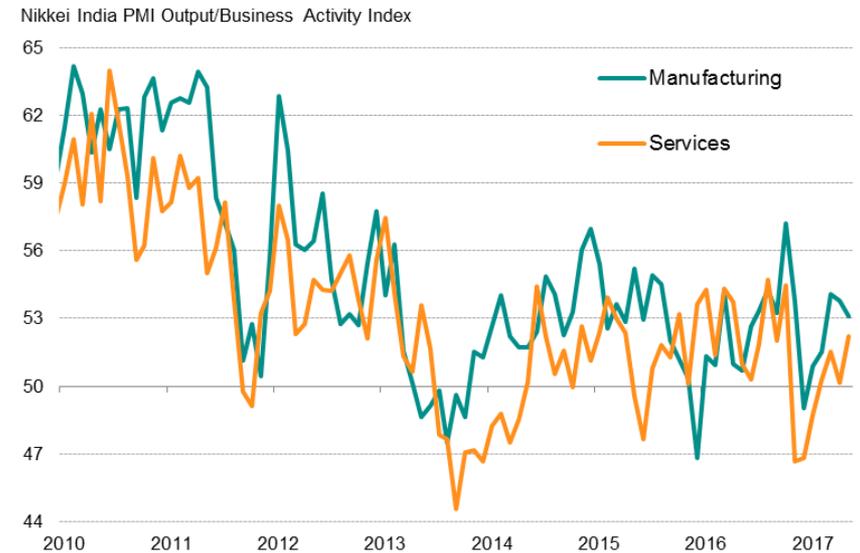
India PMI points to a stronger recovery in Q2

- India’s economic growth rate slowed in the first quarter, according to official data, mirroring weak PMI numbers. Fortunately, the Nikkei India PMI surveys have lifted higher so far in Q2, suggesting the economy is reviving somewhat from the disruptions caused by the surprise withdrawal of high denomination bank notes late last year.
- At 52.5 in May, the Nikkei PMI signalled the fastest growth in seven months, and the best performance since the demonetisation policy was implemented. Encouragingly, the recovery is broad-based. Indian services activity saw an upturn in growth to the fastest in four months. Although manufacturing output slowed further, the rate of expansion remained solid.

India PMI* v GDP



India manufacturing & services

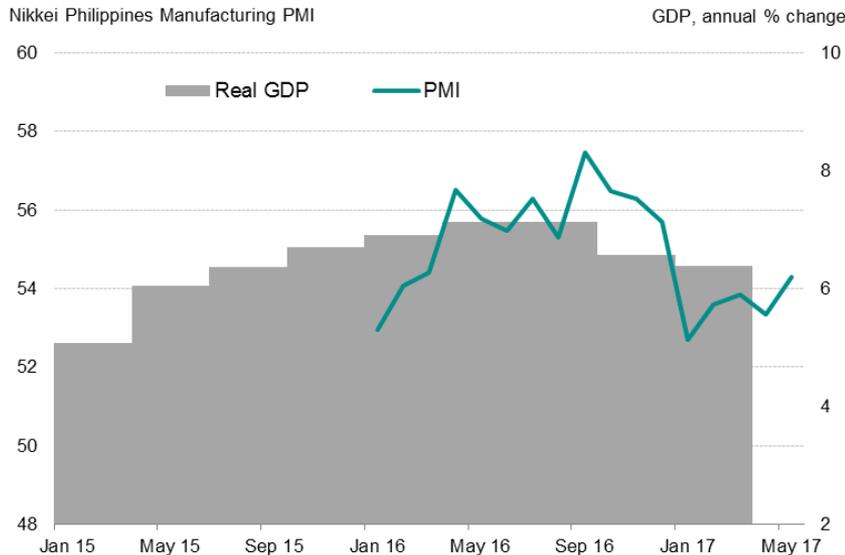


* Chart uses composite PMI covering both manufacturing and services. Sources: IHS Markit, Nikkei, MOSPI.

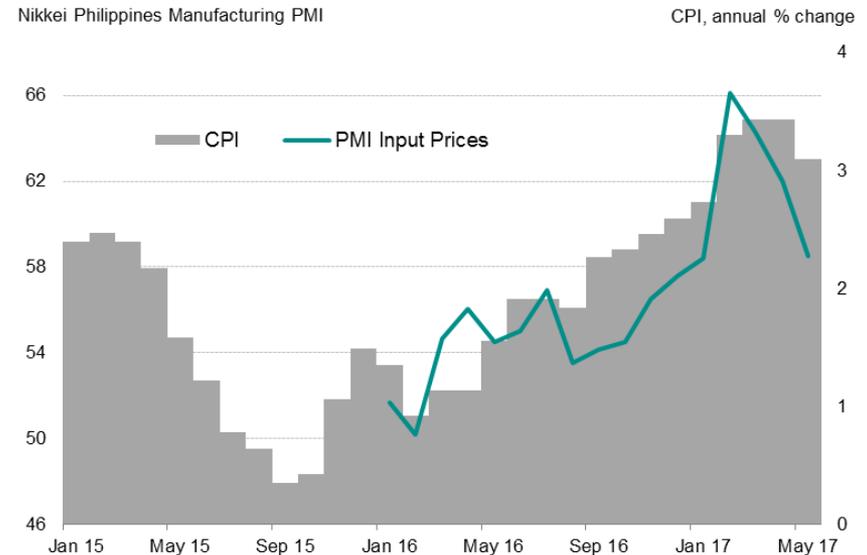
Philippines PMI signals strengthening growth in Q2

- The Philippines manufacturing economy showed [further signs of shifting up a gear](#) in the second quarter. The headline Nikkei Philippines Manufacturing PMI moved up from 53.3 in April to 54.3 in May, its highest so far in the year. There’s also a strong likelihood that the upturn will gain greater momentum in June, amid strong order book growth and buoyant business sentiment.
- Average input costs grew at the weakest pace in four months, albeit one that was still strong overall. Nonetheless, slower increases in input prices could feed through to an easing in consumer prices. That should allay, to some extent, the BSP’s concerns on inflation and stave off expectations of an interest rate hike.

Philippines PMI & economic growth



Inflationary pressures

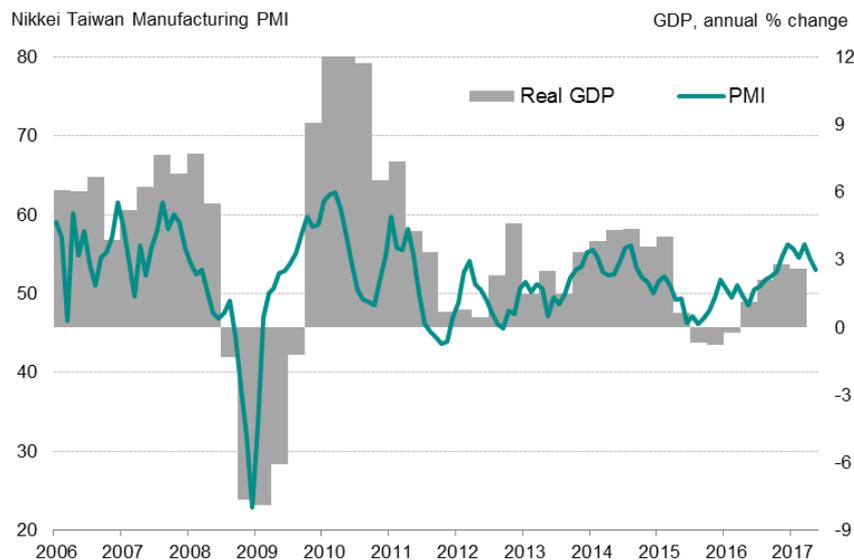


Sources: IHS Markit, Nikkei, PSA.

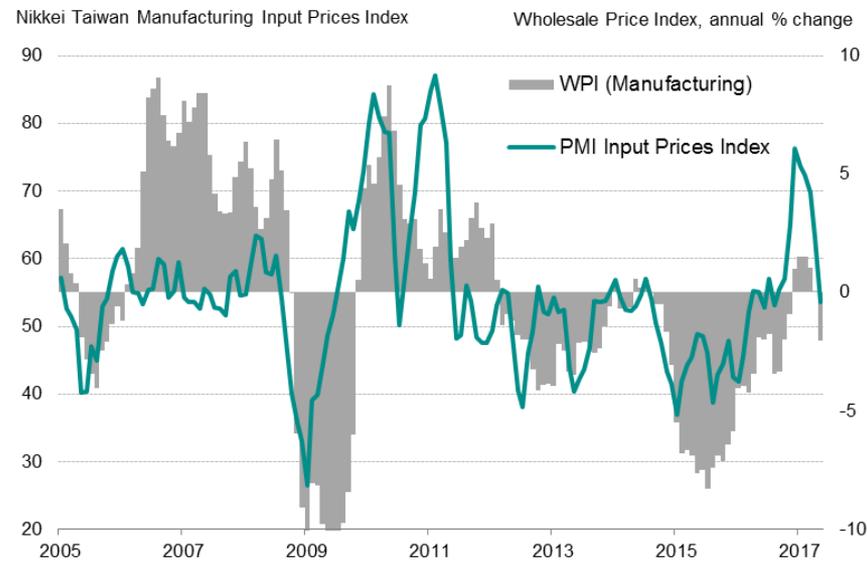
Taiwan's manufacturing growth eases on resource shortages

- Growth slowed further in Taiwan's manufacturing sector in May, with the Nikkei PMI down to a seven-month low of 53.1, albeit still indicating a solid pace of expansion. A marked slowdown in output growth was a key driver, where a shortage in some resources, both labour and materials, was often reported to have held back production schedules. Recent changes to labour laws requiring more rest for workers also led to less time for productive work.
- Robust inflows of new business and buoyant confidence reflected strong client demand. But it is clear that supply-chain improvements and adjustments to workforce numbers are required if firms wish to keep up with the strong demand.

Taiwan PMI & economic growth



Inflationary pressures

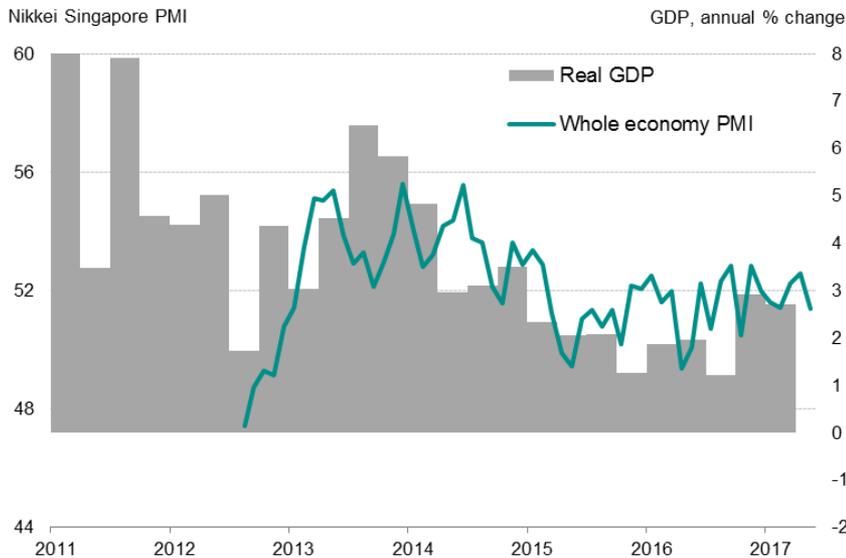


Sources: IHS Markit, Nikkei, DGBAS.

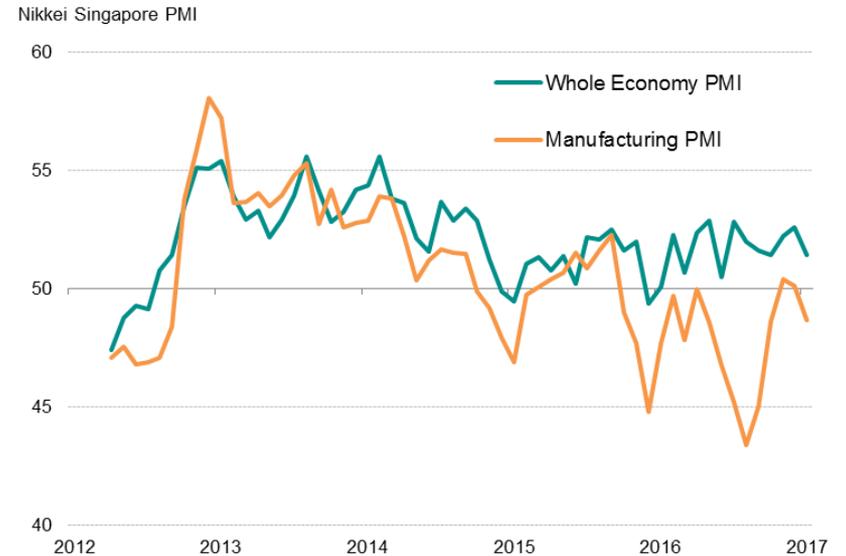
Singapore PMI hints at manufacturing-led slowdown in Q2

- The Singaporean economy started the year on a firm footing, but the [Nikkei PMI](#) survey indicated a loss of growth momentum in the middle of the second quarter. The May survey recorded a slowdown in output growth and new order inflows, including a weaker rate of expansion of export orders. Employment levels were broadly stagnant in May as a result, marking an end to six months of continual job growth, with increased reports of staff layoffs at some firms.
- A key concern is that [Singapore’s manufacturing sector remained under pressure](#), with new export sales declining at a faster rate. The trade deterioration could weigh on second quarter GDP, and may add to the government’s concerns regarding external risks.

Singapore PMI* & economic growth



Manufacturing v whole economy



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

Sources: IHS Markit, Nikkei, MTI.

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