

# Asia

## Asia Sector PMI signals rising capex but weaker consumer spending

- **Pharmaceutical & biotechnology leads the rankings**
- **Strong performances for capex sectors**
- **Metals & mining output prices surge**

The majority of Asian sectors expanded midway through the third quarter, according to latest PMI data, with strong performances seen in sectors which hint at rising capital expenditure. By contrast, sectors targeting consumers seemed to have lost some momentum.

Growth was recorded in 14 of the 19 detailed sectors covered by the **Nikkei Asia Sector PMI™** data in August, slightly down from 15 in July. The fastest expansion of output was registered among manufacturers of pharmaceutical and biotechnology products. July's top performer, chemicals, meanwhile slipped to eighth place in the rankings. Nonetheless, a quicker expansion in resources, notably metals & mining, offset slower growth in chemicals, leading to another robust expansion in the broader basic materials category.

### Rising capex but weaker consumer spend

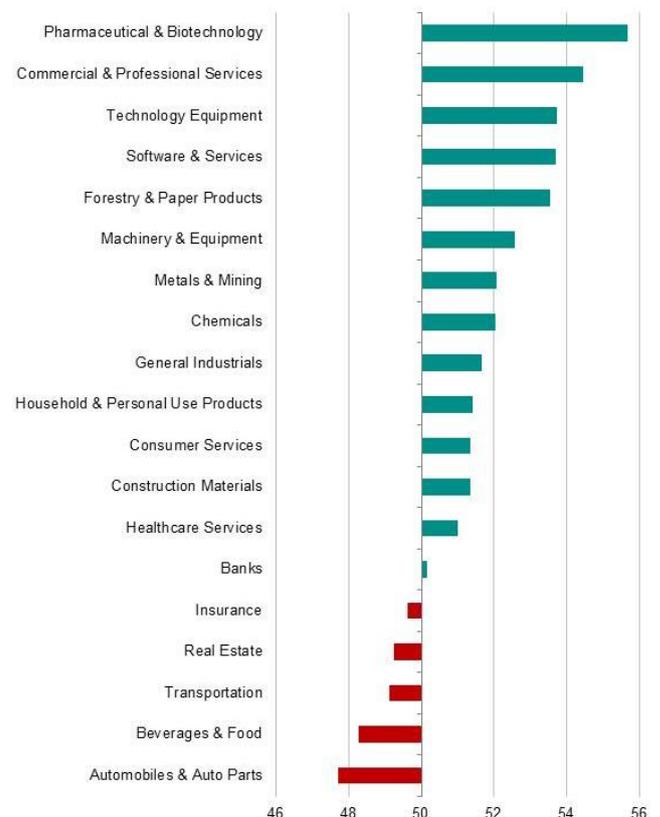
Recovering from a two-year low in July, producers of machinery & equipment posted a solid rise in output in the middle of the third quarter, joining technology equipment among the top six in the rankings. Both sectors are bellwethers of capital investment spending by companies, and as such augur well for the sustainability of the broad-based upturn.

Economic growth remains steady in Asia, with the Asia Composite PMI Output Index signalling a further moderate increase in output, with particularly positive news coming from the China PMI surveys which saw growth hit a six-month high.

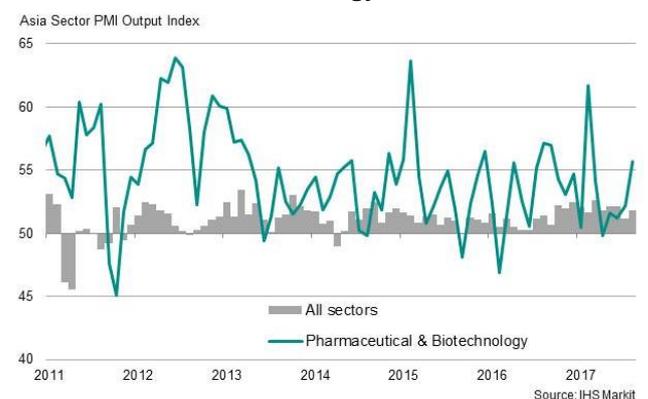
There are however signs of weakening consumer spending in the region. The slowest rates of growth of the major sectors covered by the PMI data were seen among providers of consumer goods and services. This could be connected to a sluggish labour market

### Asia Sector Output Index: detailed sectors (August 2017)

Output / Business Activity, 50.0 = no change (Aug 2017)

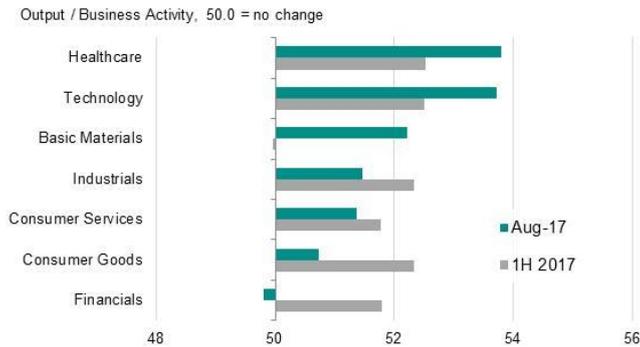


### Pharmaceutical & Biotechnology

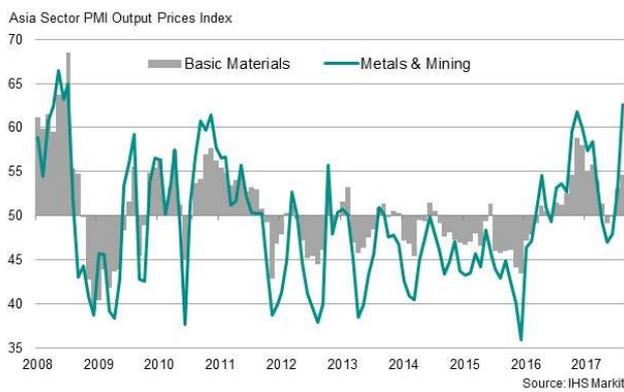


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### Asia Sector Output Index: broad sectors



### Output prices for Basic Materials



and rising inflation, which in turn eats into households' spending power. Across the region, employment levels continued to increase only slightly in August, while firms' selling prices rose at a faster pace.

### Higher prices for metals & mining

All broad categories, except financials, reported higher average output prices in August, with the strongest rate of inflation seen in basic materials. This was primarily driven by a sharp rise in prices charges for metals & mining. In fact, the rate at which selling prices rose in the sub-sector was the steepest for nine years.

Higher prices for raw materials such as metals have been widely cited in the national PMI surveys across Asia in recent months, and are seen as a key driver of cost inflation.

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### 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 available for Global, Europe and the US. For further information please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)