

IHS Markit Asia Sector PMI™

Asian sector recovery broadens further in October, led by Banks

Key findings

Number of sectors reporting output growth rises to fourteen, highest for nearly 1½ years

Banking activity upturn gains pace, takes lead in rankings

Chemicals and autos post stronger output gains

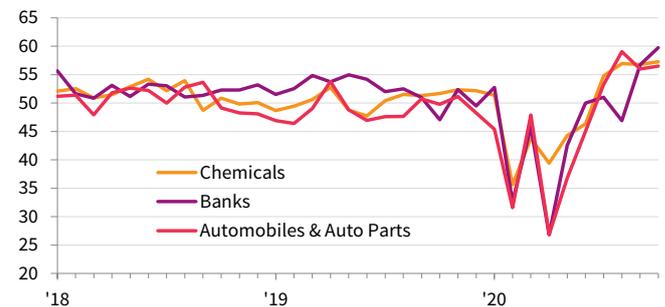
Asia sector PMI™ data from IHS Markit indicated a further broadening economic recovery from the coronavirus disease 2019 (COVID-19) downturn, with an increased number of sectors returning to growth territory at the start of the fourth quarter. The number of sectors indicating stronger output rose to fourteen in October, increasing for a fifth consecutive month, and marked the highest total for almost one-and-a-half years. **Consumer services**, which has been among the hardest-hit sectors in the pandemic, posted activity growth for the first time since January.

Asia Sector PMI indices are compiled from responses to questionnaires sent to purchasing managers in IHS Markit's Asian PMI survey panels, covering over 6,000 private sector companies in 13 countries. Indices are available for the basic materials, consumer goods, consumer services, financials, healthcare, industrials, technology and telecommunication services industry groups, and sub-sectors of these groups.

Banks led the detailed sector rankings in October, overtaking **chemicals**, which slipped to second position. **Automobiles & auto parts** remained in third place. **Metals & Mining** returned to growth and climbed to fourth place, followed by **household & personal use products** which recorded a faster rate of expansion than in September. Encouragingly, latest data also signalled a markedly quicker rate of growth in machinery & equipment, widely regarded as an indicator for capital investment. **Transportation** also returned to growth.

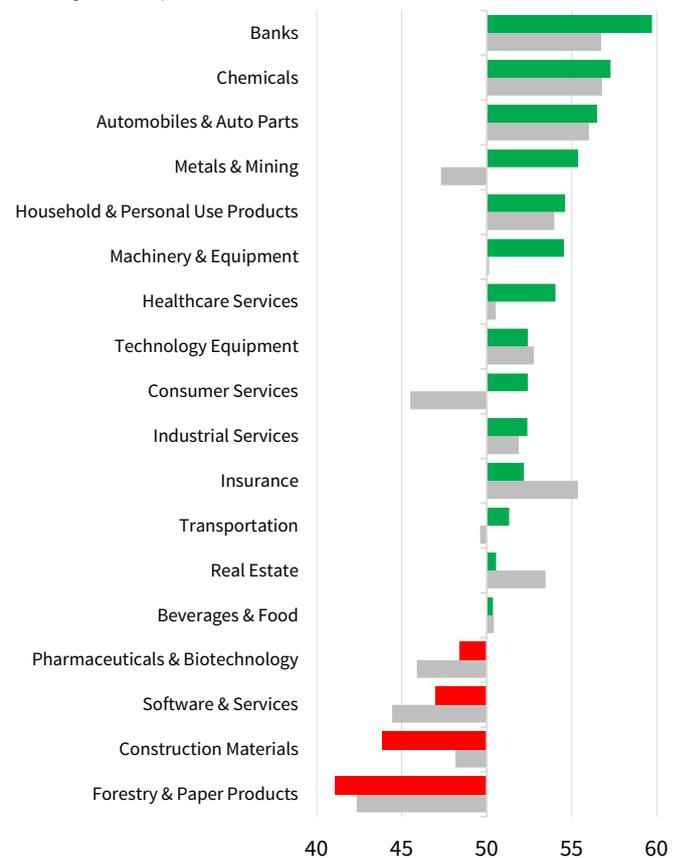
Among the broad sectors, all except technology reported rising business activity, led by **basic materials** and **consumer goods** as the top two performers respectively. Meanwhile, **forestry & paper products** again registered the strongest decline in activity of all sectors monitored in October.

Asia Output Index
sa, >50 = growth since previous month



Source: IHS Markit.

Output Index, Oct '20 ■ / Sep '20 ■
sa, >50 = growth since previous month



Source: IHS Markit.

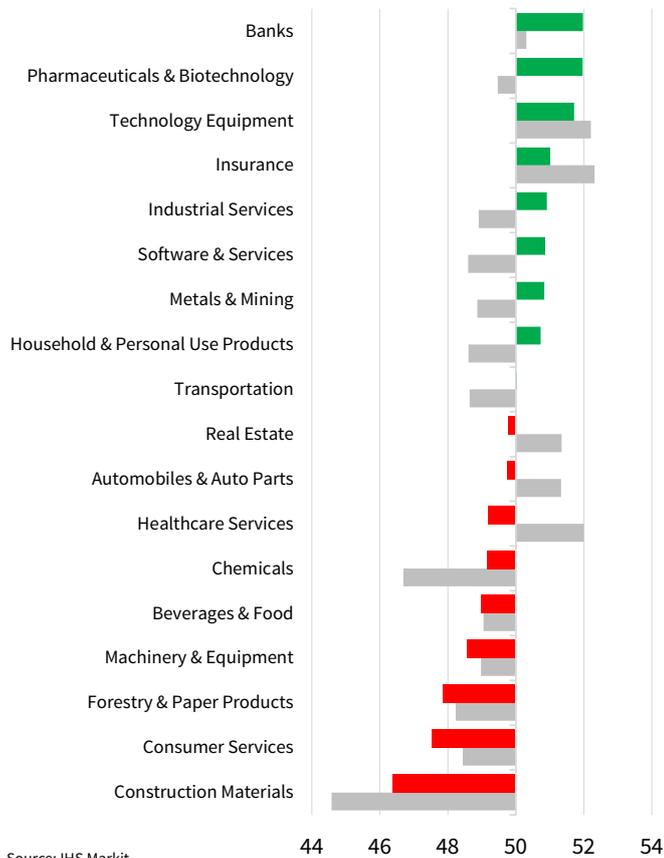
Employment

With an increasing number of sectors reporting rising business activity, Asia Sector PMI data also indicated an improving employment trend. The number of sectors indicating a rise in workforce numbers rose from six in September to eight in October, the highest for nine months.

Banks and pharmaceuticals & biotechnology jointly led the detailed sector rankings in October, followed by technology equipment, reflecting the demand for manpower in these sectors. Meanwhile, firms operating in industrial services, software & services, metals & mining, and household & personal use products reported job creation following a decline in September.

Meanwhile, consumer services and construction materials registered the two strongest declines in employment of all sectors monitored during October as ongoing social distancing measures continued to restrain both construction and consumer-facing activity.

Employment Index, Oct '20 ■ /Sep '20 ■
sa, >50 = growth since previous month



Source: IHS Markit.

Banks

Banking activity growth hits eight-year high as demand strengthens

Banks registered the fastest rate of growth of any sector in October, and was among the top-ranked sectors for a second month running. The rate of expansion in banking activity quickened from September and was the strongest for eight years.

The upturn in output was accompanied by another marked growth in new orders. Inflows of new business rose at the fastest pace since February 2017, with anecdotal evidence indicating that economic recoveries, greater confidence and a sustained move towards normal market conditions all supported demand for banking services.

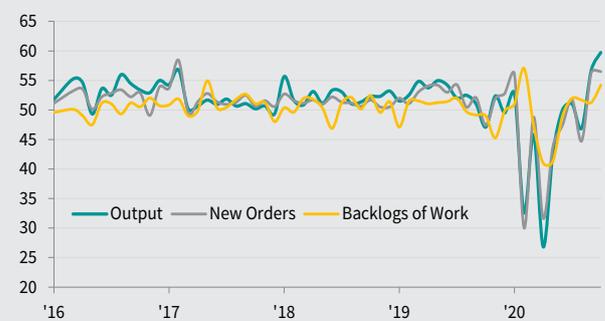
Sharp increases in sales put pressure on firms' operating capacity, leading to a further and faster accumulation of backlogs, with the rate of increase the sharpest for eight months. Consequently, banks scaled up their hiring to cope with higher workloads, with employment up for a second straight month during October. While modest, the rate of increase in workforce numbers was the fastest for just over three years.

A greater proportion of Asian banks anticipated activity to rise over the coming year, lifting business confidence to the strongest since mid-2019. Higher sales projections, expectations of a sustained economic recovery and marketing activity were all reasons supporting optimism. That said, some respondents raised concerns relating to the resurgence in global infection cases, a peaking of banking services demand and financial market uncertainty.

The survey also indicated a rising price trend, with input price inflation the strongest since July 2019. Output charges meanwhile rose marginally in October.

Banks

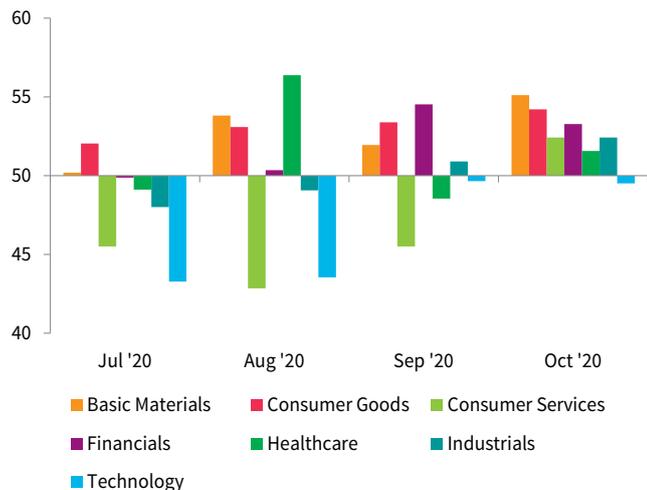
sa, >50 = growth since previous month



Source: IHS Markit.

Asia Output Index

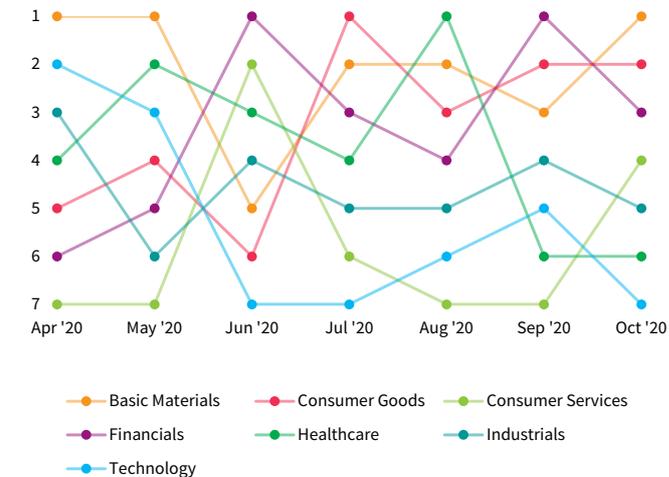
sa, >50 = growth since previous month



Source: IHS Markit.

Asia Output Index

Rank



Source: IHS Markit.

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Methodology

The IHS Markit Asia Sector PMI™ indices are compiled by IHS Markit from responses to questionnaires sent to purchasing managers in IHS Markit's Asian PMI survey panels, covering over 6,000 private sector companies in 13 regions.

IHS Markit maps individual company responses to industry sectors according to standard industry classification (SIC) codes. Asia Sector PMI indices are available for the basic materials, consumer goods, consumer services, financials, healthcare, industrials and technology industry groups, and sub-sectors of these groups.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. Survey responses are weighted by country of origin, based on sectoral gross value added. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

For manufacturing sectors, the headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

For services sectors, or sectors covering both manufacturing and services, the headline figure is the Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity or output compared with one month previously.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.
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