

Asia's May PMIs: Anything, except a V-shaped recovery

Most Asian countries manufacturing sectors are still slowing but at a reduced pace in May. There is little evidence of a rapid recovery in manufacturing, even where the economy enjoys relatively free movement



How to read a purchasing manager index (PMI)

PMIs are diffusion indices. The index for PMIs and all of their sub-components is calculated as the sum of the percentage of 'higher' responses and half the percentage of 'no change' 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.

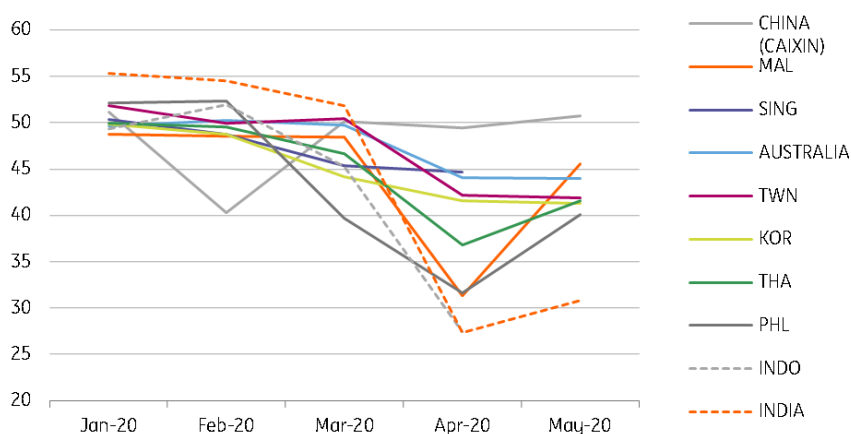
For most (though by no means all) of the economies of Asia, the May reading was a bit higher than the April reading, though most remained below 50.

So if April showed a dramatic contraction in manufacturing activity, with PMIs in the 20s and 30s,

then May, with results clustered in the 40s, indicated a further, but a less harrowing contraction in that month too.

As economies move towards stability in the manufacturing sector and perhaps bolstered by some modest pent up demand, especially we would argue, for the sort of technology goods that most of us have heavily relied on during the lockdowns, we would expect to see what China, which is a month ahead of much of Asia is now showing. That is, PMIs slightly above 50 but not going anywhere fast. Even these better China figures can't be viewed in isolation from what went before and represent growth, but at a much lower level of activity than similar pre-Covid-19 PMI readings.

Asia's Manufacturing PMI indices



Source: CEIC
Asia's PMIs

Quite a mix of results, but nothing that looks like a V-shaped recovery

Here are our economists' thoughts on the latest numbers for various countries in our region.

China: The Caixin PMI recovered back to above 50 in May (50.7 from 49.4 and similar to the 50.6 reading for the official PMI), showing the manufacturing sector stabilising and perhaps even recovering fractionally. This index shows the progress of the recovery within smaller factories, but these factories are also suffering from shrinking new export orders.

Taiwan: Taiwan's headline PMI modestly worsened in May (41.9 vs 42.2 in April). Export orders were little changed from April's 11-year record low. There are signs that the lay-off of workers continued due to shrinking orders.

Korea: At 41.3, May PMI was disappointing, down slightly from 41.6 in April. With Korea's domestic economy not suffering from the ill-effects of lockdowns in March, these numbers show how even successful economies in the battle against Covid-19 remain hamstrung by the weakness of overseas demand even with the domestic economy returning to normal. Non-manufacturing indices are much stronger.

India's PMI showed some improvement to 30.8 in May from an all-time low of 27.4 in April. But, it's

still the lowest in Asia by some considerable margin, underscoring that economy's ongoing plight as the Covid-19 situation there continues to worsen. It is now the seventh worst-affected country in the world.

Australia: The CBA May PMI was unchanged from the 44.1 April reading (revised down from previous 49.7). With the economy opening up more in recent days, June could see some renewed progress towards the 50 level representing growth, depending on how much the external picture still weighs on orders and manufacturing progress in June.

Malaysia showed a large 14 point bounce in its manufacturing PMI 45.6, exceeding that of **Thailand** which showed a smaller five-point jump to 41.6. Nevertheless, reasonably large increases in both PMIs reflect well-contained Covid-19 situations and easing movement restrictions in these countries.

Singapore's PMI data isn't due until Wednesday. But there has been a dichotomy between the PMI data and the hard data on output, given the lopsided recovery dominated by pharmaceuticals. We don't see the PMI moving much in either direction from its 44.7 reading in April. **Indonesia's** PMI is also due on Wednesday.

Philippines: The May PMI improved to 40.1 from 31.6 in April - still deep in contraction territory. Lockdown measures (in place since March) were relaxed in select provinces outside the capital region beginning 16 May. The output index recovered to a dismal 29.4 from 10.2 in April, as certain industries were allowed to recommence operations at no more than 50% of capacity. We may see a further improvement in PMIs in June as lockdown measures are eased.

[China's PMI shows a weakness in exports](#)

Author

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com