

## Green shoots only in late summer?

**Friday, 2 September 2016**

- Both the manufacturing and electronics PMI improved to 49.8 (+0.5) and 50.2 (+0.5) to August, albeit the former has been in contraction territory (<50) since June 2015 whereas the latter saw its first recovery to expansion territory (>50) since March 2015. Typically the electronics industry tends to lead the broader manufacturing sector, so the electronics PMI's return to expansion territory, if sustained over the coming months, would definitely be a welcomed signal.
- For the domestic manufacturing sector, modest improvements were seen across most of the sub-sectors except for inventory and supplier deliveries indices. Notably, new orders (49.6), new export orders (49.3) and production (49.9) gauges all improved in August but remained in contraction territory.
- A similar story was seen for the domestic electronics industry, whose PMI print had improved for the second month running, with the boost coming from new orders (back at 50.0), new export orders (50.8 versus 49.5 previously), production (50.3 versus 49.7), electronics imports (50.7) and orders backlog (50.8). Note that the North American semiconductor book-to-bill ratio had also improved from 1.0x in June to 1.05x in July.
- This "green shoots" story tallies with the manufacturing PMI trend in the rest of Asia, namely India (52.6 versus 51.8), Vietnam (52.2 versus 51.9), Taiwan (51.8 versus 51.0), China (official: 50.4, Caixin 5.0), Indonesia (50.4 versus 48.4), Thailand (49.8 versus 49.3) and Japan (49.5 versus 49.3). The key exceptions were Philippines (55.3 versus 56.3), Malaysia (47.4 versus 48.1), South Korea (48.6 versus 50.1), Myanmar (47.2 versus 49.2).
- Looking ahead, if the manufacturing and electronics PMI sustain the improving trend up to 4Q16 (Christmas season), this could bode well for 2H manufacturing growth. Nevertheless, our baseline is more for stabilization rather than continued expansion for manufacturing growth in 2H16.

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