

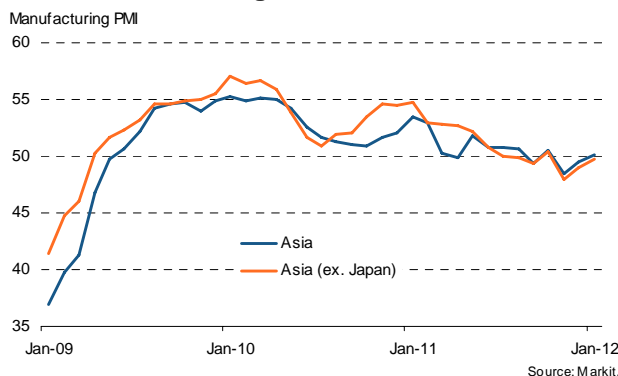
Asia

Asian manufacturing stabilises at start of 2012

- **PMI for Asia edges higher for second month to signal stable manufacturing conditions**
- **New orders show marginal rise after marked falls late last year**
- **Inflationary pressures remain muted, with the exception of India**

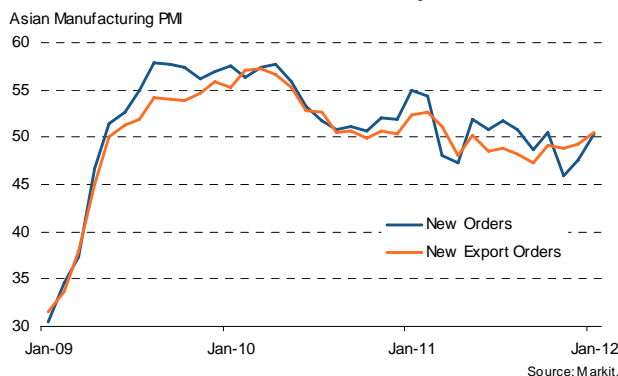
Asian manufacturers saw a stabilisation of business conditions in January. The PMI for the region rose from 49.4 in December to 50.1, breaking above the 50 no-change level for the first time since October, though signalling only a marginal improvement in operating conditions during the month.

Asian manufacturing stabilises



Both output and new orders indices edged above 50, the latter pointing to a welcome steadying of demand following marked declines in November and December. Export orders for the region showed a marginal rise, up for the first time since last May.

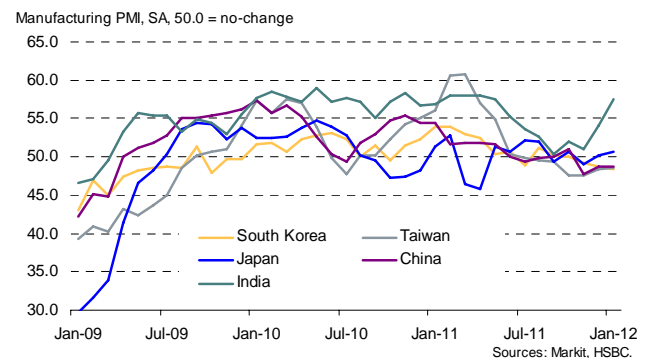
Orders revive from falls late last year



India saw the steepest rate of expansion, with the PMI surging to an eight-month high of 57.5, led by rising domestic demand. Japan's PMI also rose further above 50, though at 50.7 continued to register only modest growth, reflecting weak trends in both domestic and export orders.

At 48.8, China's PMI remained in contraction territory, but the rate of decline eased for the second month running, reflecting markedly slower rates of decline of order books compared with that seen in the final two months of 2011.

Asia Manufacturing PMIs



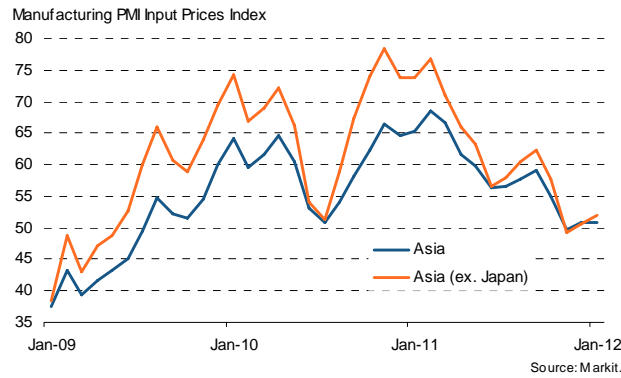
PMIs meanwhile rose in both Taiwan and South Korea, remaining below 50 but showing signs of business conditions beginning to stabilise after disruptions caused by flooding in Thailand. However, it is clear that producers in both countries face much weaker demand than this time last year.

The subdued growth of manufacturing in Asia in recent months has led to a marked easing in supply chain price pressures. Manufacturers' input prices were rising sharply in early-2011 but lower demand for raw materials meant increasing numbers of suppliers have offered discounts to win new business, to the extent that prices fell marginally across Asia in November. Since then, only marginal increases have been reported in each of the past two months.

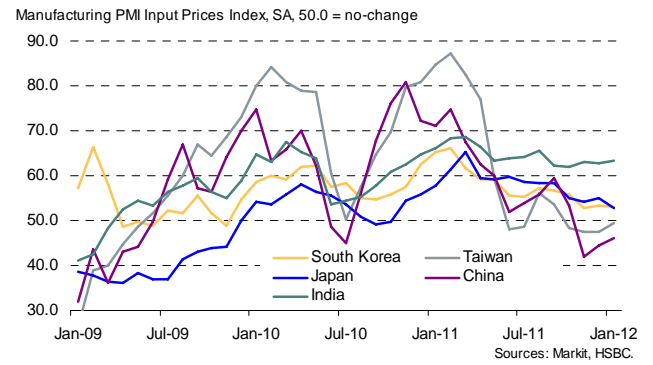
Input prices fell steeply for the third month running in China, and also edged lower in Taiwan, albeit at a reduced rate compared to the declines seen in the

previous three months. Input prices rose in Japan, but the rate of increase eased to a 15-month low. Only muted price pressures were also seen in South Korea. India bucked the trend, with its rapid pace of output growth driving up demand for raw materials, with prices following suit. Average manufacturers' input prices rose sharply again as a result, registering the steepest monthly rise since last August.

Input price inflation remains subdued



Input prices by nation



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