



IHS Markit™

Global PMI

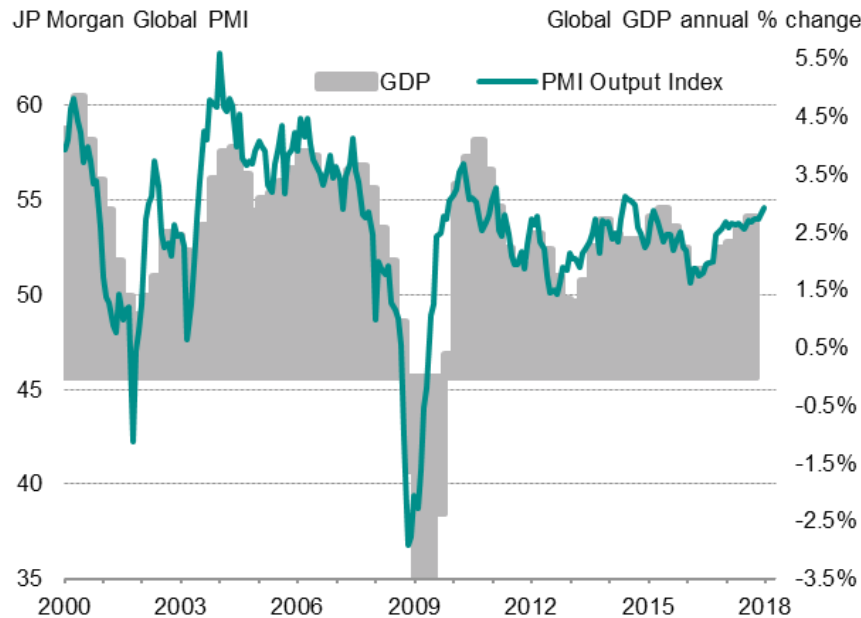
Global PMI at near 3½ year high at start of 2018,
drives upturns in hiring and prices

February 9th 2018

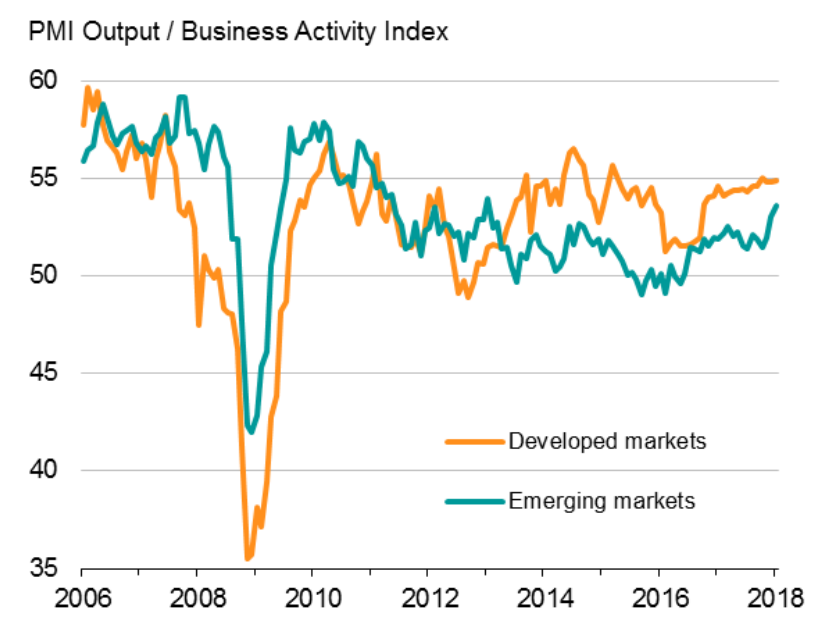
Global economy expands at fastest rate for nearly 3½ years

- The global economy started 2018 with accelerating momentum, according to PMI survey data. The headline JPMorgan Composite Output PMI™, compiled by IHS Markit from its various national PMI surveys, hit 54.6 in January, up from 54.3 in December and its highest since September 2014. The latest surveys are broadly consistent with global gross domestic product growth accelerating to an annual rate approaching 3% at market prices.
- A major development in recent months has been a marked improvement in emerging markets, for which the PMI data for January signalled the fastest rate of expansion for five years. Developed world growth meanwhile remained strong, running at one of the highest levels seen over the past three years, underscoring the broad-based nature of the current upturn.

Global PMI* output & economic growth



Developed and emerging market PMI*



Sources: IHS Markit, JPMorgan.

Source: IHS Markit.

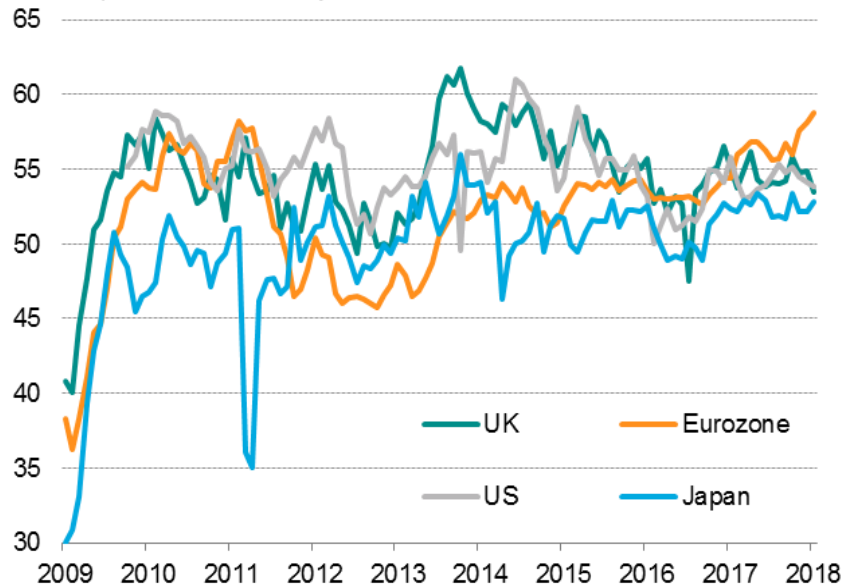
* PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

All major developed and emerging markets expand at start of 2018

- Since early-2011, there have only been five months in which all major developed and emerging market composite PMI series have been above 50. Four of these occasions have been in the past ten months, including January 2018.
- All major advanced economies remained firmly in expansion mode at the start of 2018, with the eurozone extending its lead as growth rates eased in both the US and UK. The synchronised upturn seen over the past 16 months has contrasted with much of the post-financial crisis years, in which at least one of the world's four largest developed economies was either contracting or struggling to achieve a solid pace of expansion.
- It was a similar situation in the emerging markets, with all four largest markets in growth mode. January was in fact only the fifth time since mid-2013 that all four BRIC economies reported composite PMI indices in expansionary territory.

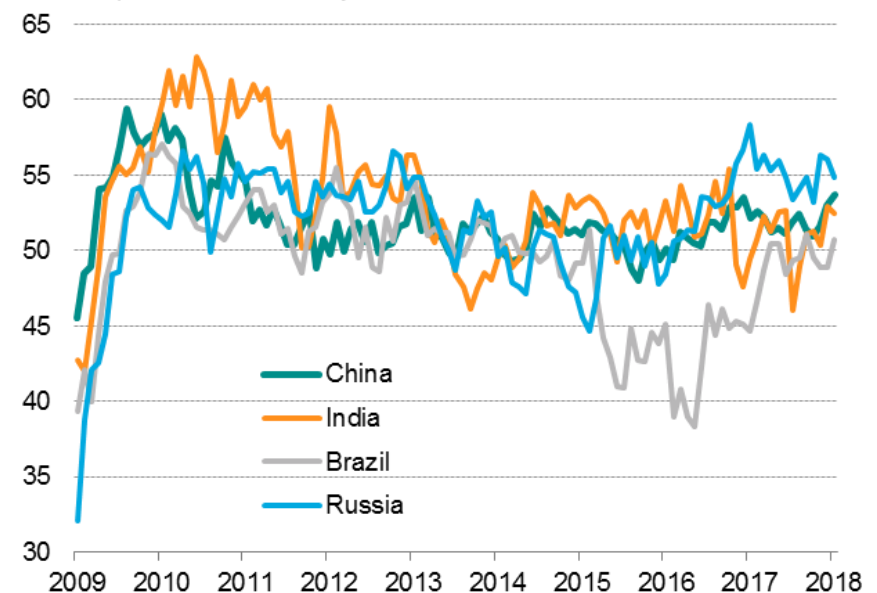
Major developed markets*

PMI Output/Business Activity Index



Major emerging markets*

PMI Output/Business Activity Index



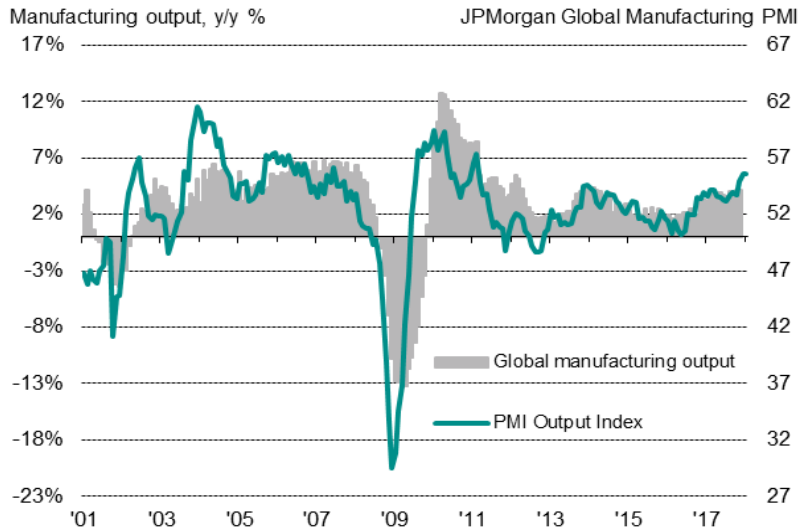
Source: IHS Markit, CIPS, Nikkei.

Sources: IHS Markit, Caixin, Nikkei.

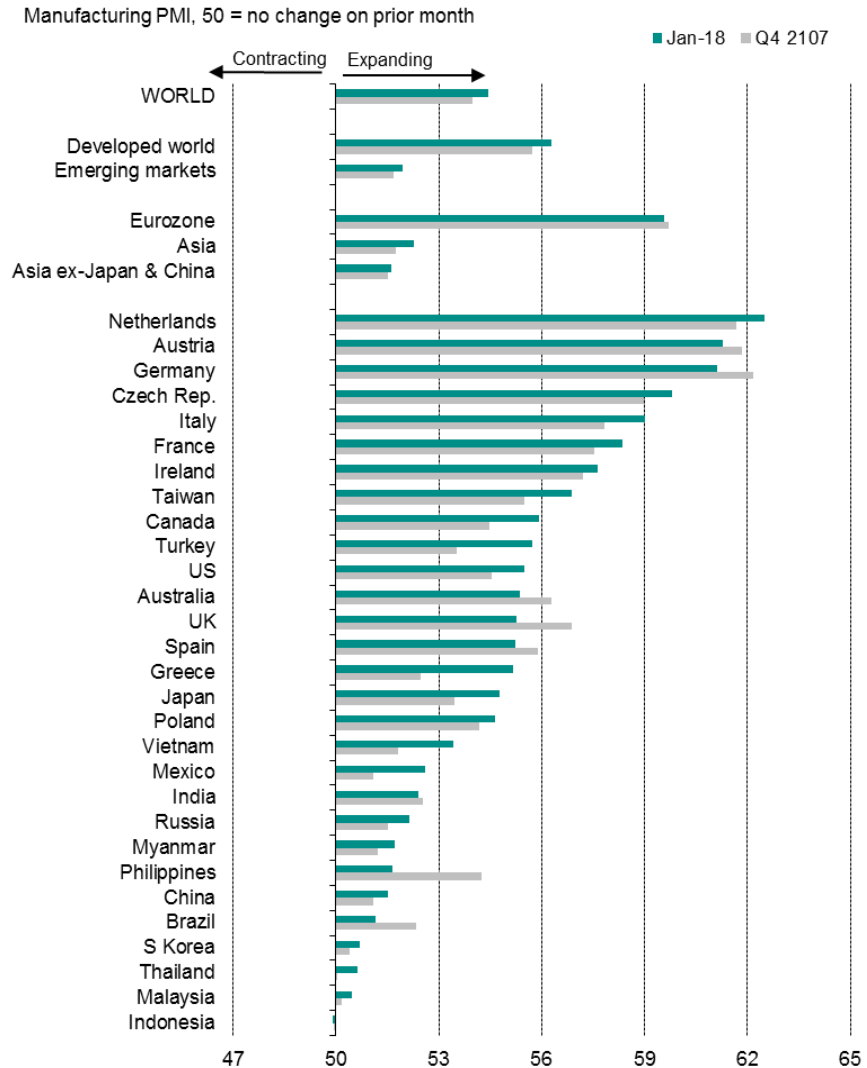
* PMI shown above is a GDP-weighted average of the survey output indices.

Europe once again dominates manufacturing rankings

- The JPMorgan Manufacturing PMI, compiled by IHS Markit, registered its second-best reading since February 2011. Only Indonesia failed to expand, where the PMI reading of 49.9 signalled a very marginal deterioration.
- The fastest expansions were seen in northern Europe, clustered around Germany. Eurozone growth remained close to a two-decade record in January, while growth accelerated in both the US and Japan to the highest since March 2015 and February 2014 respectively. Growth meanwhile slowed sharply in the UK.
- Taiwan was again the highest-ranking Asian economy in an otherwise unexceptional performance for the region.



Sources: IHS Markit, JPMorgan, national statistical offices via Datastream.



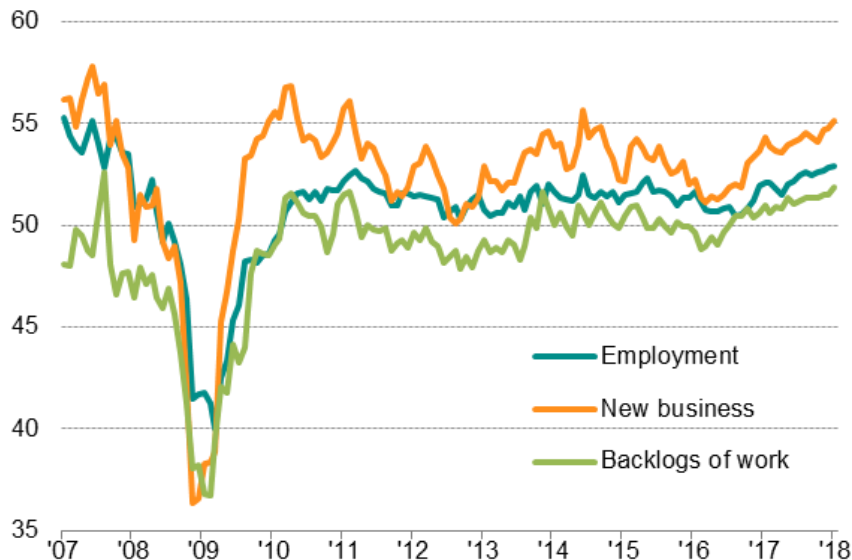
Sources: IHS Markit, JPMorgan, ISO, CIPS, NEVI, Nikkei, BME, Bank Austria, Investec, AERCE, Caixin, HPI,

Global hiring at decade-high as firms boost capacity

- In addition to the geographical broadening-out of the global upturn, further encouragement regarding the quality of the current expansion came from news that worldwide employment growth continued to run at its highest for a decade, according to the January PMI surveys.
- The improved hiring trend was fuelled by rising global demand for goods and services, as new order inflows hit the second-highest in seven years. Rising demand has stretched operating capacity worldwide, as indicated by backlogs of uncompleted orders showing the largest monthly increase this side of the global financial crisis.
- The rises in employment and backlogs of work were most pronounced in the developed world, though the emerging markets have also seen a welcome improvement in both respects in recent months.

Global PMI indicators*

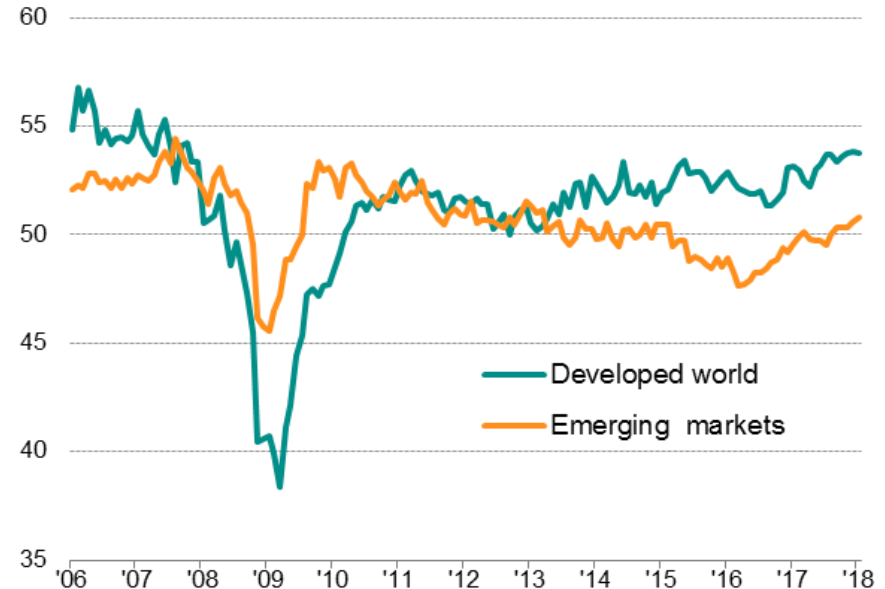
Global PMI (composite of manufacturing and services)



Source: IHS Markit, JPMorgan.

Employment PMI*

PMI Employment Index (composite of manufacturing and services)



Sources: IHS Markit, JPMorgan.

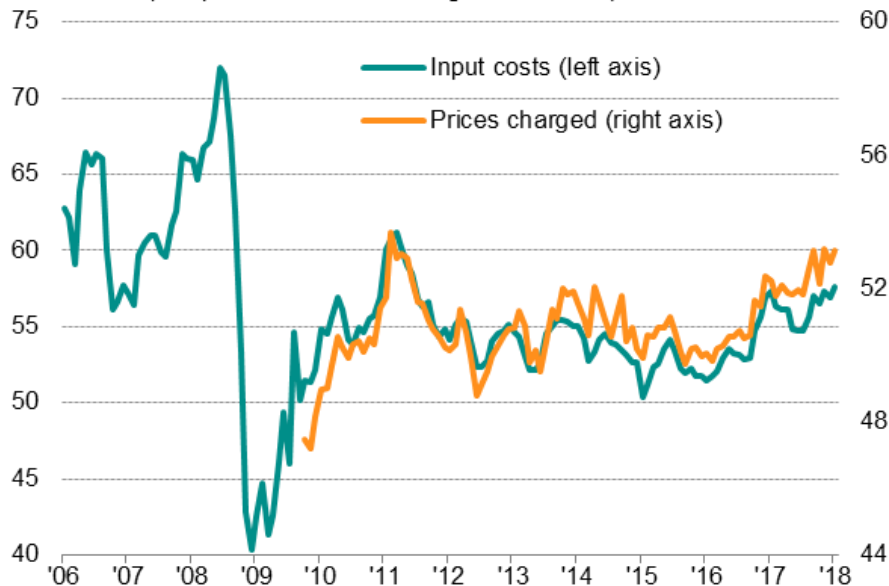
* PMI shown above is a GDP-weighted average of the survey output indices.

Global price pressures continue to intensify

- The recent upswing in global demand has led to an improvement in pricing power, as reflected in rising input costs (as suppliers of inputs and raw materials such as commodities charge customers more) and higher prices charged by both manufacturers and service providers. Average global input prices showed the largest monthly rise since June 2011 while selling prices likewise showed one of the biggest monthly increases seen over the past seven years. Recent months have in fact signalled the most significant period of sustained selling price inflation since the global financial crisis.
- A key indicator of the extent to which demand and supply are in balance is the PMI supplier lead times index, which tends to signal supply chain delays during periods of strong demand. With worldwide delivery delays running at the highest for seven years, a sellers' market has developed, which has increasingly put pricing power in the hands of sellers.

Global prices and costs

Global PMI (composite of manufacturing and services)

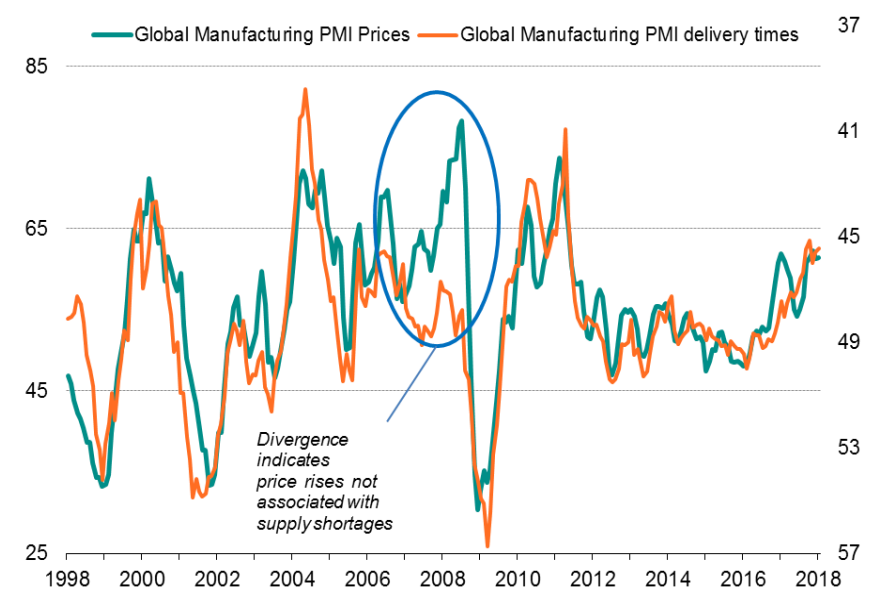


Sources: IHS Markit, JPMorgan.

Global supply delays and prices

PMI Input Prices Index

PMI Delivery Times Index (inverted)

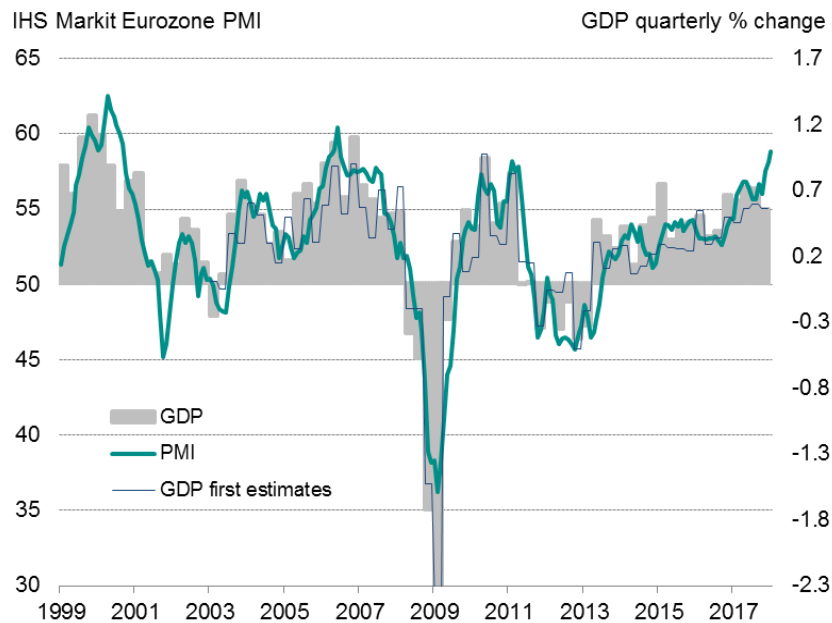


Sources: IHS Markit, JPMorgan.

Eurozone PMI highest since 2006, price pressures intensify

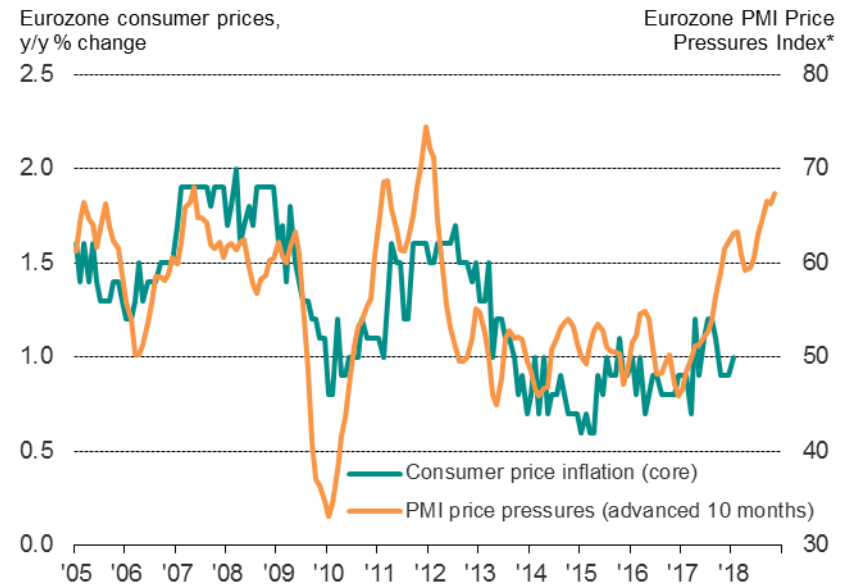
- The eurozone started 2018 with the highest PMI reading for nearly 12 years, pushing the survey data into territory consistent with GDP rising at a quarterly rate approaching 1.0%. Official data showing the region's GDP rising 0.6% in the fourth quarter are meanwhile likely to be revised higher, in line with the 0.8% rise indicated by the PMI. A reviving French economy led the upturn, but all euro countries were seen to be enjoying strong growth, according to the PMI surveys. Even Greece recorded the highest PMI for a decade.
- The ECB has welcomed the signs of stronger growth but does not see inflation returning to its target of just under 2% before 2020. However, an intensification of price pressures signalled by the eurozone PMI sub-indices suggests inflation could pick up faster than expected. Prices charged in Germany showed the biggest monthly increase in over 20 years.

Eurozone economic growth and PMI**



Sources: IHS Markit, Eurostat.

Eurozone PMI prices and inflation



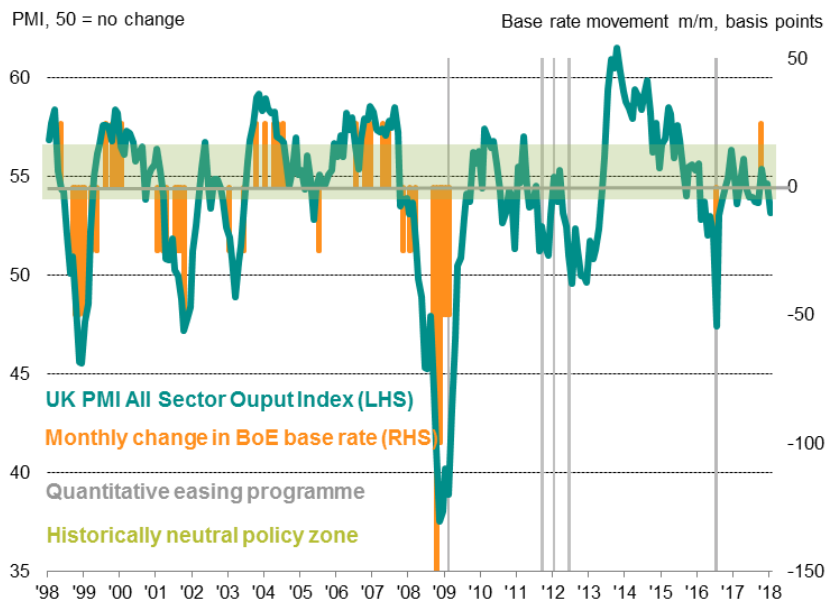
Sources: IHS Markit, Eurostat via Ecwin.

* Price pressures index is a composite of input cost and supplier lead times indices
 ** PMI shown above is a GDP-weighted average of the survey output indices.

UK economic resilience shows signs of cracking at start of 2018

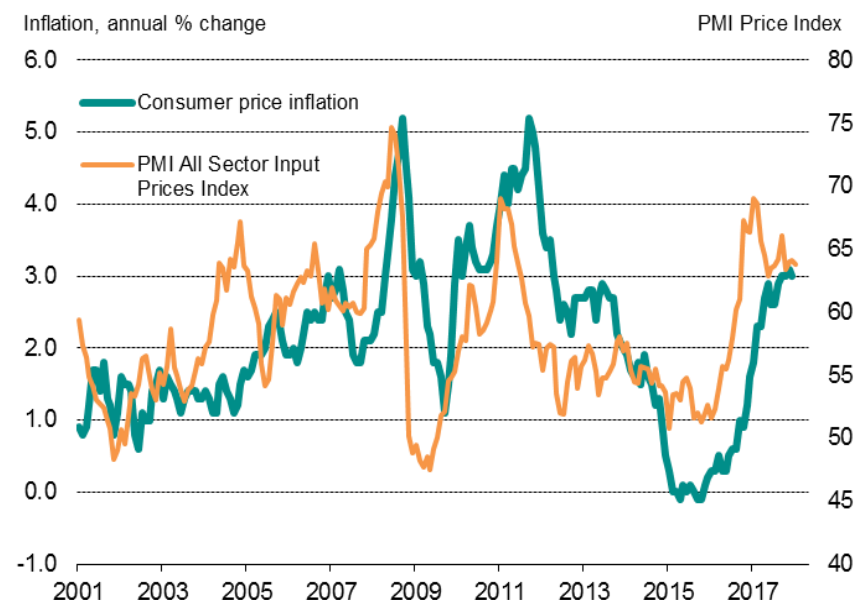
- A 'triple-whammy' of weaker services, manufacturing and construction PMI surveys pushed the all-sector UK PMI to its lowest for nearly a year and half in January. Having accurately anticipated the robust economic expansion at the end of 2017, the surveys are consistent with GDP growth slowing to 0.3% at the start of 2018. Brexit-related uncertainty was widely reported as a key factor behind the slowdown, which has pushed the PMI into territory more consistent with looser rather than tighter monetary policy. Indicators of investment spending showed particular weakness.
- Price pressures remained elevated, holding close to a decade-high, though cooled to a three-month low and were running well below the peaks seen earlier in 2017. The survey sub-indices therefore suggest that inflationary pressures could remain stubbornly high, but are set to ease further in coming months to help alleviate the recent pay squeeze.

UK monetary policy and the PMI*



Sources: IHS Markit, Bank of England.

UK PMI* prices and inflation

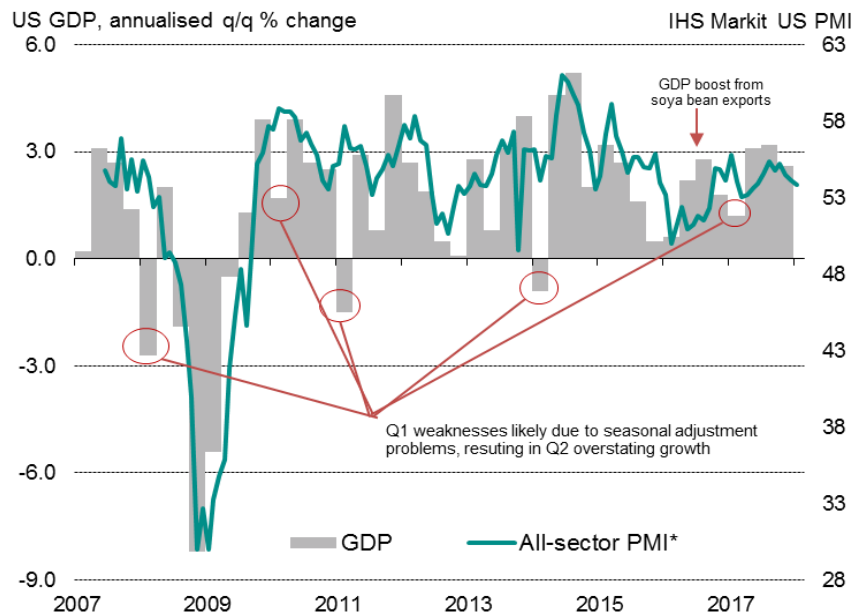


Sources: IHS Markit, Office for National Statistics.

US economy sees steady start to 2018 with prices on the rise

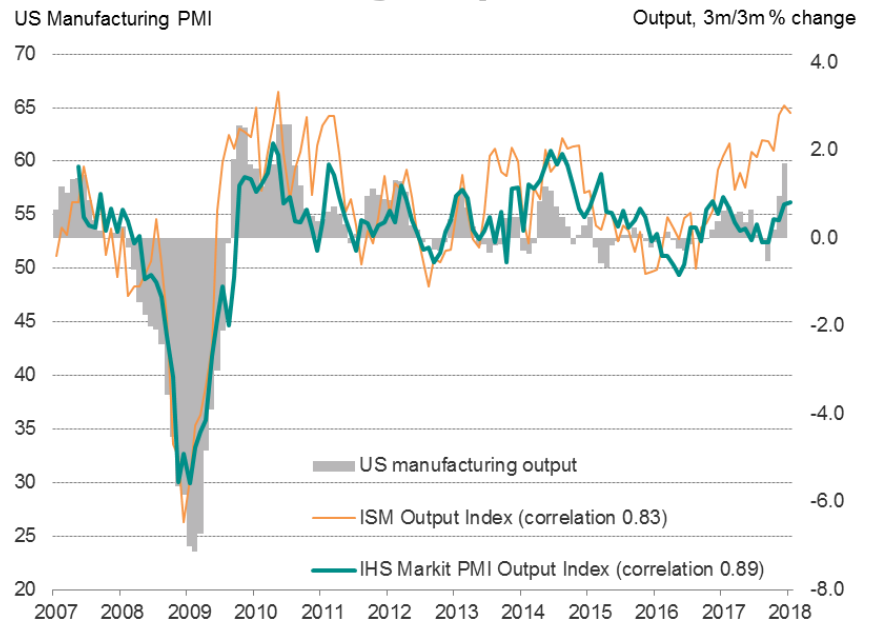
- January saw an encouraging start to the year for the US economy. Business activity continued to expand, driving further job gains. Manufacturing fared especially well, in part thanks to the weaker dollar. Although the overall pace of economic growth signalled by the surveys waned to an eight-month low, the data are consistent with steady annualised GDP growth of approximately 2-2.5%. The forward-looking indicators also suggest the slowdown will prove transitory. In particular, business optimism about the year ahead improved markedly and inflows of new orders hit a five-month high.
- Inflationary pressures meanwhile kicked higher, with January seeing the second-largest monthly increase in input costs since 2014. Higher oil prices were widely reported but, more generally, stronger demand was seen to have been helping companies push through price hikes.

US economic growth and the PMI*



Sources: IHS Markit, U.S. Bureau of Economic Analysis.

US manufacturing output



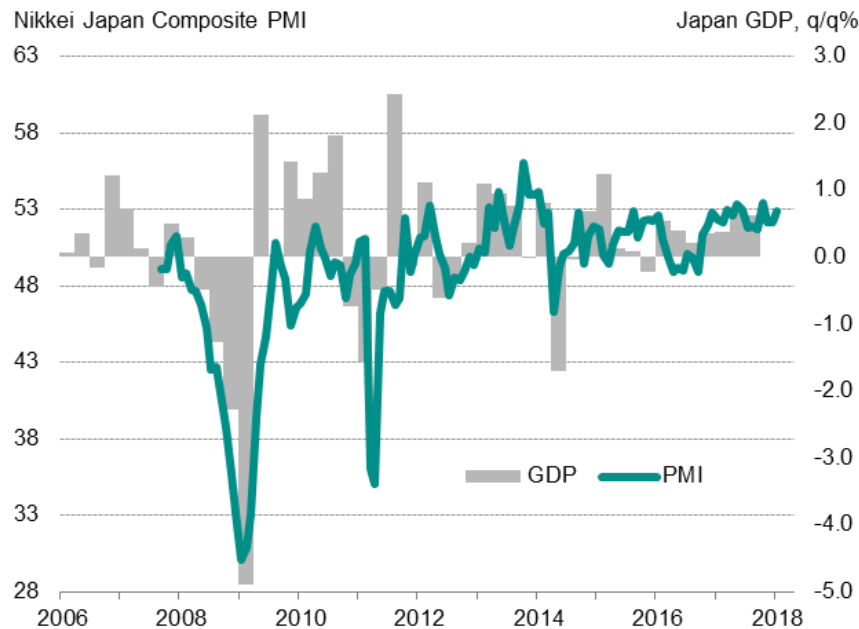
Sources: IHS Markit, ISM, US Federal Reserve.

* PMI shown above is a GDP weighted average of the manufacturing and services indices.

Japan enjoys robust growth, but cost pressures hit nine-year high

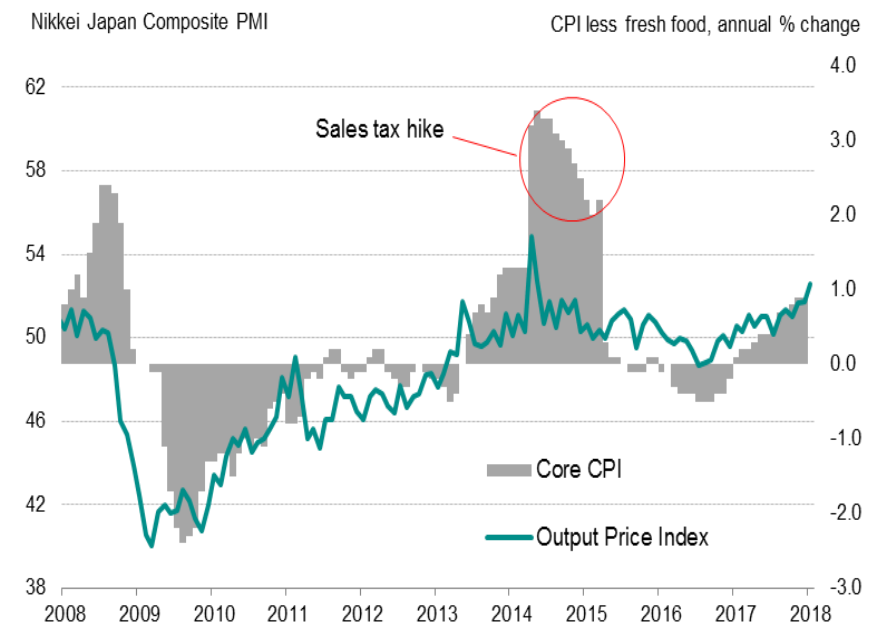
- The Nikkei Japan Composite PMI™ Output Index rose to 52.8 in January, up from 52.2 in December, signalling another solid improvement in the health of the economy. Historical comparisons suggest the latest reading is consistent with the economy expanding at a quarterly rate of approximately 0.7-0.8%. Further order book growth – January posted one of the largest increases in new orders seen over the survey history – continued to fuel demand for labour as firms expanded capacity. Employment rose at the fastest pace for seven months.
- The PMI data show cost pressures are meanwhile running at their highest for over nine years. Strong cost increases pushed companies to raise selling prices to the greatest extent since the sales tax hike in 2014, suggesting that headline inflation is expected to move higher into 2018.

Japan economic growth and the PMI*



Sources: IHS Markit, Nikkei, Japan Cabinet Office

Japan inflation indicators



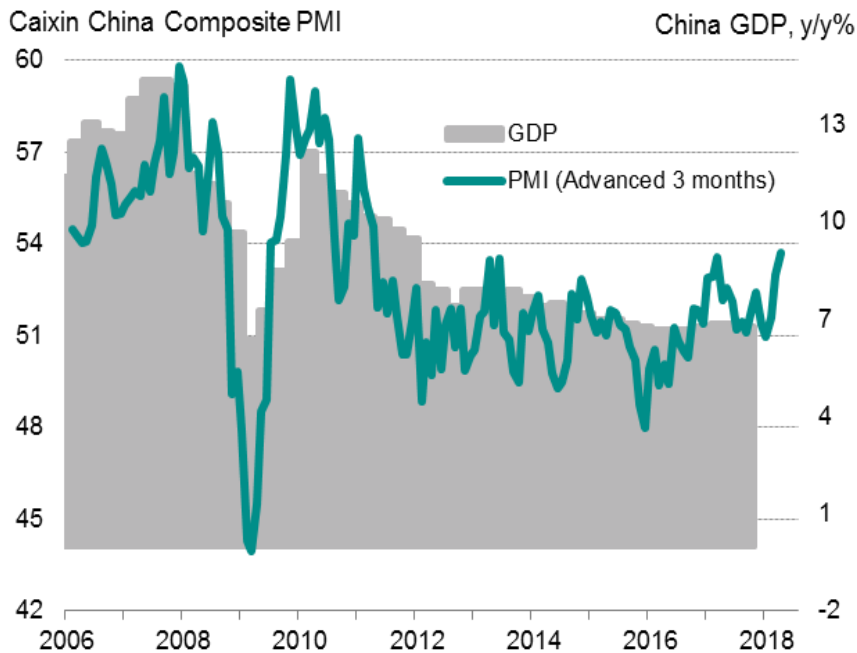
Sources: IHS Markit, Nikkei, Datastream.

* PMI shown above is a GDP weighted average of the survey output indices.

Caixin China PMI starts 2018 at seven-year high

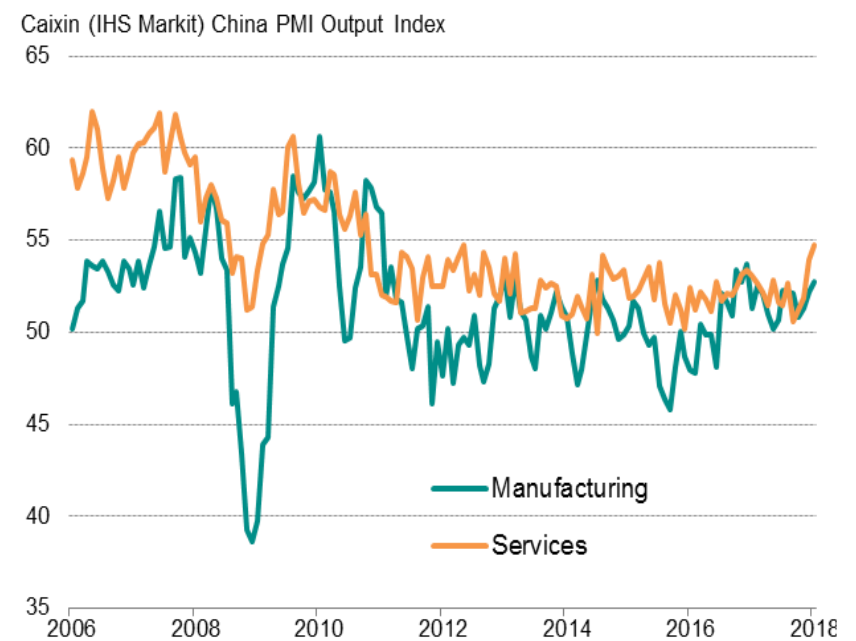
- The Caixin Composite PMI Output Index rose to 53.7 in January, up from 53.0 in December, reaching its highest since January 2011. New business intakes also increased at one of the fastest rates in the past seven years, which continued to stretch operating capacity. Backlogs of work climbed further in January, boding well for future output and jobs growth.
- Growth accelerated in both manufacturing and services in January. Manufacturing output growth edged up, posting the strongest rise in just over a year, while services activity expanded at a rate not seen since summer 2012.
- Goods producers reported another sharp rise in input prices and the service sector saw the largest monthly rise in cost burdens for over five-and-a-half years.

China PMI* & economic growth



Sources: IHS Markit, Caixin, NBS.

China manufacturing & services output



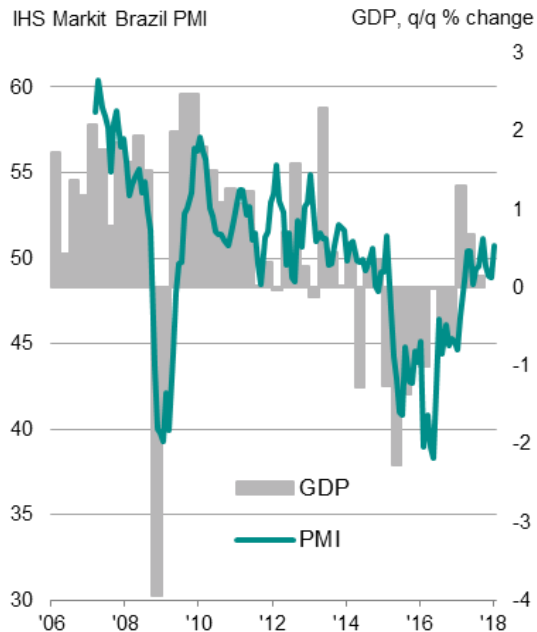
Sources: IHS Markit, Caixin.

* PMI shown above is a GDP-weighted average of the survey output indices.

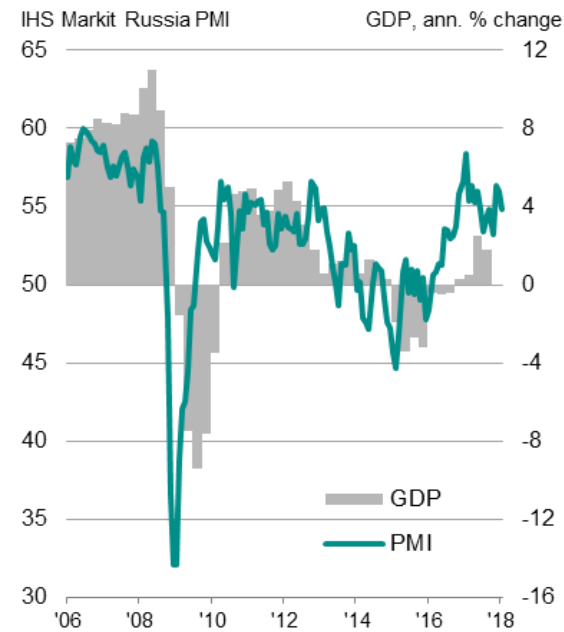
Improved GDP growth likely in key emerging markets

- The January PMI data were consistent with expectations of GDP growth accelerating in 2018 in Brazil, Russia and India.
- In [India](#), the composite Nikkei PMI dipped slightly but remained well above last year's lows to suggest the economy has regained some poise. However, business conditions remained subdued following last year's sales tax rise, especially in the domestically-focused service sector.
- [Brazil](#)'s PMI data provided further indications that the economy has rebounded from recession. The revival, although still modest, reflected a stabilisation of service sector activity at the start of the year alongside sustained growth of manufacturing output.
- It was Russia, however, that once again recorded the strongest pace of expansion of the four BRIC economies, fuelled by further solid growth of both manufacturing and services.

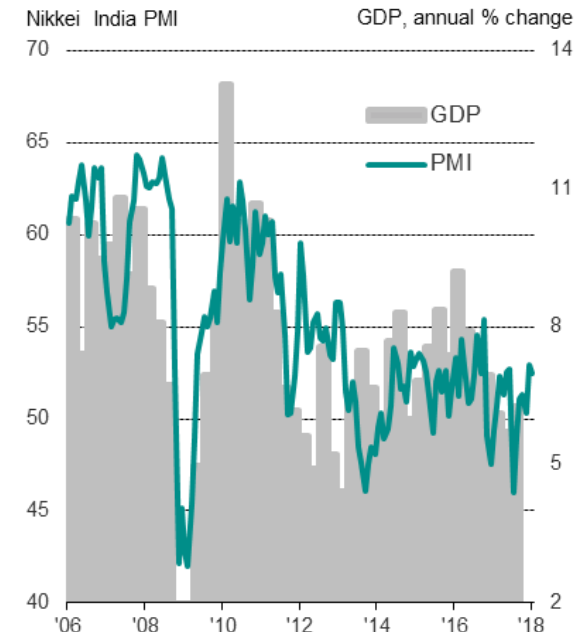
Brazil PMI* v GDP



Russia PMI* v GDP



India PMI* v GDP



Sources: IHS Markit, Nikkei, Thomson Reuters Datastream.

* PMI shown above is a GDP weighted average of the survey output indices.

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