



IHS Markit™

# Global PMI

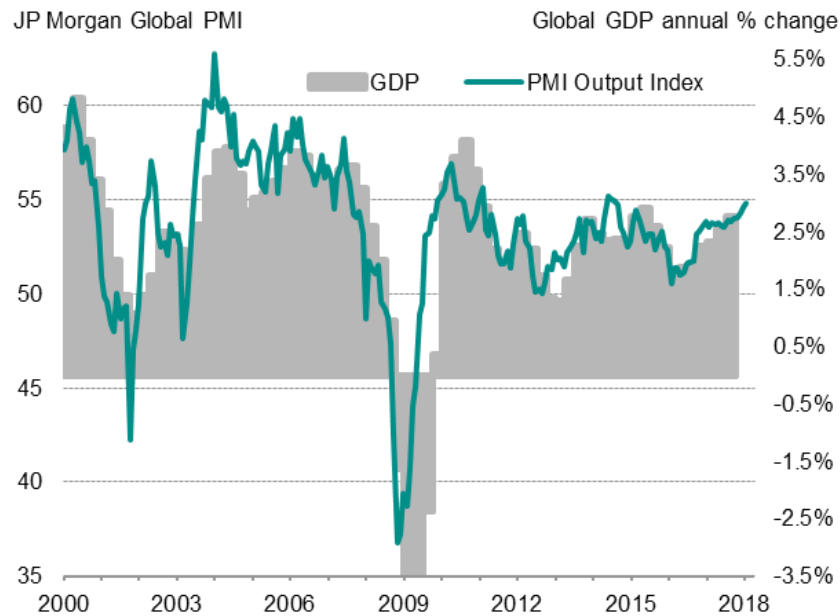
Global economy enjoying accelerating momentum in 2018,  
accompanied by rising price pressures

March 7<sup>th</sup> 2018

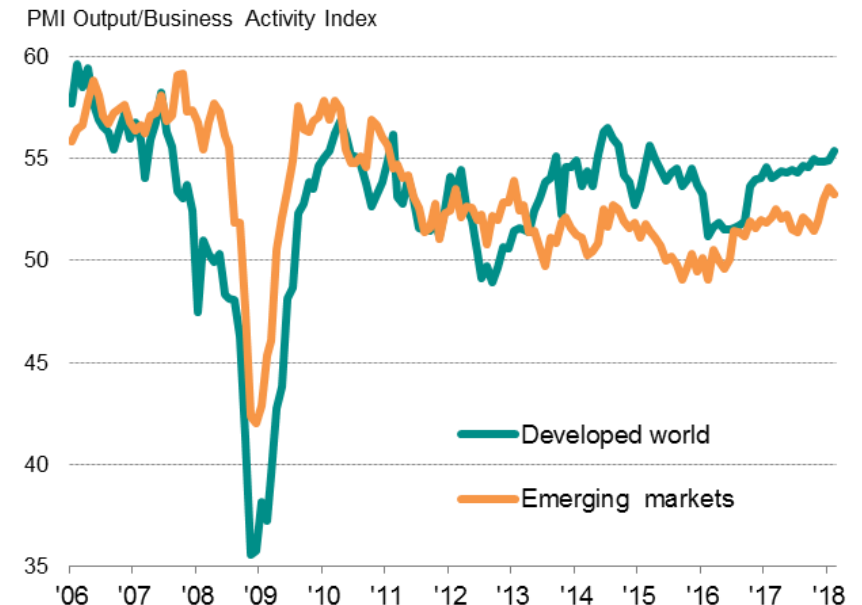
# Global economy gains further growth momentum in February

- The global economy has enjoyed accelerating momentum so far in 2018, according to PMI data. The JPMorgan Composite Output PMI™, compiled by IHS Markit from its various national surveys, hit 54.8, up from 54.6 in January and indicating the fastest pace of growth since September 2014. The latest surveys are broadly consistent with global gross domestic product growth accelerating to an annual rate of 3% at market exchange rates. Similar robust expansions were seen in manufacturing and services in February, though while the former slowed, the latter saw growth hit a near-three year high.
- A major development in recent months has been a marked improvement in emerging markets, for which the PMI data have been signalling the fastest rate of expansion for five years, albeit with a slight loss of momentum in February. Developed world growth meanwhile kicked higher in February, indicating the steepest expansion since March 2015.

## Global PMI\* output & economic growth



## Developed and emerging market PMI\*



Sources: IHS Markit, JPMorgan.

Source: IHS Markit.

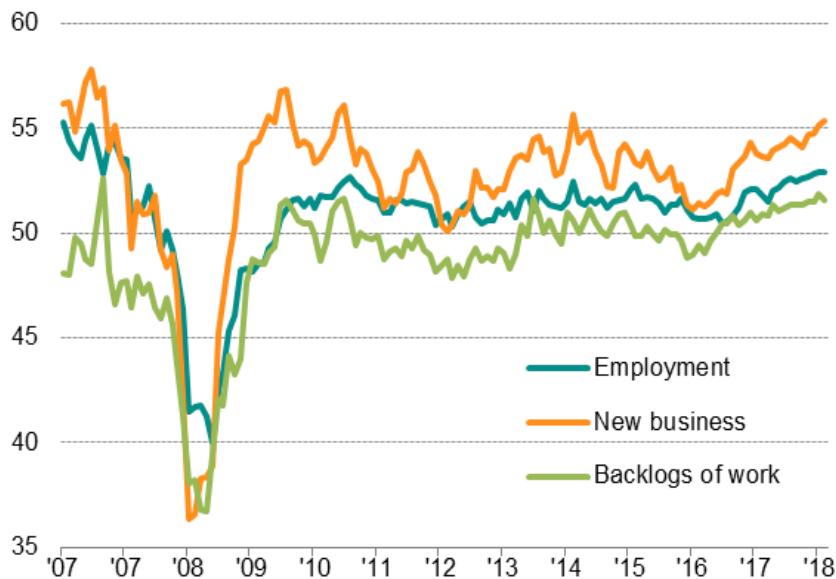
\* PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

## Global hiring at decade-high, price pressures build

- Other indices from the global PMI added to the upbeat picture, and suggest that the upturn has further to run. Worldwide employment growth continued to run at its highest rate for a decade, buoyed by firms boosting capacity, which has been increasingly stretched as a result of faster growth of new orders. February saw inflows of new business rise to the greatest extent since June 2014, registering one of the biggest increases in demand seen over the past seven years.
- Average prices charged for goods and services meanwhile rose worldwide at a rate only exceeded once (February 2011) since the global financial crisis. Higher prices generally reflected improved pricing power amid stronger demand, though also reflected the need for firms to pass higher costs on to customers. Historical comparisons of selling prices and costs nonetheless suggest that the current upturn in demand is boosting profit margins.

### Global PMI indicators\*

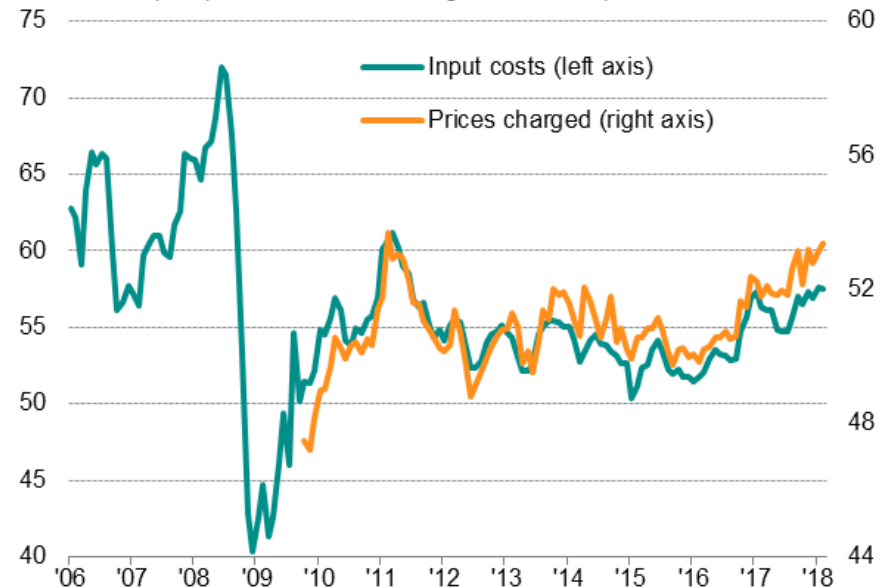
Global PMI (composite of manufacturing and services)



Source: IHS Markit, JPMorgan.

### Global PMI price indicators \*

Global PMI (composite of manufacturing and services)

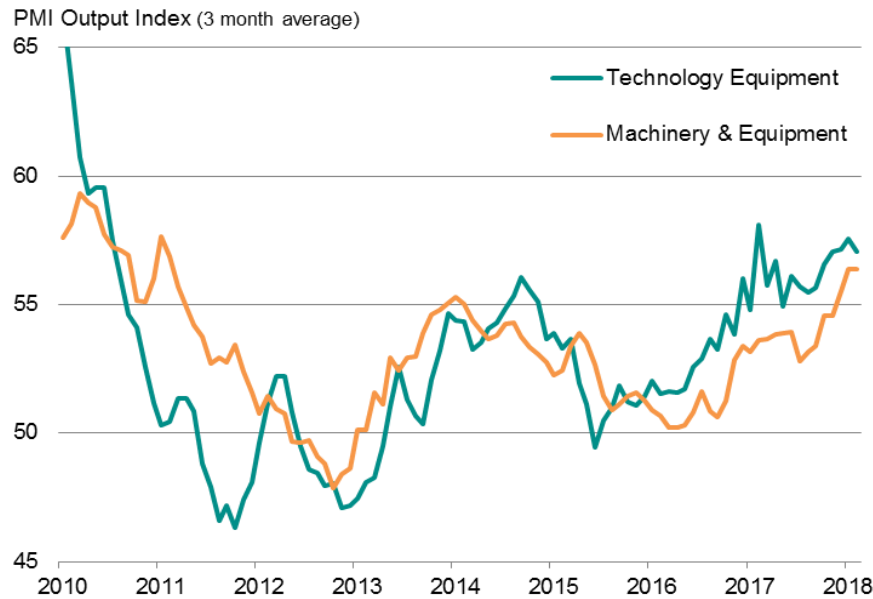


Sources: IHS Markit, JPMorgan.

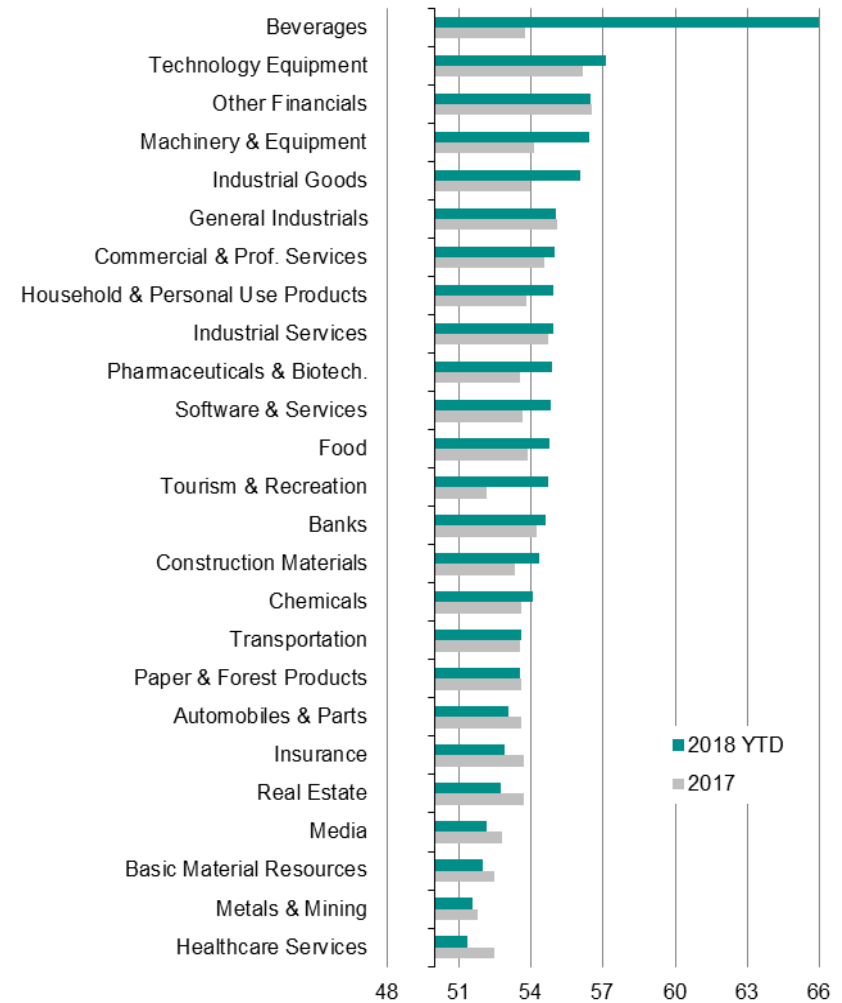
\* PMI shown is a weighted average of the manufacturing and services survey indices.

# Detailed PMI sector data point to rising global investment

Recent months have also seen a welcome upturn in sectors that are traditional bellwethers of business investment. Rising investment adds to evidence that the broader strengthening of economic growth is maturing to a stage that will lead to much needed productivity (and ultimately profits) improvements. The bar chart ranks the fastest growing sectors according to PMI output indices in the first two months of 2018. The strong performance of two of the top four sectors – tech equipment and machinery & equipment – suggest companies are stepping up their capital spending. Both sectors have recently enjoyed some of the strongest growth seen over the past eight years.



Global Sector PMI Output Index

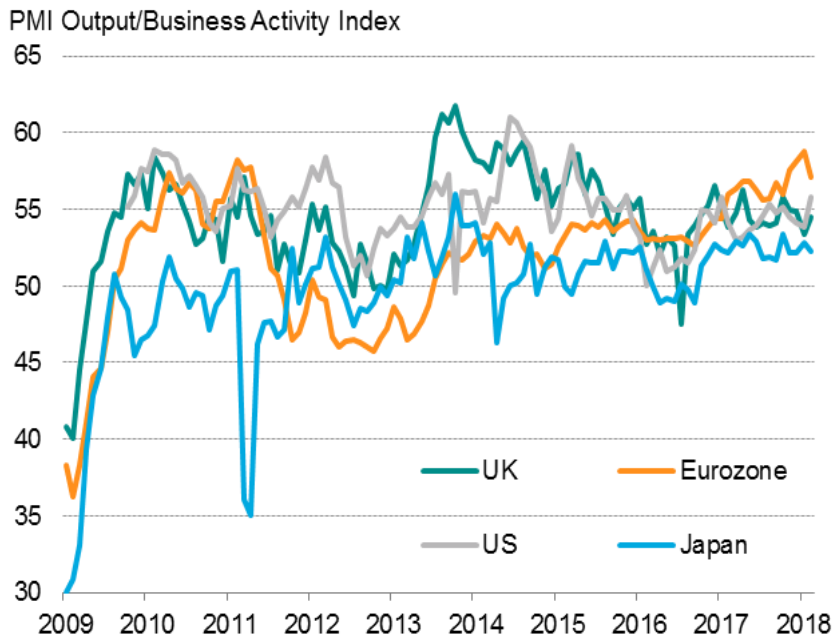


Source: IHS Markit.

## All major developed markets in solid expansion mode

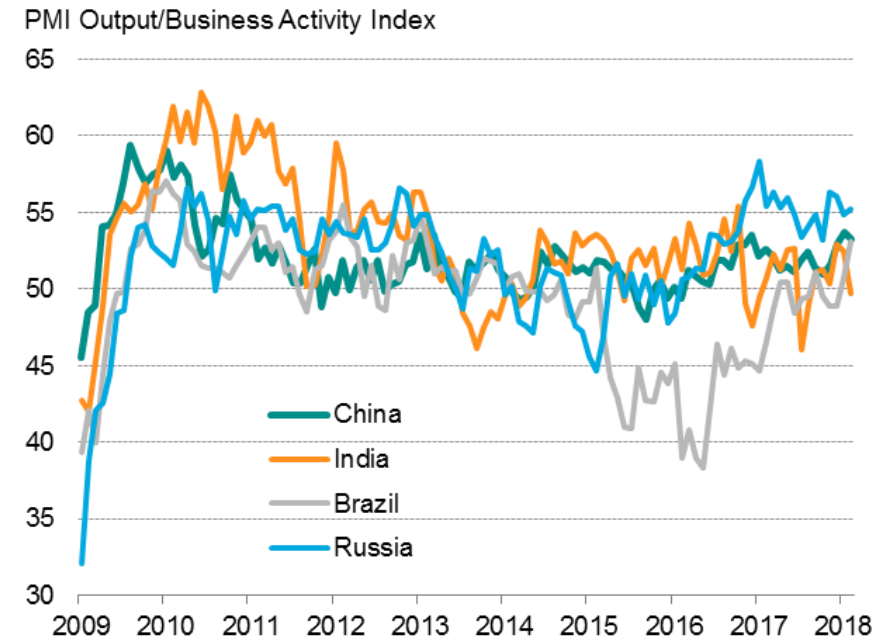
- Composite PMI data covering both manufacturing and services for all four major advanced economies remained firmly in expansion territory in February, highlighting the continuing broad-based nature of the current global upswing. Although eurozone growth eased, the PMI remained notably higher than equivalent indices for the US, UK and Japan. The US closed the gap, however, as growth accelerated, with a similar rebound seen in the UK. Japan continued to lag behind but nonetheless once again reported steady, solid growth.
- Of the four largest emerging markets, only India reported a (modest) downturn, slipping back into what looks likely to be a temporary decline, according to anecdotal evidence. Brazil's recovery gained momentum and China enjoyed solid growth, albeit with Russia continuing to outperform.

### Major developed markets\*



Source: IHS Markit, CIPS, Nikkei.

### Major emerging markets\*



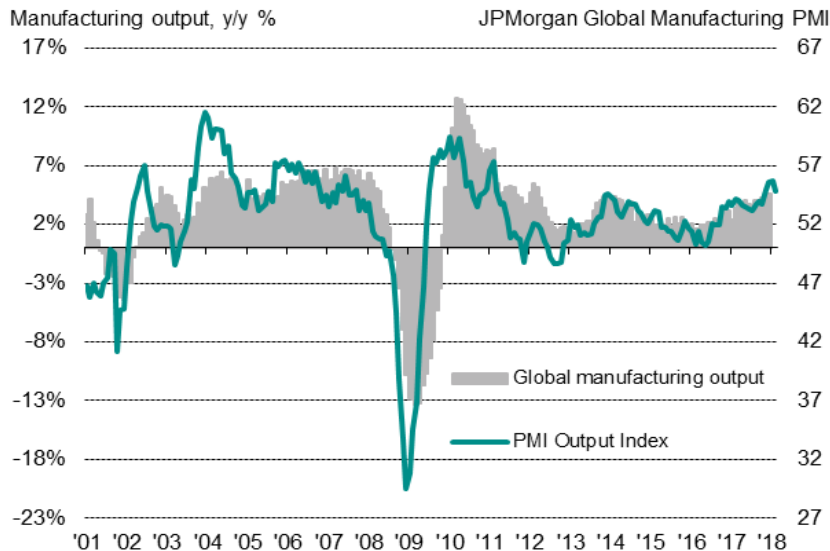
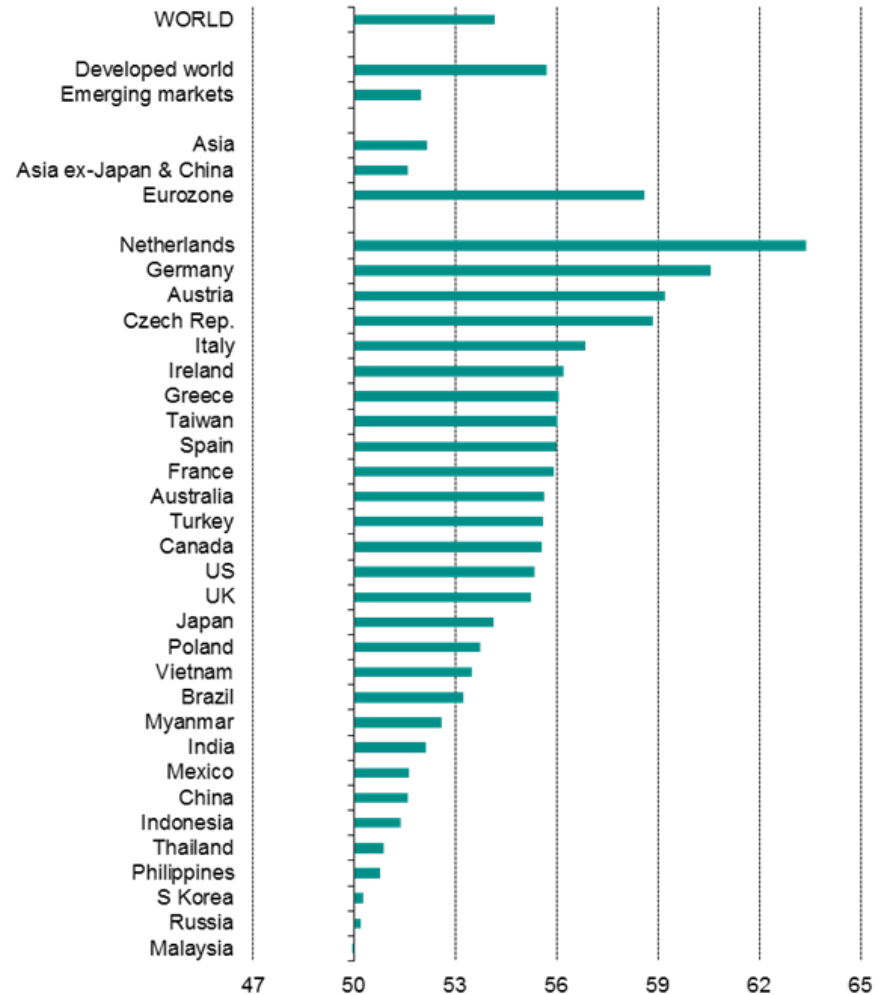
Sources: IHS Markit, Caixin, Nikkei.

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

# Netherlands tops global manufacturing ranks as Europe excels

- The JPMorgan Manufacturing PMI, compiled by IHS Markit, fell from 54.4 in January to a three-month low of 54.2 in February, but nevertheless attained one of the highest levels since early-2011.
- Manufacturing growth was fastest in Europe. The Eurozone Manufacturing PMI fell for a second successive month but continued to run near 20-year highs and well above all other major economies. Eight of the 10 fastest growing countries were all euro members, notably including Greece.
- Much of Asia remained subdued, though of all the countries surveyed only one (Malaysia) reported a deterioration in business conditions, and even there the decline was only marginal.

Manufacturing PMI, February 2018, 50 = no change on prior month

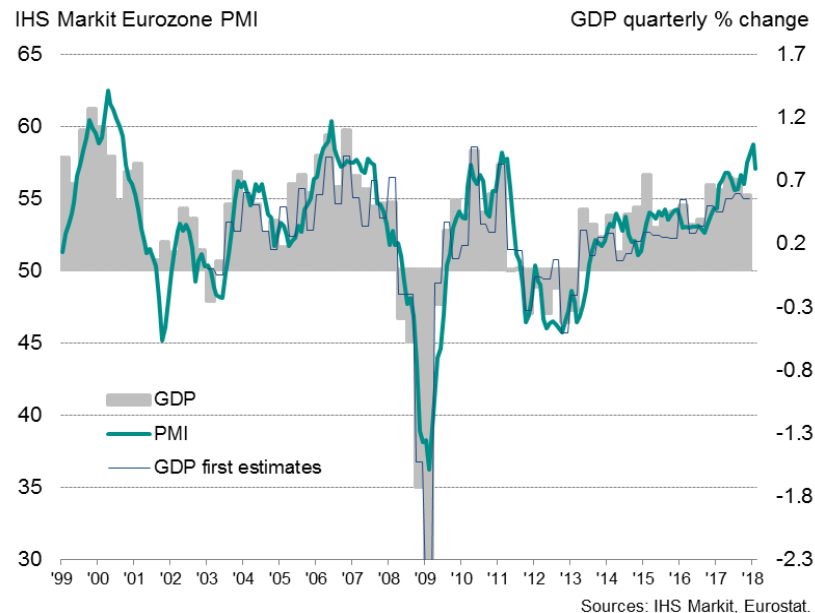


Sources: IHS Markit, JPMorgan, national statistical offices via Datastream.

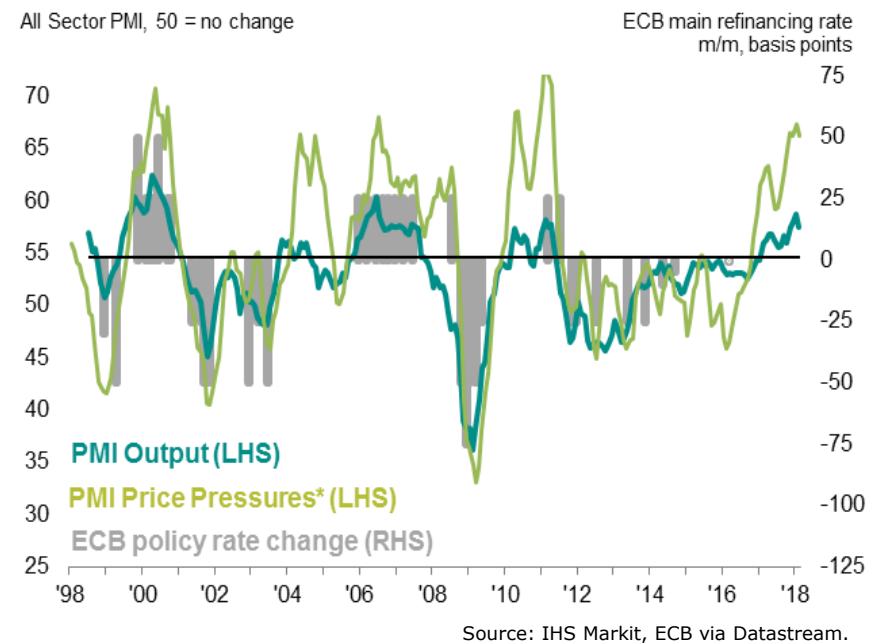
# Eurozone PMI dips but still indicates strong start to 2018

- The eurozone economy hit a speed bump in February, with a dip in the PMI after a stellar start to the year. However, so far this year, the PMI is indicating that the eurozone is on course for the strongest quarterly expansion for 12 years, consistent with GDP rising at a buoyant quarterly rate of 0.8-0.9%. The upturn also remains as broad as it is strong. Italy is set for its best quarter for 12 years while both France and Germany are enjoying the steepest improvements for seven years, so far this year. Spain is set for its best quarter since the strong upturn it enjoyed in the spring of last year.
- Inflationary pressures also remained elevated, adding to sense that policymakers will start to sound more hawkish, but trends are more varied. Germany is seeing an especially strong increase in prices while France and Italy are notable in seeing companies struggle to pass higher costs on to customers.

## Eurozone economic growth and PMI\*\*



## Eurozone PMI\*\* and ECB policy

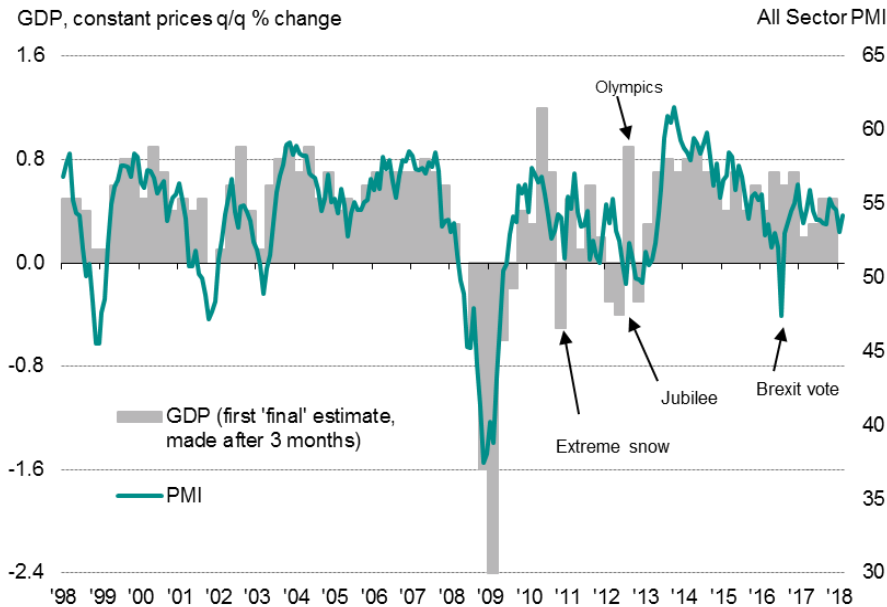


\* Price pressures index is a composite of input cost and supplier lead times indices  
 \*\* PMI shown above is a GDP-weighted average of the survey output indices.

# UK economy picks up speed again in February

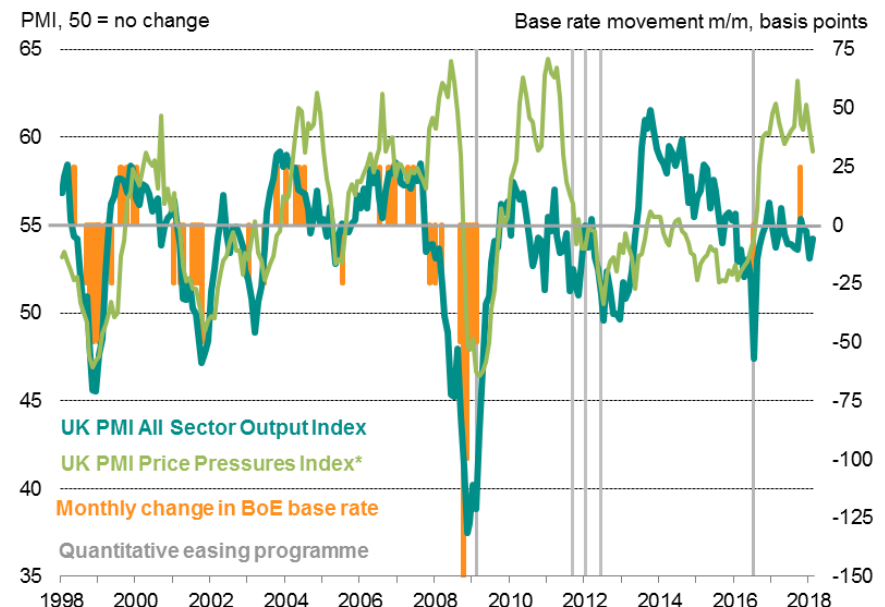
- The UK economy picked up steam again in February, according to the PMI surveys, led by faster growth in the service sector. The 'all-sector' IHS Markit/CIPS PMI Output Index rose from 53.1 in January, its lowest since August 2016, to 54.2. The readings for Q1 so far signal a solid GDP growth rate of just under 0.4%. Improved trends in business activity and new orders encouraged firms to take on staff in increased numbers, suggesting optimism remains high, though signs of capacity constraints continued to be seen across the economy, meaning price pressures remained stubbornly high.
- The survey results were seen as adding to the likelihood of the Bank of England tightening policy again soon. On the basis that policymakers sounded increasingly hawkish in terms of the need to hike interest rates even following the January fall in the PMI to a one-and-a-half year low, the February upturn surely leaves a May rate hike very much in play.

## UK PMI\*\* and GDP



Sources: IHS Markit, CIPS, ONS.

## UK monetary policy and the PMI\*\*



Sources: IHS Markit, Bank of England.

\* Price pressures index is a composite of input cost and supplier lead times indice

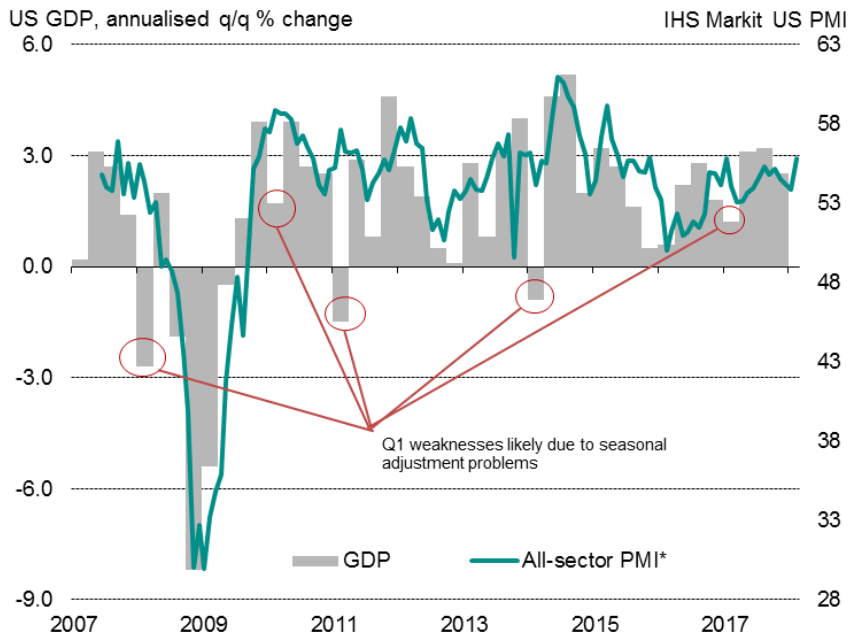
\*\* PMI shown is a GDP-weighted average of the survey manufacturing, construction and services indices.



# US economy sees resurgent growth and rising prices

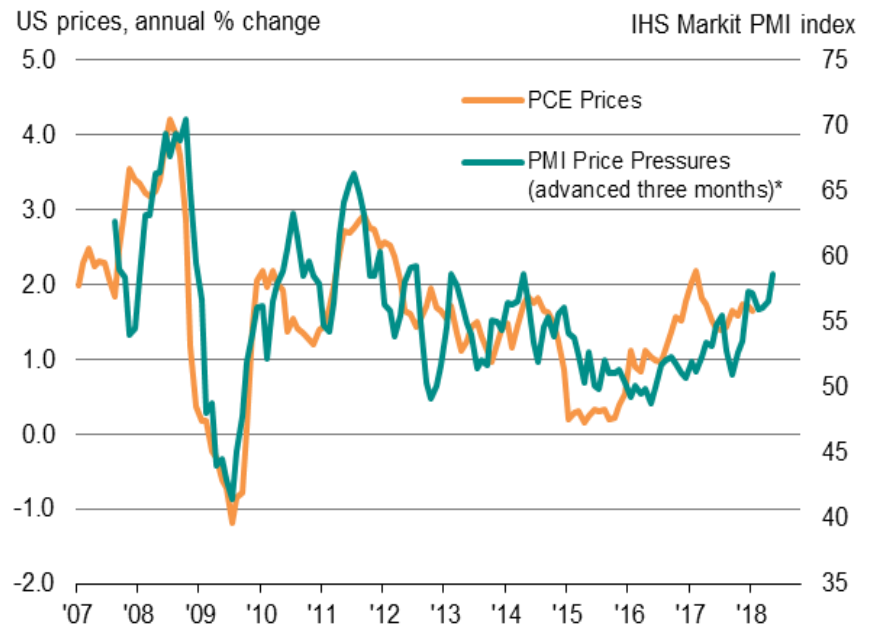
- Resurgent US growth came as welcome news after a disappointing couple of months. So far, the composite PMI from the two IHS Markit surveys, at 55.8, points to the economy expanding at a steady 2.5% annualised rate in Q1 (though official GDP data may once again underestimate actual growth by not fully accounting for seasonal influences). With growth of new orders across the two sectors growing at the fastest rate for almost three years, March could also prove to be a good month for business.
- However, capacity is clearly being strained by the upturn in demand, as indicated by the largest build-up of uncompleted orders since early-2015 and reports of increasingly stretched supply chains. The concern is that price pressures are building as demand outstrips supply. Average prices charged for goods and services showed the largest monthly rise since September 2014, which is likely to feed through to higher consumer price inflation.

## US economic growth and the PMI\*\*



\*\* PMI shown above is a GDP weighted average of the manufacturing and services indices.  
Sources: IHS Markit, U.S. Bureau of Economic Analysis.

## US manufacturing output

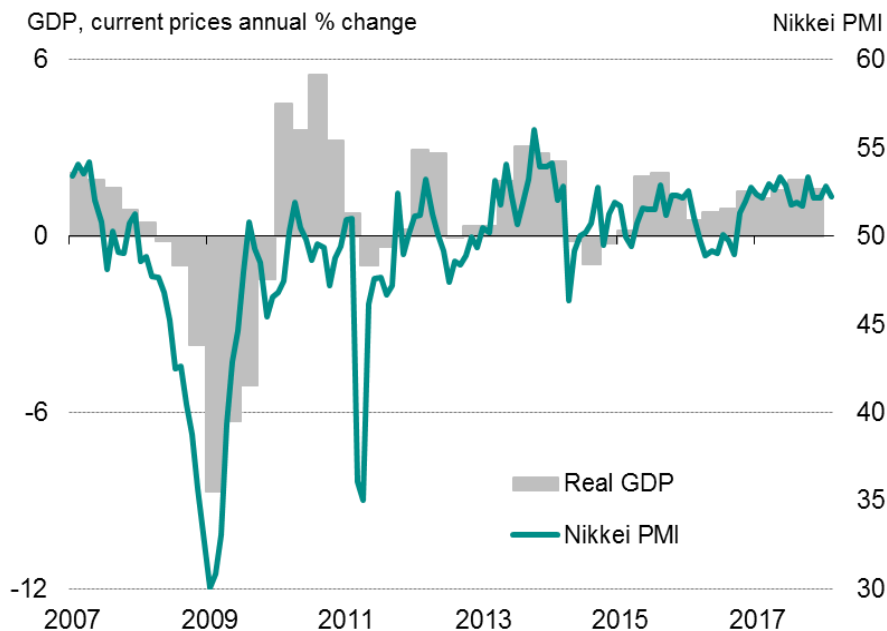


\*A blended index of input prices and supplier delivery times.  
Sources: IHS Markit, BLS

# Japan set for another quarter of robust economic growth

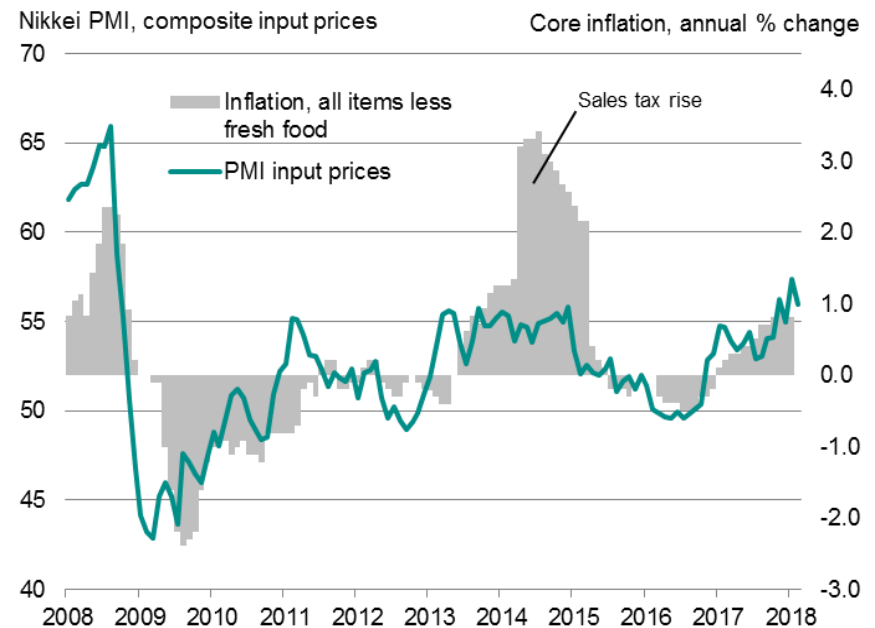
- Japanese economic growth lost a little momentum in February, but the rate of growth remained robust, putting the economy on course for a fifth straight quarterly expansion. The Nikkei Japan Composite PMI Output Index slipped from 52.8 in January to 52.2 in February, but still signalled another firm improvement in the health of the sector. The readings so far this year are historically consistent with the economy expanding at a quarterly rate of around 0.5–0.6% in Q1.
- Firms continued to grapple with rising costs. Although easing from January’s nine-year peak, input cost inflation remained historically elevated in February. Strong cost increases led companies to raise selling prices again to protect profits. Average selling prices for goods and services rose at a rate only modestly below January’s multi-year high, underscoring the recent build-up of inflationary pressures. Not surprisingly, the Bank of Japan has started to hint at exiting its stimulus programme.

## Japan economic growth and the PMI\*



Sources: IHS Markit, Nikkei, Japan Cabinet Office

## Japan inflation indicators



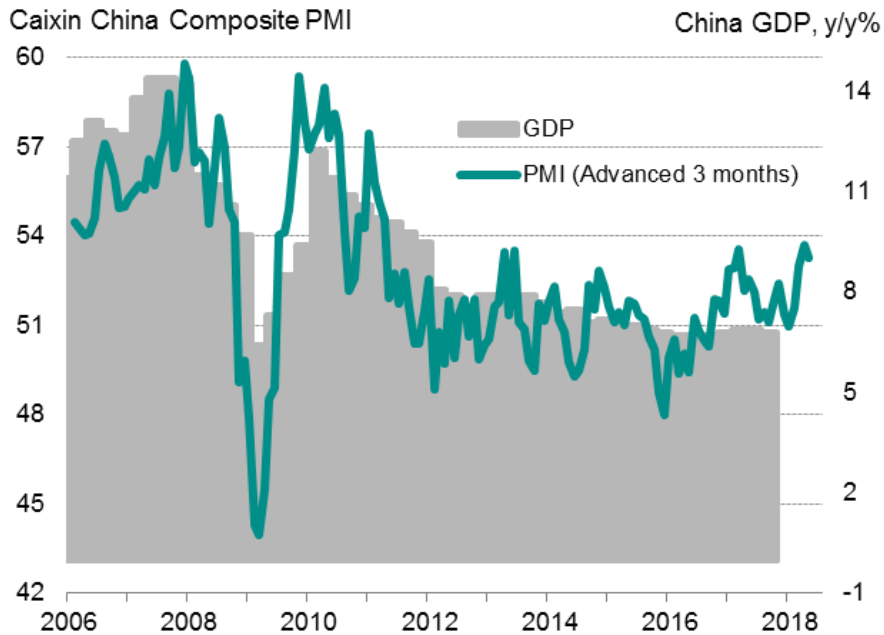
Sources: IHS Markit, Nikkei, Datastream.

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

# China PMI set for best quarter since 2010, despite February dip

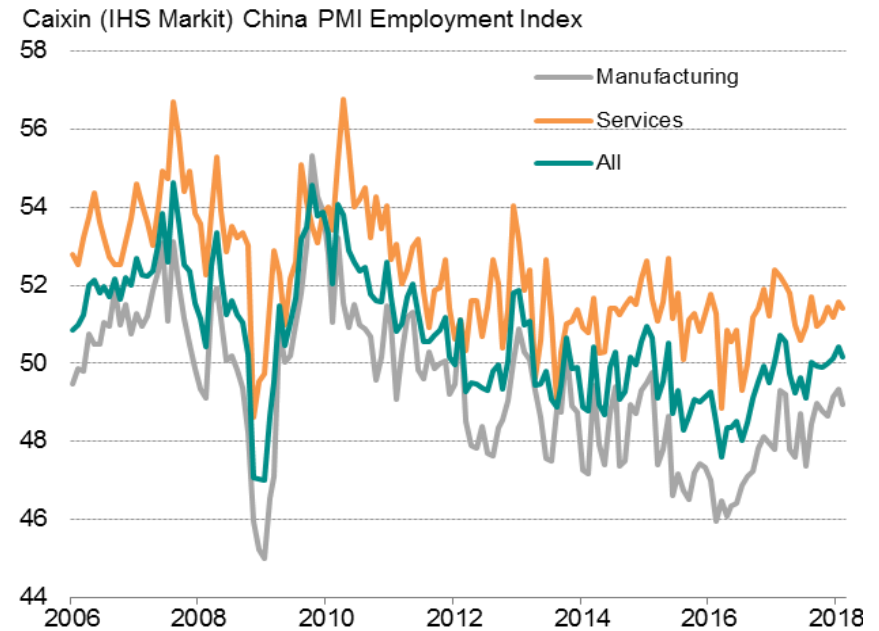
- The Caixin Composite PMI Output Index fell from 53.7 in January to 53.3 in February, but remained among the strongest seen in recent years. The average PMI reading so far in Q1 is the highest since the Q4 of 2010, suggesting that GDP growth has accelerated at the start of 2018. Growth remains encouragingly broad-based, though the service sector led the upturn, enjoying one of the best growth rates seen over the past five years. The main blight on the survey was that overall employment remained near-stagnant. Steady jobs growth in services was almost entirely offset by a steeper rate of job shedding in the manufacturing sector, as factories continued to down-size.
- Input cost inflation meanwhile remained elevated by standards of the past seven years, albeit down from recent highs to suggest price pressures have peaked.

## China PMI\* & economic growth



Sources: IHS Markit, Caixin, NBS.

## China employment indicators



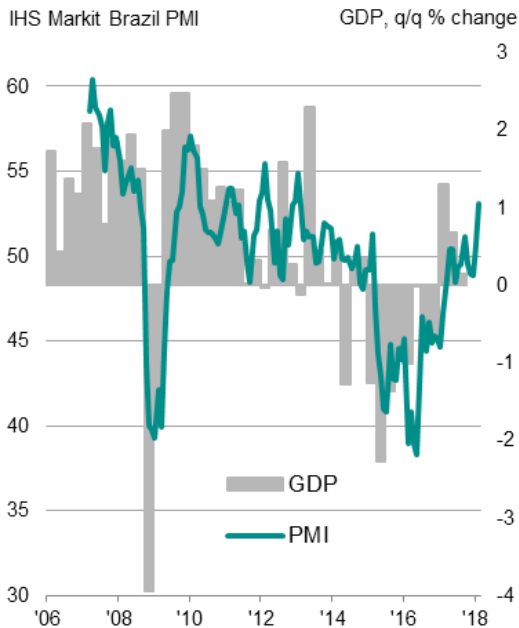
Sources: IHS Markit, Caixin.

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

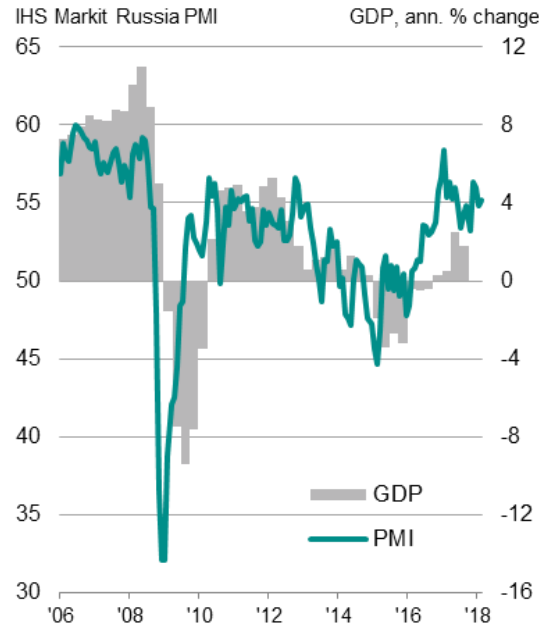
# Brazil's growth hits five-year high, India slips back into decline

- The February PMI data illustrated varied trends among the other major emerging markets besides China.
- A big development was seen in [Brazil](#), where the composite PMI jumped to a five-year high, in what is perhaps the most compelling indication that businesses and consumers are recovering from the lingering effects of recession. Manufacturing growth picked up, accompanied by the strongest upturn in the more domestically-focused service sector for five years.
- In [India](#), however, the composite Nikkei PMI fell for a second month running to signal the first, albeit marginal, drop in business activity since last August. The downturn was focused on the service sector, hinting at weaker domestic demand.
- **Russia** once again reported the strongest pace of growth of business activity of the four BRIC economies, fuelled by further solid growth of [services](#) activity but with [manufacturing](#) losing momentum quite markedly.

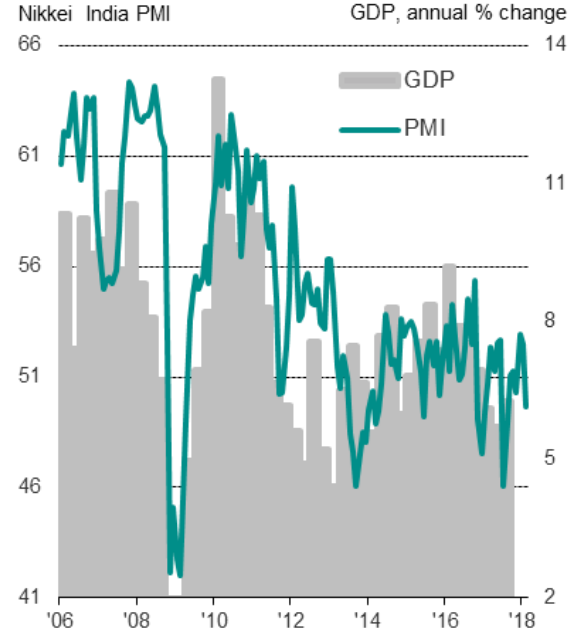
## Brazil PMI\* v GDP



## 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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