

Global Basic Materials PMI

Basic materials stagnates, contrasting with wider economic upturn

- **Basic materials remains global growth laggard**
- **Rise in new orders suggest that stagnation in output is temporary**
- **Weakness centred on chemicals and metals & mining sectors**

Markit Global Basic Materials PMI data are derived from surveys of over 1,500 companies in the global basic materials industry across 28 major economies. August saw broadly no change in the level of **output** among basic materials companies compared with one month earlier, which contrasted with a gain in growth momentum across the wider global economy. This virtual stagnation followed two consecutive months of growth, albeit this was at only a marginal pace in July.

Data relating to employment and pricing trends at basic materials firms further highlighted the underlying weakness in the industry. A third monthly decline in **employment** was seen in August, while **output prices** rose only marginally despite businesses facing a strong rate of **input price inflation**.

However, one bright spot highlighted by the latest data was a further rise in **new orders** received by basic material companies. Although the latest rise in new work was the weakest among the eight industries monitored by global sector PMI data, it suggested that August's lull may be temporary.

Sector-level breakdown

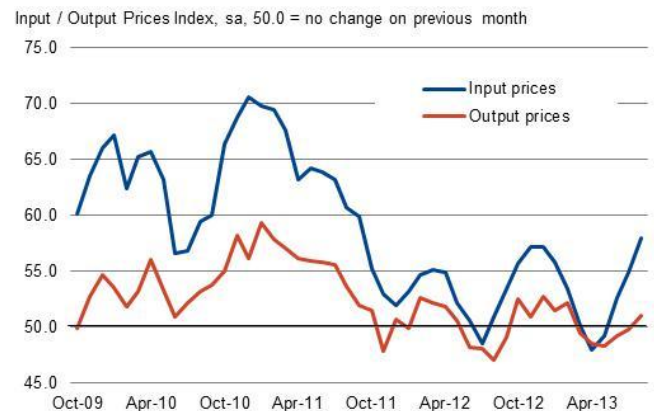
The broad stagnation in output observed for basic materials masked slight divergences in the performance of the narrower sectors that collectively form the industry. **Chemicals** posted a marginal contraction in output that ended a nine-month sequence of growth, while **metals & mining** saw production fall for the fifth straight month. In contrast, manufacturers of **forestry & paper products** registered a solid and slightly accelerated expansion in output.

Global Basic Materials PMI vs. Global Output



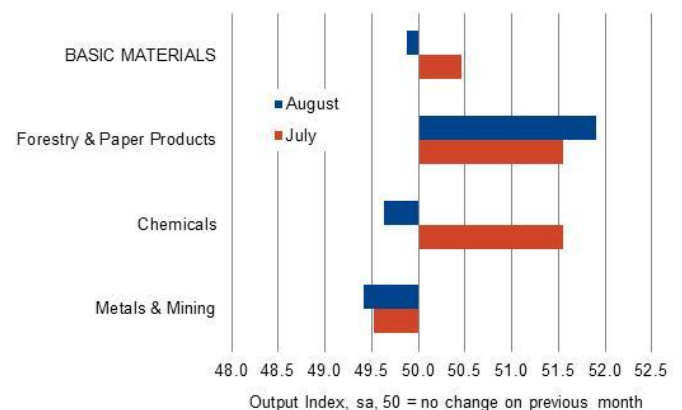
Sources: Markit, JPMorgan.

Basic materials firms lack pricing power



Source: Markit.

Basic Materials breakdown



Source: Markit.

Notes on data

Markit Global Basic Materials PMI data are derived from Markit's manufacturing and whole economy PMI surveys in 28 major economies, covering over 1,500 basic materials manufacturers.

Markit Global Sector PMI data are derived from surveys of over 20,000 companies operating in 28 major economies. The data are released on the fifth working day (UK) of each month at 0930 UK time.

The Global Sector PMI data provide corporate planners and decision makers, economic analysts, policy makers and investors with a powerful and unique database with which to monitor business cycles by industry. Sector trends over time can be tracked as well as relative performance between sectors, allowing identification of key growth industries and the drivers within them.

The data create powerful insight into sector profitability and provide tools for investment strategy and asset allocation. Corporate users are able to examine trends within industry sectors, to help industry forecasting and inventory planning. The dataset provides monthly indicators of business trends across variables such as output, order books, prices, inventories and employment for eight major groups including: basic materials, consumer goods, consumer services, financials, healthcare, industrials, technology and telecommunication services; and a further 26 sectors and subsectors of those groups.

Detailed historical global sector data are available via a subscription from Markit, and datasets are also available for Europe. For further information please contact economics@markit.com.

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Markit Global Sector PMI structure**Groups**

- Sectors
- Subsectors

Basic Materials

- Chemicals
- Resources
 - Forestry & Paper Products
 - Metals & Mining

Consumer Goods

- Automobiles & Auto Parts
- Beverages & Food
 - Food
 - Beverages
- Household & Personal Use Products

Consumer Services

- Media
- Tourism & Recreation

Financials

- Banks
- Insurance
- Other Financials
- Real Estate

Healthcare

- Healthcare Services
- Pharmaceuticals & Biotechnology

Industrials

- Industrial Goods
 - Machinery & Equipment
 - Construction Materials
- Industrial Services
 - Commercial & Professional Services
 - General Industrials
- Transportation

Technology

- Technology Equipment
- Software & Services

Telecommunication Services