



IHS Markit™

# Global PMI

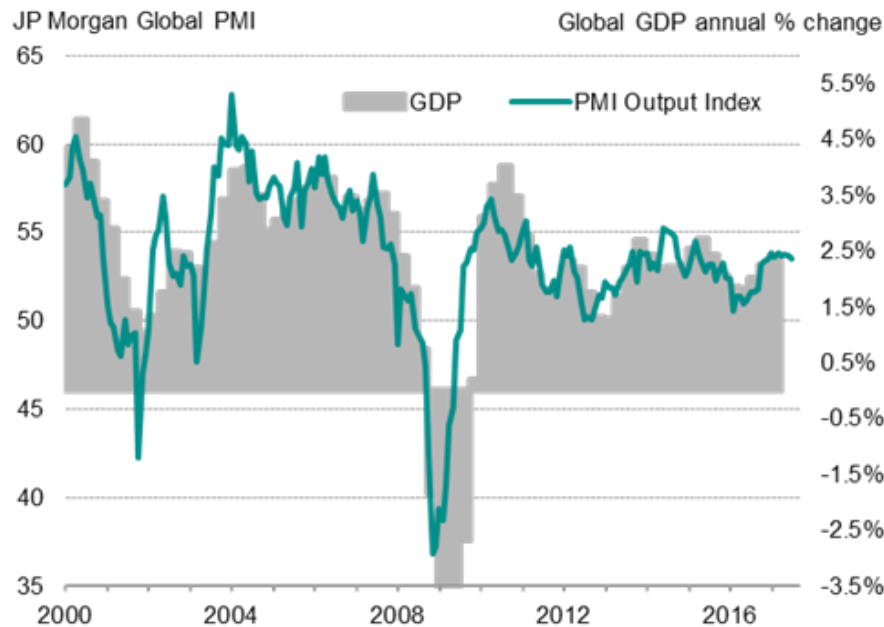
Developed world powers steady global upturn and jobs growth at start of third quarter

August 8<sup>th</sup> 2017

# Global growth slows, but indicators hint at brighter outlook

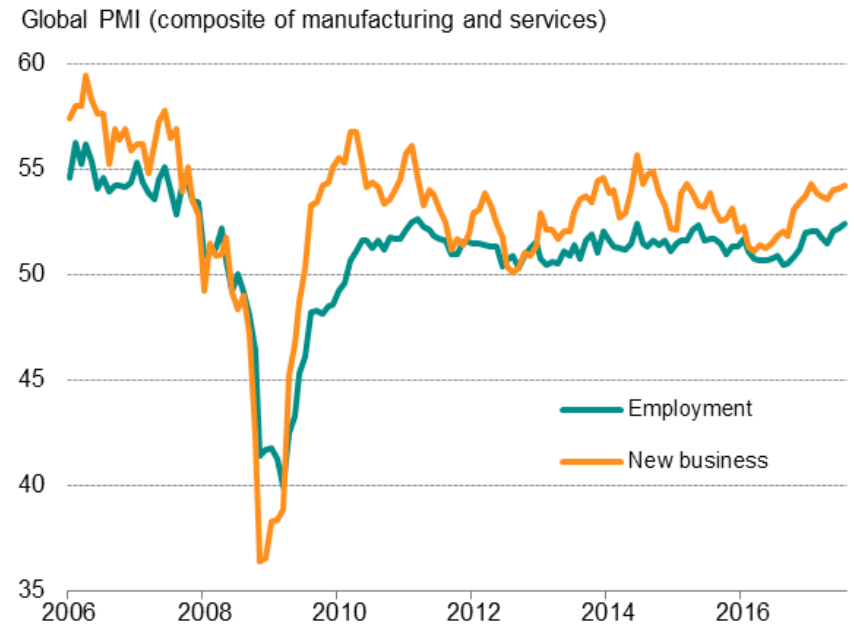
- The global economy saw growth ease slightly for a second successive month in July but nevertheless enjoyed a solid start to Q3, according to PMI data. The headline JPMorgan PMI™, compiled by IHS Markit, slipped from 53.7 in June to 53.5 in July, its lowest since December. While the PMI hints at a mild slowing in the rate of economic growth, the level remains consistent with global GDP rising at an annual rate of just under 2.5%, only slightly below that seen on average over the course of the first half of 2017.
- Some of the survey sub-indices suggest that growth could pick up again in August. Inflows of new business showed the largest rise since January and one of the biggest gains seen for almost three years, and employment growth picked up to reach a 37-month high.

## Global PMI\* & economic growth



Sources: IHS Markit, JPMorgan.

## Global employment and new business



Source: IHS Markit.

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

# Developed world job creation hits near-ten year high

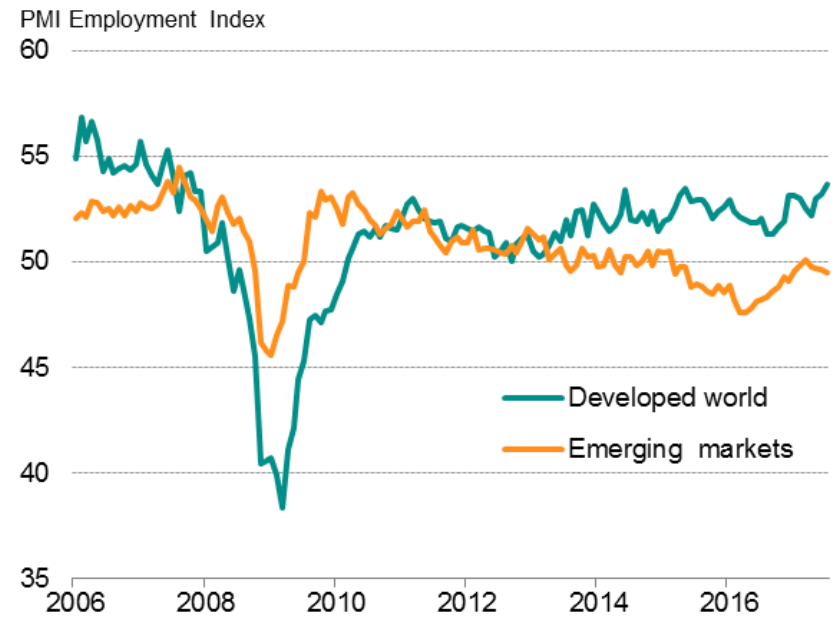
- Beneath the headline numbers, the data showed growth again being driven by the developed world. The Developed Markets PMI edged down from 54.5 to 54.4, but continued to run at one of the highest levels seen over the past two years. The Emerging Markets PMI meanwhile fell from 51.5 to 51.4, its lowest since last September, indicating that the underperformance of the emerging markets relative to the developed world remained the widest since January 2016.
- Future expectations dipped in both the developed and emerging markets, albeit merely down to a four-month low in the former while the latter saw sentiment drop to its weakest for one-and-a-half years. Employment trends also diverged, with emerging market payroll numbers falling slightly while jobs growth in the developed world rose to its highest since October 2007.

## Developed v emerging market output



Source: IHS Markit, CIPS, Nikkei.

## Developed v emerging market employment



Sources: IHS Markit, Caixin, Nikkei.

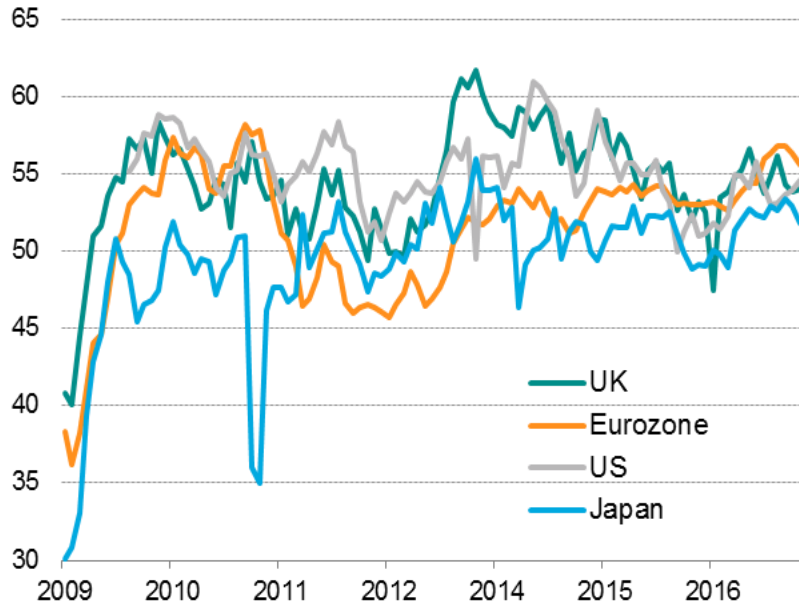
\* PMI shown above is a GDP weighted average of the survey output indices.

# US closes gap with eurozone, India slumps

- Although the Eurozone PMI signalled slightly softer growth for a second successive month in July, the region outperformed its peers for a sixth straight month. The US PMI closed the gap with the eurozone, however, registering the strongest expansion since January. The UK PMI was stuck at June’s four-month low but Japan saw the weakest expansion of the four largest developed markets, with the Nikkei PMI down to a nine-month low.
- The big news in the emerging markets was the Nikkei India PMI hitting a post-crisis low as business was hurt by the new sales tax. July also brought disappointing news on Russia, where the PMI sank to a ten-month low, while Brazil also remained in contraction, suggesting that the brief return to growth has faltered. There was better news out of China, where the Caixin PMI surveys picked up from June’s one-year low amid faster (export-led) manufacturing growth.

## Major developed markets\*

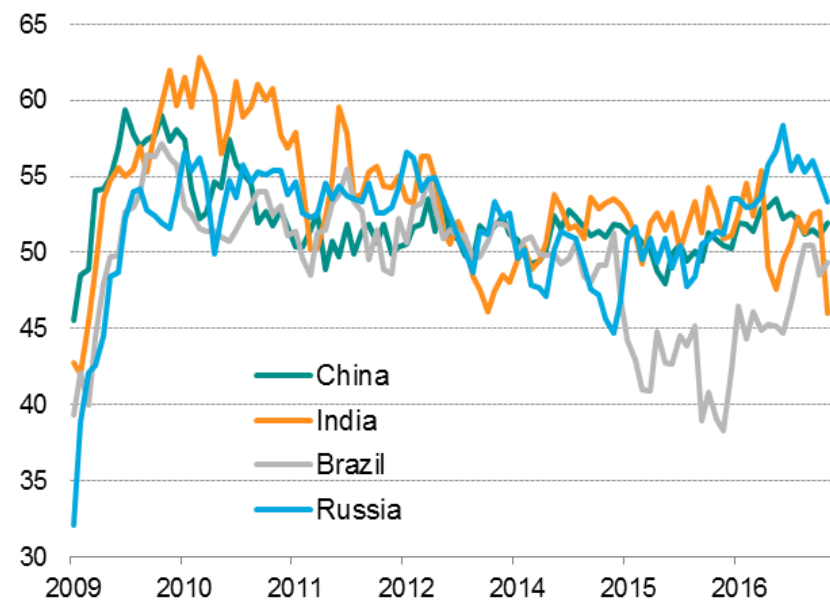
PMI Output/Business Activity Index



Source: IHS Markit, CIPS, Nikkei.

## Major emerging markets\*

PMI Output/Business Activity Index

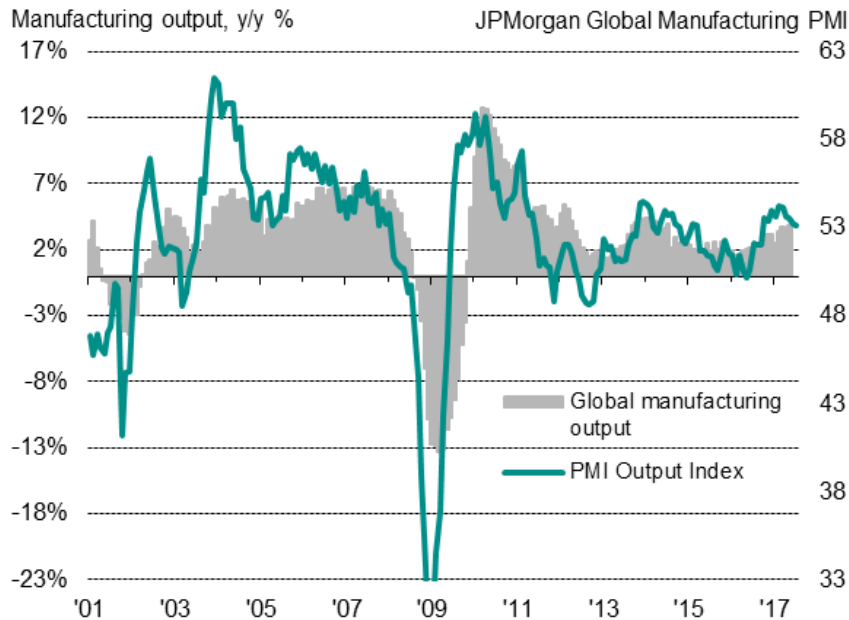


Sources: IHS Markit, Caixin, Nikkei.

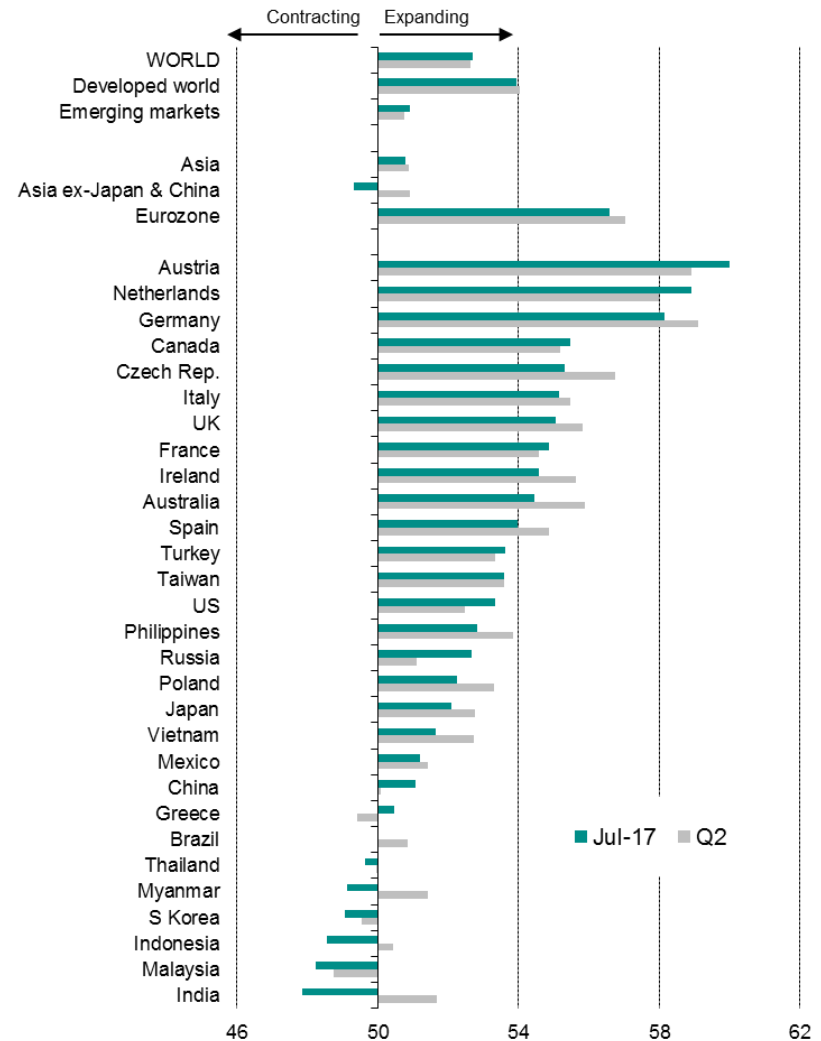
\* PMI shown above is a GDP weighted average of the survey output indices.

# Eurozone nations lead manufacturing rankings

- PMI data showed worldwide manufacturers reporting a sustained improvement in business conditions in July, albeit with output growth slipping lower for a fourth successive month.
- Growth was once again led by European countries as Asia struggled. Six of the top ten performing manufacturing economies were found in the eurozone. Only six of the 29 countries saw manufacturing business conditions decline, all of which were found in Asia. India and Malaysia saw the sharpest declines, the former hit by the new sales tax.



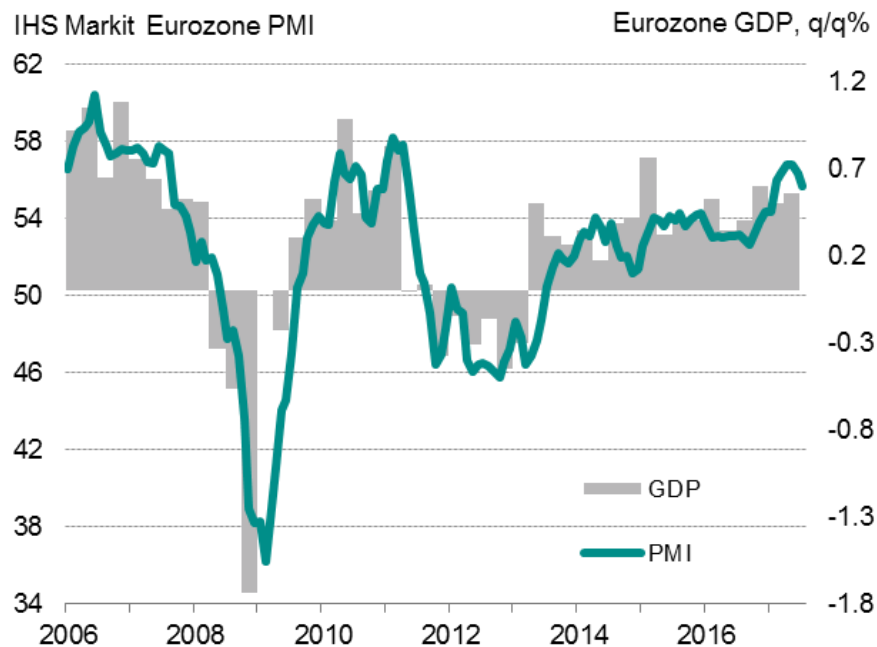
Manufacturing PMI, 50 = no change on prior month



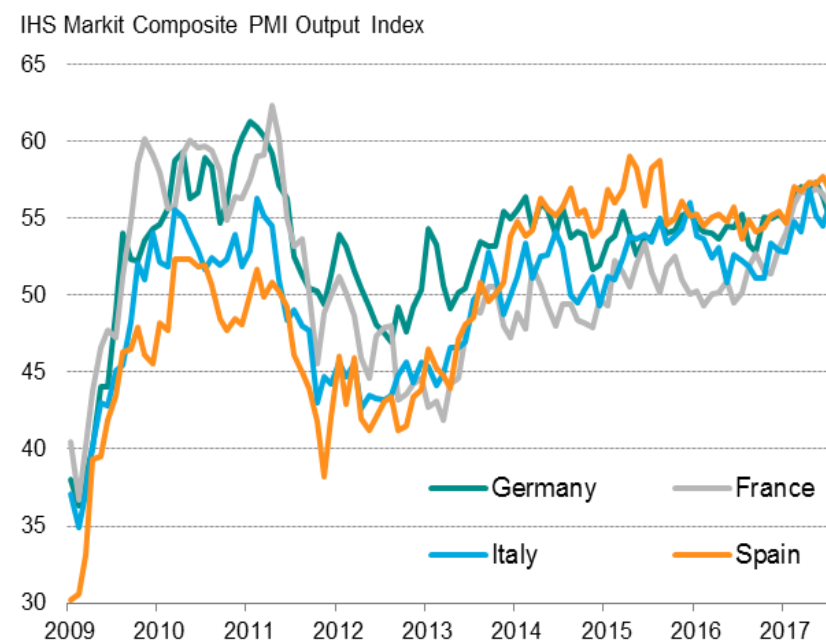
# Eurozone PMI signals sustained (but slower) broad-based upturn

- The Eurozone PMI indicated a slight cooling in the pace of growth in July, but still painted an upbeat picture. The elevated PMI reading puts the eurozone economy on course for another strong quarter, the data being historically consistent with a very respectable 0.6% quarterly increase in GDP.
- Of the four largest euro members, only Italy saw faster growth in July, pushing the PMI into territory indicating 0.5% quarterly GDP growth. Spain nevertheless continued to record the strongest overall expansion, with the PMI indicative of 0.9% growth. The slowdown in Germany meant it registered the weakest increase in activity of the four largest euro countries for the first time in over 12 years, though the current PMI reading still points to a 0.4-0.5% GDP growth rate. A loss of momentum in France also pushes the PMI down to a level broadly consistent with 0.4-0.5% GDP growth.

## Eurozone economic growth\*



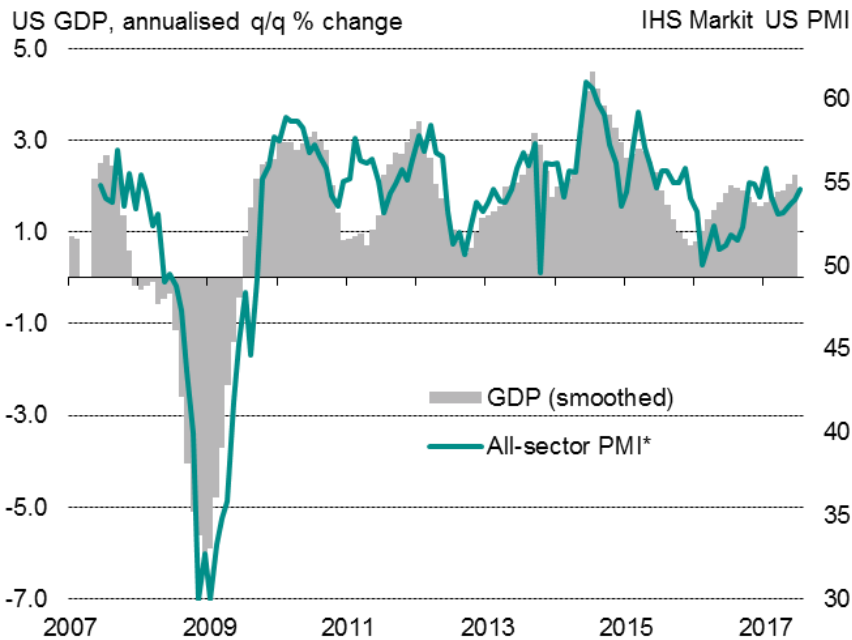
## Eurozone big-four (output)



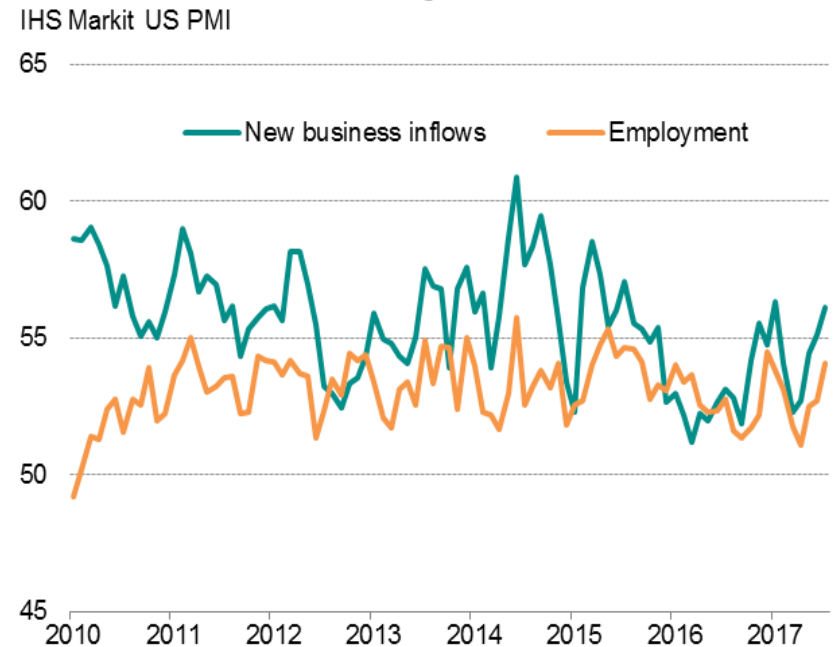
# US starts Q3 on stronger footing

- The US PMI surveys showed growth accelerating for the fourth consecutive month, meaning the economy started Q3 with the strongest momentum since January. An upturn in service sector activity came on the heels of news of faster manufacturing growth. At current levels, the surveys are indicative of GDP rising at an annualised rate of approximately 2%, but an upturn in new business suggests Q3 as a whole could be even stronger. Inflows of new business in the vast service sector rose at the fastest rate for two years.
- Hiring meanwhile remains encouragingly buoyant, with the July PMI surveys correctly indicating a payroll rise above 200,000. Firms retained a strong hiring appetite in response to widespread optimism of future growth and the need to deal with rising backlogs of existing orders, underscoring the current positive mood in the business sector.

## US economic growth\*



## US new orders and jobs\*



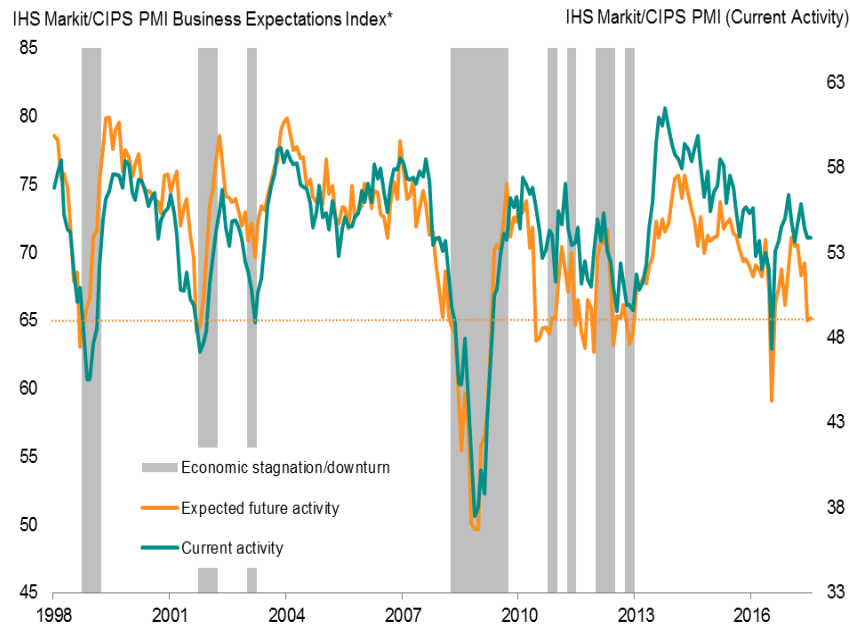
Sources: IHS Markit, Commerce Department.

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

# UK PMI points to further sluggish Q3 growth

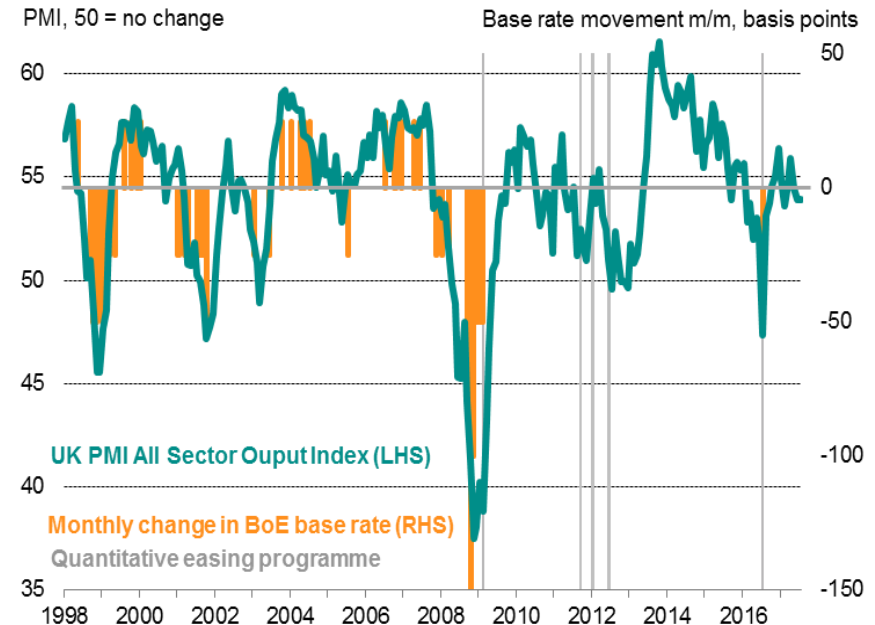
- The UK PMI indicates that businesses remain in expansion-mode despite ongoing uncertainty about the outlook, but also highlights how the risks to future growth remain firmly biased to the downside. Taken together, the three PMI surveys are broadly consistent with economic growth of just over 0.3%, putting the country on course for another steady but sluggish expansion in Q3 after weak expansions in the first two quarters of the year.
- However, a subdued level of business optimism suggests growth could easily weaken in coming months. Firms' prospects for the coming year have slipped to a level which has previously been indicative of the economy stalling or even contracting, having taken a lurch downward since the general election, largely reflecting heightened uncertainty about the economic outlook and Brexit process.

## UK PMI\* current and future activity



\* covers only services and construction prior to 2012

## UK PMI\* and Bank of England policy



Sources: IHS Markit, Bank of England.

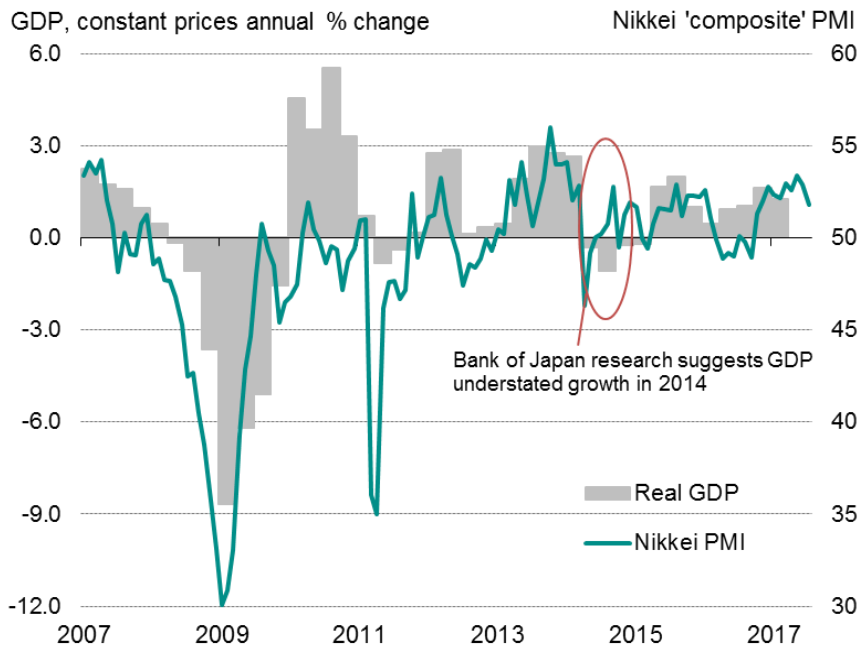
\* PMI shown above is a GDP weighted average of the survey output indices.



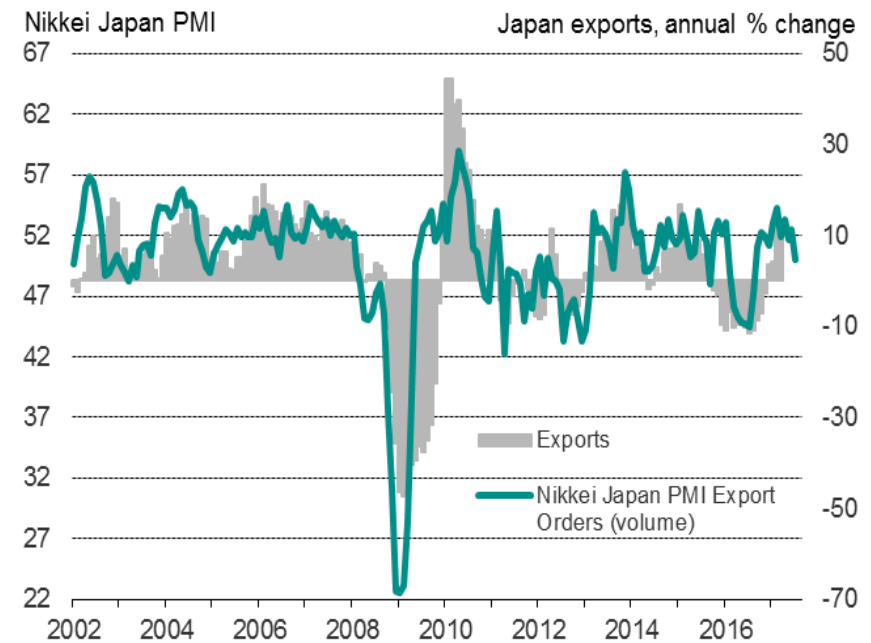
# PMI surveys show Japan's economy slowing at start of Q3

- Japan's economy saw further signs of losing momentum at the start of Q3, with PMI surveys recording the weakest rate of expansion since last October. The Nikkei Composite PMI fell from 52.9 in June to a nine-month low of 51.8 in July. While still representing an expansion in output, the latest reading indicates that the economy lost momentum at the start of the second half of the year, with the PMI having signalled robust growth rates in each of the previous three quarters.
- July saw a notable slowdown in manufacturing output growth, with the latest expansion the weakest since September last year as slowing export trade weighed on manufacturing production. Services also grew at a slower pace, registering the smallest increase in business activity since February. The surveys nevertheless still suggest the economy continued to grow at an annual rate approaching 1.5%.

## Japan economic growth\*



## Japan manufacturing exports

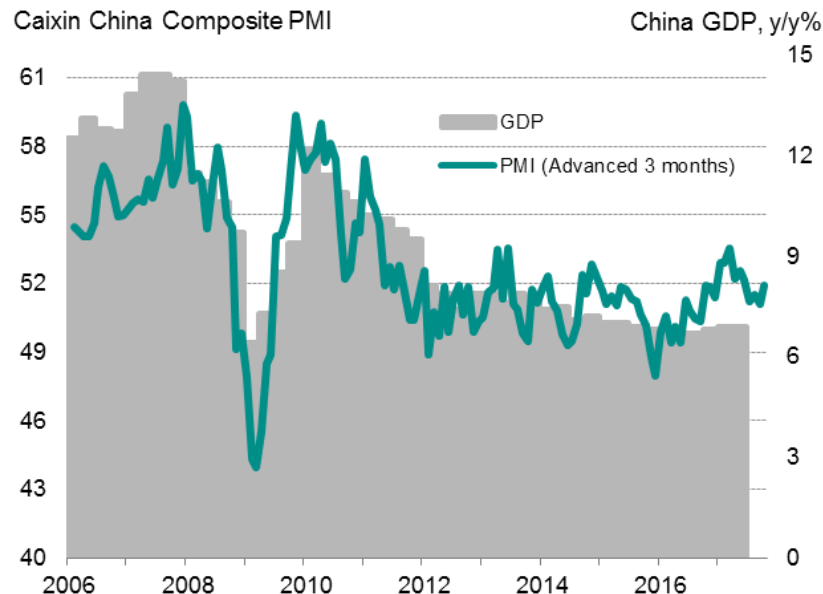


Sources: IHS Markit, Nikkei, Japan Cabinet Office, Thomson Reuters Datastream.  
 \* PMI shown above is a GDP weighted average of the survey output indices.

# China PMI signals firmer start to Q3 but still no jobs growth

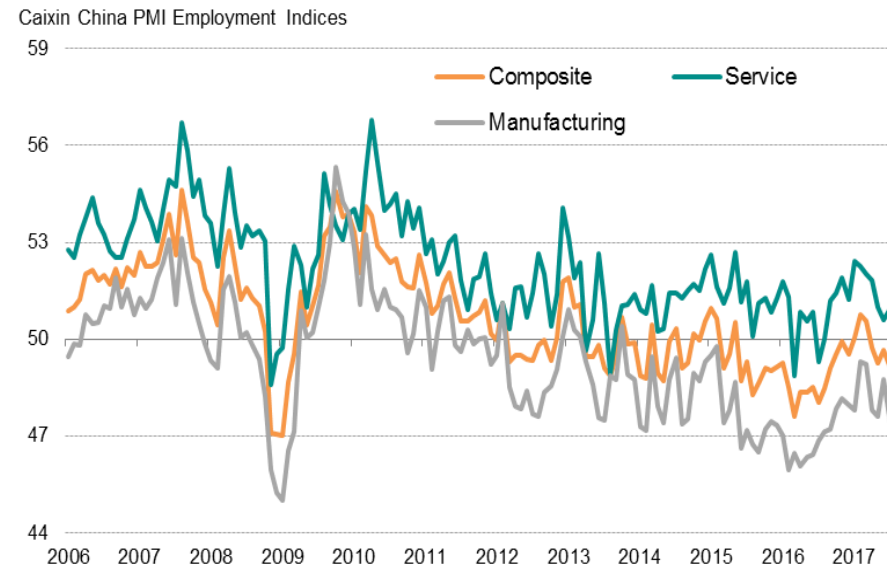
- The Chinese economy started Q3 on a firm footing, led by a pickup in manufacturing which was in turn supported by stronger foreign demand. The Caixin China Composite PMI Output Index rose to 51.9 in July — a four-month high — from 51.1 in June. Growth in new business accelerated to a four-month high in July.
- The upturn in activity and new business at the start of Q3 could pose an upside risk to current GDP growth projections. GDP growth is expected to cool to an annual rate of 6.6% in 2017, according to a Reuters poll and IHS Markit’s forecasts.
- However, employment fell for a fourth straight month in July and at the steepest rate since last September. The increase in service sector jobs was insufficient to offset the persistent decline in manufacturing employment.

## China PMI\* & economic growth



Sources: IHS Markit, Caixin, NBS.

## China employment



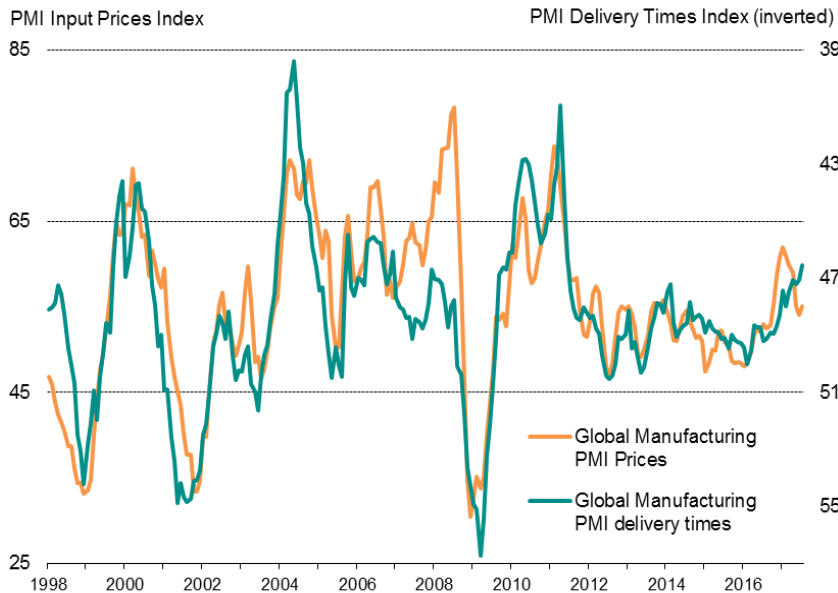
Sources: IHS Markit, Caixin.

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

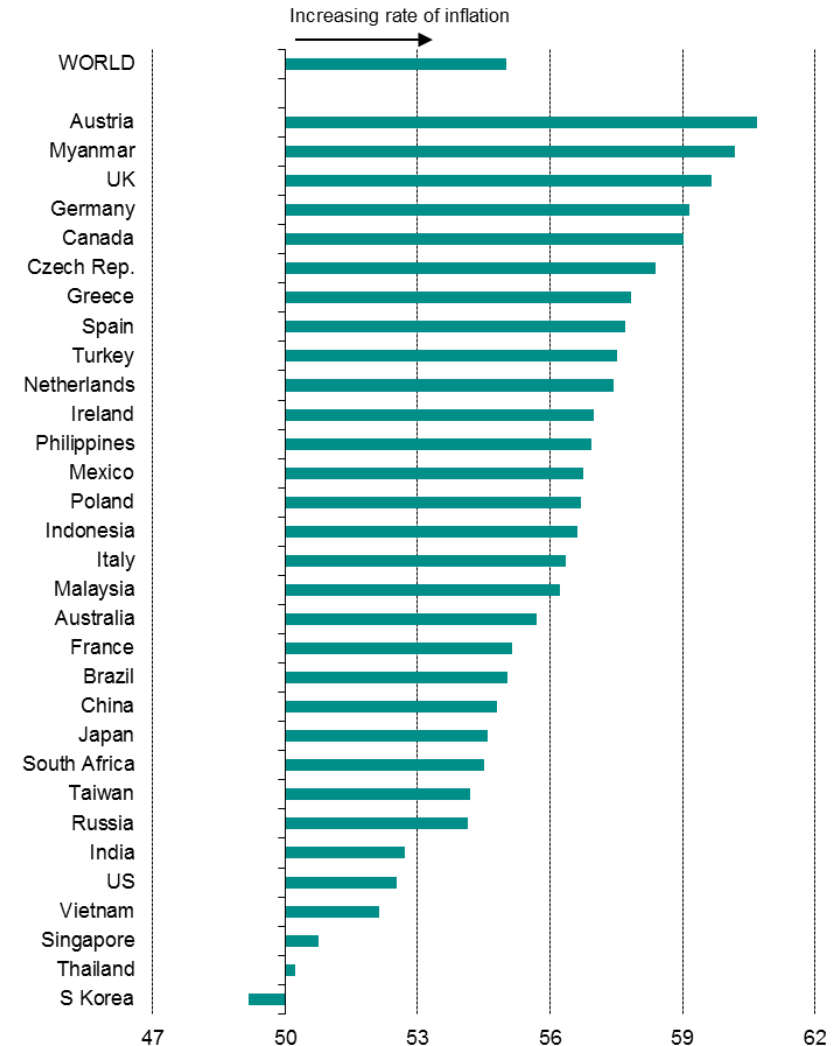
# Global industrial inflation rises for first time in six months

- A consequence of the sustained steady manufacturing expansion so far this year has been the stretching of global supplier lead times. Delays in the delivery of goods to manufacturers in July were the most widespread for over six years as demand increasingly outstripped supply. Prices often rose as a result, pushing the overall global rate of input cost inflation higher for the first time in six months, although remaining well below January's peak.
- Weak exchange rates also contributed to widening national price differentials.

## Global supply chain delays and raw material prices



Manufacturing PMI input prices, 50 = no change on prior month



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