



IHS Markit™

Global PMI

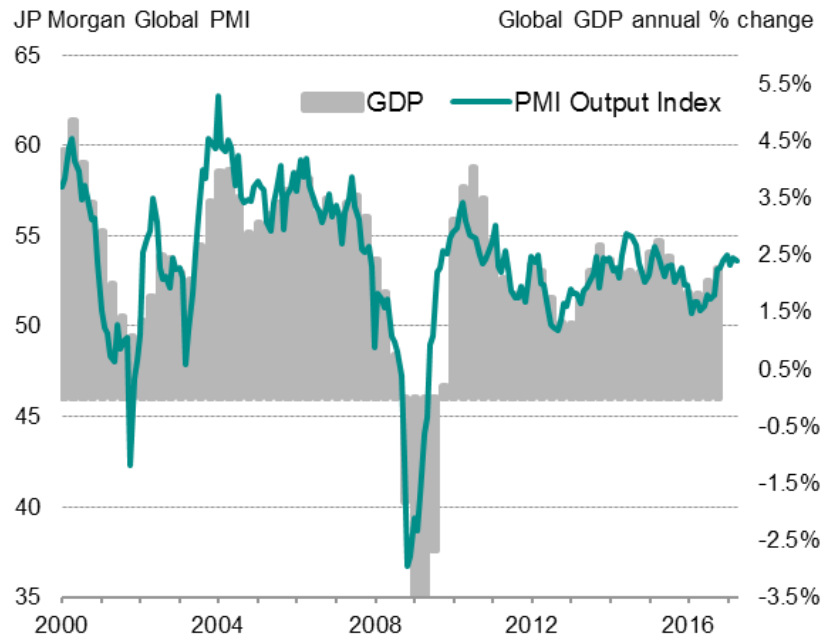
Developed world upturn helps sustain robust global economic growth at start of Q2

May 8th 2017

Global PMI signals robust momentum sustained in April

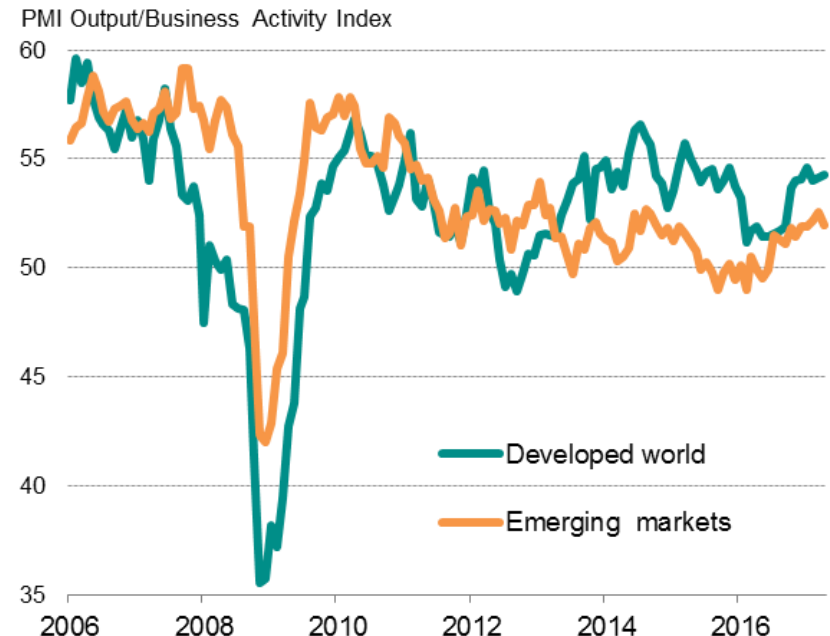
- The global economy sustained robust growth momentum at the start of the second quarter, according to PMI survey data. The JPMorgan Global PMI™, compiled by Markit from its various national surveys, recorded 53.7 in April, unchanged on March and in line with the average seen over the first quarter. Recent readings are higher than at any time since early 2015 and broadly consistent with global GDP growing at an annual rate of 2.5%.
- Slower growth in the emerging markets was offset by stronger developed world expansion, led by Europe, to indicate that the global economy continued to enjoy its best growth spell for two years. While the Emerging Market PMI fell from 52.6 in March to a three-month low of 52.0 in April, the Developed World PMI edged up from 54.1 to 54.3, its second-highest reading in almost one-and-a-half years.

Global PMI* & economic growth



Sources: IHS Markit, JPMorgan.

Developed & emerging market output



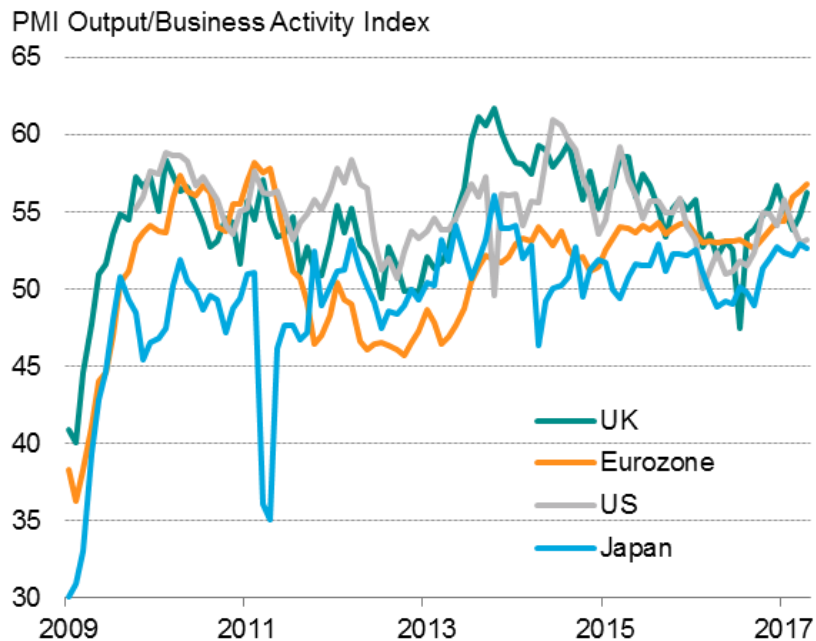
Source: IHS Markit.

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

Europe leads developed world expansion

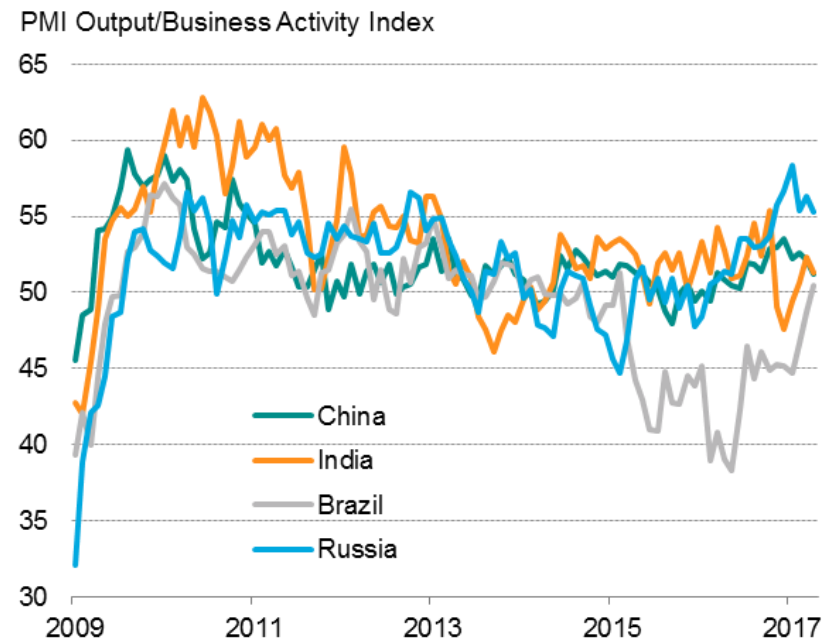
- Of the four largest developed world economies, growth was led by the [eurozone](#) for the third month running, with the UK close behind. Both benefit from accommodative monetary policy and historically weak exchange rates, with few signs of political uncertainty derailing growth. Slower but steady expansions were meanwhile seen in the US and Japan, pointing to a broad-based - and robust - developed world upturn at the start of the second quarter.
- While a key development in the first quarter of 2017 was a revival of emerging market growth, April saw momentum across the region slow, albeit with a mixed bag of PMI surveys. Slower expansions were seen in China, Russia and India but Brazil showed a welcome return to growth after a two-year recession.

Main developed markets*



Source: IHS Markit, CIPS, Nikkei.

BRIC nations*

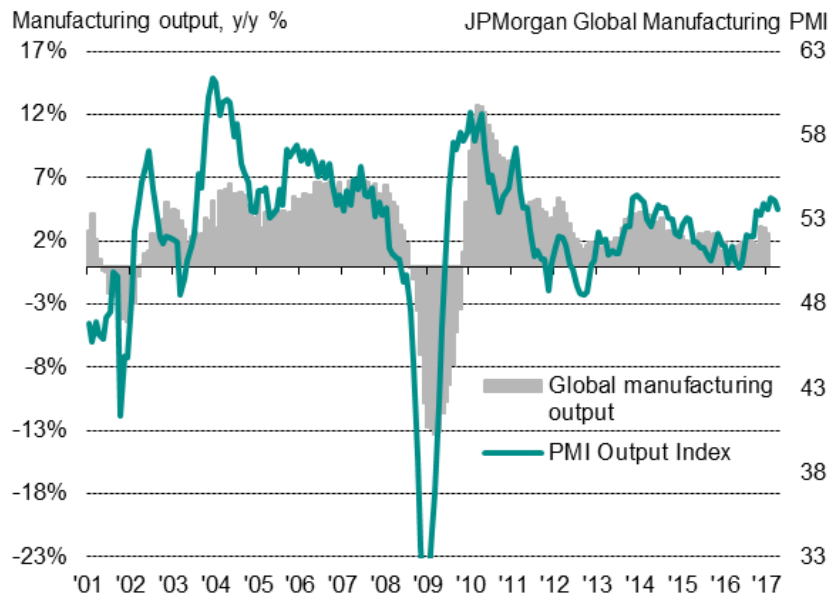


Sources: IHS Markit, Caixin, Nikkei.

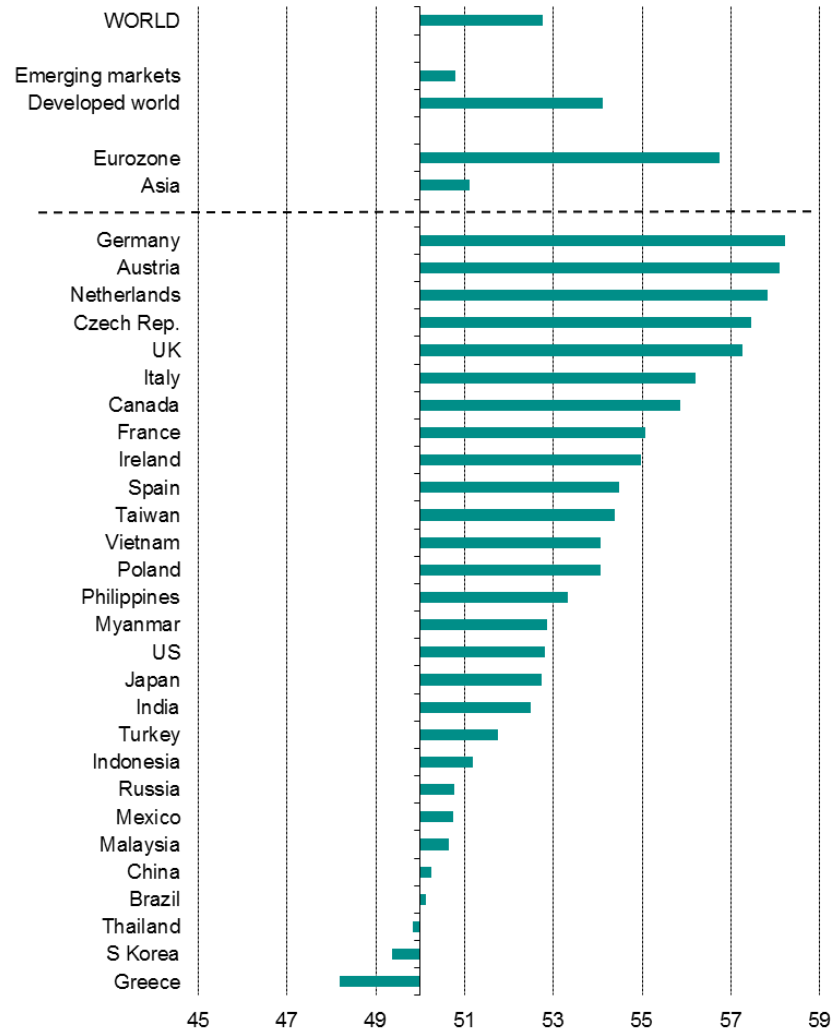
* PMI shown above is a GDP weighted average of the survey output indices.

European countries lead manufacturing rankings

- The [J.P.Morgan Global Manufacturing PMI](#) slipped to a three-month low in April but the outlook remained positive amid elevated levels of business optimism and rising backlogs of work.
- The upturn was again led by European countries, with Germany retaining top spot, followed by Austria and the Netherlands. The UK moved up into fifth place.
- Only three countries indicated a deterioration in operating conditions, the joint-lowest number for six years, with Greece seeing the steepest downturn.



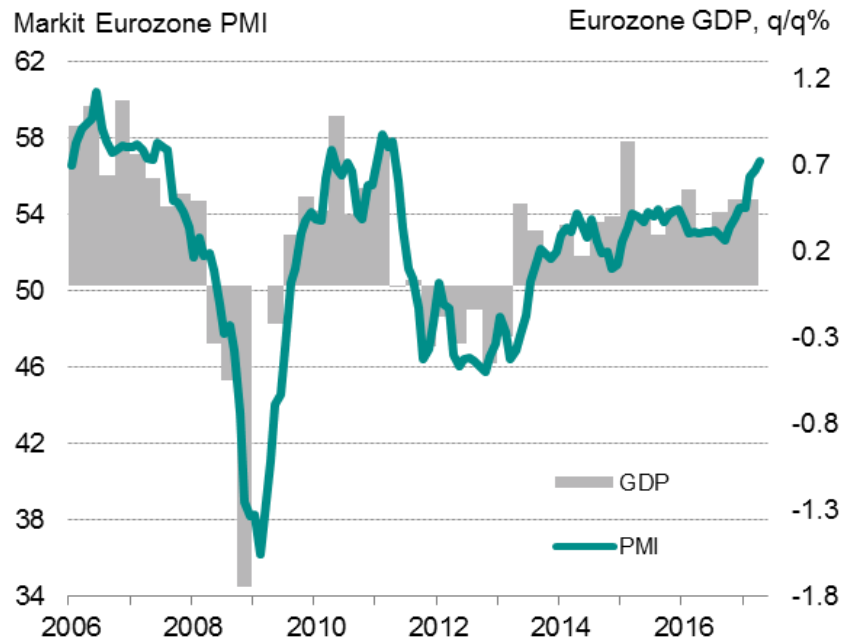
Manufacturing PMI, 50 = no change on prior month (April 2017)



Eurozone starts Q2 with PMI at fresh six-year high

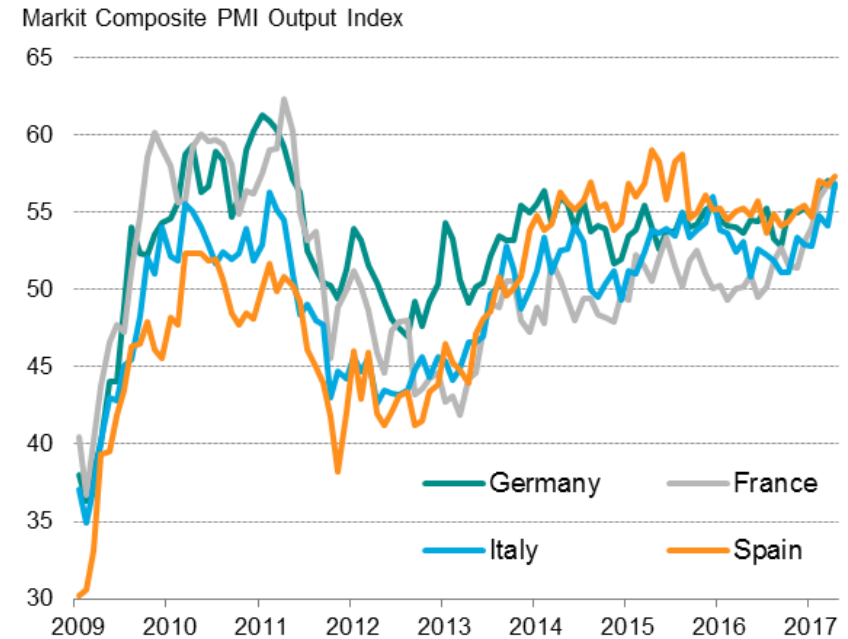
- Of the four largest developed world economies, growth was led by the [eurozone](#) for the third month running. The Eurozone composite PMI hit a fresh six-year high of 56.8 in April. The latest reading is historically consistent with a 0.7% quarterly GDP growth rate at the start of the second quarter.
- Encouragingly, solid growth was seen across all four of the largest euro member states. Manufacturers continued to benefit from the weaker euro and consumer spending was buoyed by a further improvement in the labour market, with job creation holding close to a ten-year high.
- The strong data bode well for second quarter euro area growth forecasts to be revised higher. IHS Markit is upping its forecast to 0.4%, albeit still down from 0.5% in the first quarter.

Eurozone economic growth*



Source: IHS Markit, Eurostat.

Eurozone big-four (output)



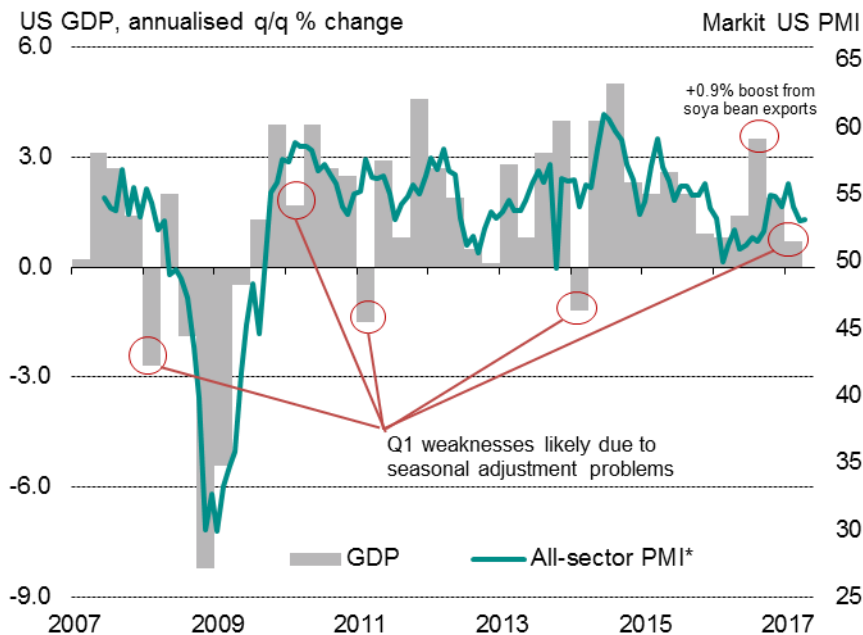
Sources: IHS Markit, Eurostat.

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

Sustained US growth and hiring add to case for rate hike

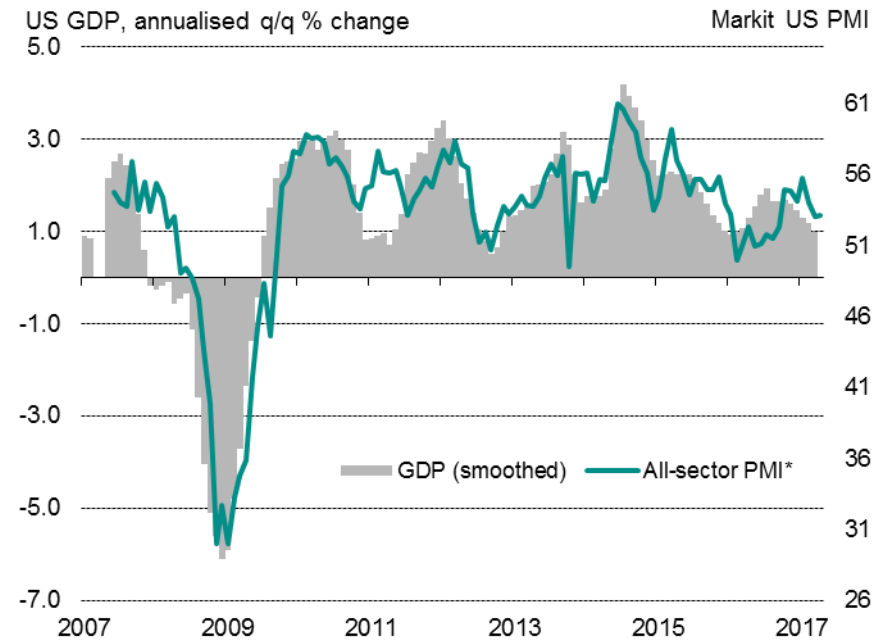
- IHS Markit's [US composite PMI](#) rose to 53.2 in April, up from March's six-month low but indicative of only modest economic growth in the region of 1.5% annualised (0.3-4% quarterly). It's likely, however, that GDP data for the US will rebound in the second quarter, in part due to seasonal distortions evident in the official data and stronger consumer spending. IHS Markit's economists are currently forecasting a rebound to around 3.3% annualised growth in the second quarter after the lacklustre 0.7% pace seen in the first three months of the year.
- Non-farm payrolls meanwhile beat expectations in April with a 211k rise and the unemployment rate fell to 4.4%, its lowest for nearly 17 years, further fueling expectations that the Fed will hike rates again in June.

US economic growth*



Sources: IHS Markit, Commerce Department.

US PMI* v smoothed GDP



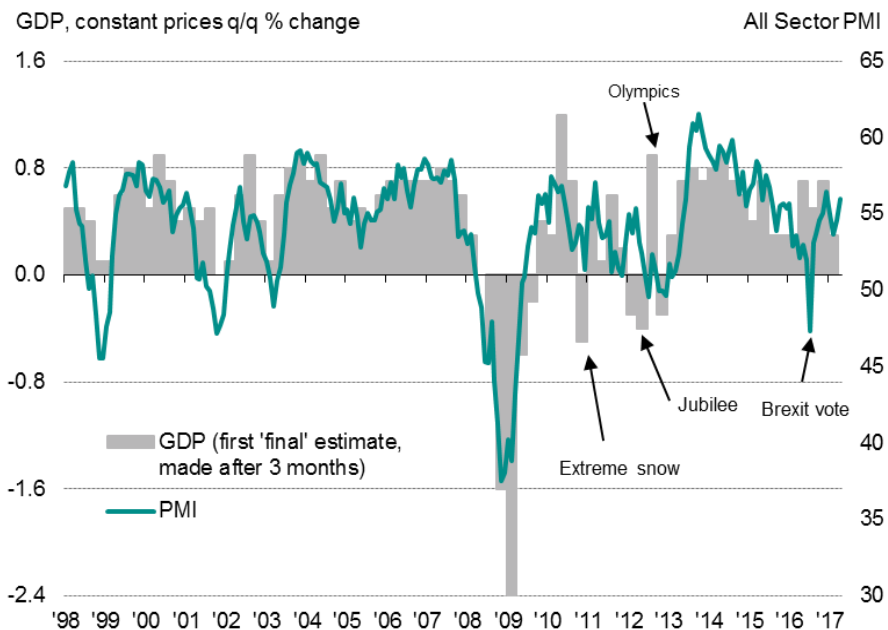
Sources: IHS Markit, Commerce Department.

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

UK PMI surveys signal hat-trick of faster growth in April

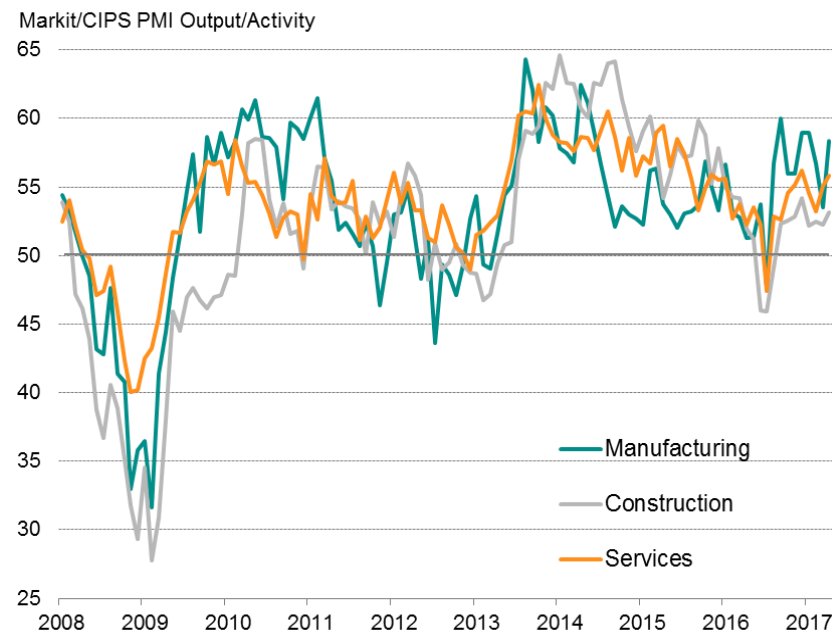
- The [UK PMI surveys](#) surprised on the upside in April. The data indicate that growth accelerated for a second month running, rising to the second-highest in 21 months. The UK all-sector PMI reached 56.0, a level historically indicative of a 0.6% quarterly GDP growth rate, on the back of a hat-trick of faster growth in services, manufacturing and construction. However, consumer-facing sectors continued to struggle, often linked to spending being squeezed by higher prices.
- The recent upturn in the indicators has prompted IHS Markit's economists to upgrade their forecasts for second quarter GDP to 0.4% compared with 0.3% in the first quarter, which assumes that growth will slacken off again in May and June as higher prices curb consumers.

UK economic growth*



Sources: IHS Markit, CIPS, ONS.

UK sector output



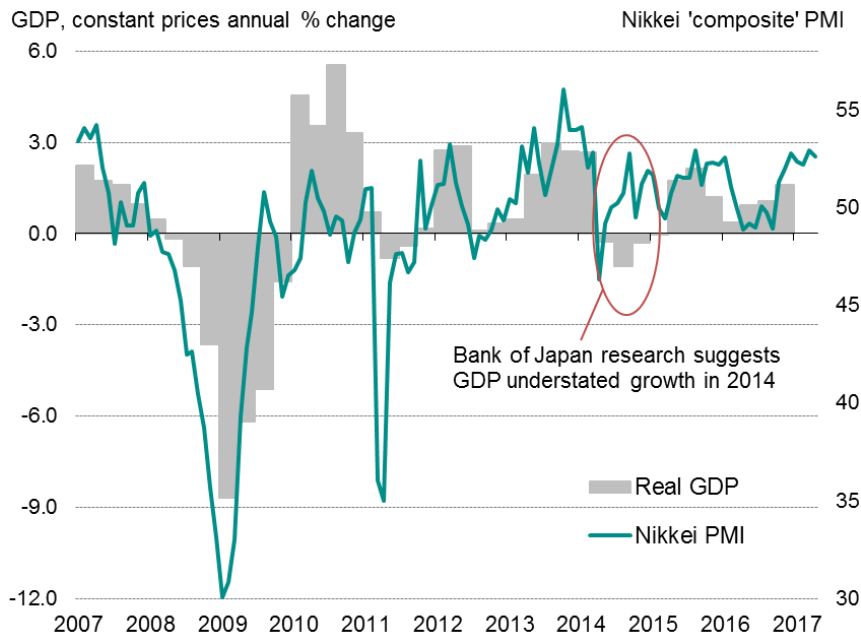
Sources: IHS Markit, CIPS, ONS.

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

Japan's PMI holds close to 1½ year high

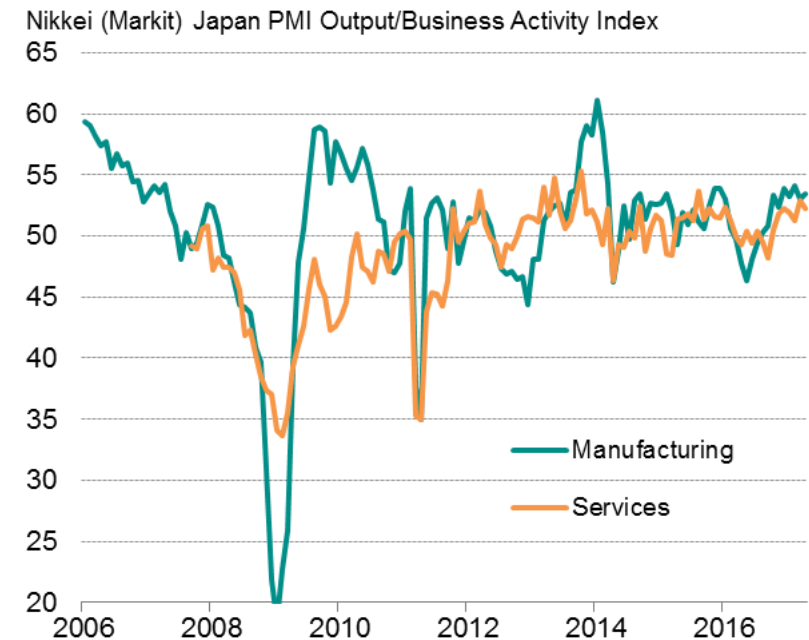
- In [Japan](#), the composite Nikkei PMI fell from March's recent peak to 52.6, but still signalled one of the fastest rates of expansion seen over the past three years. The data add to a recent flow of improving news on the health of the Japanese economy which has led us to raise our forecasts for 2017 GDP growth to 1.3%.
- The weak yen continued to help boost the manufacturing sector via improved export performance, with the goods-producing sector continuing to enjoy its best growth spell for two years. Service sector growth meanwhile eased only slightly from March's one-and-a-half year high.
- Average prices charged for goods and services rose for a fourth straight month, but the rate of increase moderated.

Japan economic growth*



Sources: IHS Markit, Nikkei, Japan Cabinet Office

Japan manufacturing & services output



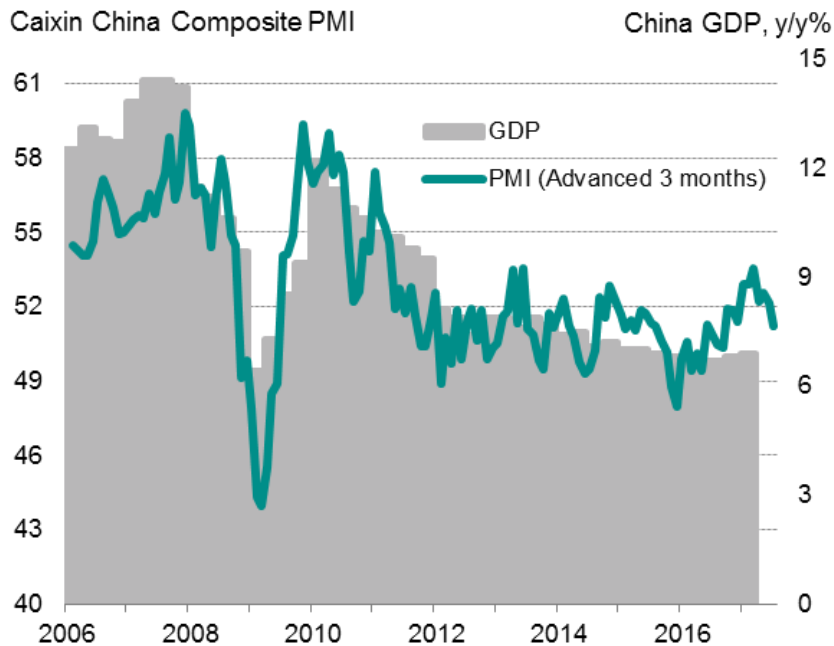
Sources: IHS Markit, Nikkei.

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

China PMI slides to ten-month low at start of Q2

- The softer pace of expansion in the emerging markets was mainly the result of a fall in the Caixin composite [PMI for China](#) to a ten-month low of 51.2; a consequence of weaker rates of expansion in both manufacturing and services. Moreover, there were some indications to suggest that growth could decelerate further in coming months. Inflows of new business sank to a seven month low, and the renewed drop in employment suggested firms are cautious about the outlook, while business optimism about the year ahead moderated to the lowest level in 2017 to date.
- The renewed slide in the PMI adds to widespread expectations that the acceleration of GDP growth to 6.9% in the first quarter will prove short-lived. IHS Markit expects the Chinese economy to grow 6.6% in 2017, down from 6.7% in 2016.

China PMI* & economic growth



Sources: IHS Markit, Caixin, NBS.

China sector output



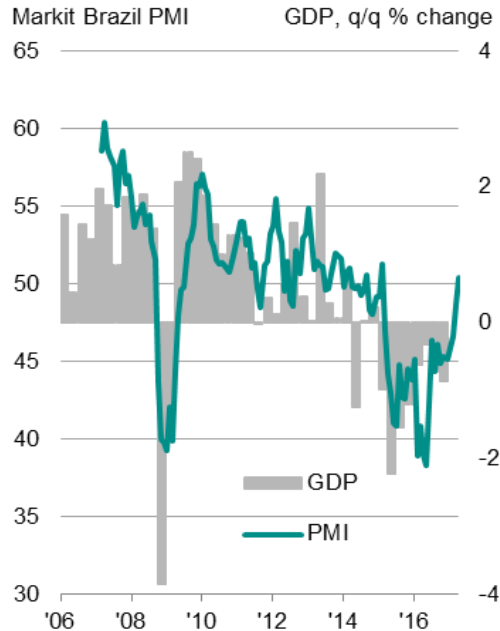
Sources: IHS Markit, Caixin.

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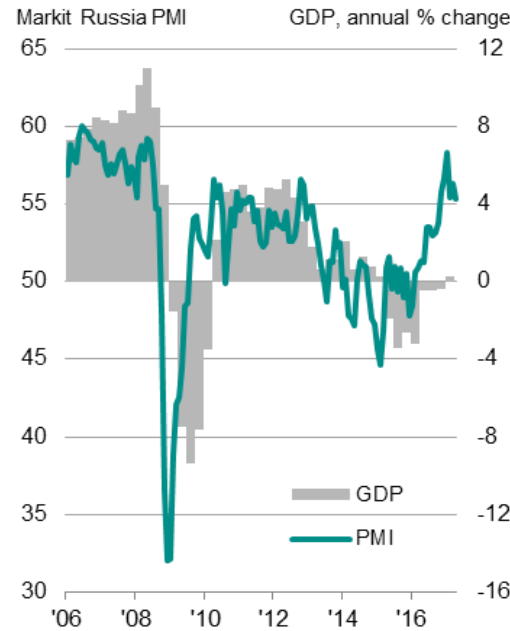
Weaker PMI readings for India & Russia but Brazil's recession ends

- Growth slowed in [India](#), with the Nikkei PMI down to 51.3 But the fact that the PMI remained in growth territory for a third month running represents a marked improvement on the downturn signalled late last year and suggests the economy continues to recover from disruptions caused by the government's withdrawal of high denomination bank notes.
- Similarly, a waning of growth in [Russia](#) needs to be viewed in the context of recent strong numbers. The PMI reading of 55.3 in April was the lowest since October, but still represented a solid pace of economic growth, with the service sector seeing especially buoyant activity. GDP numbers returned to growth in Q4 and the PMI indicates more upside to 2017.
- Finally, the best news from the emerging markets perhaps came out of [Brazil](#), where the PMI rose above the neutral level of 50 for the first time since February 2015. The reading of 50.4 signifies a welcome end to a two-year downturn that has been the worst in Brazil's modern history.

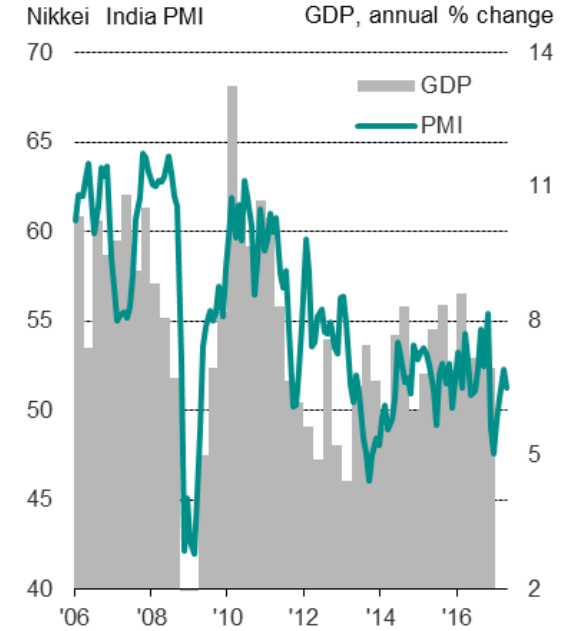
Brazil PMI* v GDP



Russia PMI* v GDP



India PMI* v GDP



Sources: IHS Markit, Nikkei, Datastream.

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

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