



IHS Markit™

Global PMI

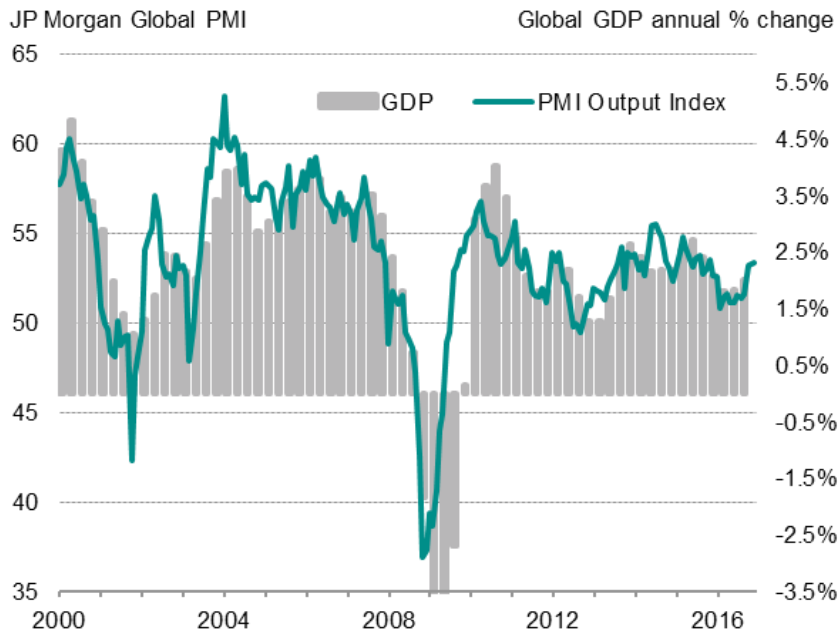
Global economy ends 2016 on 13-month high

January 11th 2017

Global PMI at 13-month high, ends best quarter since Q3 2015

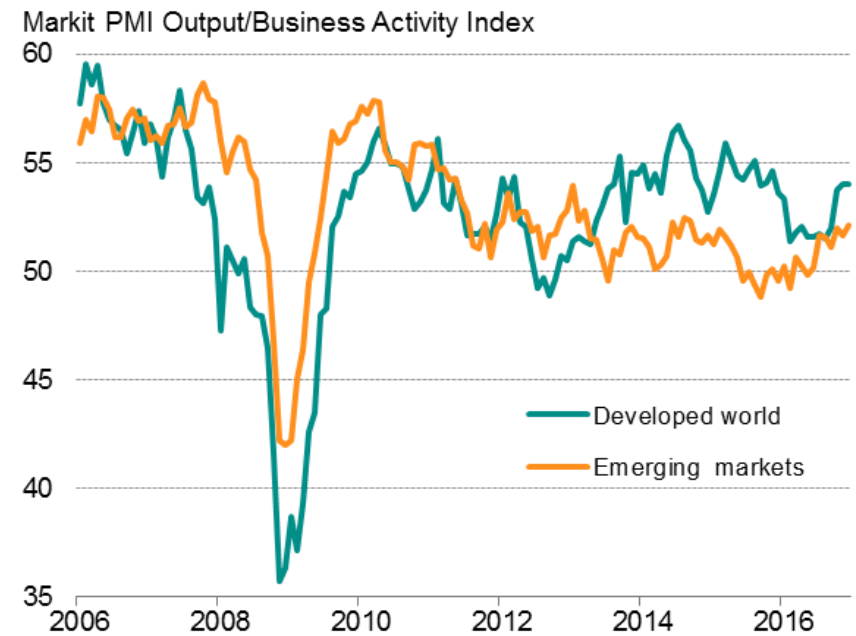
- The global economy ended 2016 on a solid footing, according to PMI survey data, enjoying the fastest growth for over a year. The [JPMorgan Global PMI™](#), compiled by Markit from its various national surveys, edged higher from 53.3 in November to reach a 13-month high of 53.4 in December. The latest reading rounded off the strongest quarter since the third quarter of 2015 and represents a marked improvement from the weak growth signalled earlier in the year. The PMI data are consistent with global GDP rising at an annual rate of just under 2.5% in Q4.
- The pace of emerging market expansion perked up to a 27-month high, though remained weaker than seen in the developed world, where business activity growth was maintained at November’s 12-month high.

Global PMI & economic growth



Sources: IHS Markit, JPMorgan, Thomson Reuters Datastream.

Developed & emerging market output



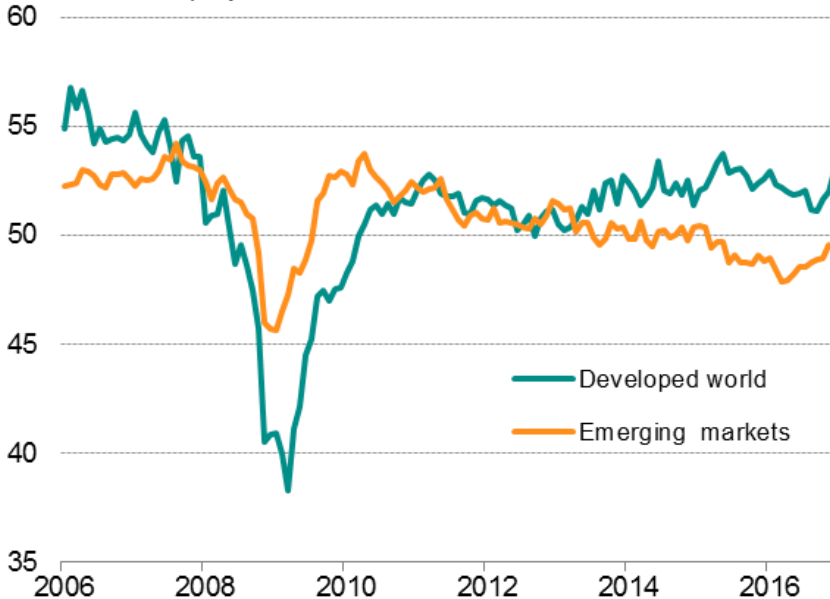
Source: IHS Markit.

Global hiring picks up, but so do prices

- Other PMI sub-indices suggest global economic growth is likely to continue to accelerate in early 2017. Inflows of new business rose globally at the fastest rate since July 2015 and firms added to their payrolls to the greatest extent seen since May 2015. The upturn in employment was driven by the developed world, however, with emerging markets continuing to see a net reduction in payroll numbers, albeit only modest compared to earlier in the year.
- However, the upturn in staffing levels is being accompanied by the largest rise in firms' costs for over five years, hitting emerging markets especially hard (where the strengthening of the US dollar was also reported to have led to higher prices for dollar denominated imports).

Employment

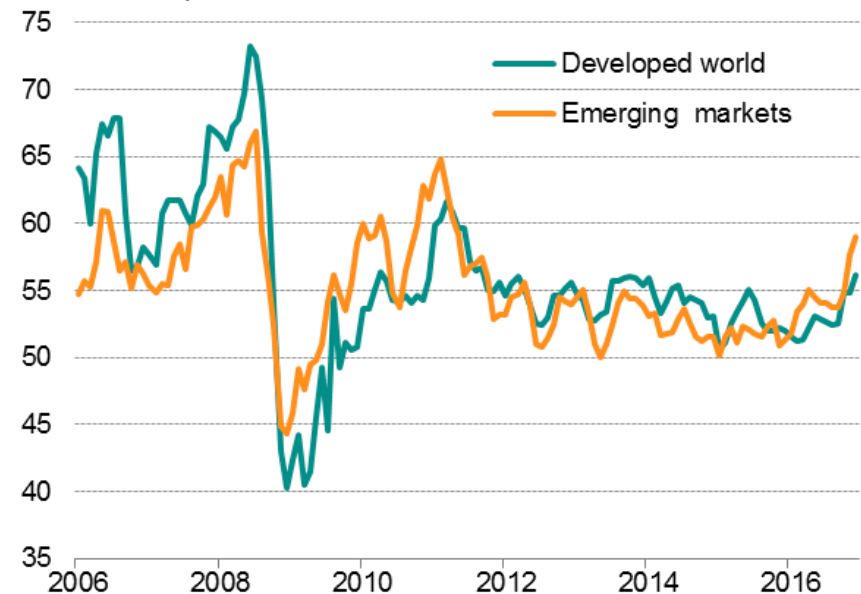
Markit PMI Employment Index



Sources: IHS Markit.

Input costs

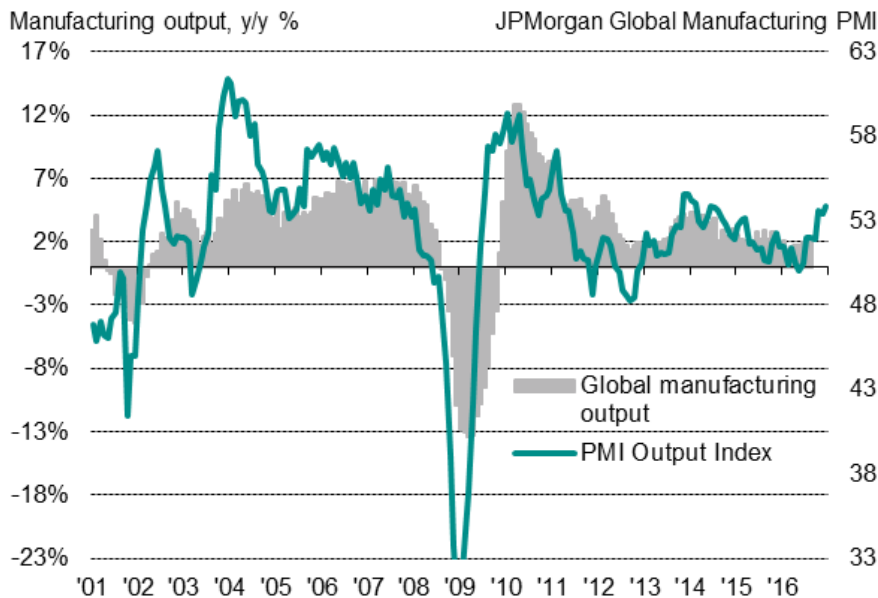
Markit PMI Input Costs Index



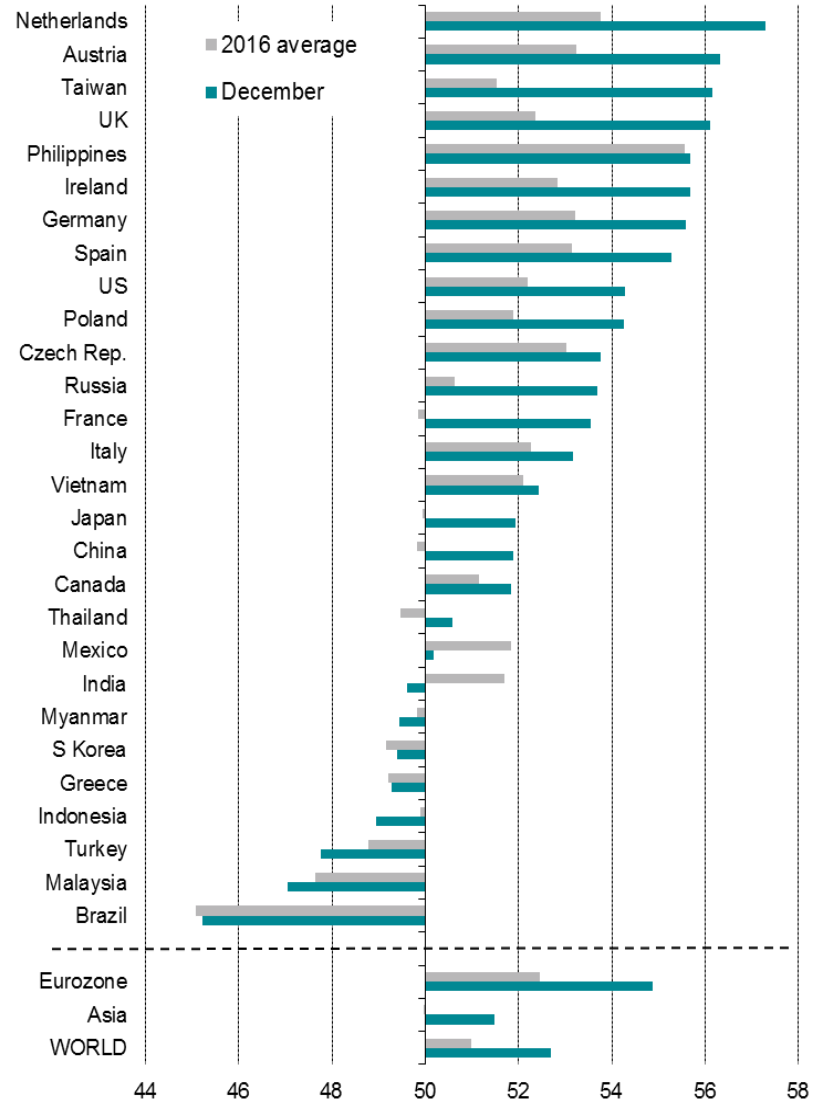
Source: IHS Markit.

Manufacturing PMI near 3-year high

- Global manufacturing business conditions improved at the fastest rate for nearly three years at the end of 2016, as the recovery from the stagnation seen earlier in the year continued to gather momentum.
- The [JPMorgan Global Manufacturing PMI](#), compiled by Markit from its surveys in 28 countries, rose in December to its highest since February 2014. Expansions were recorded in 20 countries with only eight reporting deteriorations. The strongest improvement was seen in the Netherlands, followed by Austria, while Brazil recorded the steepest decline, followed by Malaysia.



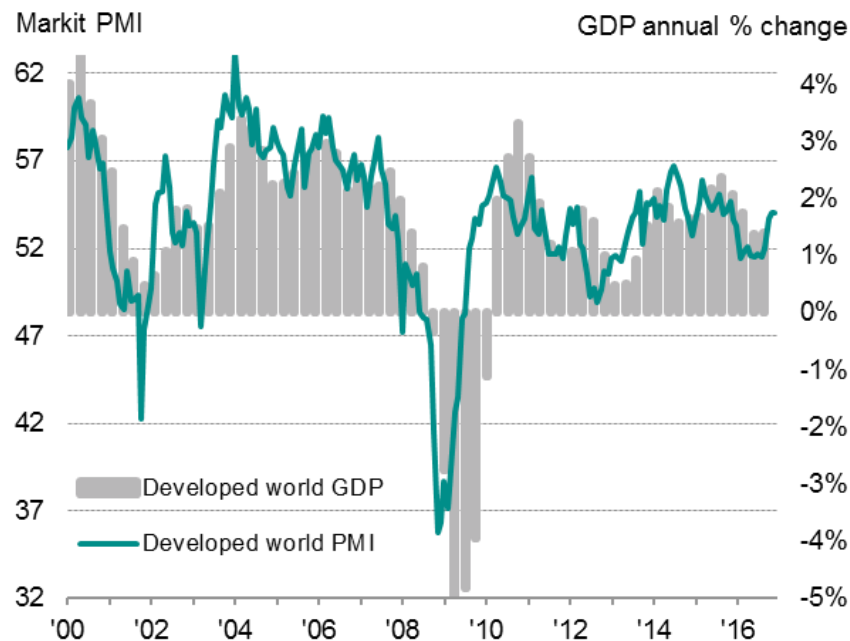
Manufacturing PMI, 50 = no change on prior month



Broad-based developed world upturn in fourth quarter

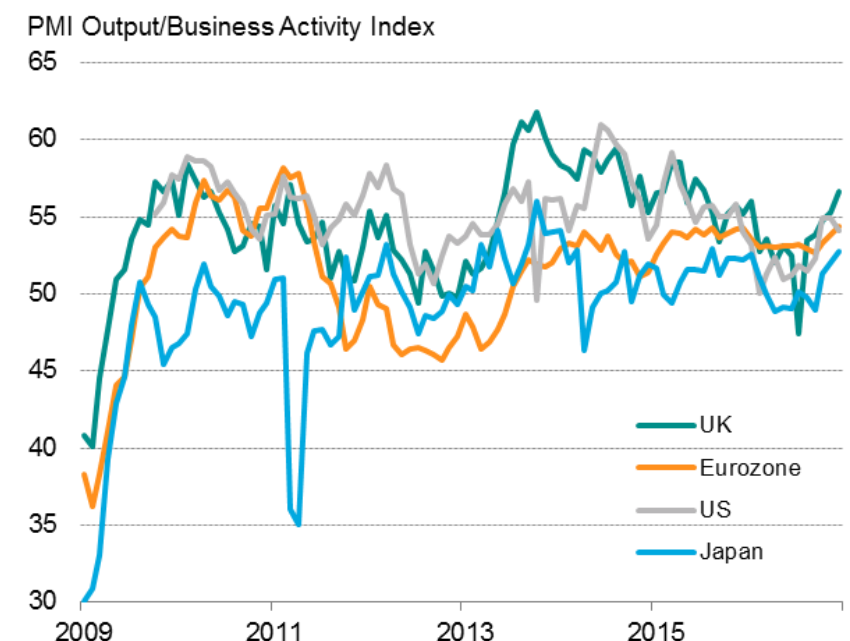
- Growth of developed world business activity held steady at November's 12-month high, broadly consistent with annual GDP growth of just under 2% in the fourth quarter. While still subdued by historical standards, the Q4 upturn marks a welcome contrast to the lacklustre pace seen earlier in the year.
- Developed world growth has also become increasingly broad-based, though exchange rates appeared to play a role in diverging growth trends. US growth slowed, linked in part to the stronger dollar, but remained one of the strongest rates of expansion seen over 2016. In contrast, faster rates of growth were seen in the UK, eurozone and Japan, aided by weaker currencies.

Developed world PMI* & economic growth



Source: IHS Markit.

Main developed markets*



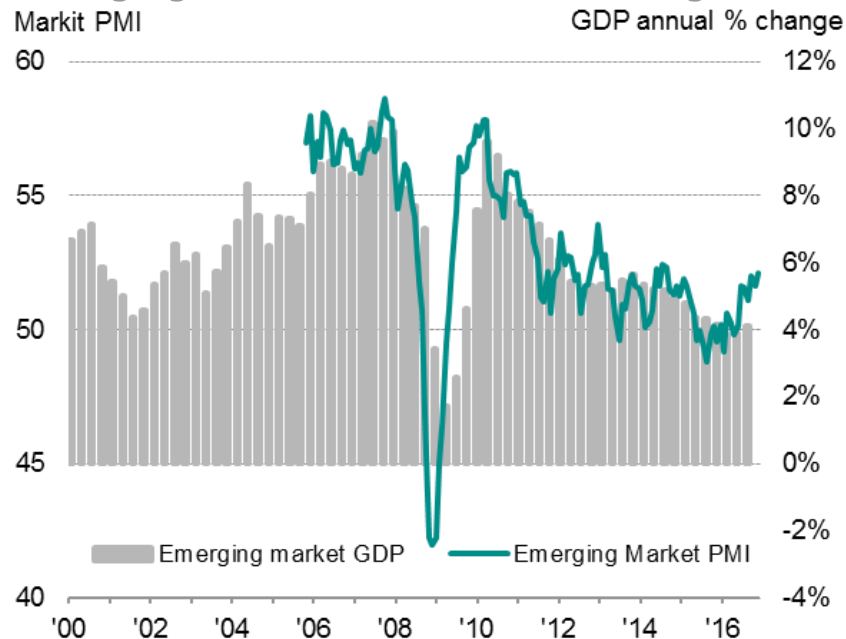
Sources: IHS Markit, CIPS, Nikkei.

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

Emerging market growth led by Russia and China

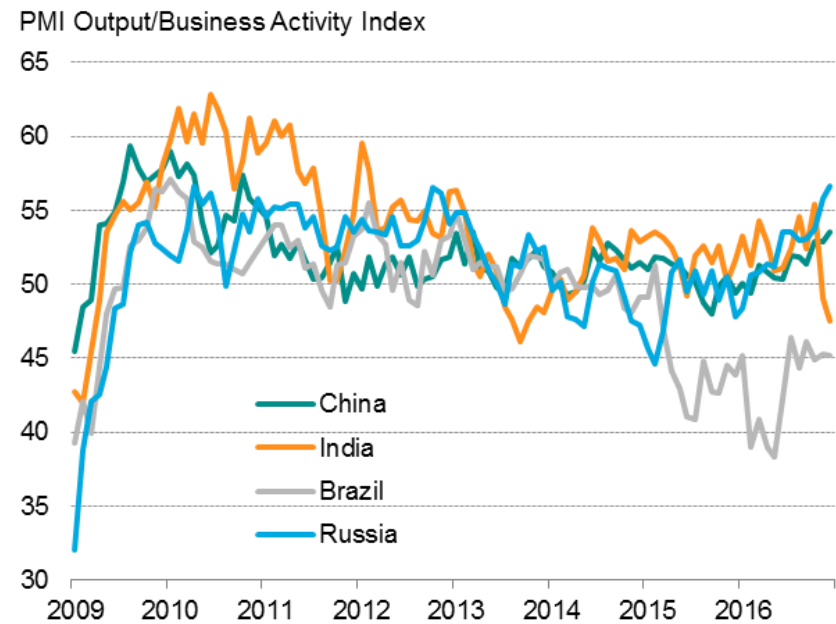
- Emerging market expansion perked up to a 27-month high, with the PMI signalling a GDP growth rate approaching 6% at the end of 2016, though growth rates varied considerably among the BRIC nations.
- Of the BRIC countries, the fastest growth was seen in Russia, where the PMI surveys signalled the joint-fastest expansion since the global financial crisis. Growth also accelerated in China, according to the Caixin PMI surveys, reaching the joint-highest since the start of 2011.
- The PMI surveys for India and Brazil meanwhile continued to signal economic contraction. While Brazil remained stuck in a downturn, India's decline, the largest for over three years, was largely attributable to disruptions to business arising from the recent withdrawal of high-denomination bank notes, suggesting business should rebound in 2017.

Emerging market PMI* & economic growth



Source: IHS Markit.

BRIC nations*



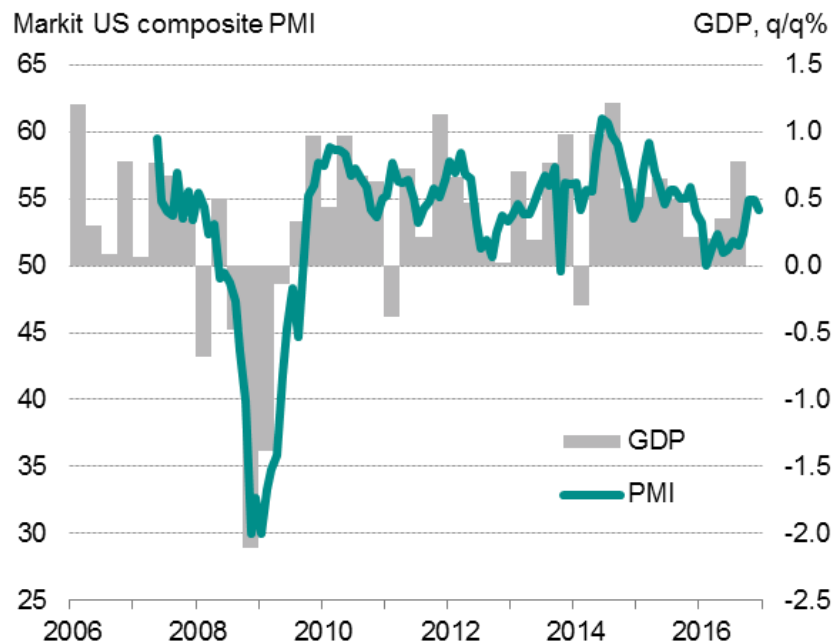
Sources: IHS Markit, Caixin, Nikkei.

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

Strength of US surveys adds to scope for further rate hikes

- A [dip in the US PMI surveys](#) in December was only modest and continued to signal 0.4-5% (2.0% annualised) Q4 growth. The expansion was broad-based: [all seven monitored sectors](#) saw Q4 output growth the strongest of the year. Although still driven to a large extent by rising consumer spending, the fastest growth at the end of 2016 was in fact seen in financial services.
- The surveys also continued to signal robust hiring, inventory building and improved confidence about the economic outlook. The only blot on the copybook was the steepest rise in prices charged for 27 months. The upturn in price pressures alongside the robust economic growth signalled will also add conviction to the belief that, unlike 2015 and 2016, this year will see that Fed deliver more than one rate hike, with three quarter point interest rate rises looking the most likely scenario.

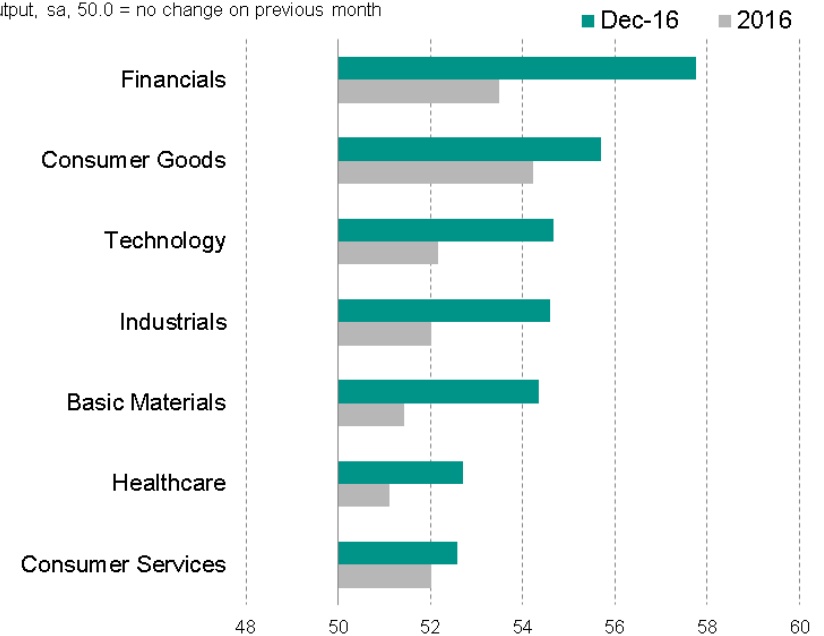
US PMI* & economic growth



Sources: IHS Markit, Commerce Department.

US output by sector

Output, sa, 50.0 = no change on previous month

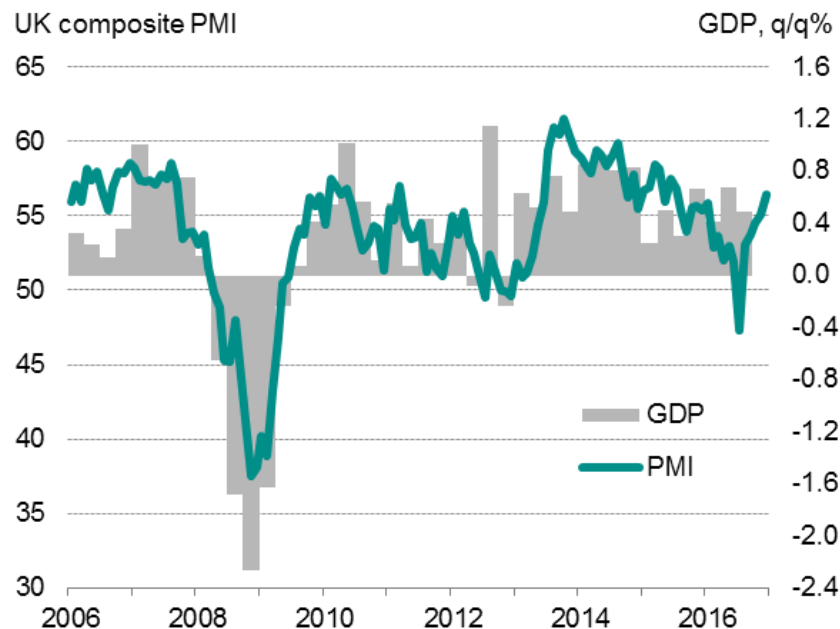


Source: IHS Markit.

UK PMI ends 2016 on 17-month high

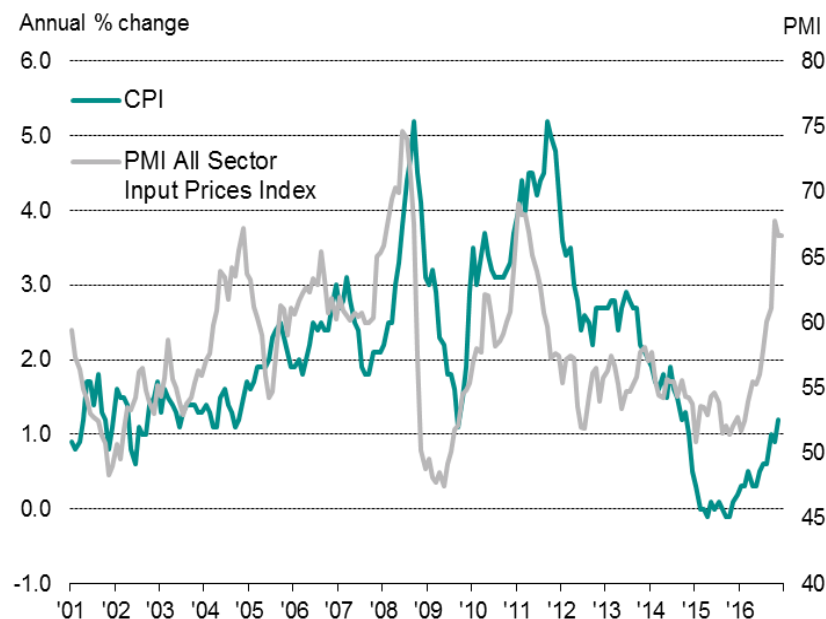
- The UK economy ended 2016 on a high, with the [Markit/CIPS PMI surveys](#) showing business activity growing at the fastest rate for almost one-and-a-half years. Growth accelerated in manufacturing, services and construction. The survey data signal 0.5% GDP growth in the fourth quarter.
- Hiring has also revived after an autumn lull alongside upturns in new orders and business confidence, but prices again rose sharply. Firms' costs increased at one of the steepest rates since early 2011, a development which tends to be followed by higher consumer price inflation. All of which adds weight to the argument that the next move by the Bank of England is as likely to be a rate hike as a cut, though the most likely scenario remains one of the BoE retaining a neutral stance.

UK PMI* & interest rates



Sources: IHS Markit, CIPS, ONS via Thomson Reuters Datastream.

UK inflation



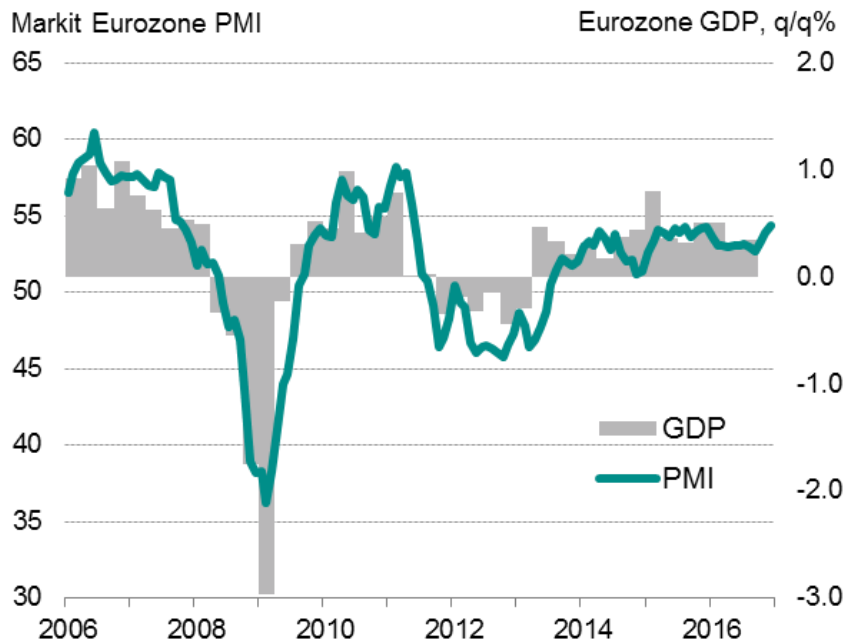
Sources: IHS Markit, CIPS, ONS via Thomson Reuters Datastream.

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

Eurozone grows at fastest rate since 2011

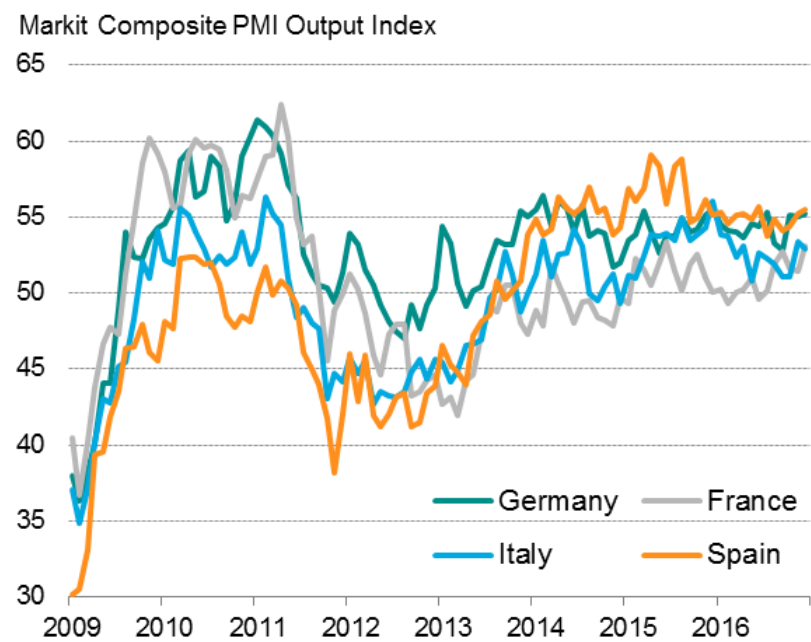
- The [Eurozone PMI](#) indicated GDP growth of 0.4% in Q4, with the rate of expansion accelerating in December to the fastest for over 5½ years. Employment was likewise reported to have risen at one of the fastest rates seen over the past five years, but input cost inflation hit its fastest since mid-2011. Companies benefitted from the weaker euro and, for the moment, are brushing off political worries, with optimism among service sector companies – who will arguably be the most affected by any political turmoil – reviving to one of the highest levels seen for over five years.
- Economic expansions were signalled across the ‘big-four’ nations. The fastest growth was seen in Spain, followed closely by Germany. The pace of increase in France accelerated to a 1½ year record. Only Italy saw slower growth.

Eurozone PMI* & economic growth



Sources: IHS Markit, Eurostat.

Big-four euro nations*



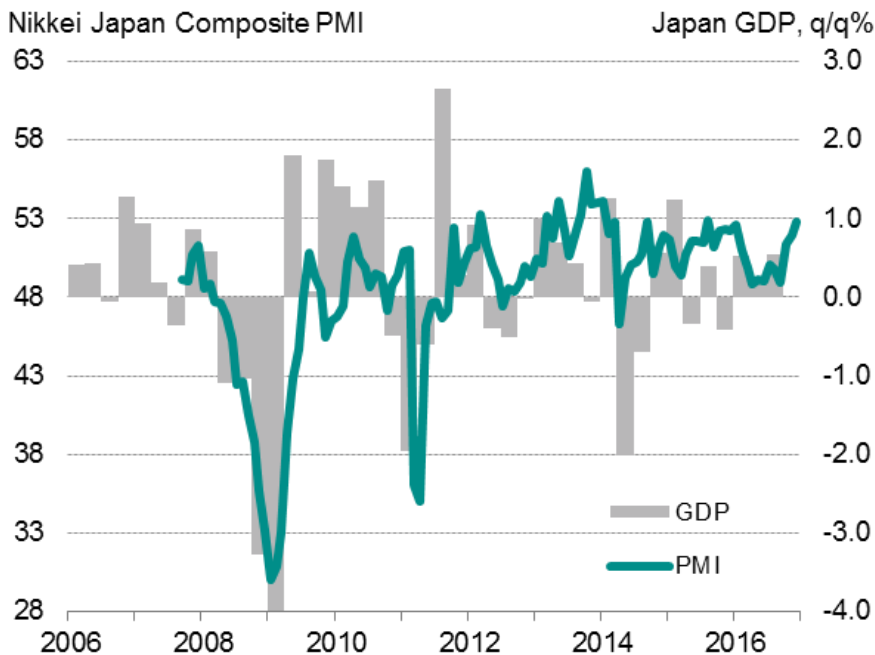
Sources: IHS Markit.

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Japan's economy moves up a gear

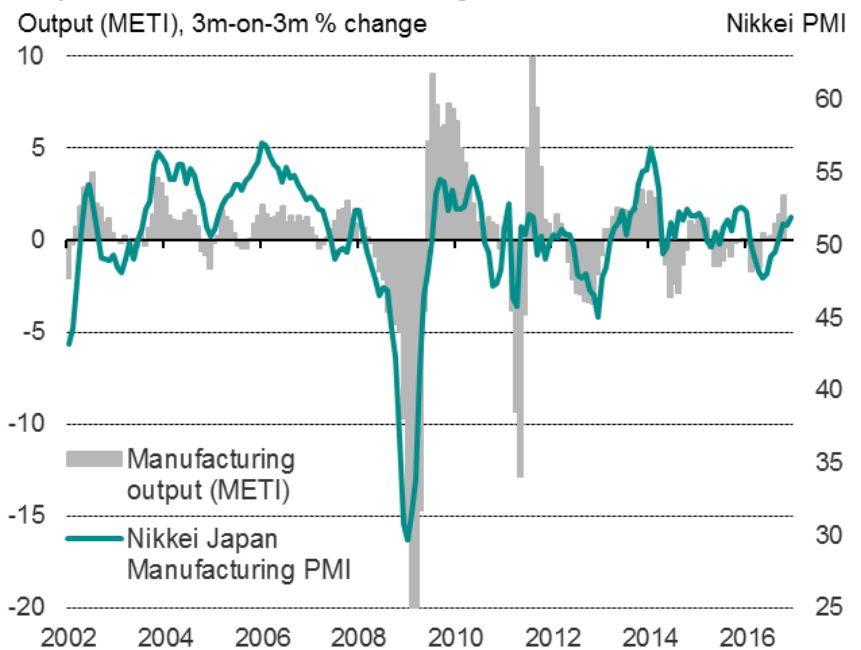
- The December [Nikkei PMI surveys](#) indicated that Japan's economy expanded at one of the fastest rates seen over the past three years, suggesting GDP growth is set to accelerate to around 1% in Q4 from the 0.3% rise seen in Q3. Improved export trade was again a driver of [stronger manufacturing output](#), with new export orders rising for the fourth successive month on the back of the weaker yen, higher international demand and improved supply chains (disrupted by earthquakes earlier in the year). However, service providers also saw the largest monthly increase in new business in nearly 1½ years.
- With the surveys also showing the largest increase in firms' costs for nearly two years, the data corroborate the Bank of Japan's [upgraded outlook](#) for 2017.

Japan PMI* & economic growth



Source: IHS Markit, Nikkei, Japan Cabinet Office.

Japanese manufacturing



Sources: IHS Markit, Nikkei, Ministry of Economy, Trade and Industry (METI).
* PMI shown above is a GDP weighted average of the survey output indices.

China PMI surveys point to best quarter for nearly six years

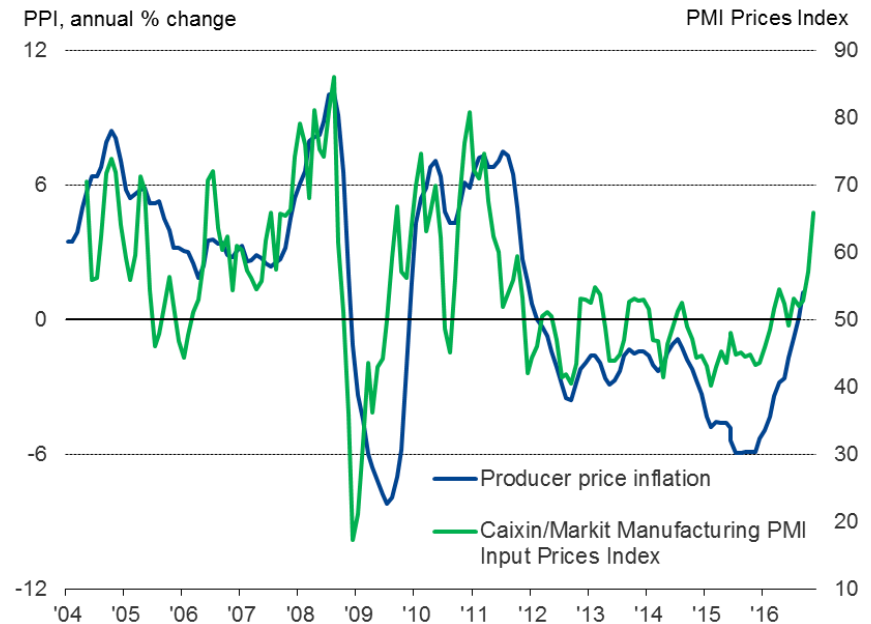
- The [Caixin China Composite PMI](#), compiled by Markit, rose to 53.5 in December to the joint-highest since the start of 2011. The average PMI reading for the past three months picked up to 53.1 from 51.7 in Q3. This was the strongest quarter in almost six years.
- Net job losses continued to be recorded as factory job cuts offset service sector hiring, but the overall rate of job shedding remained far weaker than earlier in the year. Prices for raw materials and commodities surged, however. A strong dollar exacerbated the impact of higher globally-traded commodity imports. Manufacturing input price inflation soared to the highest since March 2011.

China PMI* & economic growth



Source: IHS Markit, Caixin, NBS.

China producer prices



Source: IHS Markit, Caixin, NBS.

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

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