



IHS Markit™

Global PMI

Global economy fails to pull out of slow lane in August

September 7th 2016

Global PMI subdued despite signs of emerging market upturn

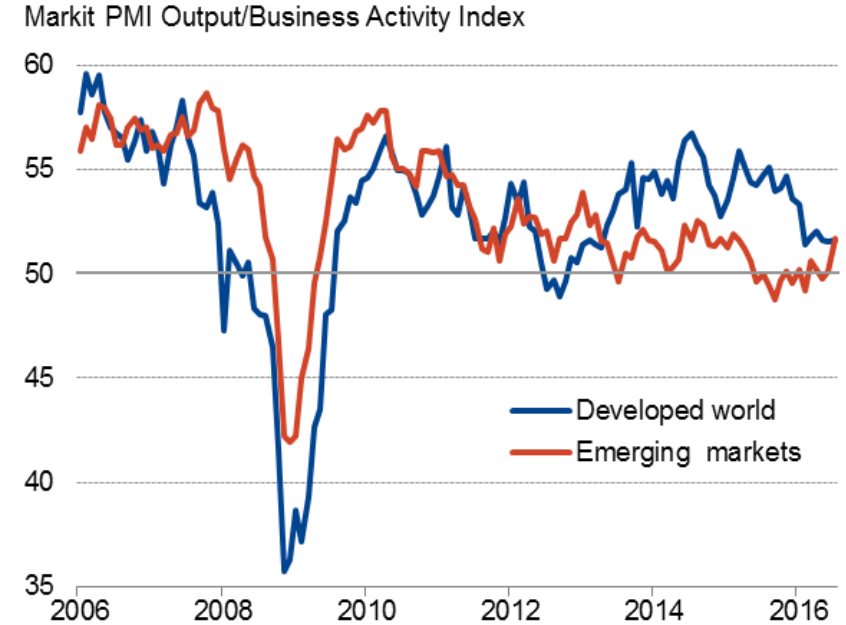
- The [JPMorgan Global PMI™](#), compiled by Markit from its various national surveys, inched higher for a third successive month from 51.5 in July to 51.6 in August. However, although rising, the PMI readings for the last two months point to annual global GDP growth of only 1.5% in the third quarter, suggesting the global economy remains locked in its slowest growth phase for just over three years.
- While emerging markets continued to enjoy their strongest expansion for one-and-a-half years, the rate of growth remained weak by historical standards. Similarly, the developed world continued to report only sluggish growth, having down-shifted a gear in February, enduring its worst spell since early-2013.

Global PMI & economic growth



Sources: IHS Markit, JPMorgan.

Developed v emerging market output

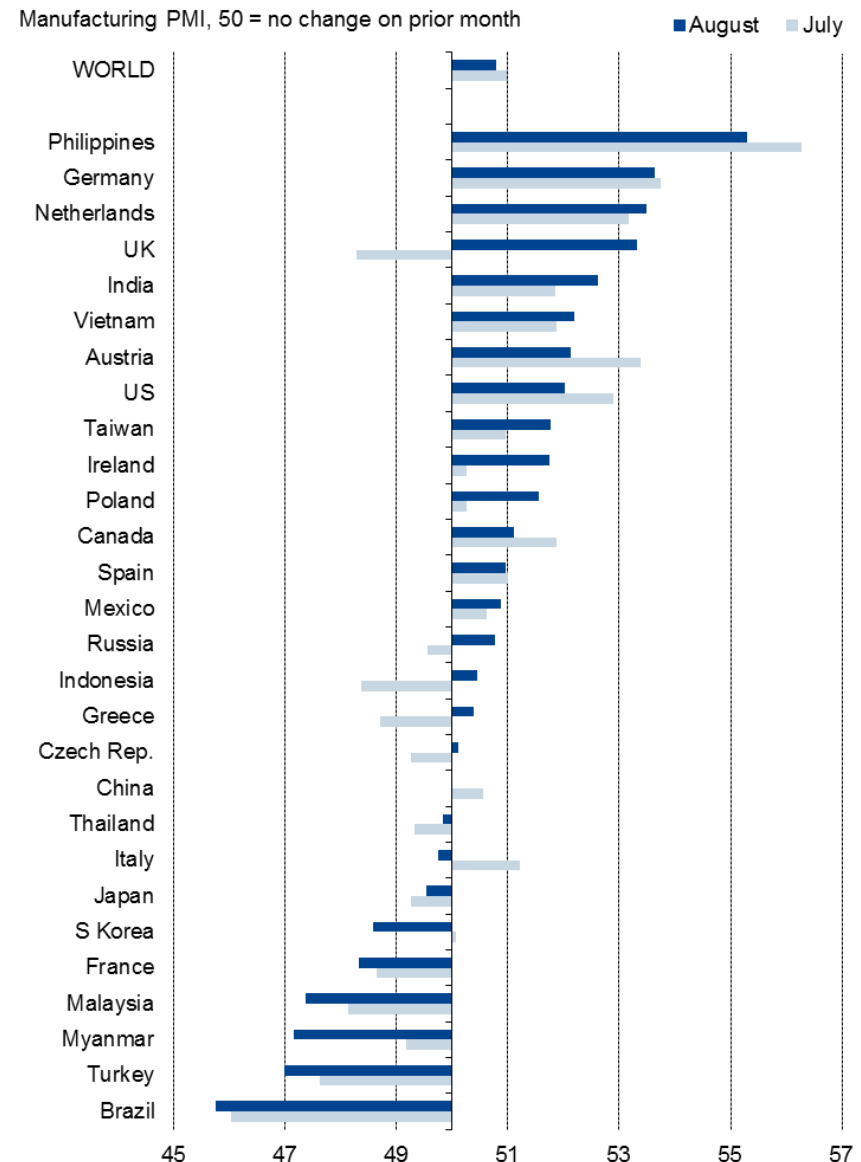
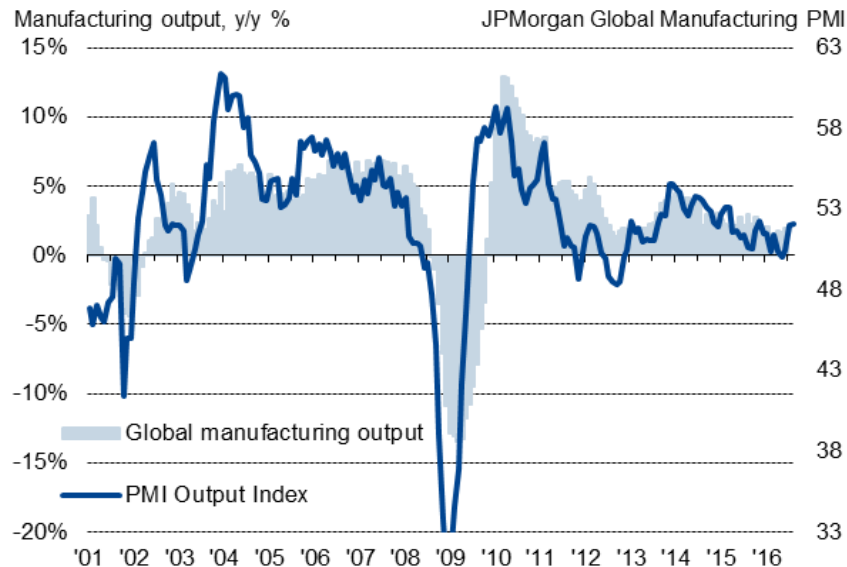


Source: IHS Markit.

Manufacturing sees Q3 upturn

The [JPMorgan Global Manufacturing PMI™](#) fell from an eight-month high of 51.0 in July to 50.8 in August. The latest reading is nevertheless one of the strongest seen in recent months, buoyed by faster output growth, and indicates that factories are enjoying their best quarter so far this year, albeit by a slim margin.

Of the 28 countries covered by the PMI surveys, only nine reported a deterioration in manufacturing conditions, with Brazil and Turkey seeing the steepest declines. Some 18 countries reported improvements, led by the Philippines. China's producers reported no change.



Developed world upturn remains subdued despite UK rebound

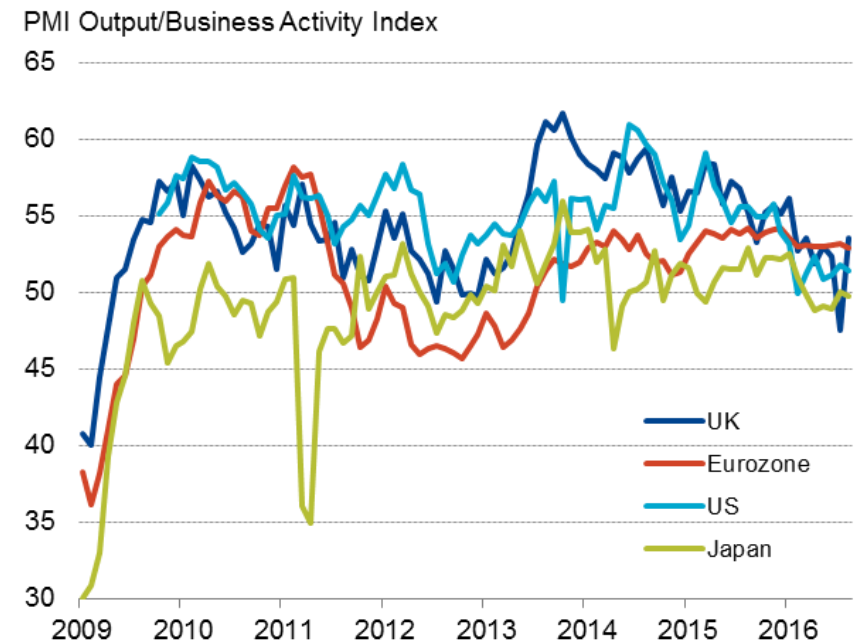
- A PMI reading of 51.8 meant the developed world continued to report only a sluggish expansion in August, having down-shifted a gear in February, enduring its worst spell since early-2013. Although the rate of growth nudged up to a four-month high, the survey data are still signalling annual GDP growth (at market prices) of less than 1%.
- Looking at the largest developed world economies, the biggest news was a record rise in the UK PMI in August, reversing a sharp decline in July as confidence revived after the initial shock of the 'Brexit' vote. Only subdued growth (around 1% annualised) continued to be recorded in both the US and the euro area, and Japan registered a marginal contraction.

Developed world PMI* & economic growth



Sources: IHS Markit, JPMorgan.

Main developed markets



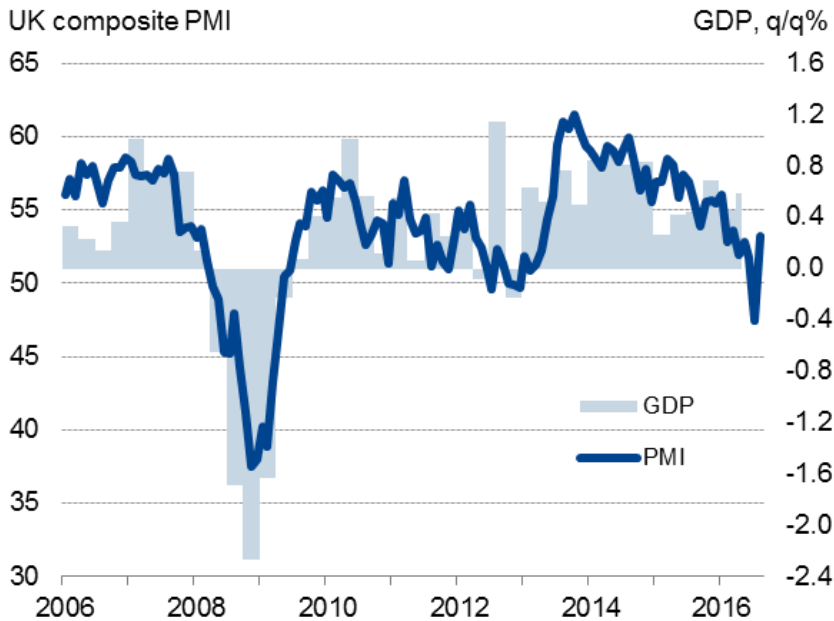
Sources: IHS Markit, CIPS, Nikkei.

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

UK PMI rebound signals reduced risk of imminent recession

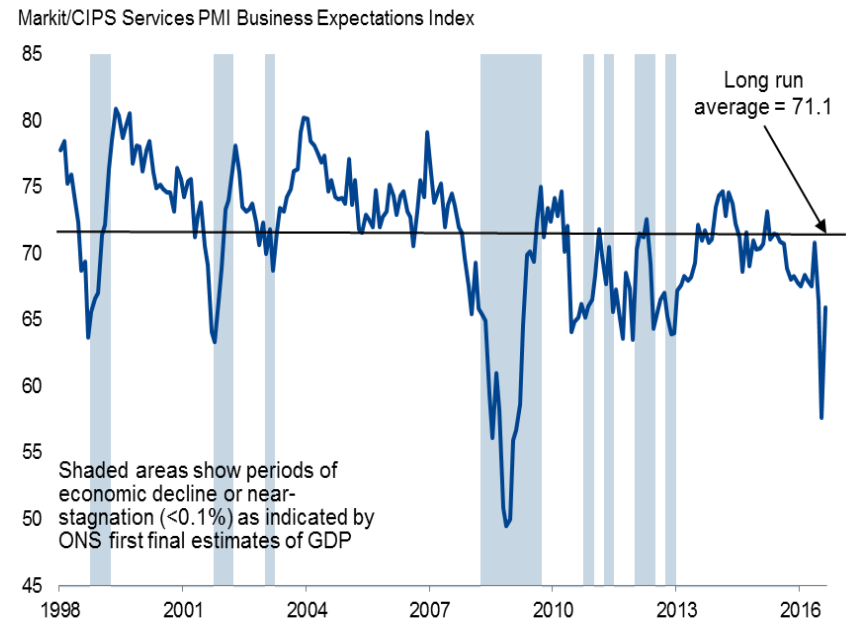
- A [record rise in the UK 'all-sector' PMI](#) to 53.2 more than reversed the record fall to 47.4 seen in July. While July's decline had been largely attributed by companies to heightened uncertainty following the June 23rd vote to leave the EU, August's increase reflected reports of a marked improvement in sentiment. The weaker pound, the establishment of the new government and the [Bank of England's aggressive stimulus](#) are likely to have all helped to ease uncertainty.
- However, while the rise in the PMI suggests the risk of imminent recession has fallen considerably, at 50.3 the average PMI for Q3 so far points to a near-stagnation of the economy. Business confidence also remains well below its long-run trend as companies remain anxious about the economic and political outlook.

UK PMI* & economic growth



Sources: IHS Markit, ONS.

UK business optimism



Sources: IHS Markit, CIPS.
* PMI shown above is a GDP weighted average of the survey output indices.

US PMI points to weak Q3 growth despite resilient consumers

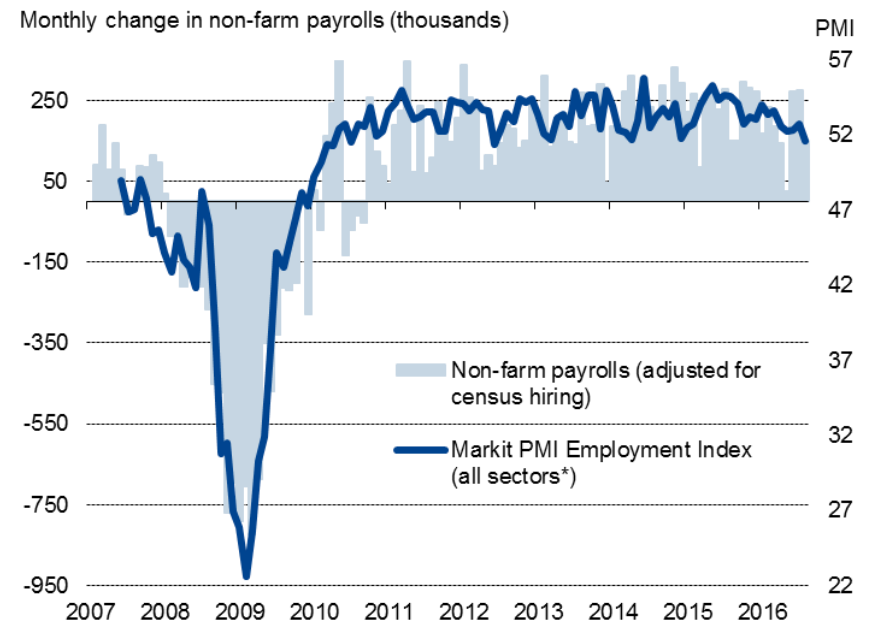
- A dip in the August US composite PMI from 51.8 in July to 51.5 in August painted a lacklustre picture of only modest growth, suggesting the [economy has failed to gain momentum](#) after the weak first half of the year. The surveys are pointing to annualised GDP growth of around 1% again in Q3, with hiring also slowing (as subsequently signalled by the official [non-farm payroll data](#)). [Consumer spending](#), especially on goods, continued to drive the upturn.
- The weak Q3 numbers suggest the Fed will hold off with hiking interest rates in September. However, anecdotal survey evidence indicating that at least some of the slowdown can be attributed to uncertainty in the lead up to the presidential election suggests that growth could rebound later in the year to leave a December Fed rate hike a distinct possibility.

US PMI* & economic growth



Sources: IHS Markit, Commerce Department.

US job market



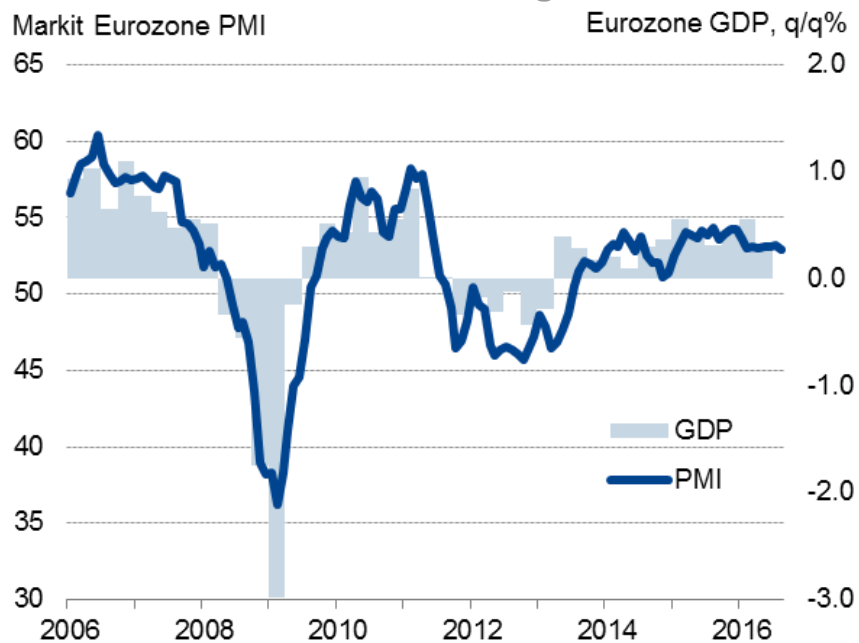
Sources: IHS Markit, Bureau for Labor Market Statistics.

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

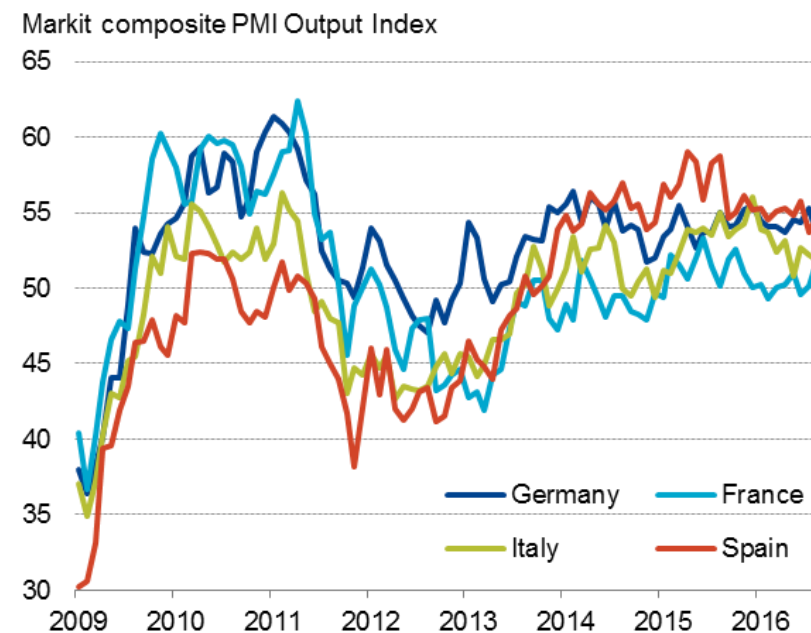
Eurozone PMI slips to 1½ year low in August

- The [Eurozone PMI](#) slipped to its lowest level for just over one-and-a-half years in August, though continued to signal 0.3% GDP growth in the third quarter. Inflationary pressures are also cooling amid intense competition, and hiring is waning as businesses grow more concerned about the outlook. The survey data will fuel expectations that the ECB will inject more stimulus into the economy to help shore up confidence in both the economic outlook and the bank's commitment to its inflation target.
- Spain continued to register solid growth and France showed welcome signs of an upturn after a stagnant second quarter, but growth slowed in both Germany and Italy.

Eurozone PMI* & economic growth



Big-four euro nations



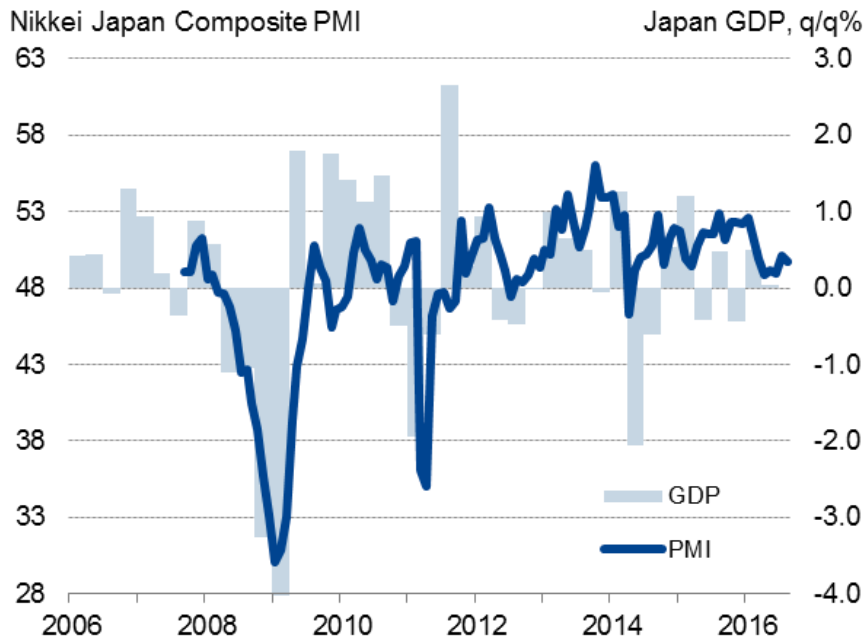
Sources: IHS Markit, Eurostat.

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

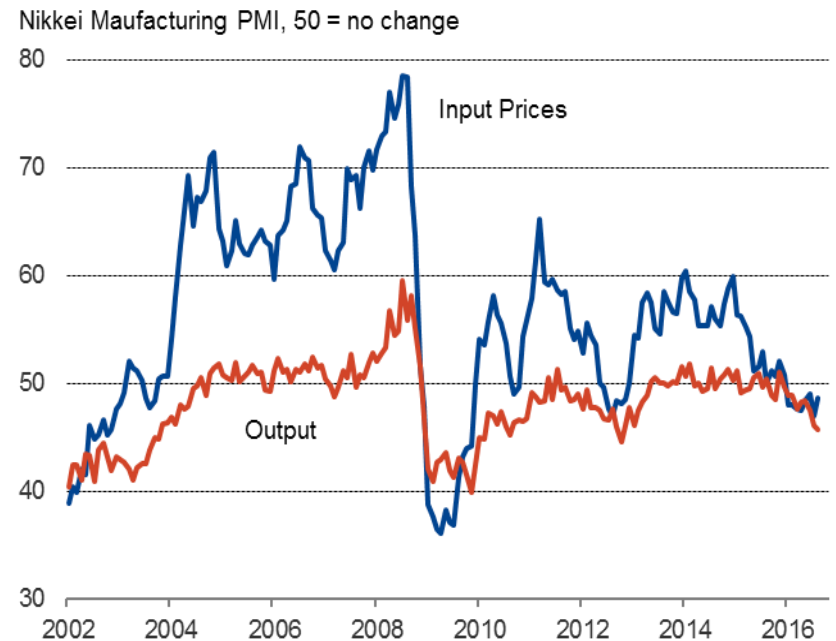
Japan's economy set to remain stagnant in Q3

- The Nikkei Japan PMI surveys suggest the pace of economic growth will disappoint again in Q3 after the flat picture in Q2. Having edged up to 50.1 in July, the all-sector PMI fell back to 49.8 in August, reflecting a marginal drop in services activity. A small increase in manufacturing production (the first rise in six months) suggests the goods-producing sector [showed signs of stabilising](#) as the impact of April's earthquakes continued to fade, though exports continued to fall.
- The surveys also brought disappointing news on the government's fight against deflation. Average prices charged for goods fell at the second-fastest rate since January 2013, reflecting a combination of lower input prices (falling often as a result of the impact of the strong yen on import prices) and a need to offer discounts to support sales.

Japan PMI* & economic growth



Japanese industrial prices



Sources: IHS Markit, Japan Cabinet Office.

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

Emerging markets on course for best quarter for 1½ years

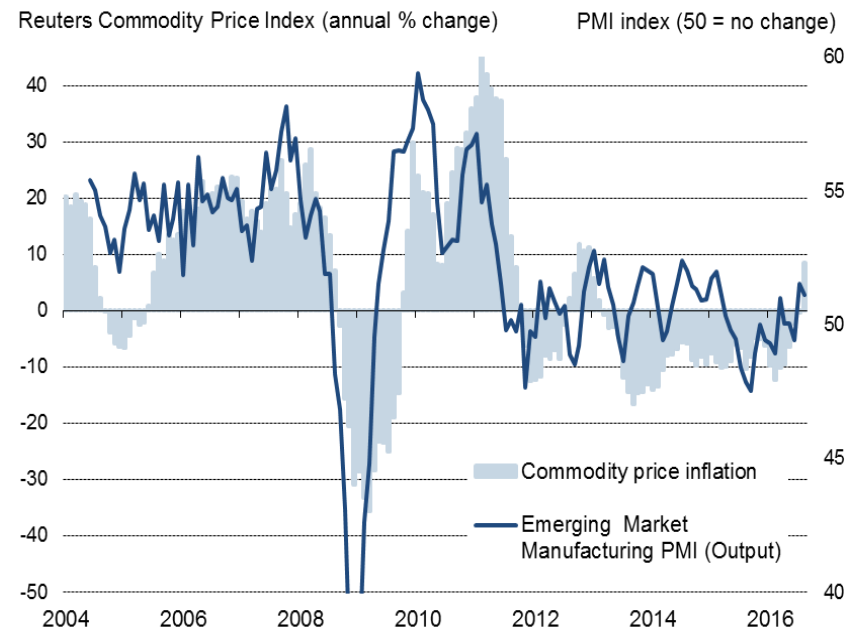
- While emerging markets continued to enjoy their strongest expansion for 1½ years, the rate of growth remained weak by historical standards. At 51.6, the emerging market PMI for August is broadly consistent with emerging market GDP rising at an annual rate of just under 6% (at market prices), well above the sub-4% rate seen late last year but well down on near double-digit rates seen prior to the global financial crisis.
- Signs of an upturn in emerging market manufacturing has been joined by rising commodity prices. Global producer input prices rose for a fifth successive month in August. However, the suppliers' delivery times index is suggesting demand and supply are well balanced on average, signalling no significant increase in supply chain price pressures.

Emerging market PMI* & economic growth



Source: IHS Markit.

Emerging markets and commodity prices



Source: IHS Markit.

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

China's best quarter for two years but steep job losses persist

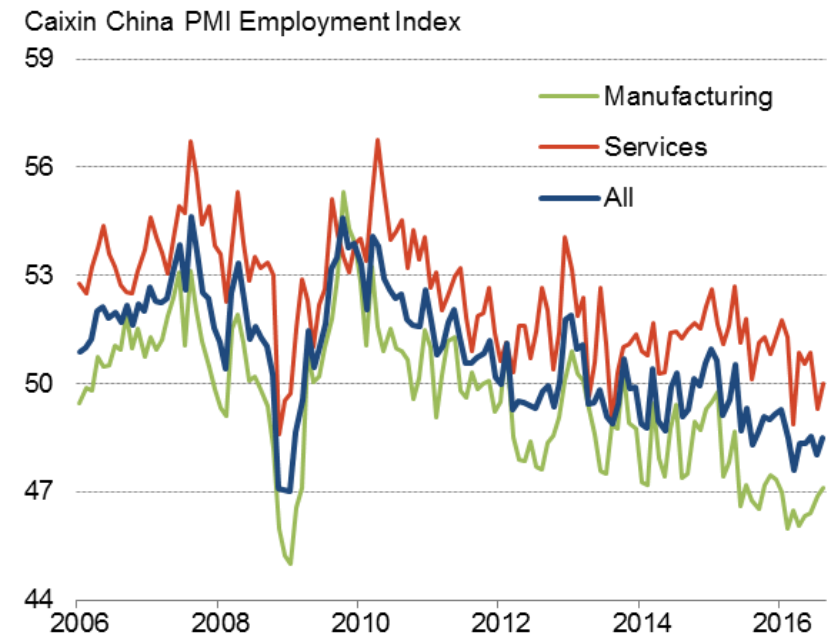
- At 51.8, down from 51.9 in July, the composite [Caixin PMI for China](#) indicated further expansion of business activity in August, leaving the economy on course for its best quarter for two years. The upturn was led by the service sector, but manufacturing enjoyed the first back-to-back monthly rise in production for one-and-a-half years.
- The disappointing news came from the PMI employment indices, which showed further widespread job losses. Factory cutting continued, albeit at the slowest rate so far this year, and service sector headcounts stagnated.
- The ongoing job losses suggest the authorities will seek further stimulus measures in order to further boost the still-weak pace of economic growth.

China PMI* & economic growth



Source: IHS Markit, China, NBS.

China employment



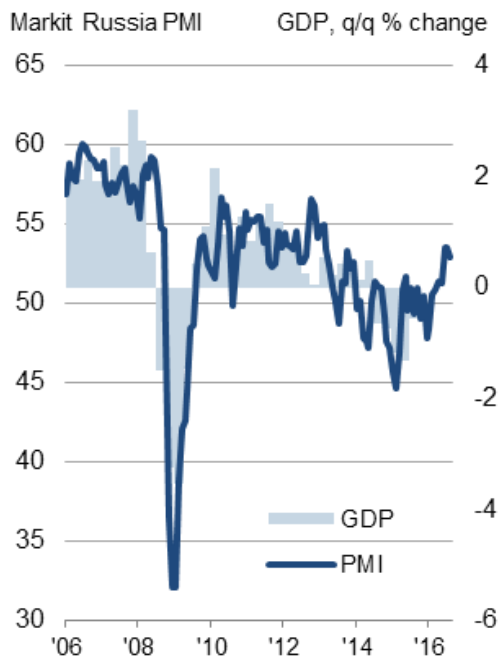
Source: IHS Markit, Caixin.

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

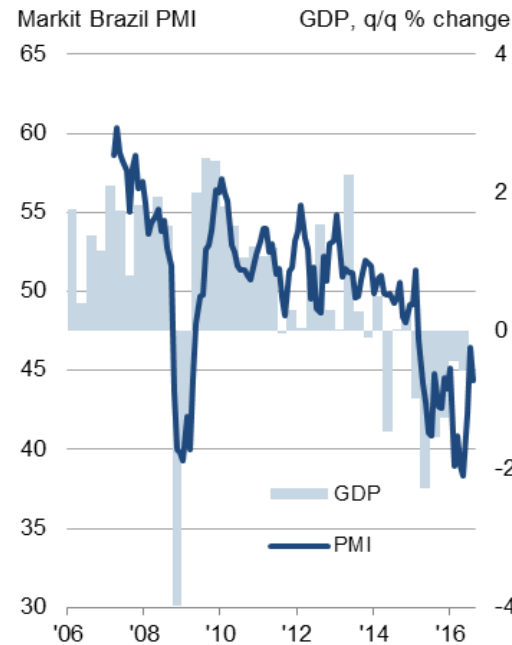
Growth in Russia & India contrasts with ongoing decline in Brazil

- Looking at the other largest emerging markets, **Brazil** was again the worst performer as the rate of decline accelerated slightly, though some comfort can be sought from the downturn remaining far less severe than seen in the first half of the year. The service sector continued to act as the major drag on the economy.
- India** saw the best performance of the BRIC's with the Nikkei PMI climbing to the highest since February 2013, with growth accelerating in both manufacturing and service sectors.
- Russia**'s economy also continued to enjoy its strongest growth spell since 2013, though the pace of expansion lost a little momentum in August thanks to weaker service sector growth. The sustained period of expansion nevertheless makes a strong contrast to the declines seen earlier in the year.

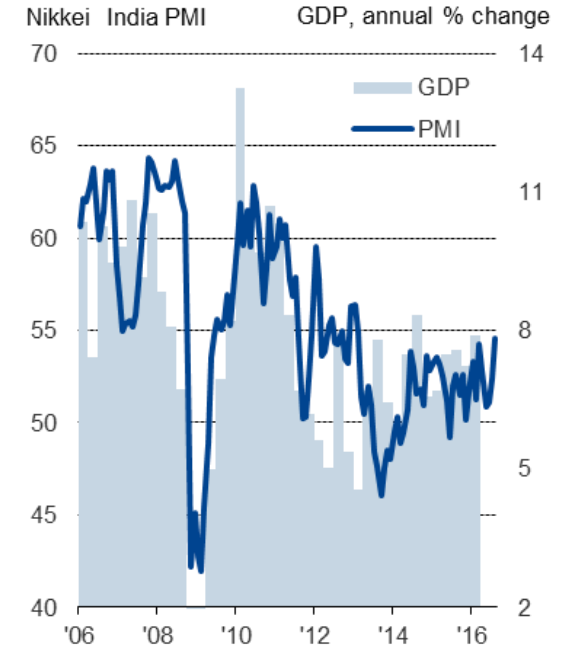
Russia PMI* v GDP



Brazil PMI* v GDP



India PMI* v GDP



Sources: IHS Markit, Nikkei.

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

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