



IHS Markit™

Global PMI

Global economy hits speed bump,
PMI dips from 22-month high

March 9th 2017

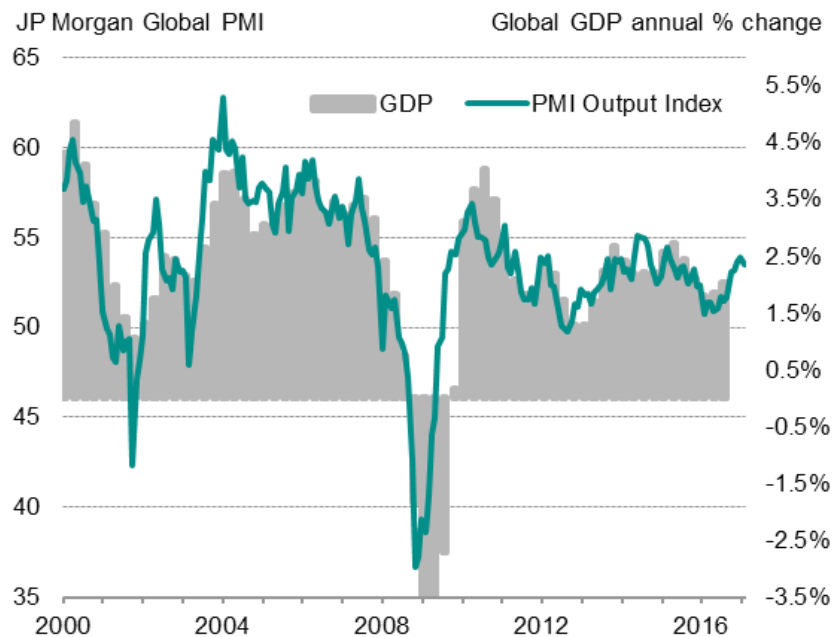
Global PMI signals slight loss of growth momentum

Global economic growth lost a little momentum in February, according to [PMI survey data](#), but remained robust. The JPMorgan Global PMI™, compiled by Markit, fell for the first time in six months, down from January’s 22-month high of 53.9 to a three-month low of 53.5.

Despite the slight slowing, the survey data are consistent with global GDP rising at an annual rate of 2.5% in the first quarter, assuming no major change in momentum during March.

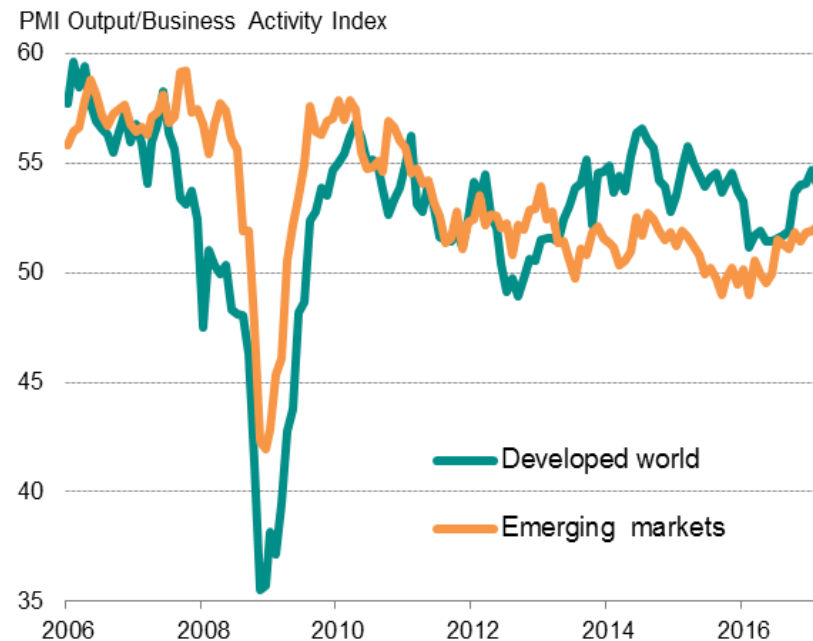
Emerging market growth edged up to a 29-month high, but continued to underperform relative to the rich world, despite the latter recording the weakest expansion for three months.

Global PMI* & economic growth



Sources: IHS Markit, JPMorgan.

Developed & emerging market output



Source: IHS Markit.

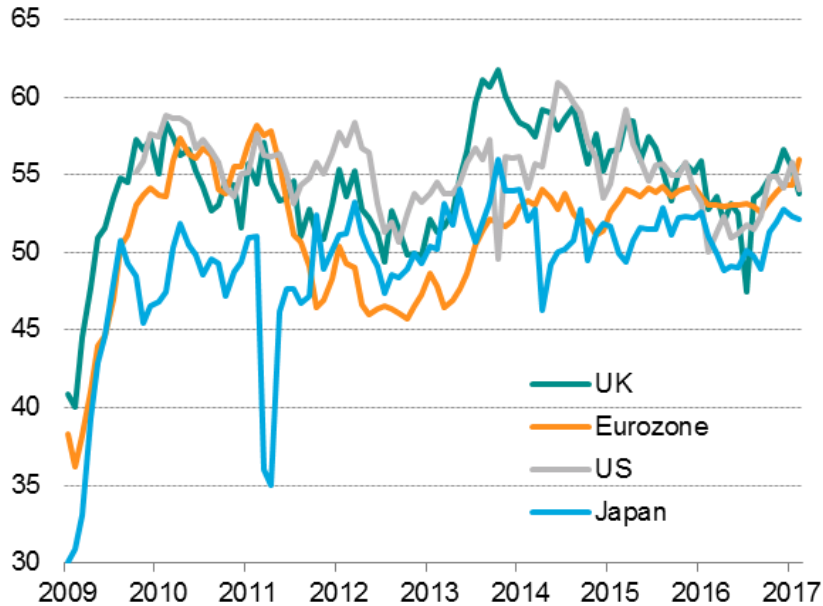
* PMI shown above is a GDP weighted average of the survey output indices.

Eurozone leads developed world expansion

- Developed world growth was led by the eurozone, where growth hit a near six-year high. Growth meanwhile slowed in the US, UK and Japan, albeit remaining robust in all cases by recent standards to suggest broad-based expansions among the four largest rich-world economies.
- Russia continued to lead the emerging market upturn, recording the highest PMI of the BRIC nations for the fourth successive month. Growth accelerated in China, and India returned to expansion for the first time since October, suggesting the economy is recovering from the disruptions of demonetisation.
- Brazil remained firmly in decline, though the contraction was the shallowest for almost two years.

Main developed markets*

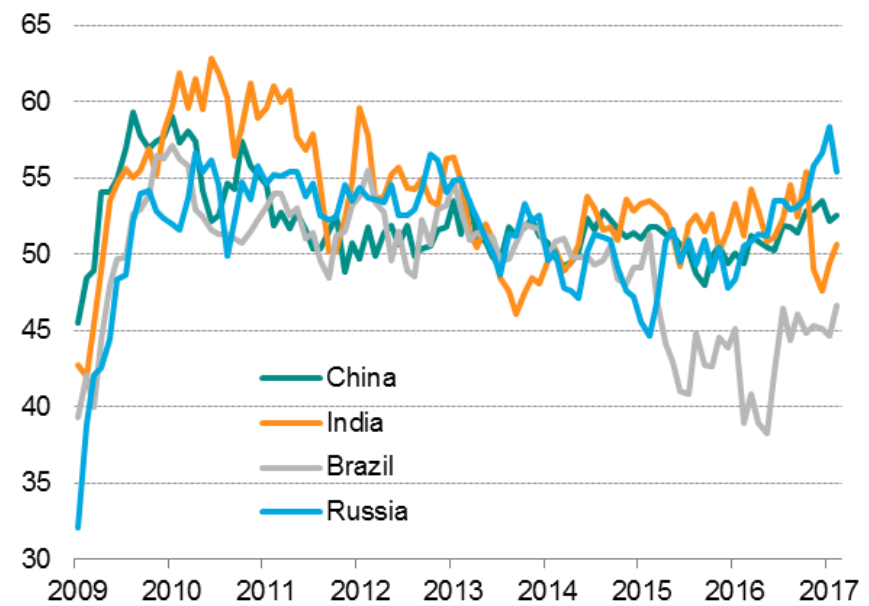
PMI Output/Business Activity Index



Source: CIPS, IHS Markit, Nikkei.

BRIC nations*

PMI Output/Business Activity Index



Sources: IHS Markit, Caixin, Nikkei.

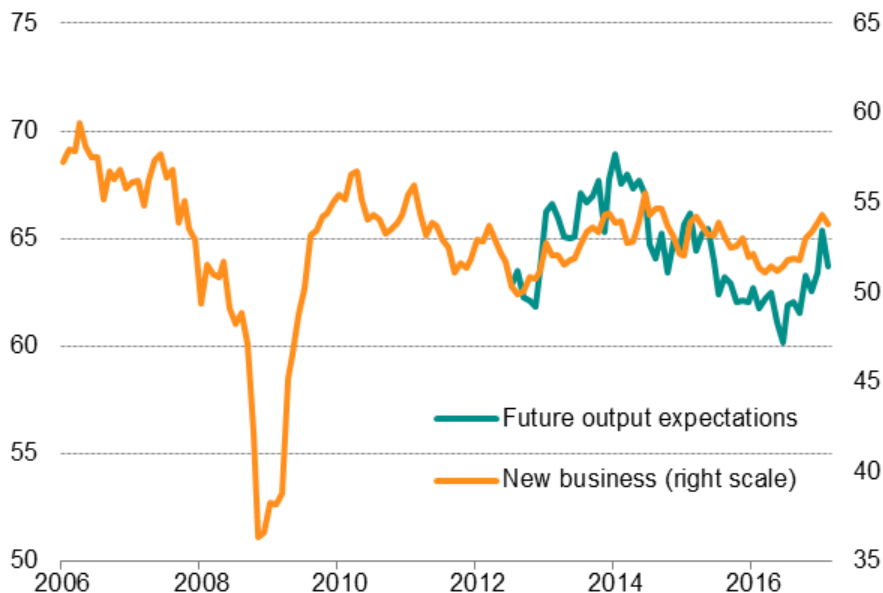
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Global business optimism wanes, costs rise sharply

- Other global indicators also pulled back from highs at the start of the year but remain consistent with steady growth of business activity. Business optimism about future output dipped from January's 20-month high. This was partly due to reduce expectations in the developed world, though overall optimism remained at the second-highest level for over 1½ years. Growth in new business likewise eased back from January's 28-month record.
- While manufacturers continued to signal longer delivery times, the surveys remain indicative of only mild inflationary pressures in global supply chains. Prices paid for manufacturing inputs nevertheless continued to rise sharply due to higher energy and commodity costs, with the rate of input price inflation holding close to January's 5½ year peak.

Future expectations & new orders

Global PMI (composite of manufacturing and services)

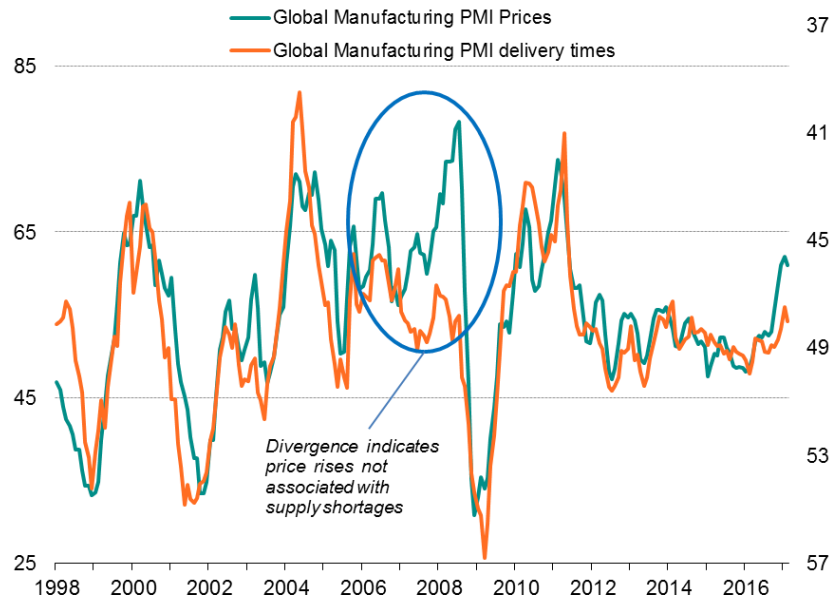


Source: IHS Markit, JPMorgan.

Global inflation pressures

PMI Input Prices Index

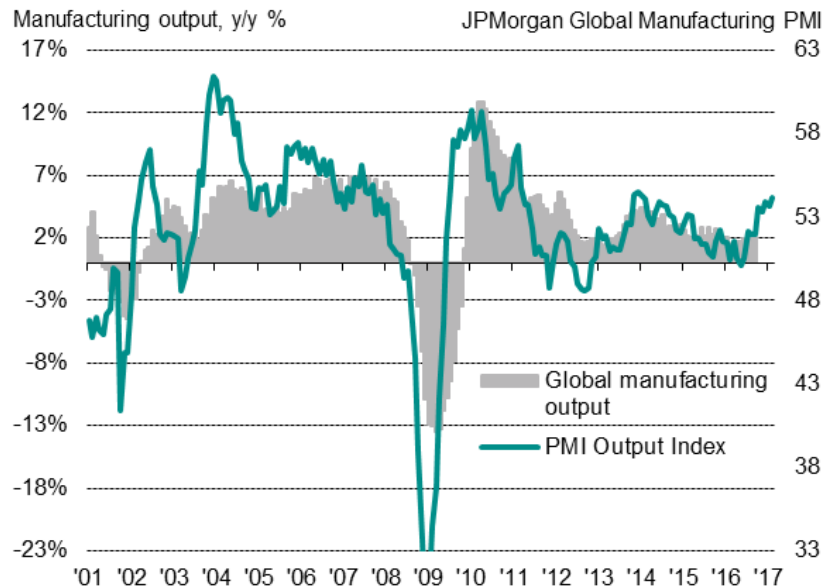
PMI Delivery Times Index (inverted)



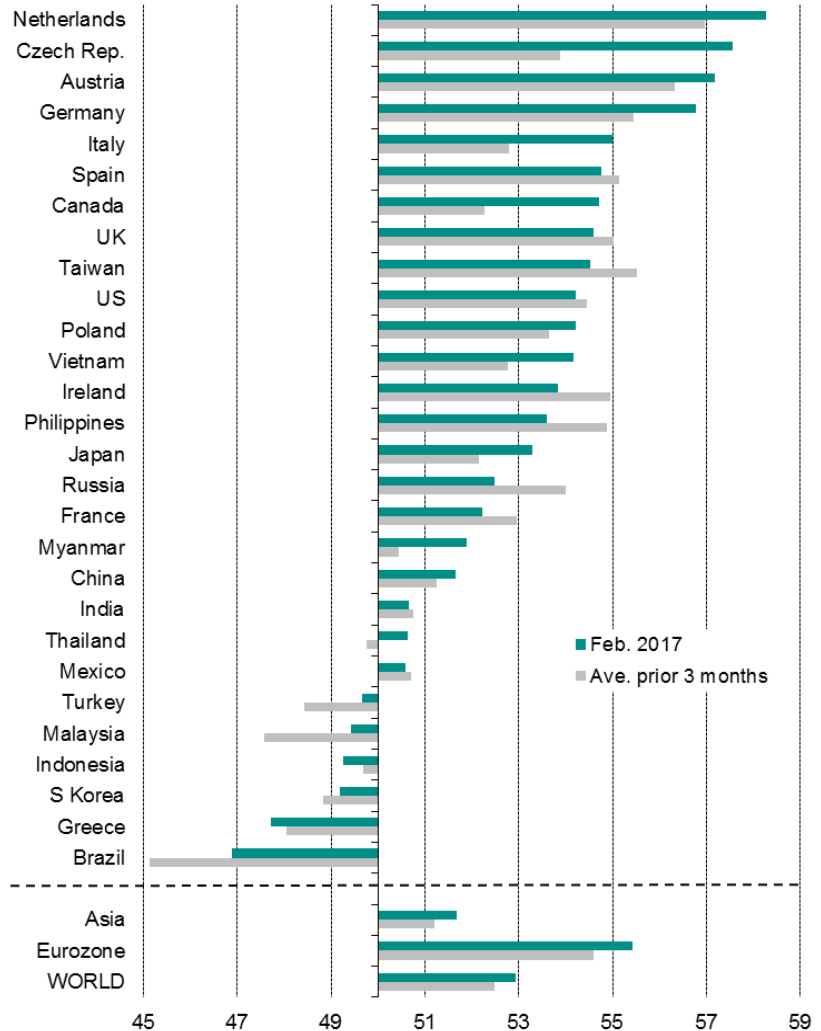
Source: IHS Markit, JPMorgan.

Eurozone nations dominate manufacturing rankings

- Worldwide manufacturing business conditions improved at the quickest rate for more than 5½ years in February, with global trade expanding at the fastest rate for just under six years. The [February PMI](#) is broadly indicative of global manufacturing output growing at a robust annual rate of 4-5%.
- The top six fastest-growing manufacturing economies were all found in Europe, led by the Netherlands. These expansions were commonly aided by exports being boosted by weak currencies: the top five fastest growing exporters were all found in the eurozone.



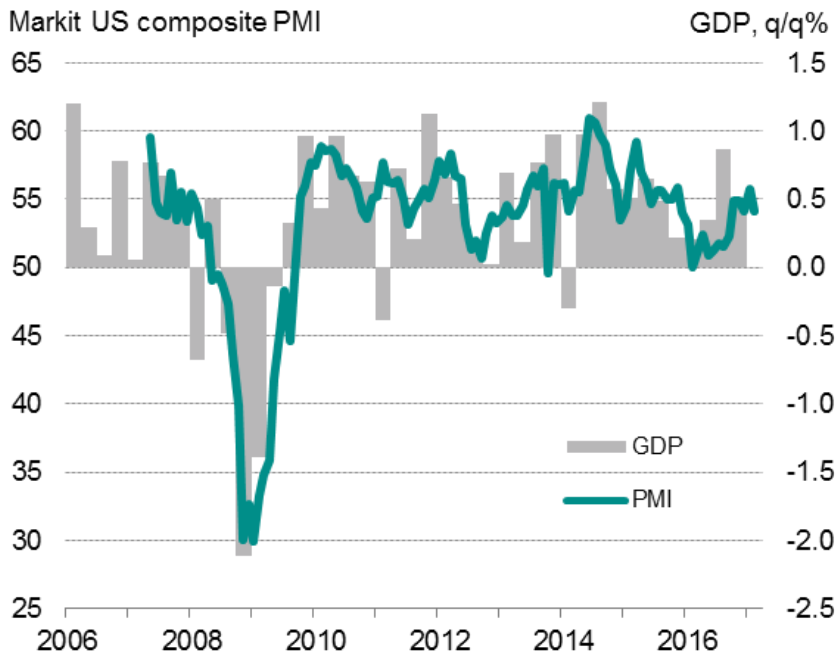
Manufacturing PMI, 50 = no change on prior month



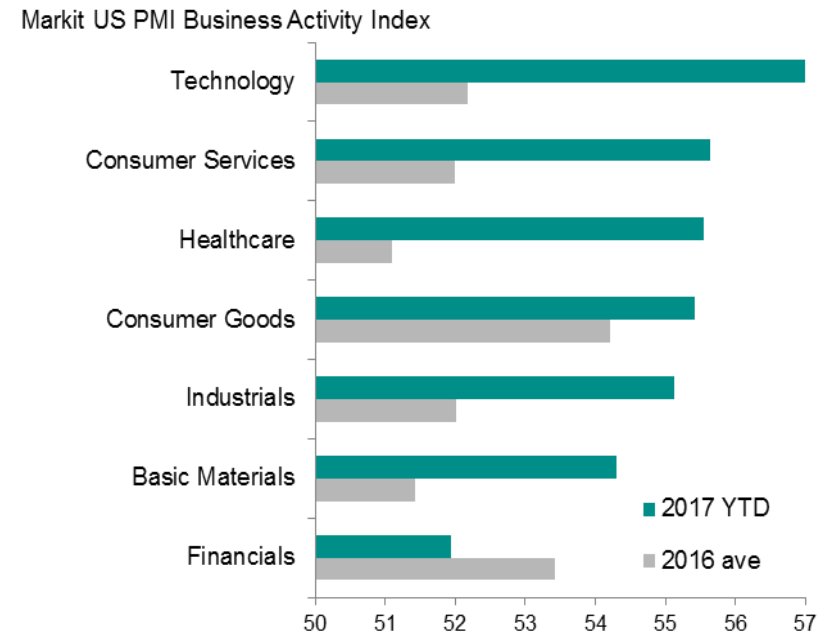
US surveys point to strong Q1 but hint at business mood cooling

- The [US PMI surveys](#) suggest the economy is growing at an annualised rate of around 2.5% in Q1. It remains unclear whether a February slowdown merely represents some pay-back after a strong start to the year, or whether it's the start of a more entrenched slowdown. A clue rests with the business expectations index, which indicates that business optimism has mellowed back to its post-election level, suggesting companies are becoming more cautious with regard to spending.
- Companies nevertheless continued to report buoyant domestic demand and continued to take on staff in reasonable numbers, the rate of hiring having slowed only modestly. The February survey is broadly consistent with 175,000 payroll jobs being added, which represents a pace of hiring that will do little to deter the Fed from delaying its next rate hike.

US PMI* & economic growth



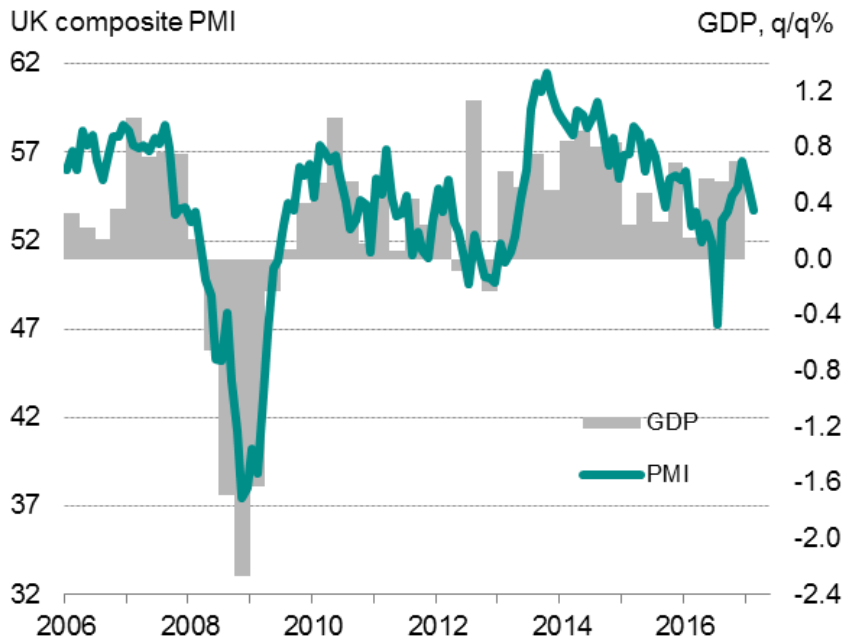
US output by sector



UK PMI indicates slowdown in GDP growth to 0.4% in Q1

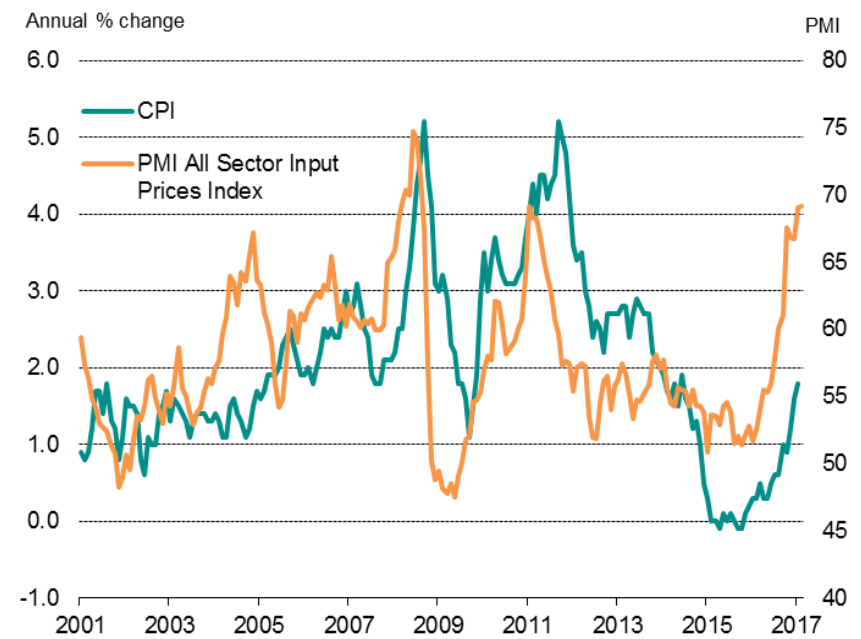
- The [Markit/CIPS 'all-sector' PMI](#) fell for a second successive month in February, dropping to a five-month low of 53.7 from 55.1 in January. The readings for the first two months of the year so far suggest the economy will grow 0.4% in Q1, markedly lower than the 0.7% expansion seen in Q4 of last year. The slowdown signalled by the February surveys pushes the PMI back towards territory more indicative of additional policy stimulus from the Bank of England than a tightening.
- However, inflationary pressures remained the highest for six years as firms struggled with rising costs associated with the weak pound. The steep upturn in costs suggests that consumer price inflation has significantly further to rise from the 1.8% annual rate of increase seen in January.

UK PMI* & economic growth



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

UK inflation



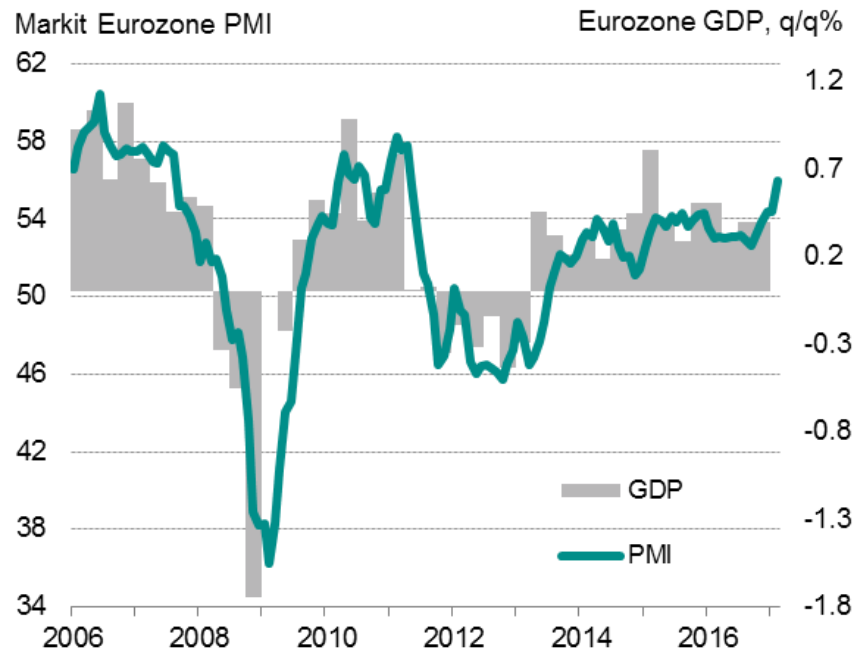
Sources: IHS Markit, CIPS, ONS via Thomson Reuters Datastream.

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

Eurozone economy starts firing on all cylinders

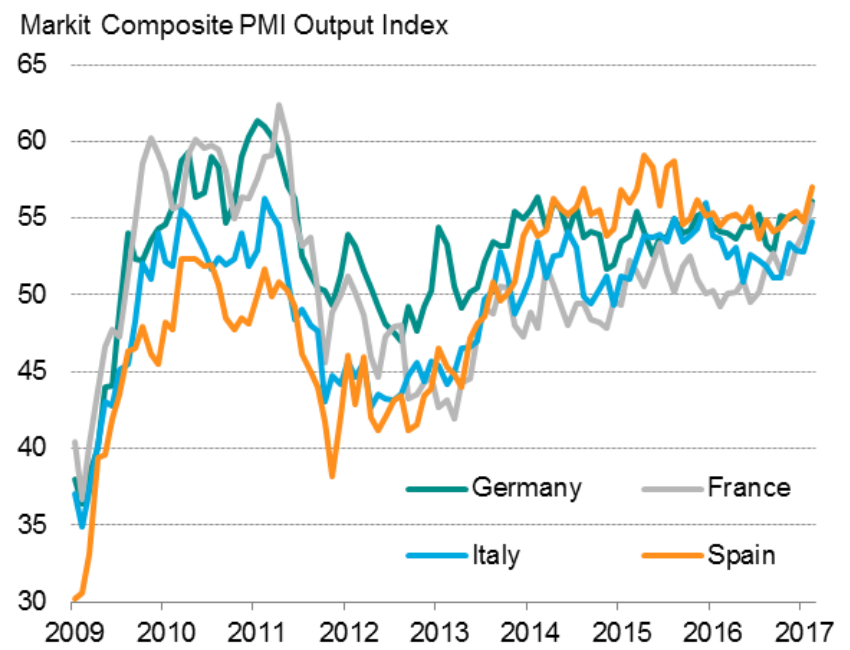
- The eurozone PMI hit a near six-year high of 56.0, painting a bright picture of an economy expanding by 0.6% in Q1. Growth accelerated in all of the four largest member states. The labour market is also starting to boom, with jobs being created at the fastest rate for nearly a decade.
- France and Germany look to be on course to grow by 0.6% in Q1, with Spain set for at least 0.7% growth. Italy lagged behind but is nevertheless enjoying its best growth for over a year, and likely to see GDP rise by 0.4% in Q1. The acceleration in growth, employment and prices signalled by the surveys suggests that analysts will begin to pull forward their expectations of when the ECB could begin tapering its stimulus. However, the ECB is likely to focus on the need for policy to remain accommodative in the face of political uncertainty in 2017.

Eurozone PMI* & economic growth



Sources: IHS Markit, Eurostat.

Big-four euro nations*



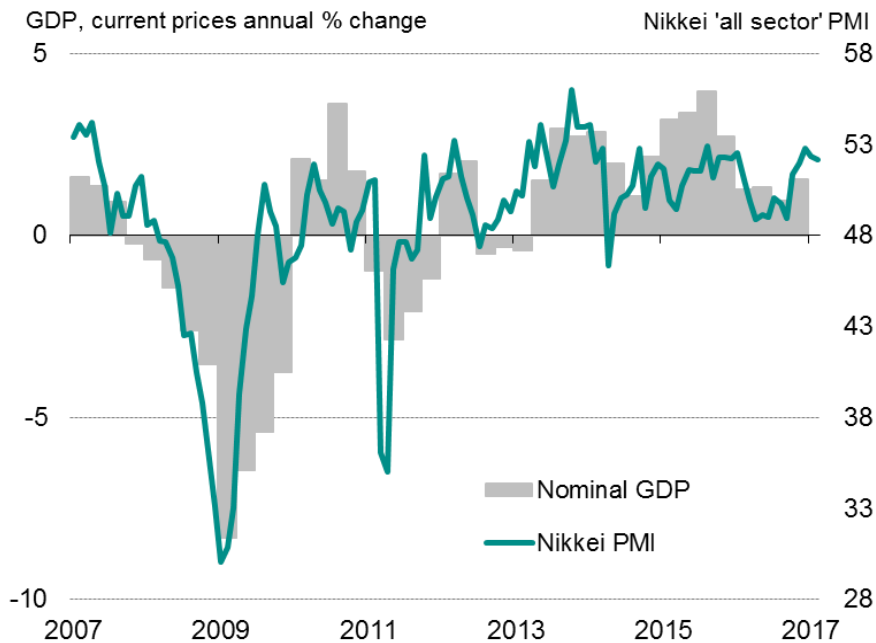
Sources: IHS Markit.

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Japan's economy maintains solid export-led growth momentum

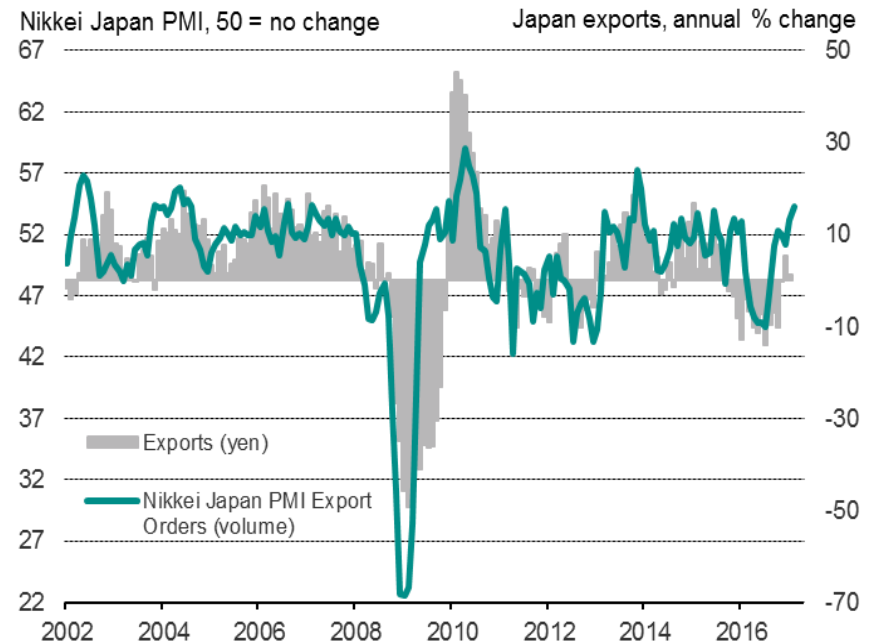
- Japan's economy continued to expand at a robust pace in February, albeit with the rate of increase easing slightly for a second month running. The [Nikkei PMI Composite Output Index](#) dipped from 52.3 in January to 52.2. Job creation was the best in almost four years, while order book growth remained solid and business optimism moved higher, all auguring well for growth to maintain strong momentum in months ahead. Meanwhile, cost inflation remained at its highest for two years.
- The latest upturn was driven by the manufacturing sector, where output rose to the greatest extent in nearly three years, fuelled by stronger export growth. In turn, this was supported by a weak yen and improving global trade flows. Notably, the increase in manufacturing export orders was the strongest for over three years.

Japan PMI* & economic growth



Sources: IHS Markit, Nikkei, Japan Cabinet Office

Japanese manufacturing exports



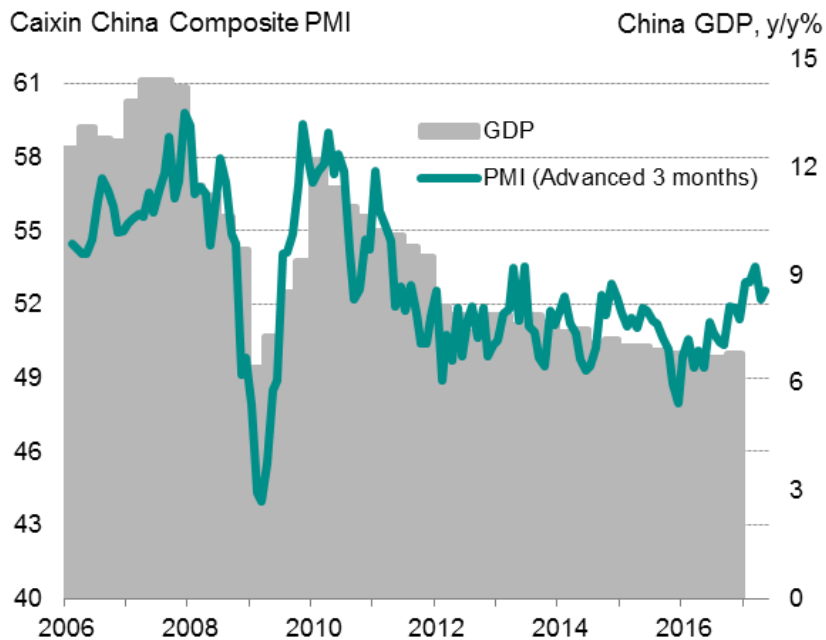
Sources: IHS Markit, Nikkei, Thomson Reuters Datastream.

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China PMI surveys signal first jobs gain for nearly two years

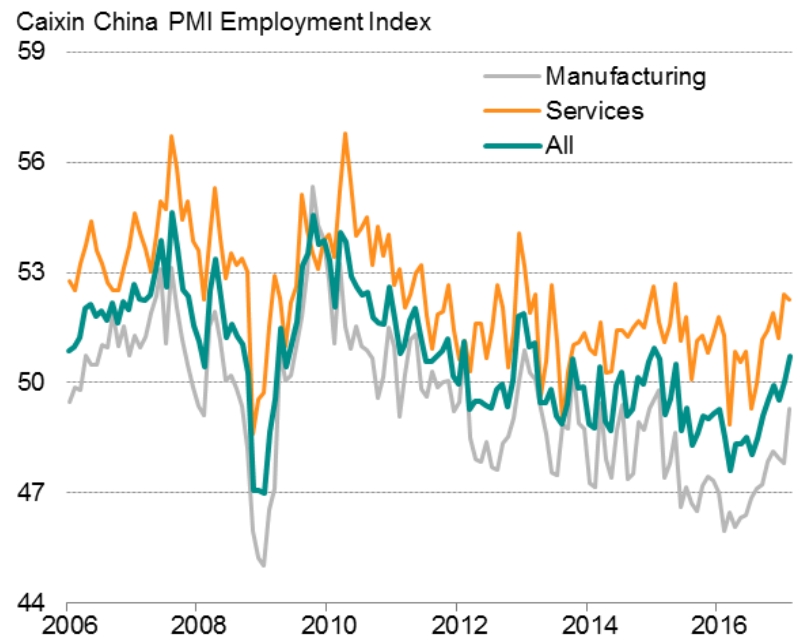
- The Chinese economy strengthened in February, with overall employment increasing for the first time in 21 months. The [Caixin China Composite Output Index](#), compiled by Markit, rose from 52.2 in January to 52.6, reversing the slowdown that had been indicated at the start of the year.
- A recovery in manufacturing sector growth offset a slowdown in services, which was supported by the strongest increase in manufacturers' new export orders for nearly 2½ years amid improving global trade.
- Stronger overall business activity growth was accompanied by the first increase in composite employment since May 2015. However, manufacturing payrolls continued to be cut, albeit at the slowest rate in two years.

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.

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