



IHS Markit™

Global PMI

Global economy on course for best quarter of the year

December 7th 2016

Global PMI signals strongest quarter so far this year

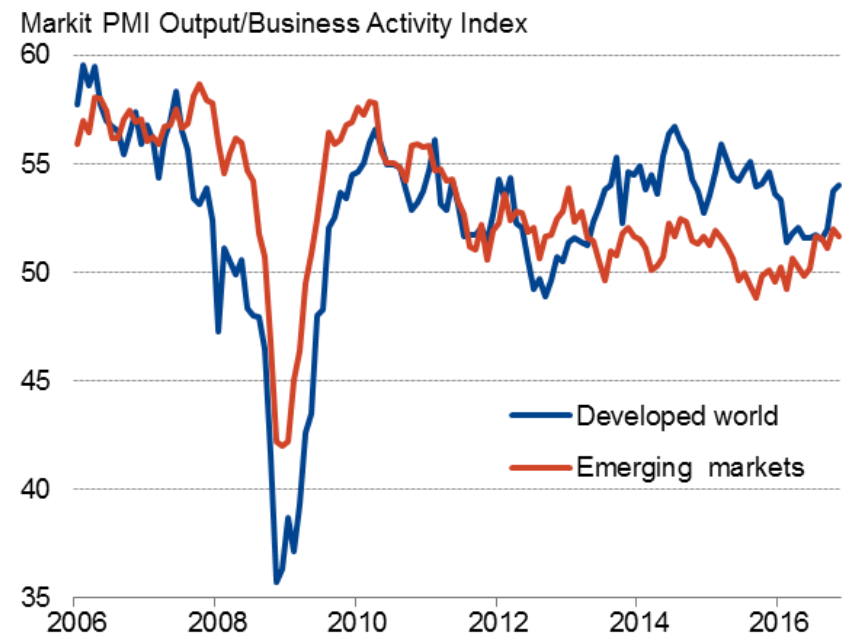
- The global economy is enjoying its strongest quarter so far this year, according to [PMI survey data](#). The JPMorgan Global PMI™, compiled by Markit from its various national surveys, held steady in November, unchanged on October’s 11-month high of 53.3. The improvement means that the PMI signals annual global GDP growth (at market prices) accelerating towards 2.5% in Q4, breaking through the 2% barrier for the first time this year.
- The developed world continued to outpace the emerging markets. While business activity growth in the former accelerated to a 12-month high, the pace slowed slightly in the emerging markets. The latter are nevertheless on course for the strongest quarterly performance in just over two years.

Global PMI & economic growth



Sources: IHS Markit, JPMorgan.

Developed & emerging market output



Source: IHS Markit.

All four rich-world economies on course for buoyant end to 2016

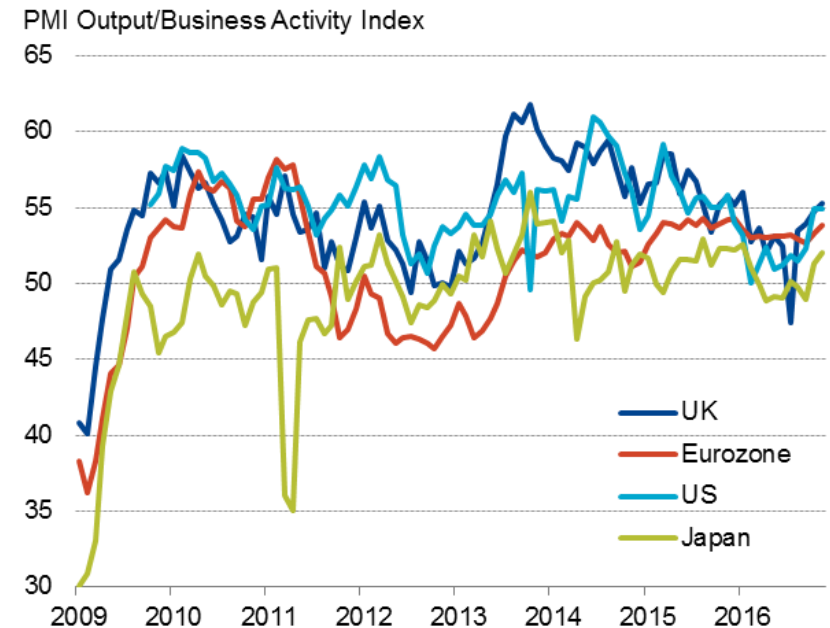
- Growth of developed world business activity rose to a 12-month high in November, building on the marked upturn in momentum seen in October. The data are broadly consistent with annual GDP growth rising to a reasonable but unspectacular 2%.
- Perhaps the most encouraging news was the extent to which developed growth was broad-based across the major rich-world economies. The US, UK, Eurozone and Japan are all enjoying the fastest growth of business activity so far this year on average in Q4, with the UK and US reporting the strongest expansions. All four saw growth accelerate further in November with the exception of the US, where the pace held steady on November's 11-month high.

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.

Mixed emerging market trends, with growth led by Russia

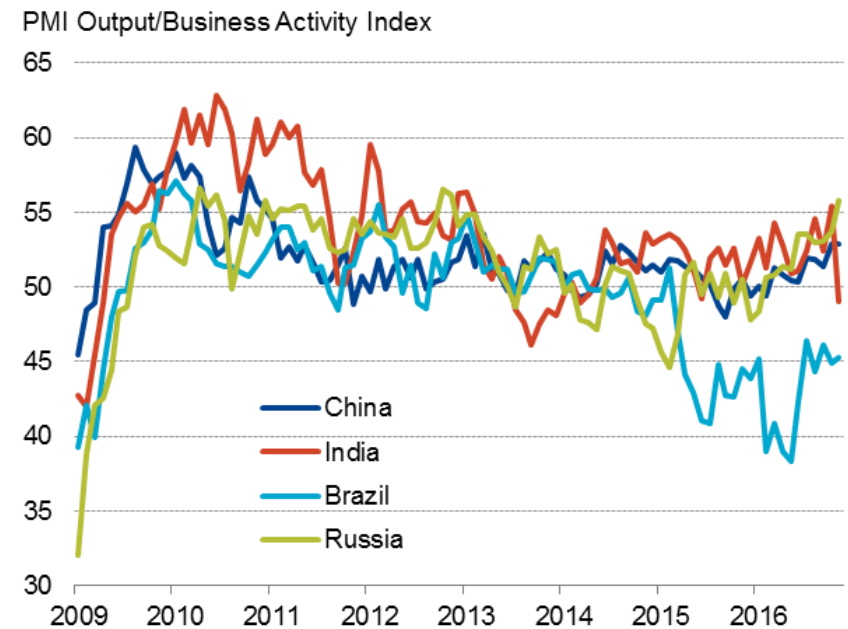
- The strongest expansion among the BRIC nations was seen in [Russia](#), where the PMI surveys indicated the strongest monthly rise in business activity for four years, in spite of falling exports. Growth held steady at a robust 3½ high in [China](#), albeit with manufacturing growth likewise crimped by stagnant exports.
- Business activity meanwhile fell in India for the first time in almost 1½ years, thanks to a steep fall in services activity which was widely linked to the withdrawal of high-denomination bank notes. Importantly, optimism about the outlook improved, suggesting the downturn will be temporary.
- [Brazil](#) continued to record the steepest downturn. That said, the rate of decline eased slightly in November, and has at least moderated compared to earlier in the year.

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.

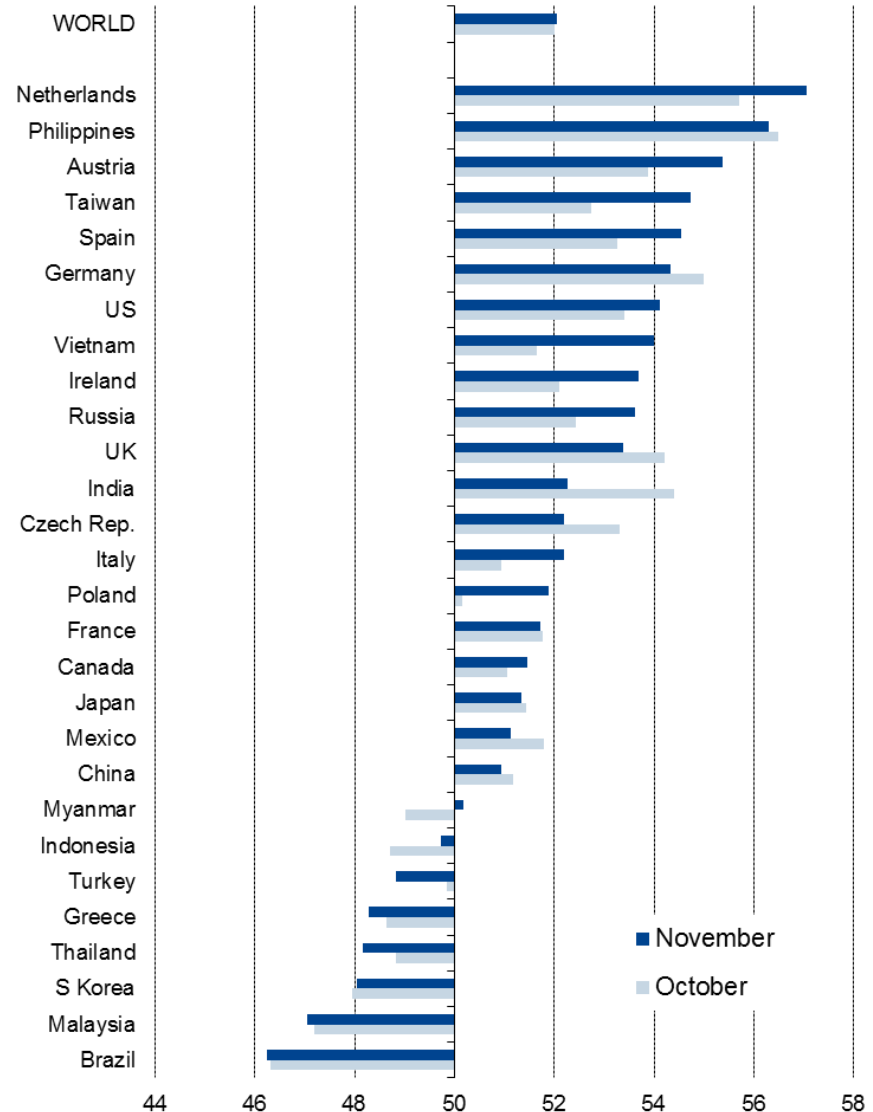
Manufacturing PMI at 2-year high

[Global manufacturing](#) conditions improved in November at the fastest rate since August 2014, according to PMI survey data. The upturn means global manufacturing output is rising at a 4% annual pace. Growth was led by the developed world, with rising domestic demand benefitting the US and eurozone exporters helped by the weak euro. Four of the top six countries in the manufacturing PMI rankings were found in the euro area.

Only 7 of the 28 countries saw manufacturing deteriorate in November. All except Greece were emerging markets.

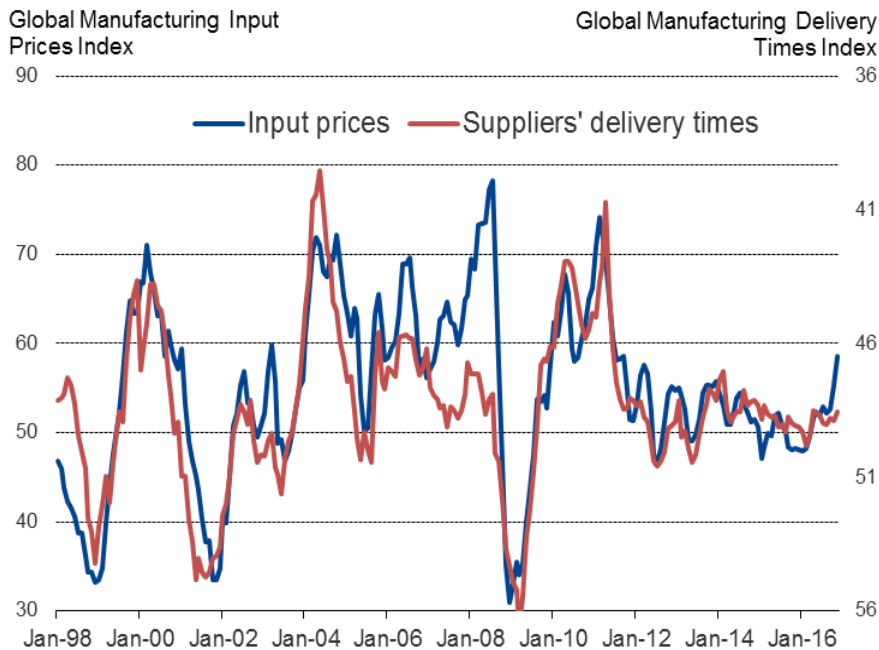


Manufacturing PMI, 50 = no change on prior month

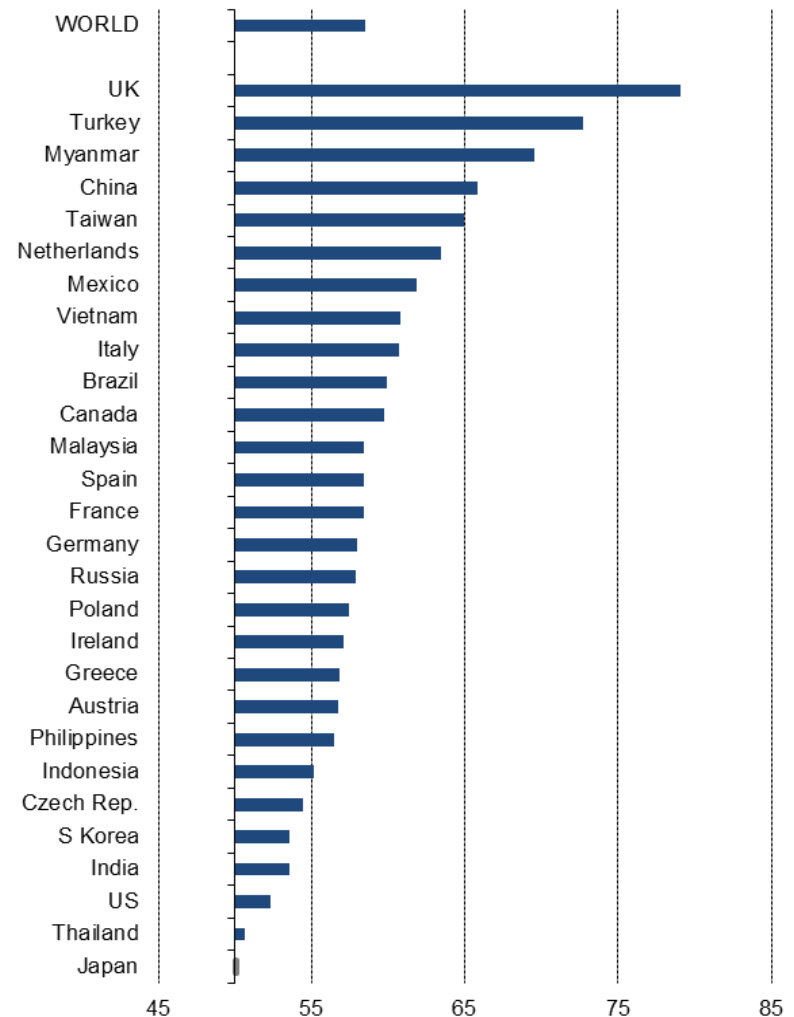


Global manufacturing price pressures at five-year peak

- The Global Manufacturing PMI survey's gauge of [input prices](#) signalled the fastest rate of input cost inflation since September 2011. Importantly, supply chains have not been sufficiently stretched to mean shortages are a problem. With demand and supply largely in balance, there's a limit to how much suppliers can raise prices.
- Exchange rates have meanwhile clearly played a major role in driving national price divergences, with the impact of the weak pound and the euro clearly evident.



Manufacturing PMI Input Prices Index, 50 = no change on prior month

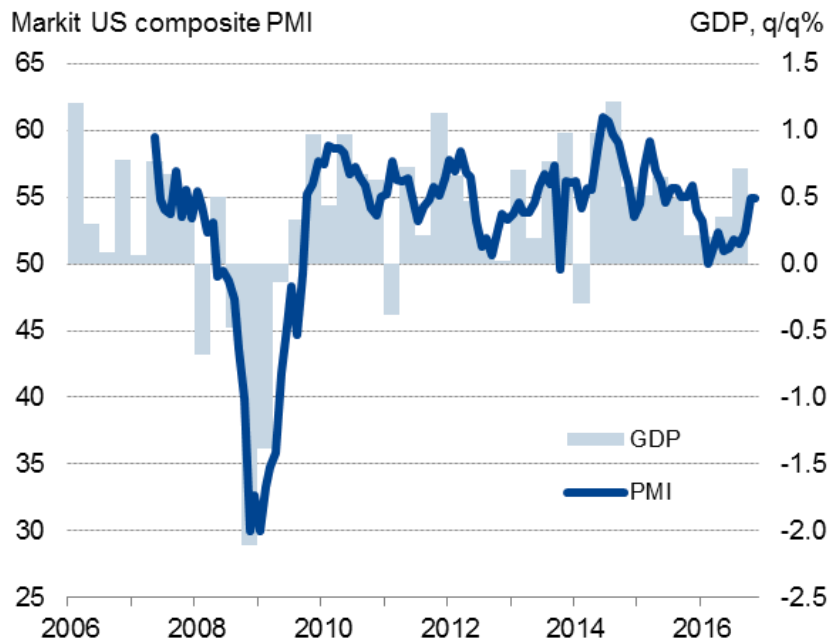


Sources: IHS Markit, JPMorgan, ISO, CIPS, NEVI, Nikkei, BME, Bank Austria, Investec, AERCE, Caixin, HPI.

US PMI points to solid Q4 growth, and rising interest rates

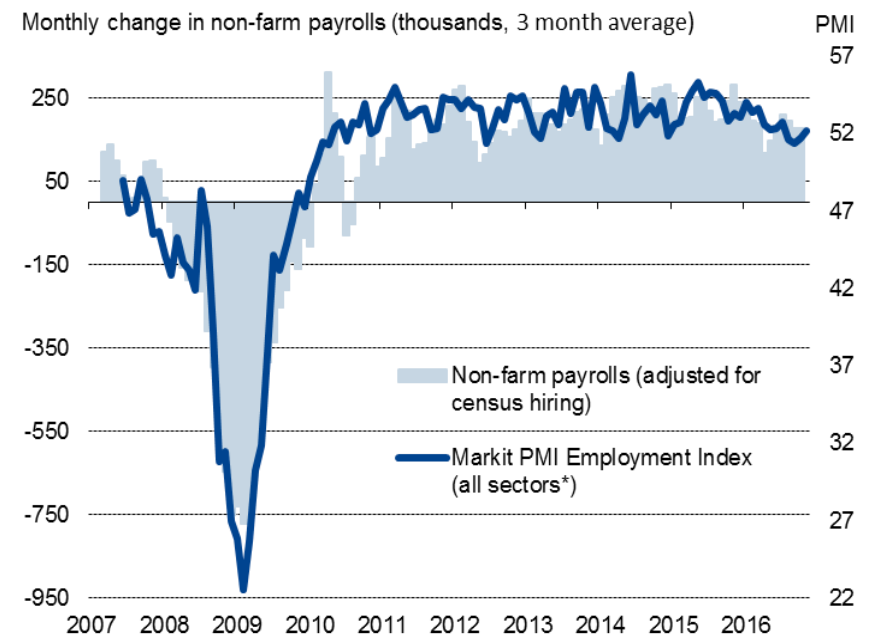
- US growth held steady at October's 11-month high in November, and the [Markit PMI surveys](#) are running at a level consistent with 0.6% (2.5% annualised) GDP growth. A surge in manufacturing growth to a 20-month high offset a mild slowing in services, though even the latter showed robust expansion. Both sectors benefitted primarily from stronger domestic demand. The survey also signalled solid employment growth, with the rate of job creation even picking up slightly.
- The surveys therefore indicate that business activity has fared well during the presidential election, leaving the Fed on course to hike interest rates at its December meeting. The data also raise the likelihood of a slightly more aggressive than previously anticipated rate trajectory for 2017.

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.

UK PMI signals 0.5% Q4 GDP growth and ongoing price pressures

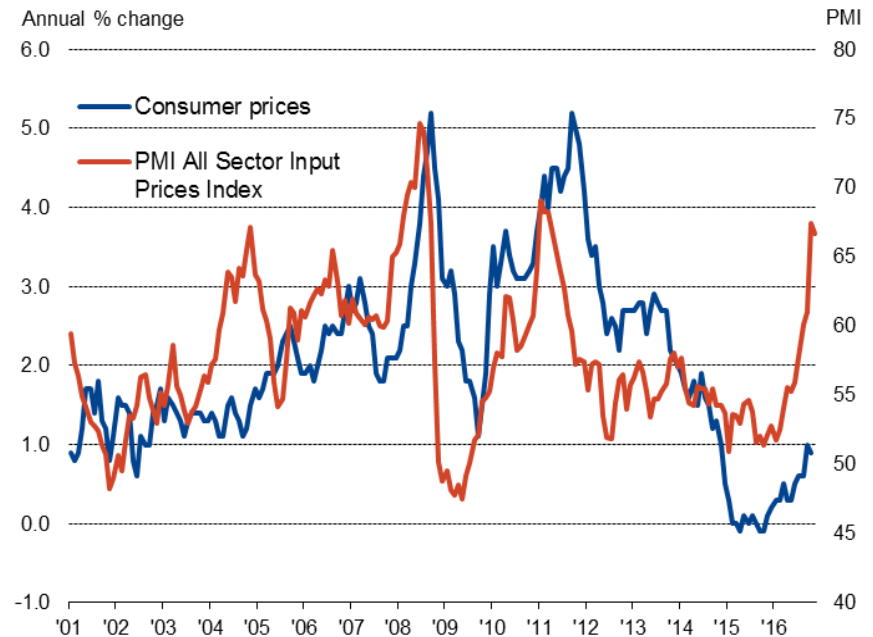
- UK companies continued to report solid growth, with the rate of expansion hitting the highest since January. [The three PMI surveys](#) signal 0.5% GDP growth in Q4, suggesting resilient business growth in the face of on-going Brexit-related uncertainty. Price pressures meanwhile remained elevated, often linked to the weakened pound, suggesting inflation is set to rise. The past two months have seen the steepest upward pressure on businesses' costs for 5½ years.
- The improvement in the surveys and sharp rises in prices suggest the odds will shift away from the Bank of England adding more stimulus. However, any policy tightening still seems a long way off, given the uncertainty facing the UK economy. The service sector PMI showed business optimism about the coming year at the second-lowest in four years and households also grew more worried about their finances.

UK PMI* & interest rates



Sources: IHS Markit, CIPS, Bank of England.

UK inflation

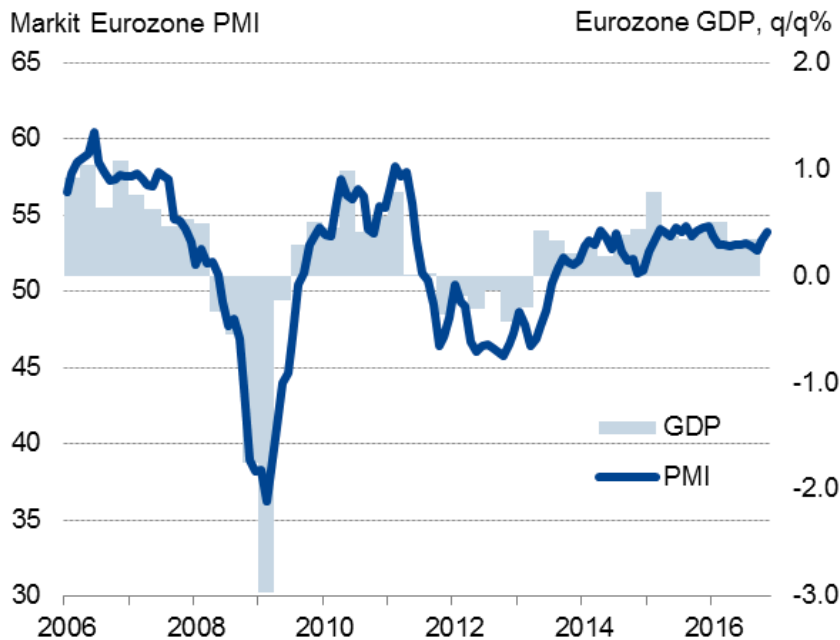


Sources: IHS Markit, CIPS, ONS via Thomson Reuters Datastream.
 * PMI shown above is a GDP weighted average of the survey output indices.

Eurozone set to grow 0.4% in Q4 with solid job creation

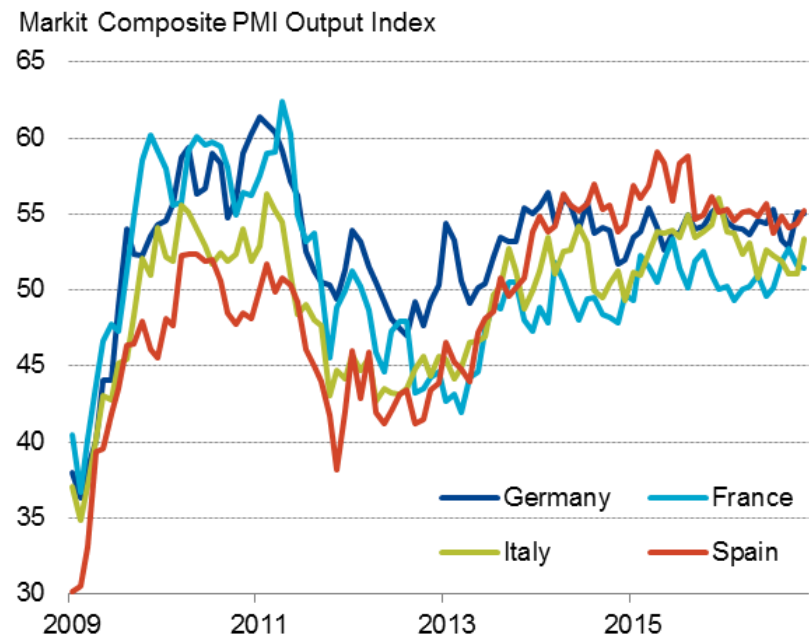
- Eurozone growth accelerated to the fastest since December 2015 [according to the region's PMI surveys](#), suggesting the pace of economic growth will pick up to 0.4% in Q4. The surveys highlighted how the weak euro helped boost manufacturing, while services also enjoyed the best expansion so far this year. Rising order books meanwhile prompted firms to take on extra staff at one of the fastest rates since early-2008, and prices charged inched higher, indicating that inflationary pressures are at their highest for over five years.
- The PMI surveys point to a rebound in German growth to 0.5% in Q4, with 0.2-3% growth signalled for France and Italy. Spain leads the upturn, however, with the PMI data consistent with a buoyant 0.7% GDP increase in Q4.

Eurozone PMI* & economic growth



Sources: IHS Markit, Eurostat.

Big-four euro nations*



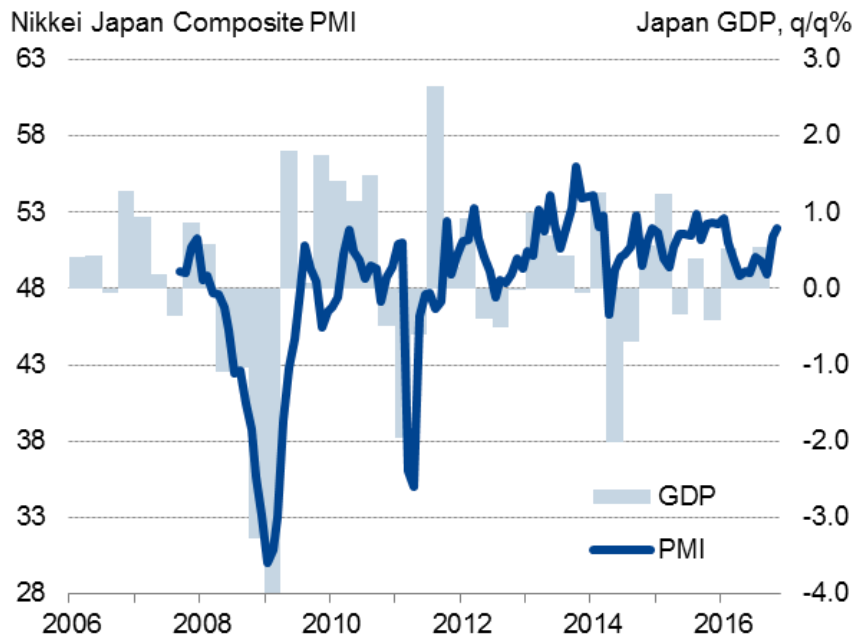
Sources: IHS Markit.

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

Surveys show Japan's economy enjoying export-led expansion

- Japan saw business activity growth accelerate in November, with the Nikkei PMI surveys registering the strongest expansion since January. A [manufacturing sector upturn](#), fuelled in part by export gains arising from the weaker yen, was accompanied by signs of [faster service sector growth](#). The improvement in exports marks a significant turnaround from the weakness seen throughout much of 2016 and puts the PMI surveys on course to signal the strongest quarter so far this year, suggesting GDP growth will accelerate in Q4 from the 0.5% expansion seen in Q3.
- The weaker currency also fed through to higher import prices, which pushed firms' average input costs up at the fastest rate for 15 months, with an especially marked rise seen in the service sector (linked in part to higher energy prices).

Japan PMI* & economic growth



Source: IHS Markit, Nikkei, Japan Cabinet Office.

Japanese goods exports



Sources: IHS Markit, Nikkei, Japan Cabinet Office.

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

China growth strengthens but prices spike higher

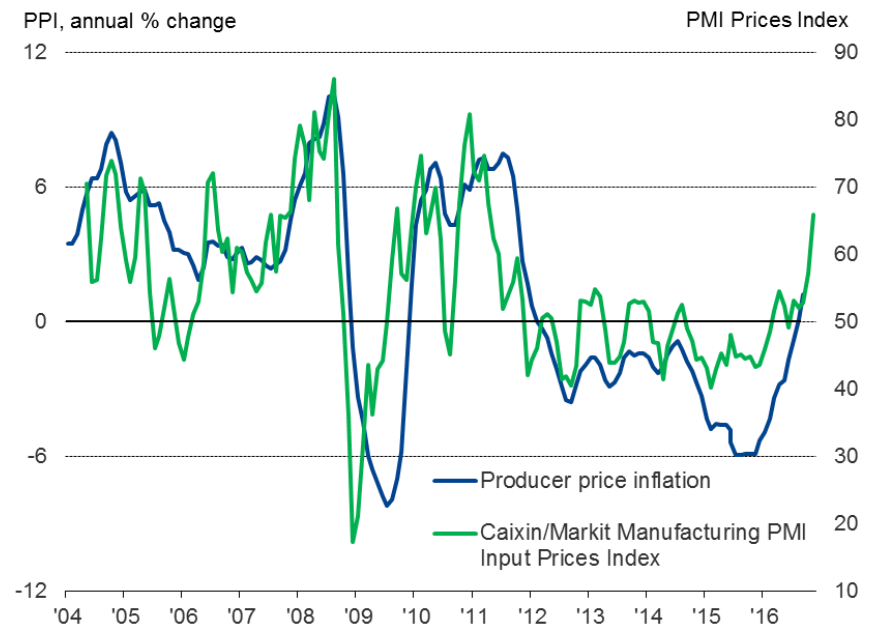
- China's economy is showing signs of stronger growth and improved employment trends in Q4, although the expansion is marred by surging input prices. The Caixin PMI surveys showed business activity across manufacturing and services growing in November at a rate identical to October's 43-month high. Faster services growth accompanied a further steady expansion of manufacturing.
- However, input costs grew at the sharpest rate since April 2011, driven mainly by a [spike in manufacturing costs](#). Firms are having increasing success in passing these higher costs on to customers. Average prices for goods leaving the factory gate rose sharply in November, increasing at the steepest rate since February 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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