



IHS Markit™

Global PMI

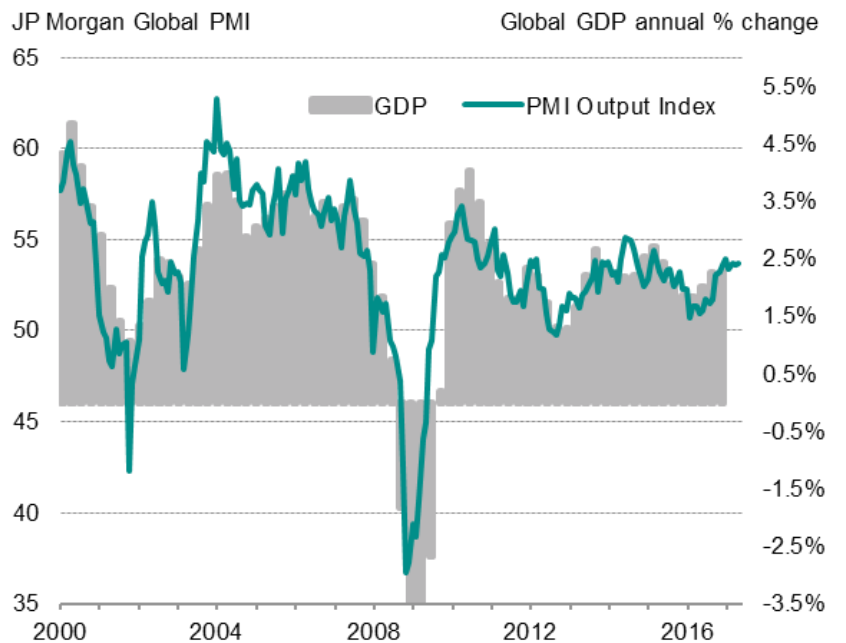
Global economy set for robust Q2 growth

June 8th 2017

PMI indicates robust global growth in Q2

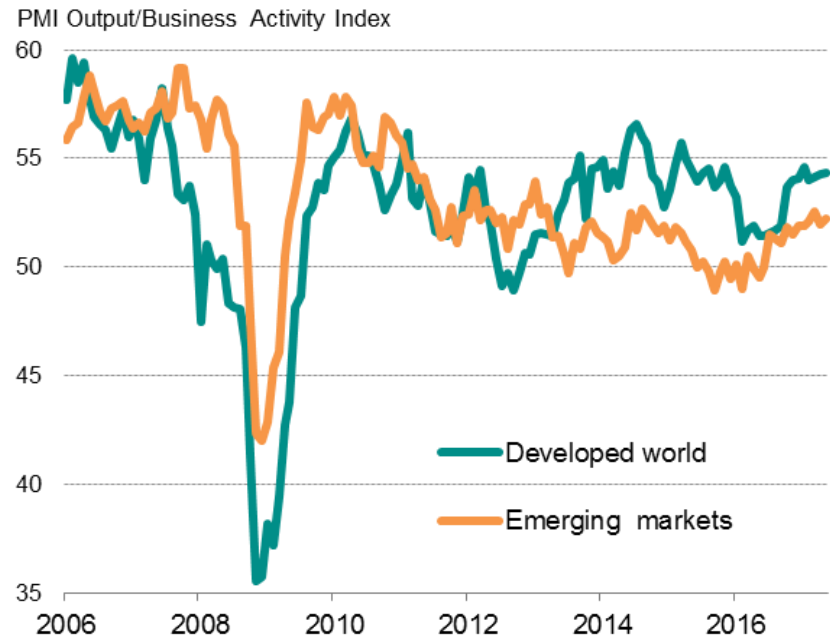
- The global economy is on course for a robust second quarter, according to PMI survey data. The [JPMorgan Global PMI™](#), compiled by IHS Markit from its various national surveys, edged up from 53.6 in April to 53.7 in May. The latest reading is in line with the average seen so far this year and a level which is broadly consistent with global GDP growing at an annual rate of 2.5%.
- Robust rates of economic growth were signalled across both the emerging markets and the developed world, though the former remained somewhat “decoupled”, with the pace of expansion remaining below that seen in the rich world, continuing the trend evident since 2013. While the Emerging Market PMI rose to 52.2 in May, its second highest in 32 months, the Developed World PMI held steady at 54.3.

Global PMI* & economic growth



Sources: IHS Markit, JPMorgan.

Developed & emerging market output



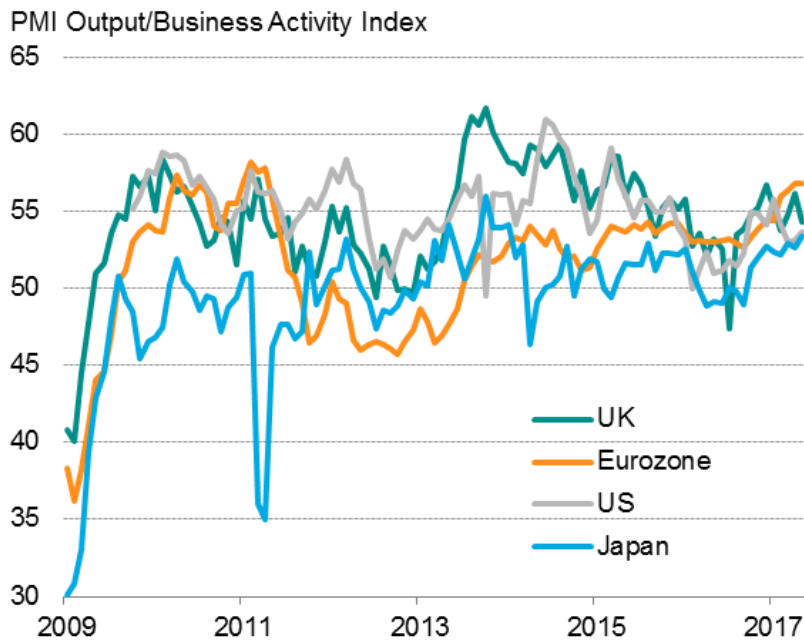
Source: IHS Markit.

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

Europe powers ahead in developed world expansion

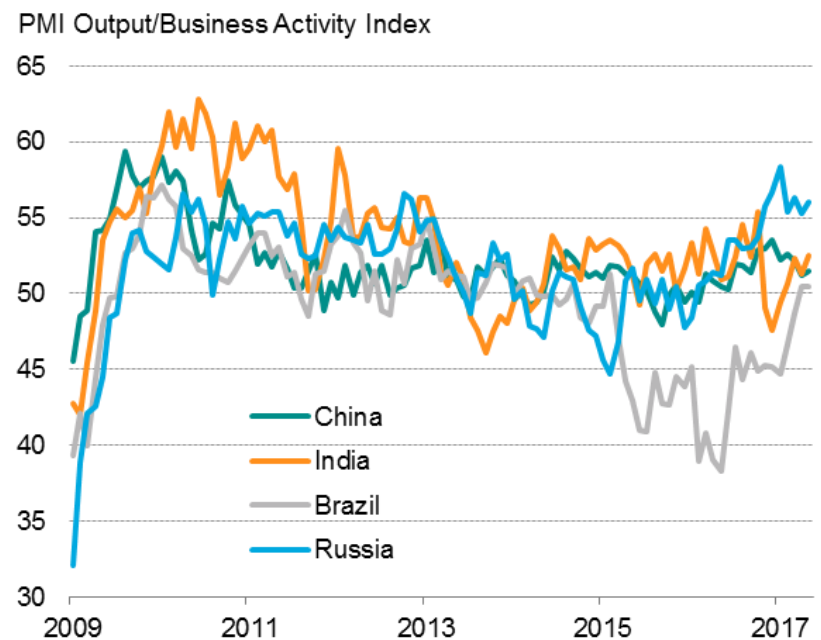
- Europe continued to dominate the PMI rankings in May. Of the four largest developed world economies, growth was once again led by the eurozone, which has now led the pack for four successive months, followed by the UK. Slower, but still relatively robust, expansions were meanwhile seen in the US and Japan, with both reporting faster rates of growth than April.
- Turning to the largest emerging markets, the biggest disappointment was the on-going meagre growth rate signalled by the Caixin PMI surveys for China. Although Brazil recorded the weakest PMI, registering only a marginal expansion, the surveys nevertheless add to indications of an end to the country's recession. India continued to revive from the de-monetisation related downturn, but Russia remained the strongest performer.

Major developed markets*



Source: IHS Markit, CIPS, Nikkei.

Major emerging markets*



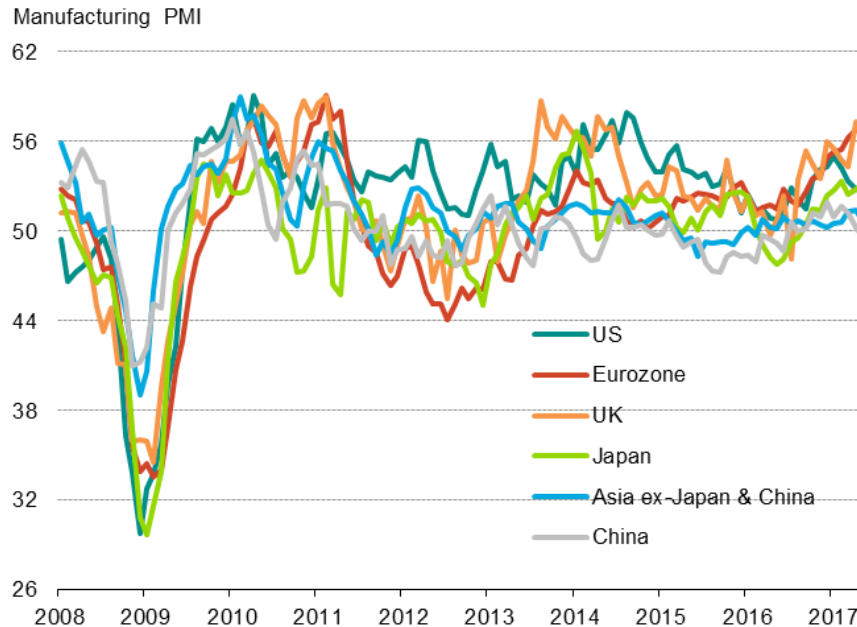
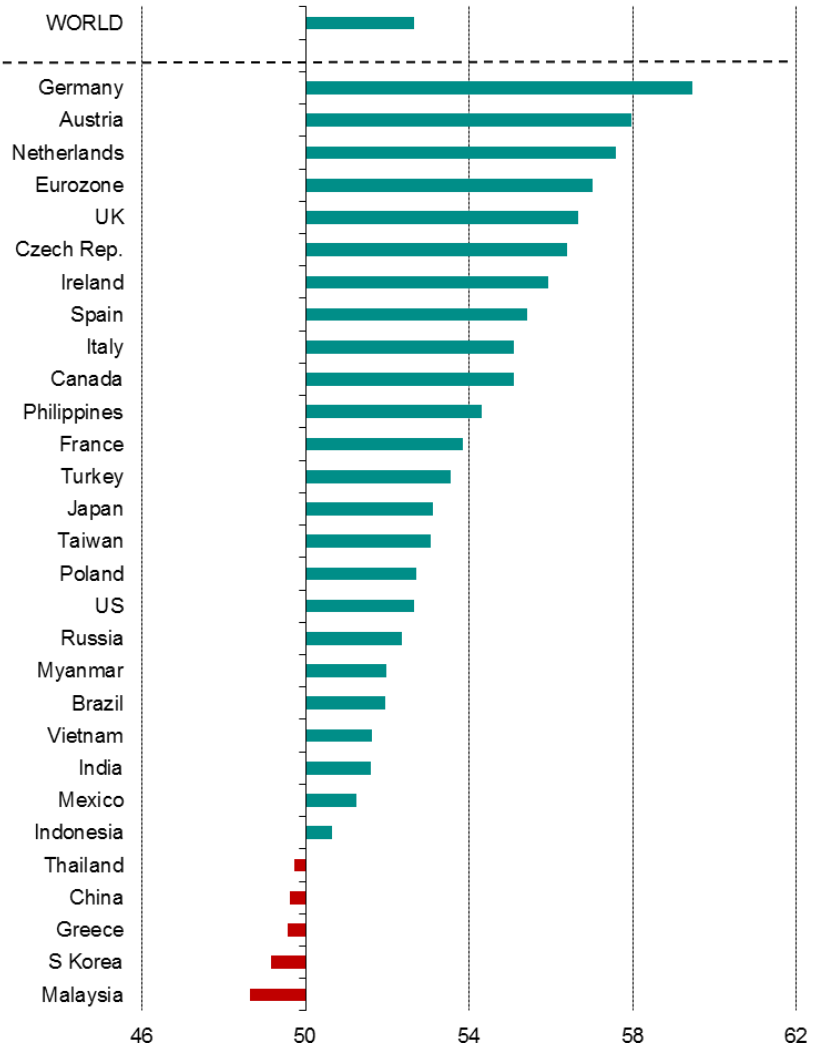
Sources: IHS Markit, Caixin, Nikkei.

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

Europe leads manufacturing rankings, Asia struggles

- Worldwide manufacturing activity continued to rise at a solid pace in May, according to [global PMI data](#), but the surveys underscored the recent dominance of European producers and the malaise in Asia.
- Europe accounted for all top eight countries in the May worldwide PMI rankings. The fastest growth was seen in Germany, followed by neighbouring Austria and the Netherlands. The UK was the fourth-fastest growing.
- Of the 28 countries covered by the PMIs, only five saw manufacturing conditions deteriorate, four of which were Asian.

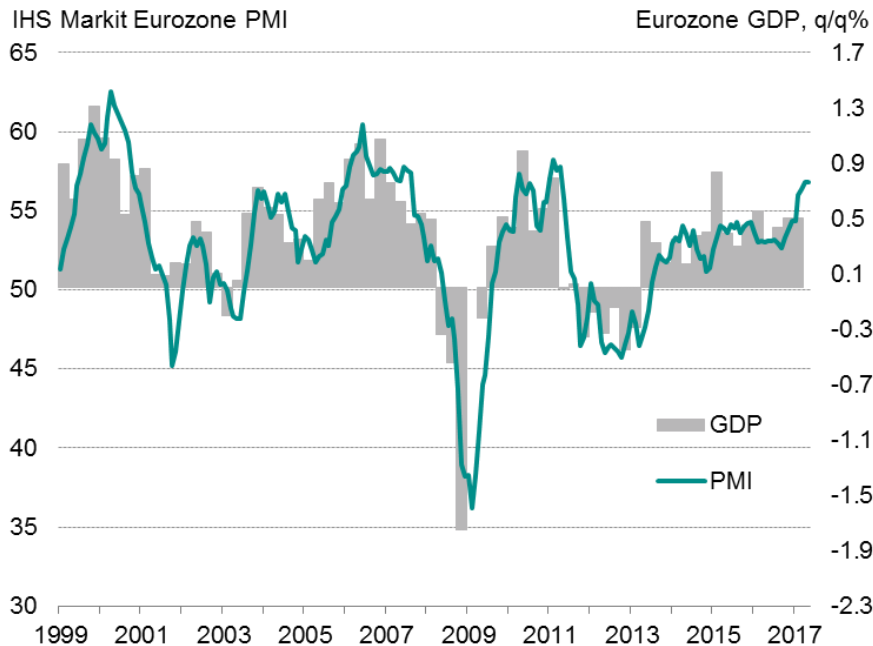
Manufacturing PMI, 50 = no change on prior month (May 2017)



Eurozone sees buoyant hiring as PMI holds at six-year high

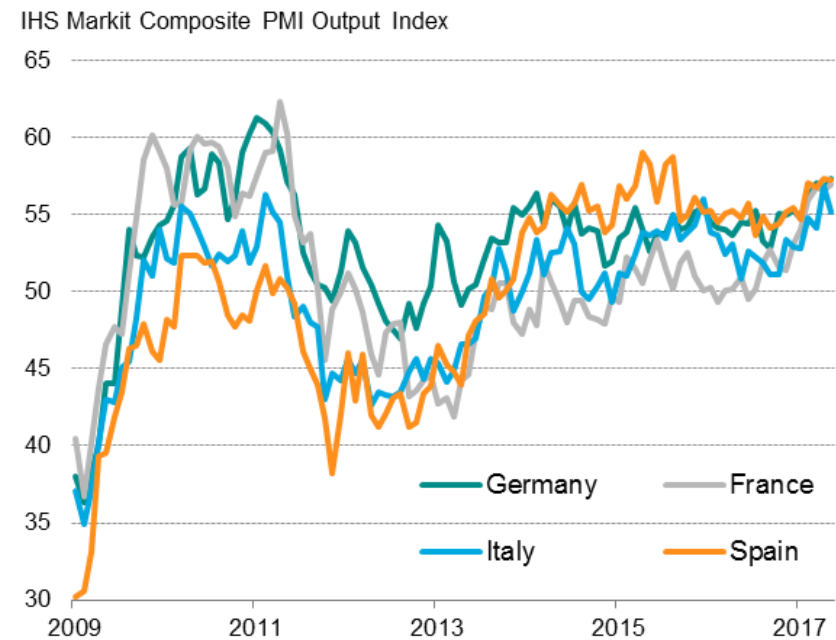
- The May [Eurozone PMI](#) readings add to mounting evidence that the region is enjoying a strong Q2, and possibly a stronger than previously anticipated 2017. The latest reading of 56.8, unchanged on the six-year high seen in April, is consistent with GDP rising at a 0.7% quarterly rate, according to historical comparisons of survey and official data.
- The upturn is also broad-based: the PMI surveys are running at levels indicative of 0.7% GDP growth in France and Germany, with nearly 1% signalled for Spain and 0.5% in Italy. Recent upward revisions to Q1 GDP estimates are meanwhile now bringing the official numbers more in line with the upbeat surveys.
- The surveys also brought good news on the labour market. The rate of job creation across the region as a whole rose to one of the highest seen over the past decade. Manufacturing employment growth reached a 20-year survey record.

Eurozone economic growth*



Sources: IHS Markit, Eurostat.

Eurozone big-four (output)



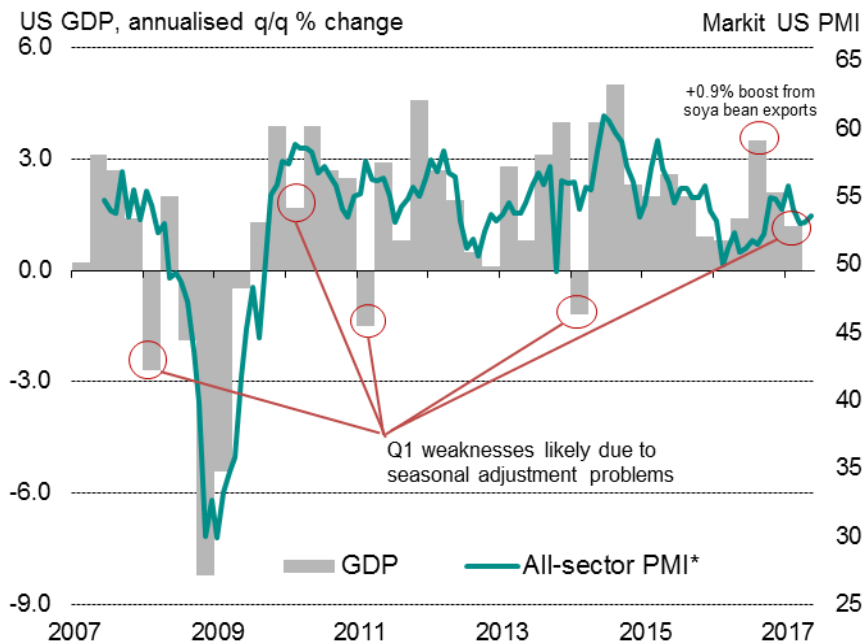
Sources: IHS Markit, Eurostat.

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

US on course for faster, but still modest, Q2 growth

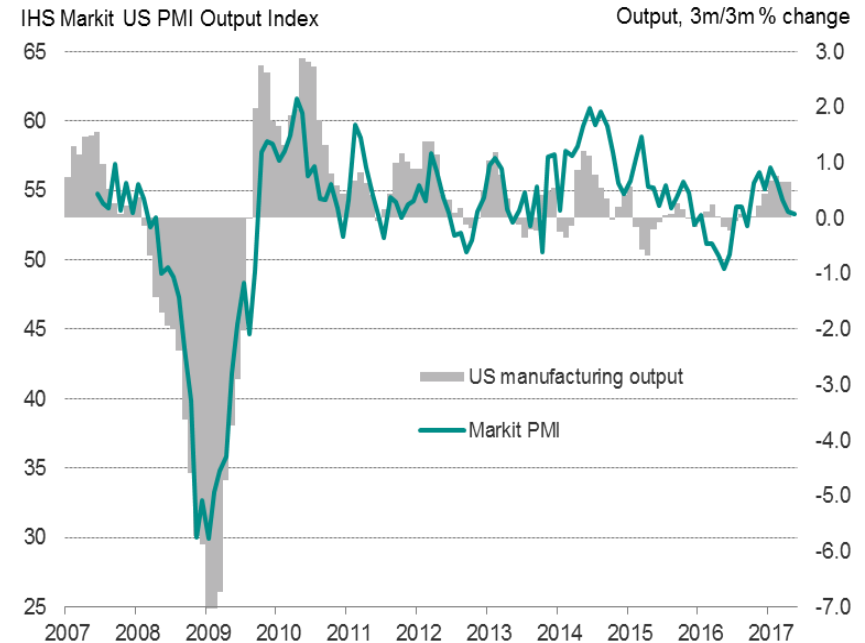
- At 53.9, up from 53.2 in April, the headline [IHS Markit US Composite PMI](#) pointed to the strongest upturn in private sector output since February. Historical comparisons of the PMI against GDP indicates that the survey is running at a level broadly consistent with the economy growing at a 0.4% quarterly rate, or 1.5% annualized. However, actual Q2 GDP numbers could well be considerably stronger, in part reflecting seasonality in the official data (and the resultant weak Q1).
- While May saw an encouraging upturn in services growth to the fastest in three months, manufacturers reported the smallest rise in output since last September amid lacklustre exports. Overall job creation remained solid (consistent with 160,000 non-farm payroll growth), but has slowed since the start of the year, broadly in line with the recent trend in official data.

US economic growth*



Sources: IHS Markit, Commerce Department.

US manufacturing output



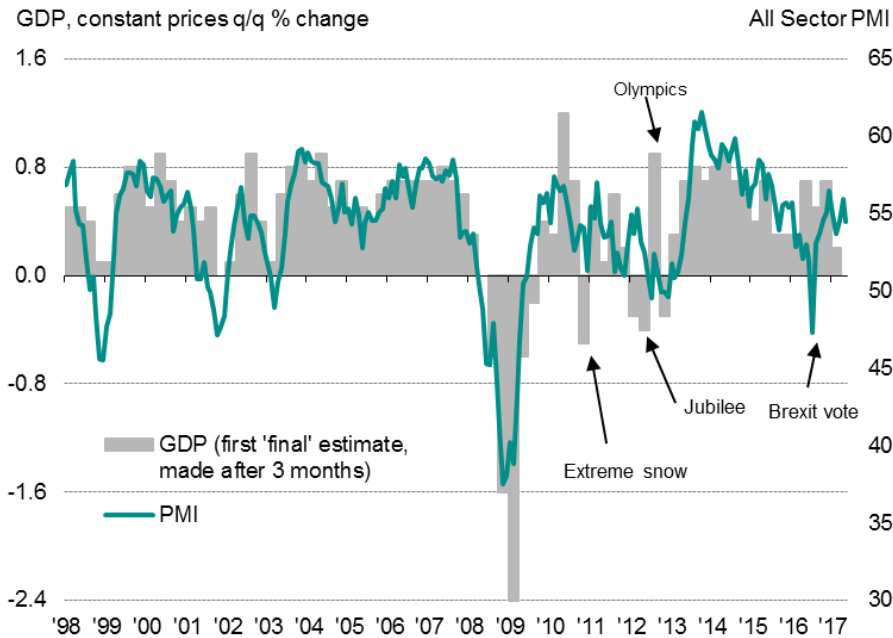
Sources: IHS Markit, Federal Reserve.

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

UK PMI signals 0.5% Q2 growth, but consumer sectors drag

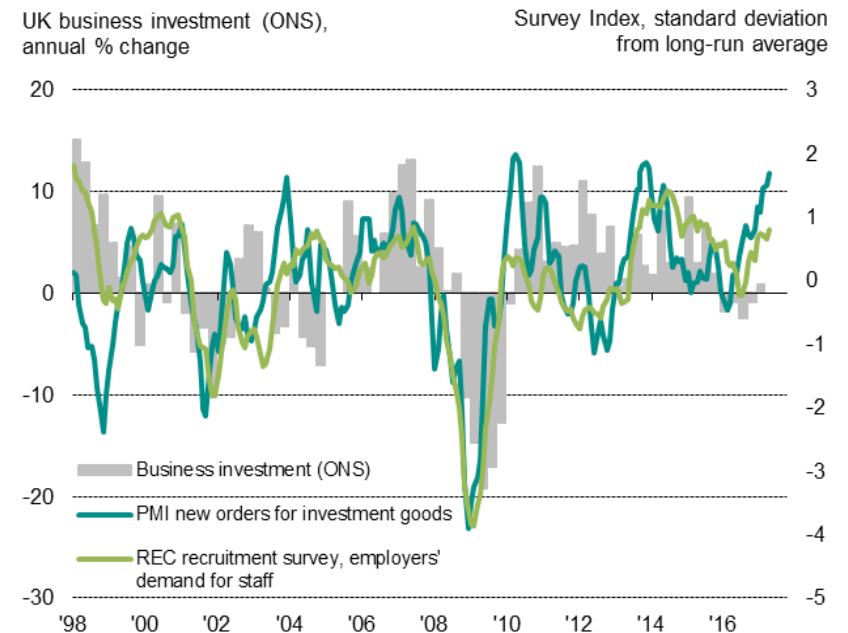
- The [UK 'all-sector' PMI](#) fell to a three-month low of 54.5 in May, down from 55.9 in April, but remained firmly in expansion territory. Thanks to the strong April number, the Q2 average is consistent with the economy growing at a robust 0.5% rate. Worsening trends in consumer-facing sectors, mainly linked to rising prices and weak wage growth, continued to act as a drag – especially in some service sectors. However, robust expansions were seen in manufacturing and construction, as well as business- and financial-facing service sectors.
- The PMI also showed employment growth remained encouragingly solid, with similar buoyant hiring subsequently reported by the [recruitment industry](#). Other survey indicators of [business investment](#) have also held up well.

UK economic growth*



Sources: IHS Markit, CIPS, ONS.

UK business investment and hiring



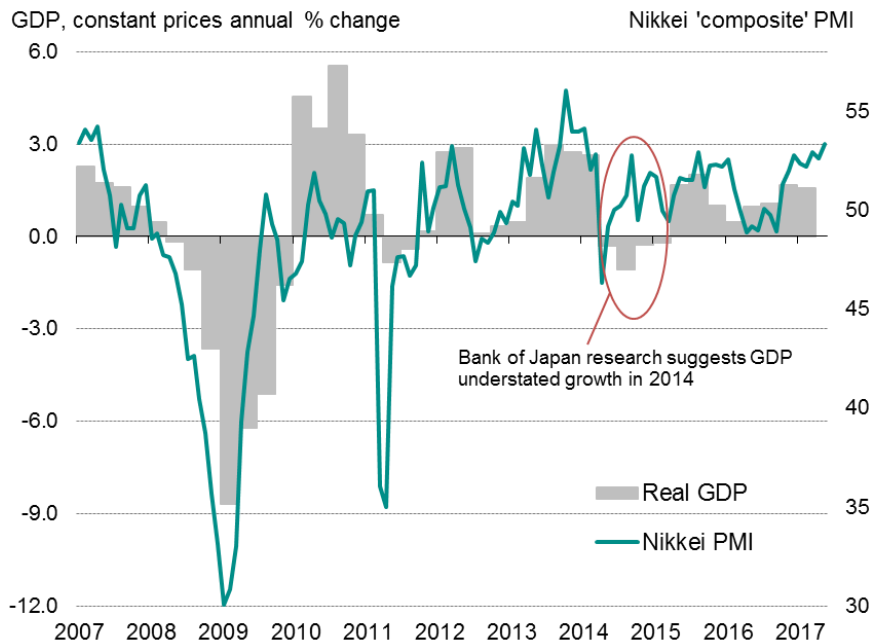
Sources: IHS Markit, CIPS, ONS.

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

Japan set for robust Q2 as PMI hits three-year high

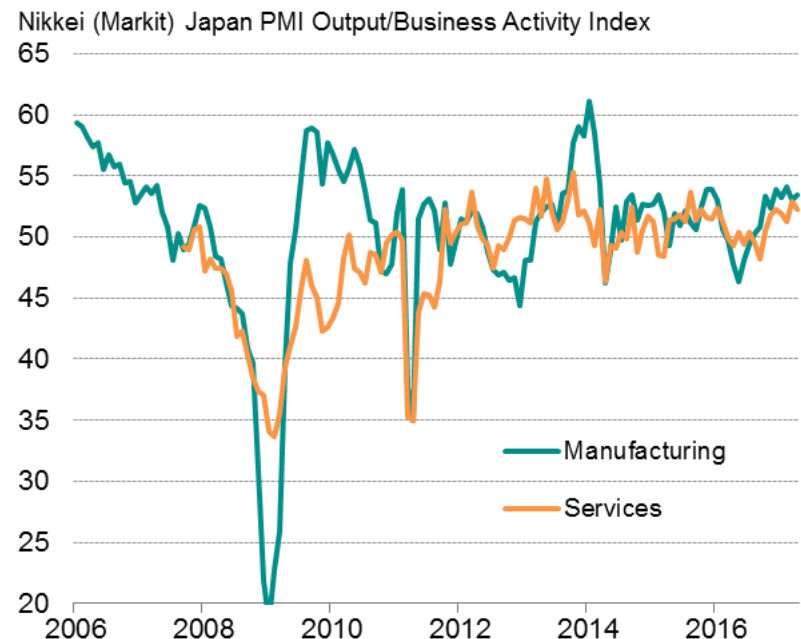
- The [Nikkei Japan Composite PMI](#) rose from 52.6 in April to 53.4 in May, marking the eighth successive month of expansion and the best performance since January 2014. The solid PMI readings so far in the second quarter follow upbeat readings in the opening three months of the year, which had correctly foretold the upturn in the official Q1 GDP numbers, the strength of which had caught many economists by surprise.
- The upturn in May was again led by stronger manufacturing activity, but it has become more broad-based as the service sector played an increasingly important role. Solid expansions in new work and employment were also reported as firms became increasingly optimistic towards economic prospects. The PMI survey showed confidence about the year ahead to have struck a four-year high.

Japan economic growth*



Sources: IHS Markit, Nikkei, Japan Cabinet Office

Japan manufacturing & services output



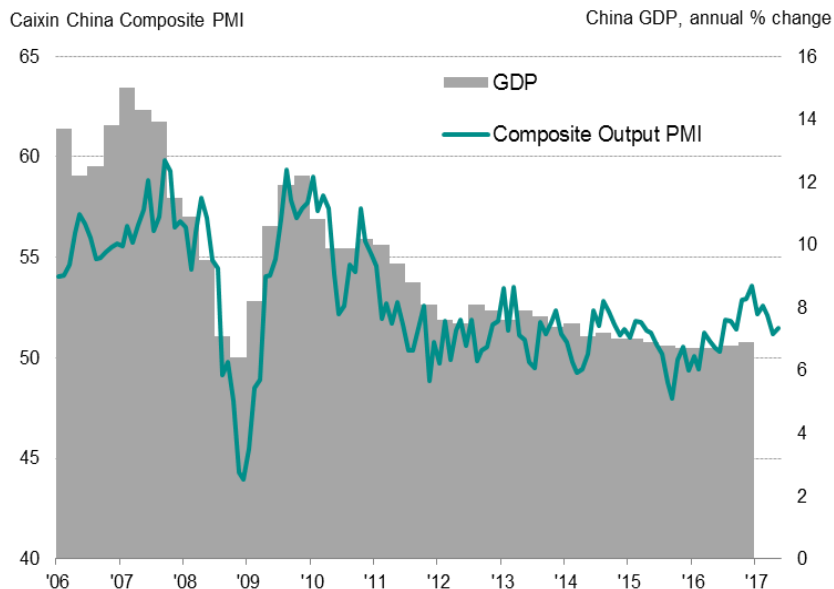
Sources: IHS Markit, Nikkei, Thomson Reuters Datastream.

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

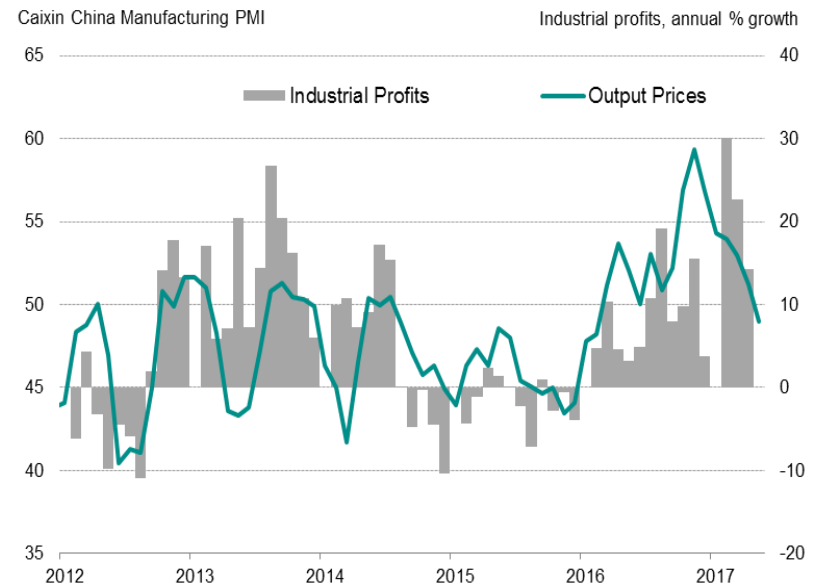
China PMI adds to signs of Q2 slowdown

- The Chinese economy gained a little momentum in May, but the upturn was insufficient to quell widespread expectations of softer GDP growth in Q2. The headline [Caixin China PMI](#) rose slightly from 51.2 in April to 51.5 in May, but that was the second-weakest reading in eight months. There was an encouraging pick-up in services activity to the fastest since January, but the headline manufacturing PMI fell below 50, signalling decline, for the first time in nearly a year.
- Average prices charged by firms for their goods and services fell for the first time since February of last year. The worry is that reduced pricing power may affect company profits, which could in turn have a renewed impact on growing corporate debt levels.

China PMI* & economic growth



China manufacturing prices & profits



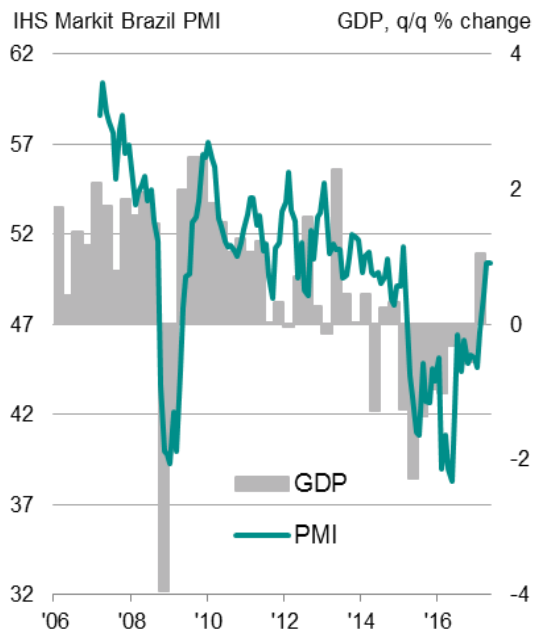
Sources: IHS Markit, Caixin, NBS.

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

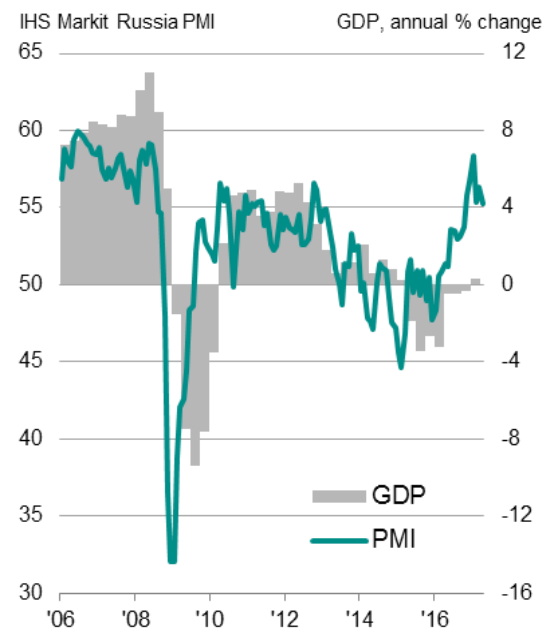
Improved growth trends signalled for India, Russia and Brazil

- Recent [PMI data for Brazil](#) had signalled an end to the country's two-year recession, with May's data adding to the return to growth seen in April. Official data also sprang back into expansion in Q1, albeit flattered by a (likely temporary) surge in agriculture exports. The PMI paints a more reassuring picture of business beginning to stabilise.
- The [PMI surveys for Russia](#) indicated further strong underlying economic growth in May, reflecting solid expansion in both manufacturing and services. The data add to signs that the economy seems likely see stronger GDP growth in 2017.
- India's economic growth rate slowed in Q1, mirroring weak PMI data. Fortunately, the [Nikkei India PMI](#) surveys have lifted higher so far in Q2, suggesting the economy is reviving from the disruptions caused by the surprise withdrawal of high denomination bank notes late last year.

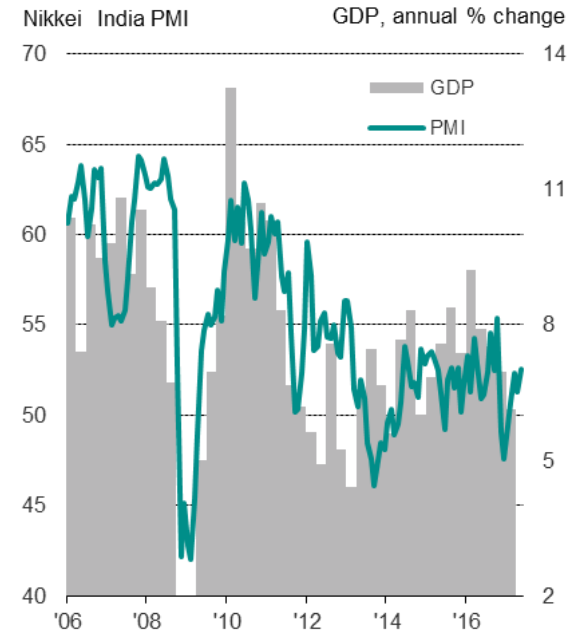
Brazil PMI* v GDP



Russia PMI* v GDP



India PMI* v GDP

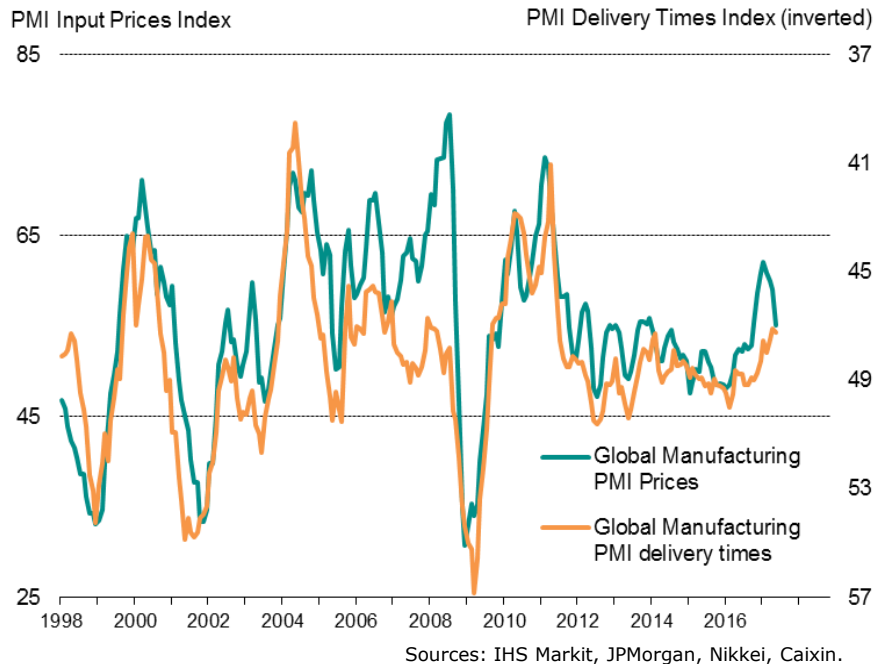


Sources: IHS Markit, Nikkei, Datastream.

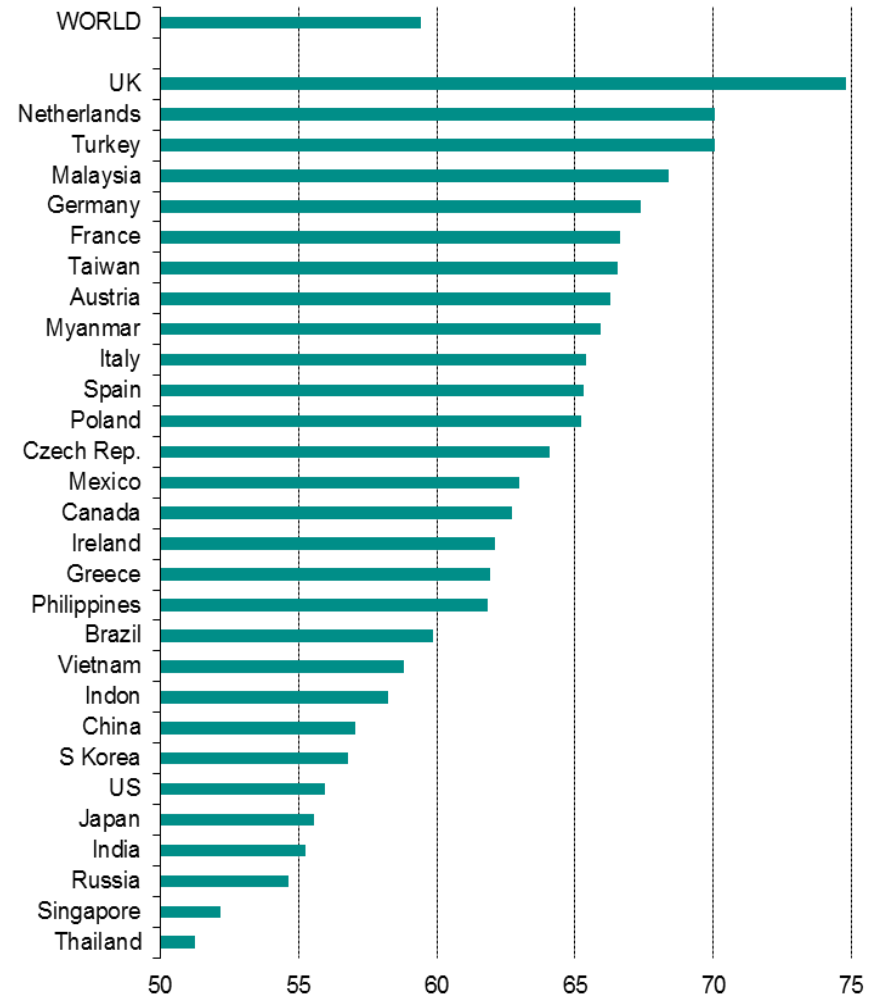
* PMI shown above is a GDP weighted average of the survey output indices.

Inflationary pressures start to ease

- One of the big changes in the global PMI surveys came in the price data. Worldwide factory input prices showed the smallest rise since last September. Prices charged at the factory gate also registered the smallest increase for eight months, suggesting that lower cost pressures could also feed through to consumer prices as retailers see pressure come off wholesale prices.
- However, a further lengthening of global supplier lead-times suggests that some underlying upward pressure on prices persisted in May, as demand often outstripped supply.



Manufacturing PMI Input Prices Index, 50 = no change on prior month (average Jan-May)



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