



IHS Markit™

# Global PMI

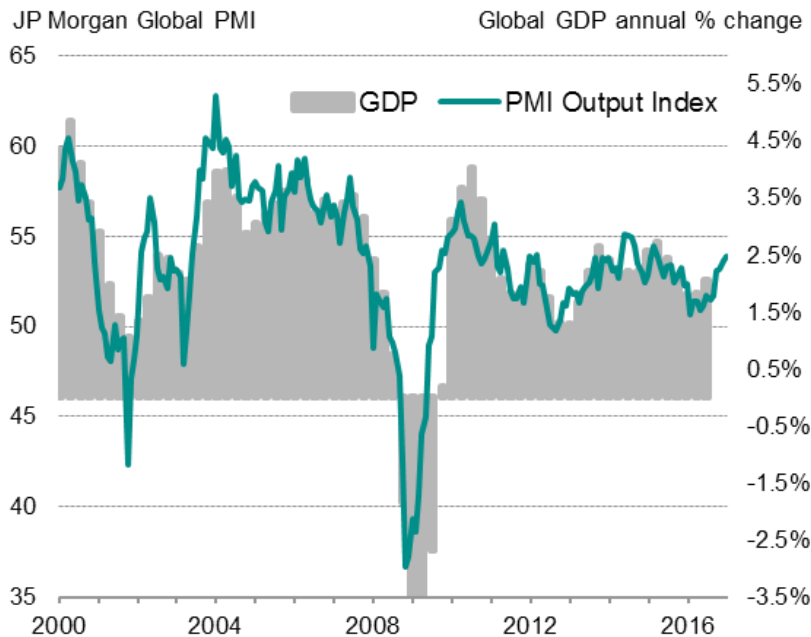
Global economy starts 2017 on the front foot,  
PMI at 22-month high

February 8<sup>th</sup> 2016

# Global PMI at 22-month high

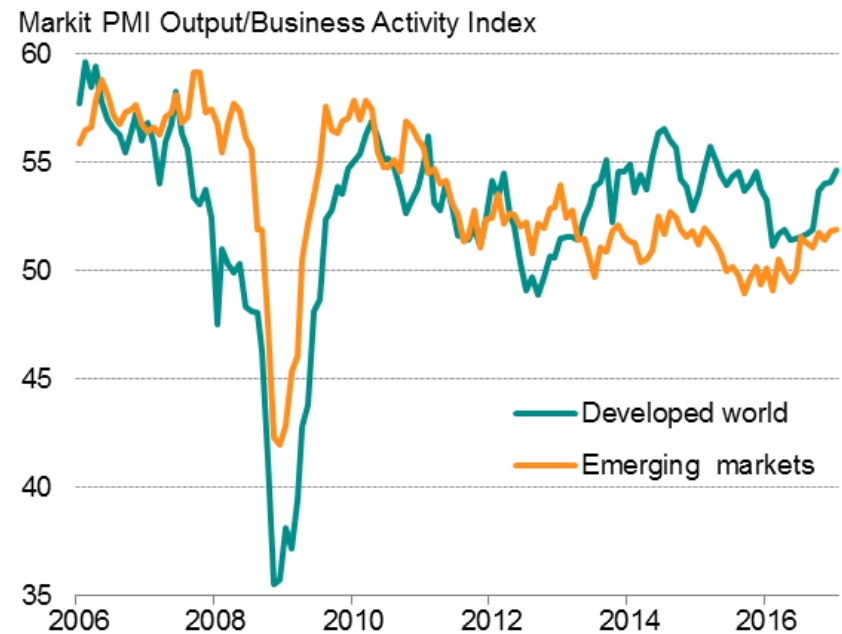
- The global economy started 2017 with growth gaining momentum, according to the latest [PMI survey data](#). The JPMorgan Global PMI™, compiled by Markit from its various national surveys, rose for a fifth successive month in January to a 22-month high of 53.9. The data are consistent with global GDP rising at an annual rate of 2.5% at the start of the first quarter.
- The upturn in growth was led by the developed world, where the PMI struck a 14-month high in January. Emerging market growth also edged up, rising to the highest for 23 months, but continued to underperform relative to the rich world – a trend that has been evident throughout the past three years.

## Global PMI & economic growth



Sources: IHS Markit, JPMorgan.

## Developed & emerging market output



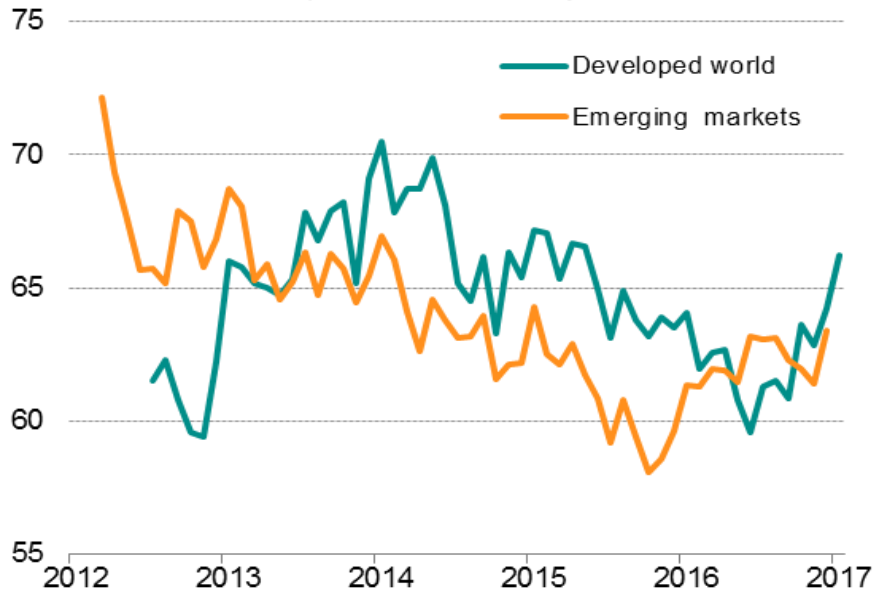
Source: IHS Markit.

# Global business optimism rises, but so do costs

- Encouragingly, a newly-launched index tracking global business optimism about future output rose to a 20-month high, with improved sentiment about the year ahead seen in both developed and emerging markets.
- The strengthening of global economic growth continued to be accompanied by rising inflationary pressures. Average input costs showed the largest monthly increase since June 2011, widely linked to higher oil and other commodity prices (notably fuel and energy). Average prices charged for goods and services meanwhile rose again as firms increasingly passed higher costs on to customers. While selling price inflation eased slightly compared to December, the rise was nevertheless still the second-largest in over five-and-a-half years.

## Future expectations

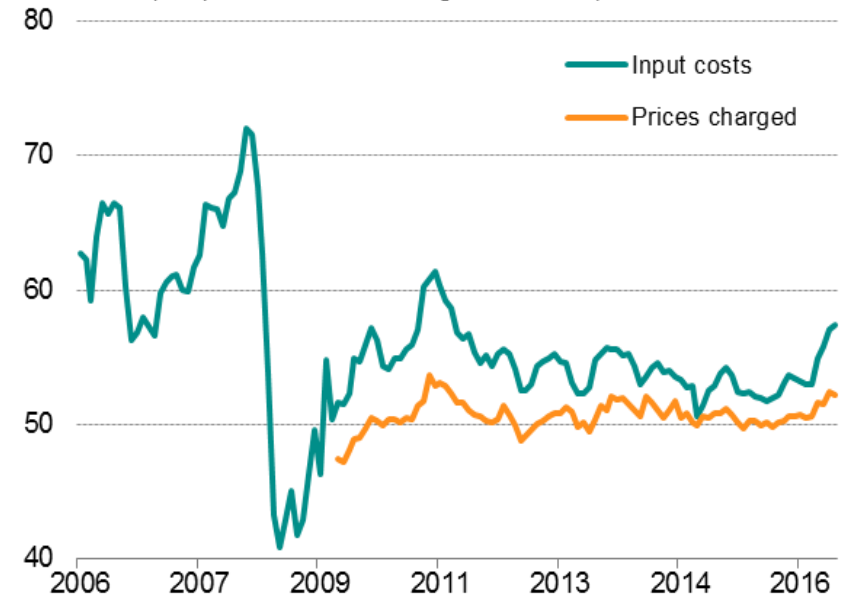
Markit PMI Future Output/Business Activity Index



Sources: IHS Markit.

## Global inflation pressures

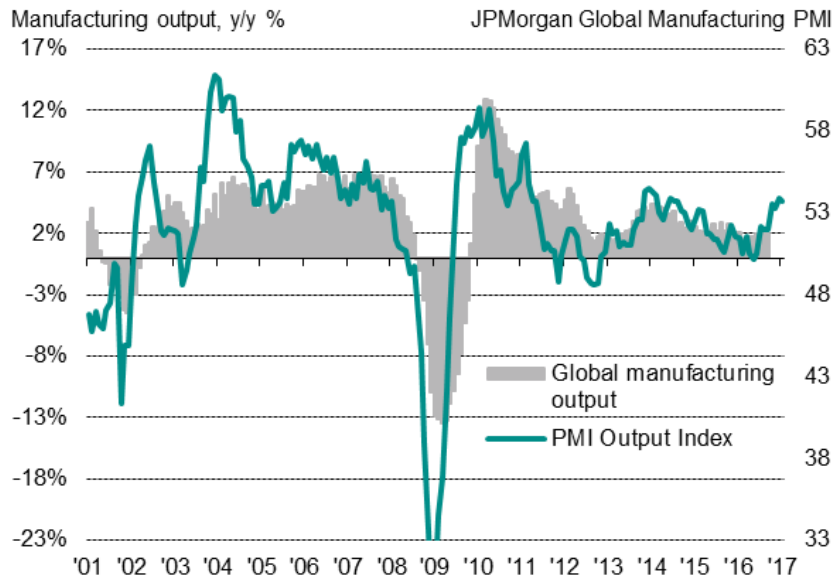
Global PMI (composite of manufacturing and services)



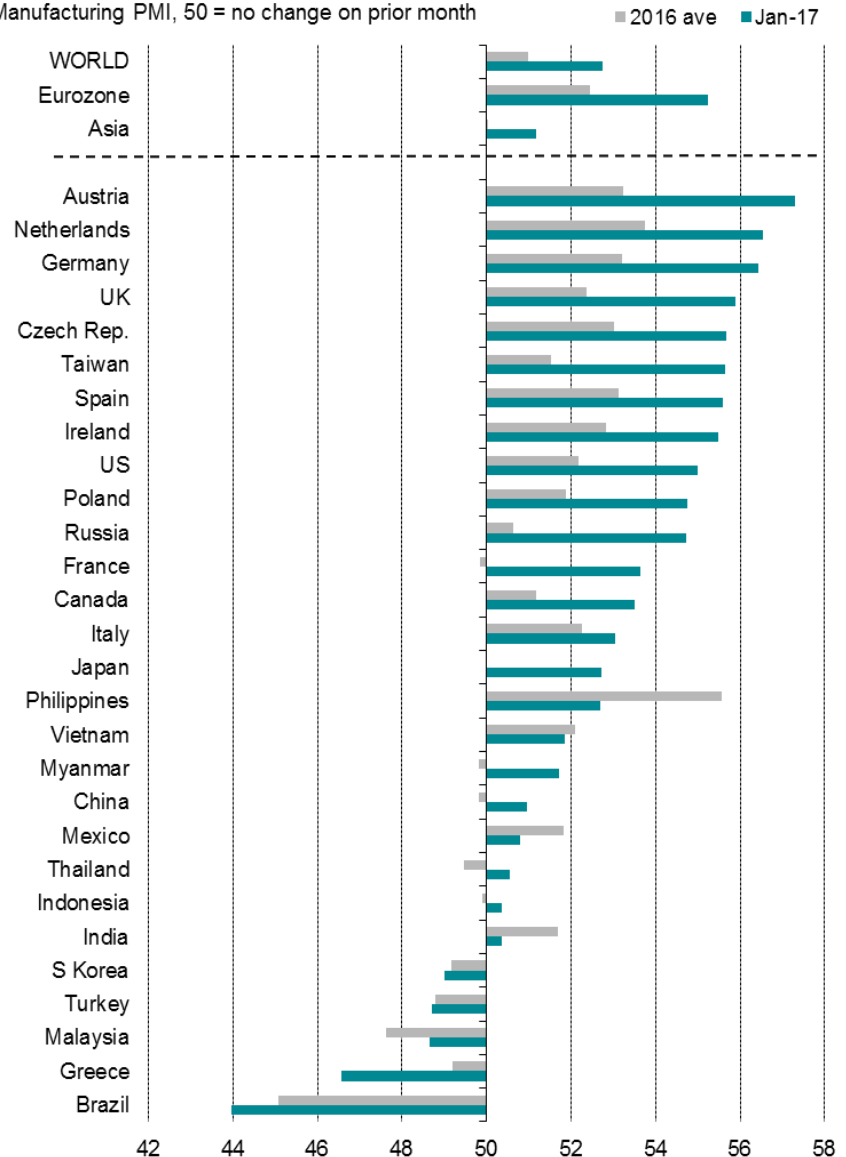
Source: IHS Markit.

# Global trade lifts higher

- Global manufacturing growth eased slightly, though remained close to December’s two-and-a-half year peak. Global exports also rose, growing at the joint-fastest rate for almost six years, suggesting trade is picking up.
- European countries dominated the top of the manufacturing growth rankings, led by Austria, the Netherlands and Germany, followed by the UK. Growth was in part buoyed by weak exchange rates.
- Only five of the 28 countries covered by the PMI surveys reported deteriorating manufacturing conditions, led once again by Brazil.



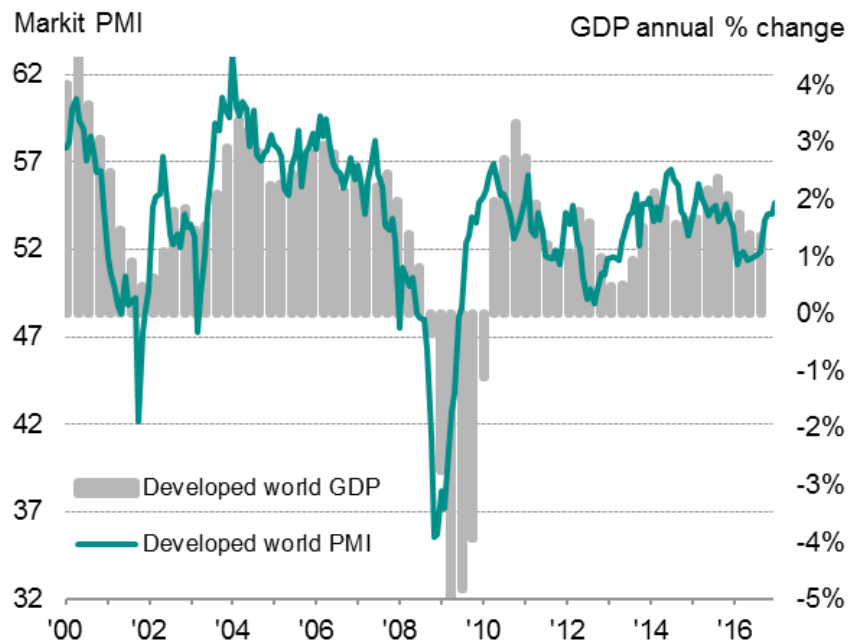
Manufacturing PMI, 50 = no change on prior month



## Developed world growth strengthens, led by the US

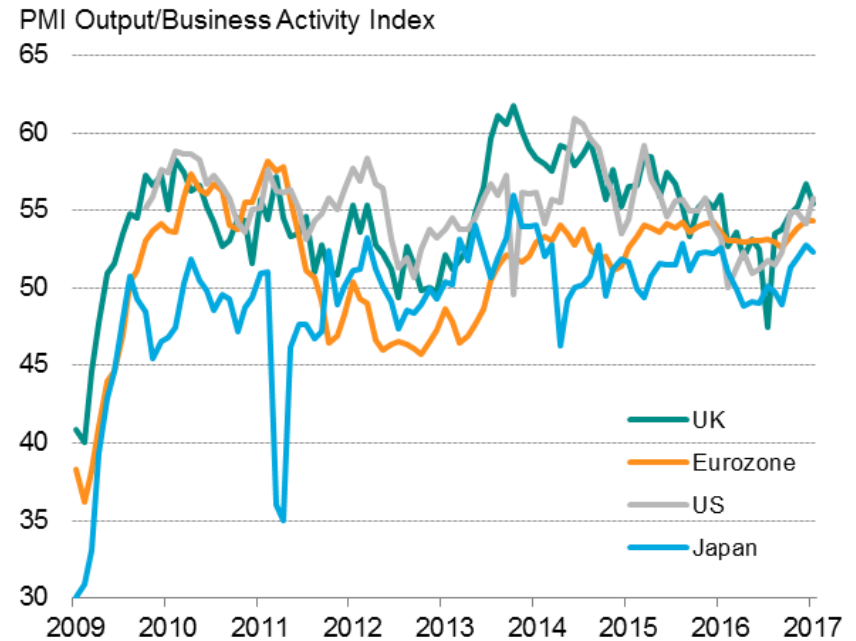
- Robust growth was again seen across the four major developed economies, led by the US, which took top-spot from the UK. However, the PMI surveys indicate that the US, UK and eurozone are all growing at similarly solid 0.4-0.6% rates at the start of 2017, with Japan having also picked up momentum in recent months.
- Collectively, the GDP-weighted developed world PMI points to economic growth of approximately 2% per annum.
- Job creation in the developed world is also running at a near two-year high, reflecting increased growth of new orders and the upturn in optimism about the year ahead.

### Developed world PMI\* & economic growth



Source: IHS Markit.

### Main developed markets\*



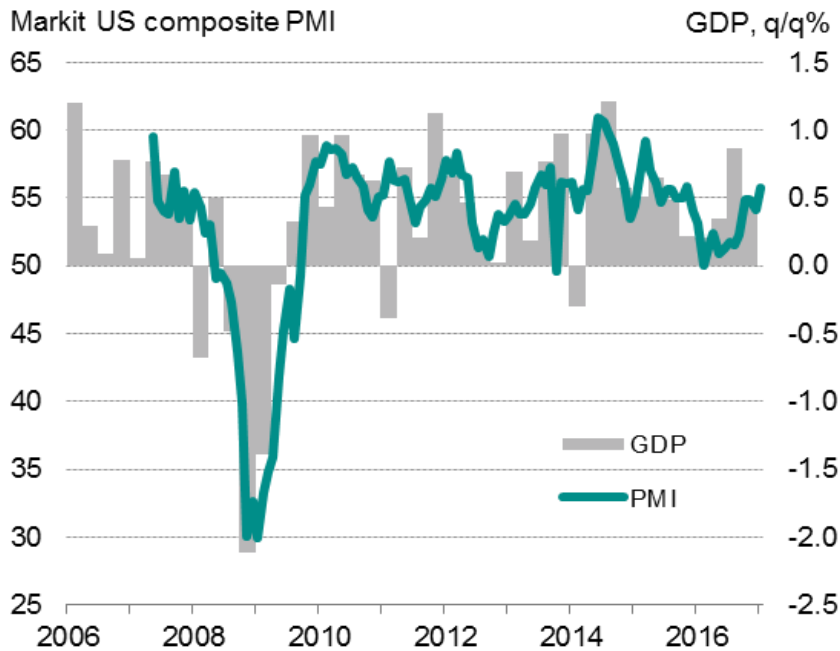
Sources: IHS Markit, CIPS, Nikkei.

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

# US survey strength adds to scope for further rate hikes

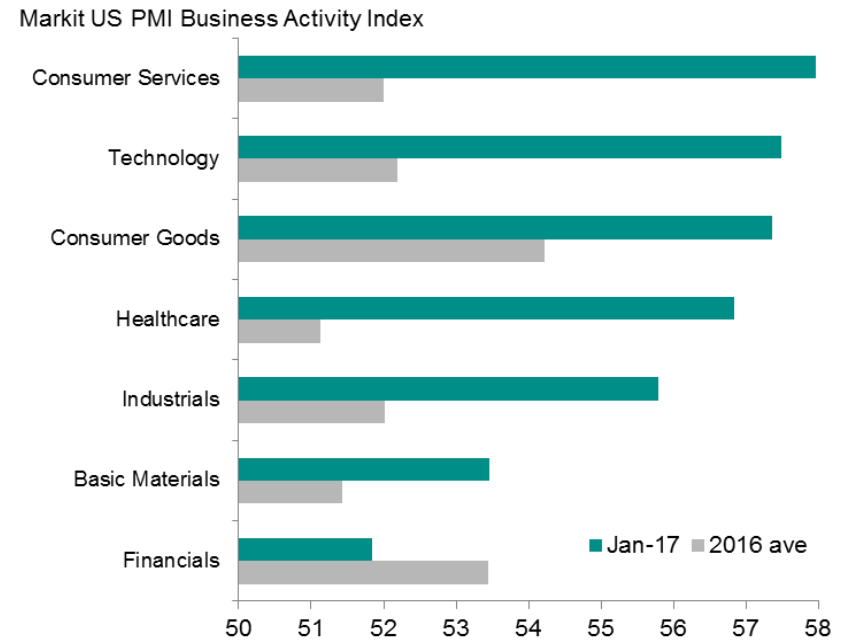
- Markit’s [US PMI surveys](#) showed the strongest rate of expansion for 14 months. Growth accelerated in both services and manufacturing despite the strong dollar continuing to act as a drag on exports. The January PMI surveys are broadly consistent with the US economy growing at an annualised rate of 2.5%. Optimism about the business outlook in the US has also risen to the highest for over a year-and-a-half and hiring continued at a robust pace (the PMI surveys signalled c200k non-farm payroll growth in January with official data coming in at 227k).
- Growth was once again led by domestic [consumers](#), alongside a surge in tech company activity. However, producers of investment goods such as plant and machinery also reported the largest inflow of new orders for over two years, suggesting domestic capex has picked up.

## US PMI\* & economic growth



Sources: IHS Markit, Commerce Department.

## US output by sector

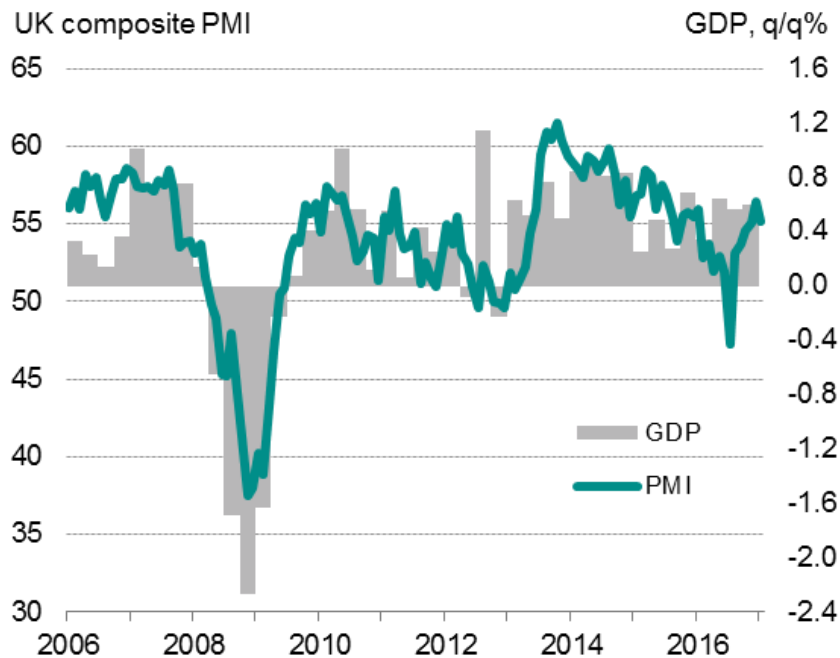


Source: IHS Markit.

## UK PMI signals slower growth at start of 2017

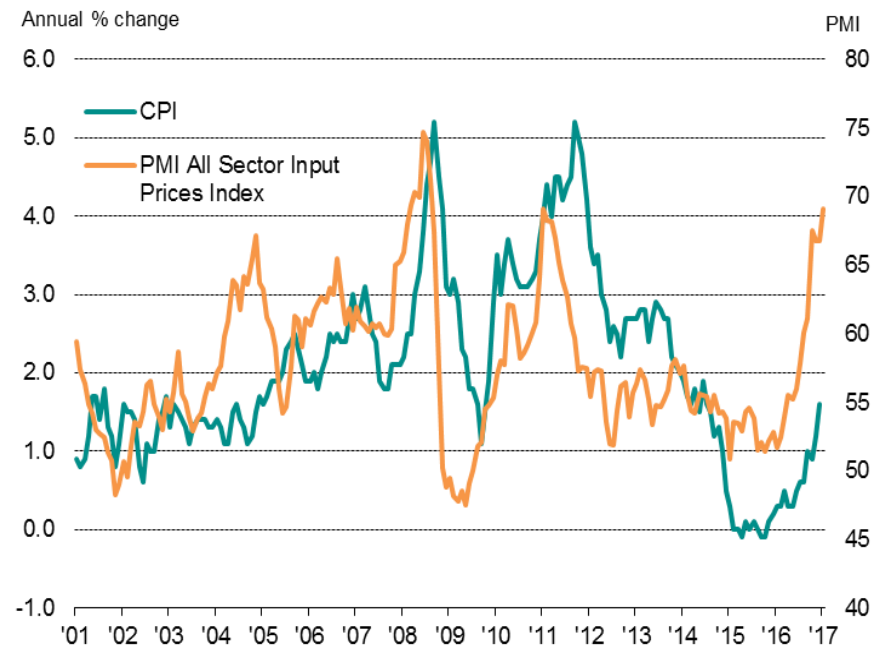
- Sterling was hit after the rate of growth signalled by the [UK PMI surveys](#) slipped lower in January, linked mainly to a weakened rate of expansion in the service sector. Construction sector growth likewise waned but manufacturing reported the largest gain in production for almost three years. Despite the slowing in January, the UK surveys are consistent with the economy growing 0.5% at the start of Q1. Optimism about the year ahead also rose to a 17-month high.
- The rate of input cost inflation across the three sectors accelerated sharply in January to its joint-highest since before the global financial crisis, often blamed on the depreciation of the pound. Average prices charged for goods and services rose at the fastest rate since April 2011 as higher costs were passed on to customers.

### UK PMI\* & economic growth



Sources: IHS Markit, CIPS, Bank of England.

### UK inflation

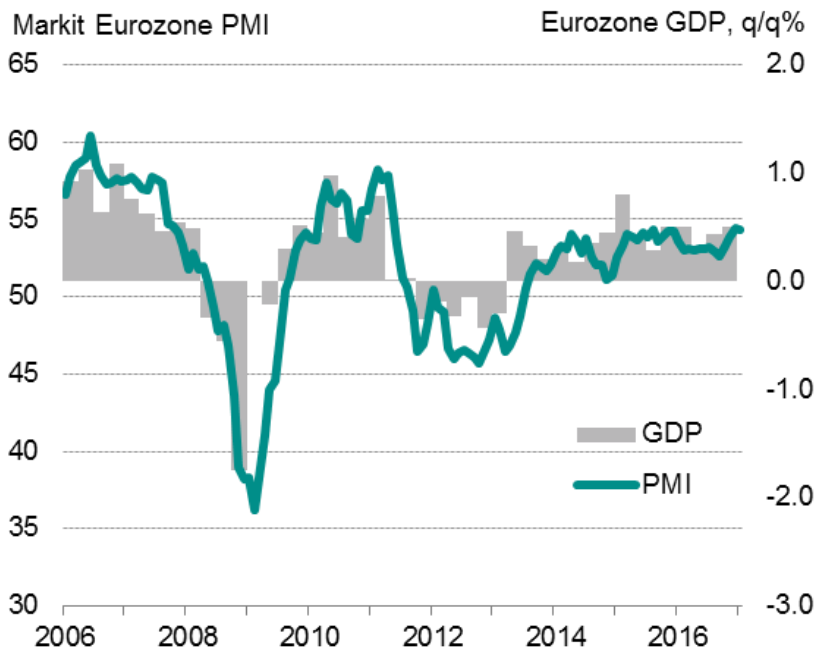


Sources: IHS Markit, CIPS, ONS via Thomson Reuters Datastream.  
\* PMI shown above is a GDP weighted average of the survey output indices.

# Eurozone upturn accompanied by best jobs growth since 2008

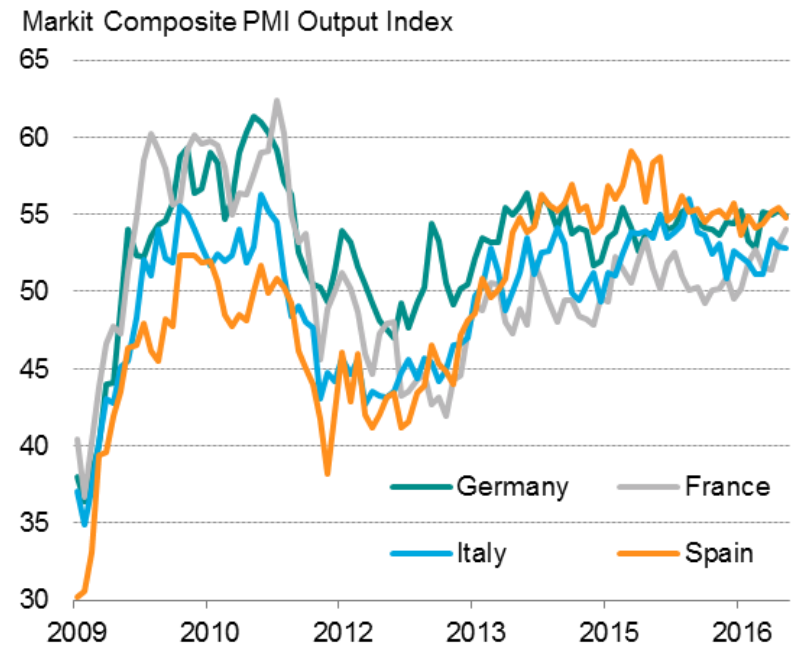
- The January [Eurozone PMI](#) ticked higher to indicate that the region is growing at the fastest rate since mid-2011, comparable to GDP rising at a quarterly rate of 0.4%. Employment growth accelerated to the highest since 2008 amid brighter prospects as firms shrugged off political uncertainty. Business confidence about the year ahead was the highest since the series started in July 2012. Especially robust expansions were seen in Germany and Spain, with France also recording a marked improvement in growth to a 67-month high.
- Inflationary pressures intensified further, with input costs increasing at the fastest rate in over 5½ years, reflecting higher global commodity prices, increased import costs due to the weak euro and supplier price hikes. Meanwhile, improved pricing power led selling prices to rise at a rate matching December’s 65-month record.

## Eurozone PMI\* & economic growth



Sources: IHS Markit, Eurostat.

## Big-four euro nations\*



Sources: IHS Markit.

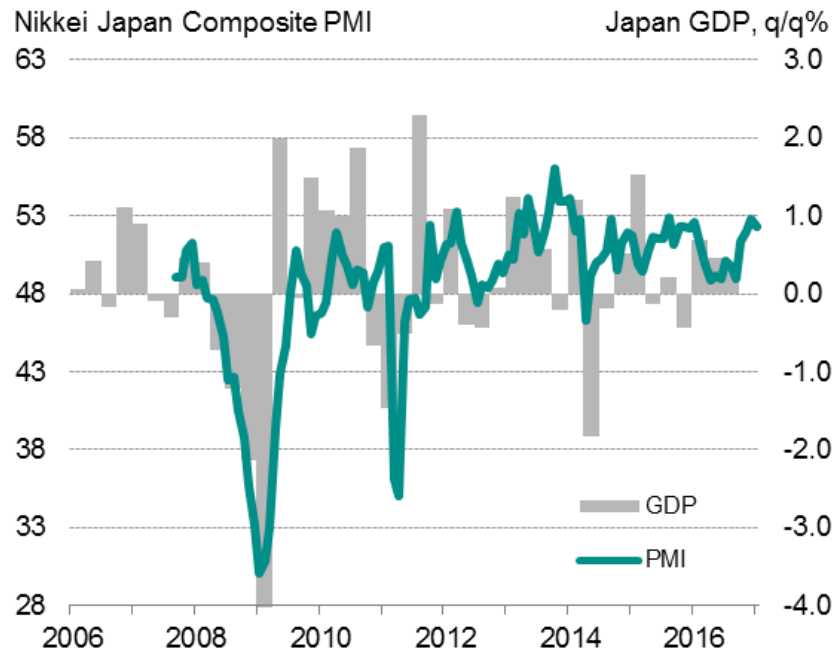
\* PMI shown above is a GDP weighted average of the survey output indices.



# Japan's businesses report strong start to the year

- The [Nikkei Japan Composite PMI](#) dipped in January but remained indicative of a steady improvement in the health of the Japanese economy. Encouragingly, the latest surveys showed growth of new orders to have accelerated to the fastest in three years, with optimism about future output surging to the highest in 17 months. The upturn prompted Japanese companies to continue growing their workforce numbers, with January seeing the strongest monthly employment growth for over two-and-a-half years.
- [Manufacturers](#) reported an especially good start to the year – the best since 2014 – as exports were again buoyed by the weak yen and rising demand in overseas markets. Factory optimism about the year ahead leapt to a 3½ year high.

## Japan PMI\* & economic growth



Sources: IHS Markit, Nikkei, Japan Cabinet Office

## Japanese manufacturing



Sources: IHS Markit, Nikkei.

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

# Chinese business confidence improves despite slower growth

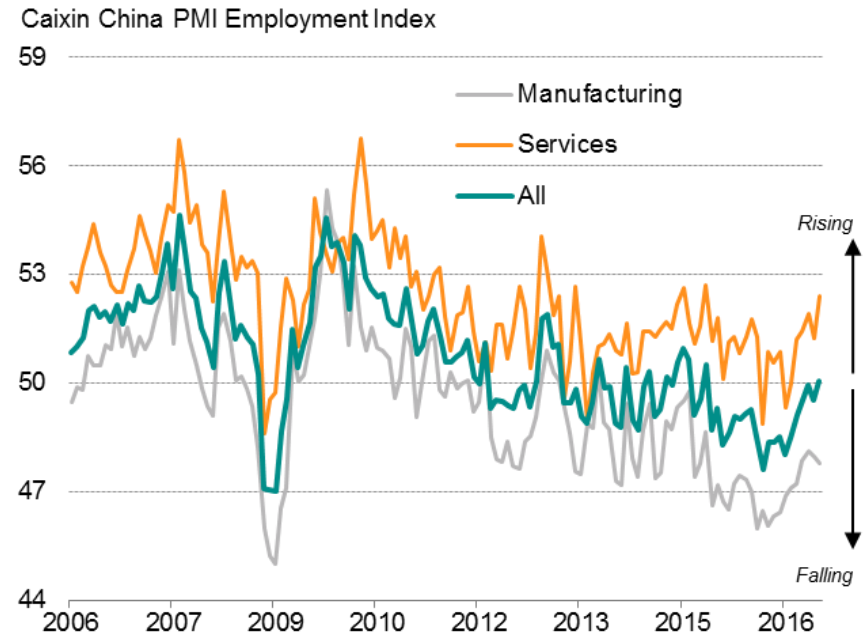
- China's growth rate eased from the near four-year high seen in December, with the Caixin Composite PMI dropping to a four-month low, albeit remaining elevated by recent standards. More encouraging was the index of future output expectations, which reached its highest in ten months..
- Jobs growth meanwhile remained elusive, however, as higher costs continued to weigh on companies' bottom lines. Although service sector staff numbers rose at an increased rate, the increase was offset by further manufacturing jobs losses. The rate of input cost inflation was meanwhile the third-strongest in over 5½ years. Cost increases were especially pronounced across the manufacturing sector

## China PMI\* & economic growth



Source: IHS Markit, Caixin, NBS.

## China employment



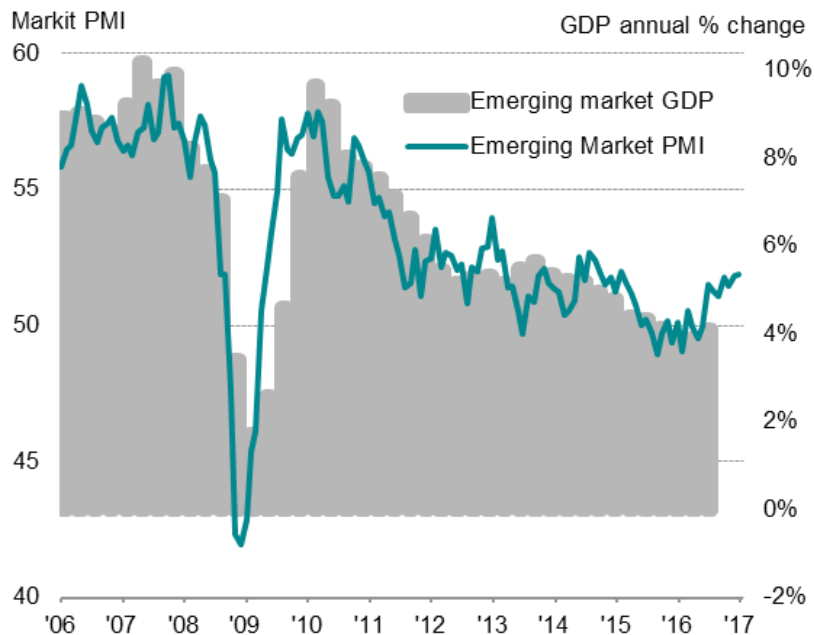
Source: IHS Markit, Caixin.

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

# Emerging market growth at 23-month high, led by Russia

- Despite China’s growth rate weakening in January, the Emerging Market PMI hit a 23-month high.
- [Russia](#) recorded the strongest rate of expansion of the major emerging markets for a second straight month in January, with the PMI reaching its highest since June 2008.
- [India’s economy](#) showed signs of stabilising after the downturn caused by disruptions emanating from demonetisation, according to the Nikkei PMI.
- [Brazil’s contraction](#) deepened again, with the composite PMI down to a five-month low and indicative of a further severe decline in business activity.

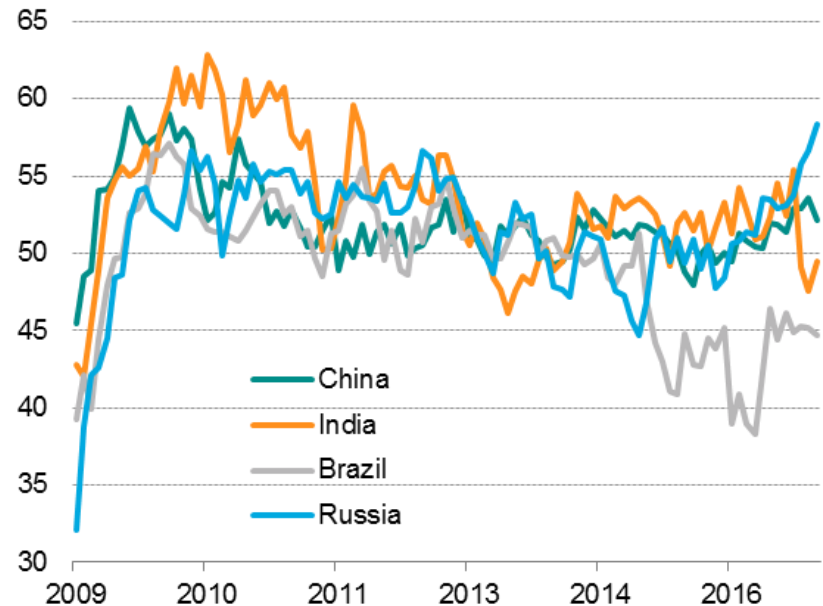
## Emerging market PMI\* & economic growth



Source: IHS Markit, Datastream.

## BRIC nations\*

### PMI Output/Business Activity Index



Sources: IHS Markit, Caixin, Nikkei.

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

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