



IHS Markit™

# Global PMI™

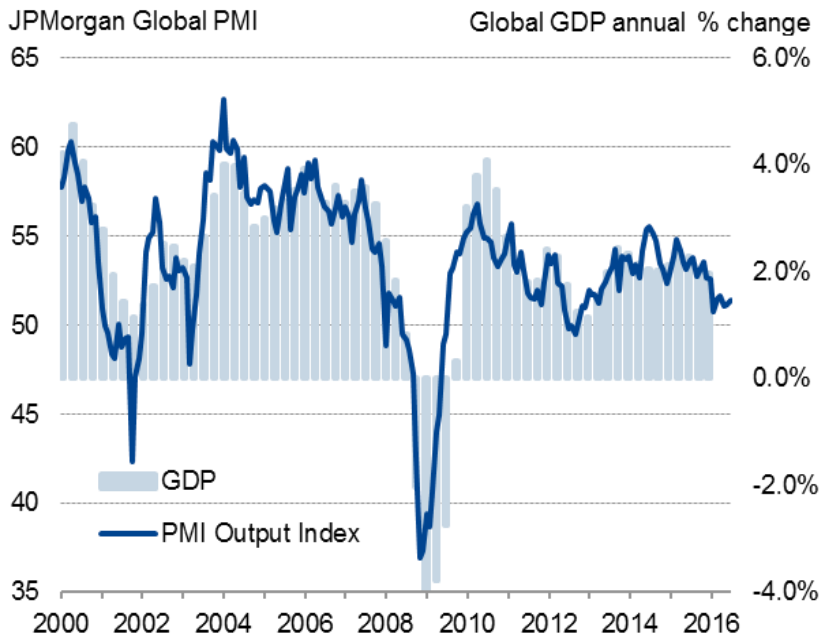
Global growth lifted by emerging market upturn

August 8<sup>th</sup> 2016

# Global PMI buoyed by emerging market upturn

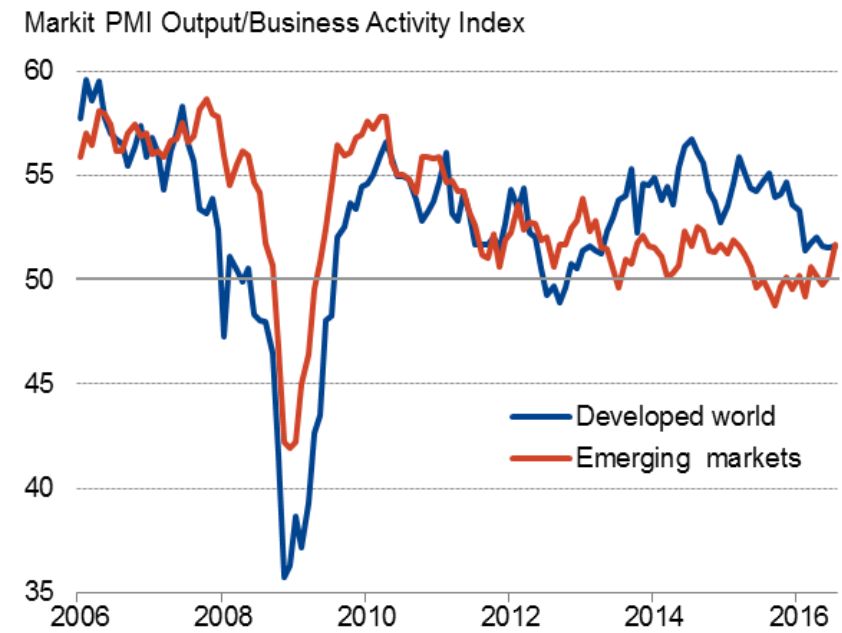
- Global economic growth [edged higher at the start of the third quarter](#), but failed to break out of the rut of sluggish expansion that has been evident since February. The JPMorgan Global PMI™, compiled by Markit from its various national surveys, rose from 51.2 in June to a three-month high of 51.4. The PMI continues to signal a modest annual global GDP growth rate of only 1.5%, though [manufacturing](#) showed renewed signs of life.
- Most encouraging was an upturn in the rate of growth signalled by the emerging markets PMI to the highest since February of last year. The emerging market PMI rose above the equivalent developed world index for the first time since April 2013. The latter continued to show one of the weakest growth rates seen for three-and-a-half years.

## Global PMI & economic growth



Sources: IHS Markit, JPMorgan.

## Developed v emerging market output



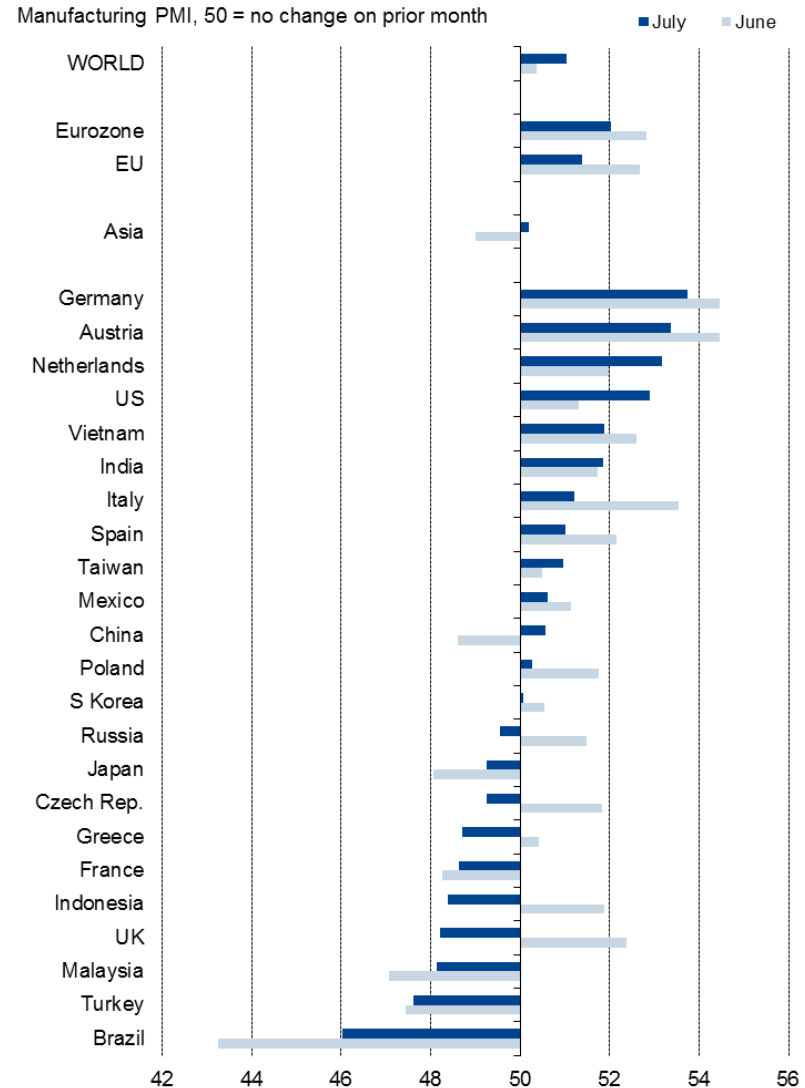
Source: IHS Markit.

# Manufacturing shifts up a gear

The [JPMorgan Global Manufacturing PMI™](#) hit an 8-month high to indicate that global production may be starting to shift up a gear after an especially weak (stagnant) Q2.

Germany reported the strongest growth, followed by neighbouring Austria and the Netherlands.

Of the 23 countries for which data were available, PMI readings fell in 13, with the steepest drop seen in the UK. However, only ten countries saw sub-50 PMI readings signalling a deterioration in manufacturing activity. The steepest downturn was once again seen in Brazil.

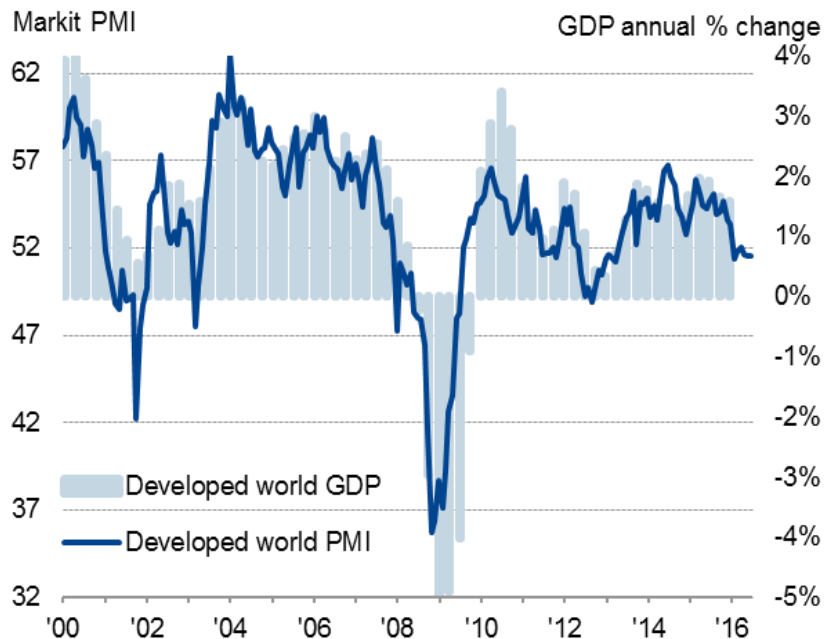


Sources: IHS Markit, JPMorgan, ISO, CIPS, NEVI, Nikkei, BME, Bank Austria, Investec, AERCE, Caixin, HPI.

## Developed world upturn subdued by UK's Brexit-hit

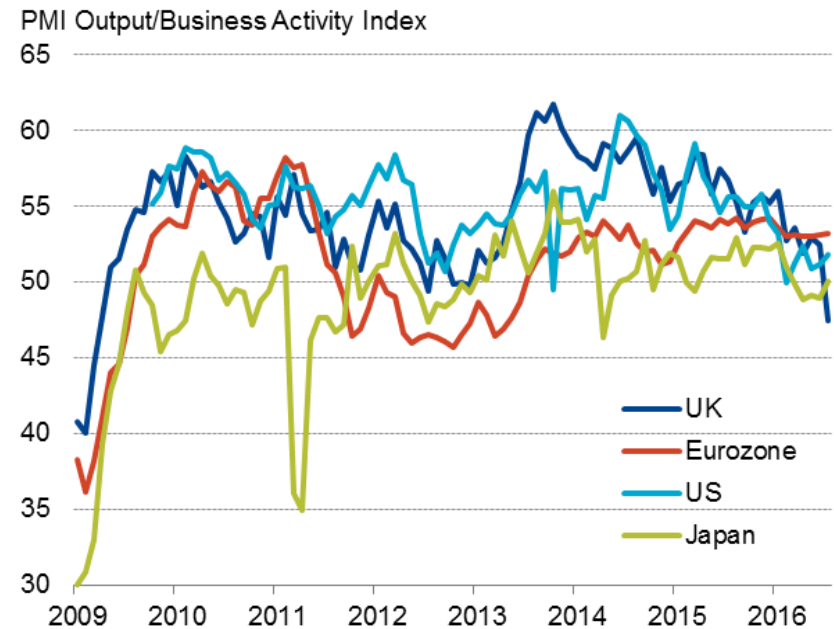
- At 51.6, the developed world PMI for July rounded off the worst three-month growth spell for over three years, albeit inching higher from 51.5 in June. The surveys showed developed world growth moving down a gear in February and have since been stuck in a range consistent with just under 1% GDP (at market prices).
- There were more encouraging signs when digging deeper into national performance, with the July PMI mainly dragged down by a record Brexit-related fall in the UK surveys. Looking at the other largest developed world economies, growth picked up across the board, rising in the US, Japan and the eurozone, with the latter leading the pack for a fourth successive month.

### Developed world PMI & economic growth



Source: IHS Markit.

### Main developed markets



Sources: IHS Markit, CIPS, Nikkei.

# BoE unleashes new stimulus as UK PMI suffers record fall

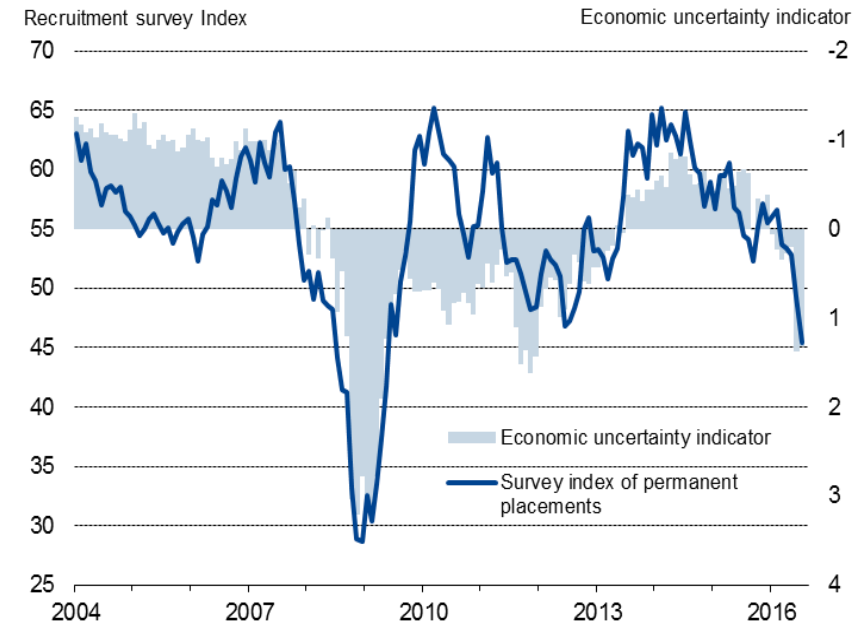
- The Bank of England [unveiled an aggressive new stimulus package](#) to ward off the threat of recession, including record low interest rates, more QE and a new scheme to help pass low rates on to borrowers. The decision placed emphasis on a record fall in the UK PMI since the EU referendum. The PMI signalled the largest drop in output since April 2009, suggesting GDP could drop 0.4% in Q3. However, the Bank expects its stimulus to help avert recession.
- Despite the stimulus the Bank is expecting the economy to take a 2.5% hit to GDP due to Brexit over coming years, and for the jobless rate to rise from 5.0% to 5.6% in two years' time. An immediate impact on the job market has already been signalled, as recruiters reported the [largest drop in permanent placements since 2009](#) in July.

## PMI and Bank of England policy



Sources: IHS Markit, Bank of England.

## Job market and economic uncertainty

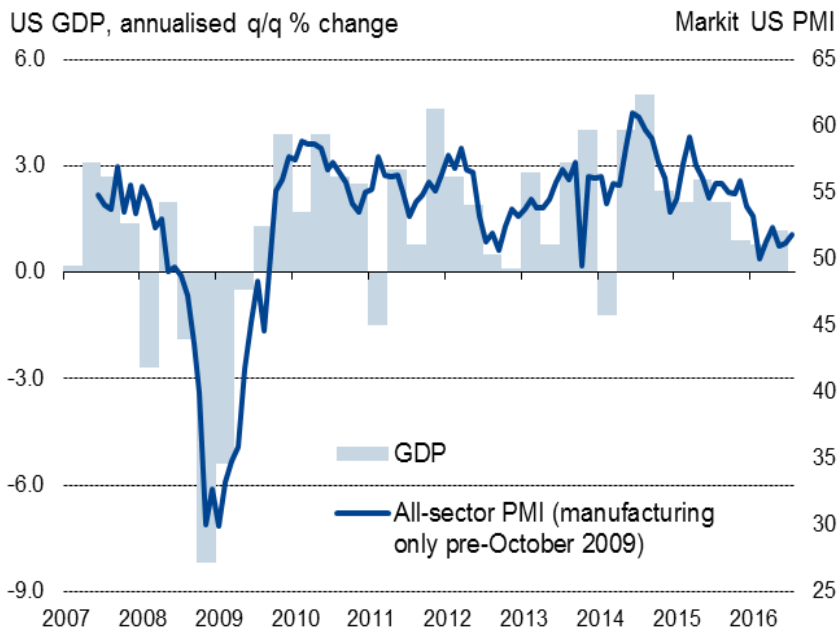


Sources: IHS Markit, REC.

# US PMI signals weak growth, but solid job gains, at start of Q3

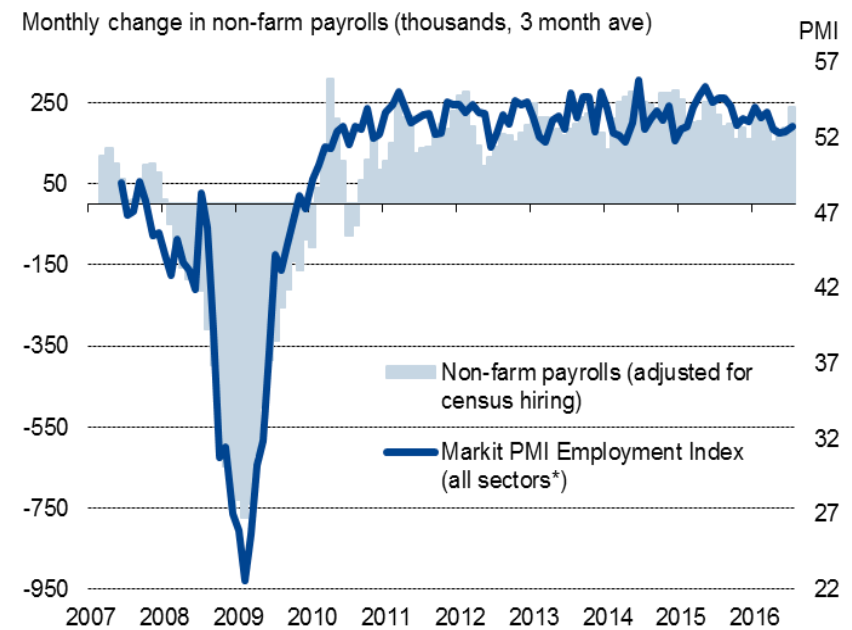
- There was little sign of Brexit contagion to the United States, though growth remained subdued. At 51.8, [Markit's Composite US PMI](#) in fact signalled the strongest growth for three months. The PMI nevertheless remained at a level consistent with only around 1% annualised growth, suggesting the disappointingly sluggish pace of expansion seen throughout the first half of the year persisted at the start of the third quarter.
- The rate of job creation remained solid and ticked up to a four-month high according to the PMI, soon followed by news of further [strong non-farm payroll growth](#). The improving job market supports the case for the Fed to hike interest rates again, probably in December, though bodes ill for productivity.

## US PMI & economic growth



Sources: IHS Markit, Bureau of Economic Analysis.

## US job market

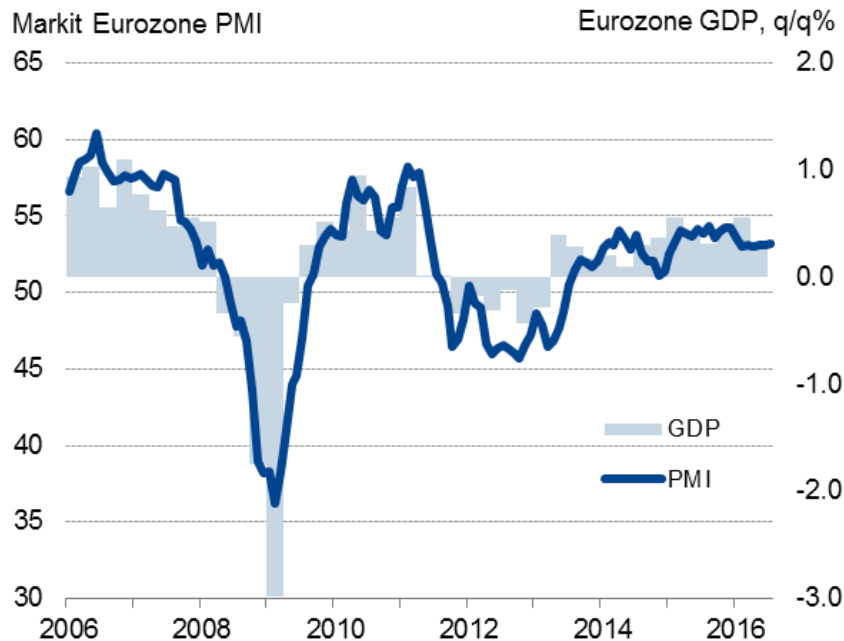


Sources: IHS Markit, Bureau of Labor Statistics.

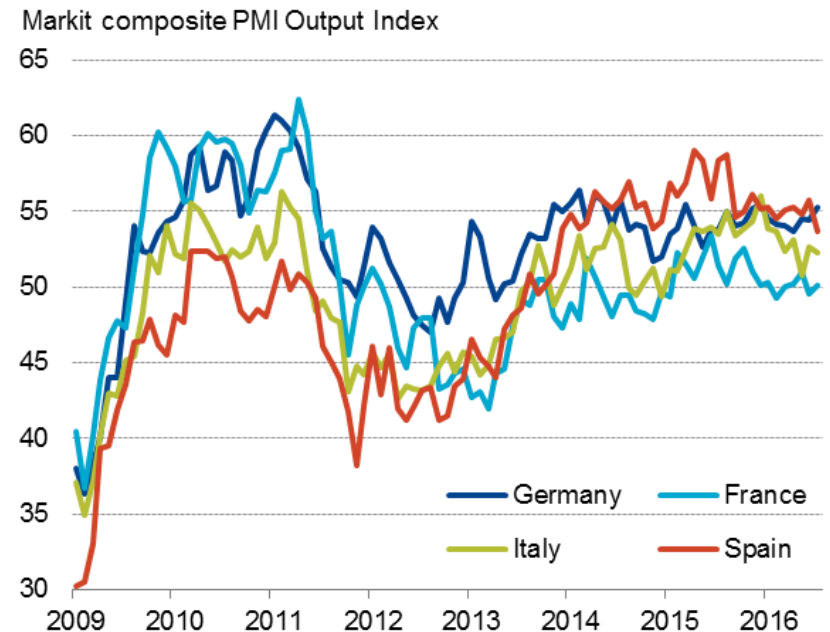
## Eurozone PMI points to 0.3% German-led GDP growth in Q3

- The [Eurozone PMI](#) showed the pace of economic growth nudging up to a six-month high, albeit by the smallest of margins, with only few explicit signs of 'Brexit' impact (most notably in Ireland). Employment growth also accelerated to a pace not beaten since early-2008. The output PMI reading of 53.2 is nonetheless still indicative of just 0.3% GDP growth in Q2.
- The upturn is being led by surging growth in Germany, where a 0.5% pace of expansion is signalled. However, France continued to stagnate, acting as a significant drag on the region. Growth has also slowed in Spain and Italy, in both cases indicating that political uncertainty is hurting businesses. While the pace of expansion in Spain has merely slowed to around 0.6% in July, Italy is growing at a sluggish 0.2% pace.

### Eurozone PMI & economic growth



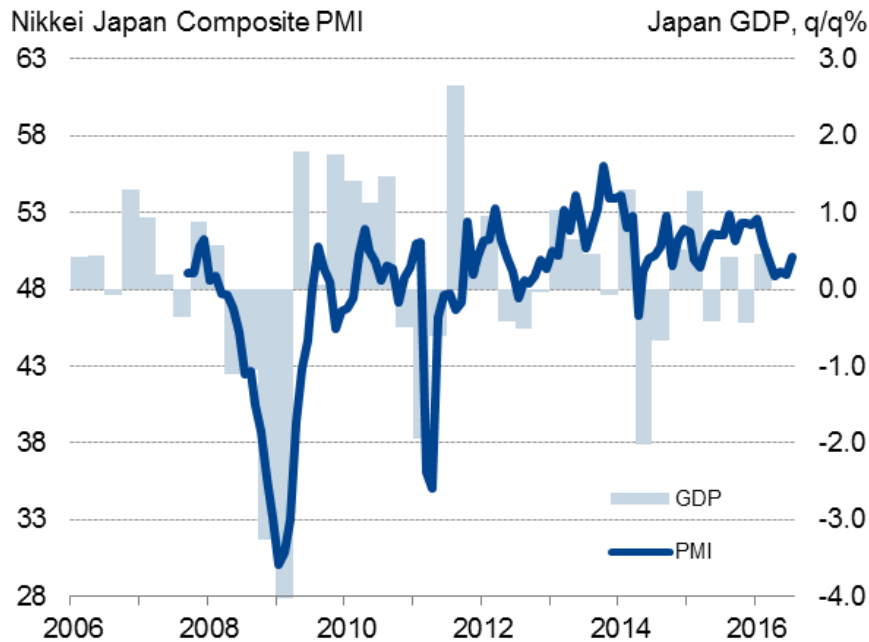
### Big-four euro nations



## Japan boosts stimulus amid growth worries

- The Nikkei Japan PMI surveys showed signs of the economy stabilising in July, though suffering its worst phase since 2013. At 50.1, the composite PMI rose above the neutral level for the first time in five months, but an ongoing decline in manufacturing was accompanied by only modest growth of services. The overall picture is one of near-stagnation, but with job losses the highest for almost four years. Manufacturing remains a major concern, where business conditions [deteriorated for a fifth month](#), led by the largest drop in exports since the start of 2013. Firms again blamed the strong yen.
- The government announced new monetary and fiscal stimulus measures to boost growth, including increased welfare and infrastructure spending alongside extra quantitative easing from the Bank of Japan.

### Japan PMI & economic growth



Sources: IHS Markit, Cabinet Office Japan.

### Japanese exports



Sources: IHS Markit, METI.



## Emerging market growth continues to trend higher

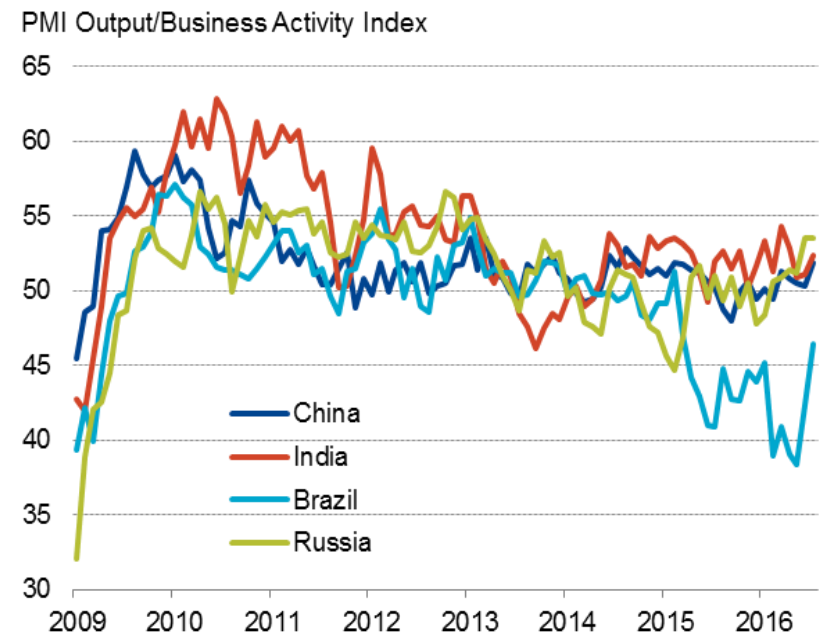
- At 51.7, the emerging market PMI hit a 17-month high in July. Upturns were seen in both manufacturing and services across the emerging markets as a whole, in both cases showing the largest monthly gains since the early months of 2015. The survey data are broadly consistent with emerging market GDP rising at an annual rate of just under 6% (at market prices), well above the sub-4% rate seen late last year.
- Looking at the four largest emerging markets, the improvement was broad-based across the four BRIC economies, albeit with Brazil merely seeing an easing in the rate of decline. Another robust expansion meant Russia led the BRIC nations for a third successive month.

### Emerging market PMI & economic growth



Sources: IHS Markit, Thomson Reuters Datastream.

### Main emerging markets



Sources: IHS Markit, Caixin, Nikkei.

## Signs of growth reviving in China marred by job losses

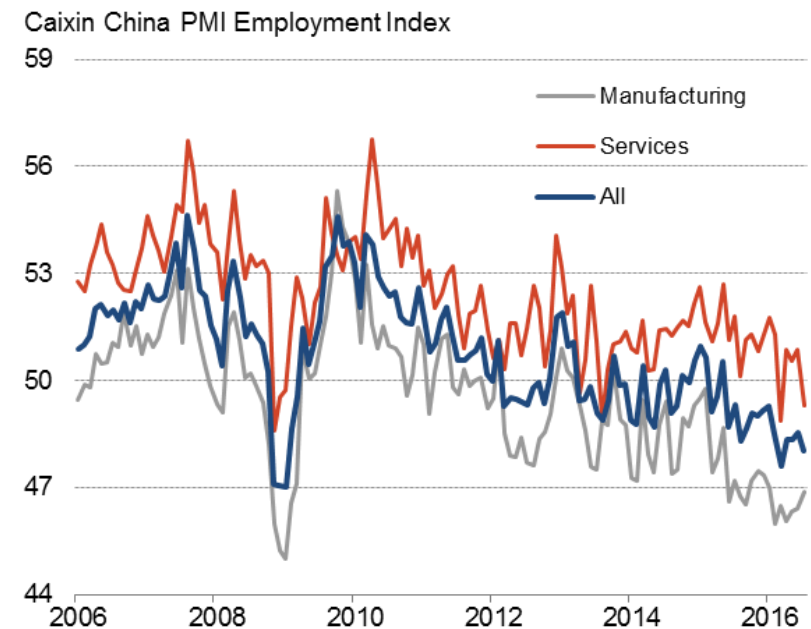
- At 51.9, the composite [Caixin PMI for China](#) indicated the strongest expansion of business activity since September 2014. The upturn was fuelled by the largest increase in manufacturing production for two years, accompanied by ongoing (but slower) growth of service sector activity. The data point to economic growth having revived since bottoming out late last year, suggesting the authorities will comfortably achieve their 2016 6.5-7% growth target.
- While the pace of economic growth may have picked up, the PMI showed job losses across the economy remaining high by historical standards. Manufacturing employment fell especially sharply again, accompanied in July by renewed job cutting in the service sector.

### China PMI & economic growth



Source: IHS Markit, Caixin, NBS.

### China employment

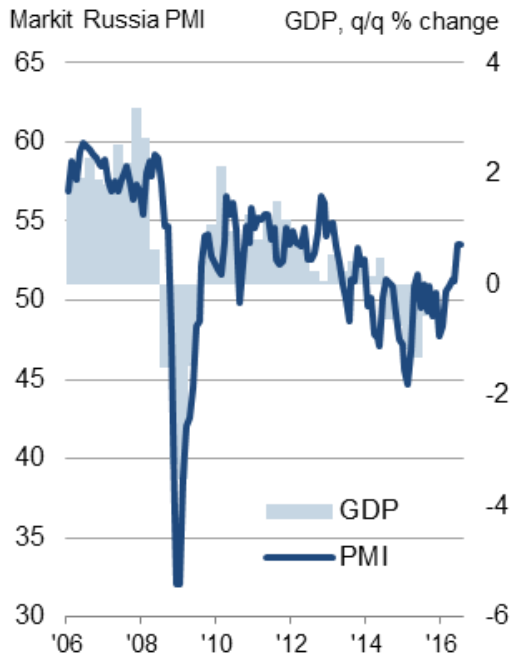


Source: IHS Markit, Caixin.

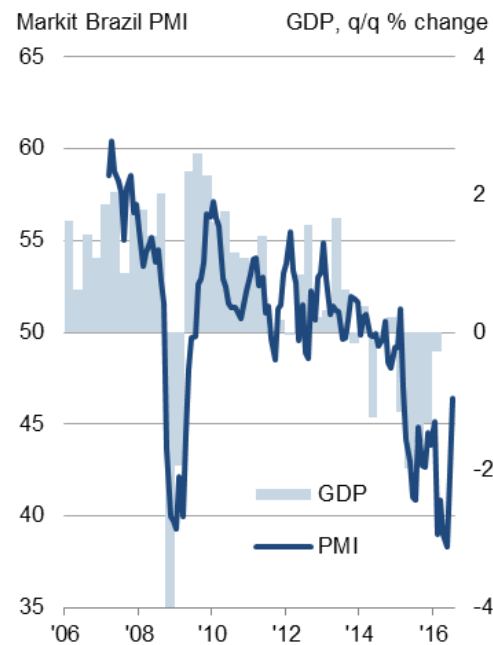
## PMI surveys show improvements in Russia, Brazil and India

- The composite PMI for **Russia** held steady at 53.5, signalling the best period of growth since the start of 2013. The July expansion was led by an upsurge in services activity alongside modest manufacturing growth and contrasts markedly with the downturn seen at the start of the year.
- In contrast, **Brazil** continued to see the worst performance of the four BRIC nations, though its downturn eased significantly to show the weakest decline since March 2015, aided most likely in part by Olympics-relate spend.
- The composite Nikkei **India** PMI rose to a three-month high of 52.4 in July but remains below the peaks seen earlier in the year to suggest annual GDP growth could have slowed from the 7.9% expansion seen in Q1.

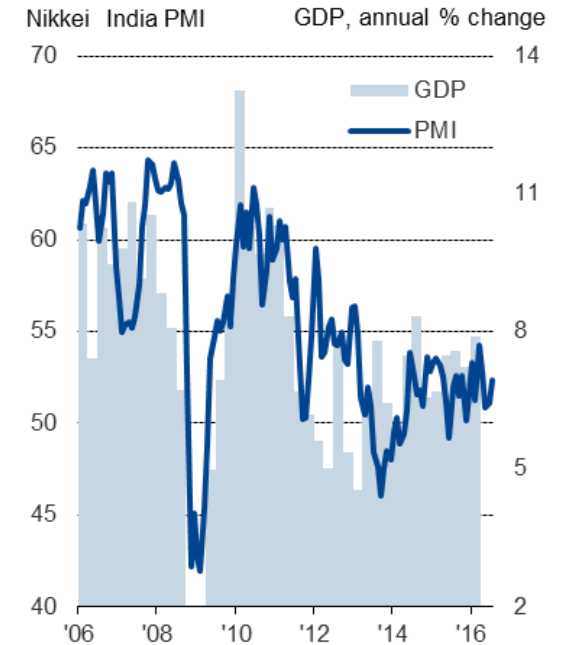
Russia PMI v GDP



Brazil PMI v GDP



India PMI v GDP



Sources: IHS Markit, Nikkei.

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