

Global economics

Global growth lifted by rising consumer and business spending

- **Growth of consumer goods output quickens from February's low, contributing to faster rise in overall manufacturing production**
- **Financial services activity provides similar boost to upturn in global service sector**
- **Signs of improvement in manufacturing outlook, as intermediate goods new orders expand at strongest rate since January 2015**

Global economic growth showed tentative signs of emerging from the doldrums in March, with a broad-based improvement across consumer and corporate markets, according to the latest release of PMI numbers from Markit.

Newly-launched sector figures delve deeper into global economic trends by covering three areas of worldwide manufacturing (consumer goods, intermediate goods and investment goods) and services (consumer services, business services and financial services). The data, compiled on behalf of JP Morgan, pointed to a pick-up in the rate of output growth or a renewed expansion in five of the six sectors at the end of the first quarter.

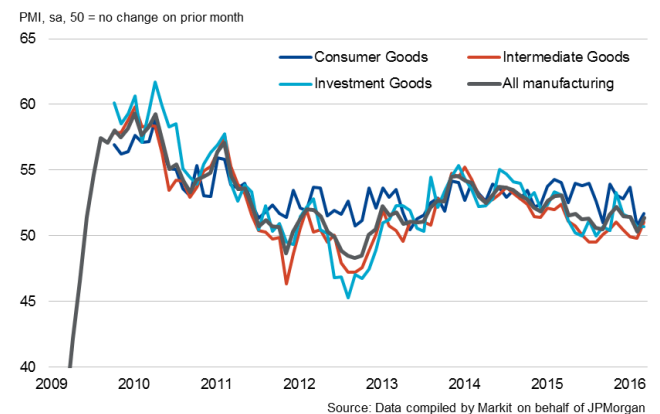
Highlights of the data include signs of rising demand for intermediate goods as manufacturers look to rebuild inventories, plus indications of improving capex spend on plant and machinery. Consumer demand also strengthened, both for goods and services.

However, growth rates generally remain below those seen this time last year, suggesting that any upturn remains both modest and tentative.

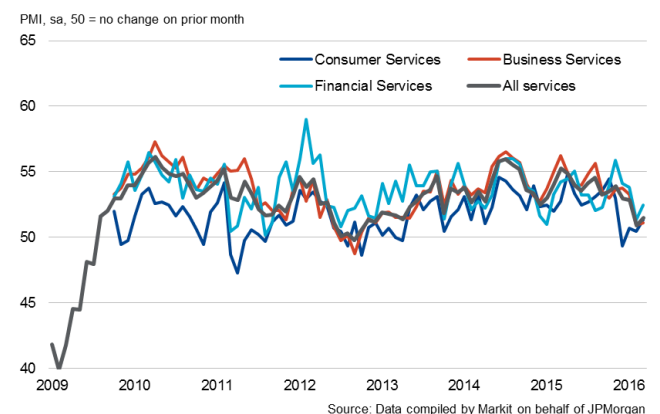
Renewed growth of intermediate goods

Supporting the latest improvement in the health of the manufacturing economy were stronger business conditions at producers of intermediate goods. Previously, conditions had worsened for eight successive months, but March saw the fastest increase in new orders for intermediate goods since January 2015, which led companies to scale up output for the first time in three months. The rise in demand for intermediate goods suggests that manufacturers are looking to expand their inventories.

Global manufacturing: output



Global services: output



Intermediate goods: new orders



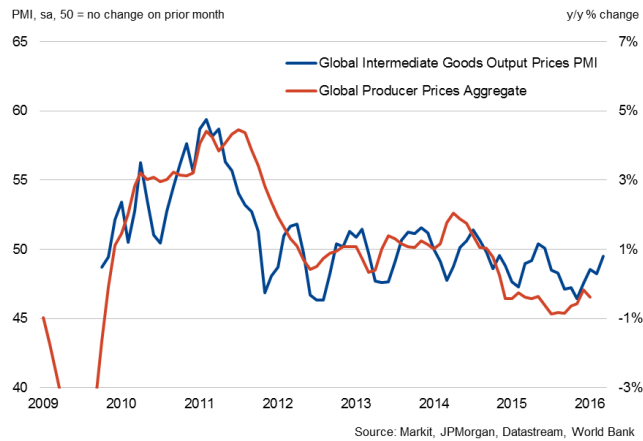
Consumer goods remained the best-performing category out of the three monitored manufacturing sectors. That said, despite ticking up since February, the headline PMI signalled only modest growth overall.

As a result, Q1 2016 saw the weakest quarterly average since Q3 2013.

Capital goods output barely rose in March. Notably, production of investment goods has stagnated or risen at a slower pace than consumer goods throughout much of the past 12 months, possibly implying a degree of uncertainty surrounding the global economic outlook.

One of the main issues causing this uncertainty has been falling oil prices, and these have contributed to reductions in input costs and output charges at manufacturers worldwide. However, latest PMI data showed these effects dwindling in March – selling prices in intermediate goods fell to the least extent in the current nine-month sequence of decline.

Intermediate goods: output prices



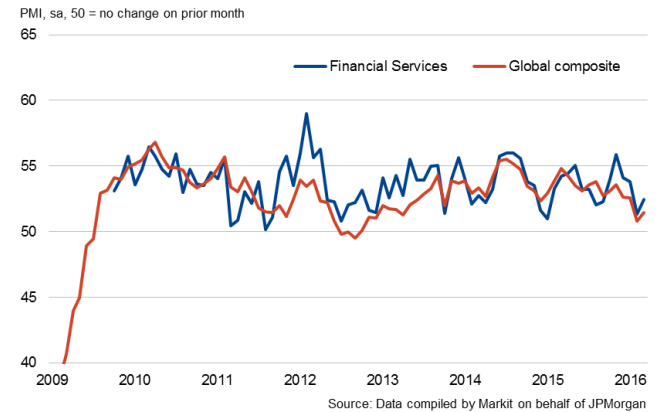
Financial services continues to outperform

Financial services, which tend to correlate closely with the broader economic cycle, led the way among service sectors in March. Activity growth picked up from February’s 13-month low, but remained slower than the long-run series average.

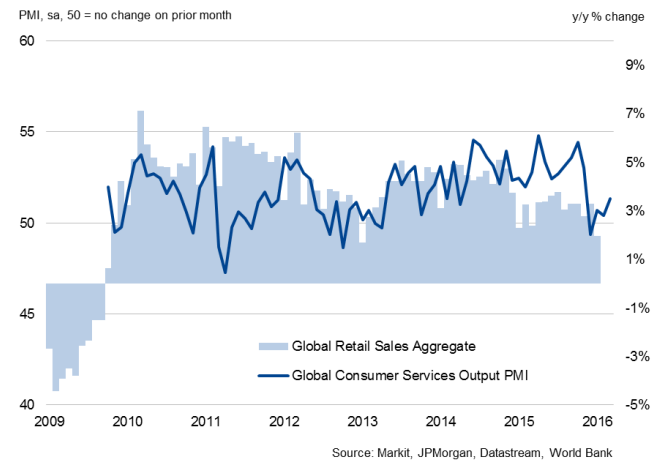
Output at consumer services companies increased for the third month running in March. Moreover, for the first time since October last year, the rate of expansion was faster than that seen for business services, whose customers are primarily corporate rather than households.

With charges still rising in consumer services, the pick-up in activity growth is encouraging as it points to an improvement in underlying household demand.

Financial services: output



Consumer services and global retail sales



Spare capacity suggests room for improvement

Though the trend for output improved in five of the six surveyed sub-sectors, data implied that there is still plenty of room for progress. The respective rates of increase were all below their long-run trends, and spare capacity was signalled across the board for the second month in a row. The universal drop in backlogs was last observed in 2013, when the global economy was affected by the eurozone crisis.

Further information

Further information on how to access the new J.P.Morgan PMI indices can be obtained by contacting economics@markit.com.

Philip Leake

Economist

Markit

Tel: +44 149 146 1014

Email: philip.leake@markit.com

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