

# Global economy

## Global manufacturing PMI hits highest since May 2011

- **Global PMI signals strongest improvement in business conditions for over six years**
- **Jobs growth hits six-year high as firms boost capacity, but shortages continue to push up prices**
- **Eurozone leads the upturn, Asia lags behind**

Global manufacturing enjoyed its strongest improvement in business conditions for over six years in August, underscoring expectations of improved economic growth in 2017. The surveys also showed how increased capacity constraints are pushing up prices, and also encouraging firms to take on extra staff in rising numbers.

Eurozone nations led the rankings, while Asian countries and emerging markets lagged behind.

### PMI at highest for over six years

The headline JPMorgan Manufacturing PMI, compiled by IHS Markit, rose from 52.7 in July to 53.1 in August, its highest since May 2011.

Output growth perked up, albeit remaining below the highs seen earlier in the year, running at a pace broadly consistent with global factory production rising at a robust annual rate of 5%.

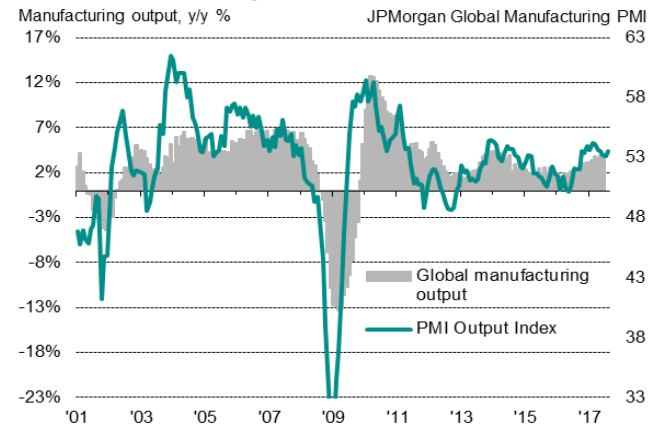
New order growth meanwhile accelerated and was among the fastest seen for six years, buoyed by an encouraging upturn in global trade. The export orders index rose to its highest since March 2011.

### Capacity constraints drive prices higher

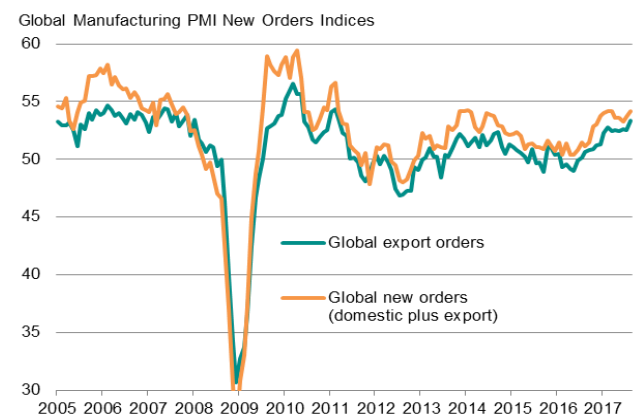
Backlogs of work increased to the greatest extent for three and a half years as firms struggled to cope with higher inflows of new work. Suppliers likewise were reported to have encountered increasing difficulties meeting demand, causing lead times to lengthen to the greatest extent since May 2011.

Capacity issues were met with an upturn in factory employment, with staffing levels rising at the fastest rate since June 2011 as firms boosted operating capacity.

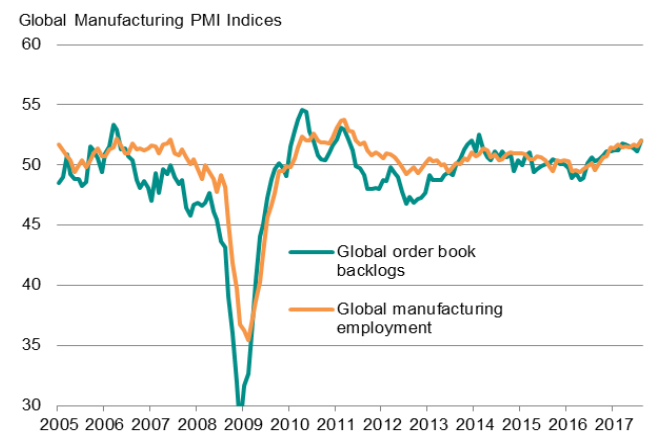
### Global manufacturing output



### Global order books



### Global employment and backlogs of orders



With increasing signs of demand exceeding supply, it was no surprise to see renewed upward price pressures. Average input costs grew at the steepest rate since April, the rate of inflation gathering momentum for a second month. Factory selling prices showed the largest monthly rise since March.

### Eurozone leads the rankings

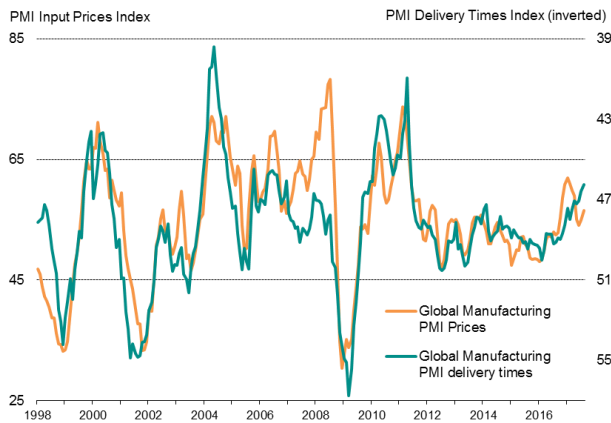
European countries remained clear winners in the global manufacturing rankings, with the highest PMI readings seen in Austria, the Netherlands and Germany. In fact, six of the top seven countries were located in the eurozone, which as a whole would have ranked number one in the PMI table in August.

The UK moved up into fourth place with producers continuing to benefit from the relative weakness of sterling compared to the US dollar and the euro in particular.

The US hovered midway in the rankings, with producers enjoying steady domestic sales but struggling with poor exports due to the dollar's strength.

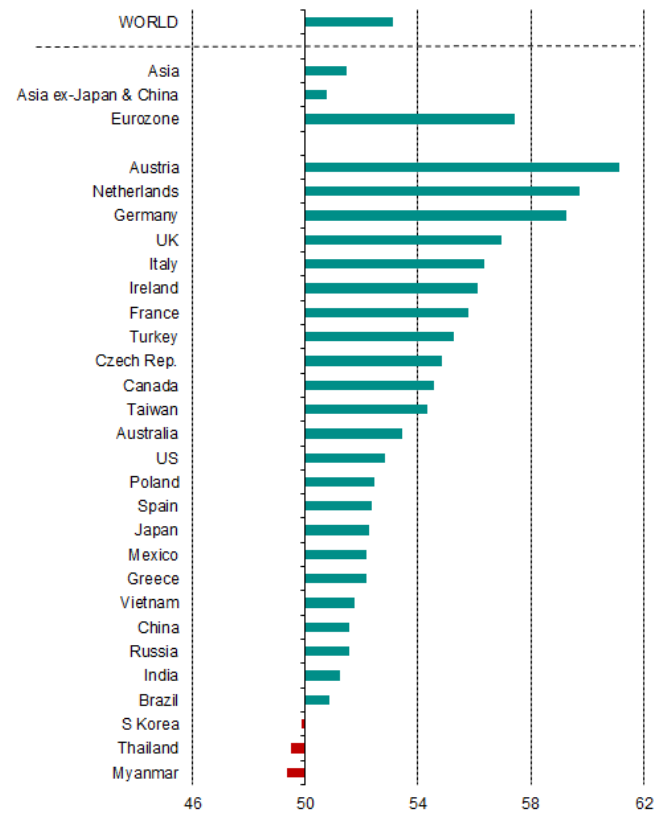
Only three of the 26 reporting countries (Indonesia, Philippines and Malaysia data are published on 4<sup>th</sup> September) saw PMI readings below 50 in August, all of which were located in Asia. The bottom eight countries were all emerging markets, and included China, India, Russia and Brazil.

### Supply shortages and input costs

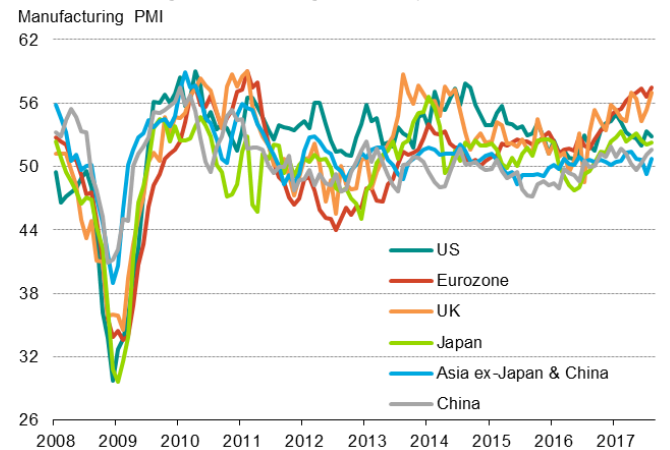


### Manufacturing PMI rankings

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



### Manufacturing PMI readings for major economies



Sources for charts: IHS Markit, JPMorgan, Nikkei, Caixin.

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