



IHS Markit™

Global PMI

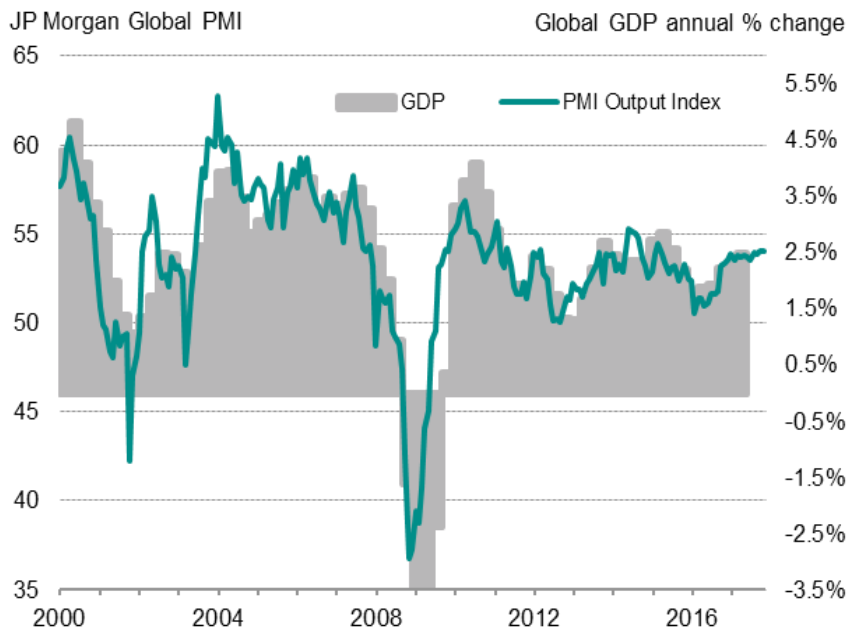
Price pressures revive as global business reports faster order book growth

December 8th 2017

Global business reports best order book growth for over three years

- Global economic growth held steady at a 2½ year high in November, according to the headline [JP Morgan PMI™](#), compiled by IHS Markit. Historical comparisons suggest that the latest PMI indicates global GDP (measured at market prices) is rising at an annual rate of just over 2.5%. Faster order book growth in both services and manufacturing, collectively rising at the steepest rate since September 2014, indicated that the pace of expansion could improve at the end of the year. Job creation continued to run at its highest for 6½ years as firms expanded capacity to meet future demand.
- The gap between the developed world and emerging markets remained marked, with the latter continuing to underperform relative to developed world growth – a trend which has been evident since 2013, with the gap showing signs of widening.

Global PMI* & economic growth



Sources: IHS Markit, JP Morgan.

Developed v emerging market output*



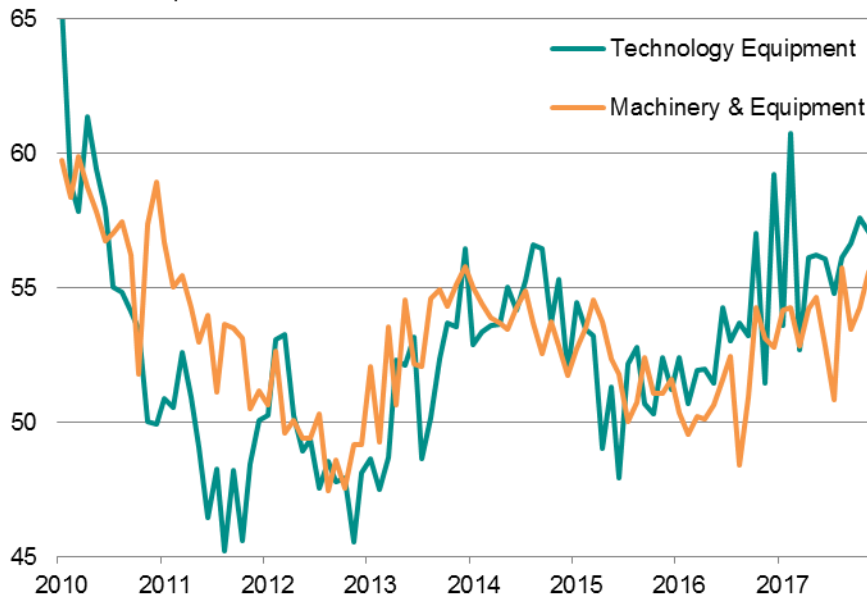
Source: IHS Markit.

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

Signs of global investment rising at fastest rate since 2010

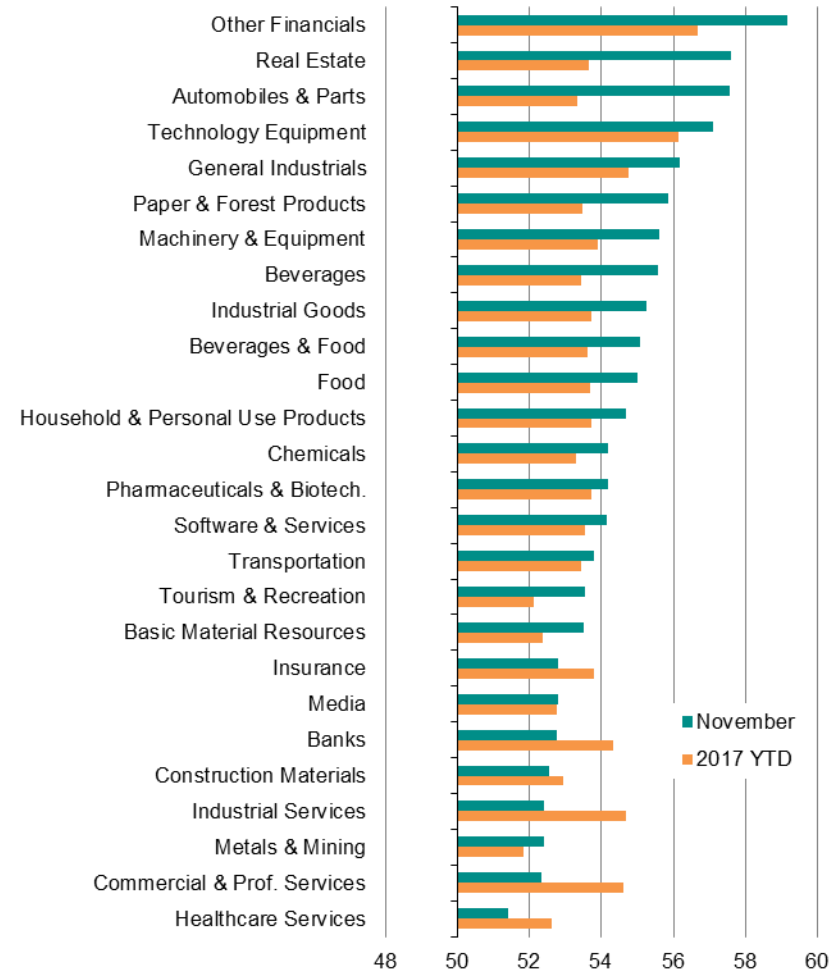
Charts below compare PMI Output Index readings for the various [sub-sectors covered by the surveys](#). The ranking (bar) chart highlight how other (non-banking) financial services have seen the fastest output growth of all sectors in both November and the year-to-date. However, particularly encouraging is the strong performance of tech equipment makers (who have seen the second-strongest performance so far this year) and machinery and equipment makers (seventh place in November). These sectors are bellwethers of global investment spending and are enjoying some of the strongest demand growth since 2010, pointing to rising global business investment.

Global PMI Output Index



Source: IHS Markit.

Global Sector PMI Output Index



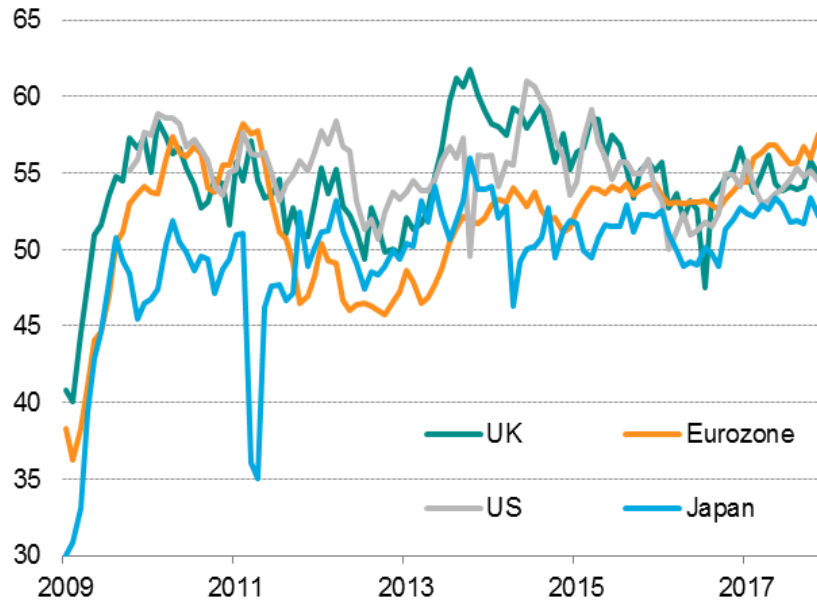
Source: IHS Markit.

Eurozone leads developed world upturn, Russia heads emerging markets

- The eurozone extended its lead in terms of the growth differentials between the four largest developed world economies, leading the pack for the tenth month running in November as growth accelerated to the fastest since April 2011. In contrast, growth slowed in the US, UK and Japan, albeit in each case remaining consistent with further solid (but unspectacular) economic growth in the fourth quarter.
- A mixed picture was meanwhile seen across the four major 'emerging' economies. The fastest expansion was again seen in Russia, led by a resurgent service sector. Growth perked up slightly in China from October's 16-month low, but remained subdued, notably in manufacturing. India's expansion also remained disappointingly modest, with business hit again by the sales tax. Brazil saw the worst performance, however, having slipped into decline for two consecutive months.

Major developed markets*

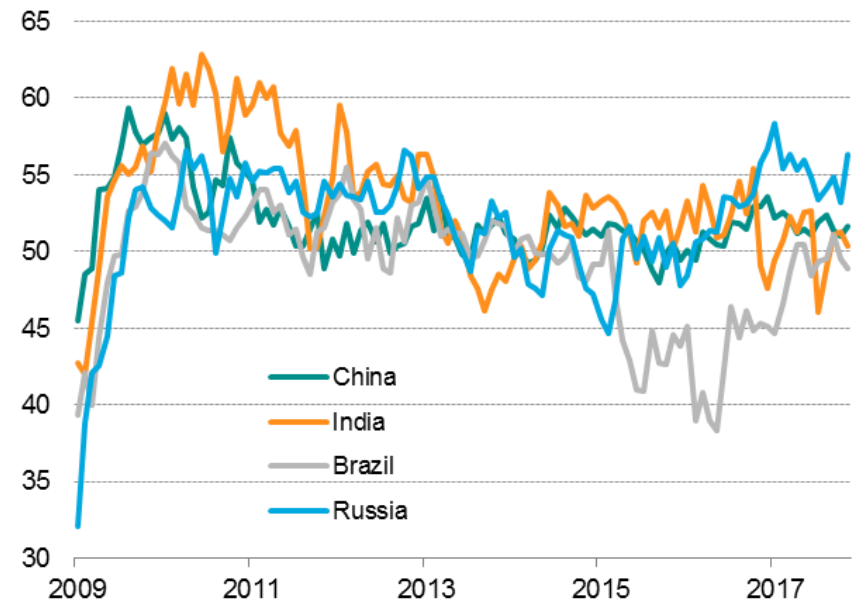
PMI Output/Business Activity Index



Source: IHS Markit, CIPS, Nikkei.

Major emerging markets*

PMI Output/Business Activity Index

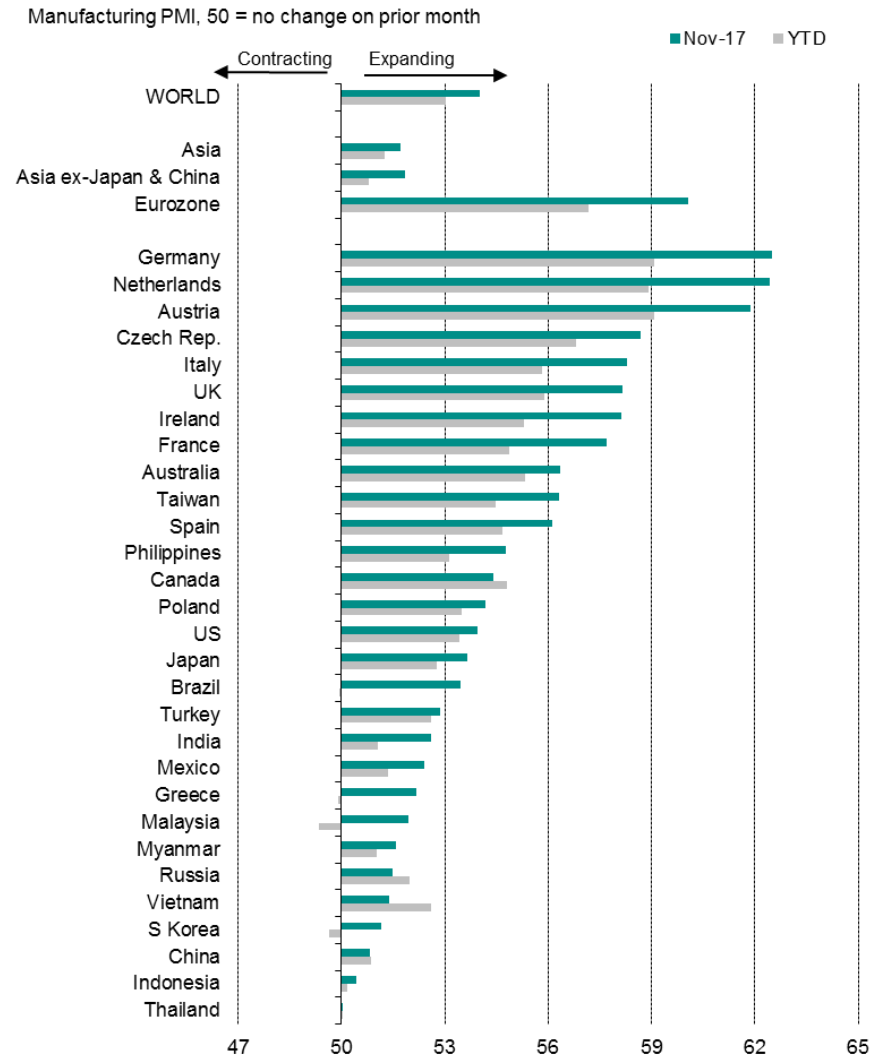
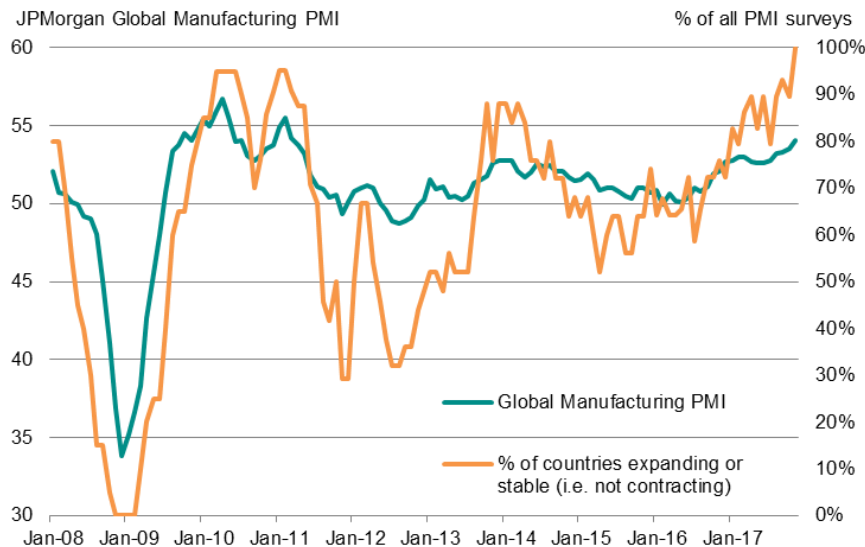


Sources: IHS Markit, Caixin, Nikkei.

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No declines seen in manufacturing for first time in over a decade

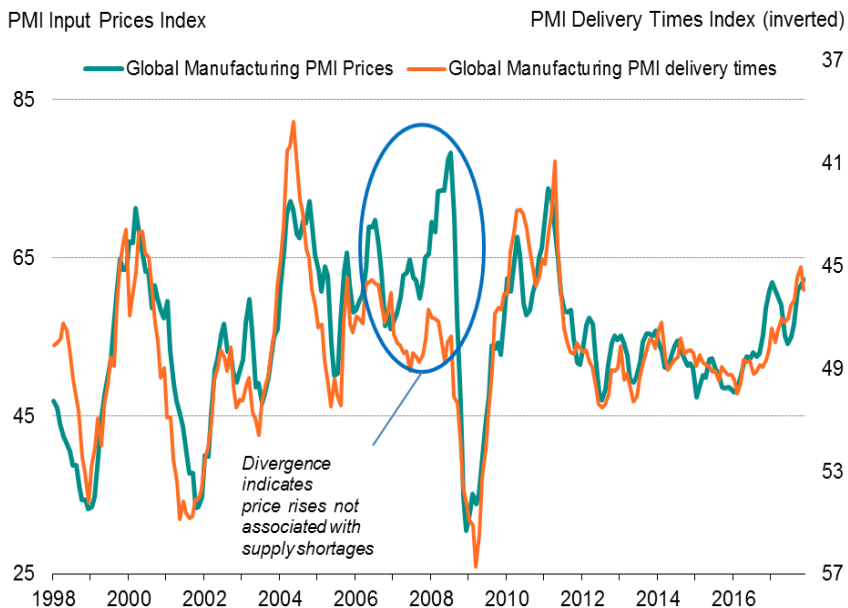
- The [global manufacturing PMI](#) rose to its highest for over 6½ years in November, with output, new orders and employment growth all strengthening. Even better news came on the broadening-out of the upturn: for the first time in a decade, no country reported a deterioration. Only Thailand failed to expand, reporting a stagnation of manufacturing activity.
- European countries continued to dominate, holding all top eight places in the rankings. Australia recorded the fastest growing manufacturing sector outside of Europe, followed by Taiwan. The latter's performance stood in contrast to many other Asian countries, including China, which occupied the bottom five spots in the rankings



Global manufacturing price pressures at highest since 2011

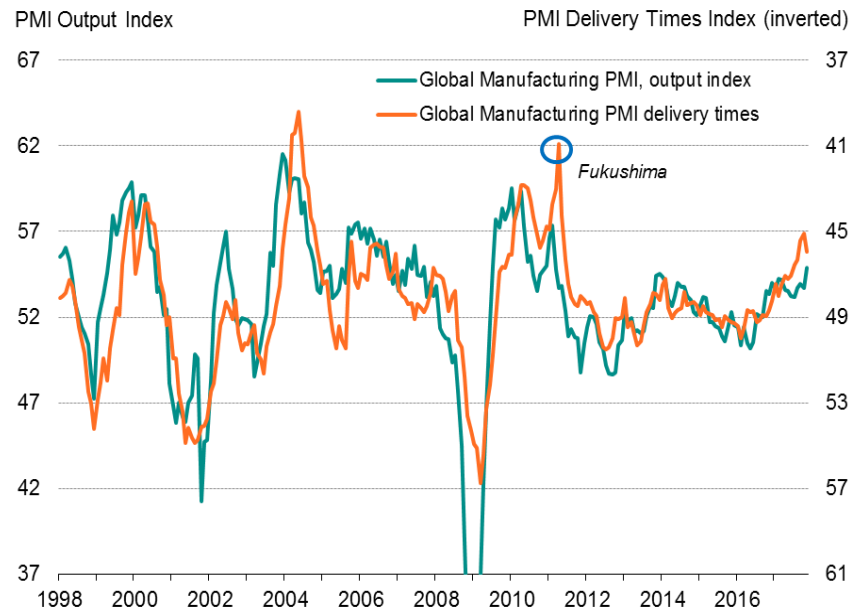
- The upturn was accompanied by a further rise in price pressures, notably in manufacturing. Average factory selling prices showed the largest monthly rise since May 2011, often as a result of firms needing to pass higher costs on to customers. Average input prices also showed the largest increase since May 2011, in part driven by higher oil prices, which rose 6% during the month.
- However, many price hikes were again associated with suppliers being busier, and therefore enjoying a sellers' market as demand often outstripped supply. Average suppliers' delivery times have been lengthening to the greatest extent since 2011 in recent months, albeit with some reduction in the number of delays in November, suggesting that global input cost inflation may be increasingly driven by demand outpacing supply.

Global supply delays and prices



Sources: IHS Markit, JPMorgan.

Global supply delays and output

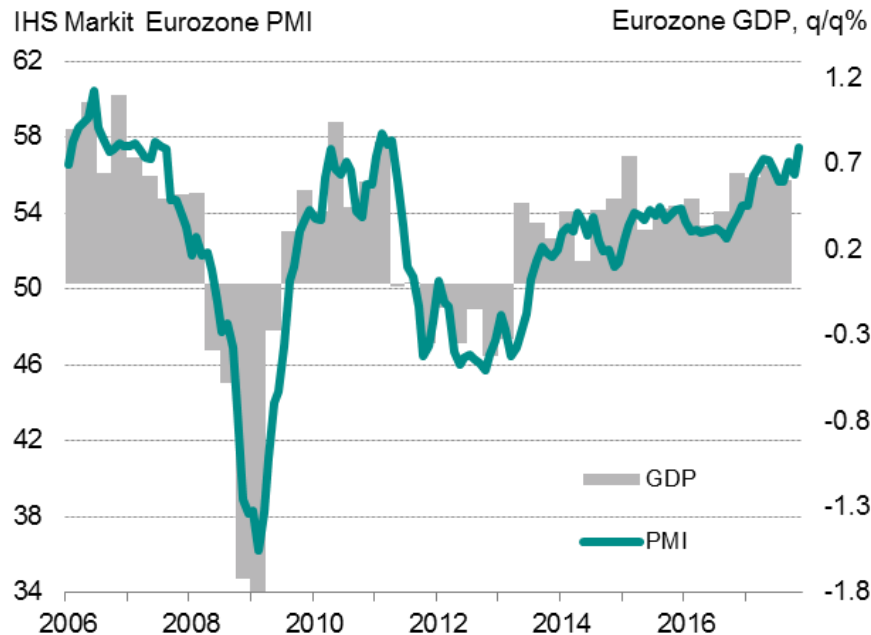


Sources: IHS Markit, JPMorgan.

Eurozone growth kicks higher, job creation at 17-year peak

- The Eurozone enjoyed a bumper November, setting the scene for a buoyant end to the year. The [PMI surveys](#) signalled faster growth across the board, led by stronger expansions in France and Germany alongside a marked upturn in the pace of growth in Italy. Business conditions in Spain also remained encouragingly resilient in the face of heightened political uncertainty, albeit on course for the weakest quarter of the year. With the PMI now at its highest since April 2011, comparisons with GDP indicate that the survey data for Q4 so far are consistent with the eurozone expanding by 0.8%. Jobs growth meanwhile hit a 17-year high as firms expanded capacity in line with rising workloads.
- While core inflation has so far remained subdued, the PMI price gauges and indicators of depleted capacity suggest that inflationary pressures will pick up next year.

Eurozone economic growth and PMI†

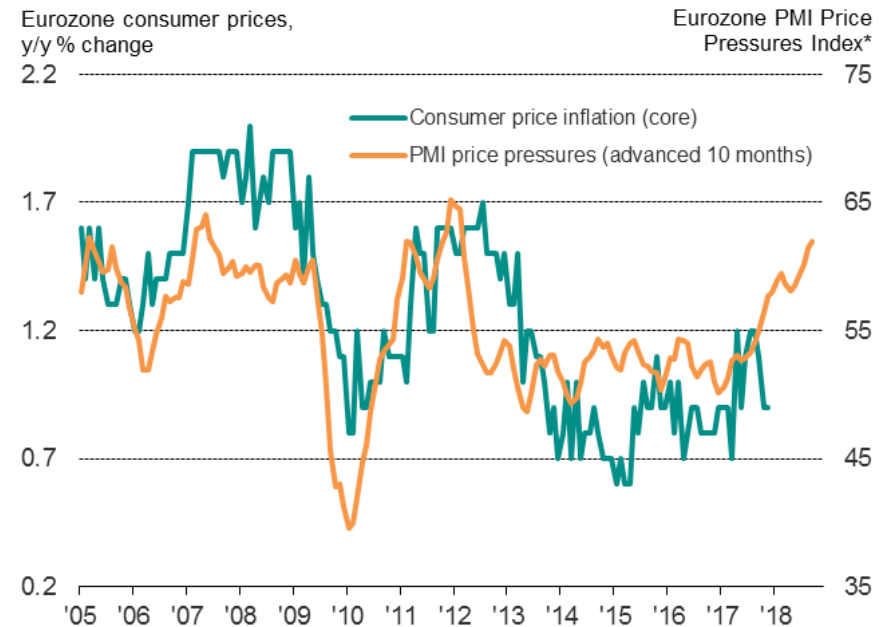


Sources: IHS Markit, Eurostat.

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

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Eurozone inflation and PMI input costs



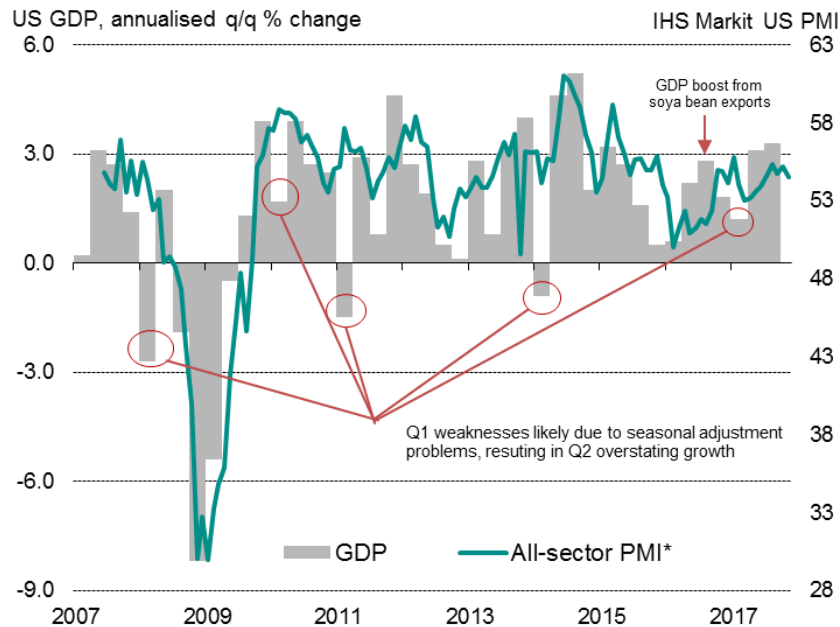
Sources: IHS Markit, Eurostat.

*an equally-weighted index of changes in input costs and suppliers' delivery times.

US PMI numbers signal slower growth and rising prices

- The [IHS Markit US PMI surveys](#) indicated the slowest growth in private sector activity since June. Growth slowed in both manufacturing and services. However, midway through Q4, the surveys are still pointing to a reasonable GDP growth rate of approximately 2.5%. Disappointingly, optimism about the year ahead waned as companies grew more cautious about the 2018 outlook. Companies nevertheless took on staff at a rate consistent with payrolls rising at a monthly rate of 200,000.
- The November survey also found that both input cost and selling price inflation picked up, suggesting the upturn is feeding through to higher price pressures. In manufacturing, the overall rate of cost inflation was one of the fastest seen in the past five years, which contributed to the sharpest increase in factory gate prices since December 2013.

US economic growth and the PMI†

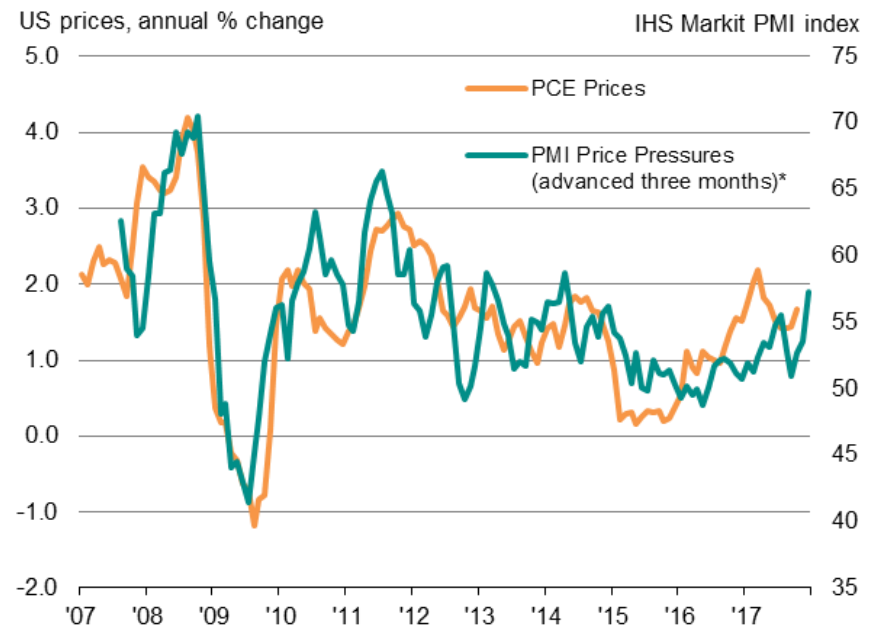


Sources: IHS Markit, Commerce Department.

†PMI shown above is a GDP weighted average of the manufacturing and services indices.

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US inflation and PMI price pressures



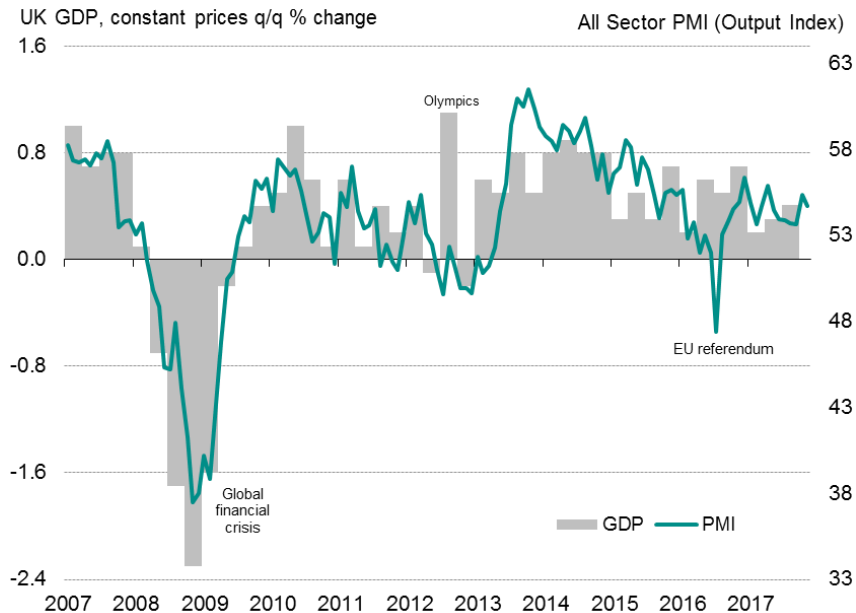
Sources: IHS Markit, , Commerce Department.

*an equally-weighted index of changes in input costs and suppliers' delivery times.

UK PMIs show steady growth marred by decade-high price pressures

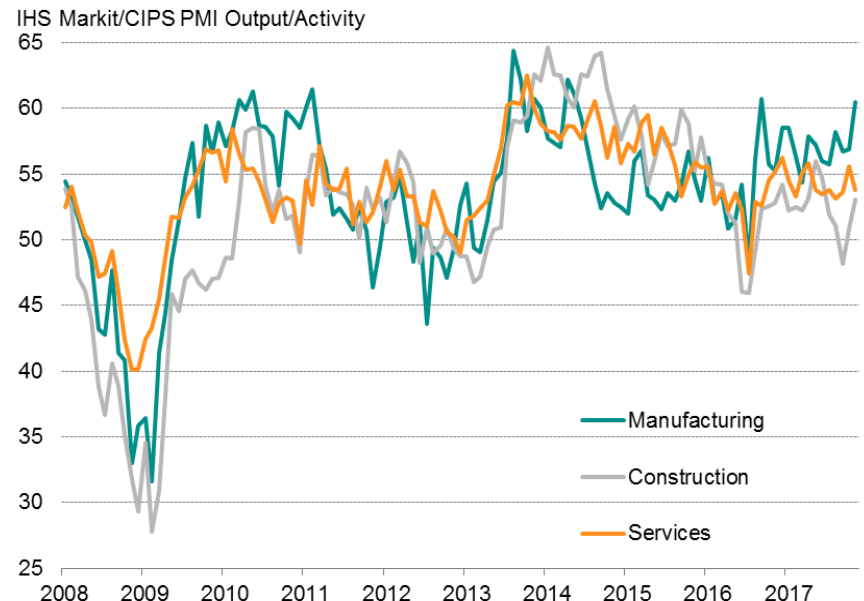
- The [latest UK PMI surveys](#) indicate that the economy is on course to sustain steady growth in the closing months of 2017, albeit with the expansion waning in November. The 'all-sector' PMI fell from a six-month high in October, but the latest reading was still the second-strongest seen over the past seven months. The survey data are so far consistent with the economy growing 0.4-0.5% in Q4. Slower services growth came as a particular disappointment after [improved manufacturing](#) and construction gains in November. Business confidence also continued to be subdued by Brexit worries.
- Meanwhile, in a sign that inflation has yet to peak, prices charged for goods and services rose to the greatest extent for nearly a decade. Firms reported the need to pass higher costs of a wide variety of inputs, notably oil, on to customers.

UK economic growth and the PMI*



Source: IHS Markit, CIPS, ONS.

UK PMI output by sector



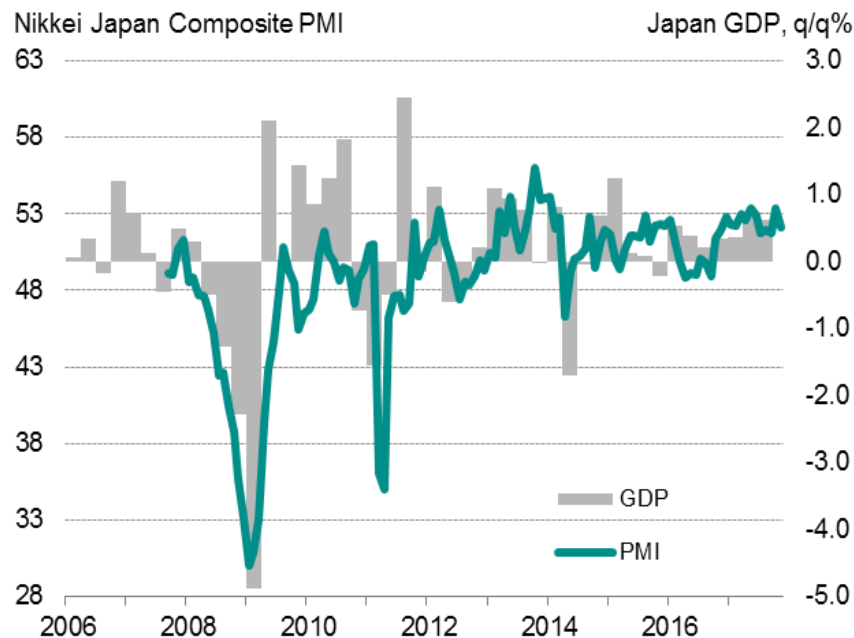
Sources: IHS Markit, CIPS.

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

Japan PMI points to solid Q4, but cost inflation hits near-decade high

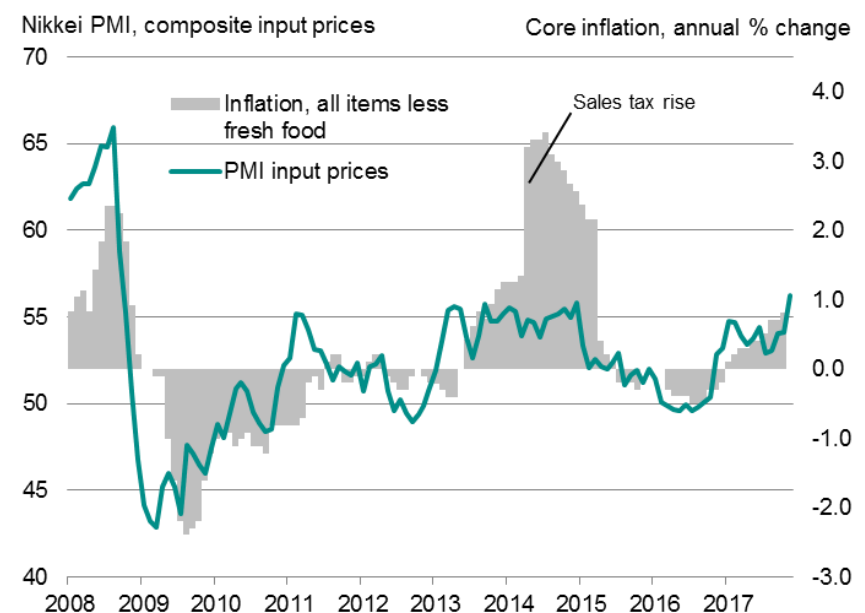
- Japanese growth remained robust in November, setting the scene for another solid quarter, according to the [latest Nikkei PMI surveys](#). At 52.8, the average PMI reading for Q4 represents one of the strongest performances seen in recent years and suggests GDP growth remain robust in Q4, building on the upwardly-revised 0.6% gain seen in Q3. The manufacturing PMI were especially robust, showing the best expansion in over 3½ years during November, supported by rising exports.
- At the same time, companies are struggling with rising costs. Input price inflation reached the fastest rate prior to the global financial crisis, pointing to an upturn in core inflation. However, the extent to which inflation will rise remains uncertain, as many firms were unable to raise selling prices to match the rise in costs, suggesting tighter profit margins.

Japan economic growth and the PMI*



Sources: IHS Markit, Nikkei, Japan Cabinet Office

Japan inflation



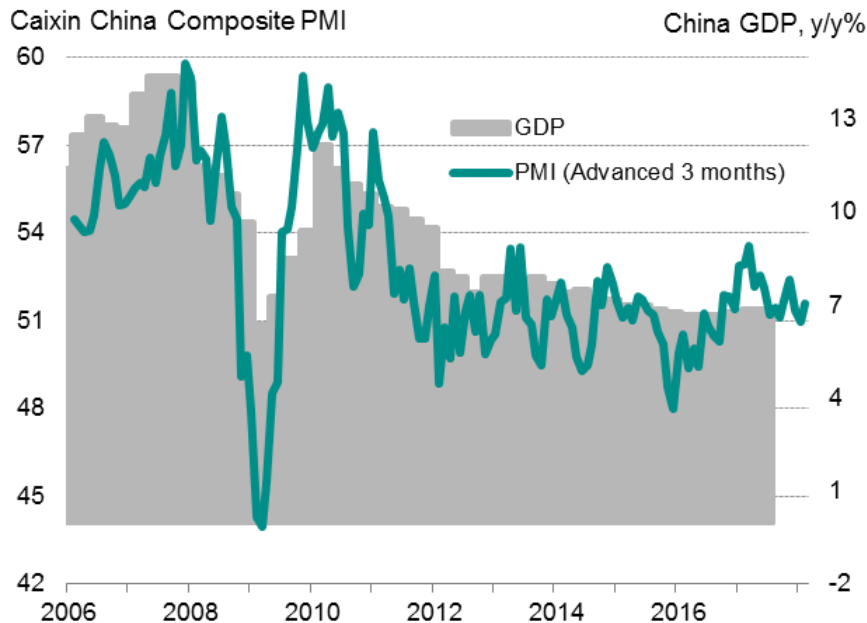
Sources: IHS Markit, Nikkei, Thomson Reuters Datastream.

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

China PMI at three-month high, but price pressures stay elevated

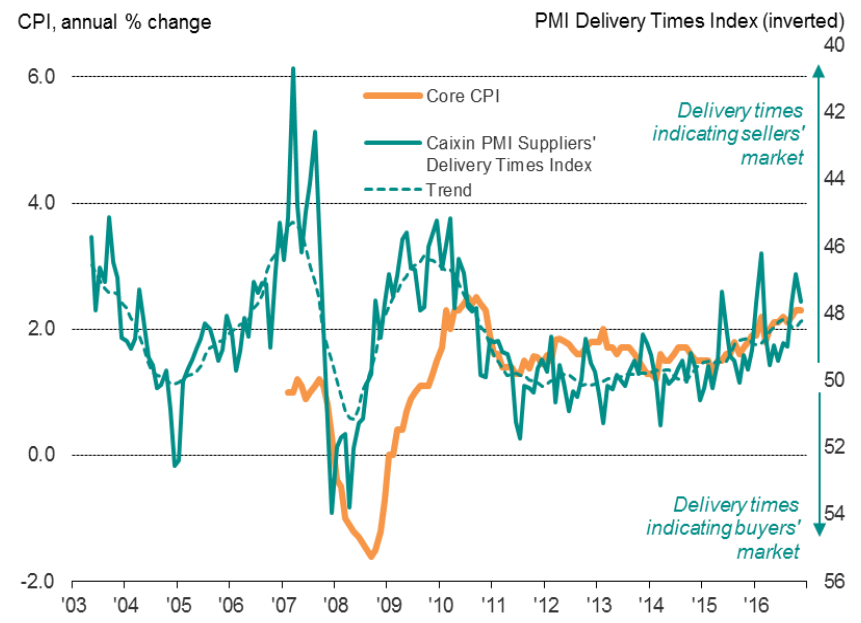
- The [Caixin PMI](#) rose from 51.0 in October to a three-month high of 51.6 in November, indicating modestly faster growth of business activity. The November reading takes the average PMI so far for Q4 to 51.3, down from 51.9 in Q3 but nonetheless still suggesting that the Chinese economy is hewing to a resilient and relatively steady momentum.
- Pressures on manufacturing firms' margins meanwhile persisted, as the rate of inflation of input costs continued to outpace that of selling prices. Higher costs were commonly associated with increased prices for raw materials, including oil and energy, as well as supply constraints. A gauge of price pressures based on input costs and supply constraints has been running at one of its highest levels since 2010 in recent months.

China PMI* & economic growth



Sources: IHS Markit, Caixin, NBS.

China delivery times and inflation



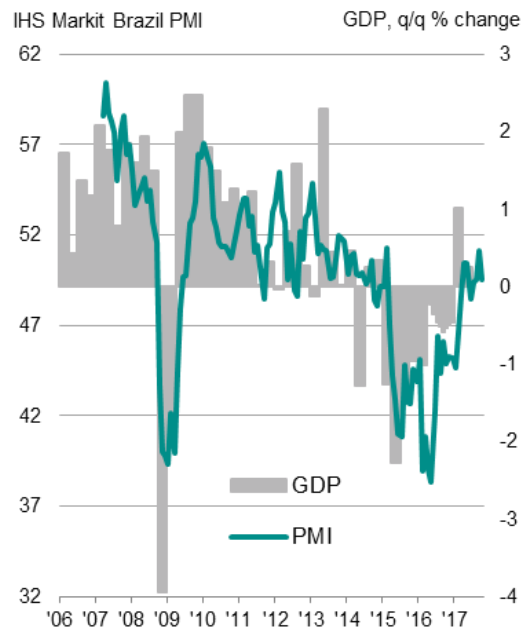
Sources: IHS Markit, Caixin.

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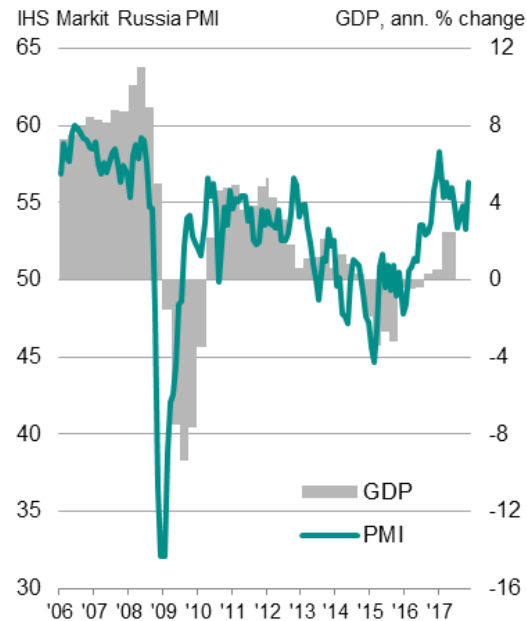
Russian upturn contrasts with disappointing PMIs for Brazil and India

- [Russia](#) saw a marked improvement in business conditions, including the largest rise in service sector new work since 2008. Alongside faster manufacturing output growth, the upturn in services drove the overall rate of economic expansion to the joint-steepest since January. Job creation hit the highest since 2012 as firms expanded capacity.
- Disappointingly sluggish growth was again seen in [India](#), where the Nikkei PMI surveys signalled an on-going dampening of demand from the consumption tax. Manufacturing sector growth was largely offset by a downturn in the service sector. However, firms boosted their payroll numbers for a third successive month, reflecting improved optimism.
- [PMI data for Brazil](#) showed a contraction of business activity for a second successive month, highlighting how the economy remains vulnerable to another setback. Although manufacturing output rose at the fastest rate since early-2013, service sector activity fell at the steepest rate since February, underscoring the weakness of domestic demand.

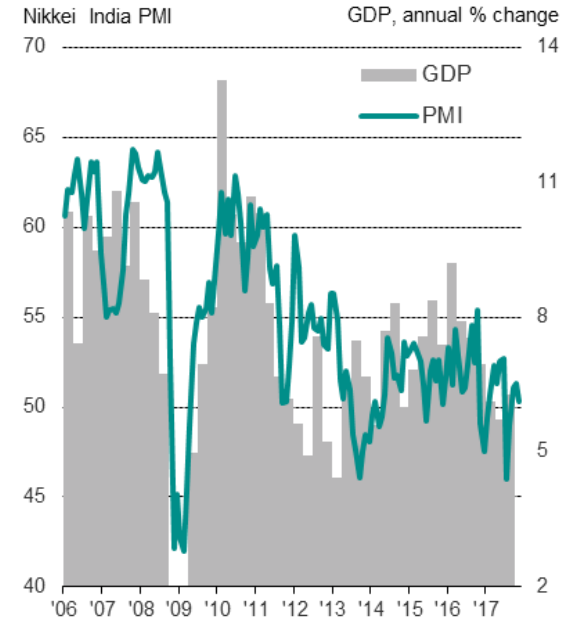
Brazil PMI* v GDP



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.

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