



IHS Markit™

# Global PMI

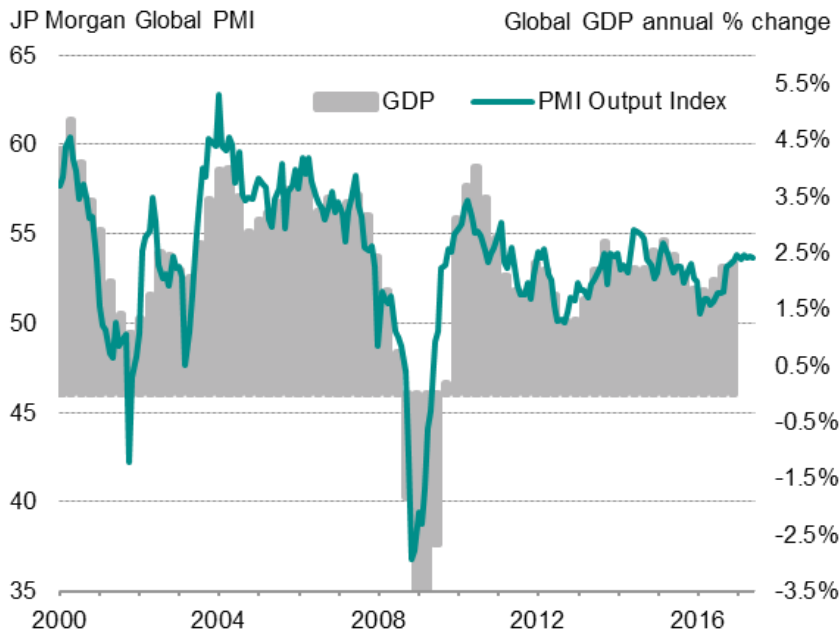
Solid Q2 growth masks widening growth differentials

July 7<sup>th</sup> 2017

## Widening developed and emerging world growth trends

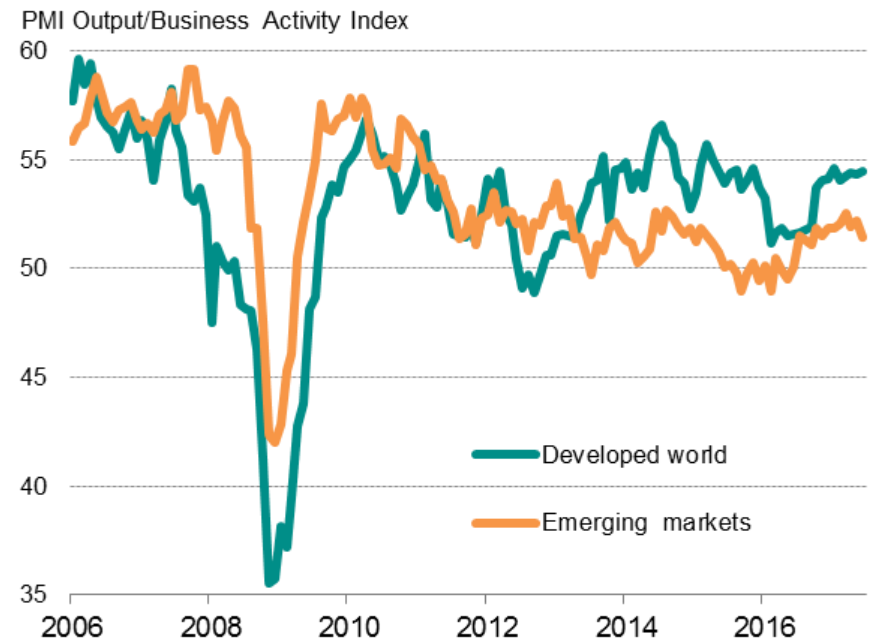
- The global economy enjoyed further steady growth in June, according to the latest PMI data. The JPMorgan PMI™, compiled by IHS Markit, edged down from 53.8 in May to 53.7 in June, but still completed a solid Q2. At 53.7, the Q2 average was unchanged on that seen in Q1, which had in turn been the best performance for two years. The surveys have therefore been signalling global GDP growth of approximately 2.5% per annum over the first half of 2017.
- However, the surveys also showed the divergence between the developed and emerging markets widening, amid slower growth in the latter. The developed world PMI signalled the second-fastest rate of expansion in just over 1½ years. In contrast, the emerging markets PMI fell to its lowest level since last November. The underperformance of the emerging market PMI compared to the developed world was the most marked since January 2016.

### Global PMI\* & economic growth



Sources: IHS Markit, JPMorgan.

### Developed & emerging market output\*



Source: IHS Markit.

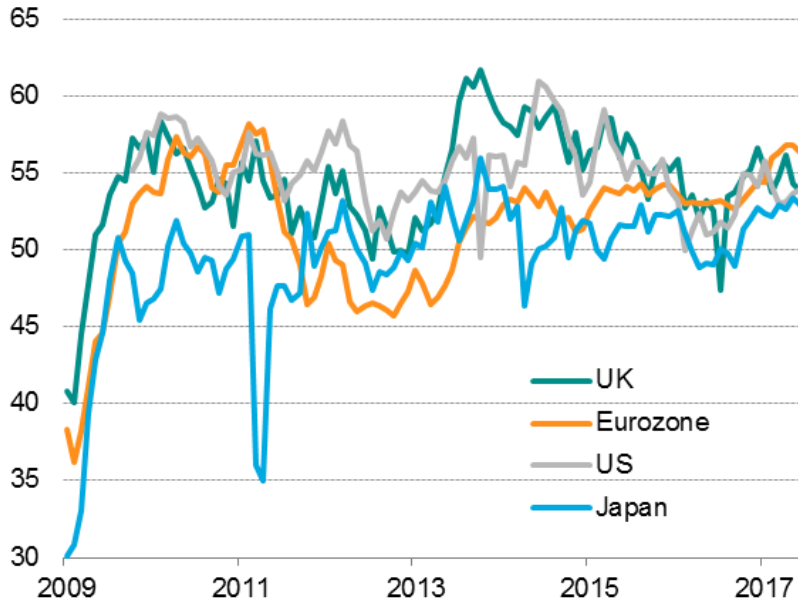
\* PMI shown above is a GDP weighted average of the survey output indices.

## Eurozone leads DM expansion, Russia heads up EM

- Developed world growth was broad-based but was once again led by the eurozone. Although the Eurozone PMI signalled slightly softer growth in June, the region outperformed its peers for the fifth straight month with the surveys signalling Q2 growth at a six-year high. Rates of expansion also slipped in the UK and Japan, but in both cases rounded off better quarters than the first three months of the year. In contrast, US growth accelerated slightly in June, though the Q2 average remained below Q1.
- Of the four largest emerging markets, only India saw business activity grow at an increased rate in June. Growth slowed in both China and Russia, though the latter recorded the fastest growth of the BRIC economies. Brazil meanwhile slipped back into decline after two months of marginal expansion.

### Major developed markets\*

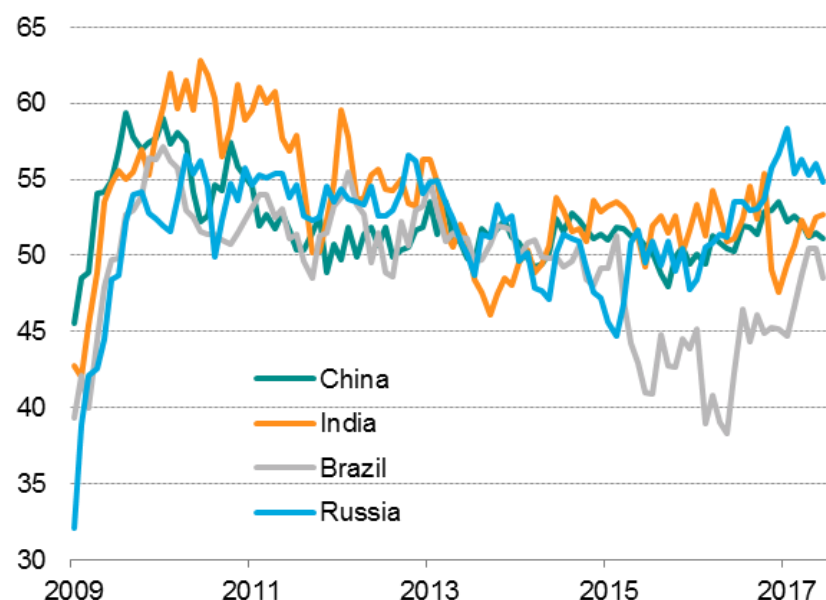
PMI Output/Business Activity Index



Source: IHS Markit, CIPS, Nikkei.

### Major emerging markets\*

PMI Output/Business Activity Index

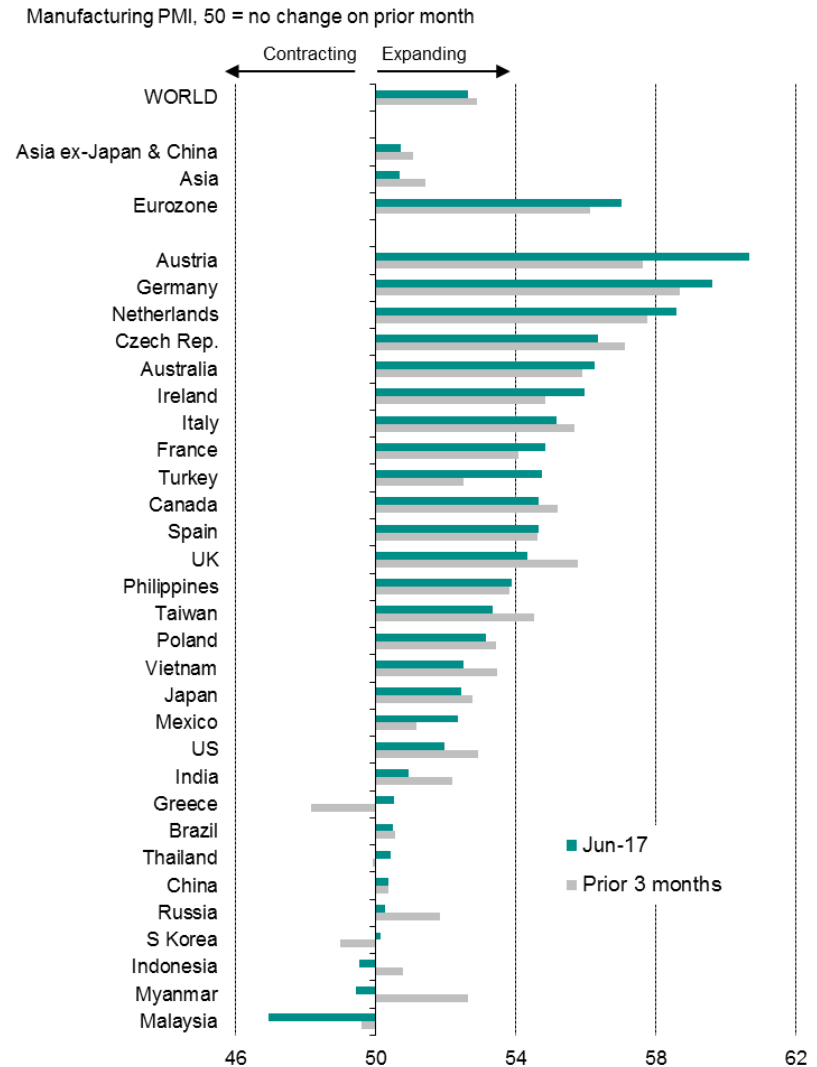
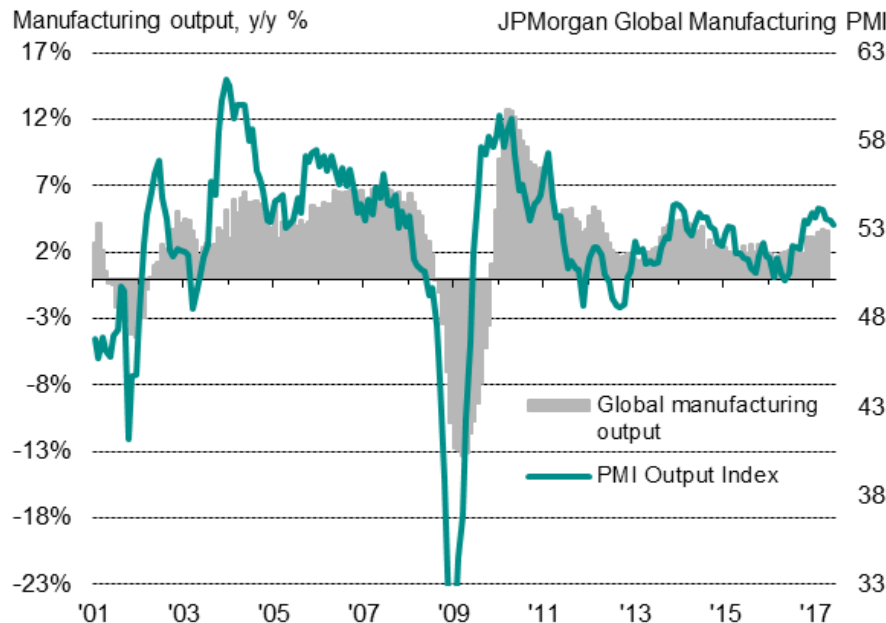


Sources: IHS Markit, Caixin, Nikkei.

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

# Asian manufacturing lags global upturn as Eurozone booms

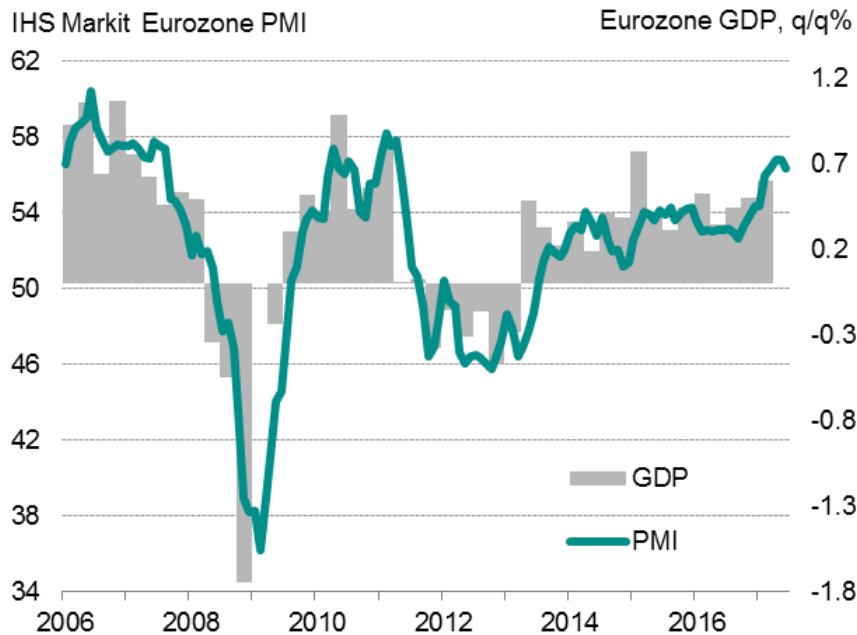
- The global manufacturing economy saw sustained improvement in June, albeit with output growth slipping to the weakest since last September. The headline [JPMorgan Manufacturing PMI](#), compiled by IHS Markit, was unchanged at 52.6 in June, rounding off a solid Q2. The latest survey incorporates the new [CBA Australia PMI](#), taking the total number of countries covered to 29.
- European countries continued to lead the manufacturing rankings. In contrast, six of the bottom seven countries in the global league table were all Asian, including China.



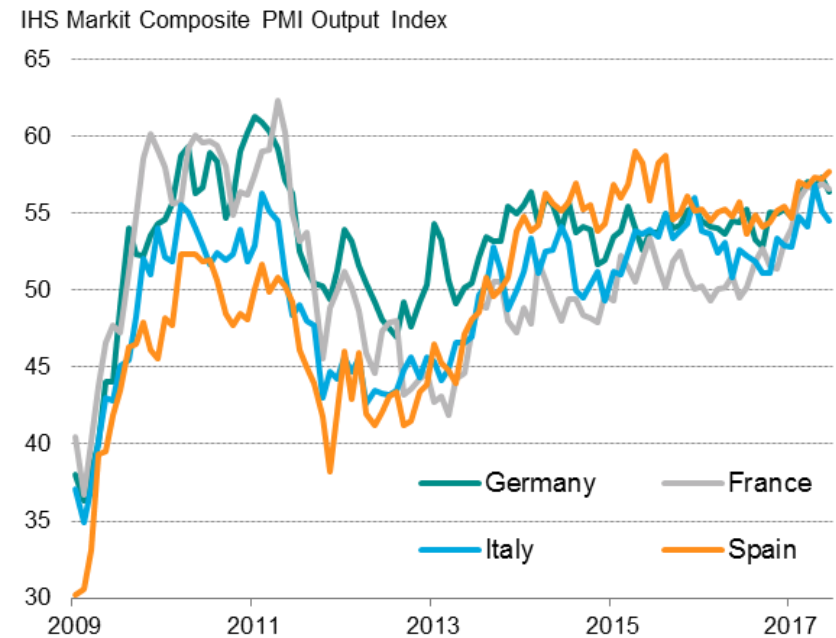
# Eurozone PMI dips in June but holds close to six-year high

- The June [Eurozone PMI](#) rounded off the best quarter for the region for six years, with broad-based and robust growth seen in all four major euro members. Despite the overall rate of expansion cooling in June, the surveys point to the most encouraging upturn since the global financial crisis.
- Historical comparisons suggest the Q2 PMI readings are broadly consistent with euro area GDP rising by almost 0.7%. Similar 0.7% expansions were signalled for Germany and France, while Spain's GDP growth could approach 1.0% according to the buoyant survey data. Italy is lagging behind but nevertheless looks to have grown by around 0.5%.
- The upturn continued to feed through to impressive job gains, with the surveys indicating the strongest euro area hiring trend for a decade in the second quarter.

## Eurozone economic growth\*



## Eurozone big-four (output)



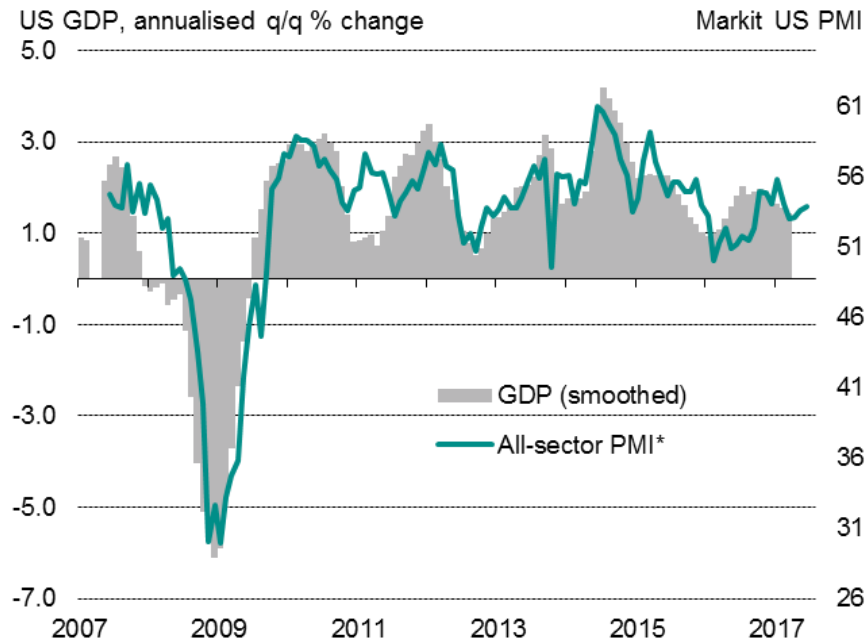
Sources: IHS Markit, Eurostat.

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

# US Q2 growth stymied by weak manufacturing

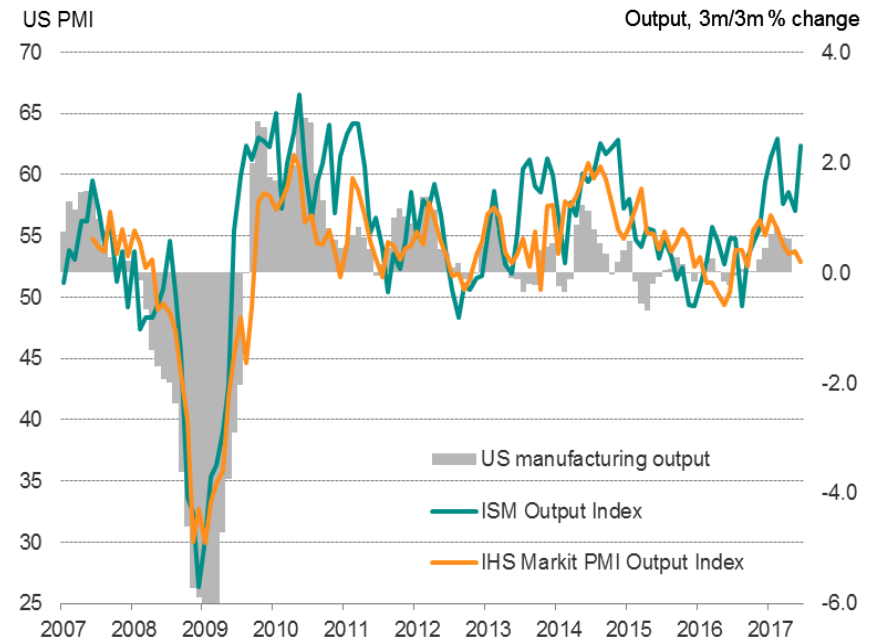
- Steady growth continued to be seen in the US, with the final June PMI readings beating earlier flash numbers to indicate an upturn in growth momentum at the end of Q2. However, the recent readings remain relatively subdued, especially in manufacturing, and point to the economy growing at an underlying annualised rate of around 2% (though official GDP data may well show a sharper upturn compared to the weak Q1). An upturn in new business inflows suggests, however, that business activity growth could perk up again in Q3.
- Manufacturing output growth slowed to a pace that was comparable to a near-stagnation in the official measure. The recent downbeat manufacturing PMI data from IHS Markit has contrasted with upbeat business survey data from the ISM but has [tallied more closely with recent official data](#).

## US economic growth\*



Sources: IHS Markit, Commerce Department.

## US manufacturing output

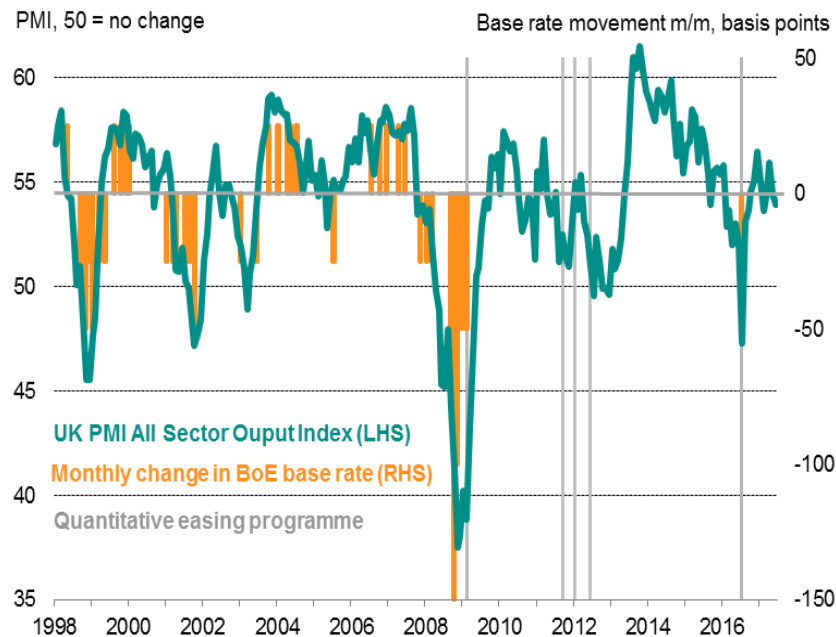


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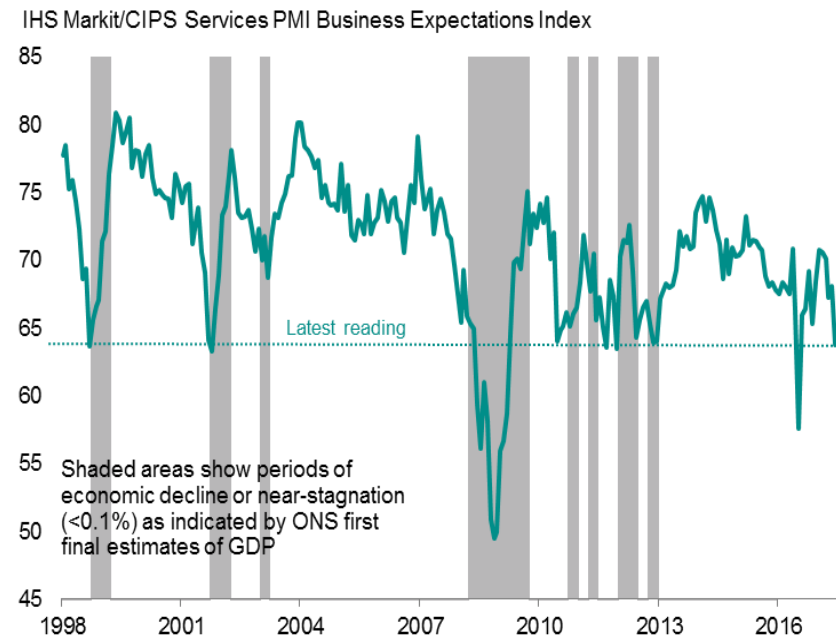
# UK PMI signals weaker growth amid slump in optimism

- The June UK [IHS Markit/CIPS PMI surveys](#) indicated the weakest expansion for four months, with a 'triple-whammy' of slower growth in all three main sectors of the economy. Although the PMI surveys point to 0.4% GDP growth in Q2 (double the lacklustre 0.2% rise Q1), the data point to an economy that's losing momentum. The numbers also push the PMI series into territory more consistent with the Bank of England cutting rather than hiking interest rates. The weakest growth was seen in the service sector, which is being hit as consumers struggle against low wages and rising prices.
- Business confidence also slumped in June, linked mainly to political worries, dropping to the lowest since last year's Brexit vote. The data were collected after the general election, in which the government lost its working majority.

## UK PMI\* and Bank of England policy



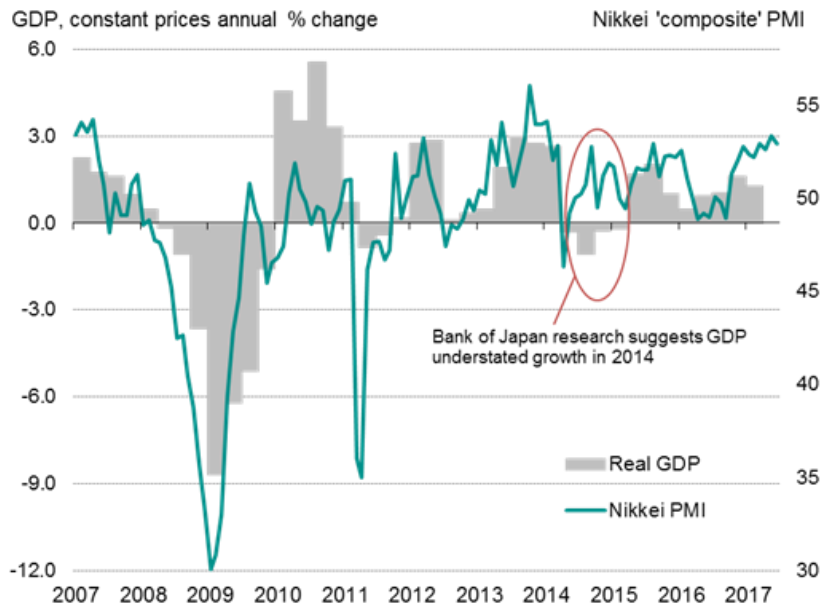
## UK business optimism



# Japan PMI sees best quarter for nearly 3½ years

- June saw a further rise in Japanese business activity that rounded off the strongest quarter of economic growth for around three-and-a-half years, according to [Nikkei PMI survey data](#). Services activity rose at the steepest rate for nearly two years, though there were signs of [slower growth in the manufacturing sector](#). Expansions in both sectors nevertheless remained solid, indicating on-going broad-based economic growth.
- New business also continued to expand at a robust pace as business confidence about the year ahead remained elevated. Higher sales and greater optimism also meant that firms needed to expand capacity to meet rising demand; Jobs growth in June was the fastest for nearly a decade.

## Japan economic growth\*



Sources: IHS Markit, Nikkei, Japan Cabinet Office

## Japan manufacturing output



Sources: IHS Markit, Nikkei, Thomson Reuters Datastream.

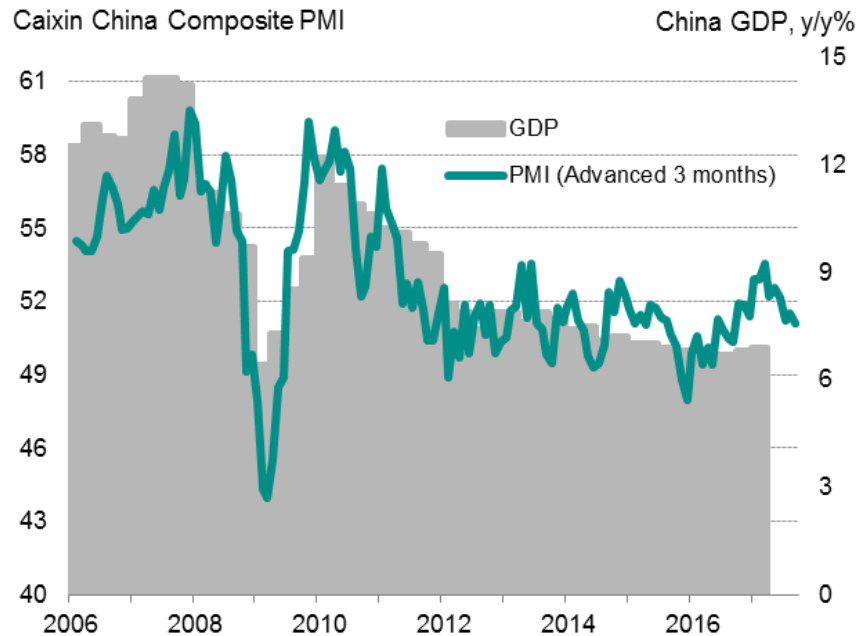
\* PMI shown above is a GDP weighted average of the survey output indices.



# China sees Q2 slowdown, job losses and falling price pressures

- Weaker service sector growth and a near-stagnant manufacturing economy meanwhile pushed the headline [Caixin PMI for China](#) down to a one-year low, suggesting not only that second quarter GDP growth will have weakened compared to the first quarter, but also that momentum is being lost as the economy moves into the second half of the year. The slowing in growth can at least in part be explained by exports, which were a key driver for GDP growth in Q1. A renewed weakening of growth in new exports signalled by recent manufacturing PMI surveys suggests that the trade boost has waned.
- Average prices charged for goods and services showed the smallest rise for a year during the second quarter as a whole, rising only slightly in June, pointing to subdued pricing power amid waning demand. Employment continued to fall as a modest increase in service sector jobs was insufficient to offset layoffs in manufacturing.

## China PMI\* & economic growth



Sources: IHS Markit, Caixin, NBS.

## China employment



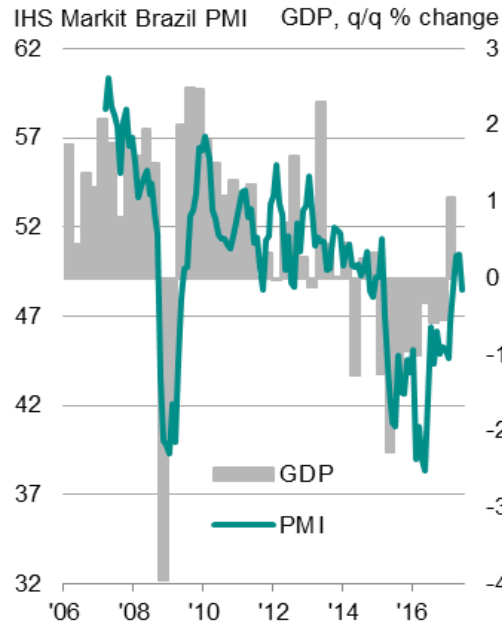
Sources: IHS Markit, Caixin.

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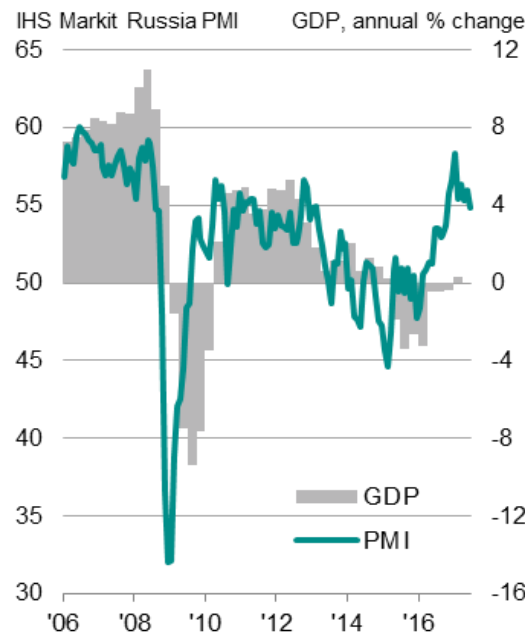
# India bucks EM slowdown as Russia and Brazil PMI surveys fall

- Of the four largest emerging markets, only India saw business activity grow at an increased rate in June. However, India is still playing catch-up after the economy was hit by the government's withdrawal of high denomination back notes late last year. Even with the latest rise, the composite Nikkei PMI for India is still just below the average seen in the months leading up to the currency change.
- Brazil's economy also took a step backwards after its return to growth earlier in the year. The composite PMI fell back below 50 to signal a renewed downturn after two months of modest growth.
- Russia continued to outperform relative to the other large emerging markets, but nonetheless saw growth slacken to an eight-month low amid slower growth of both manufacturing and services activity.

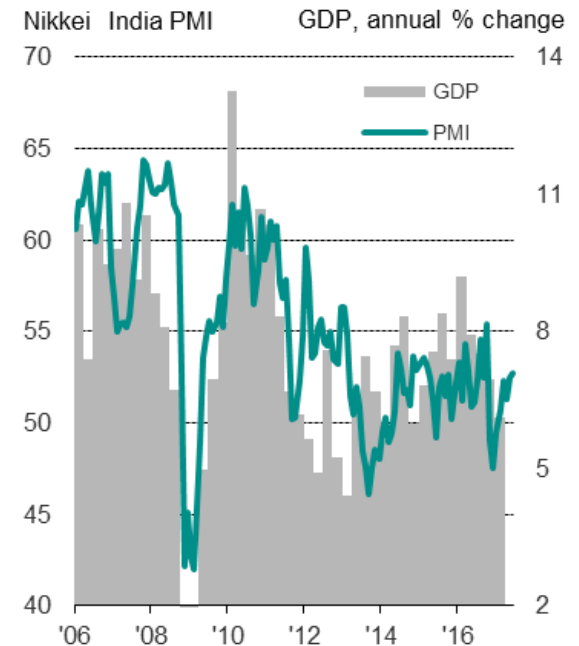
## Brazil PMI\* v GDP



## Russia PMI\* v GDP



## India PMI\* v GDP



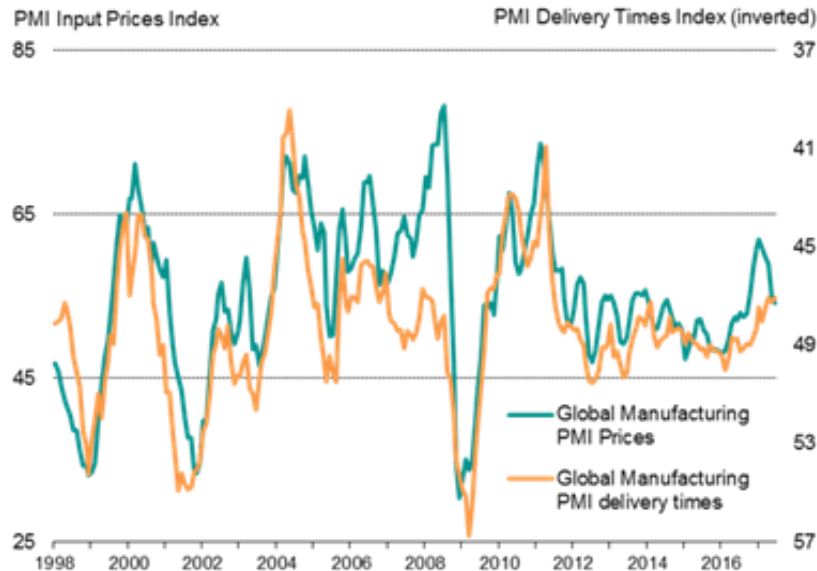
Sources: IHS Markit, Nikkei, Datastream.

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

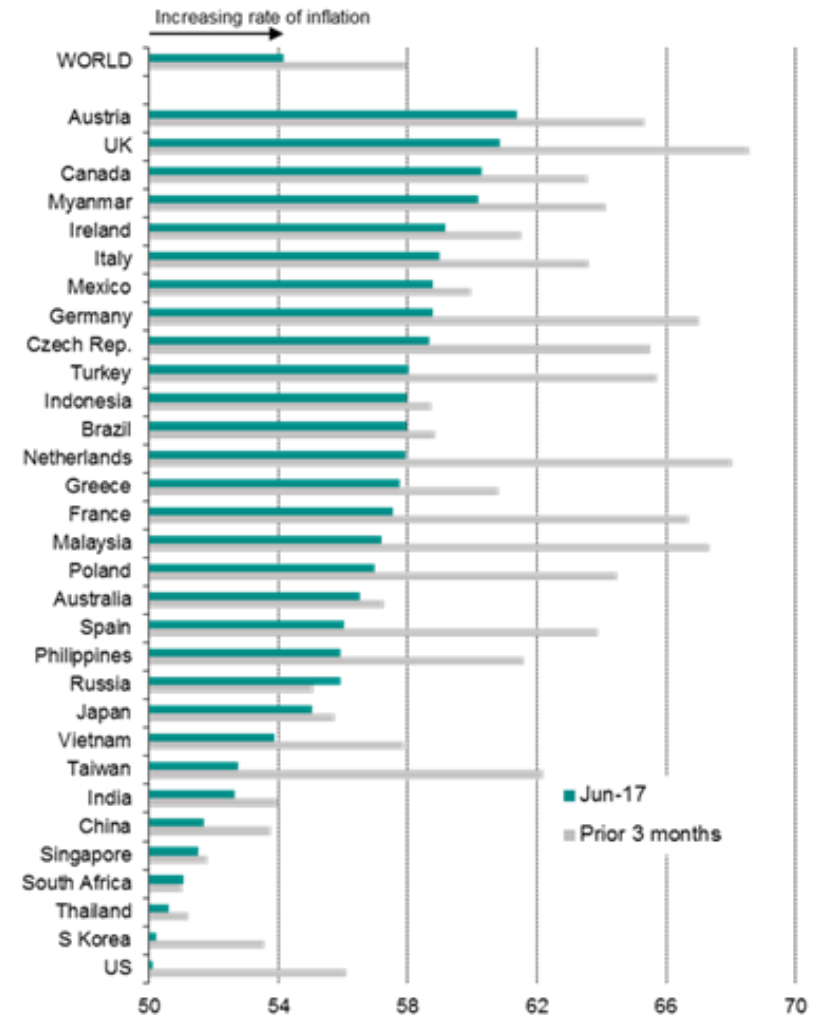
# Global industrial price pressures ease

- The June PMI surveys also showed [manufacturing input cost inflation easing](#) further from January's 5½ year peak, mainly reflecting lower global commodity prices (notably oil).
- While supplier lead times continued to lengthen, suggesting many firms are enjoying an increase in pricing power as demand often exceeded supply, delivery delays remained relatively moderate on the whole and indicative of only modest global inflationary pressures.

## Global supply chain delays and raw material prices



Manufacturing PMI input prices, 50 = no change on prior month



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