

Global economy

Upturn in global PMI ends best year since 2014, jobs growth at decade-high

- Global PMI at highest since March 2015
- Average PMI reading for 2017 highest since 2014
- Worldwide jobs growth at decade high
- Emerging markets show signs of closing gap with developed world

The global economy ended 2017 on a buoyant note, according to PMI survey data. Current business activity growth gained momentum and rising inflows of new orders suggest that business will start 2018 on the front foot. The brighter outlook and signs of stretched capacity led to the largest rise in employment for a decade. Price pressures meanwhile remained elevated, reflecting improved pricing power amid robust demand.

Hiring at decade high

The headline JPMorgan Composite Output PMI, compiled by IHS Markit from its various national PMI surveys, hit 54.4 in December, up from 54.1 in November and its highest since March 2015. The average PMI reading for 2017 as a whole indicated the strongest annual performance since 2014.

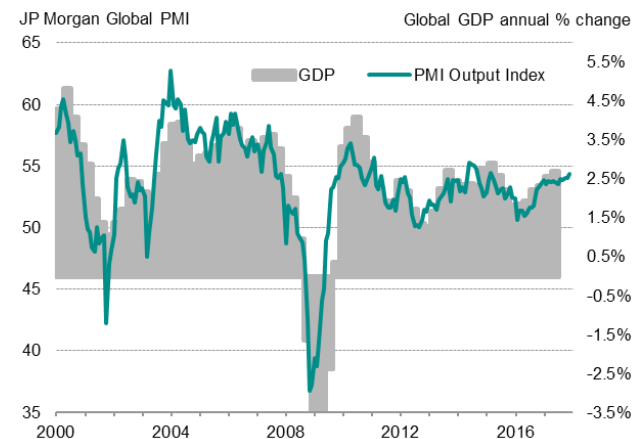
The latest surveys are running at a pace broadly consistent with global gross domestic product growth accelerating to an annual rate of just over 2.5% at market prices in the fourth quarter.

An improvement in inflows of new business, which showed the largest monthly rise since June 2014, bodes well for the upturn to gather further momentum in January. With levels of outstanding business (orders not yet started or completed) showing the largest monthly rise for four years, the surveys also point to global operating capacity being stretched by the recent upswing in demand.

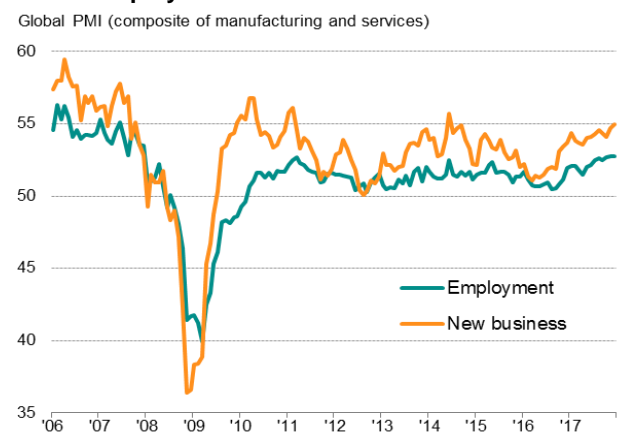
Companies added to their payrolls in increasing numbers to help cope with the improved demand. Employment showed the largest monthly gain since December 2007, also rounding-off the best year of worldwide jobs growth for a decade.

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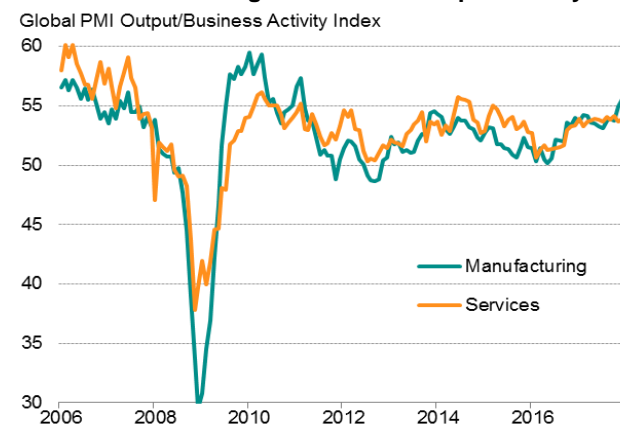
Global PMI and GDP



Global employment and new orders inflows



Global manufacturing and services output/activity



Sources for charts: IHS Markit, JPMorgan.

Broadening upturn

By sector, growth accelerated in both manufacturing and services during the month, though the former continued to enjoy the stronger pace of expansion. The improved performances rounded off the best year for manufacturing since 2010, while services enjoyed the best year since 2014. Please note that a more detailed sector breakdown is available on the 8th January.

Growth was also broad-based geographically. While growth was again led by the developed world in December, the emerging markets closed the gap, notching-up the best monthly expansion since January 2013. The year as a whole was the best since 2012 for the emerging markets, contrasting with the near-stagnation of business conditions seen in the prior two years and further highlighting how the global economic upturn is becoming more broad-based.

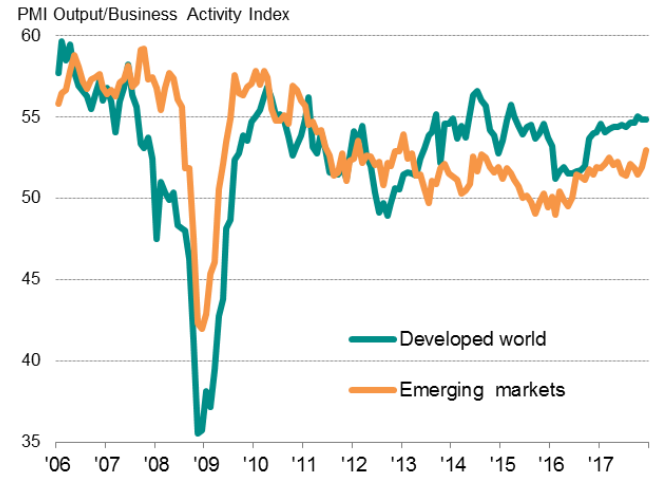
Europe leads developed world

The [eurozone](#) continued to lead developed world expansion, with growth accelerating in December to the highest since February 2011. The strong December reading rounded off the best year since 2007, with GDP growth indicated to have accelerated to 0.8% in the fourth quarter. Hiring also picked up, pushing employment up at the fastest rate for 17 years as firms looked to boost capacity to meet rising workloads. Optimism about the outlook also turned higher.

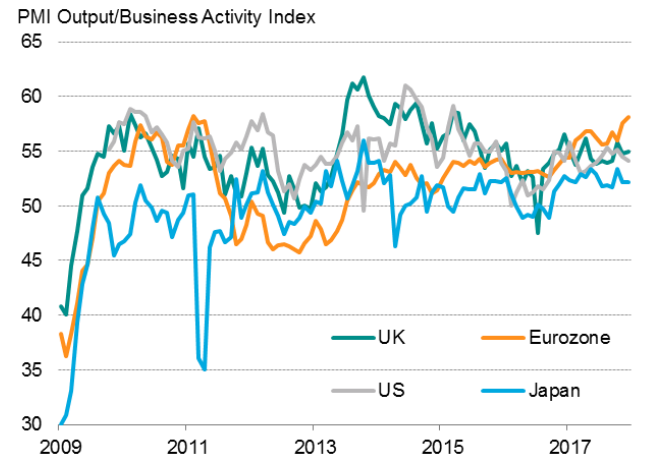
The [UK](#) likewise enjoyed a solid end to the year, with the December PMI surveys registering similar growth to November. The surveys are consistent with the economy matching, if not beating, the 0.4% GDP increase seen in the third quarter. However, a softer increase in new orders, decade high price pressures, low future optimism and a slowdown in hiring underscored downside risks to the near-term outlook.

In the [US](#), the PMI surveys indicated a moderation in the pace of expansion to the weakest since June. A notable upsurge in manufacturing growth was countered by a slowdown in the larger services economy. However, while moderating, the PMI surveys are running at levels consistent with the economy growing at a solid 2-2.5% annualised rate in the fourth quarter. Similarly, hiring, while also slowing slightly at the end of the year, continued to run at a pace indicative of non-farm payrolls up by around 195,000.

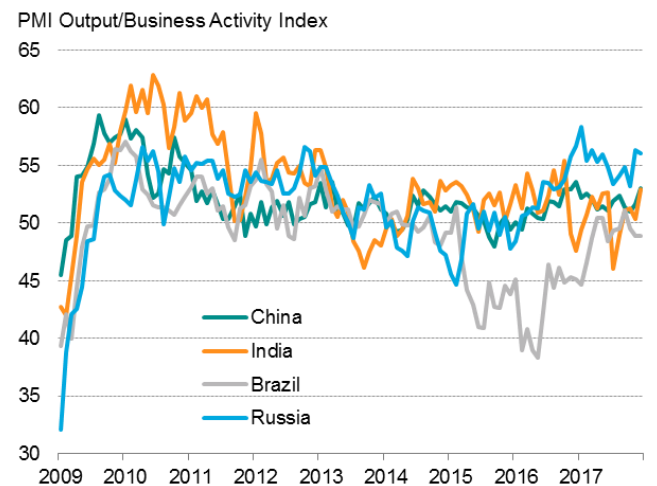
Developed v emerging world growth



Major developed economies: output



Major emerging markets: output



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

Price pressures meanwhile moderated but remained elevated by standards seen over the past three years.

In Japan, the Nikkei PMI surveys signalled a steady pace of expansion compared with November, consistent with the economy expanding at a quarterly rate of 0.7% in the closing quarter of 2017, up from 0.6% in the three months to September. The goods-producing sector picked up momentum to the fastest in nearly four years during December, fueled by rising exports in particular. In contrast, service sector growth maintained a more modest rate of increase. Firms' selling prices meanwhile rose at the fastest rate in three years amid strong cost pressures.

China and India boost emerging markets

A major mover in the emerging markets was China, where the Caixin PMI surveys indicated the strongest monthly expansion for a year in December, and one of the biggest gains seen over the past seven years. Growth accelerated in both manufacturing and services, though hiring failed to take off commensurately, leaving employment largely unchanged.

India likewise saw a similar upswing in the pace of business activity growth, with the composite Nikkei PMI hitting the highest since October 2016. The upturn was driven principally by a steep rise in manufacturing output, though services activity remained subdued amid the lingering effects of last year's sales tax rise.

It was Russia, however, that continued to record the strongest pace of expansion of the four BRIC economies, maintaining a solid rate of growth after the acceleration seen in November to end the best year since the global financial crisis.

It was a different story in Brazil, where business activity fell for a third month running, suggesting the country's return to growth earlier in the year has proved short-lived. Export-led manufacturing growth was offset by declining services activity, underscoring how the economy remained beset by weak domestic demand conditions.

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