



IHS Markit™

Economics & Country Risk

IHS Markit Purchasing Managers' Index

A sectoral perspective

New Year's Briefing | 25 January 2017 | Frankfurt

Chris Williamson, Chief Business Economist
+44 20 7260 2329, chris.williamson@ihsmarkit.com

“Best single measure of global economic activity in real time”

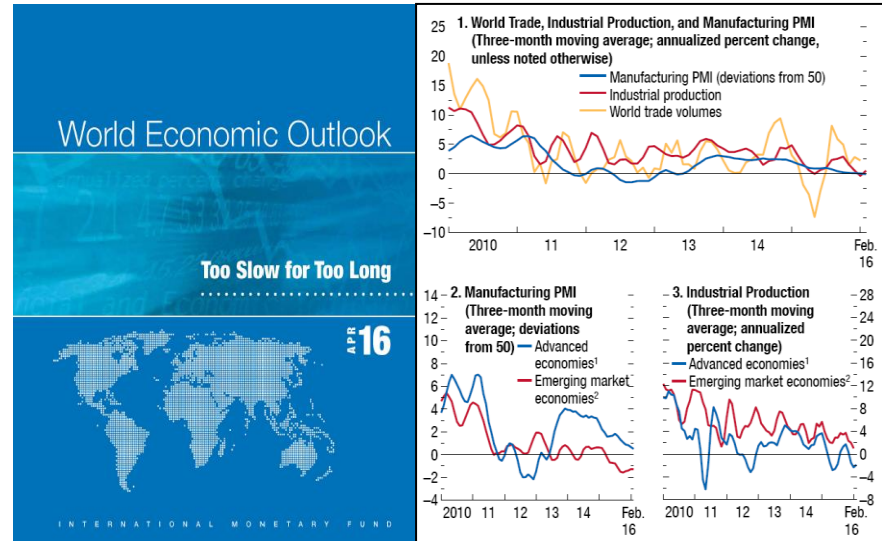
Bank of England rating of the global PMI

“the most closely monitored business surveys in the world”

European Central Bank paper 2015

“The Euro area composite PMI, which is the most reliable early indicator of growth ...”

JPMorgan research note, January 2017

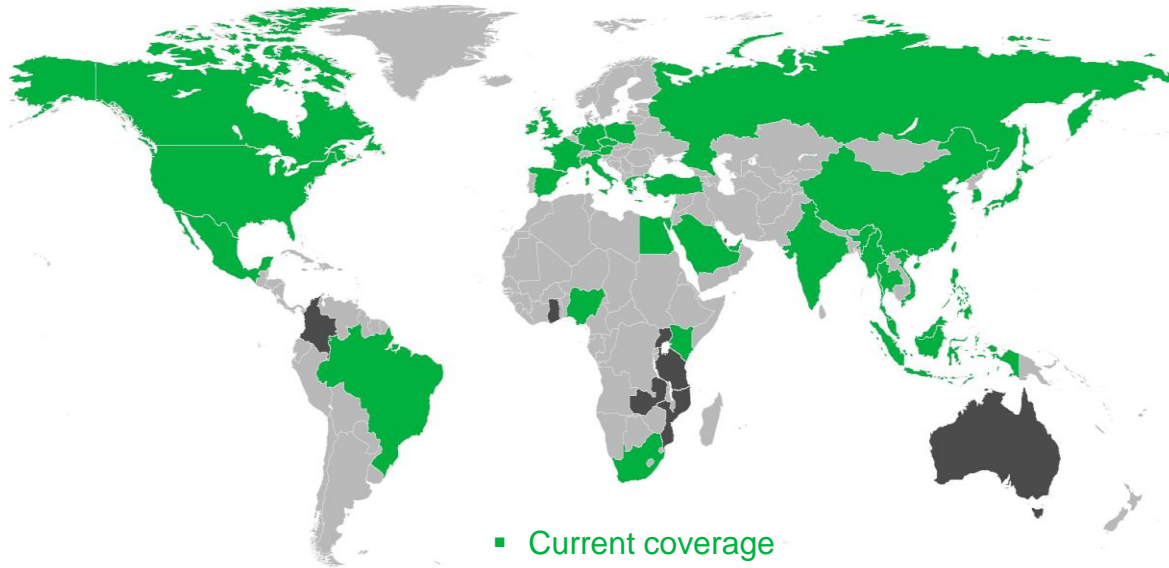


PMI coverage

38+
Countries

24,000+
Companies

83%
Global GDP



- Current coverage
- Expansion pipeline



The need for better economic data

Official data weaknesses:

- Poor coverage of the whole economy
- Often infrequent with delay in publication
- Revision prone
- Volatile

Lead to:

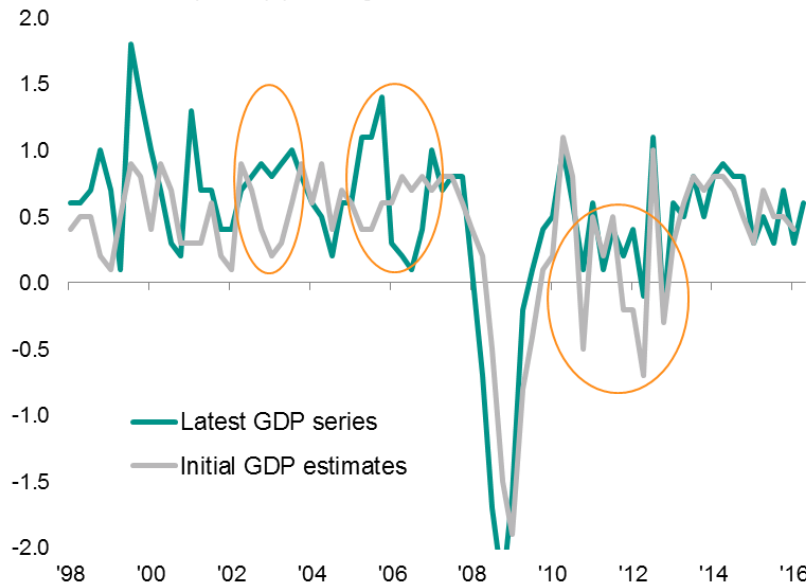
- Policy errors
- Investment allocation errors
- Business decision errors

PMI objective:

- To provide the **earliest**, most **accurate** and most **comprehensive** comparable suite of economic indicators

Revisions to official data: re-telling history

UK GDP, constant prices q/q % change

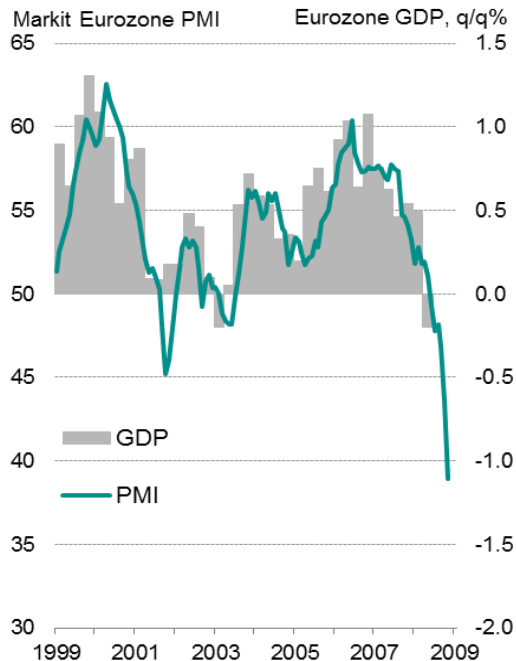


Sources: ONS, IHS Markit.

Timeliness

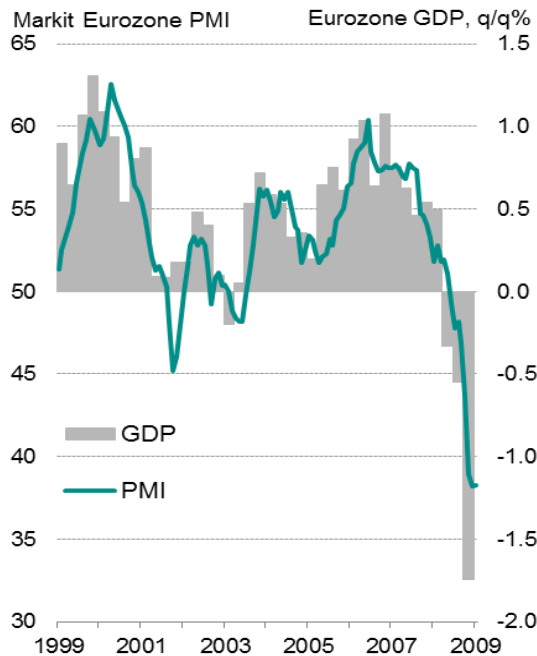
21 Nov 2008

Flash Eurozone PMI for November signals unprecedented downturn



13 Feb 2009

First estimate of eurozone GDP for Q4 2008 becomes available



Nowcasting: Trust the Purchasing Managers' Index or Wait for the Flash GDP Estimate?

Gabe J. de Bondt, European Central Bank, Germany

Timely and accurate signals about the current state of the economy are essential for analysts. In this context survey indicators are closely monitored as they can provide up-to-date and often unique monthly signals of current economic developments. This paper focuses on the nowcasting performance of the Purchasing Managers' Index (PMI) survey for the euro area, because the PMI has the advantage compared to other survey indicators of a theoretical no-change threshold of 50 and they are the most closely monitored business surveys in the world. For euro area evidence on the usefulness of the PMI see Lombardi and Maier (2011) and Vermeulen (2011a and b) and for outside the euro area see, among others, Harris (1991), Koenig (2002), Peláez (2003), Rossiter (2010) and Lahiri and Monokroussos (2011). Notwithstanding the focus on the PMI, surveys released by the European Commission (EC) are of course also potentially useful for nowcasting euro area real GDP, but their interpretation is less straightforward than that of the PMI and they are typically designed to match year-on-year growth rates. Studies on the usefulness of EC surveys are for instance Gelper and Croux (2010), who analyse the economic sentiment index and Raffinot (2007) who prefers, among a wide set of survey indicators, industrial production trend observed in recent months together with the general economic situation over the last twelve months for the construction of a monthly tracer of euro area real GDP. Besides the focus on the PMI, this study defines nowcasting in a narrow way as predicting current quarter-on-quarter growth in real GDP. Baubara et al. (2010) provide a more general nowcasting process for euro area real GDP.

The main contribution of this paper is that it compares the accuracy of PMI-based nowcast of current quarter-on-quarter euro area real GDP growth

"PMI-based GDP nowcasts turn out to be more in line with the latest official GDP estimates than the first official or flash GDP estimate.

"Regarding timeliness, two months of the current quarter appears to be generally sufficient, which is 2½ months before the flash GDP estimate."

Index coverage

Respondents are asked to compare volumes (or prices) in the current month with one month previously, with the exception of Future Expectations.

Manufacturing

Output
New orders
Backlogs of work
Employment
Input prices
Output prices
Quantity of purchases
Suppliers' delivery times
Stocks of purchases
Stocks of finished goods
New export orders
Future expectations*

Services

Business activity
New business
Outstanding business
Employment
Input costs
Prices charged
Future expectations*

Whole Economy

Output
New orders
Backlogs of work
Employment
Overall input prices
Purchase prices
Wage costs
Output prices
Quantity of purchases
Suppliers' delivery times
Stocks of purchases
New export orders
Future expectations*

Panel structure

US Manufacturing PMI

Sector	NAICS	Total	Small 0/99	Medium 100/499	Large 500+
Food, Beverages & Tobacco Products	311-312	12%	2%	5%	5%
Textiles, Clothing & Leather Products	313-316	2%	0%	1%	0%
Electrical & Electronic Products	334-335	18%	3%	6%	10%
Chemicals, Rubber & Plastics Products	325-326	17%	4%	7%	6%
Transport Manufacturing	336	7%	1%	1%	6%
Wood & Paper Products	321-323	6%	2%	3%	1%
Metals & Metal Products	331-332	10%	4%	4%	2%
Machinery	333	8%	2%	3%	3%
Other Manufacturing	324,327,337,339	19%	5%	7%	7%
Total			23%	37%	40%

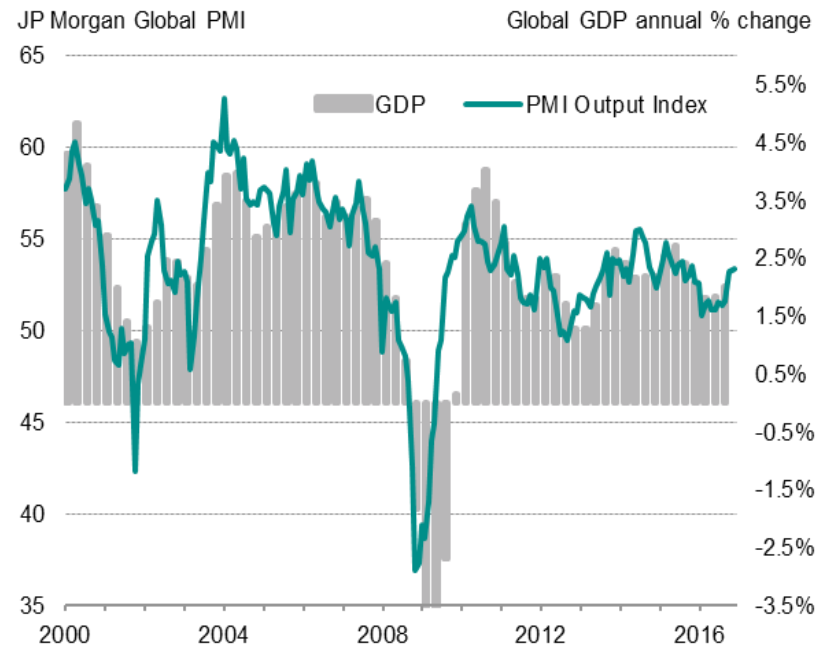
Sources: US Department of Commerce, Bureau of Economic Analysis, US Census Bureau.

Global Sector PMI coverage

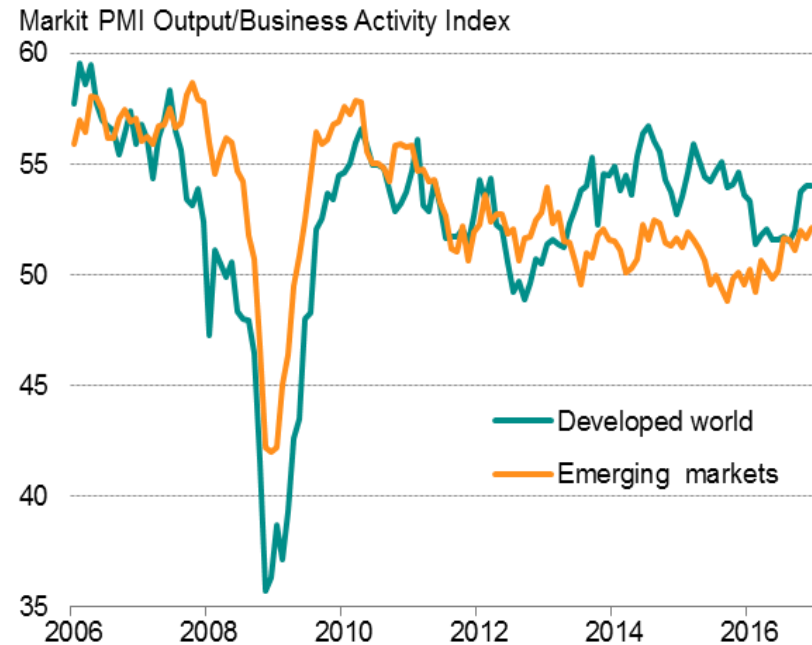
Groups	Sectors	Sub-sectors
Basic Materials	Chemicals Resources	Forestry & Paper Products Metals & Mining
Consumer Goods	Automobiles & Auto Parts Beverages & Food Household & Personal Use Products	Food Beverages
Consumer Services	Media Tourism & Recreation	
Financials	Banks Insurance Other Financials Real Estate	
Healthcare	Healthcare Services Pharmaceuticals & Biotechnology	
Industrials	Industrial Goods Industrial Services Transportation	Machinery & Equipment Construction Materials Commercial & Professional Services General Industrials
Technology	Technology Equipment Software & Services	
Telecommunication Services		

Global PMI at 13-month high

Global GDP and the PMI

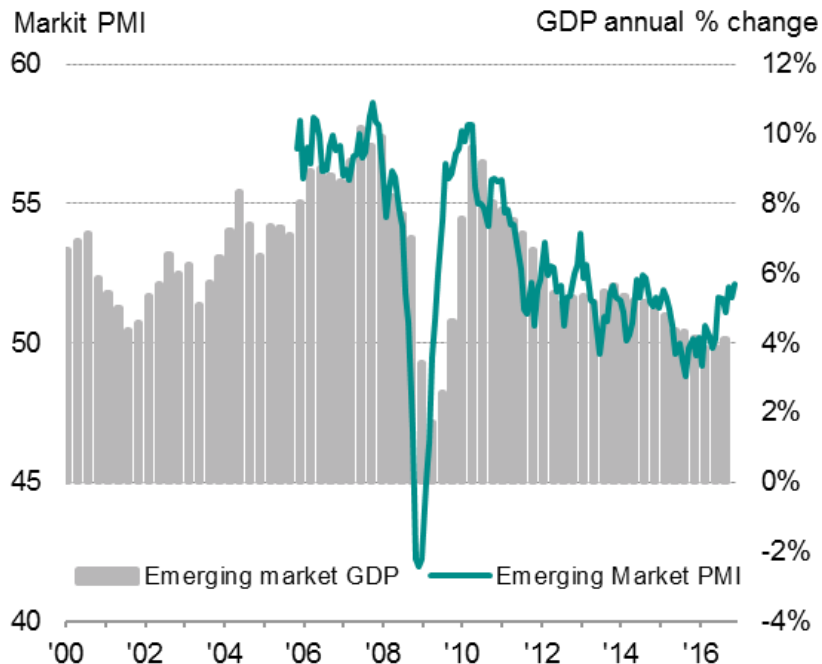


Developed & emerging market output

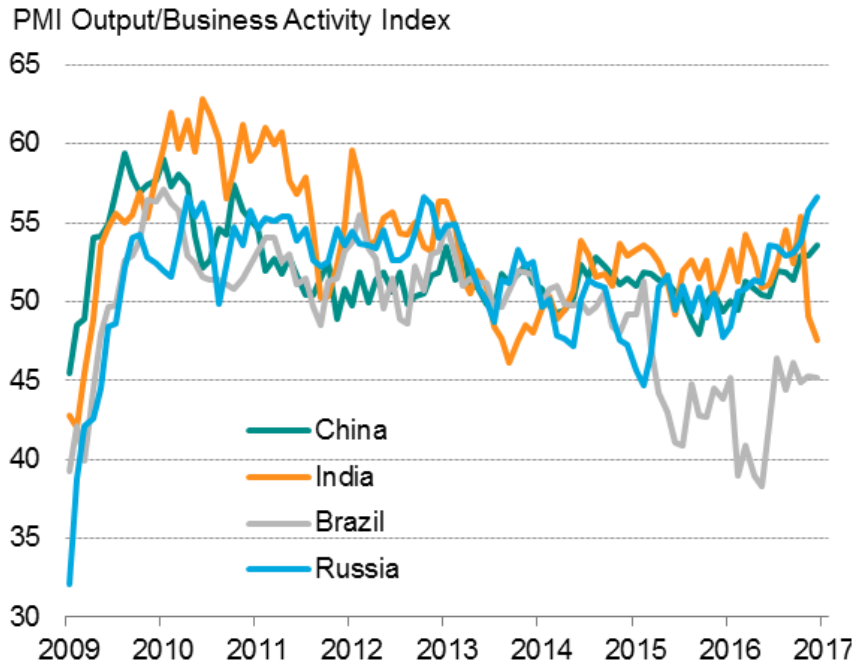


Emerging markets

Emerging market GDP and the PMI



Emerging market PMI output

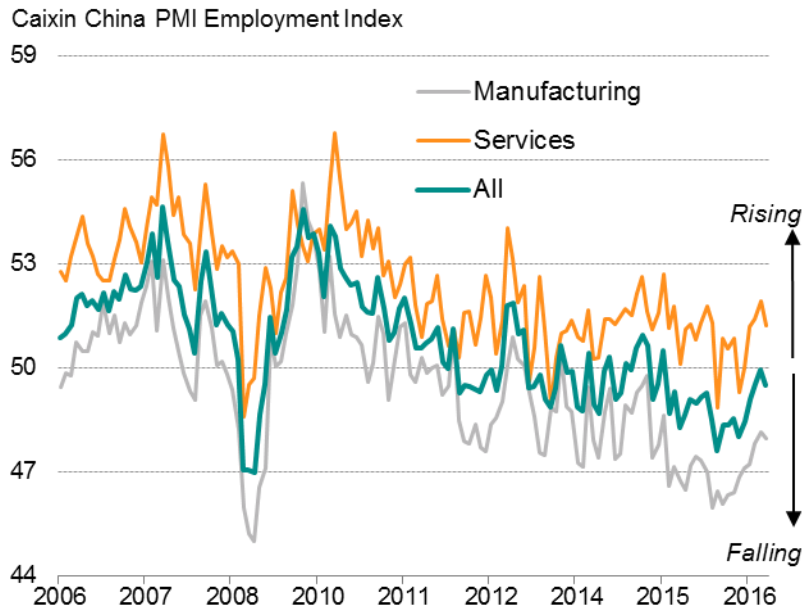


China PMI points to best quarter for nearly six years

China PMI* & economic growth

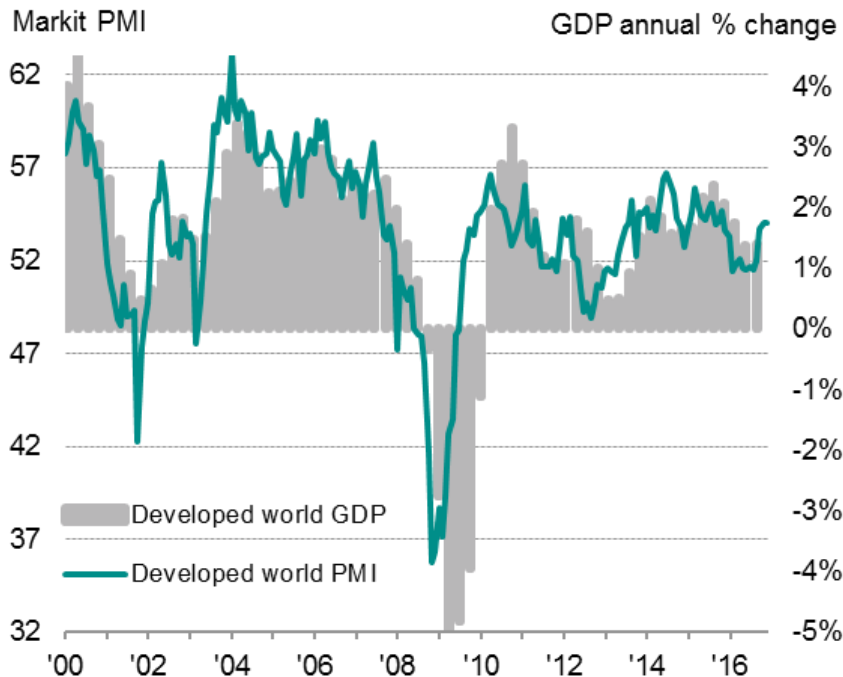


China employment

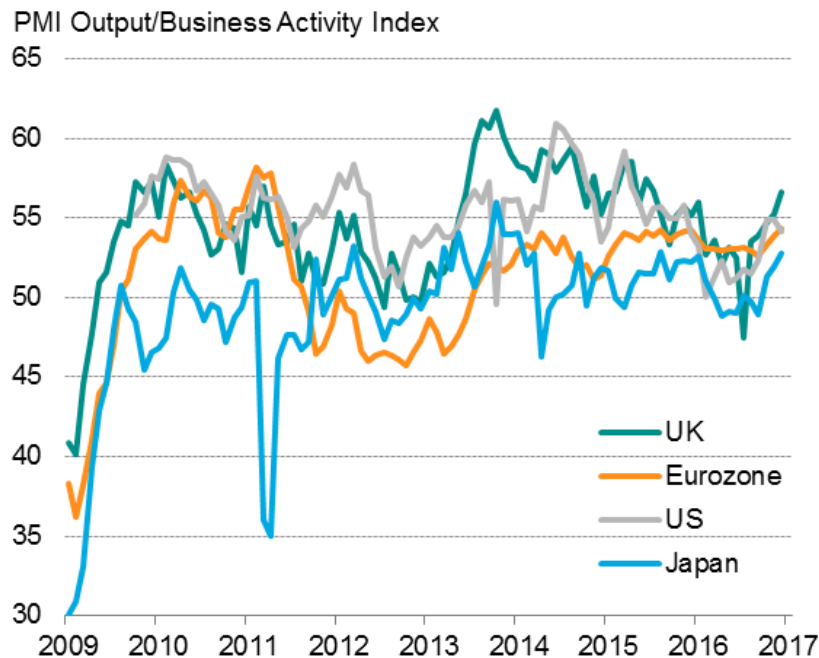


Developed world

Developed world GDP and the PMI

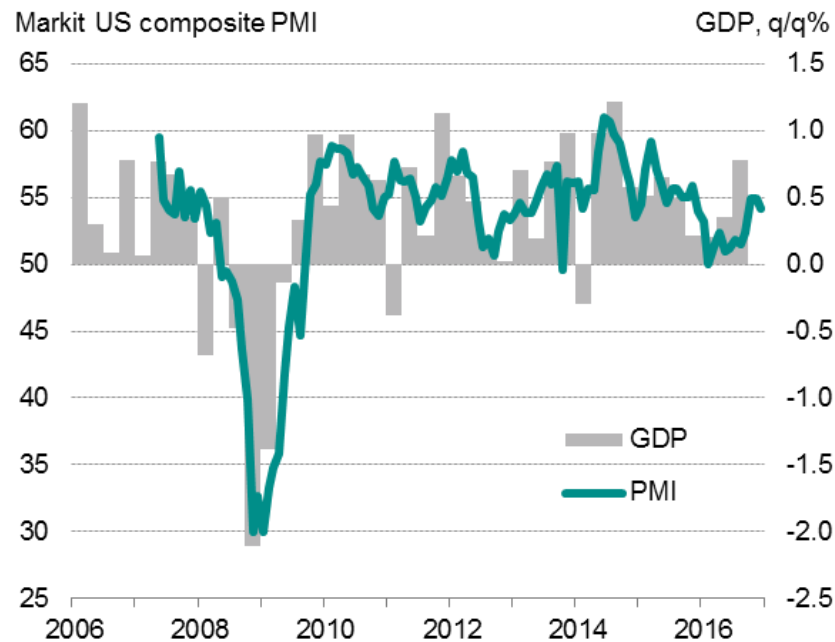


Developed market PMI output

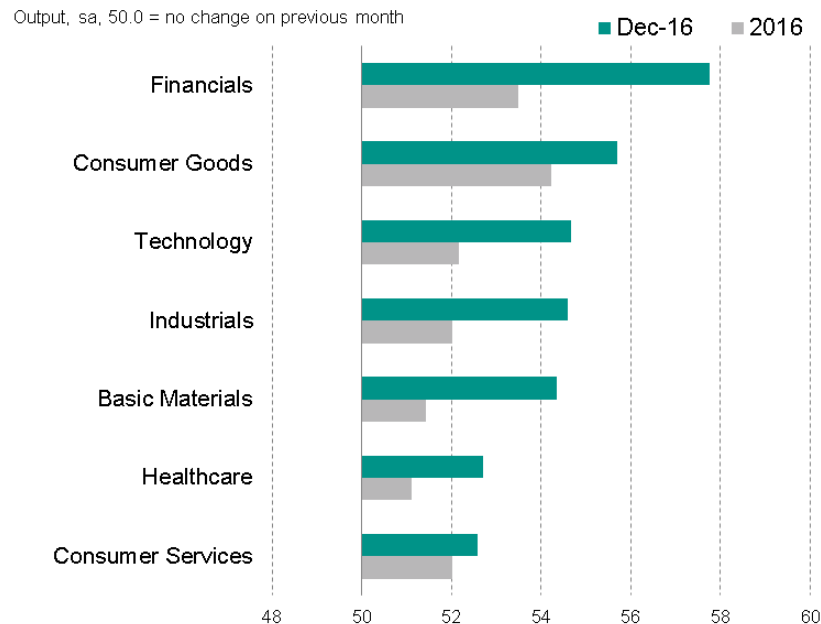


US survey strength adds to scope for further rate hikes

US PMI & economic growth

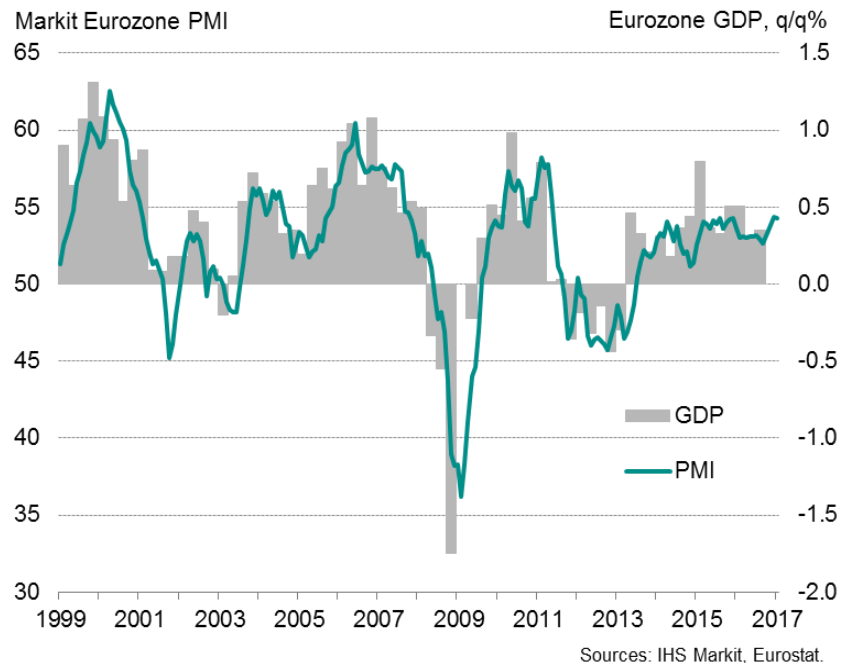


US output by sector

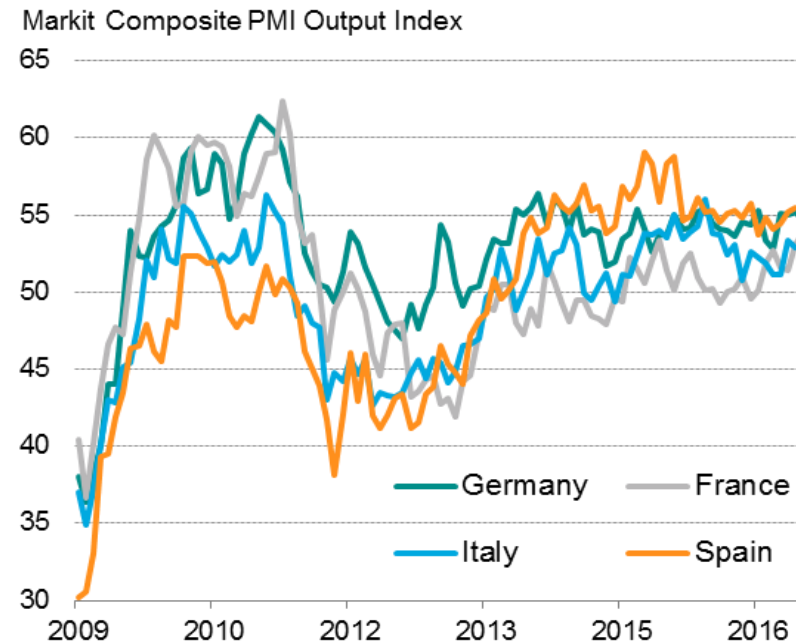


Eurozone grows at fastest rate since 2011

Eurozone PMI & GDP



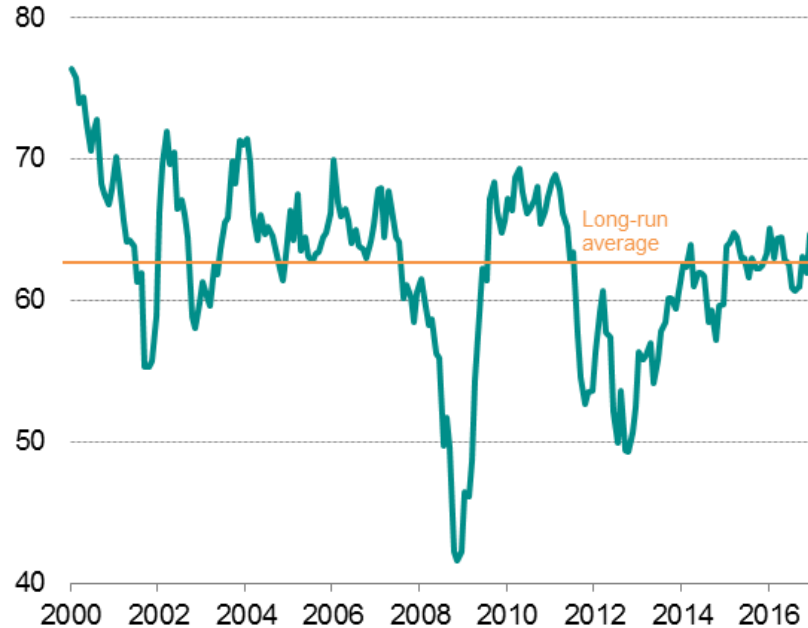
Big-four euro nations



Eurozone business outlook

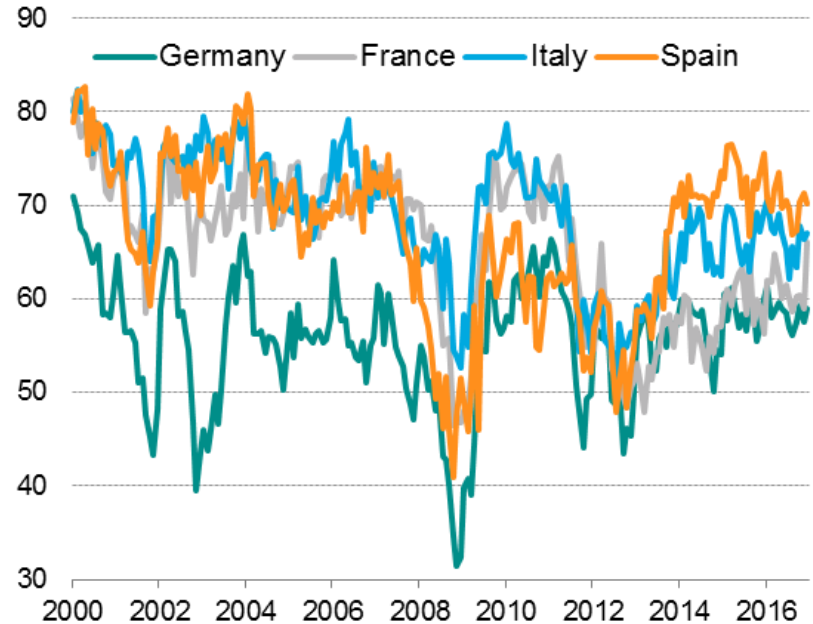
Eurozone business outlook

Markit Services PMI Future Expectations Index



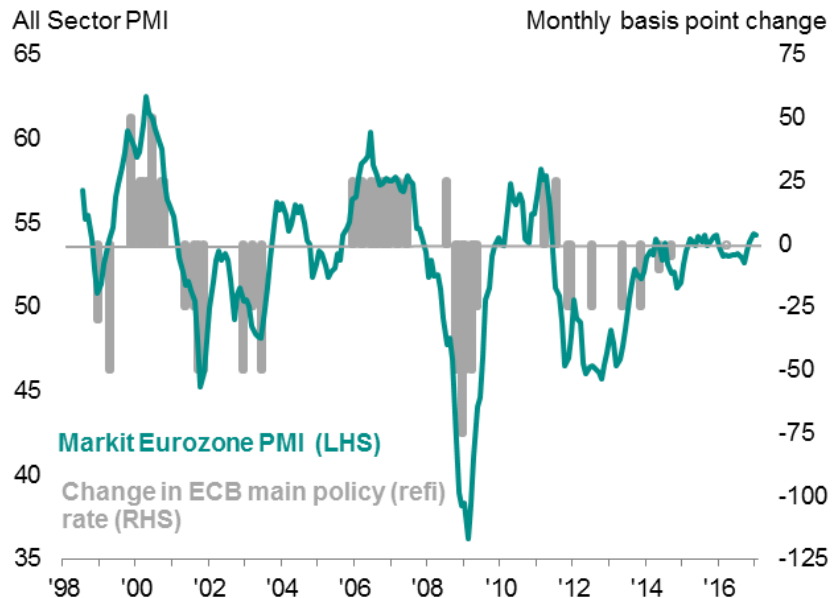
Big-four euro nations

Markit Services PMI Future Expectations Index

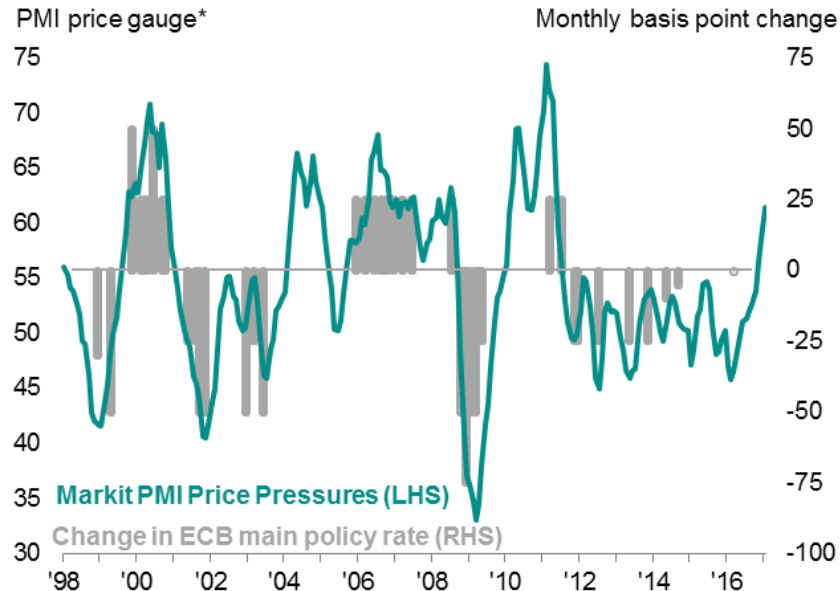


ECB policy

ECB policy v PMI output



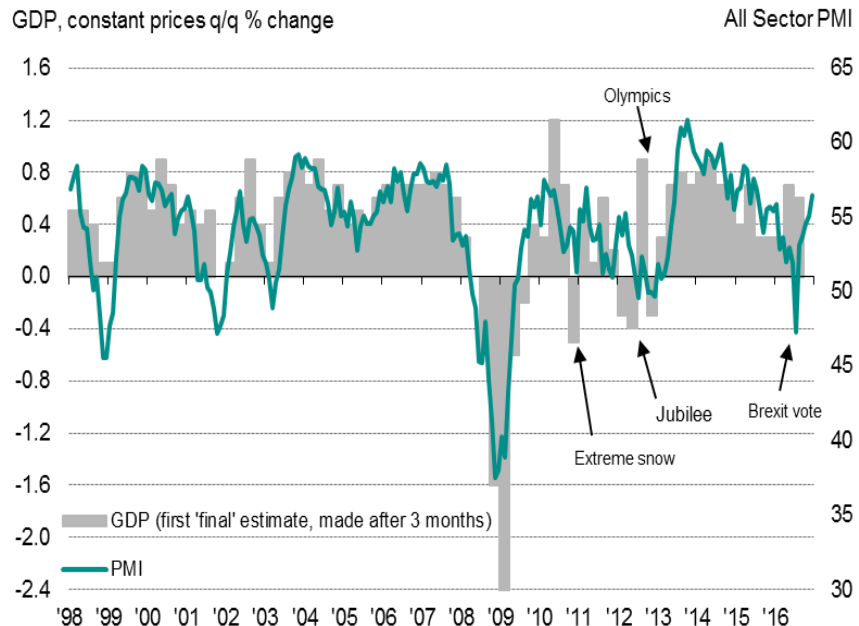
ECB policy v PMI price gauge



* Derived from input cost and supplier delivery times indices.

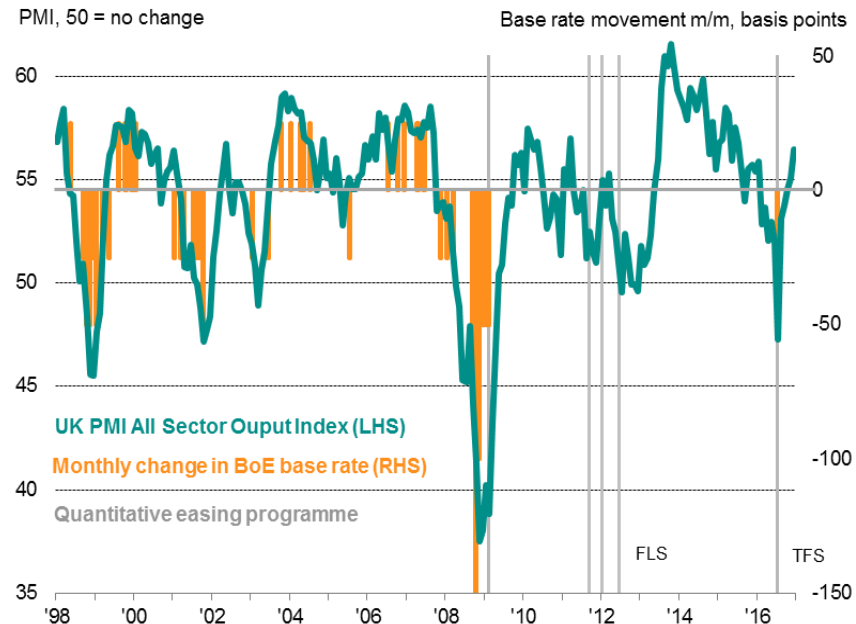
United Kingdom ends 2016 on 1½ year high

UK PMI & GDP



Sources: IHS Markit, ONS.

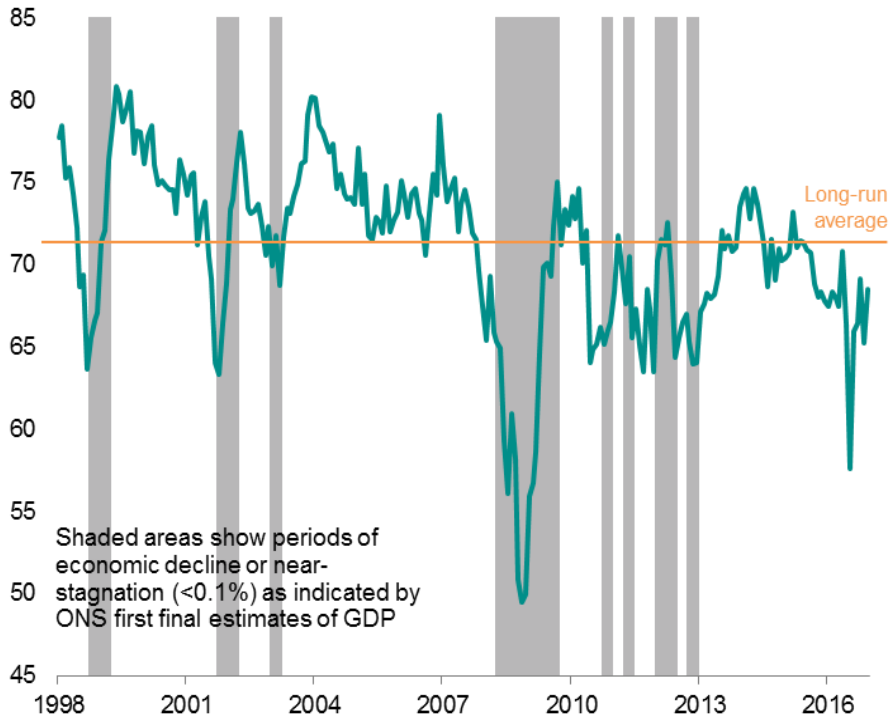
Bank of England policy



Source: IHS Markit.

United Kingdom business outlook

Markit/CIPS Services PMI Business Expectations Index

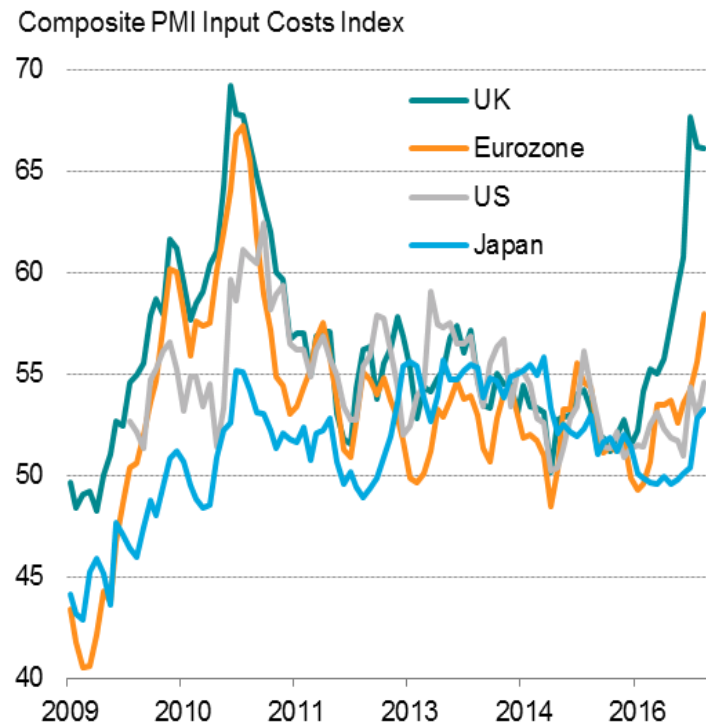


UK service sector worries*

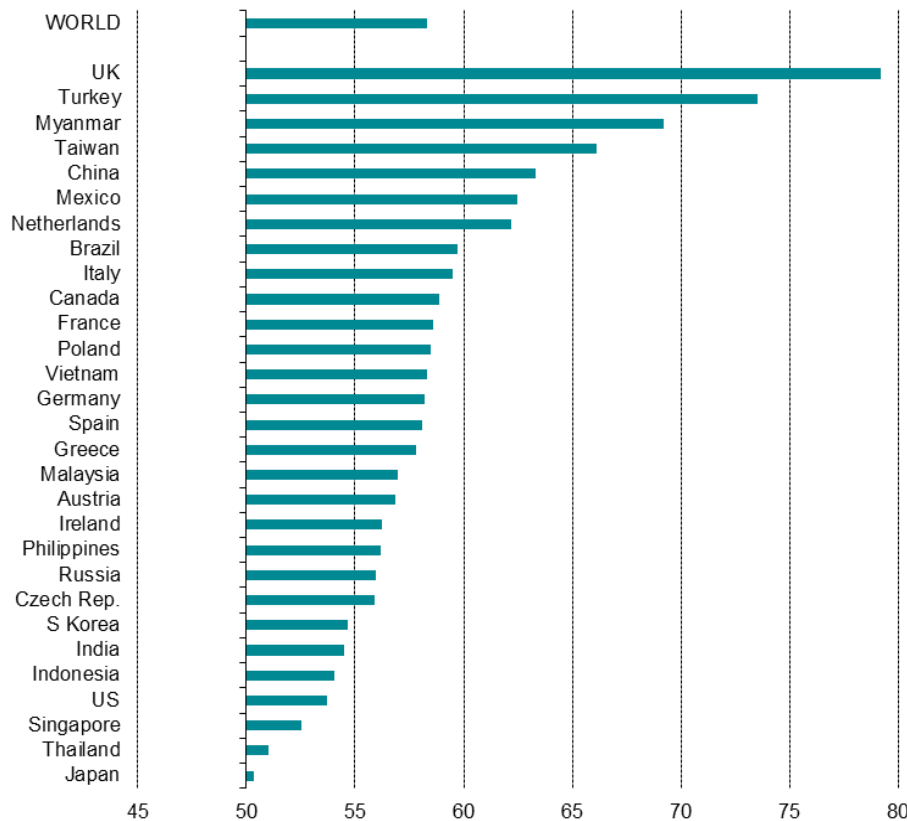


* Derived from reasons cited for pessimism about business activity in the year ahead from monthly PMI surveys in Q4 2016.

Global input prices

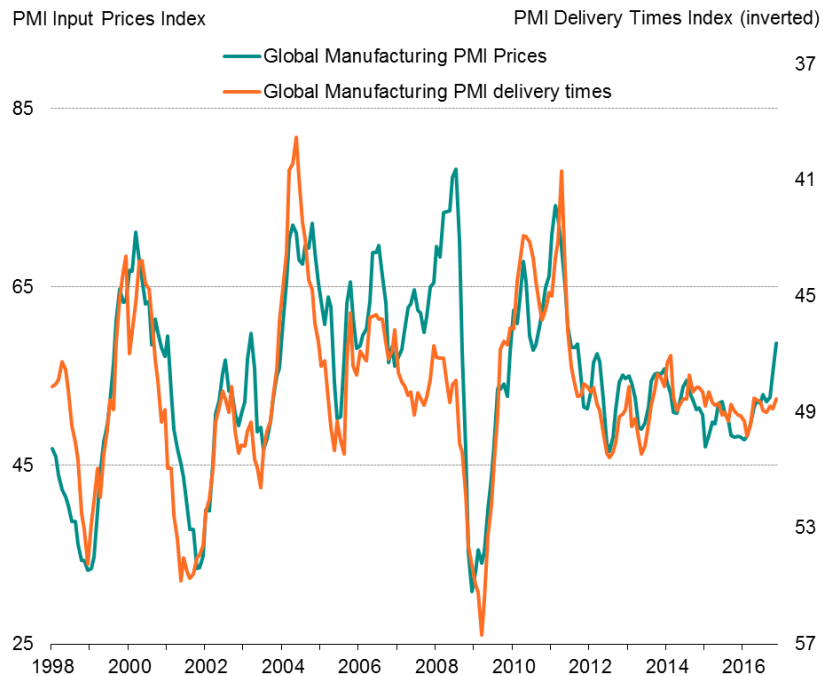


Manufacturing PMI Input Prices Index, Q4 2016 average, 50 = no change on prior month

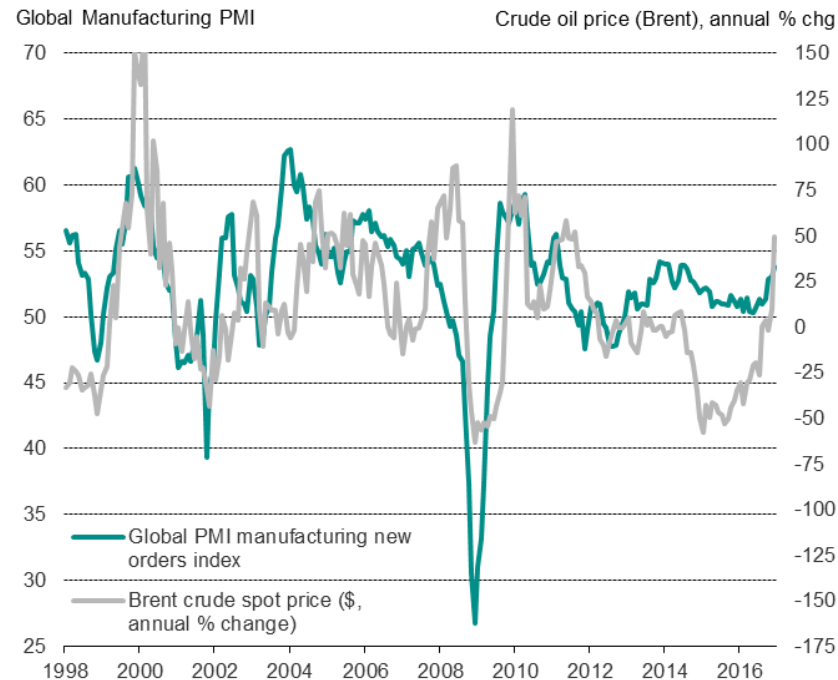


Global prices and supply chains

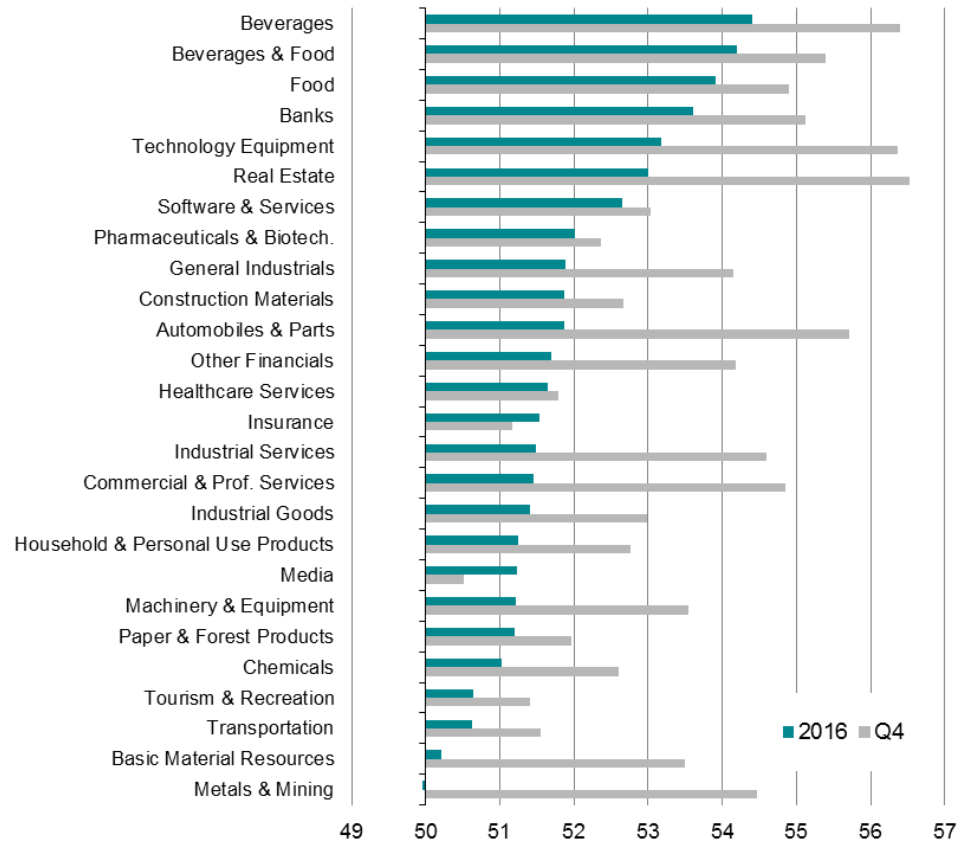
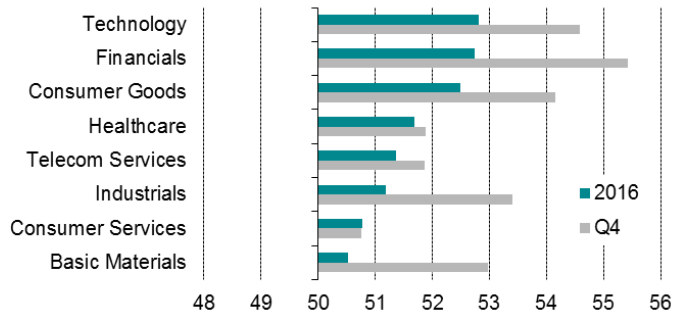
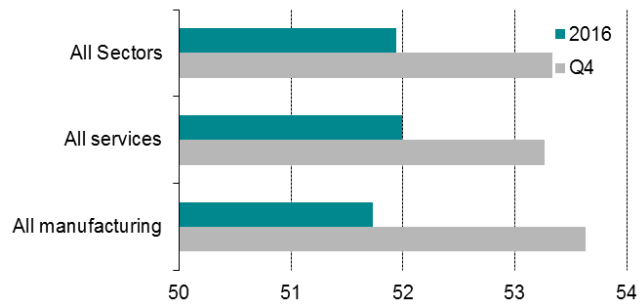
Supplier performance and prices



Global orders and oil price

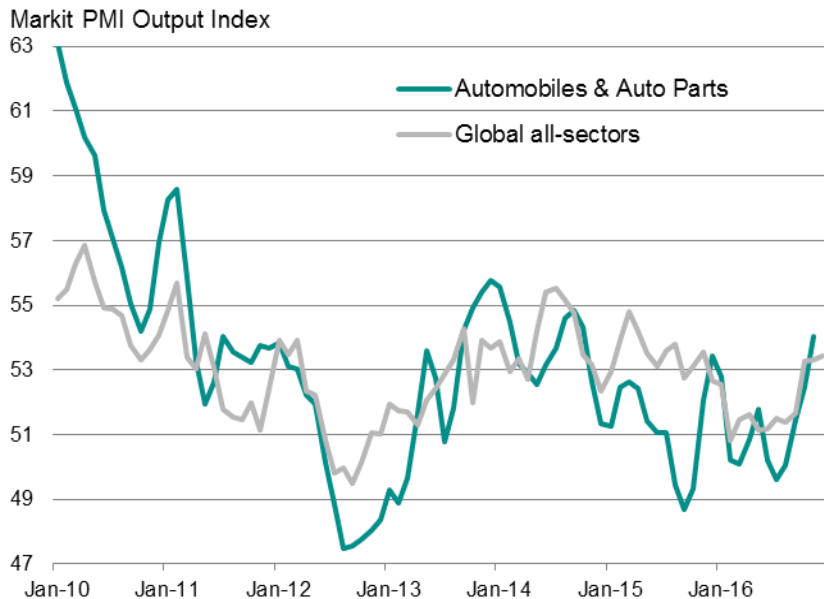


Global PMI output

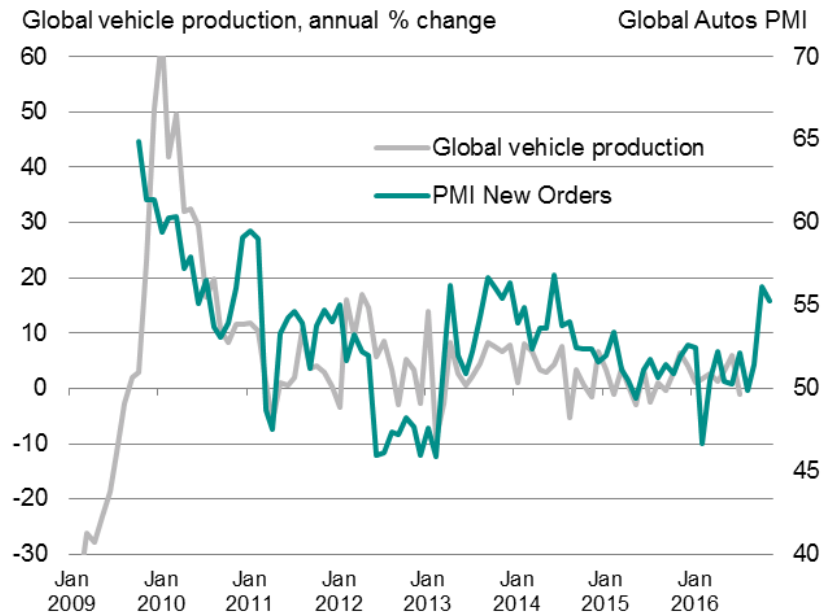


Global autos

Auto sector PMI v global PMI

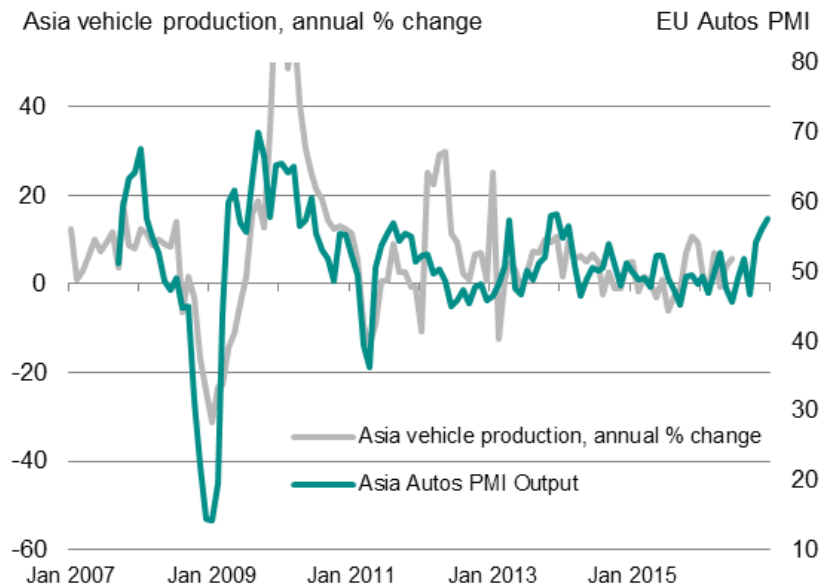


Auto sector PMI v actual production

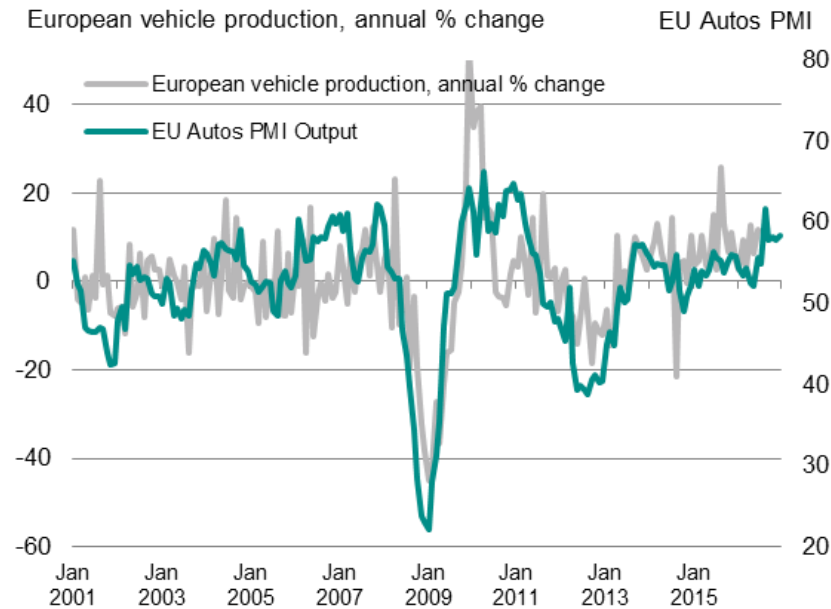


Global autos

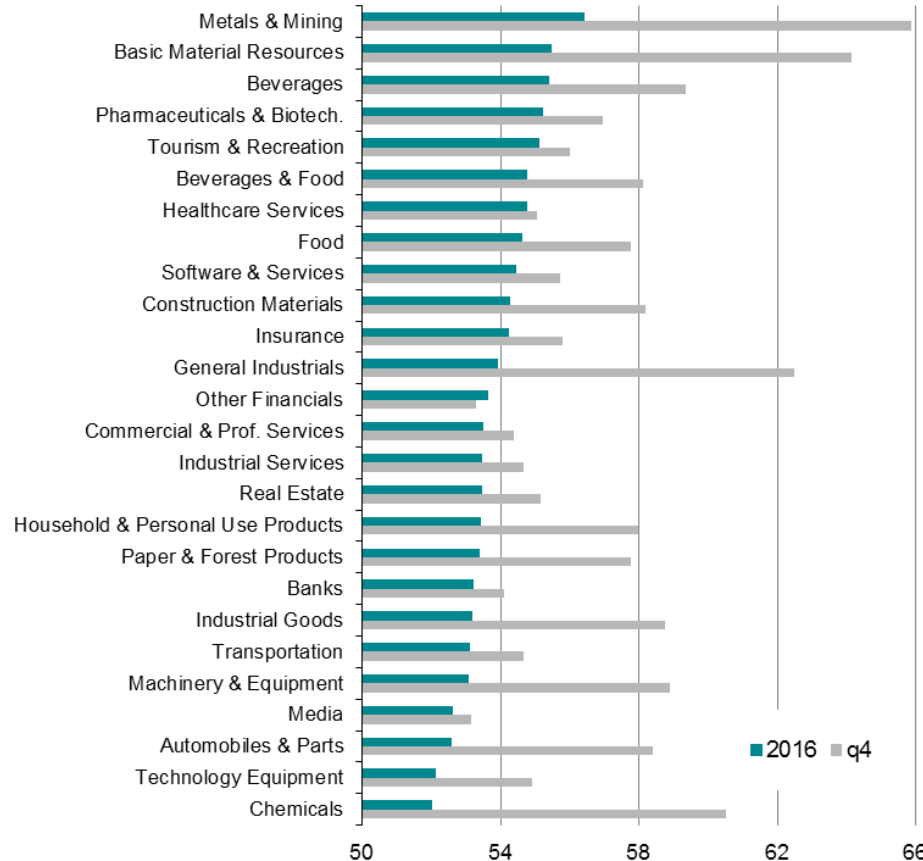
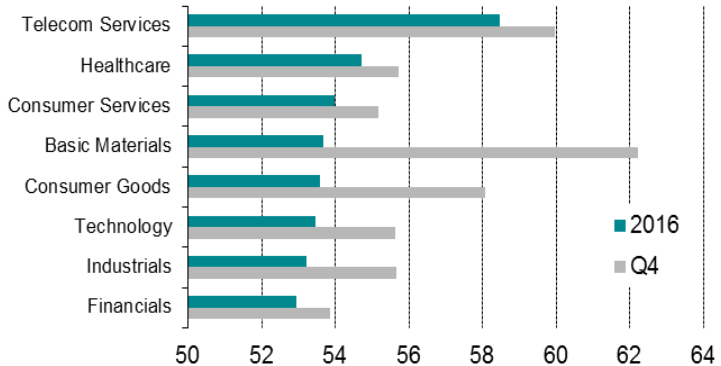
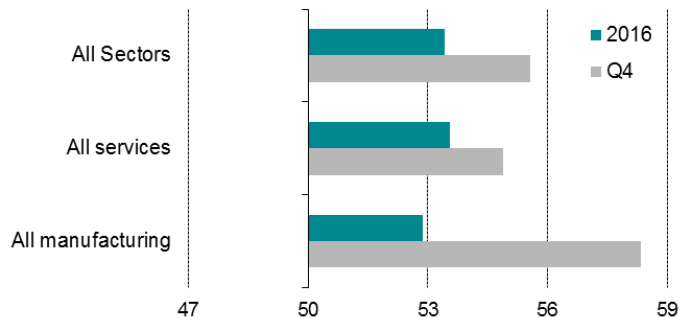
Asian vehicle production



European vehicle production



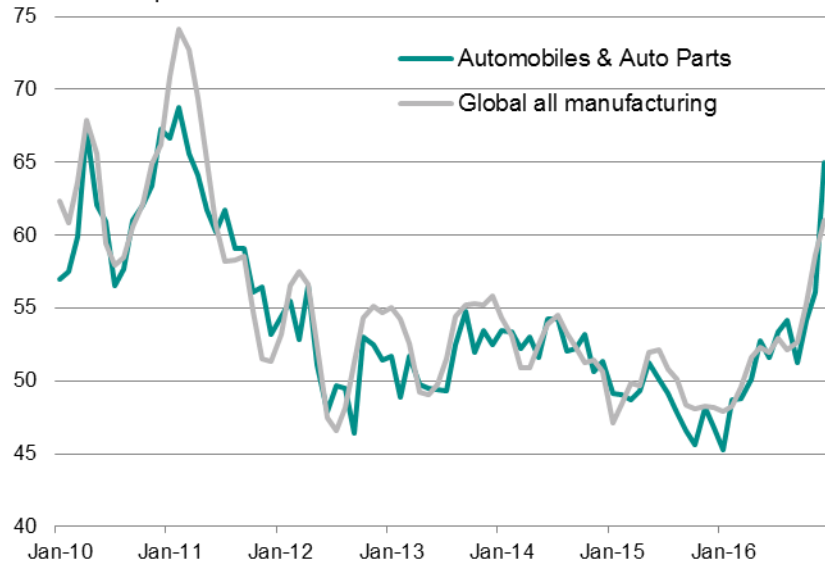
Global PMI input costs



Global autos

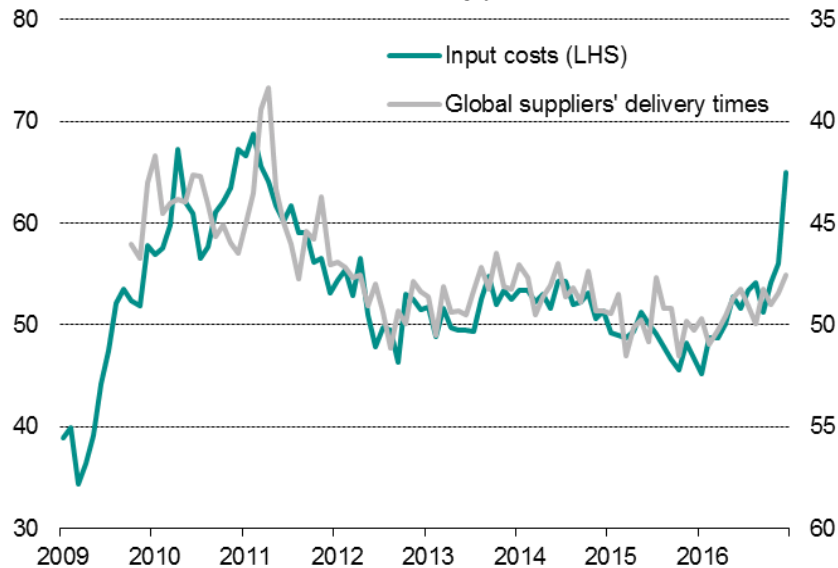
Auto sector PMI - costs

Markit PMI Input Prices Index



Auto sector PMI – supply chains

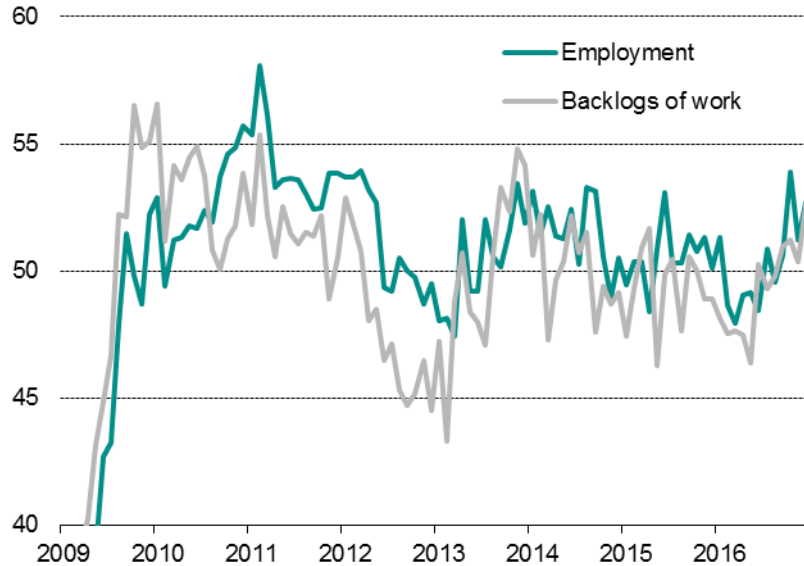
Global auto manufacturers - inflationary pressures



Global autos

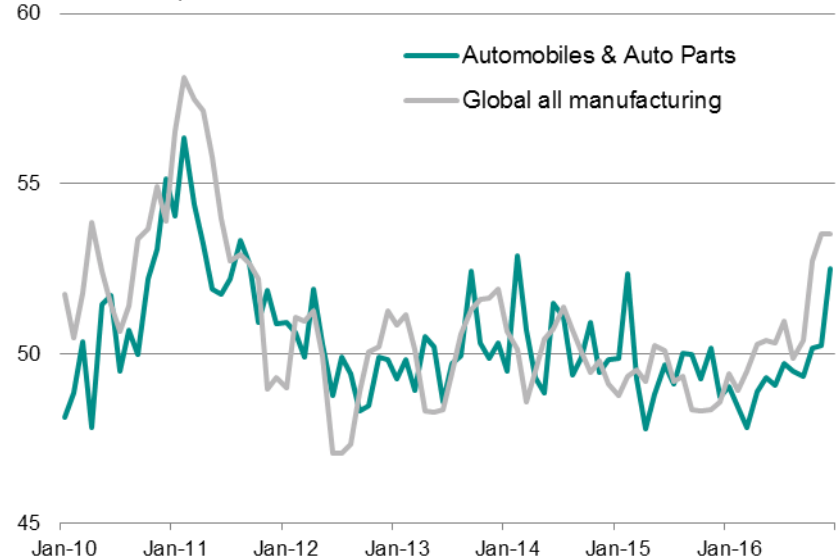
Auto sector PMI – operating capacity

Global auto manufacturers - employment / capacity



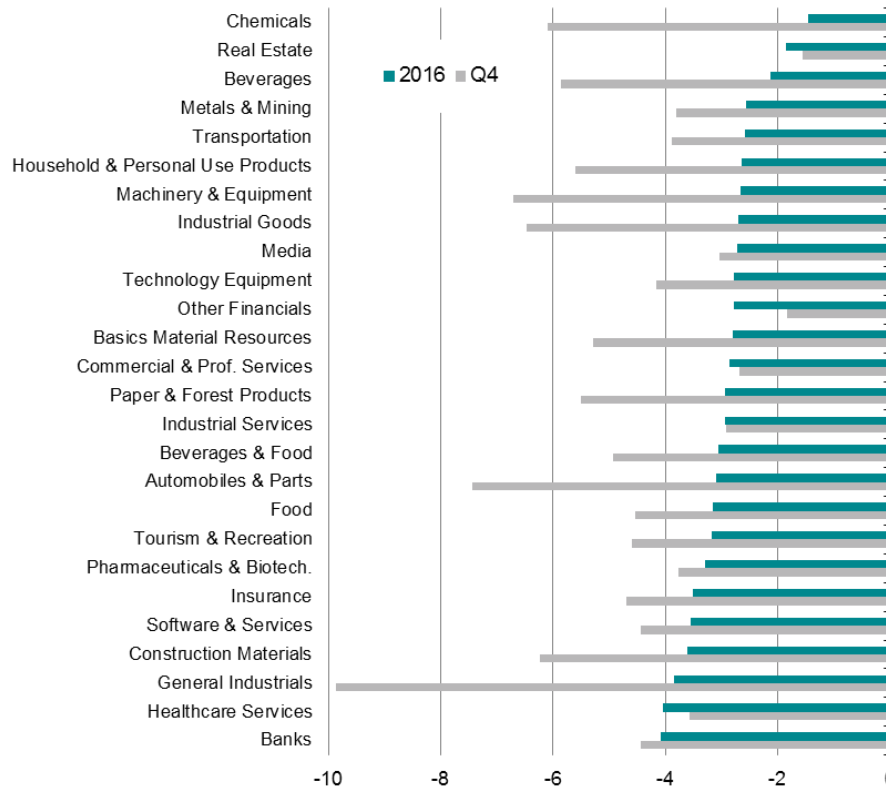
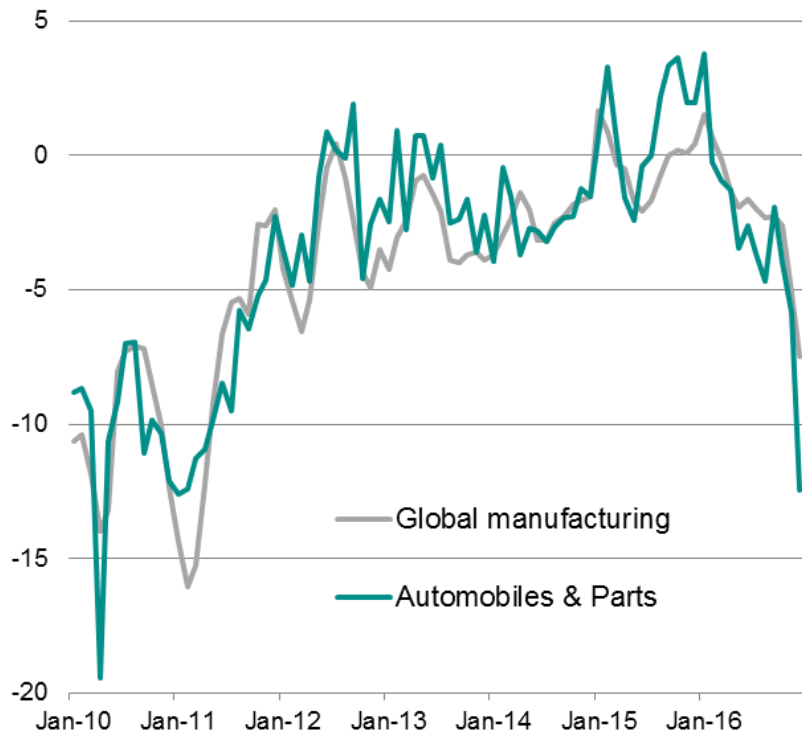
Auto sector PMI – selling prices

Markit PMI Output Prices Index



Operating margins

PMI margin indicator
(index of selling price inflation minus index of input cost inflation)



For updates read our [commentary](#) or access data on www.markit.com



ALL CREDIT **ECONOMICS** EQUITIES INDICES STRUCTURED FINANCE IN MY OPINION

Search Commentary

Subscribe Contact Us

Official data confirm post-referendum UK manufacturing downturn in July

ECONOMICS | September 7th, 2016



UK manufacturers suffered their largest drop in output for a year in July as 'Brexit' worries hit production. Output...

Read More

Latest Articles



Monthly/Quarterly Review

Global growth lifted by emerging market upturn

Global economic growth edged higher at the start of the third quarter, but failed to break out of the rut of sluggish expansion that has been evident since February. The JPMorgan Global PMI, compiled by Markit from its various national surveys, rose from 51.2 in June to a three-month high of 51.4. The PMI continues to signal a modest annual global GDP growth rate of only 1.5%, though manufacturing showed renewed signs of life.

Watch the video >
Read the report >
View more

Research Papers

Using US PMI data to compile more accurate GDP estimates

Oct 29th, 2015

Using PMI survey data to predict official Germany GDP growth rates

Aug 17th, 2015

Using PMI survey data to predict official eurozone GDP growth rates

More Information

About Markit PMI

PMI brochure

PMI data are available on an annual subscription basis from Markit by contacting economics@markit.com. Packages are available depending on the number of users and number of surveys required. Data can be provided directly via Markit Distribution Platform or via third-party distributors such as Bloomberg, Factset, Haver, IHS, Macrobond, and Thomson Reuters.

PMI Calendar

Upcoming release dates

September 7th, 2016

13:45pm Markit US Sector PMI

15:00pm Markit Global Sector PMI

23:01pm Markit / REC UK Report on Jobs

23:01pm Markit UK Report on Jobs: Scotland

23:01pm Markit / REC UK Report on Jobs: London

Global economy

Global PMI edges higher

- Global PMI edges up to four-month high
- Emerging markets continue to spell for one-and-a-half years
- Developed world growth buoyed by sluggish expansions still seen in, while Japan stagnates

Tentative signs of stronger emerging growth to appear in August, but world stuck in a low gear that continued to expand at one of the slowest over the past three years.

The JPMorgan Global PMI, compiled from its various national surveys, is the third successive month from 51.5 August. Although rising, the PMI in two months point to annual growth of 1.5% in the third quarter, suggesting economy remains locked in its slow for just over three years.

While emerging markets continue strongest expansion for one-and-a-half of growth remained weak by the. Similarly, the developed world continues a sluggish expansion, having down February, enduring its worst spell although the rate of growth nudged high in August.

The upturn was again driven by the factory output growth hit the 11 November, while service sector modestly. The latter nevertheless momentum since April.

Other indices from the surveys sent Growth of new orders picked up to 4.6% and employment rose at the slowest 2013. Job creation was again driven world as emerging markets take workforce numbers, though ever hitting it a three-year low.

United Kingdom

Record rise in all-sector PMI

- All sector PMI rises to 53.2 from 47.4
- Manufacturing, helped by exports, followed by more muted service sector
- Construction downturn eases
- Hiring resumes after fall in July
- Weaker exchange rate pushes costs

The UK saw business activity rebound post-referendum decline in August, strong expansion for five months.

A record rise in the MarkitCIPS fell to the index up to 53.2, its highest since reversing the record fall to 47.4. While July's decline had been largely political uncertainty following the UK's June 23rd the EU, August's increase reflected improvement in sentiment.

Businesses across manufacturing, construction reported that business confidence had revived, with an increase in demand.

A variety of factors, including the establishment of the new government, England's aggressive stimulus are expected to reduce uncertainty amongst companies were seeing business "either simply as a result of customer or a stock determination to "buck the trend".

The survey's most important news is a robust activity, with the rise in the business being the largest on record. This is of an even stronger recovery in many exporters enjoying a boost from exchange rate, and signs of cost stabilising, about remaining in decline.

The revival marks a substantial 0.4% quarterly rate of GDP decline July survey data. Over the first two quarters, the survey's output measure 50.3, signalling a near-stagnation of the

ASEAN economy

New PMI survey data signal welcome steadying of manufacturing

- Newly launched Nikkei ASEAN PMI shows modest improvement in business conditions in August after July decline
- Employment falls as firms cut costs
- Philippines heads ASEAN growth ranking
- Regions suffering from weak global demand

IHS Markit expects the Asia Pacific region (excluding Japan) to enjoy the strongest economic growth of all regions over the next decade, within which a key role will be played by the Association of Southeast Asian Nations (ASEAN) countries. The newly launched Nikkei ASEAN PMI, compiled by IHS Markit, will therefore provide an important source of timely information on the high-growth region.

Manufacturing stabilises

The ASEAN Manufacturing PMI® (Purchasing Managers' Index) is produced by IHS Markit on behalf of Nikkei and is based on original survey data collected from around 1,100 manufacturing firms. National data are included for Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. Taken together, these countries account for an estimated 98% of ASEAN manufacturing activity.

At 50.3 in August, up from July's 49.5, the PMI signalled a fractional improvement in operating conditions after a slight deterioration in July. Importantly, the latest reading was the second-highest since late-2014, falling just shy of June's recent peak, and represents a significant improvement on the decline signalled throughout much of last year.

The principal factor supporting the headline index was a rise in new order intakes. Rebounding from last month's decline, incoming new business rose at the second-fastest pace in 23 months, helped by a welcome stabilisation of export orders. The surveys have shown ASEAN exports to have been in almost continual decline for more than two years, largely reflecting slower economic growth in major export markets such as China, Japan, the US and Europe.

Nikkei ASEAN Manufacturing PMI

Nikkei National Manufacturing PMI

IHS Markit economic growth forecasts

IHS Markit Customer Care:

CustomerCare@ihsmarkit.com

Americas: +1 800 IHS CARE (+1 800 447 2273)

Europe, Middle East, and Africa: +44 (0) 1344 328 300

Asia and the Pacific Rim: +604 291 3600

IHS Markit™ COPYRIGHT NOTICE AND DISCLAIMER © 2017 IHS Markit.

No portion of this presentation may be reproduced, reused, or otherwise distributed in any form without prior written consent of IHS Markit. Content reproduced or redistributed with IHS Markit permission must display IHS Markit legal notices and attributions of authorship. The information contained herein is from sources considered reliable, but its accuracy and completeness are not warranted, nor are the opinions and analyses that are based upon it, and to the extent permitted by law, IHS Markit shall not be liable for any errors or omissions or any loss, damage, or expense incurred by reliance on information or any statement contained herein. In particular, please note that no representation or warranty is given as to the achievement or reasonableness of, and no reliance should be placed on, any projections, forecasts, estimates, or assumptions, and, due to various risks and uncertainties, actual events and results may differ materially from forecasts and statements of belief noted herein. This presentation is not to be construed as legal or financial advice, and use of or reliance on any information in this publication is entirely at your own risk. IHS Markit and the IHS Markit logo are trademarks of IHS Markit.

