



IHS Markit™

Global PMI

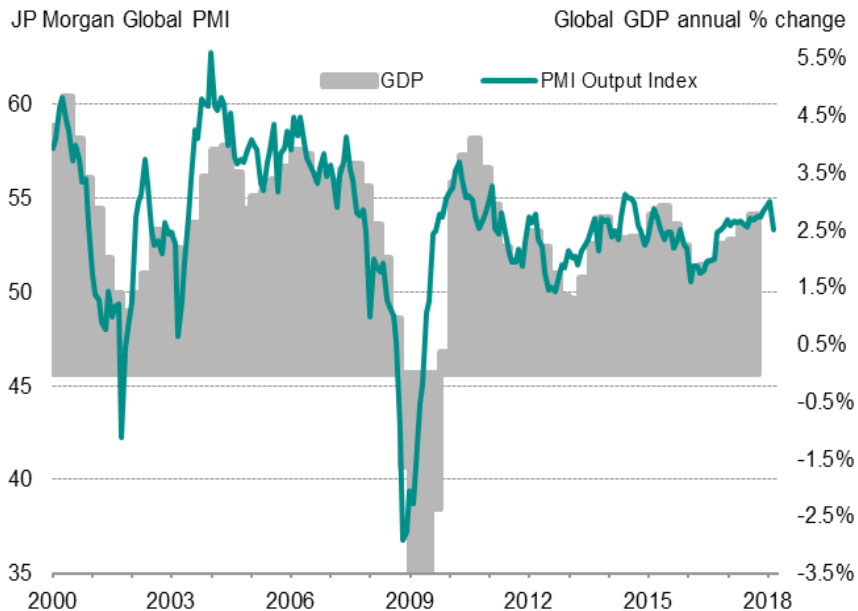
Global economy suffers loss of momentum in March

April 10th 2018

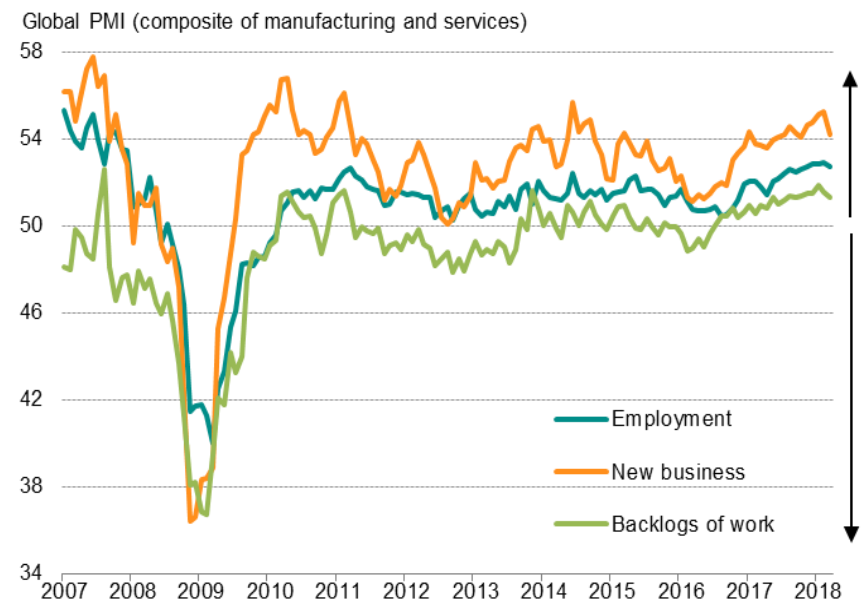
Global economy suffers marked loss of growth momentum

- Global economic growth slowed sharply to the weakest for over a year in March. The JPMorgan Global PMI™, compiled by IHS Markit, fell for the first time in six months, down sharply from 54.8 in February to a 16-month low of 53.3. The 1.5 index point drop was the steepest seen for two years. To put the decline in context, while the February PMI reading was consistent with global GDP rising at an annual rate of 3.0% (at market exchange rates), the March reading is indicative of 2.5% growth.
- Inflows of new business and backlogs of work also rose to weaker extents than seen in the previous month. Employment growth remained more resilient, easing only marginally from the decade-high rates seen in prior months to suggest that firms continued to focus on expanding capacity to meet rising demand. Future expectations also remained elevated, suggesting that at least some of the slowdown may prove temporary. Bad weather was cited in many countries as curbing business activity in March.

Global PMI* output & economic growth



Global PMI indicators*



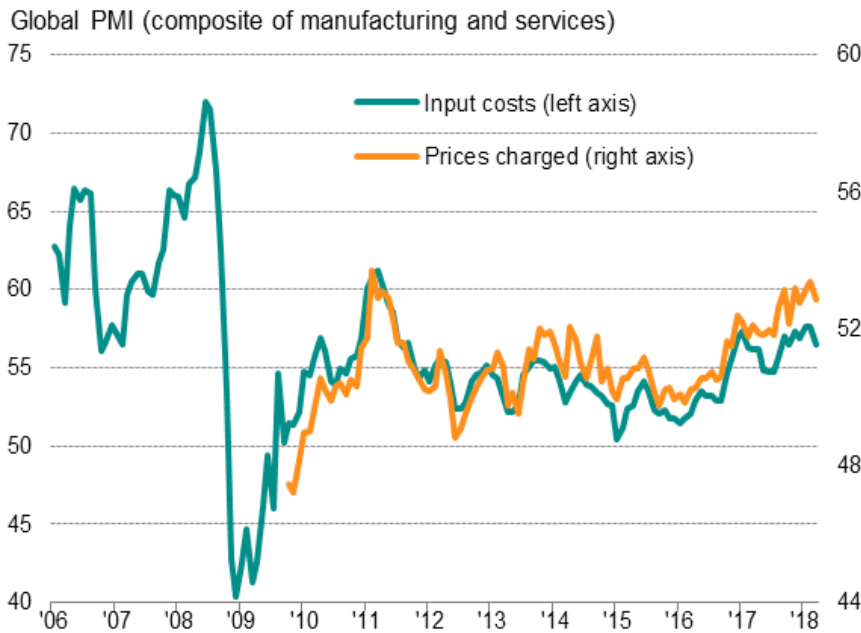
Sources: IHS Markit, JPMorgan.

Source: IHS Markit, JP Morgan.

Global price pressures remain elevated amid supply constraints

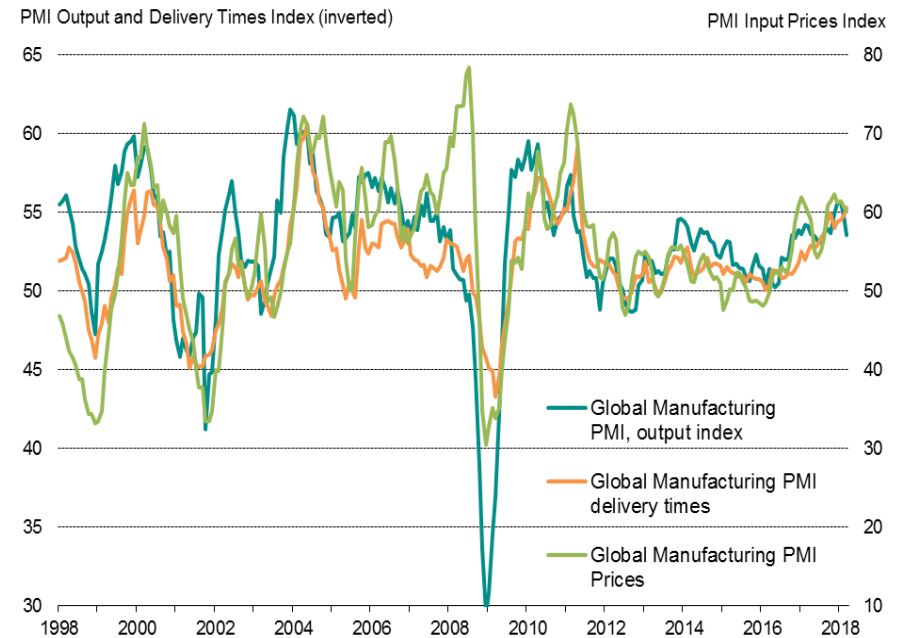
- Global input costs rose sharply again during March, albeit with the rate of increase easing to a five-month low, in part reflecting some cooling of global commodity prices. The IHS Materials Price Index (MPI) has fallen in eight of the past nine weeks. The weaker rate of cost increase took some pressure off selling prices, which showed the smallest rise for three months. However, the rate of selling price inflation for goods and services remained among the highest seen over the past seven years.
- Price hikes were often linked to demand exceeding supply. Global supplier delivery times lengthened to the greatest extent since May 2011, with delays close to 20-year survey records in the eurozone and at a four-year high in North America. An upshot of the supply delays was the ability of suppliers to hike prices, with manufacturers increasingly eager to ensure production needs were satisfied.

Global PMI price indices*



Sources: IHS Markit, JPMorgan.

Global manufacturing PMI price indices



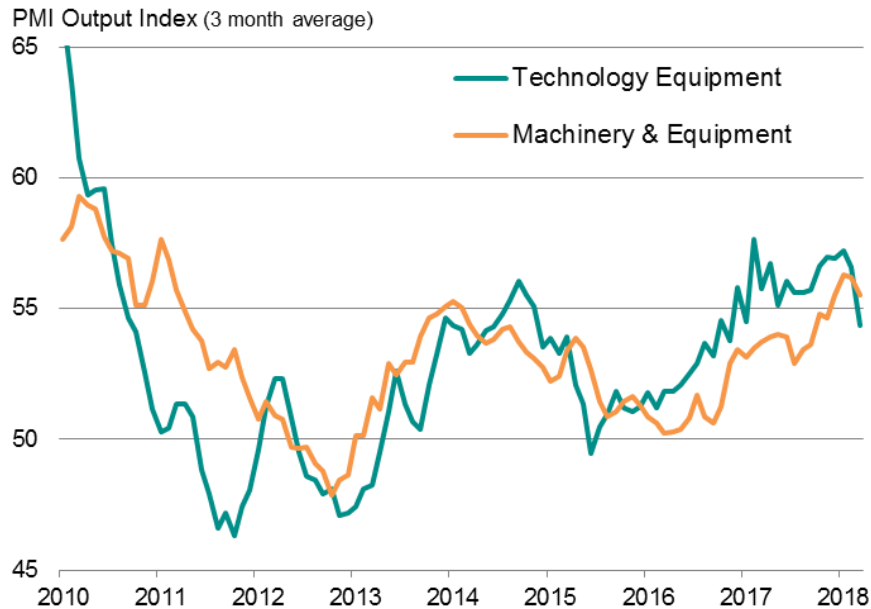
Sources: IHS Markit, JPMorgan.

* PMI shown is a weighted average of the manufacturing and services survey indices.

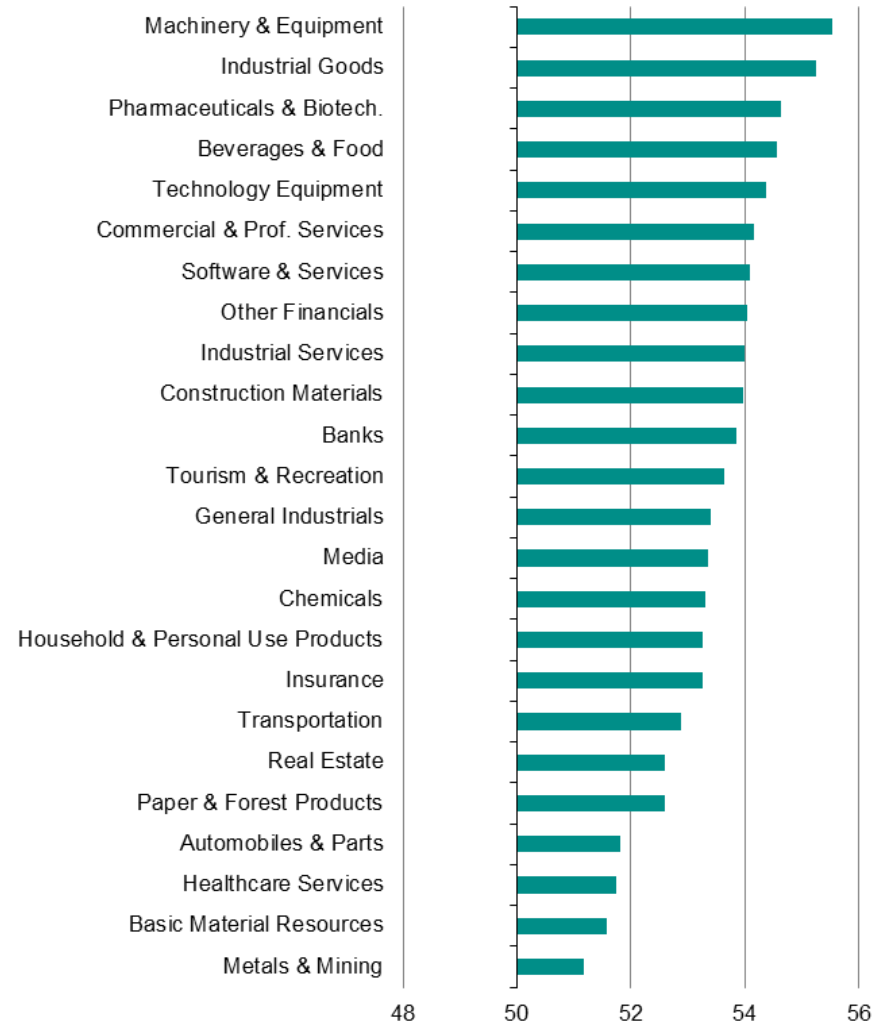
Machinery & equipment makers see strongest global growth in 2018

Machinery and equipment makers - bellwethers of business investment spending – have recorded the strongest global output growth of all sectors covered by the PMI surveys so far in 2018. The first quarter saw the largest surge in machinery making since 2011 as companies expanded capacity.

Tech equipment makers have likewise seen strong growth this year, also reflecting rising capex, although the rate of increase slowed sharply in March. However, only three of the 24 detailed sectors (media, healthcare and real estate) recorded faster output growth in March, further highlighting the broad-based nature of March’s slowdown.



Global Sector PMI Output Index: Q1 average

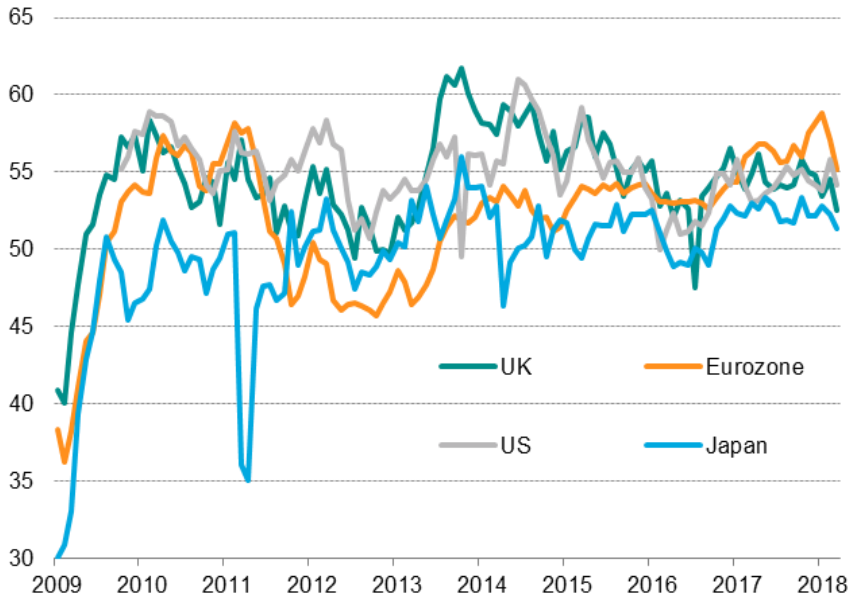


Broad-based slowdown in all major developed markets

- Weaker rates of expansion were seen in all four of the largest developed economies. While the eurozone continued to lead the upturn, the gap has narrowed markedly with the US, albeit with both recording solid rates of expansions commensurate with first quarter GDP rising by approximately 0.6% and 0.5% respectively. A substantially slower rate of growth was signalled in the UK, pointing to a first quarter GDP rise of 0.3%. Japan's upturn also lost momentum, with the Nikkei composite PMI down to a 17-month low.
- Emerging market growth meanwhile cooled further from January's peak, though continued to run at one of the highest rates seen over the past five years. Russia, China and Brazil all reported slower rates of expansion. India bucked the trend, although still registered the weakest growth of the four largest emerging market economies.

Major developed markets*

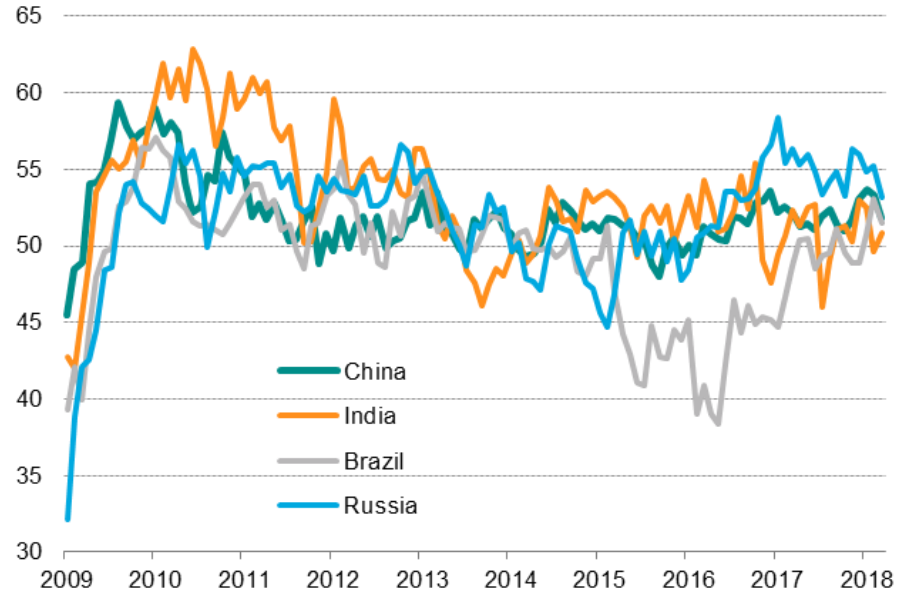
PMI Output/Business Activity Index



Sources: IHS Markit, CIPS, Nikkei.

Major emerging markets*

PMI Output/Business Activity Index

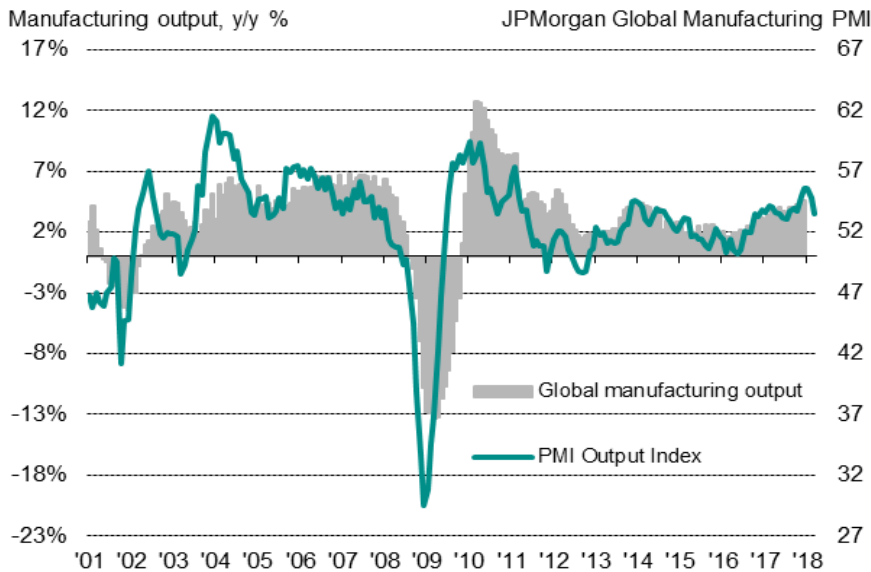


Sources: IHS Markit, Caixin, Nikkei.

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

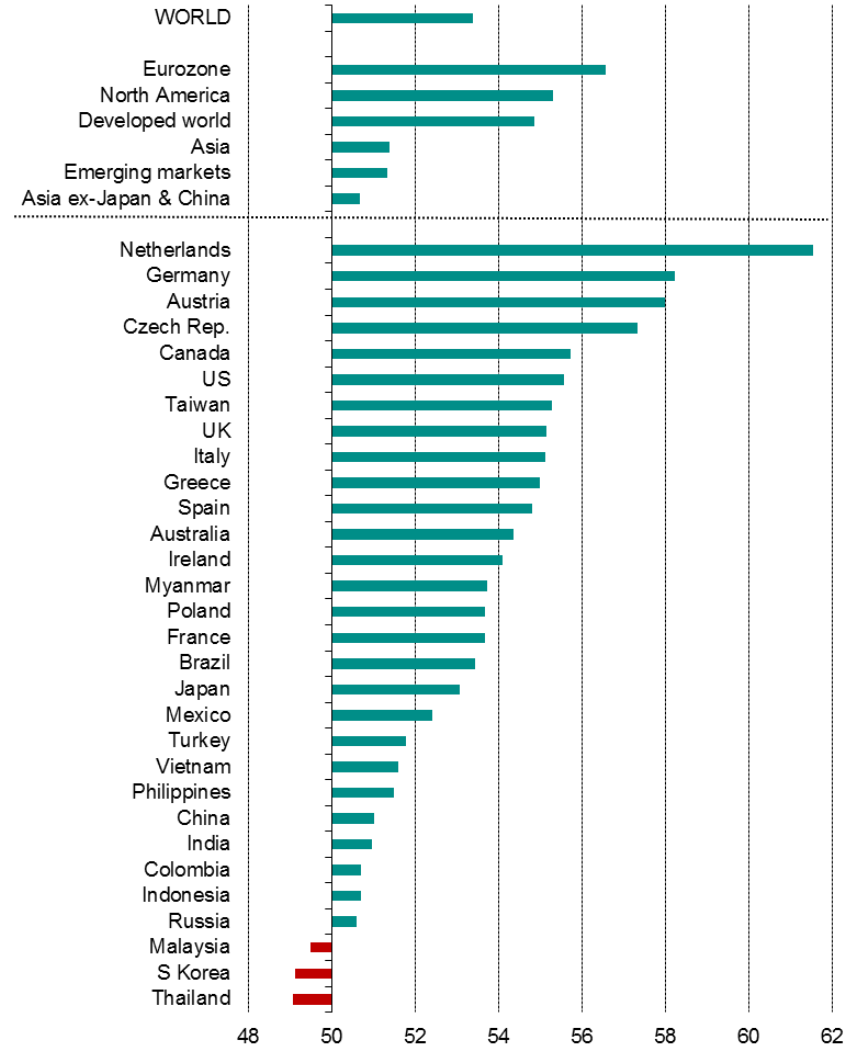
Netherlands stays top of global manufacturing rankings

- Global manufacturing growth slowed to a five-month low in March, though remained robust. The fastest expansions were again seen in the eurozone and its neighbours. The Netherlands headed up the global rankings, followed by Germany and Austria. However, faster US growth helped North America close the gap with the slowing eurozone.
- Asia remained on a sluggish growth path. Of the 30 countries surveyed, only three recorded PMI readings below 50, signalling contraction, all were in Asia.
- An Asian PMI reading of 51.4 compared to 55.3 for North America and 56.6 for the eurozone, dragged down to a large extent by growth in China slipping to a four-month low.



Sources: IHS Markit, JPMorgan, National Statistical Offices via Datasteam.

Manufacturing PMI, 50 = no change on prior month (March 2018)

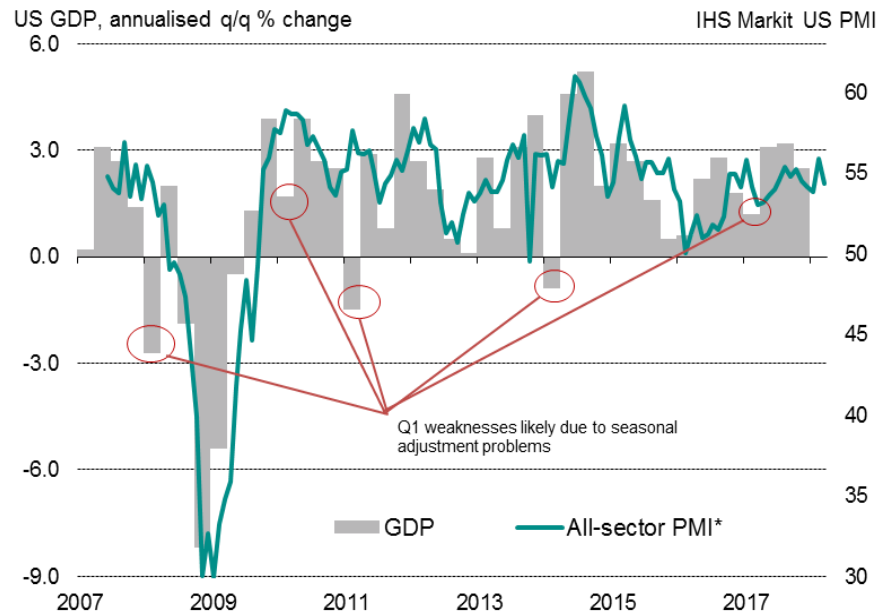


Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, NEVI, Nikkei, BME, Bank Austria, Investec, AERCE, Caixin, HPI, CBA.

US economy sees steady Q1 growth, but rising prices

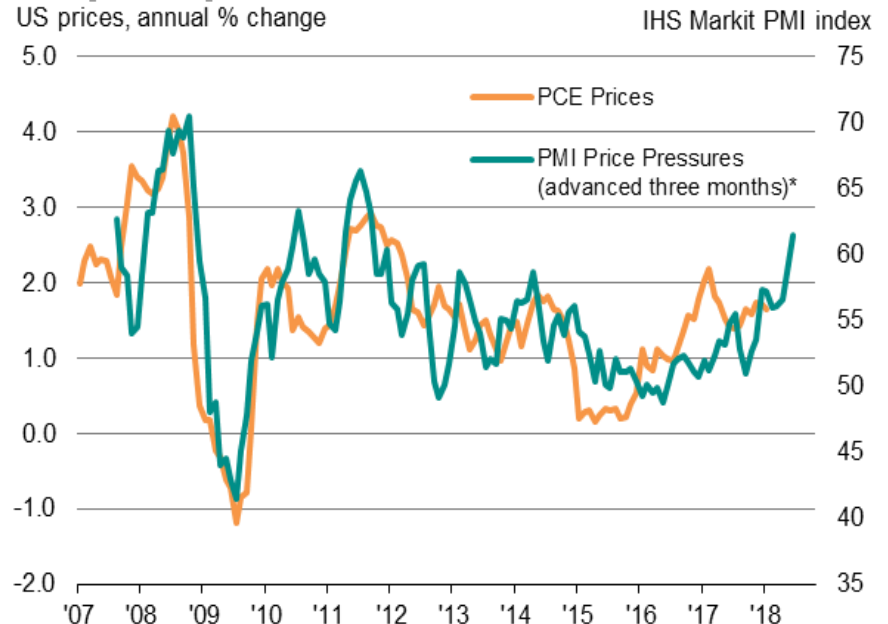
- US business activity growth slowed in March compared to February's 27-month high, but remained encouragingly solid, notably in manufacturing. Combined, the two IHS Markit PMI surveys indicate that the economy grew at an annualised rate of 2.5% (though official GDP data are likely to come in at least 0.5% weaker, due to seasonality issues). Strong inflows of new orders means growth looks set to accelerate again into Q2. The past two months have seen the largest back-to-back increases in demand for almost three years. The strongest jobs gain for over two years further underscored the bullish outlook, as firms stepped up their hiring to meet the recent upturn in demand.
- Price pressures meanwhile eased slightly during the month, though remained elevated by standards of the past four years, linked in many cases to healthy demand boosting firms' pricing power, as well as recent tariff announcements adding to inflationary pressures in the manufacturing sector.

US economic growth and the PMI**



** PMI shown above is a GDP weighted average of the manufacturing and services indices.
Sources: IHS Markit, U.S. Bureau of Economic Analysis.

US price pressures

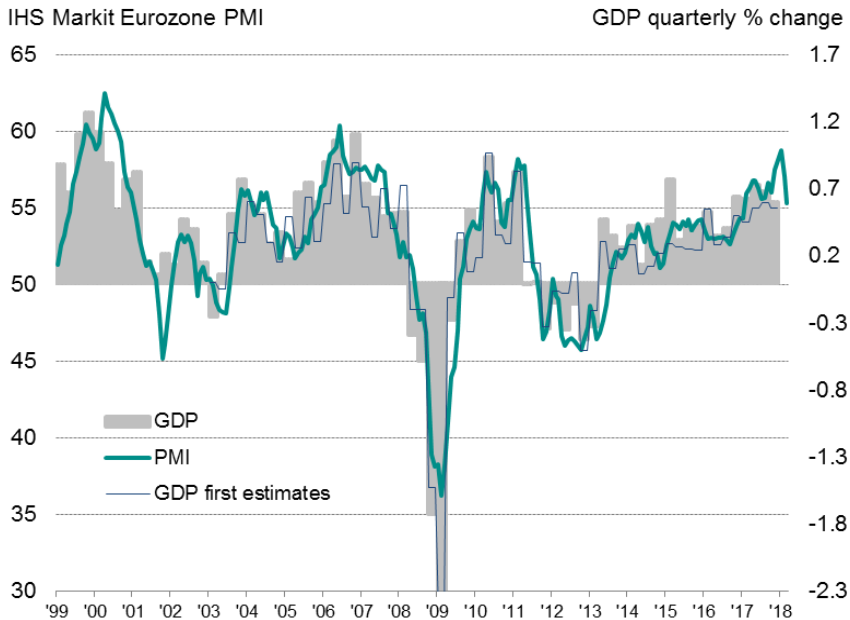


* A blended index of input prices and supplier delivery times.
Sources: IHS Markit, BLS.

Eurozone upturn loses steam as PMI slides to 14-month low

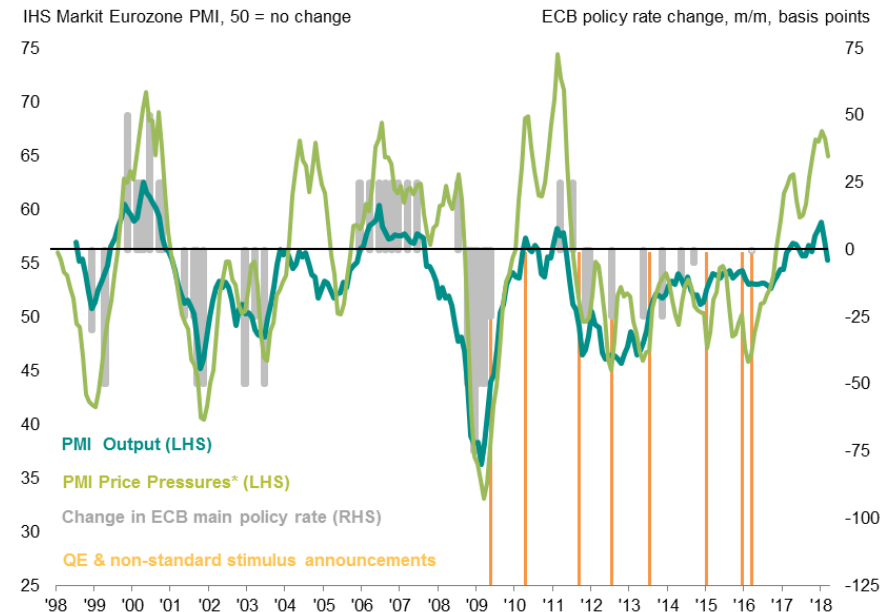
- The eurozone economy came off the boil in March, though continued to run hot. Although the final PMI numbers showed the weakest rise in business activity since the start of last year, adding to signs that the region’s growth spurt has peaked, the surveys are still indicative of the economy growing at an impressive 0.6% quarterly rate in March, down from an unsustainably rapid 0.8-9% rate around the start of the year.
- Some pull-back from the elevated level of the PMI at the start of the year was always highly likely. Some of the loss in growth momentum also appears to have been the result of temporary factors, such as bad weather and short-term capacity constraints, notably shortages of supplies and labour. Some reversal of these impediments should therefore hopefully help boost growth in April. Cost pressures meanwhile remain elevated, driven by improved pricing power among suppliers.

Eurozone economic growth and PMI**



Sources: IHS Markit, Eurostat.

Eurozone PMI** and ECB policy

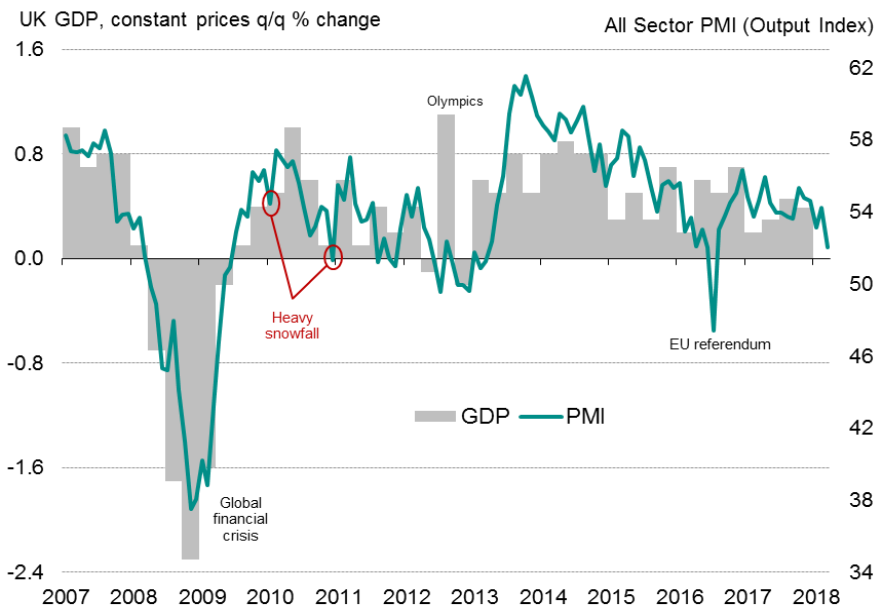


* Price pressures index is a composite of input cost and supplier lead times indices.
 ** PMI shown above is a GDP-weighted average of the survey output indices.
 Sources: IHS Markit, ECB.

Snow-hit UK economy sees worst growth since Brexit vote

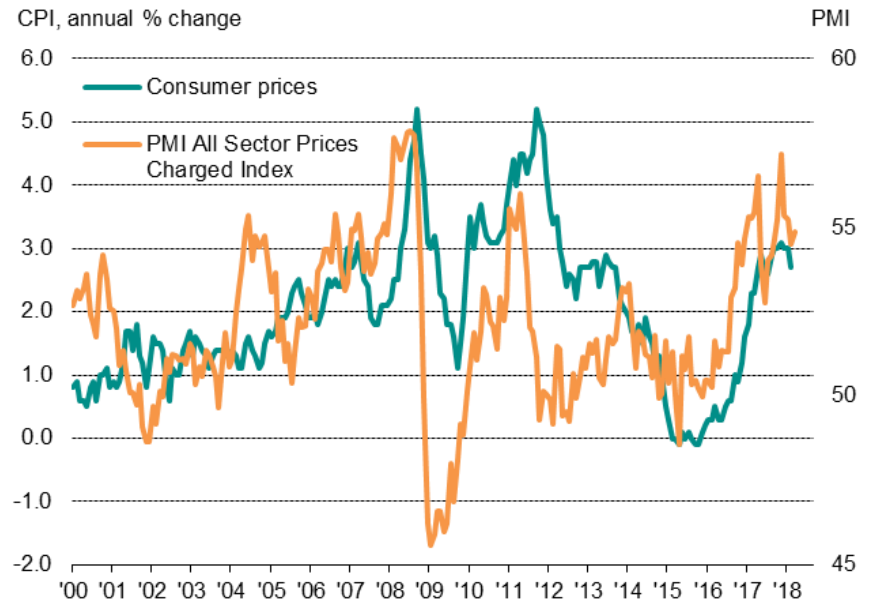
- Bad weather curbed business activity growth in March, leading to the weakest expansions of output and new orders for 20 months. The 'all-sector' IHS Markit/CIPS PMI Output Index fell from 54.2 in February to 52.1, its lowest since July 2016. While some rebound is expected in April amid better weather, a deterioration in business expectations suggests the underlying trend remains one of weak growth compared to that seen late last year.
- Price pressures meanwhile remained strong as input cost inflation picked up again. Although remaining below the peaks seen in late 2017, rates of both input price and selling price inflation remained elevated by historical standards, suggesting consumer price inflation could stay stubbornly high in coming months and leaving a widely-touted May interest rate hike very much in play.

UK PMI** and GDP



Sources: IHS Markit, CIPS, ONS.

UK inflation



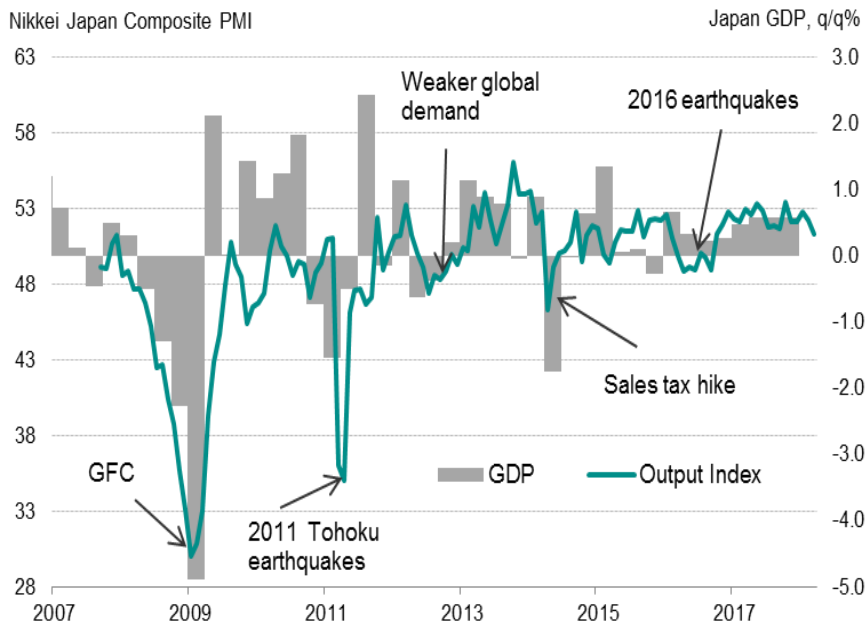
Sources: IHS Markit, CIPS, ONS.

** PMI shown is a GDP-weighted average of the survey manufacturing, construction and services indices.

Japanese economic growth close to 1½ year low

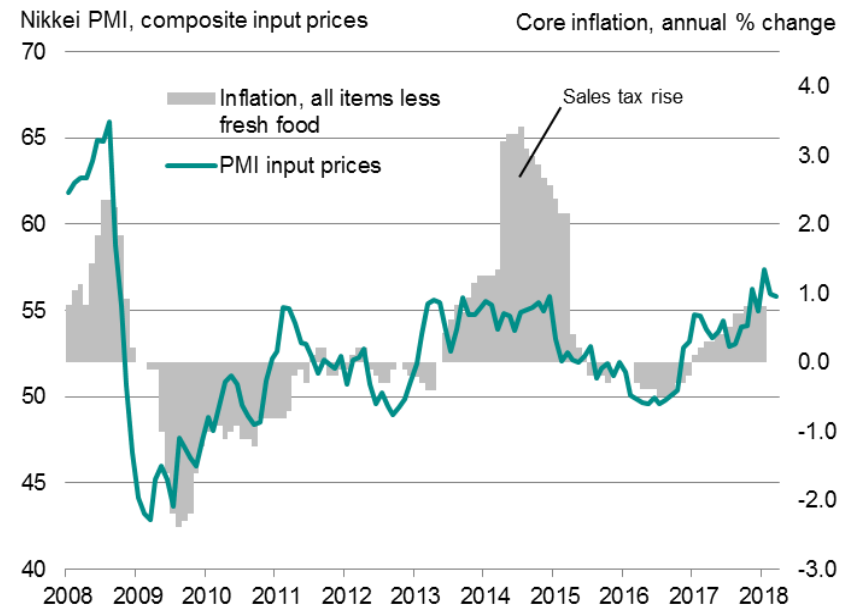
- Growth of Japanese business activity was the slowest since October 2016 at the end of the first quarter, according to the latest Nikkei PMI data, with the rate of expansion slowing for a second successive month. Despite the dip in March, the first quarter average PMI reading remains relatively robust, indicative of quarterly GDP rising by around 0.4-0.5%.
- Robust demand conditions enabled companies to raise prices to protect margins. The rate of selling price and input cost inflation remains well above its historical average, boding well for the Bank of Japan’s efforts to re-inflate the economy.
- However, while the overall picture remains positive, the survey sub-indices suggest that economic activity will slow further in coming months: the composite PMI’s gauge of new orders registered the smallest monthly increase for nearly one-and-a-half years. Confidence about the business outlook in the year ahead meanwhile dipped to a six-month low.

Japan economic growth and the PMI*



Sources: IHS Markit, Nikkei, Japan Cabinet Office

Japan inflation indicators



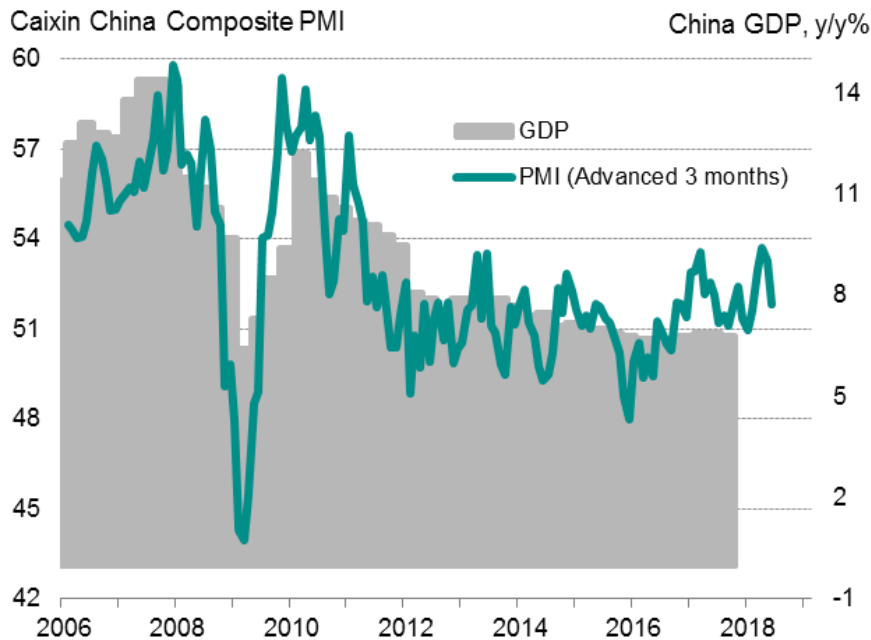
Sources: IHS Markit, Nikkei, Datastream.

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

Chinese economic growth loses momentum at end of first quarter

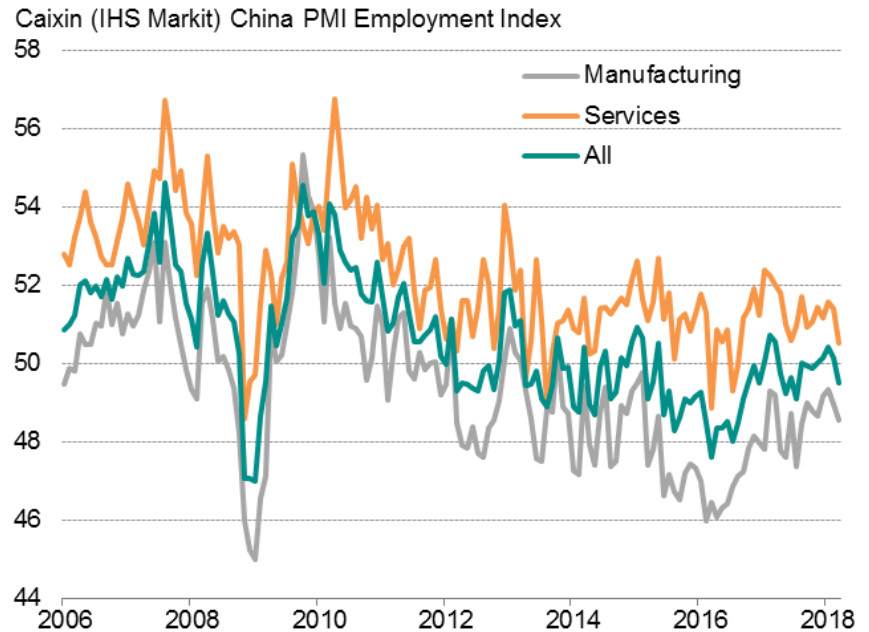
- March PMI data signalled a noticeable loss of momentum in China’s economic growth, raising questions over whether business activity growth will slow further in coming months after a stronger than expected start to the year. The Caixin Composite PMI Output Index fell from 53.3 in February to 51.8 in March. Additional concerns about the outlook are flagged by the deteriorating labour market. March survey data showed the first drop in overall employment numbers since last October, contrasting with the broad stabilisation seen in prior months. While mild, the pace of contraction was the fastest since July last year. Services job gains were insufficient to offset a steeper rate of job shedding in the manufacturing sector.
- There were further signs of easing cost pressures at the end of the first quarter. March saw a marked slowdown in the growth of input costs, with inflation running at the weakest for eight months.

China PMI* & economic growth



Sources: IHS Markit, Caixin, NBS.

China employment indicators



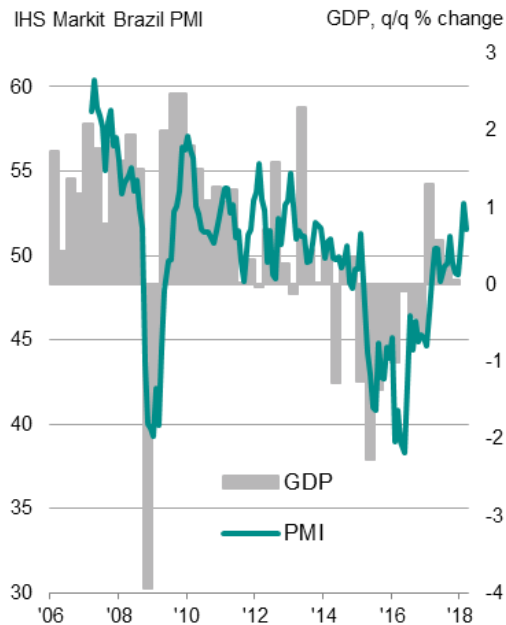
Sources: IHS Markit, Caixin.

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

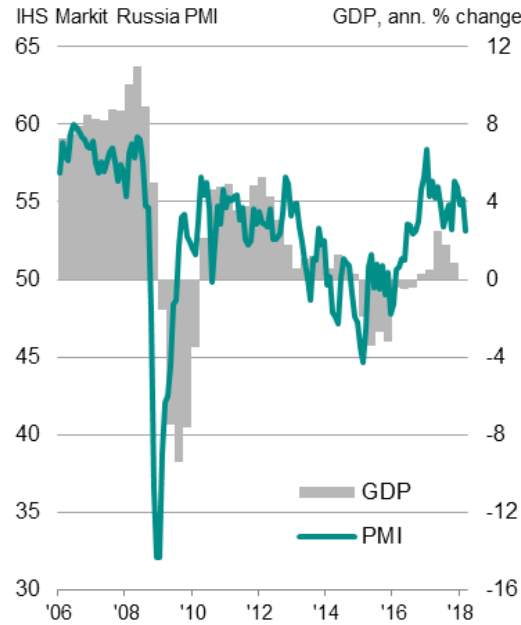
India stabilises, Brazil's recovery remains on track, Russia slips

- Among the other major emerging markets, only **India's** composite PMI rose compared with February. However, even here the rate of growth remained sluggish by historical standards, barely making up for the modest decline seen in February. Businesses again reported weak sales growth in part link to the increased sales tax, high prices and disappointing exports.
- A marked slowing in service sector growth pulled the composite PMI for **Brazil** down in March, though manufacturing enjoyed one of its best months in the past seven years. The resulting robust overall performance suggests GDP growth will accelerate from the 0.1% increase seen in Q1, marking a welcome strengthening of economic growth.
- **Russia** once again reported the strongest pace of growth of the four BRIC economies, but nevertheless recorded the weakest expansion for one and a half years. Manufacturing lost further growth momentum though services saw the steepest slowdown.

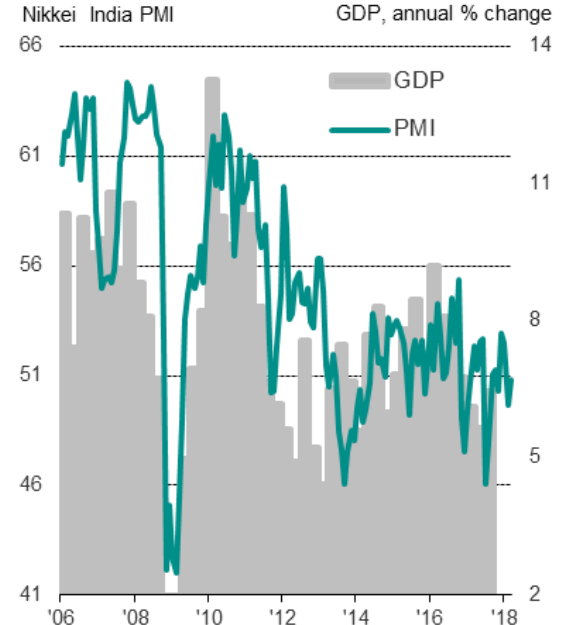
Brazil PMI* v GDP



Russia PMI* v GDP



India PMI* v GDP



Sources: IHS Markit, Nikkei, Thomson Reuters Datastream.

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

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