

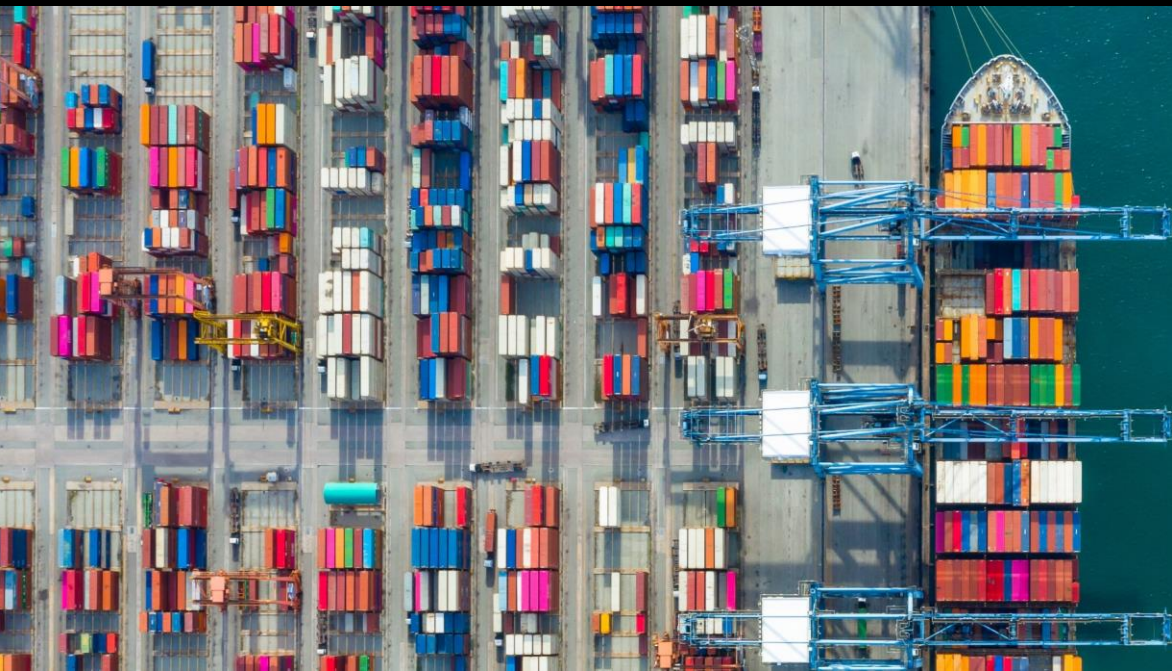
# Economic outlook

Latest signals through the lens of the PMI

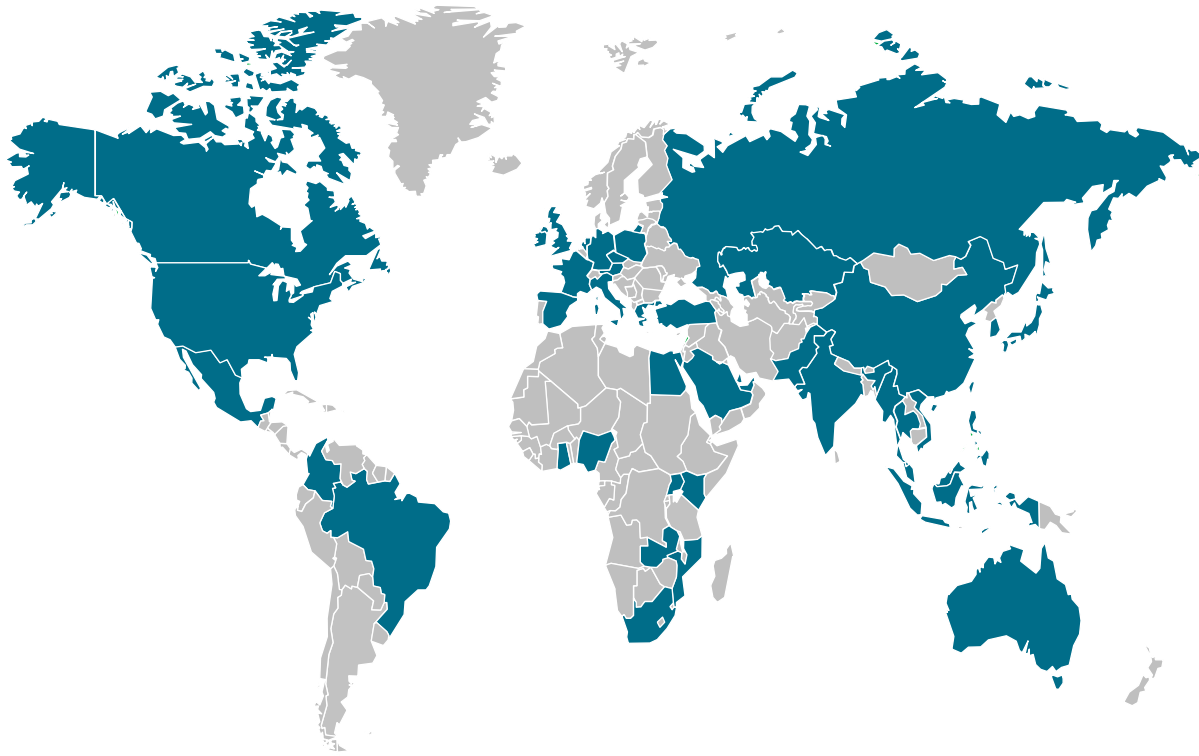
Chris Williamson

Chief Business Economist  
S&P Global Market Intelligence

March 4, 2024



# Near-term outlook: S&P Global PMI allows early insights



28,000 companies

45 countries

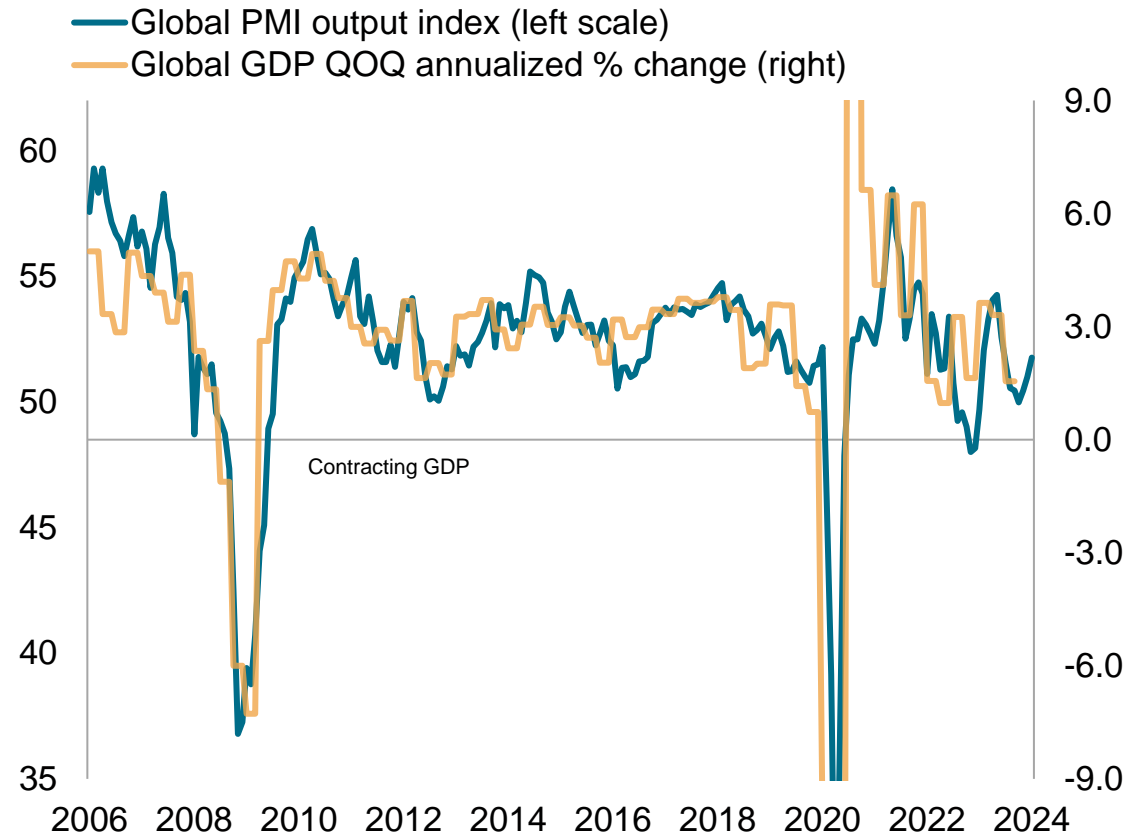
90% global GDP

## How it works

- **Representative panels**, carefully constructed to mirror economies in miniature.
- **Objective** measurement of core business metrics, not subjective (output, orders, exports, supplier performance, employment, prices, costs etc).
- Data weighted by company size, industry size and national GDP; all seasonally adjusted.
- **Produced rapidly**
- **Internationally comparable** data, allowing straightforward geographical and sectoral analysis.

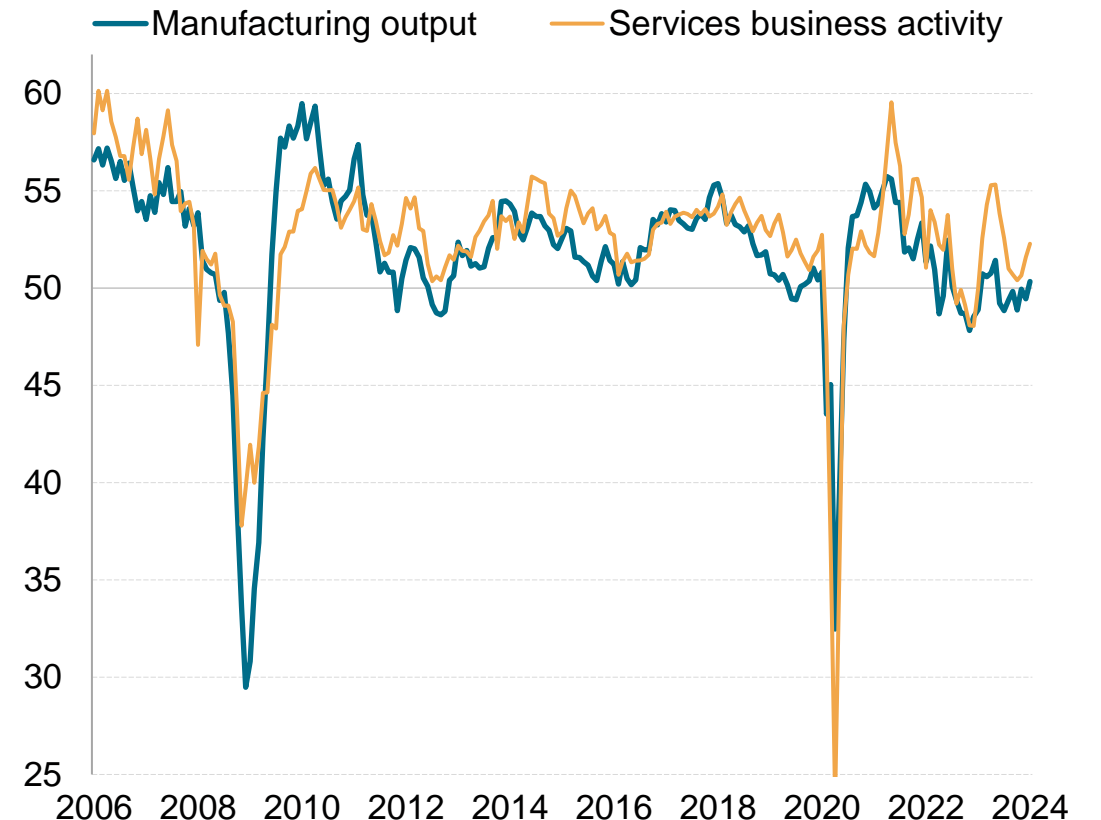
# 2024, a better than expected start to the year

## Global economic growth and the PMI



Data compiled 5 February 2024 including PMI data to January 2024.  
 PMI (Purchasing Managers' Index) 50 = no change on prior month.  
 Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.  
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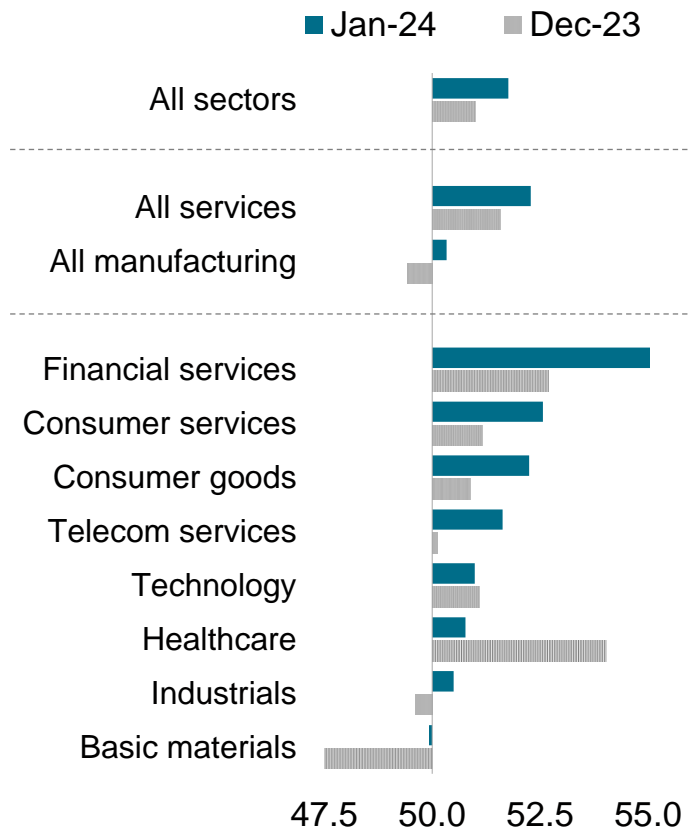
## Global PMI output by sector



Data compiled February 2024 including PMI data to January 2024.  
 PMI (Purchasing Managers' Index) value of 50 = no change on prior month.  
 Sources: S&P Global PMI with J.P.Morgan, S&P Global Market Intelligence.  
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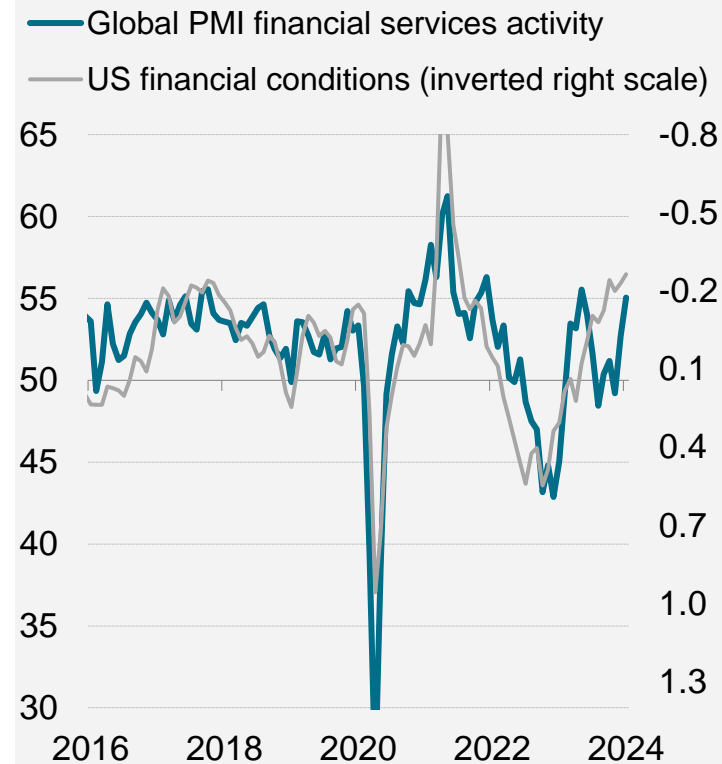
# Economic activity already buoyed by looser financial conditions

## Global PMI output by industry



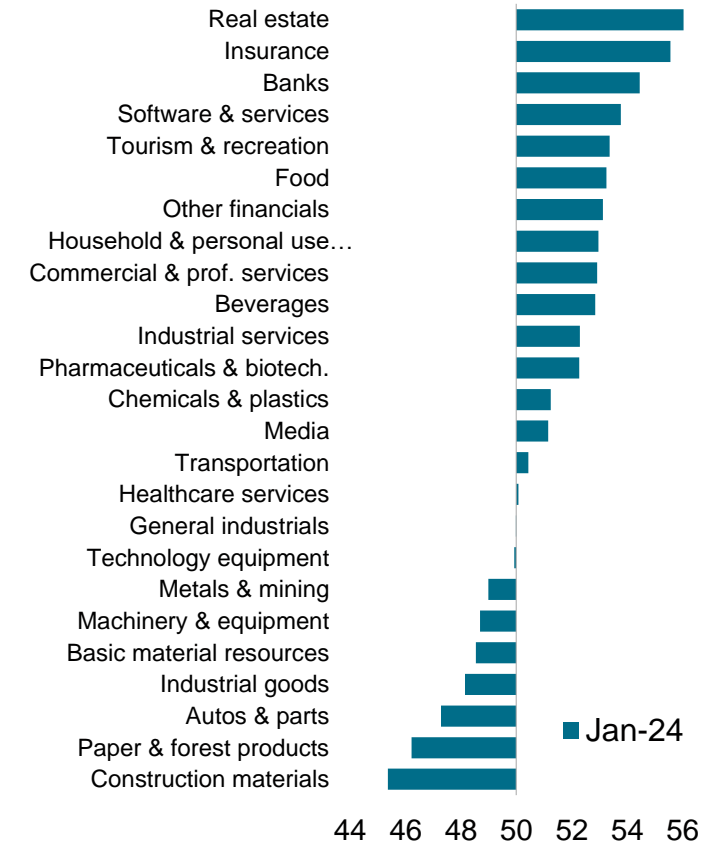
Data compiled February 2024.  
 PMI (Purchasing Managers' Index) value of 50 = no change on prior month.  
 Source: S&P Global PMI with J.P. Morgan.  
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## Global PMI financial services activity vs. financial conditions



Data compiled February 2024.  
 PMI (Purchasing Managers' Index) value of 50 = no change on prior month.  
 Source: Source: S&P Global Market Intelligence, Federal Reserve Bank of Chicago.  
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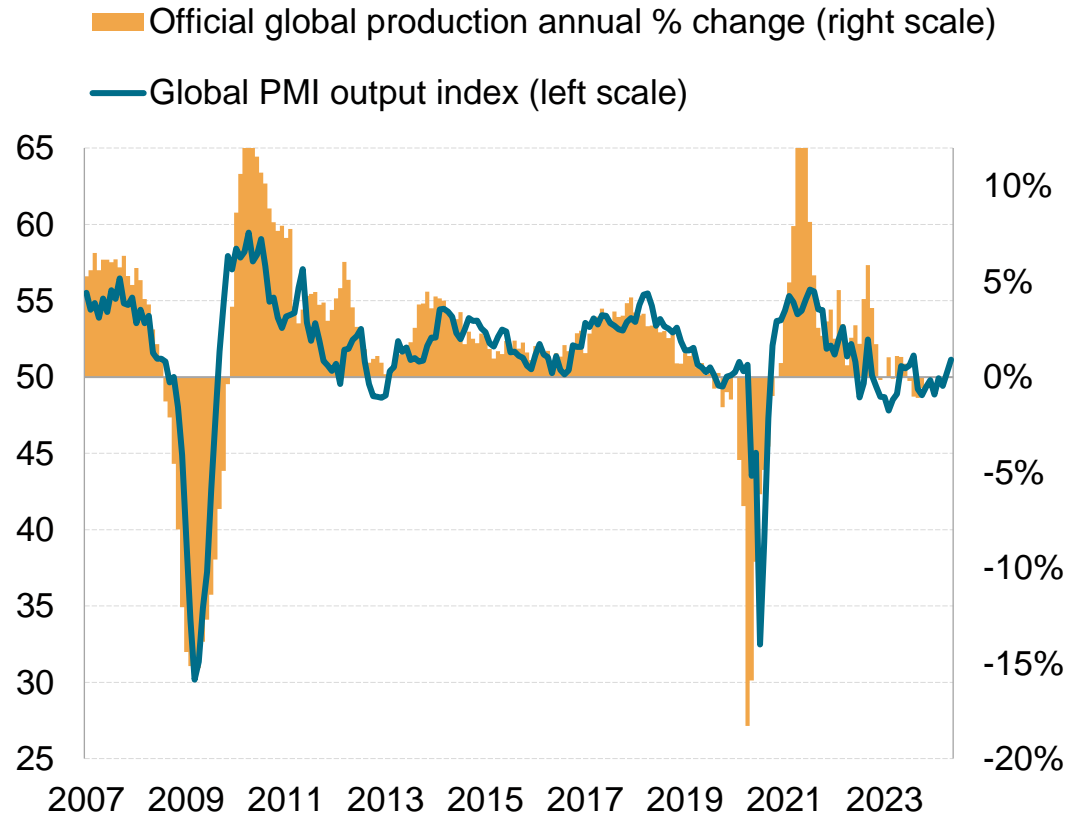
## Global PMI output by sector



Data compiled February 2024.  
 PMI (Purchasing Managers' Index) value of 50 = no change on prior month.  
 Source: S&P Global PMI with J.P. Morgan.  
 © 2024 S&P Global.

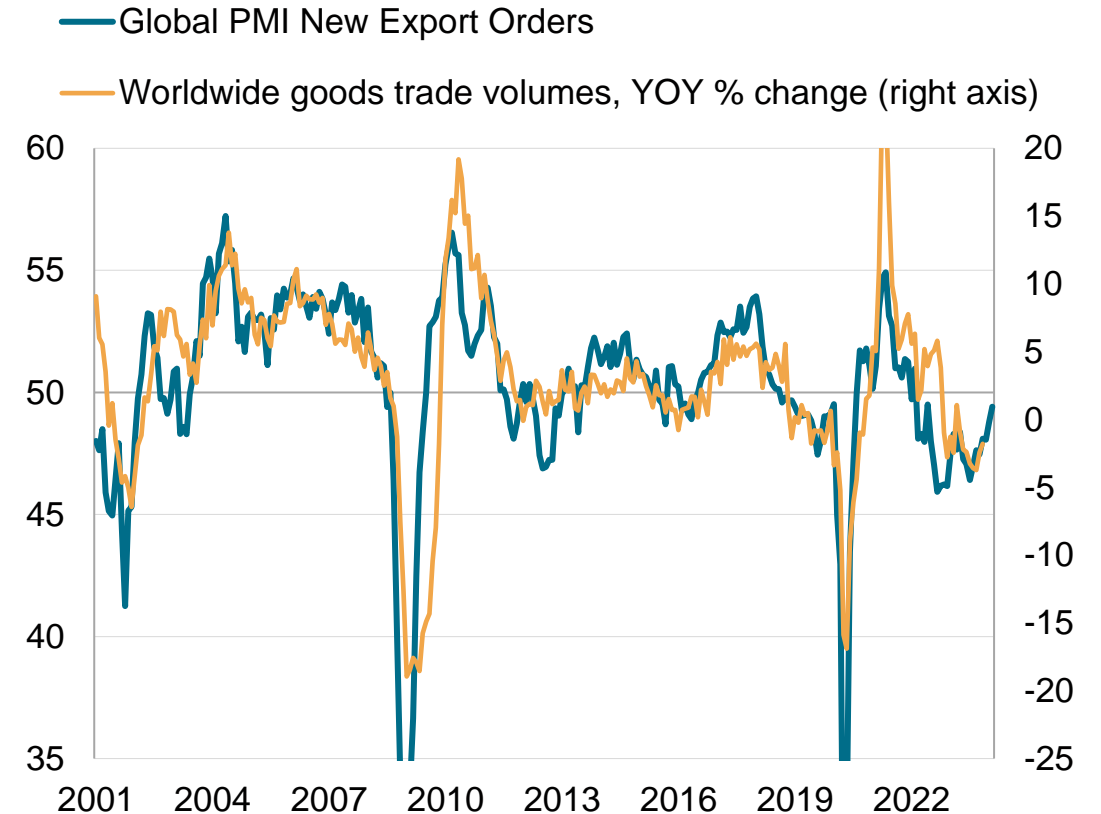
# Global manufacturing is showing renewed signs of life

## Global manufacturing output



Data compiled March 2024 using PMI data updated to February 2024.  
 PMI (Purchasing Managers' Index) value of 50 = no change on prior month, advanced three months.  
 Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.  
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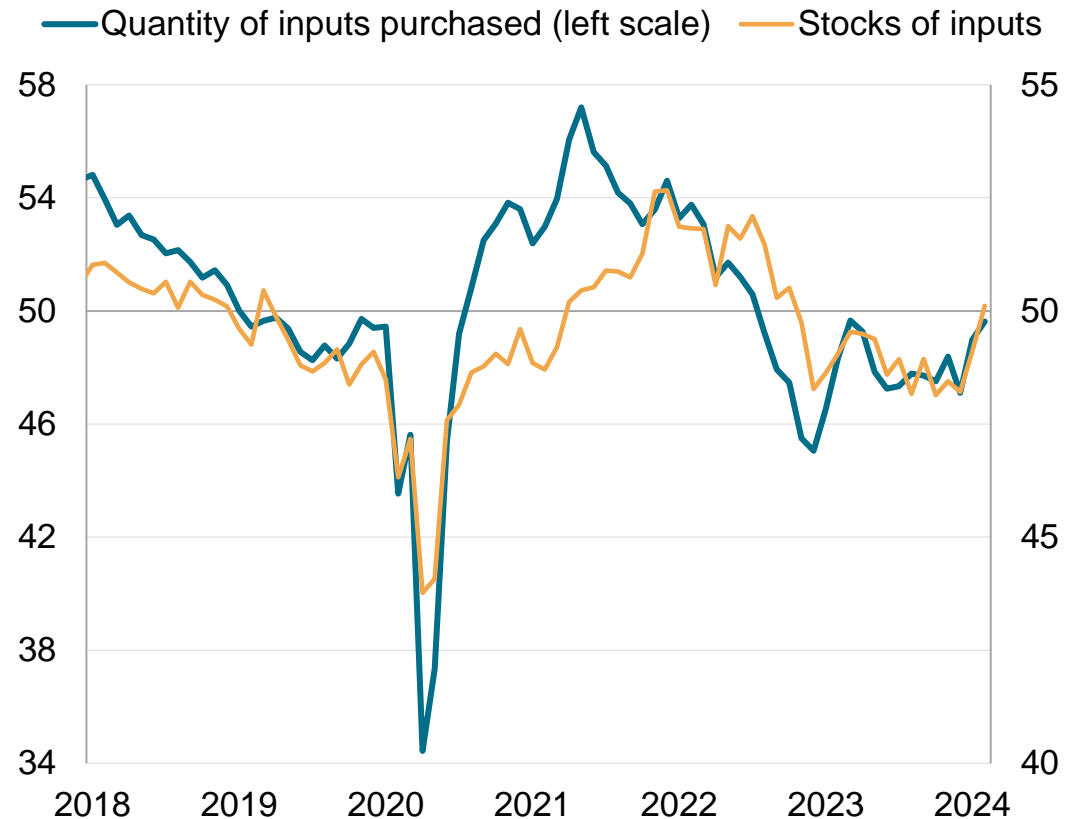
## Global goods exports



Data compiled March 2024, PMI data updated to February 2024, CPB trade data to December 2023.  
 PMI (Purchasing Managers' Index) 50 = no change on prior month.  
 Sources: S&P Global PMI with J. P. Morgan, CPB trade data via S&P Global Market Intelligence.  
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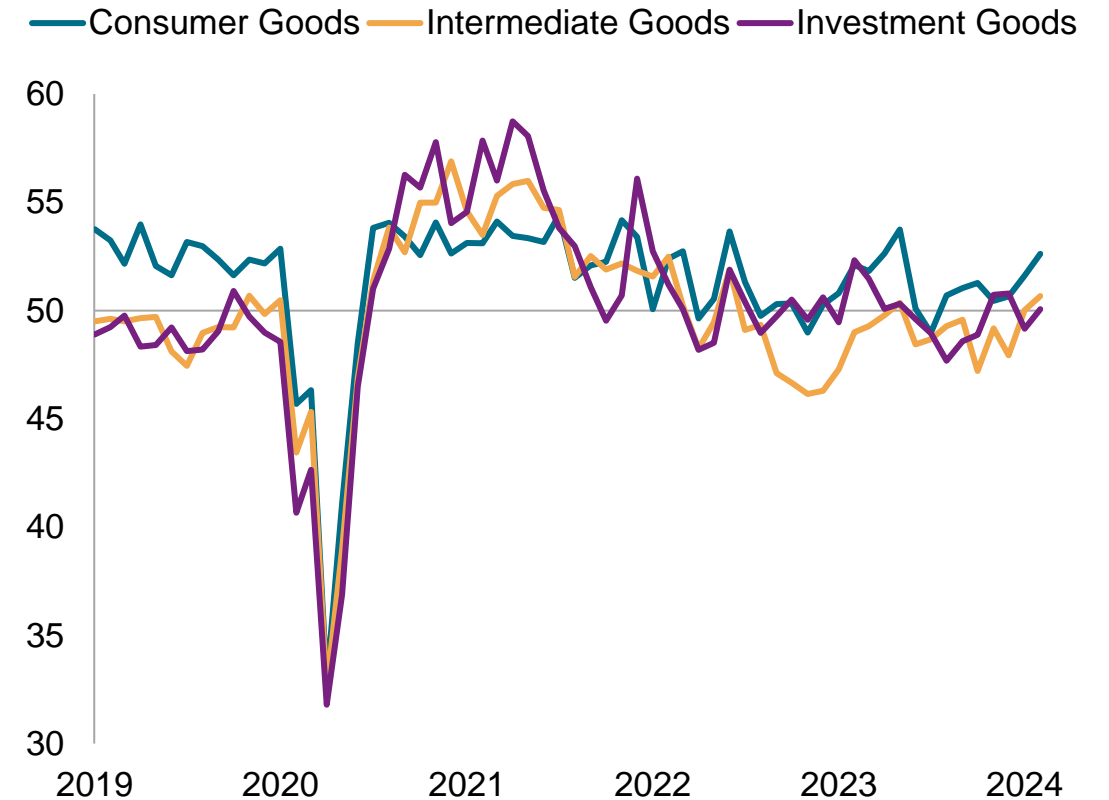
# The inventory cycle is becoming more supportive to growth, as are consumers

## Global manufacturing PMI input inventories



Data compiled March 2024.  
 PMI (Purchasing Managers' Index) 50 = no change on prior month.  
 Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.  
 © 2024 S&P Global.

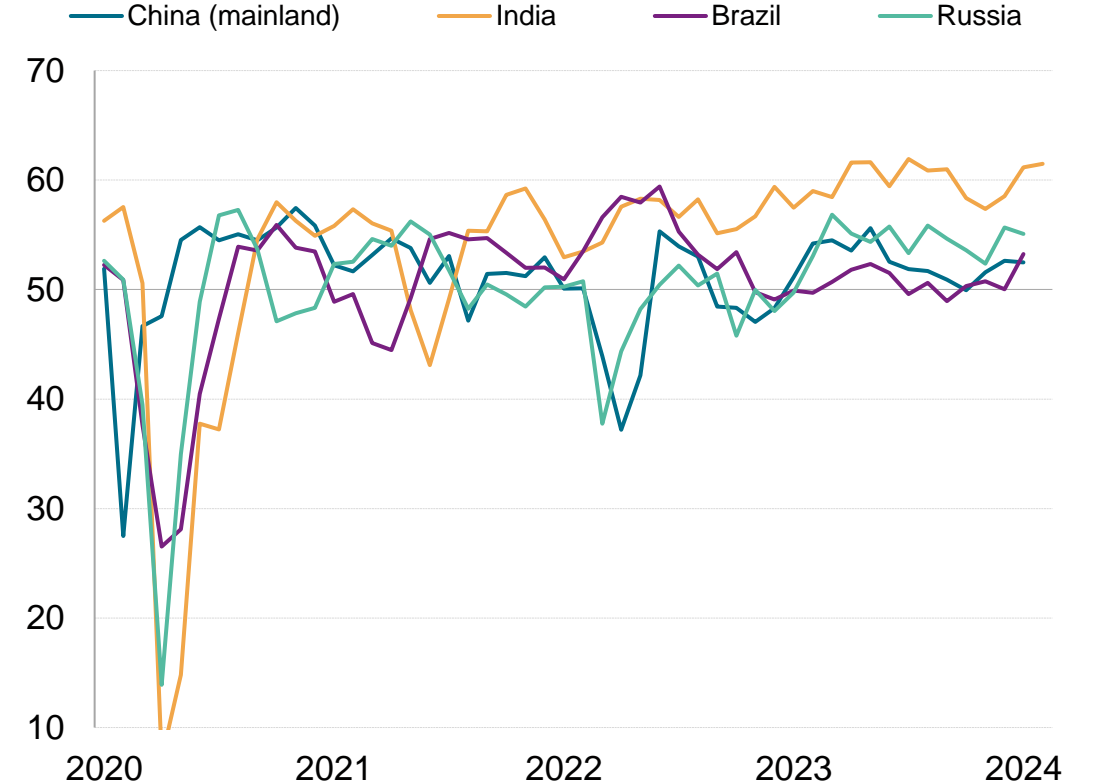
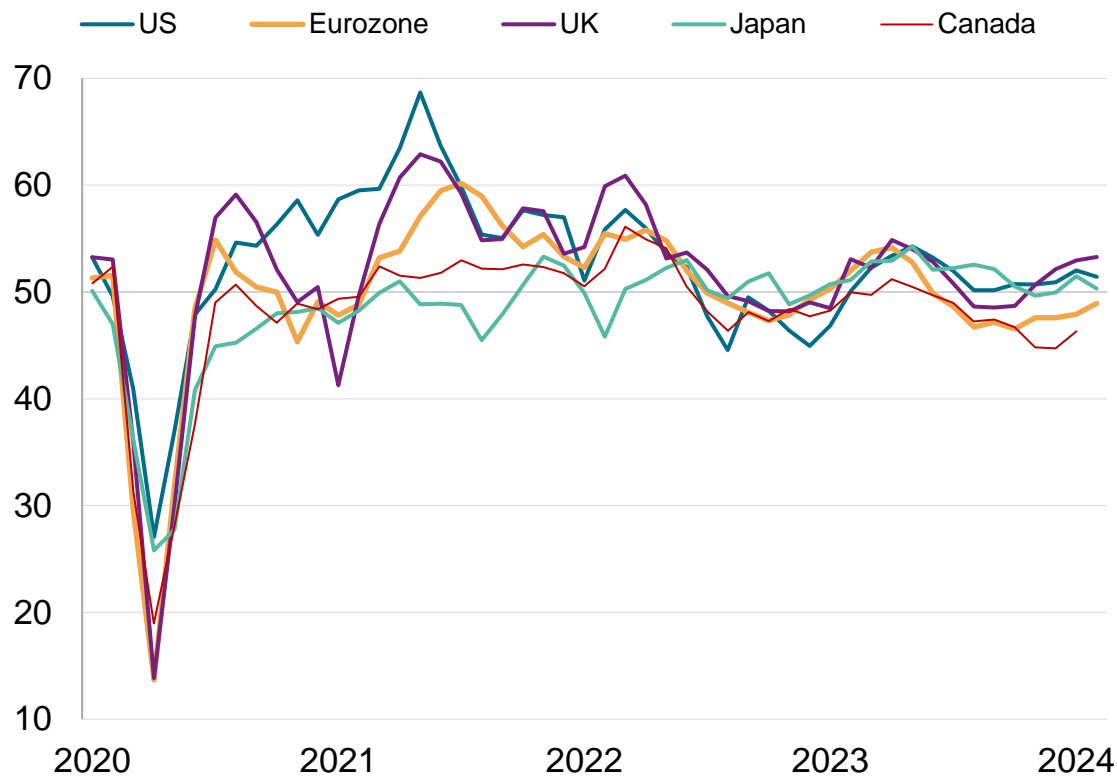
## Global PMI manufacturing output



Data compiled March 1, 2024.  
 PMI based on 50 = no change on prior month  
 Source: S&P Global PMI with J.P. Morgan.  
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# Broad-based PMI improvements geographically

## Major economies, output



Data compiled February 22, 2024.

PMI index 50 = no change on prior month, covers manufacturing and services.

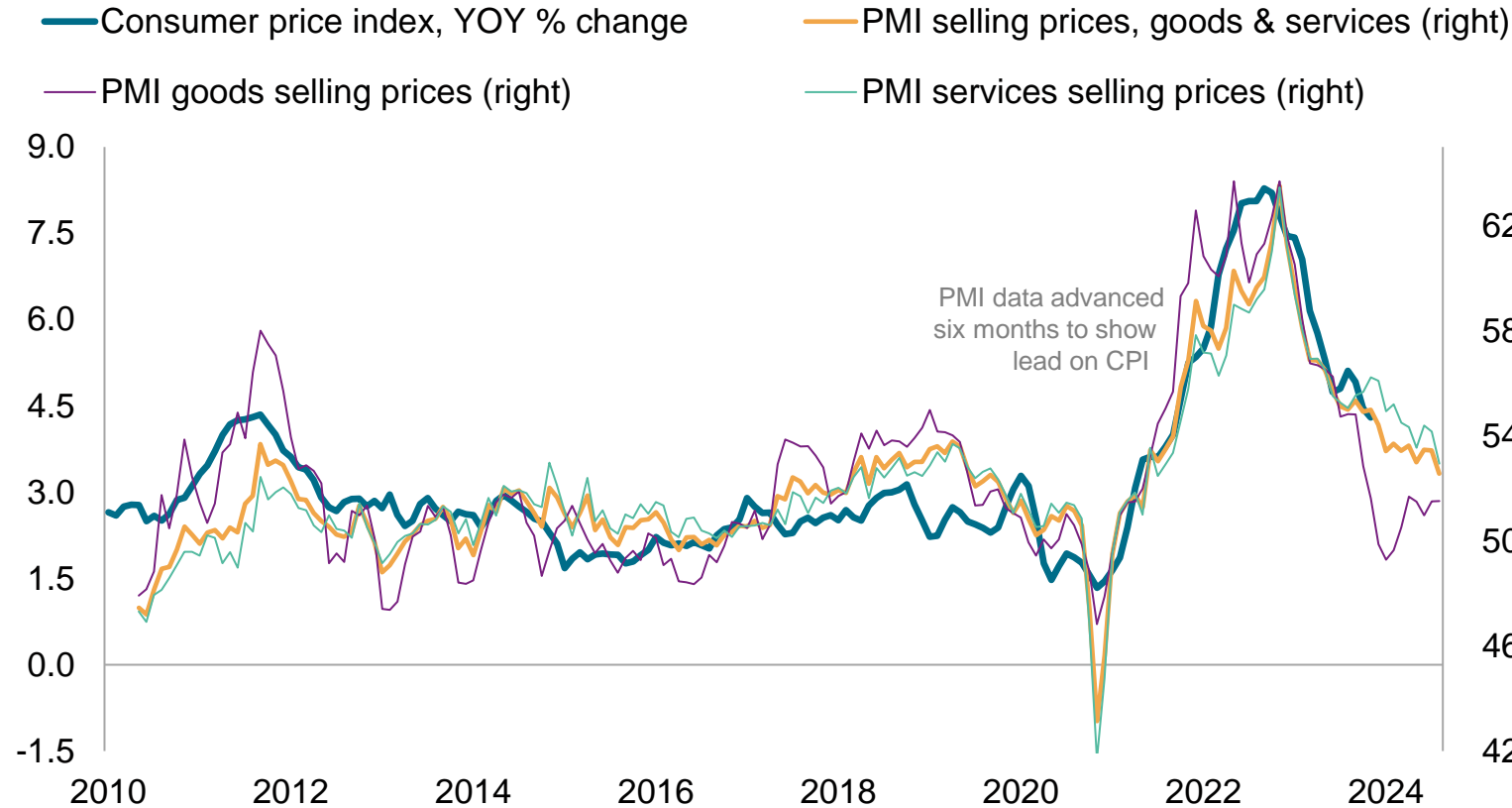
Source: S&P Global PMI, S&P Global Market Intelligence, HCOB, HSBC, au Jibun Bank, Caixin.

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# Cost of living squeeze eases

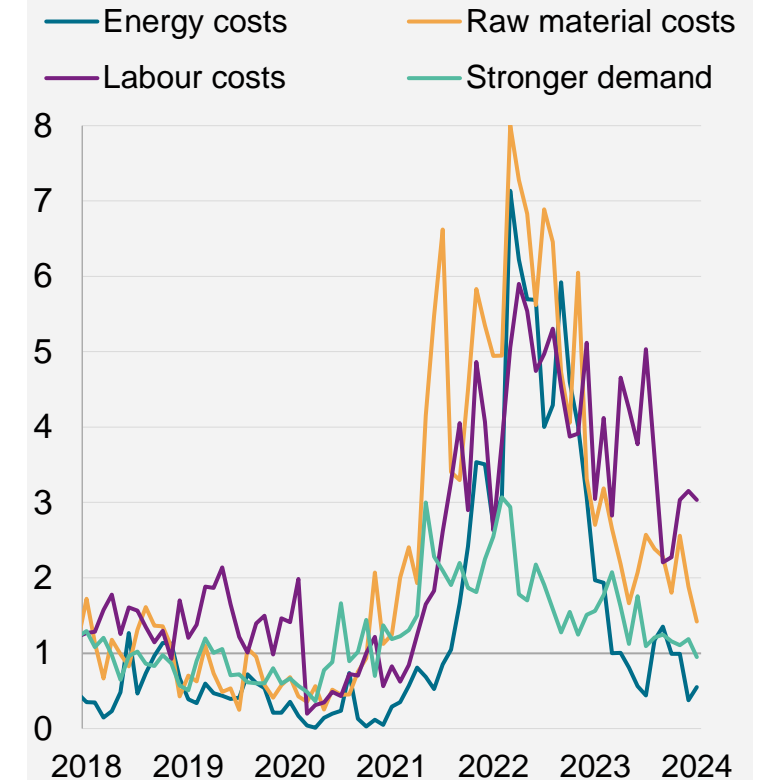
PMI signals further fall in global price inflation to lowest in over three years

## Global consumer price inflation and PMI selling prices



Data compiled February 2024 including PMI data to January advanced six months.  
 PMI (Purchasing Managers' Index) value of 50 = no change on prior month.  
 Sources: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.  
 © 2024 S&P Global.

## S&P Global PMI: drivers of higher worldwide selling prices

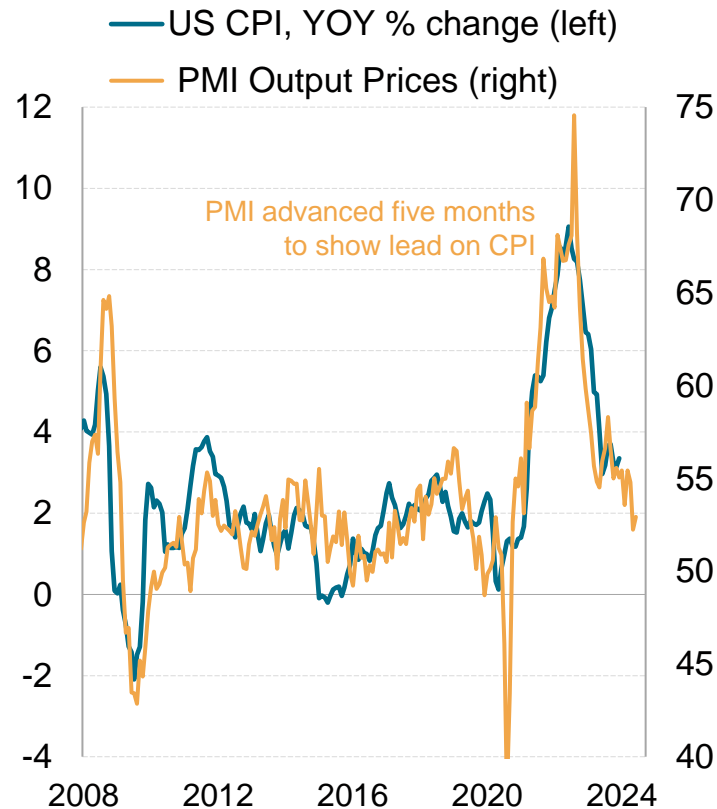


Data compiled February 2024 including PMI data to January 2024.  
 Axis scale 1 = long term average. Covers goods and services.  
 Source: S&P Global PMI.  
 © 2024 S&P Global.



# PMI signals steep fall in US inflation but above target stickiness seen in Europe

## US inflation



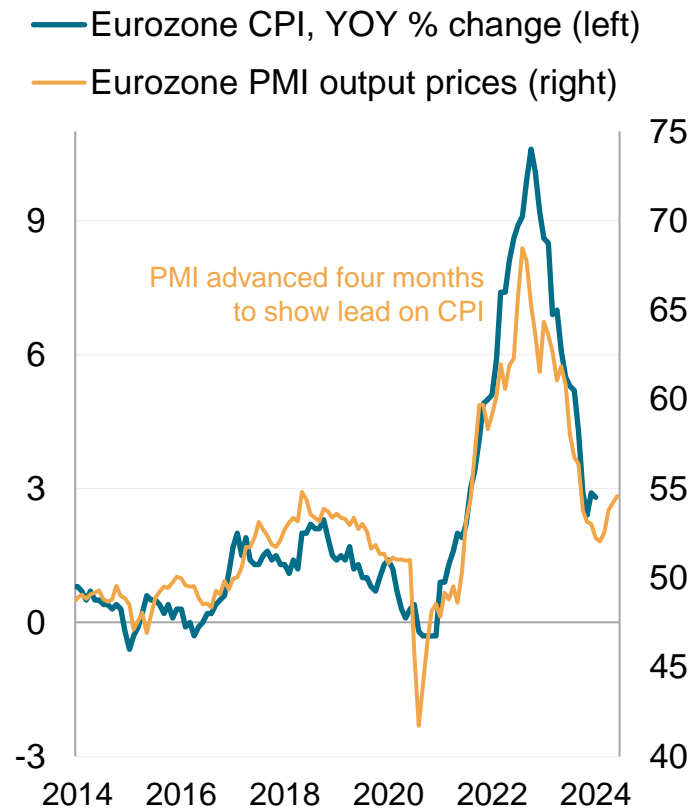
Data compiled February 2024.

PMI covers manufacturing only pre-2009 but manufacturing & services thereafter.

Source: S&P Global PMI, BEA via S&P Global Market Intelligence.

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## Eurozone inflation



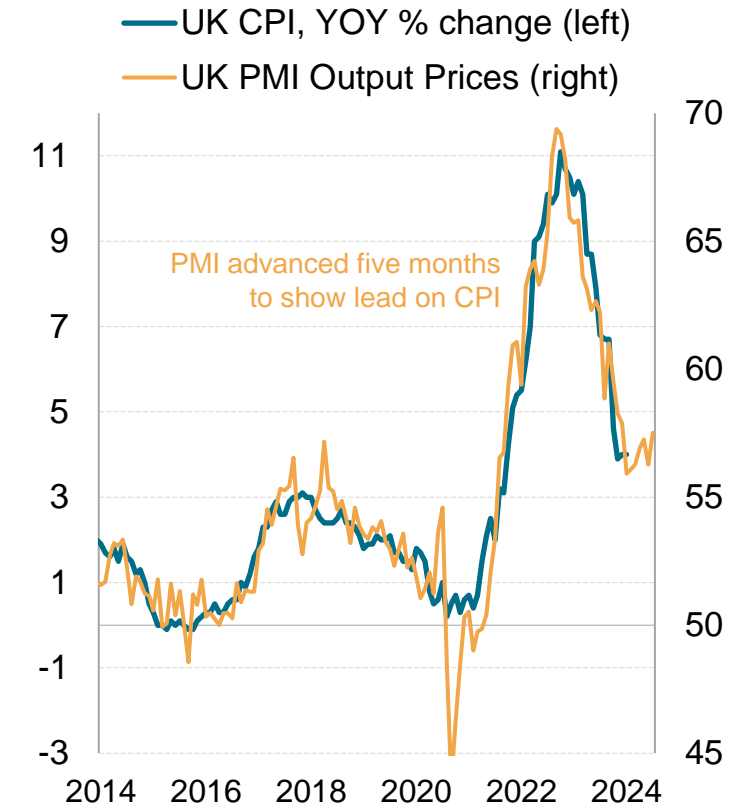
Data compiled February 2024.

PMI value of 50 = no change on prior month, covers manufacturing and services.

Source: S&P Global PMI with HCOB, Eurostat via S&P Global Market Intelligence.

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## UK inflation



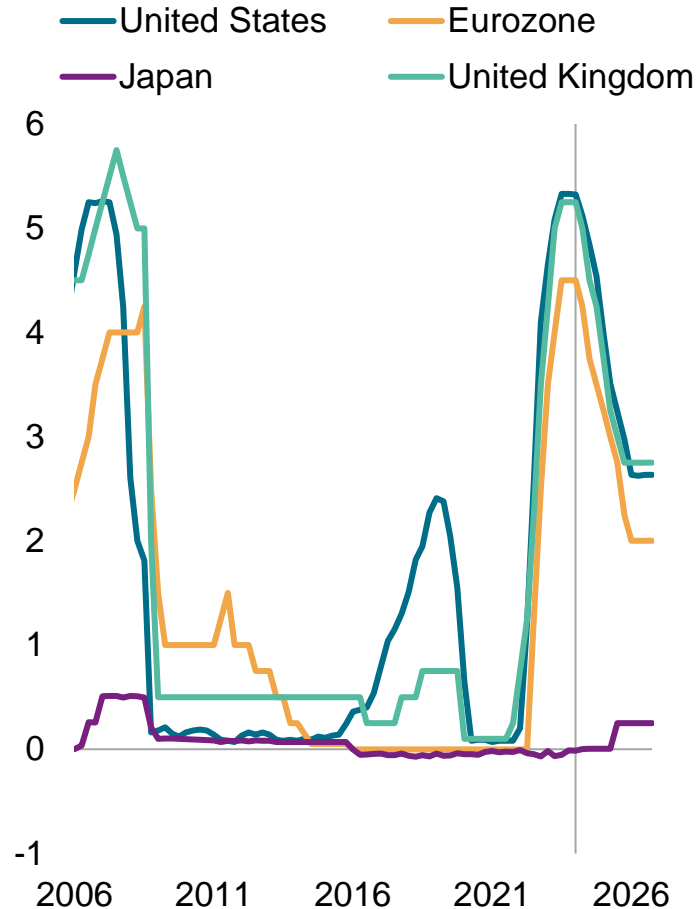
Data compiled February 2024.

PMI based on 50 = no change on prior month, covers manufacturing and services.

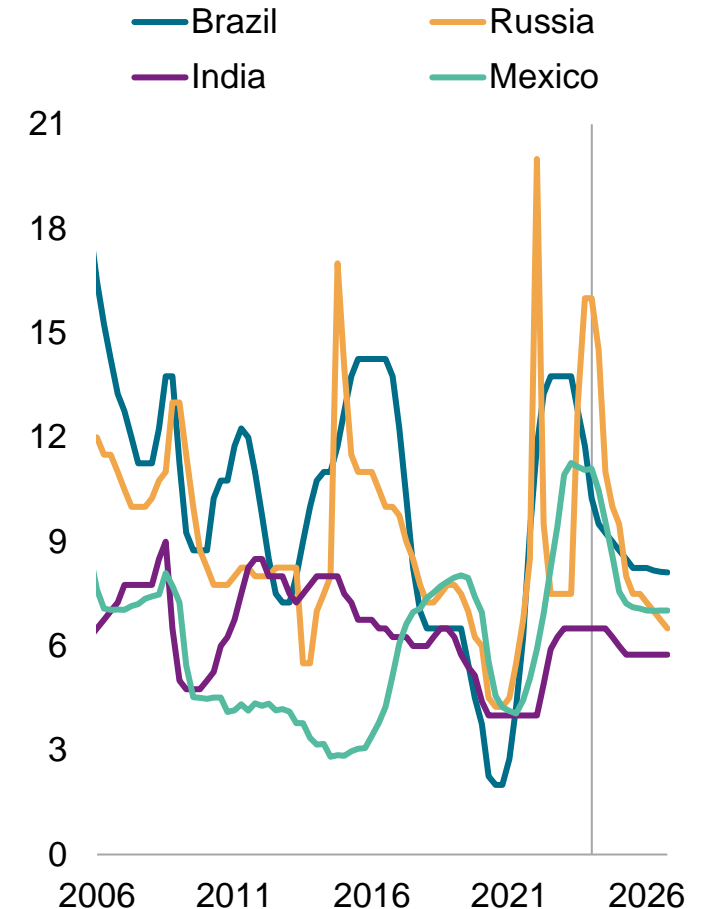
Source: S&P Global PMI, ONS via S&P Global Market Intelligence.

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# Policy interest rates by country (%)



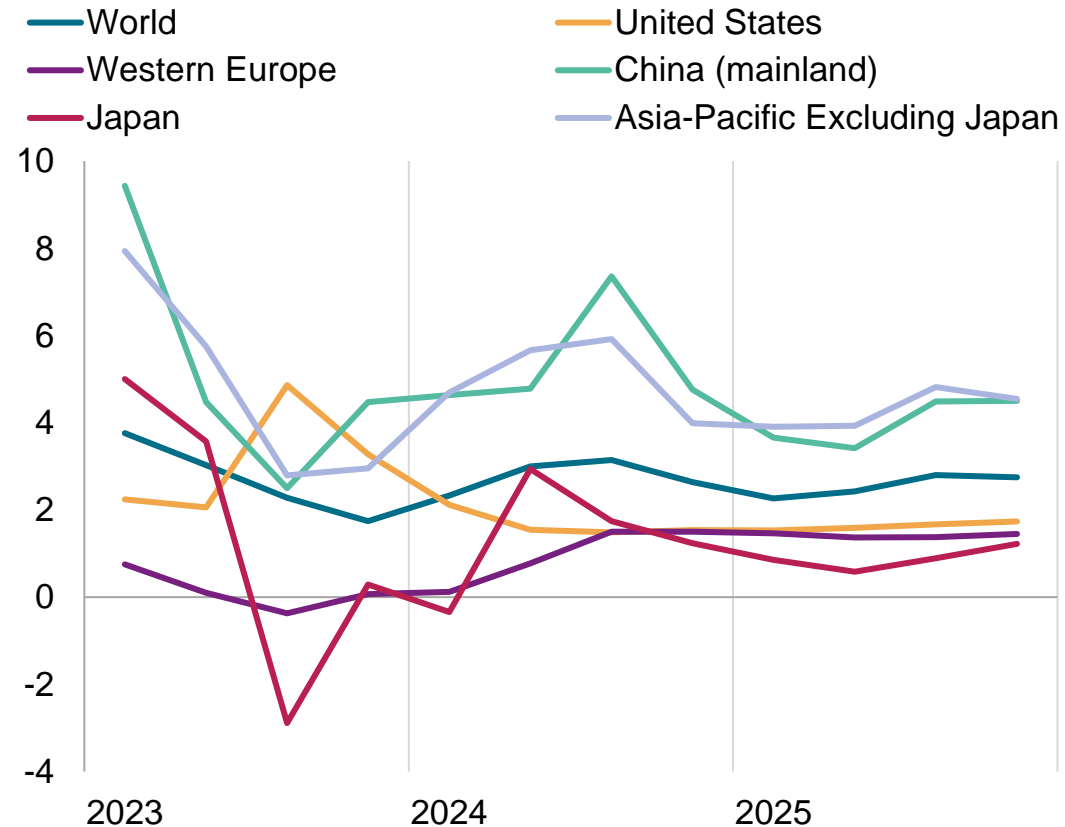
- Monetary policy easing is forecast to become more widespread during 2024 as inflationary pressures continue to abate.
- An initial 25 basis point (bp) cut by the US Federal Reserve is now forecast in May, with 100 bp of cuts still forecast in total in 2024.
- Rate cuts are still forecast to begin slightly later in Western Europe. Initial 25 bp cuts from the European Central Bank (ECB) and Bank of England (BOE) are forecast in June, with 100 bp of cuts forecast by both during 2024.
- Financial market expectations of rate cuts in 2024 have been markedly pared back from the December 2023 peaks, to levels broadly matching our forecasts.



Data compiled Feb. 15, 2024.  
Source: S&P Global Market Intelligence.

# Near term economic growth outlook revised up

## Real GDP, annualized Q/Q % change



Data compiled February 19, 2024.  
 Forecasts from 2024 Q1 onwards.  
 Source: S&P Global Market Intelligence.  
 © 2024 S&P Global.

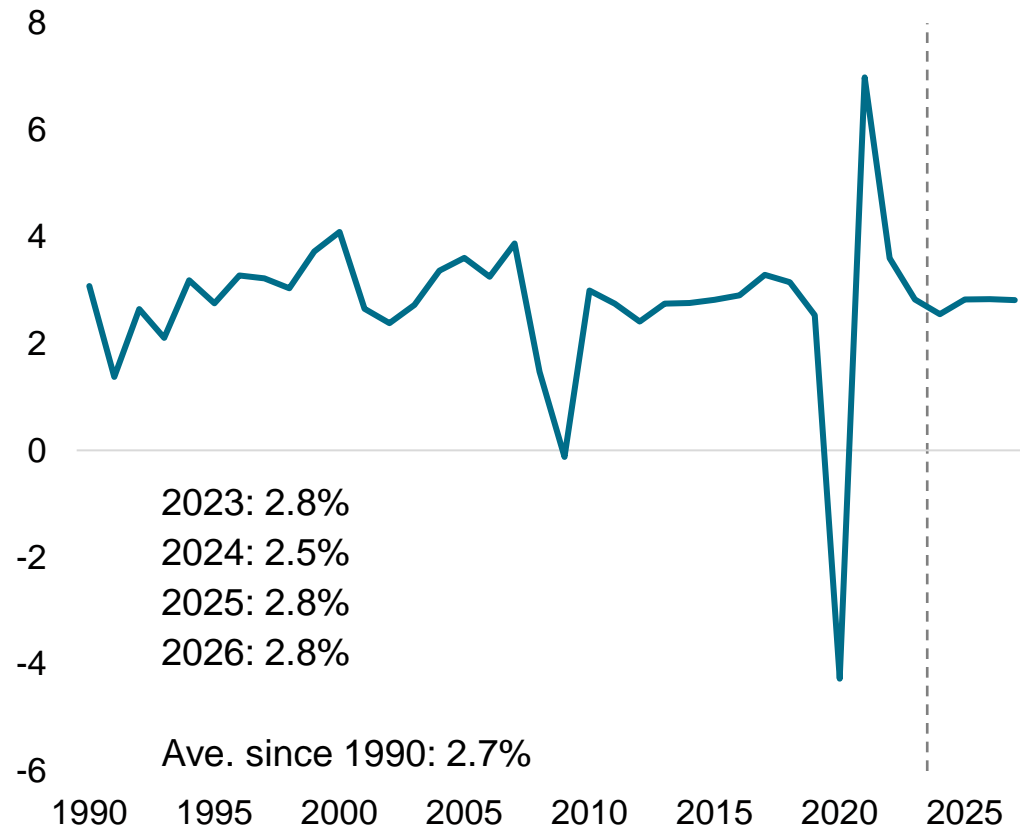
## Real GDP (% change)

Region	2023	2024	2025	2026
World	2.7	2.5	2.6	2.8
United States	2.5	2.4	1.6	1.7
Canada	1.1	0.9	1.8	2.0
Brazil	3.0	1.9	2.5	2.7
Eurozone	0.6	0.5	1.5	1.6
United Kingdom	0.3	0.0	1.0	1.4
Russia	3.6	2.4	2.1	2.2
Mainland China	5.2	4.7	4.5	4.5
Japan	2.0	0.7	1.1	0.9
India*	6.9	6.5	6.1	6.2

Data compiled Feb. 15, 2024.  
 \* Fiscal year starting April 1, 2023.  
 Source: S&P Global Market Intelligence.

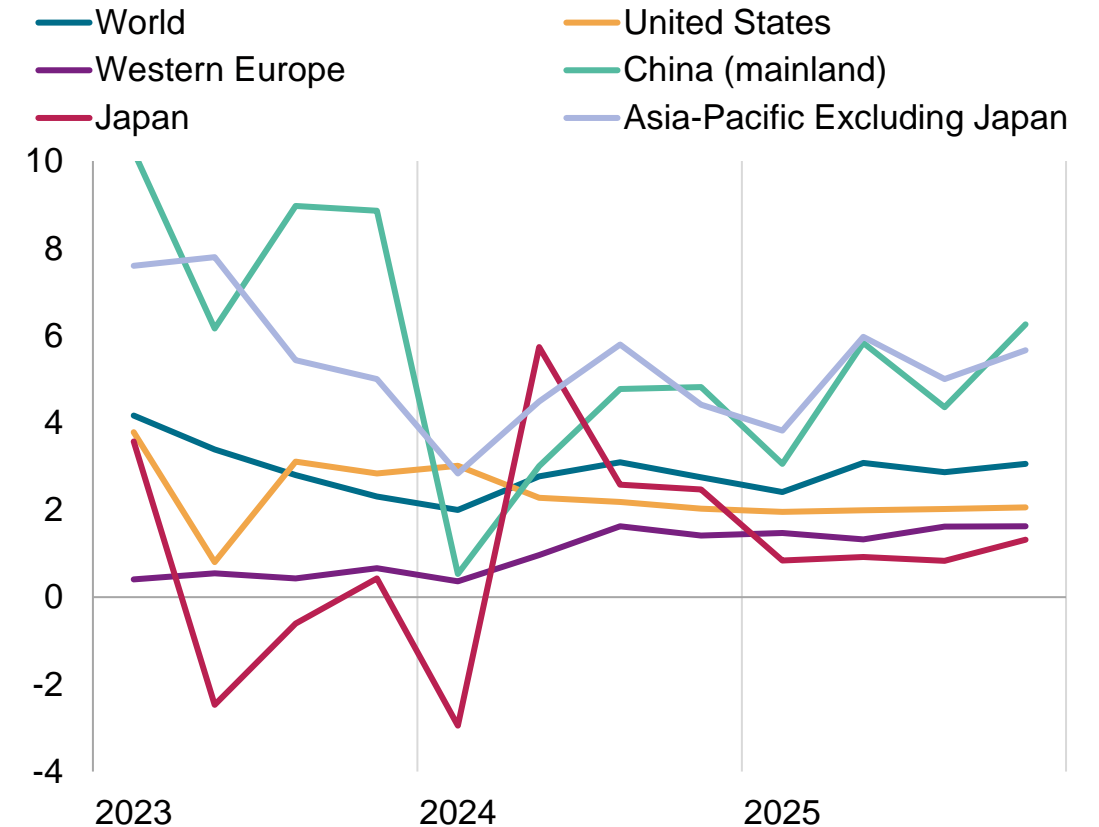
# Consumer spending outlook

## Global real consumer spending, annual % change



Data compiled February 19, 2024.  
 Forecasts from 2024 Q1 onwards.  
 Source: S&P Global Market Intelligence.  
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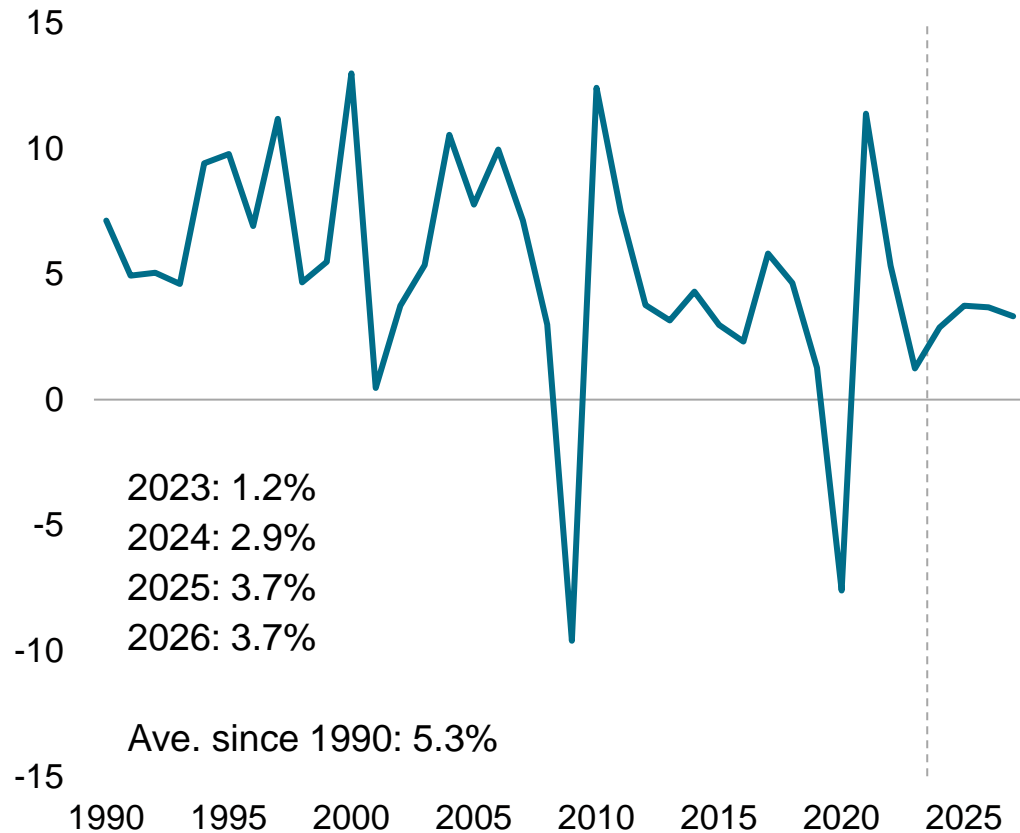
## Real consumer spending, annualized Q/Q % change



Data compiled February 19, 2024.  
 Forecasts from 2024 Q1 onwards.  
 Source: S&P Global Market Intelligence.  
 © 2024 S&P Global.

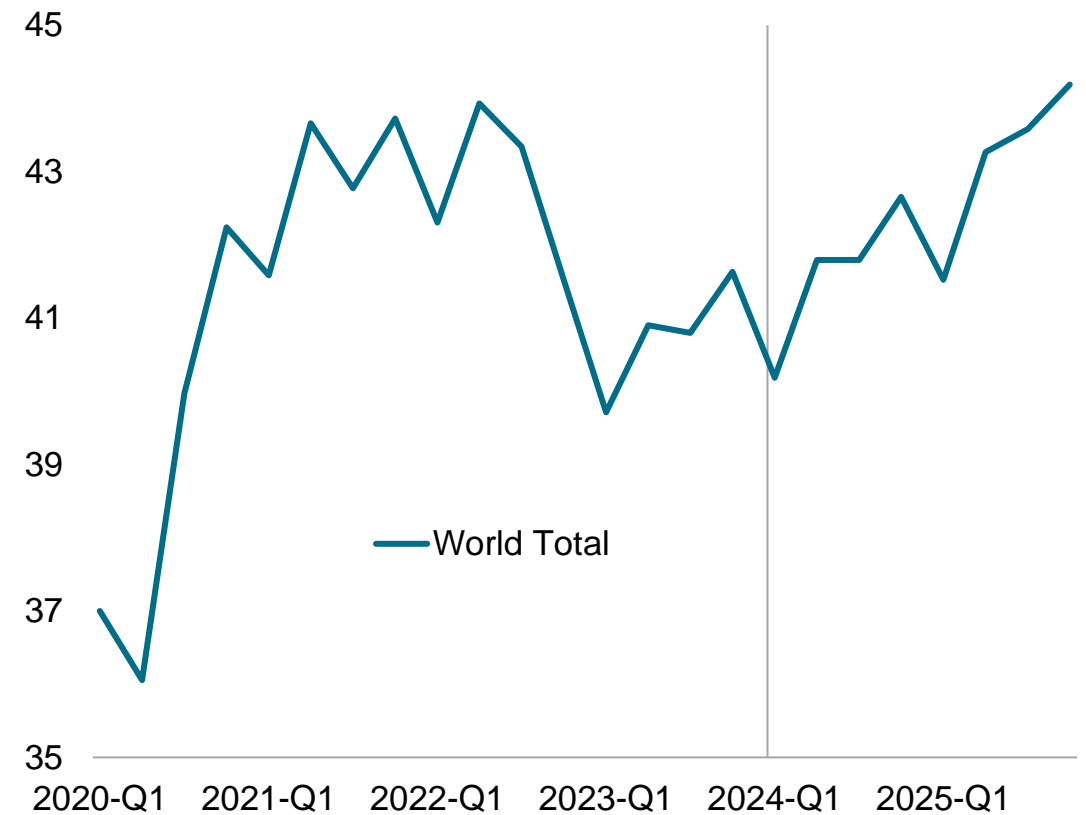
# Global trade outlook

## Global exports, annual % change



Data compiled February 19, 2024.  
 Forecasts from 2024 Q1 onwards.  
 Source: S&P Global Market Intelligence.  
 © 2024 S&P Global.

## TEU volumes (million)



Data compiled February 2024.  
 TEU = Twenty Foot Equivalents.  
 Source: S&P Global Market Intelligence, GTAS Forecasting.  
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# Risks



# How are the risks balanced?

What could go wrong?

- a. **Supply chain** delays.
- b. **Inflation** revives, halting/delaying/limiting CB pivot.

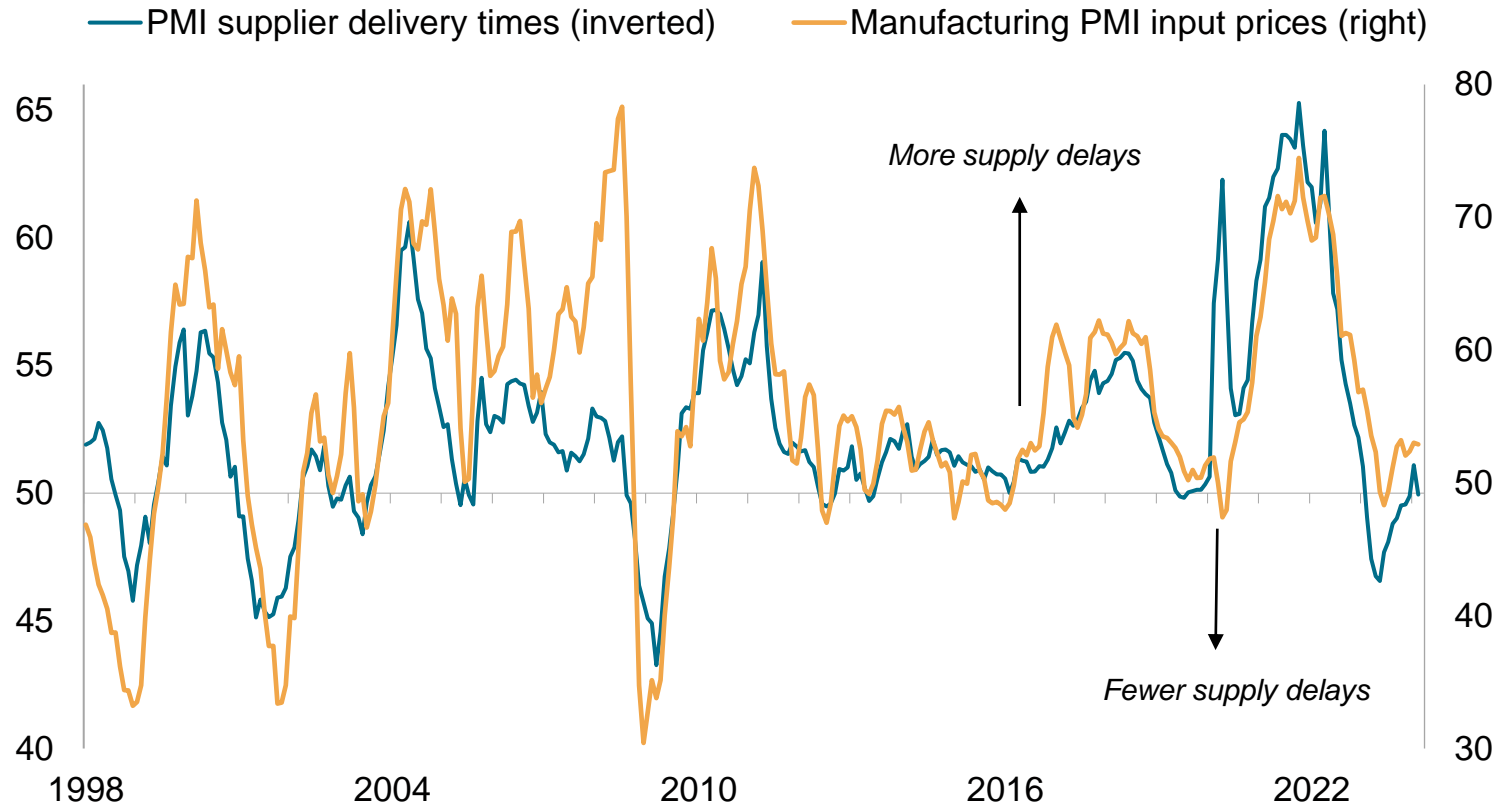
What are the main upsides?



Source: S&P Global Market Intelligence

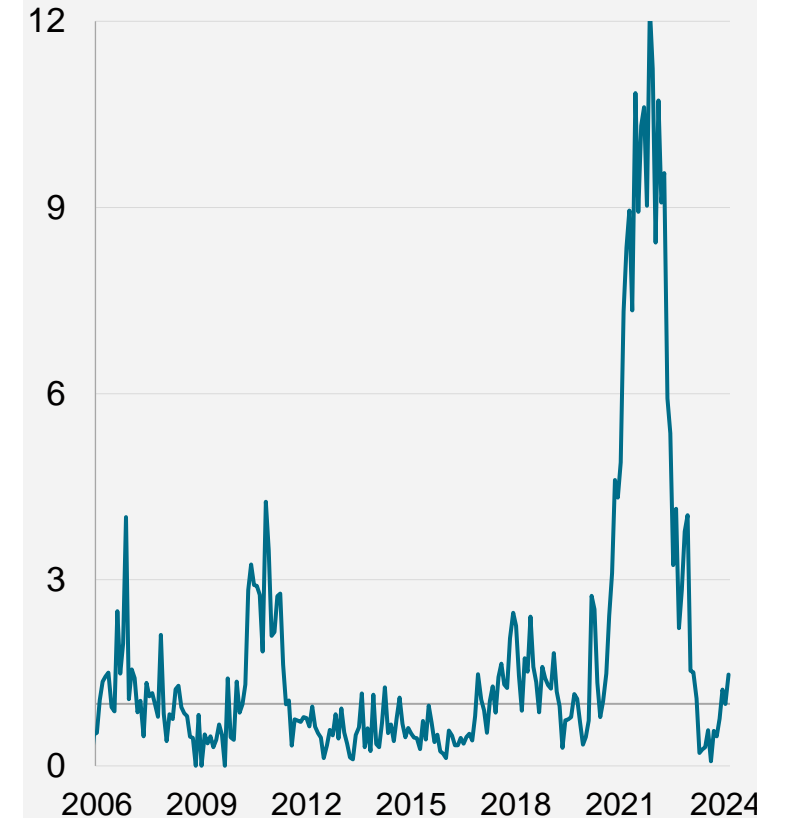
# Shipping delays cause supplier lead times to lengthen, driving up prices

## Global manufacturing supply conditions and prices



Data compiled March 2024 with PMI to February 2024.  
 PMI (Purchasing Managers' Index) value of 50 = no change on prior month..  
 Sources: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.  
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## S&P Global PMI: Producers buying more inputs to build safety stocks



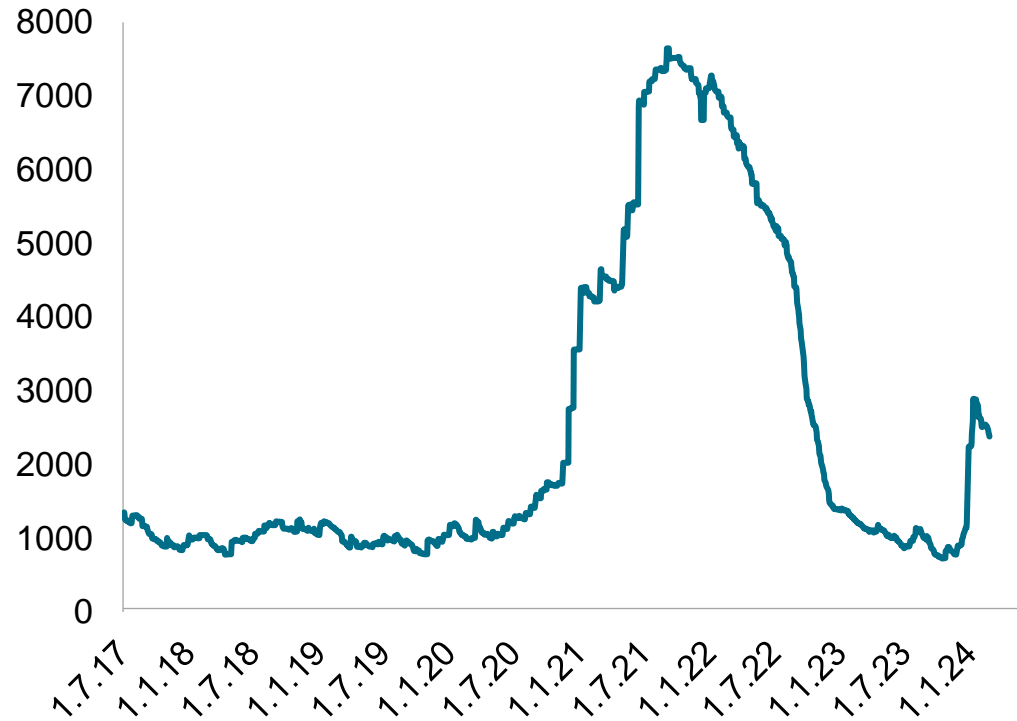
Data compiled March 2024.  
 Axis scale 1 = long term average.  
 Source: S&P Global PMI.  
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# Container rates already softening again toward end of February

## Global container rates

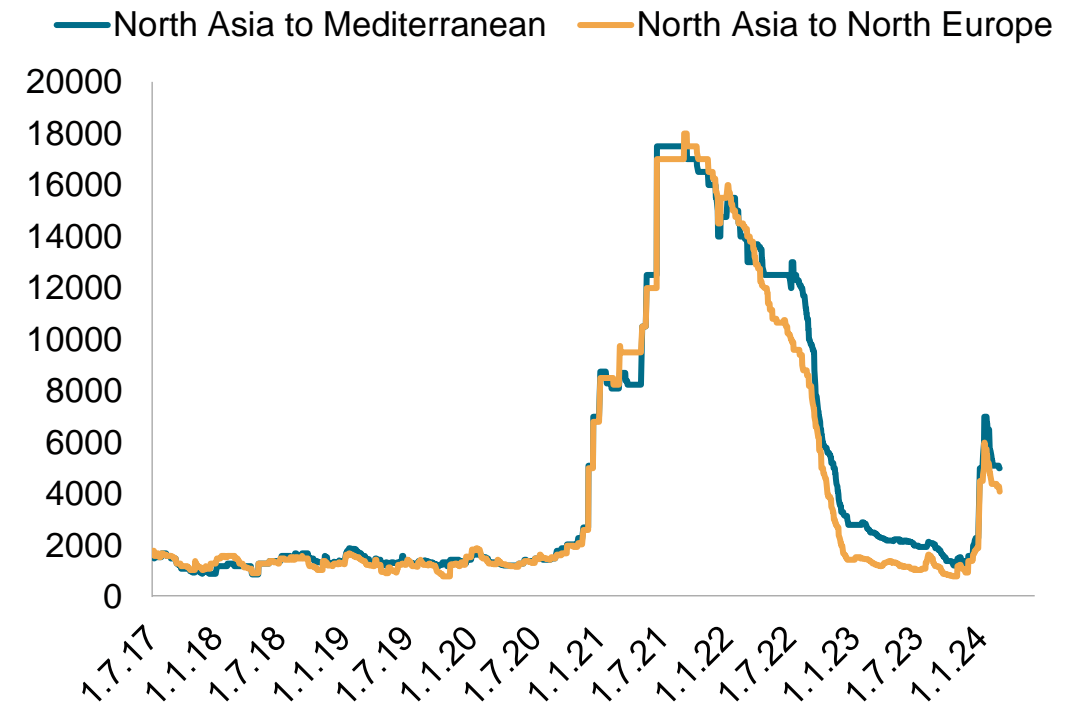
Average spot rate for Forty-foot Equivalent Unit (FEU), US dollars



Data compiled February 2024.  
Source: S&P Global.

## Container rates to Europe

Average spot rate for Forty-foot Equivalent Unit (FEU), US dollars



Data compiled February 2024.  
Source: S&P Global.

# How are the risks balanced?

## What could go wrong?

- a. **Supply chain** delays.
- b. **Inflation** revives, halting/delaying/limiting CB pivot.
- c. **Financial crisis risks** have receded but banks' asset quality will worsen in 2024 relative to 2023 (NPLs to rise).
- d. **Conflicts** will likely remain a major source of geopolitical instability => Commodity and energy price volatility, supply chain disruptions.
- e. **Elections**, including in the US, India, Indonesia, South Africa, Mexico, the UK and the European Parliament.
- f. **Fiscal policy** less supportive amid higher debt levels.
- g. **Protectionism** as strategic competition between the US and mainland China will be sustained, with other countries hedging between those two markets.
- h. **Climate**-related disruptions in 2024 and their subsequent effect on supply chains and agricultural production would further raise the risk of protectionism, as well as drive inflation higher.

Source: S&P Global Market Intelligence

## What are the main upsides?



# How are the risks balanced?

## What could go wrong?

- a. **Supply chain** delays.
- b. **Inflation** revives, halting/delaying/limiting CB pivot.
- c. **Financial crisis risks** have receded but banks' asset quality will worsen in 2024 relative to 2023 (NPLs to rise).
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Source: S&P Global Market Intelligence



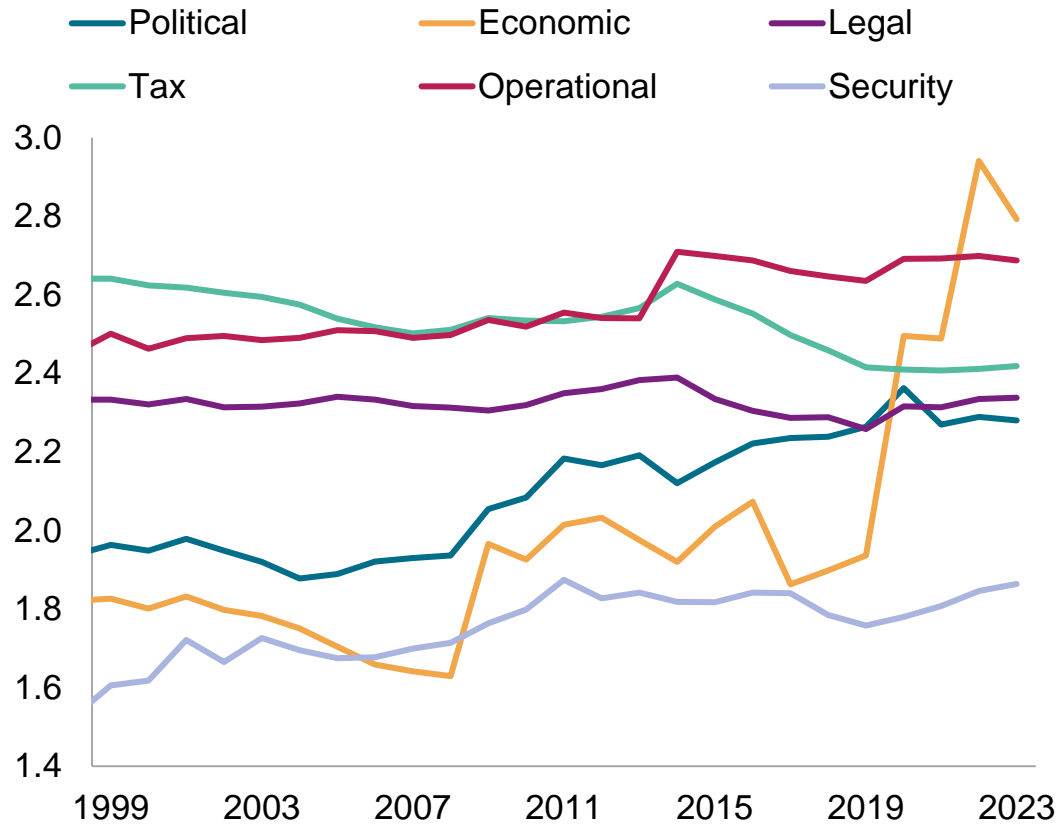
## What are the main upsides?

- a. **Interest rates** could move lower faster than central banks are signalling, boosting growth.
- b. **Conflict resolution** (Gaza/Ukraine).
- c. **AI** boosting productivity longer-term

# World risk forecasts

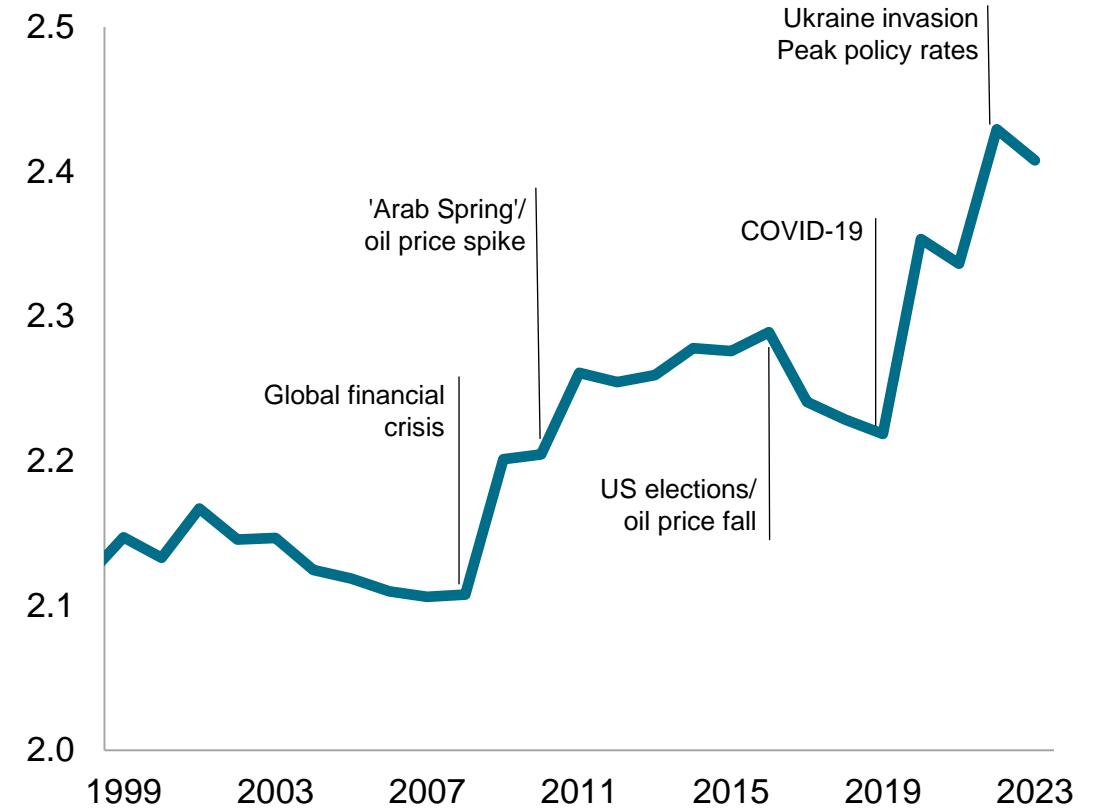
“Just how risky do we think the world is now?”

## Global risk outlook by theme



Data compiled January 2024.  
 The risk forecast looks at the average level of risk over the next 12 months on a 0.1 - 10 logarithmic scale using 29 qualitative factors of risk.  
 Source: S&P Global Market Intelligence.  
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## S&P Global World Risk Outlook Index



Data compiled January 2024.  
 The risk forecast looks at the average level of risk over the next 12 months on a 0.1 - 10 logarithmic scale. GIA country analysts and economists look at 29 qualitative factors of risk.  
 Source: S&P Global Market Intelligence.  
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# Contact us

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