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PMI Surveys

Introduction to IHS Markit's PMI™ & Tengri Partners
Kazakhstan PMI's

January 29th 2020

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ECONOMY

To Gauge the Health of the Global Economy, Look to Purchasing Managers

By polling those who sit in the center of supply chains, PMIs can provide an early warning

By *Josh Zumbrun*

Feb. 5, 2019 5:30 a.m. ET

The global economy's stumbles over the past year have been no surprise to the world's purchasing managers and the people closely following the economic indexes that are produced from their views.

Global purchasing managers' indexes, or PMIs, have come forth as a leading barometer of the health of the world's major manufacturing sectors. Through most of last year, official forecasts like those from the Federal Reserve or International Monetary Fund held steady, and until the fourth quarter, the stock market climbed upward...



The need for better economic data

Official data :

- Quarterly data plus processing
- Regularly revised
- Volatile

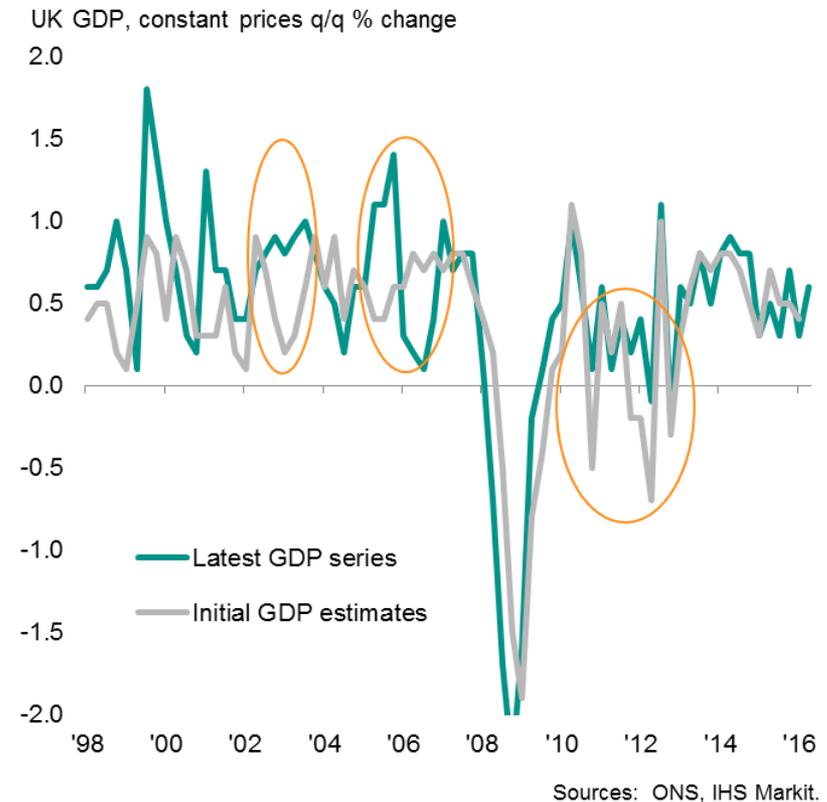
PMI data:

- Monthly
- Not revised
- Clarity

Objective:

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

Revisions to official data: re-telling history



Background to the PMI surveys

Methodology and coverage

Not all surveys are the same...

PMI surveys have carefully selected samples:

- Based on official data from which we map the structure of the economy
- Not restricted to trade association membership, job title, company size or other constraint
- Willing participants that provide via a give-get model
(means accurate information is provided, high response rates and low churn)

PMI surveys have carefully designed questionnaires:

- Ask actual changes compared to prior month = reduced subjectivity and opinion bias
- Small number of questions = high response rates
- Anecdotal elements to each question provides 'colour'

PMI surveys have sophisticated methodology:

- Error checking
- Weighting systems
- Seasonal adjustment
- Reliable indicators: not revised, low noise-to-signal ratio

PMI survey methodology

Survey questions ask respondents to compare the situation in the current month with that of the previous month

For example: Is the level of output at your company higher, the same or lower than one month ago?

Manufacturing

PMI

Output (25%)

New orders (30%)

Backlogs of work

Employment (20%)

Input prices

Output prices

Quantity of purchases

Suppliers' delivery times (15%)

Stocks of purchases (10%)

Stocks of finished goods

New export orders

Services

Business activity

New business

Outstanding business

Employment

Input costs

Prices charged

Future expectations

Whole Economy

PMI

Output (25%)

New orders (30%)

Backlogs of work

Employment (20%)

Overall Input prices

Purchase Costs

Staff Costs

Output prices

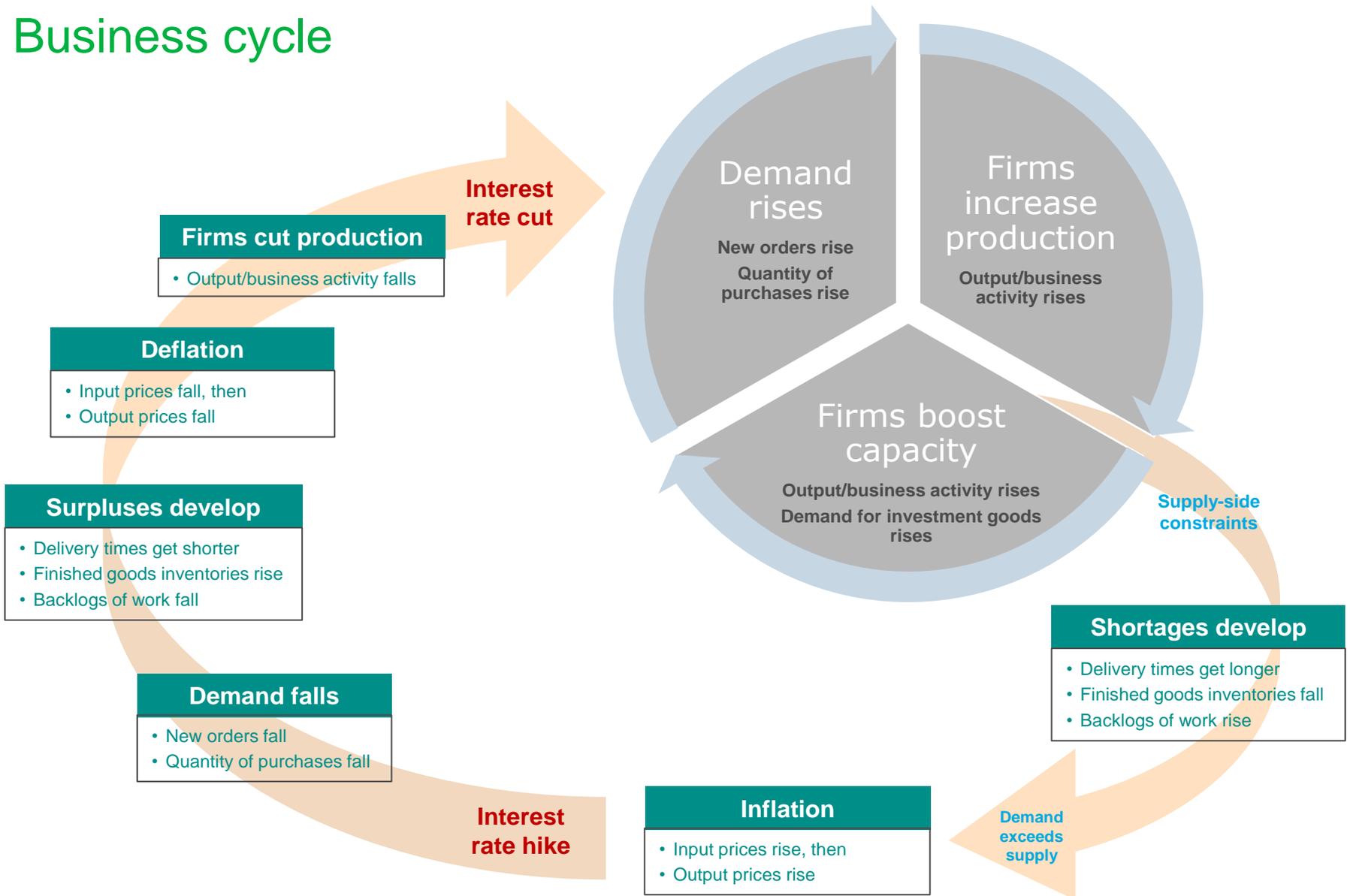
Quantity of purchases

Suppliers' delivery times (15%)

Stocks of purchases (10%)

New export orders

Business cycle



PMI coverage

44

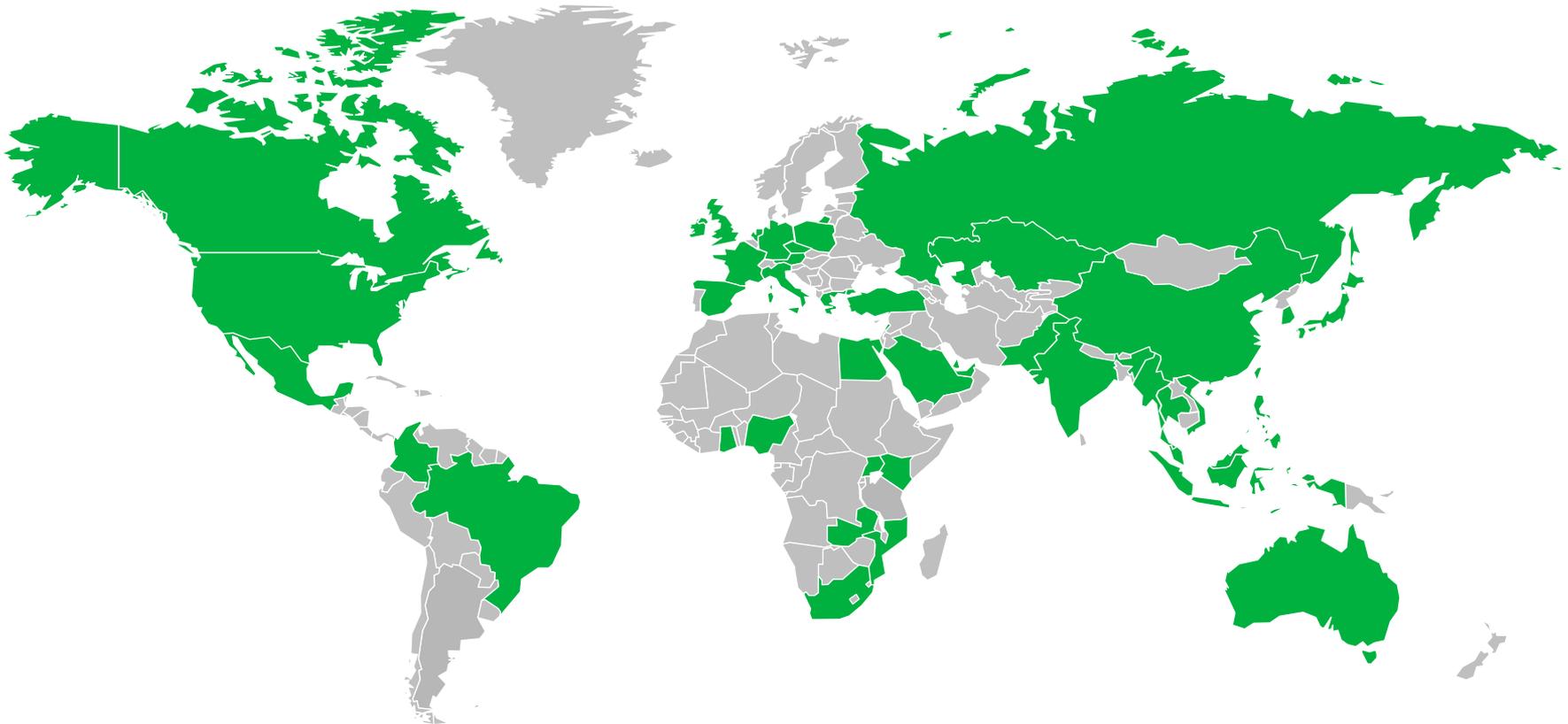
Countries covered

28,000+

Companies surveyed every month

87%

Global GDP



PMI Global Coverage

| | Manufacturing | Services | Whole Economy |
|-------------------|---------------|----------|---------------|
| ASIA: | | | |
| Australia | ✓ | ✓ | |
| China | ✓ | ✓ | |
| Hong Kong | | | ✓ |
| India | ✓ | ✓ | |
| Indonesia | ✓ | | |
| Japan | ✓ | ✓ | |
| Kazakhstan | ✓ | ✓ | |
| Myanmar | ✓ | | |
| Philippines | ✓ | | |
| Singapore | | | ✓ |
| South Korea | ✓ | | |
| Taiwan | ✓ | | |
| Thailand | ✓ | | |
| Vietnam | ✓ | | |
| ASEAN | ✓ | | |

| | Manufacturing | Services | Whole Economy |
|---------------------------|---------------|----------|---------------|
| AFRICA/MIDDLE EAST | | | |
| Egypt | | | ✓ |
| Ghana | | | ✓ |
| Kenya | | | ✓ |
| Lebanon | | | ✓ |
| Mozambique | | | ✓ |
| Nigeria | | | ✓ |
| Qatar | | | ✓ |
| Saudi Arabia | | | ✓ |
| South Africa | | | ✓ |
| Uganda | | | ✓ |
| UAE | | | ✓ |
| Zambia | | | ✓ |
| AMERICAS: | | | |
| Brazil | ✓ | ✓ | |
| Canada | ✓ | ✓ | |
| Colombia | ✓ | | |
| Mexico | ✓ | | |
| United States | ✓ | ✓ | |

| | Manufacturing | Services | Whole Economy |
|----------------|---------------|----------|---------------|
| EUROPE: | | | |
| Austria | ✓ | | |
| Czech Republic | ✓ | | |
| Eurozone | ✓ | ✓ | |
| France | ✓ | ✓ | |
| Germany | ✓ | ✓ | |
| Greece | ✓ | | |
| Ireland | ✓ | ✓ | |
| Italy | ✓ | ✓ | |
| Netherlands | ✓ | | |
| Poland | ✓ | | |
| Spain | ✓ | ✓ | |
| United Kingdom | ✓ | ✓ | |
| OTHER: | | | |
| Russia | ✓ | ✓ | |
| Turkey | ✓ | | |

Overview of PMI key advantages

Representative panels

- IHS Markit builds business survey panels, carefully designed to accurately represent true industry structure according to official data.

High response rates

- High response rates from senior executives in large companies and SMEs ensure high quality data are collected.

'Hard' data

- Facts matter more than opinion, so survey questions relate to observed volumes and business metrics, such as a output, employment, prices and new order inflows, not sentiment.

Frequency

- Monthly data are produced, so the data are more timely (and more useful) than quarterly GDP data, allowing the easier interpretation of turning points in business activity and price changes.

Timely

- Reports are published at start of each month following the reference month, making the PMIs the first 'hard' economic data available.

Accurate

- Accurately signals changes in GDP, industrial output, inflation and other data.

Expert analysis

- IHS Markit economists analyse the survey data, producing high-quality written analytical interpretation of the data each month.

Sector coverage

- Encompassing manufacturing, construction and service sectors, filling huge data gaps.

International comparability

- Identical methodology used worldwide provides unique and rapid global and regional economic data.

Eurozone GDP nowcasting



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. Baibura 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

“Regarding timeliness, two months [PMI data] of the current quarter appears to be generally sufficient, which is 2½ months before the flash [eurozone] GDP estimate.”

“a closer look at what is driving this outstanding track record”

Journal of Business Cycle Research
<https://doi.org/10.1007/s41549-018-0032-2>

REPORT



A PMI-Based Real GDP Tracker for the Euro Area

Gabe J. de Bondt¹ 

Received: 19 December 2017 / Accepted: 15 September 2018
 © Springer Nature Switzerland AG 2018

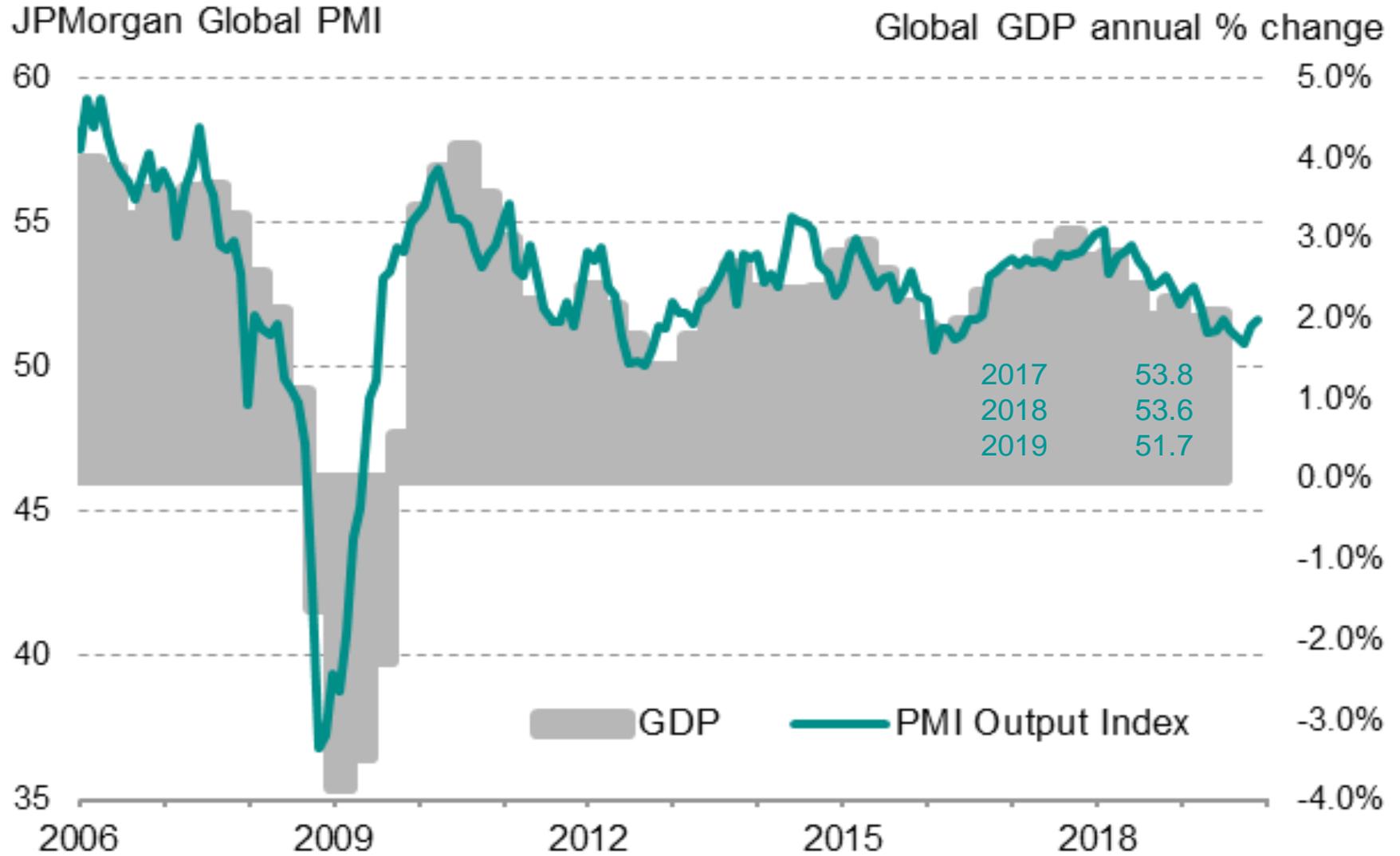
Abstract

Real-time evidence for the euro area shows that a tracker for real GDP growth using only the Purchasing Managers' Index (PMI) composite output is of similar accuracy for the final GDP release as the first GDP release. No signs of instability—except during the 2008/09 crisis—in this tracking performance are found. This is surprising given the small size of the underlying PMI panel. From a closer look at what is driving this outstanding track record, seven conclusions emerge: (i) the level of and change in the PMI composite output explain one-third of the GDP revisions; (ii) later available information is more accurate; (iii) services are key; (iv) firm size breakdown is valuable; (v) export status breakdown creates only noise; (vi) aggregated euro area PMI track record is not consistently related to a particular country; (vii) take firm defaults into account during very bad times. These findings imply that PMI surveys are not only valuable for analysts and policymakers as a timely and reliable GDP tracker, but also for statisticians to potentially improve the accuracy of the first preliminary flash estimate of euro area real GDP.

“Real-time evidence for the euro area shows that a tracker for real GDP growth using only the Purchasing Managers' Index (PMI) composite output is of similar accuracy for the final GDP release as the first GDP release”

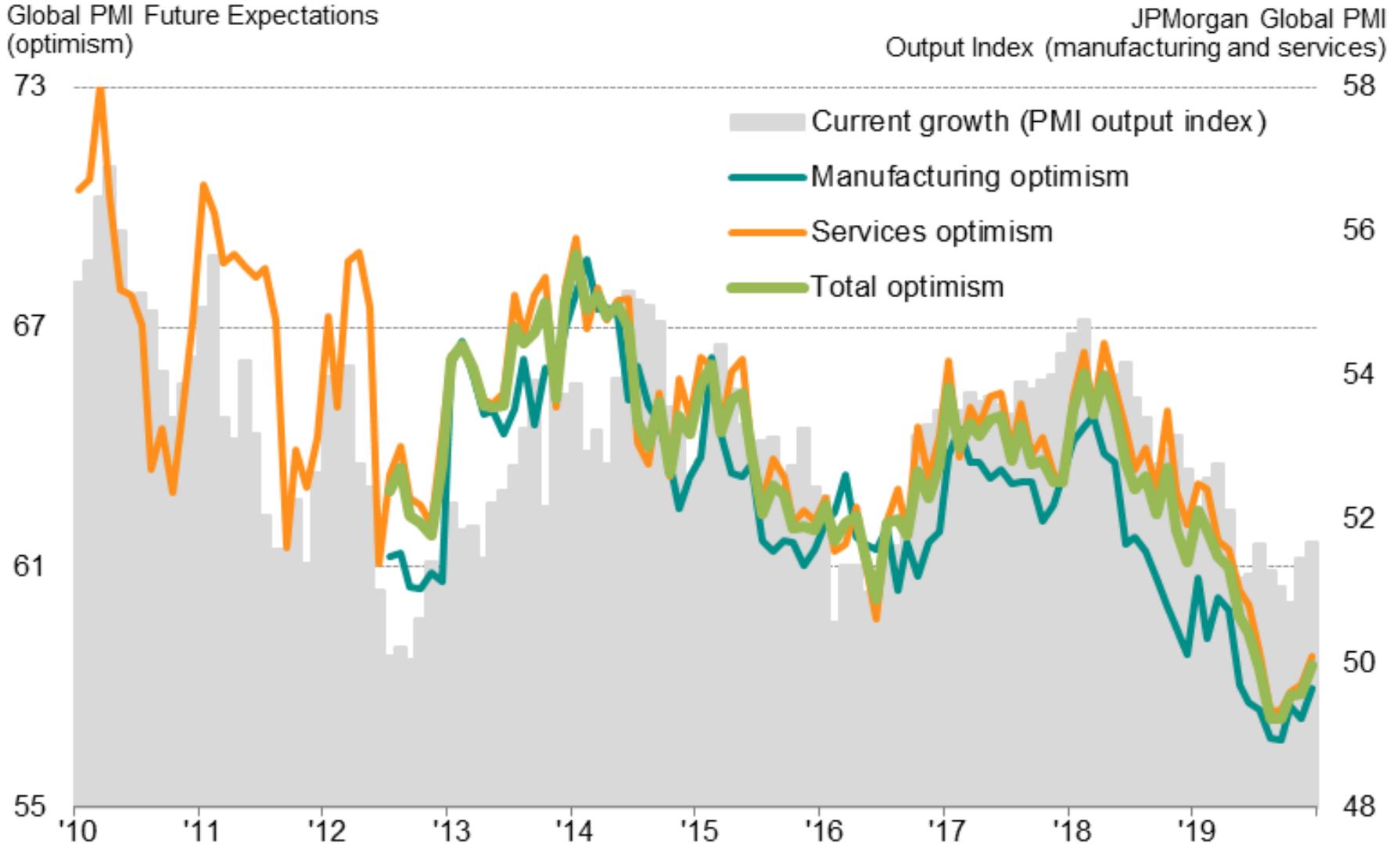
Around the World

Global PMI at eight-month high of 51.7 in December



Sources: IHS Markit, JPMorgan

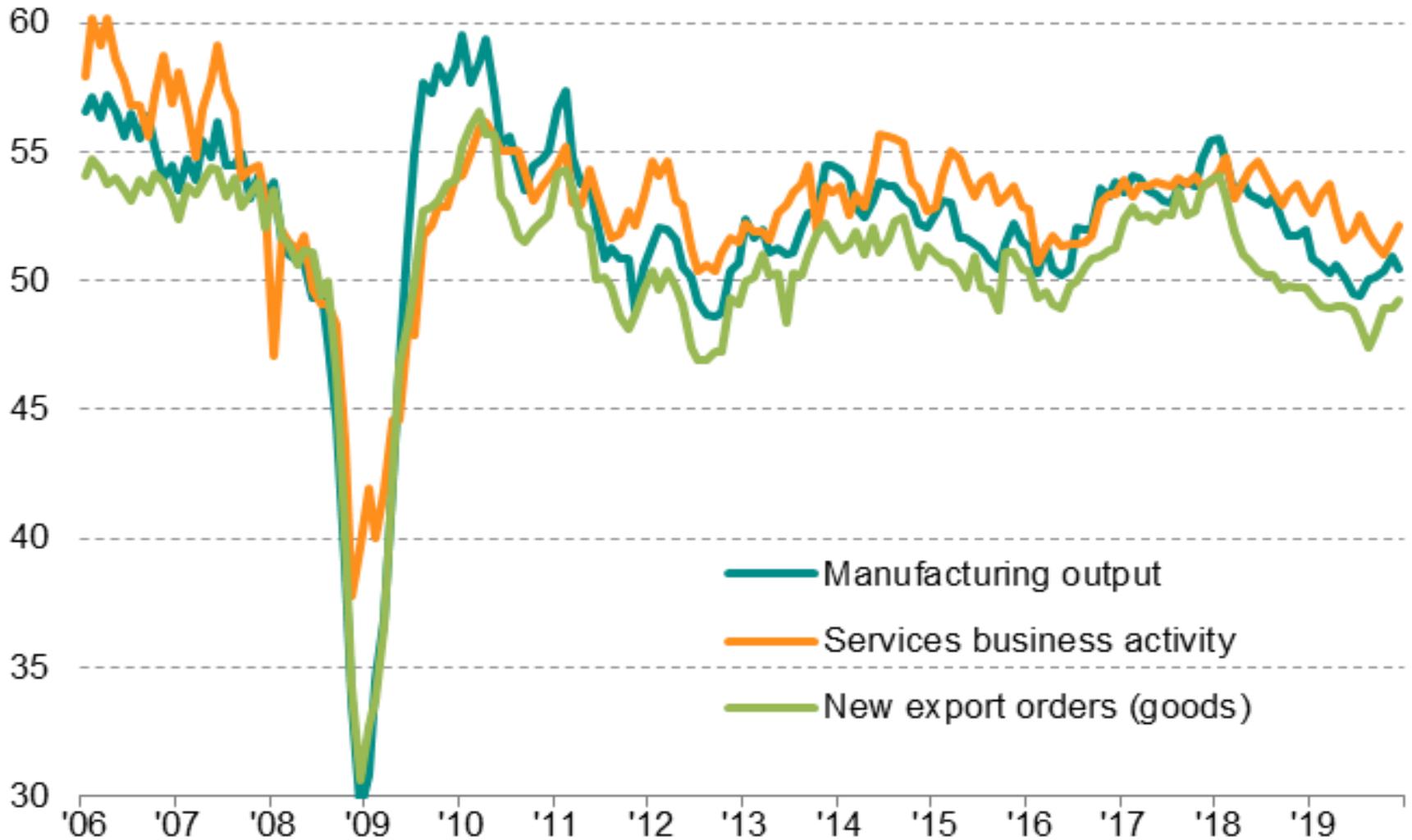
Global sentiment has been on a steady rise since mid-year



Sources: IHS Markit, JPMorgan

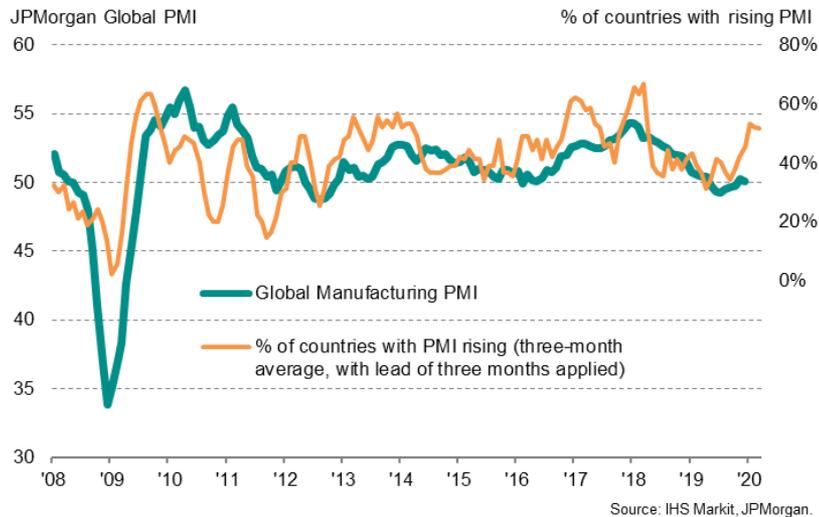
Service sector enjoys faster growth, trade drag eases

Global PMI Index, 50 = no change on prior month

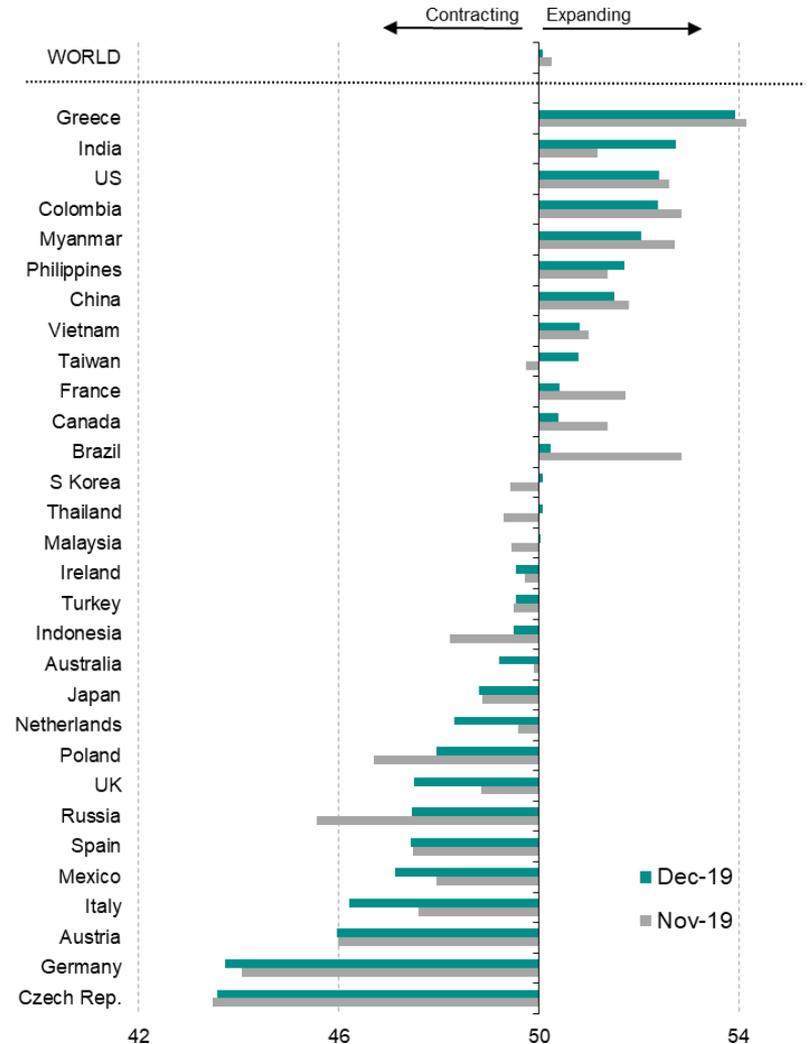


Sources: IHS Markit, JPMorgan

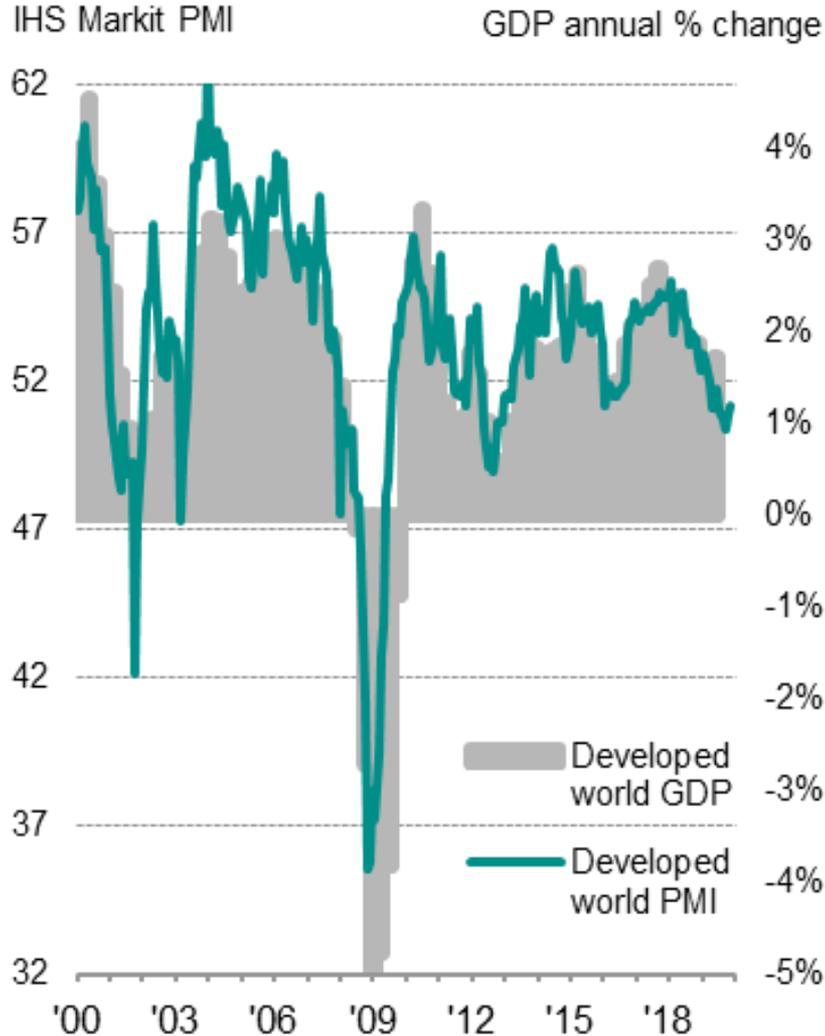
Manufacturing still stalled after worst year since 2012



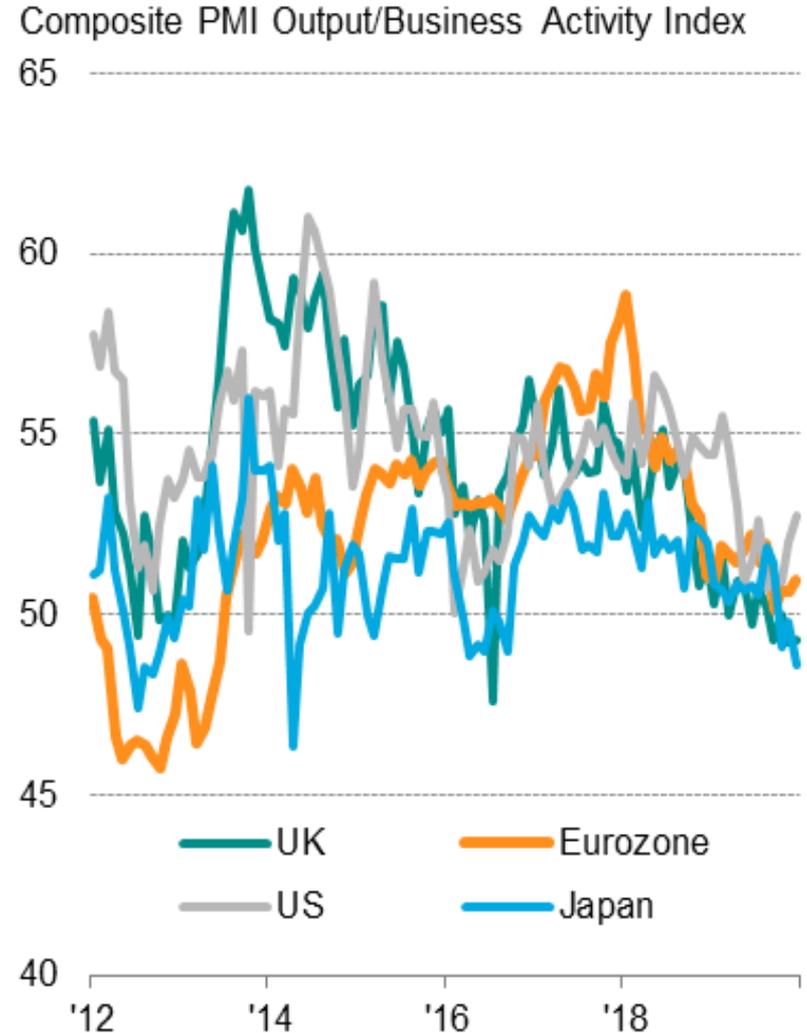
Manufacturing PMI, 50 = no change on prior month



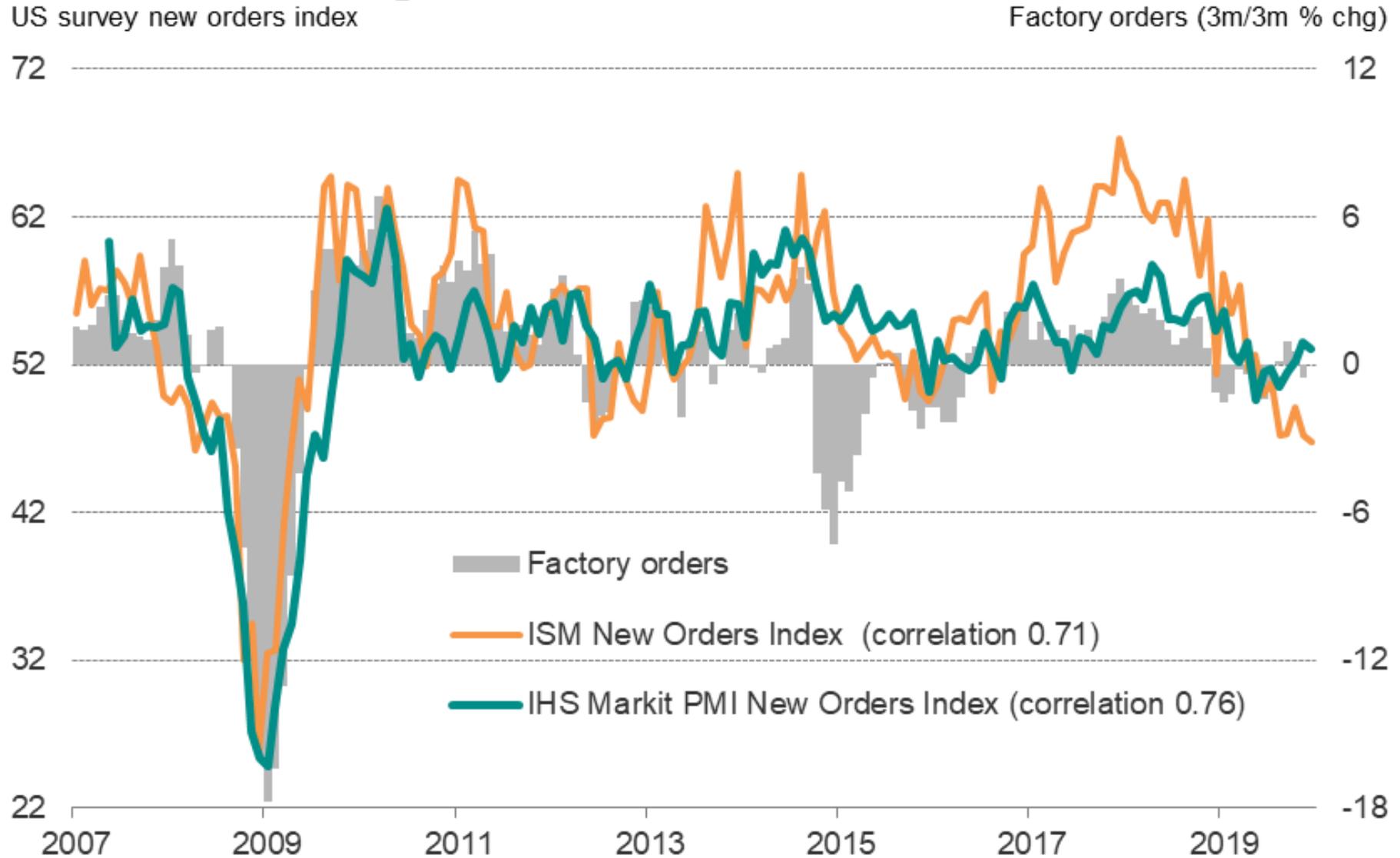
Developed world growth lifts for second months from near 7-year in October



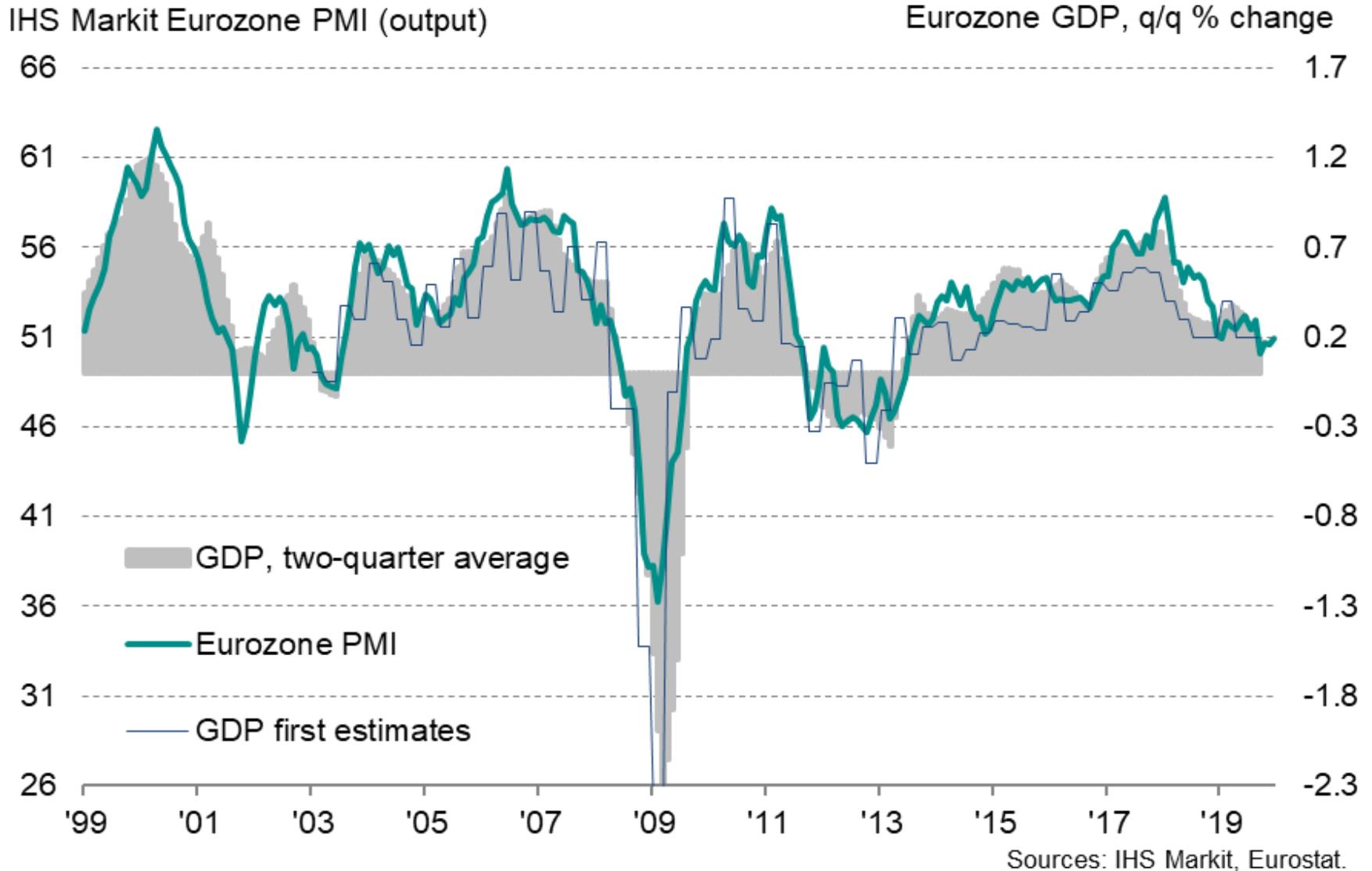
US leads developed world, Eurozone ekes out modest growth, Japan and UK contract



US factory orders: struggling to grow (but not collapsing)

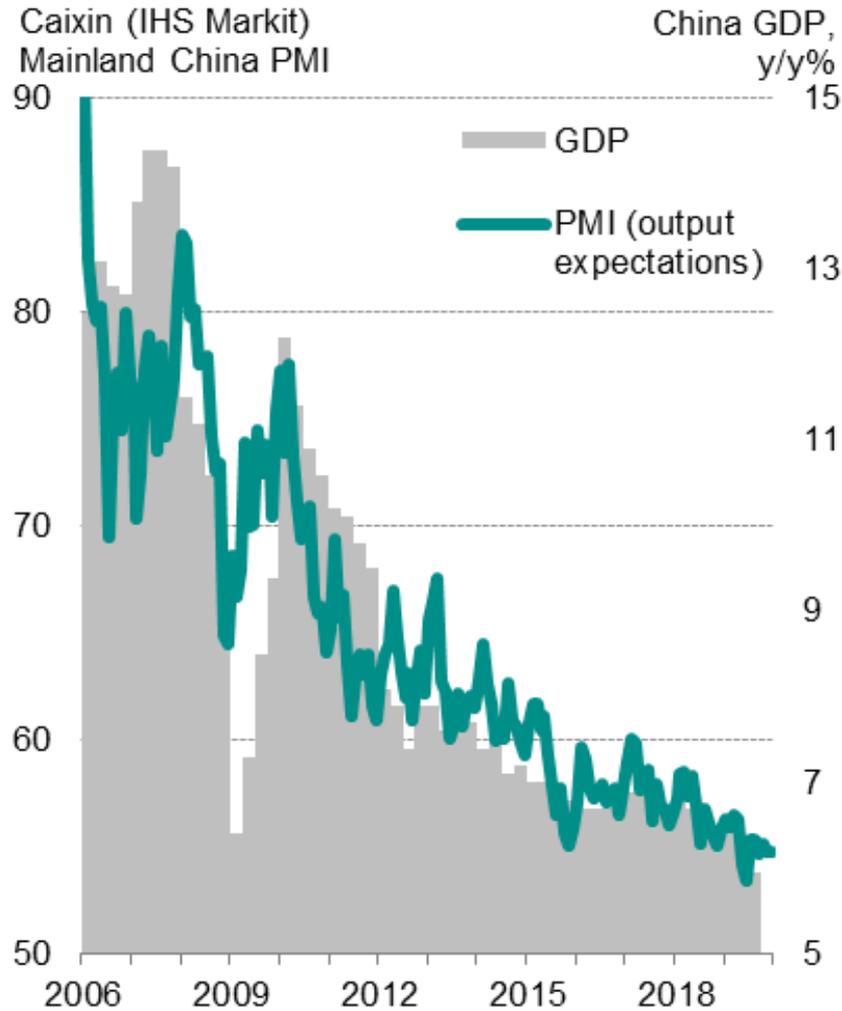


Eurozone PMI at 50.9, Q4 GDP to rise by just 0.1%

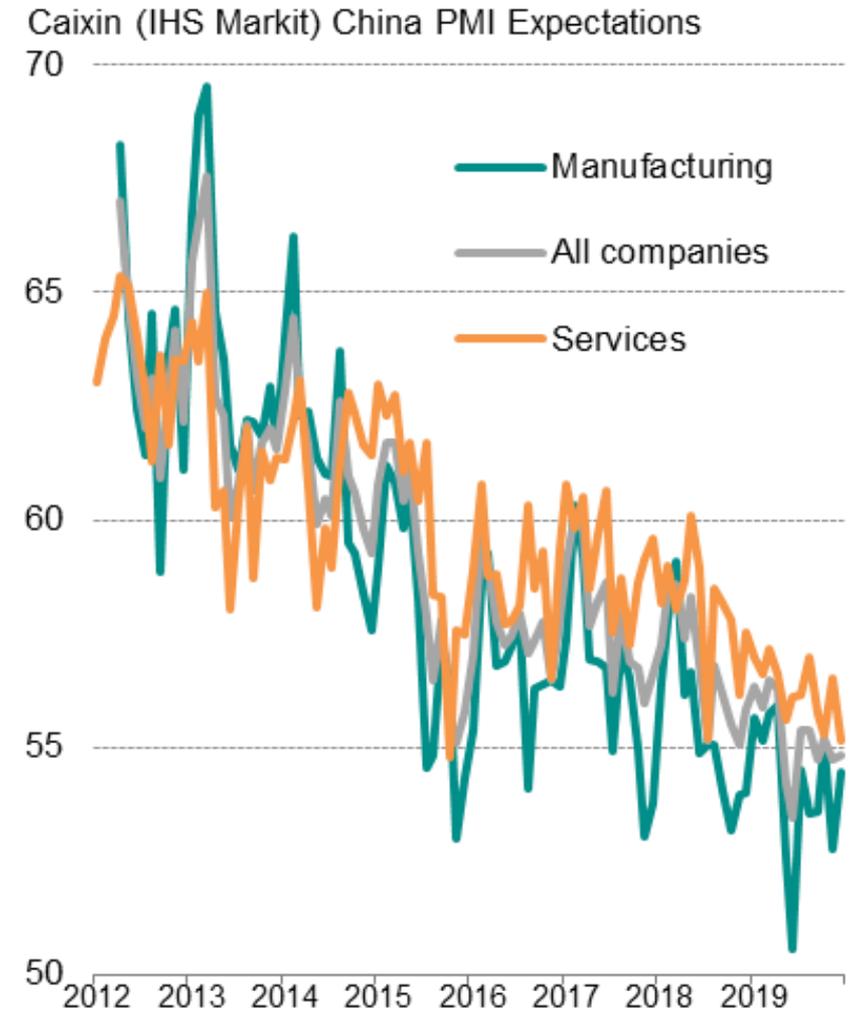


China Mainland PMI expectations close to all-time lows

Output expectations v GDP



Expectations by sector



Kazakhstan Manufacturing & Services PMI Tengri Partners PMI series

Service Sector Panel structure

| Description | Target | | | |
|---|--------|--------|------|-------|
| | 1-49 | 50-249 | 250+ | Total |
| Land Transport: Transport via pipelines | 26 | 7 | 15 | 48 |
| Water Transport | 3 | 1 | 2 | 6 |
| Air Transport | 0 | 0 | 3 | 3 |
| Warehousing, Auxiliary Transport Activities and Post | 3 | 2 | 12 | 17 |
| Accommodation and Food Service Activities | 4 | 4 | 3 | 11 |
| Recreational, Cultural and Sporting Activities | 5 | 3 | 3 | 11 |
| Telecommunications | 0 | 0 | 2 | 2 |
| Computer and Related Activities | 4 | 3 | 3 | 10 |
| Financial Intermediation except insurance and pension funding | 1 | 3 | 10 | 14 |
| Insurance and Pension Funding | 1 | 2 | 4 | 7 |
| Auxiliary Financial Intermediation Activities | 2 | 2 | 3 | 7 |
| Real Estate Activities | 10 | 12 | 2 | 24 |
| Other Business Activities | 21 | 12 | 18 | 51 |
| Research and Development | 2 | 1 | 0 | 3 |
| Renting of Machinery and Equipment | 1 | 2 | 4 | 7 |
| Education | 0 | 1 | 1 | 2 |
| Health and Social Work | 1 | 0 | 1 | 2 |
| Other Activities of Member Organisations | 2 | 0 | 0 | 2 |
| Other Services Activities | 20 | 2 | 1 | 23 |
| | | | | 250 |

Sources: Agency of the Republic of Kazakhstan on Statistics.

Manufacturing Sector Panel structure

| Description | Target | | | | Total |
|-----------------------------------|--------|--------|------|-----|-------|
| | 1-49 | 50-249 | 250+ | | |
| F&D, Tobacco | 8 | 15 | 28 | 51 | |
| Textiles & Clothing | 0 | 1 | 1 | 2 | |
| Paper & Paper Products | 0 | 0 | 1 | 1 | |
| Coke & Petroleum | 6 | 4 | 4 | 14 | |
| Chemicals & Pharmaceuticals | 2 | 8 | 6 | 16 | |
| Rubber & Plastics | 1 | 1 | 3 | 5 | |
| Mineral Products | 2 | 3 | 8 | 13 | |
| Metals & Metal Products | 29 | 54 | 32 | 115 | |
| Electrical & Electronic Equipment | 1 | 1 | 2 | 4 | |
| Machinery N.E.C. & Repair | 3 | 6 | 7 | 16 | |
| Transport Equipment | 1 | 4 | 6 | 11 | |
| Other Manufacturing | 0 | 1 | 1 | 2 | |
| | | | | 250 | |

The Tengri Kazakhstan PMI series

Embargoed until 1100 ALMT (0500 UTC) 29 January 2020



**Tengri Partners
Kazakhstan Services PMI™**
Including Tengri Partners Kazakhstan Composite PMI™

Embargoed until 1100 ALMT (0500 UTC) 29 January 2020



**Tengri Partners
Kazakhstan Manufacturing PMI™**

Thank You



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