

# Monitor

## Global: Business Cycle Monitor

### Summary and outlook

- **Global leading indicators continued to decline in August, showing further signs of slowing growth in H2. On the upside, both Chinese and US PMIs indicated that the slowdown remains moderate, so we can still look to the manufacturing sector as a growth engine. Additionally, Europe has continued to surprise on the upside, with Germany in particular looking strong. Commodity prices have recovered somewhat but overall still point to a slowdown, as the levels continue to be fairly low.**
- **We expect a further gradual slowdown of leading indicators in H2 10 and there is an increasing risk that global growth will slip below potential growth towards the end of the year. This points to continued high market volatility and downward pressure on bond yields as declining leading indicators spur fears of a double-dip.**

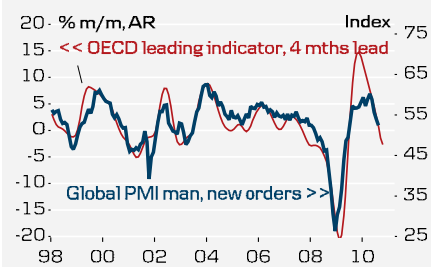
### Details

- **Global PMI** new orders fell again in August to 52.5, from 54.0 in July. This was the fourth decline in a row. This still points to growth slightly above trend, but if the PMI continues its decline, the slowdown is moving closer and closer.
- In the **US**, the ISM rose in August to 56.3, from 55.5. Our ISM model points to a gradual decline over the coming months and we expect it to reach 50-51 by year-end.
- In **Euroland**, the PMIs indicate that the US and Asian slowdown is beginning to drag down European growth. The ifo confirms that the German rebound is intact but, in spite of the strong growth momentum, some of the more forward-looking indicators send a warning of slowing ahead. Thus, except for the ifo Index, all major forward-looking indicators are pointing downwards. **Scandi** leading indicators are slightly softer but generally point to decent growth rates.
- **Asia** is sending mixed growth signals. The Chinese PMI showed some rebound in August, after a visit below 50 in July. Japanese industrial production and the PMI have also stagnated after several quarters of sharp increases. **CEE** indicators continue to indicate strong growth rates, but some signs of a slowdown are also emerging. Activity in **Brazil** has stagnated a bit, as the PMI continues to weaken and industrial production continues to decline.

### Key leading indicators to watch

- German factory orders: Sep 7
- OECD leading indicators: Sep 13
- German ZEW: Sep 14
- German ifo: Sep 24
- Euro flash PMI: Sep 21-24
- US ISM/Global PMI: Oct 1

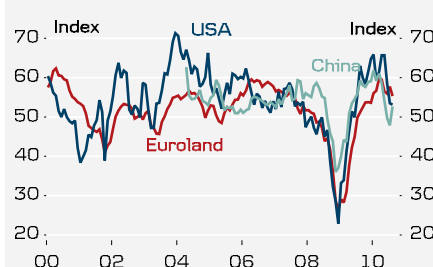
Global PMI and OECD leading indicator



Source: Markit and Reuters Ecowin

Note: OECD+6 is OECD are plus 6 largest Emerging Markets

PMI new orders manufacturing



Source: Markit and Reuters Ecowin

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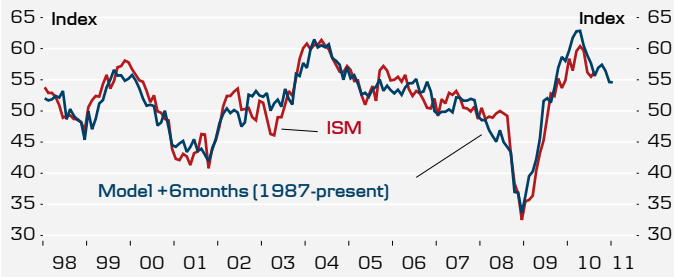
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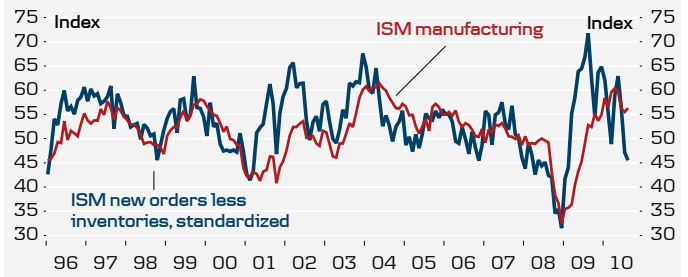
# US

Danske Markets' ISM model



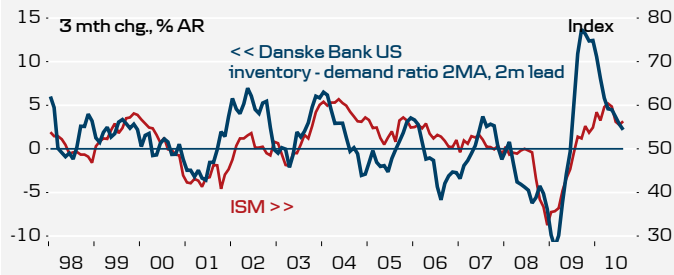
Source: Reuters Ecowin

Order-inventory balance vs. ISM



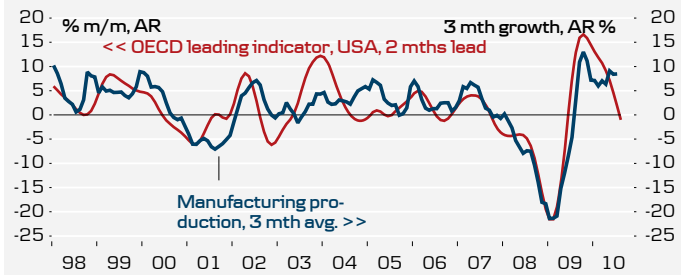
Source: Reuters Ecowin

Inventory demand ratio vs. ISM



Source: Reuters Ecowin

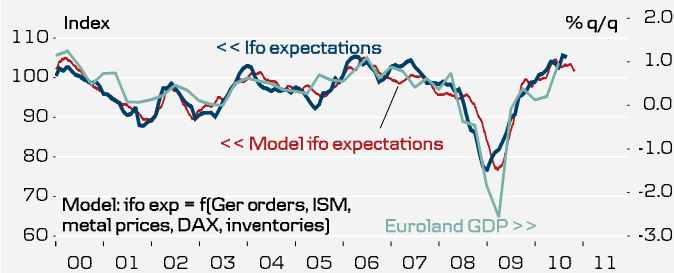
Leading indicator vs. manufacturing production



Source: Reuters Ecowin

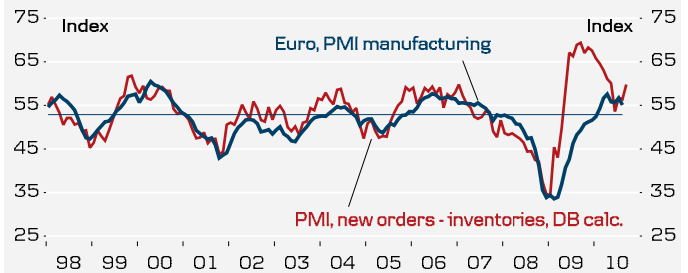
# Eurozone

Eurozone: Ifo expectations vs GDP



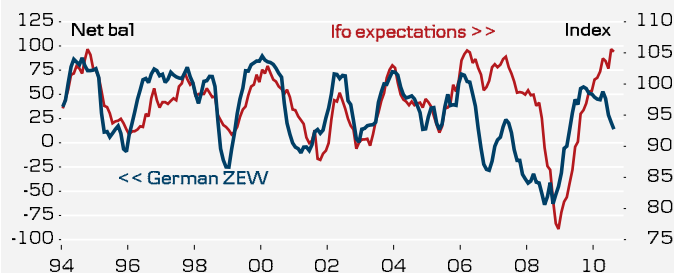
Source: Reuters Ecowin

PMI New orders vs. inventories balance



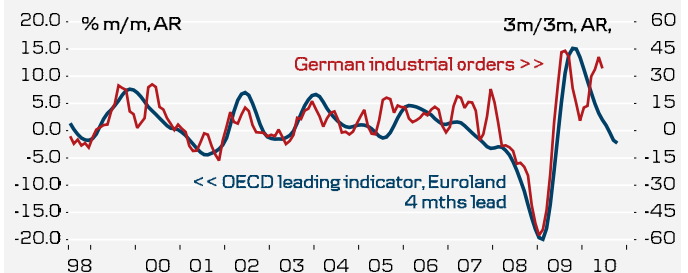
Source: Markit and Reuters Ecowin

Germany: ZEW vs. Ifo expectations



Source: Reuters Ecowin

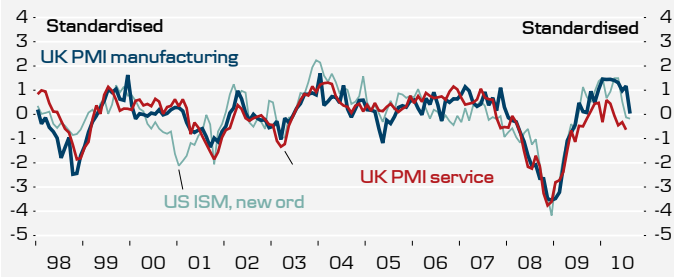
Germany: Industrial orders vs. OECD leading indicator



Source: Reuters Ecowin

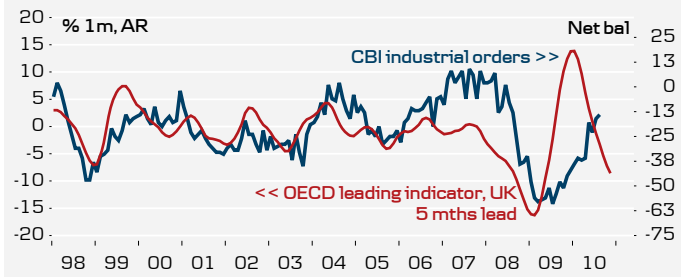
# UK and Switzerland

UK: PMI on sectors



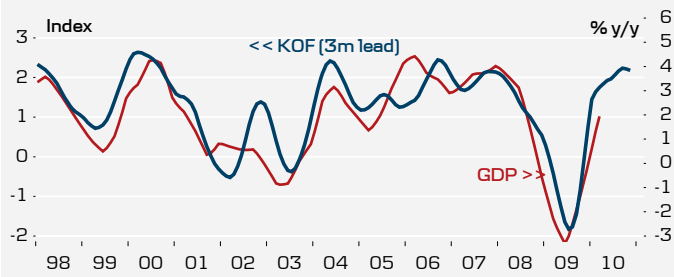
Source: Markit and Reuters Ecowin

UK: Industrial orders vs. leading indicators



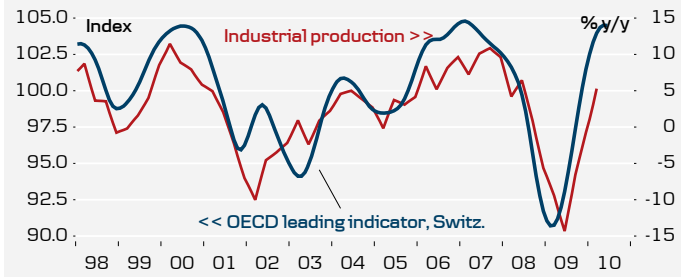
Source: Reuters Ecowin

Switzerland: KOF vs. GDP



Source: Reuters Ecowin

Switzerland: OECD leading indicator vs. industrial production



Source: Reuters Ecowin

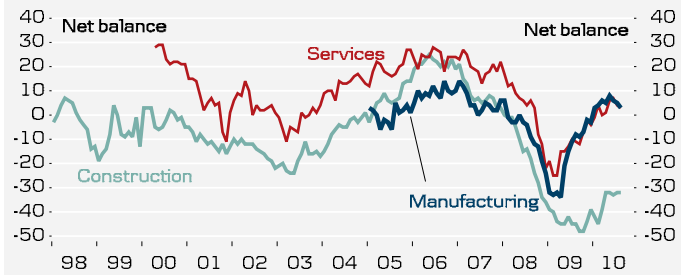
# Scandinavia

Denmark: Manufacturing confidence vs GDP



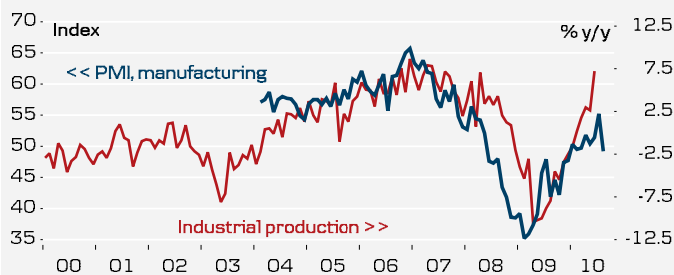
Source: Reuters Ecowin

Denmark: Confidence indicators



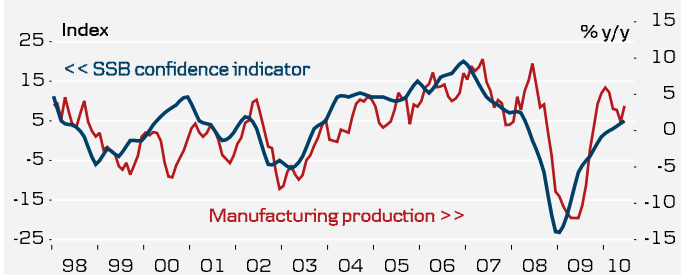
Source: Reuters Ecowin

Norway: PMI vs industrial production



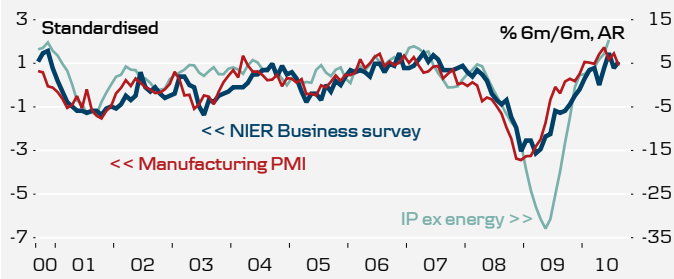
Source: Markit and Reuters Ecowin

Norway: Manufacturing production vs. confidence



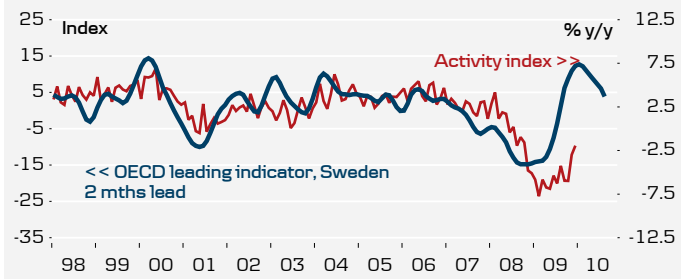
Source: Reuters Ecowin

Sweden: IP vs business surveys



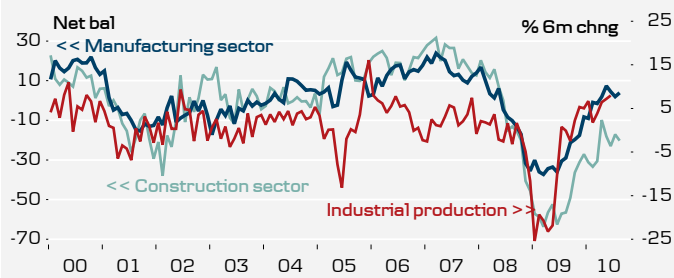
Source: Markit and Reuters Ecowin

Sweden: Leading indicator vs. activity index



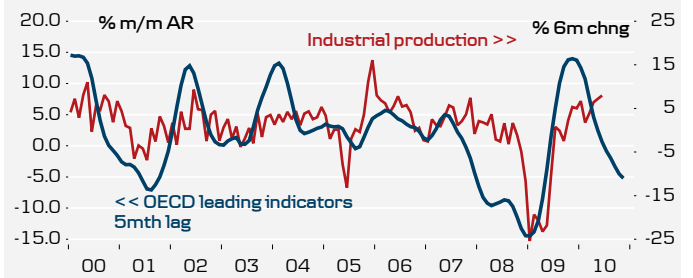
Source: Reuters Ecowin

Finland: Confidence indicators vs industrial production



Source: Reuters Ecowin

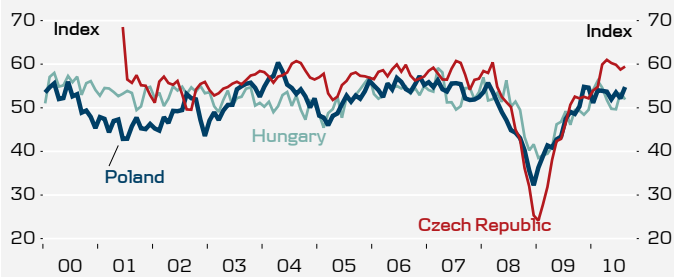
Finland: Leading indicators vs. industrial production



Source: Reuters Ecowin

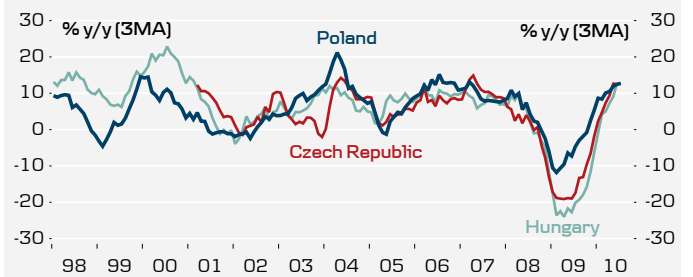
## CEE/CIS

CEE: Manufacturing PMI orders



Source: Markit and Reuters Ecowin

CEE: Industrial production



Source: Reuters Ecowin

Russia: PMI vs. industrial production



Source: Markit and Reuters Ecowin

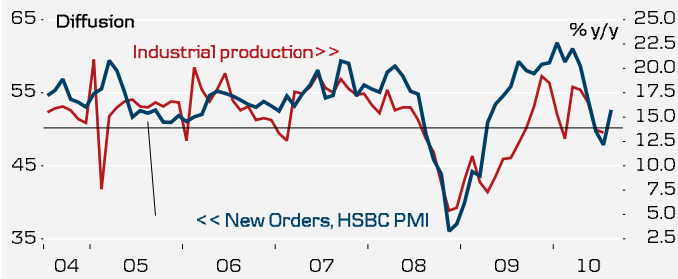
Ukraine: Industrial production



Source: Reuters Ecowin

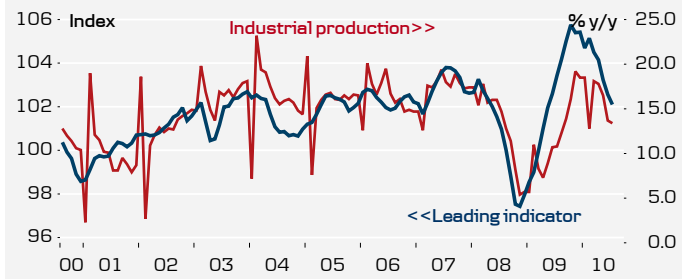
# China

Industrial production vs. PMI



Source: Markit and Reuters Ecowin

Leading indicator vs. industrial production



Source: Reuters Ecowin

Inventories



Source: Markit and Reuters Ecowin

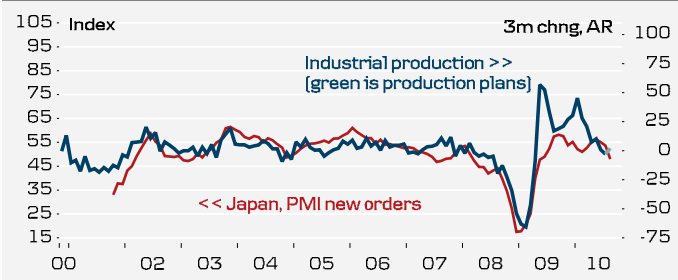
Industrial production and real export



Source: Markit and Reuters Ecowin

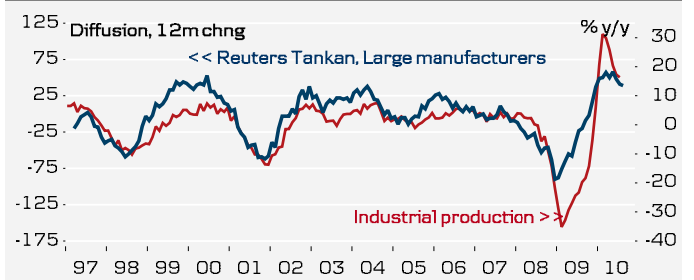
# Japan

PMI vs. industrial production



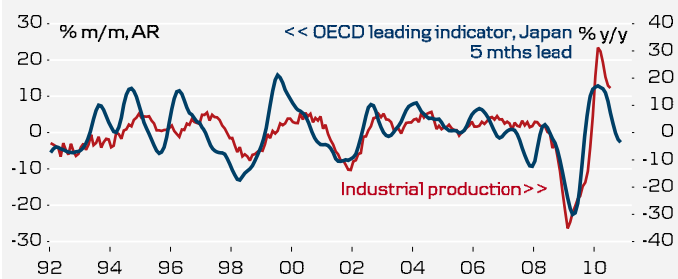
Source: Markit and Reuters Ecowin

Reuters Tankan vs. Industrial production



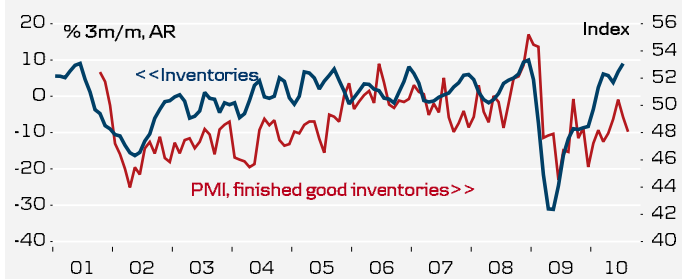
Source: Reuters Ecowin

OECD leading indicators vs. industrial production



Source: Reuters Ecowin

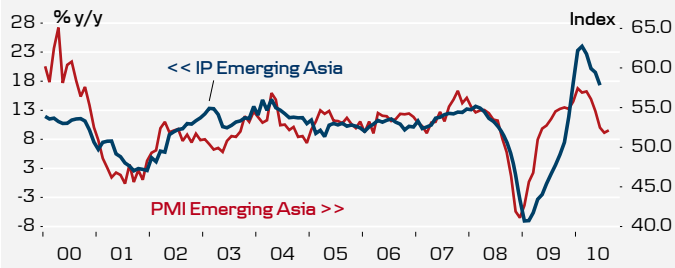
Inventories



Source: Reuters Ecowin

# Other Asia

Asia: Industrial production



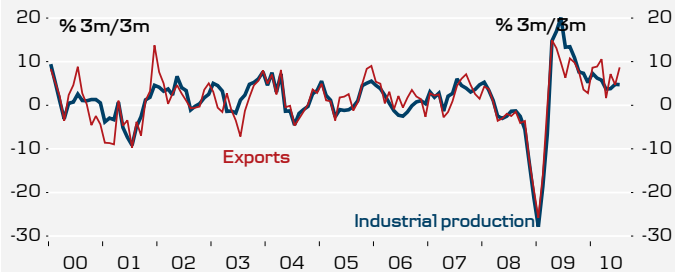
Source: Reuters Ecowin

South Korea: Industrial production vs. exports



Source: Reuters Ecowin

Taiwan: Industrial production vs. exports



Source: Reuters Ecowin

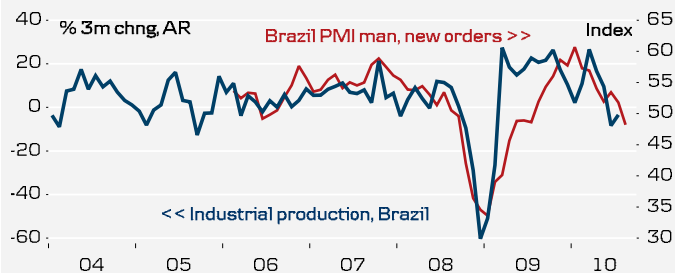
Thailand: Industrial production and export



Source: Reuters Ecowin

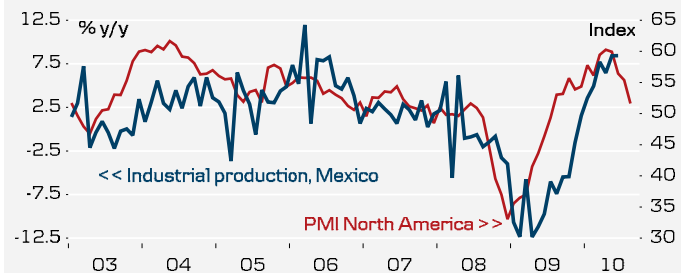
# LATAM and Commodities

Brazil: Industrial production



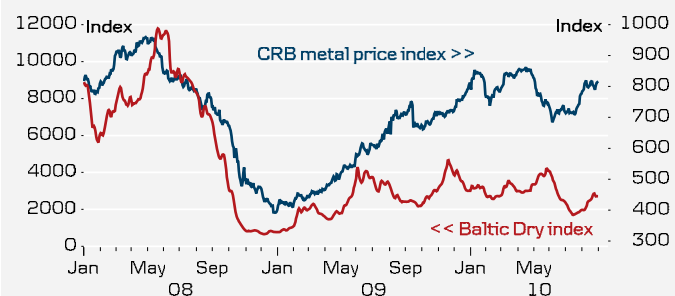
Source: Reuters Ecowin

Mexico: Industrial production vs. PMI



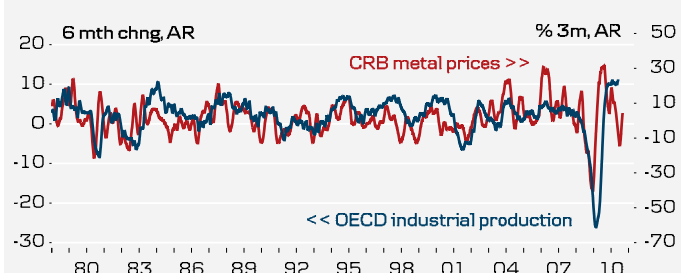
Source: Reuters Ecowin

Baltic Dry freight index and metal prices



Source: Reuters Ecowin

CRB metals vs. industrial production



Source: Reuters Ecowin

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