

Buoyant Near-Term Global Industrial Outlook

Global industrial prospects remain bright, but storm clouds have appeared on the far horizon.

Distant Rumbblings The global industrial growth upturn we flagged last summer (*ICO Essentials, August 2016*) is in full swing, and set to continue over the next few months. That is the unequivocal message from ECRI's short leading indicators of global industrial growth.

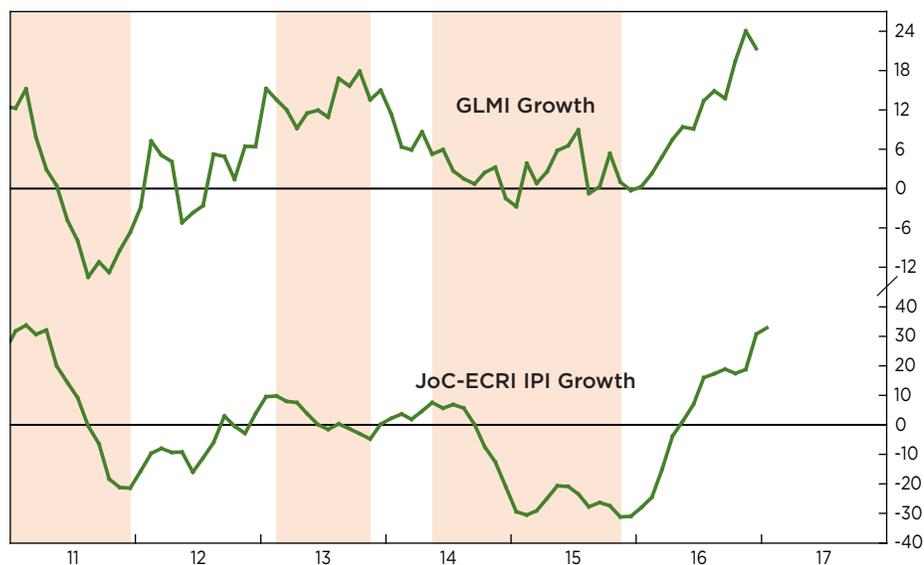
Specifically, the growth rate of ECRI's Global Leading Manufacturing Index (GLMI), which turned up in 2015, remains near November's 79-month high (Chart 1, top line). In turn, growth in the Journal of Commerce-ECRI (JoC-ECRI) Industrial Price Index (IPI) has climbed to a 71-month high (bottom line), as industrial commodity prices have kept rising apace. Because GLMI growth typically leads cyclical turning points in IPI growth by a couple of months, commodity prices are unlikely to have peaked yet. This view is consistent with a continued upturn in global industrial growth.

Last summer we affirmed that a "cyclical upswing in global industrial growth is finally gaining traction, and is likely to continue in the coming months" (*ICO Essentials, August 2016*). That forecast — which has so far proved accurate — remains valid, given the cyclical upturn in GLMI growth.

Chart 2 once again displays GLMI growth (middle panel, thinner line), this time overlaid on ECRI's Global Industrial Growth Short Leading Index (GIGSLI),

The key risk is that central banks — pressured by rising inflation — might remove accommodation faster than planned, on the verge of a global industrial growth downturn.

Chart 1: Indicators of Global Industrial Growth (%)



Shaded areas represent cyclical downturns in the JoC-ECRI IPI Growth.