

Global Industrial Slowdown Set to Bottom

A further decline in Chinese inflation pressures is obscured by soaring food prices.

Tentative Turns Even without a trade deal, nascent upturns in ECRI’s forward-looking indicators of global industrial growth are taking shape. Hence, the global industrial slowdown that began in late 2017 – predating the trade war – could well come to a close before the trade war does.

Notably, Global Leading Manufacturing Index (GLMI) growth – whose latest downturn presaged the global industrial slowdown that began at the end of 2017 – is now in a tentative upturn (Chart 1, top line). Meanwhile, actual Global Industrial Production Index (GIPI) growth remains in a cyclical downswing, slipping to its lowest reading in over 3½ years (bottom line).

Corroborating the GLMI growth upturn call is ECRI’s Global Industrial Growth Short Leading Index (GIGSLI), which – like GLMI growth – is a short leading indicator of global industrial growth, but comprised of an entirely different set of international leading indicators, and therefore an independent read on global industrial growth prospects. The GIGSLI currently shows a two-month uptick, having bottomed shortly after GLMI growth (not shown).

In fact, both the GIGSLI and GLMI growth have turned up less than a year after the earlier upturn in ECRI’s Global Industrial Growth Long Leading Index (GIGLLI) that began in the spring of 2018. That corresponds to the typical lead time of the GIGLLI over the GIGSLI and GLMI growth. In the context of the earlier GIGLLI upturn, the subsequent improvement in those short leading indexes merits special attention.

GLMI growth leads both the Global PMI and industrial commodity price inflation. Therefore, our improved global industrial growth outlook warrants a close watch on both.

Chart 1: Global Leading Manufacturing Index and Global Industrial Production Index, Growth Rates (%)

