

Bottom line: the services sector remains the key source of strength for the global economy; however, manufacturing activity is picking up and also beginning to drive price pressures.

- **May Flash PMI data was strong across the board.**
- **The manufacturing sector has bottomed out and a recovery is due.**
- **The service sector's contribution to overall activity remains high.**
- **Input and output prices point to moderation in inflation.**

US

- Composite PMI hit the highest level in two years after having slowed in recent months.
- Services PMI reached a 12-month high while manufacturing sector activity moved into expansionary territory.
- S&P Global notes that both input costs and output prices rose at faster rates, with manufacturing having taken over as the main source of price growth over the past two months.
- The employment sub-index fell for a second successive month in May, contrasting with the continual hiring trend seen over the prior 45 months.

Eurozone

- Eurozone economic recovery picked up in May as the composite PMI hit a 12-month high.
- While the services sector activity remained strong, manufacturing PMI hit a 15-month high despite remaining in the contractionary territory.
- Noteworthy is the intra-regional divergence in activity:
 - Germany saw output rise for a second consecutive month, with the pace of growth gathering strength and hitting a one-year high.
 - Business activity in France fell following a rise in the previous month.
 - The strongest expansion was seen in the rest of the Eurozone, with output increasing at the fastest since April 2023.
- Rates of inflation of both input costs and output prices softened from April but remained above pre-pandemic averages.

UK

- UK private sector activity registered a solid expansion in May as a resurgence in manufacturing production supplemented a further, albeit slower, upturn in services output.
- Manufacturing PMI hit a 22-month high with the output hitting a 25-month high.
- Input price inflation dropped to its lowest level in seven months, reflecting softer rises in input costs across both sectors.

Japan

- Japan's private sector expansion accelerated for a third successive month to the fastest pace in nine months.
- Business activity in Japan continues to be services-led while the May preliminary data showed stabilization in the manufacturing sector.
- Cost pressures (both input and output prices) eased across both manufacturing and services sectors.

India

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- The Composite PMI strengthened further in May to its third-strongest level in close to 14 years. Both manufacturing and services sectors continued to see strong momentum.
- Despite rising at the slowest pace since February, manufacturing continued to record a stronger rate of growth than services. If sustained, this strong manufacturing activity should bode well for productivity-led economic gains for India in the medium term too.
- Thanks to higher labour and material costs, input prices across the private sector rose at the fastest pace in nine months.

May 2024 Purchasing Mangers' Index (flash)

Country/Region	Indicator Name	Reuters Poll	Actual
Japan	Jibun Manufacturing PMI Flash SA		50.5
Japan	Jibun Services PMI Flash SA		53.6
Japan	Jibun Composite Op Flash SA		52.4
India	HSBC Manufacturing Flash PMI	58.8	58.4
India	HSBC Services Flash PMI	61.1	61.4
India	HSBC Composite Flash PMI	61.0	61.7
Germany	HCOB Manufacturing Flash PMI	43.1	45.4
Germany	HCOB Services Flash PMI	53.5	53.9
Germany	HCOB Composite Flash PMI	51.0	52.2
Euro Zone	HCOB Manufacturing Flash PMI	46.2	47.4
Euro Zone	HCOB Services Flash PMI	53.5	53.3
Euro Zone	HCOB Composite Flash PMI	52.0	52.3
United Kingdom	Flash Manufacturing PMI	49.5	51.3
United Kingdom	Flash Services PMI	54.7	52.9
United Kingdom	Flash Composite PMI	54.0	52.8
United States	S&P Global Manufacturing PMI Flash	50.0	50.9
United States	S&P Global Services PMI Flash	51.3	54.8
United States	S&P Global Comp Flash PMI	51.1	54.4

Source: S&P Global, Jibun Bank, HSBC, HCOB, LSEG Workspace, and ADCB Asset Management

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