During the summer, economic figures were updated to reflect the latest activity. Of particular note were the figures for July and August, which appear to show the incipient normalisation of the global economy, a trend that is set to continue. In this edition of the Economic Brief, we will look into the reasons behind this normalisation effect. We will also touch on a new development being seen in the labour market.

The rate of growth of the global economy appears to be slowing. This development is not necessarily linked to specific economic policies or even to the pandemic, but rather to the normalisation of the economic context. The strong level of activity in April and May 2021 represented a catch-up effect, after the slowdown witnessed during the previous periods of lockdown. However, the boost to productivity in those months appears to be waning as the global economy returns to more normal conditions.

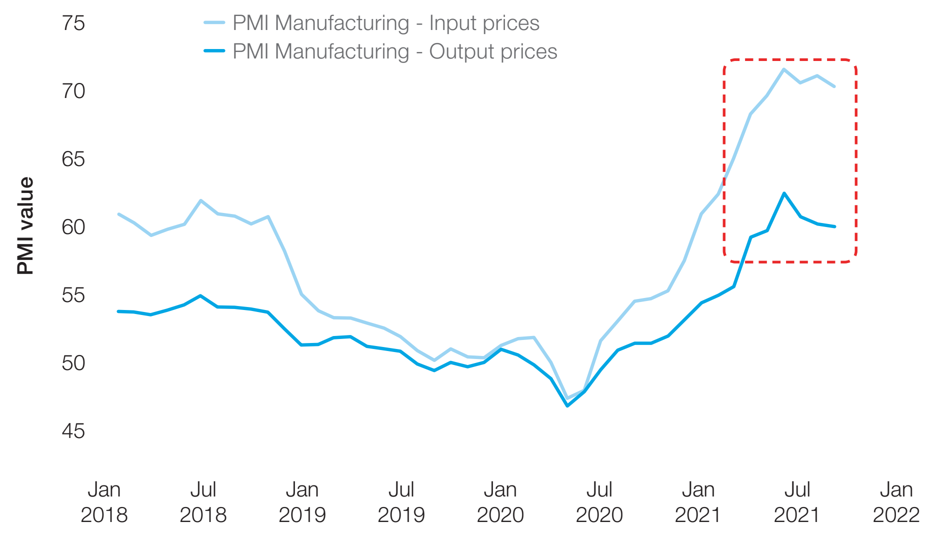
This effect is nowhere more evident than in the Purchasing Managers' Index (PMI) for the global manufacturing industry. The figures for July and August show a sustained decreasing trend for all parameters related to production and orders. As a reminder, any figure above 50 in the PMI generally indicates a positioning in positive territory. Though still above 50 in August, suggesting that growth continues, the figures for production and new orders are decreasing, signalling that this growth is slowing.

Global economy: slight acceleration in normalisation process

	April	May	June	July	August
PMI global manufacturing	55.8	56	55.5	55.4	54.1
Production	55.7	55.6	54.4	54.4	51.9
Future production	66.6	65.1	66.1	64.2	64.1
New orders	56.7	57.3	55.7	55.3	53.6
o/w export orders	54.7	54.9	53.2	52.7	51
Employment	52.6	52.5	52.6	52.7	52
Price of finished goods	59.8	62.6	60.8	60.3	60.1
Inventory of durable goods	47.4	47.3	45.9	47	47.9
Delivery time (fall = longer)	37.6	37.3	35.9	36	36.1
Ratio "Orders/Inventory"	1.2	1.21	1.21	1.18	1.12

Source: Accuracy, JP Morgan

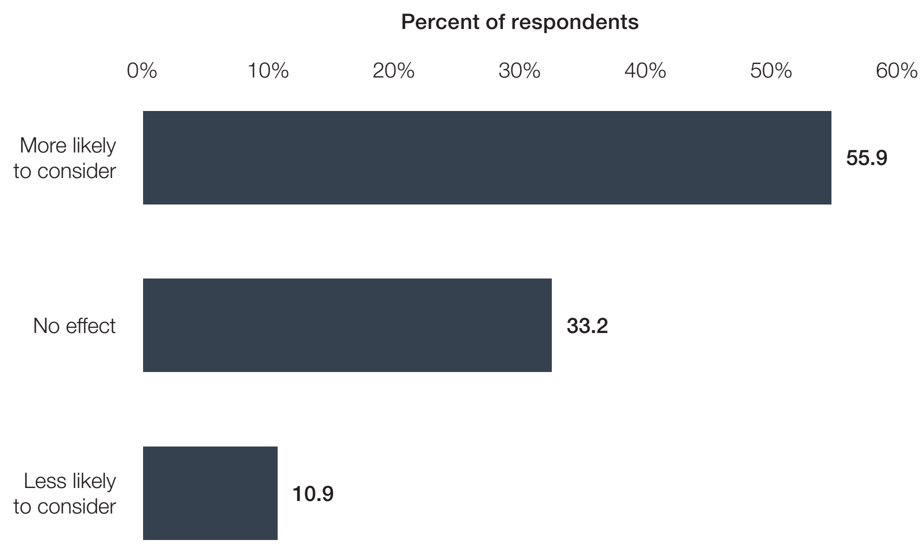
Formation of costs and prices globally: normalisation beginning



Source: Accuracy, JP Morgan

With regard to manufacturing input and output prices, the PMI now shows an upward trend after reaching a low point at the beginning of 2020, reflecting the market turmoil at the onset of the COVID-19 pandemic. This upward trend is in large part driven by the lockdowns over the period, which led to increased difficulty in obtaining raw materials and intermediate goods (inputs), as well as increased transport costs. The higher prices of these inputs are then reflected in the prices of the outputs, as producers aim to pass on cost increases to the consumer.

University of Chicago survey: Suppose you got an offer for a new job with the same pay as your current job. Would you be more or less likely to take the new job if it let you work from home 2 to 3 days a week?



Source: University of Chicago

Another recent development of note relates to the labour market and a new motivating factor for the workforce: remote working. In a study performed by the University of Chicago (Becker Friedman Institute), it was found that 56% of respondents would be more likely to consider taking a new job at the same pay as their current jobs if it allowed them to work from home two to three days a week. This may eventually present a fundamental challenge for companies; though many have adapted to the requirement for remote working during lockdowns, they may not have anticipated the prolonged effect of the COVID-19 crisis on hybrid working habits.

In conclusion, over the summer period certain trends started taking shape: indicators suggest that the global economy is beginning to normalise after the disruption of the COVID-19 crisis, and in the labour market, a desire for more flexibility is being felt. Indeed, though no longer a government-imposed requirement, remote working now represents another major benefit that employees seek. It remains to be seen how employers will adapt.