



IHS Markit™

Global PMI

Global economy ends 2019 on eight-month high

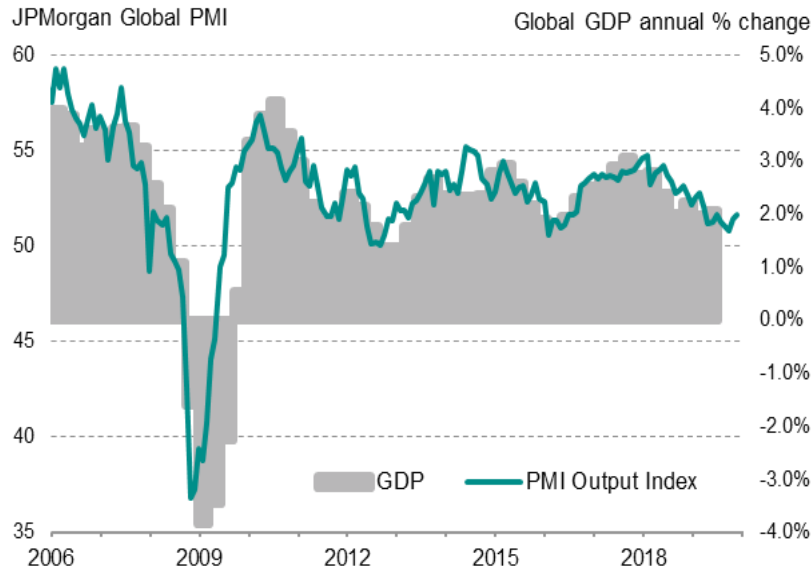
January 13th 2020

Global PMI at eight-month high at end of 2019

Worldwide growth accelerated for a second successive month in December, according to the latest PMI surveys, registering the strongest monthly increase in output since last April. The JPMorgan Global PMI™ (compiled by IHS Markit) climbed from 51.4 in November to an eight-month high of 51.7, recovering further since slumping in October to its lowest since February 2016. The latest reading nevertheless remains comparable with global GDP rising at a modest annual rate of just less than 2% (at market prices), below the average of 2.4% seen since 2009.

Other indicators such as jobs growth, new order inflows and business expectations also improved, to underscore the brightening picture of global economic trends at the end of 2019. New business rose especially markedly, increasing at the fastest rate since July, to indicate that output growth is likely to accelerate further at the start of the New Year.

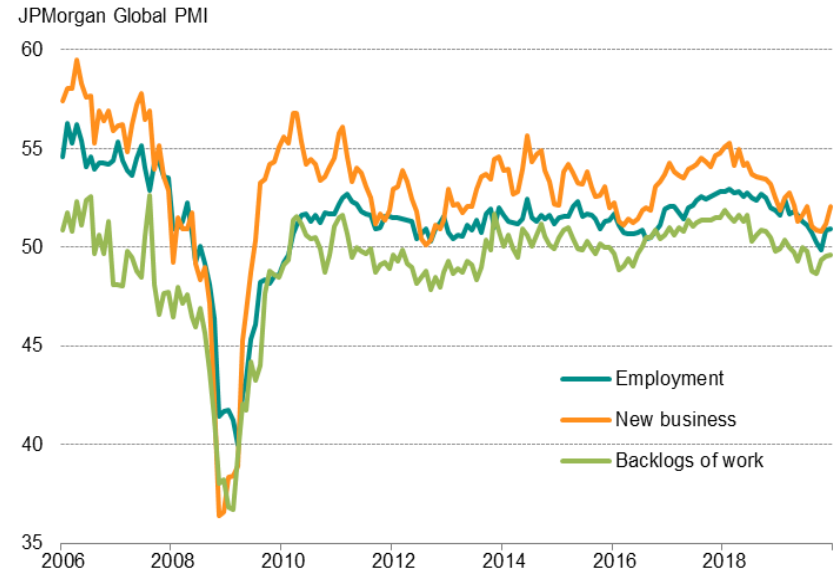
Global PMI* output & economic growth



Sources: IHS Markit, JPMorgan.

* PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

Global PMI indices



Sources: IHS Markit, JPMorgan.

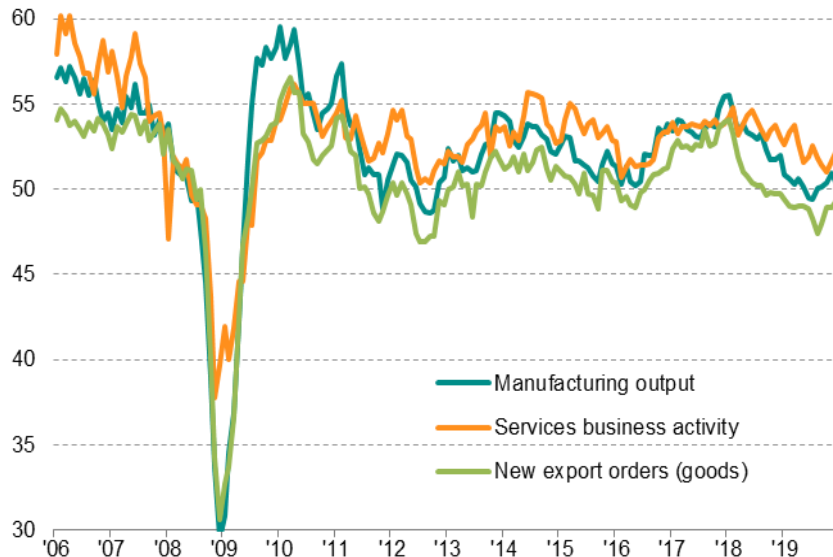
Global service sector growth accelerates, trade drag eases

Services ended the year on a stronger note, with global business activity growing at the sharpest rate since July, having accelerated for a second month running in December. Inflows of new business in the service sector also rose to an extent not seen since July, in part thanks to the first rise (albeit only marginal) in exports since July, signalling strengthening demand. Especially robust demand was recorded for financial services, though business services and consumer services also reported rising activity levels.

Manufacturing output meanwhile rose at a more modest pace, though recent months have seen the sector stabilise from contractions seen earlier in the year. Notably, reduced fears of trade wars, linked in part to news of positive developments in tariff discussions between the US and China, helped ease the global trade downturn and helped pull business expectations to a seven-month high in manufacturing, hinting that production growth could lift higher in coming months.

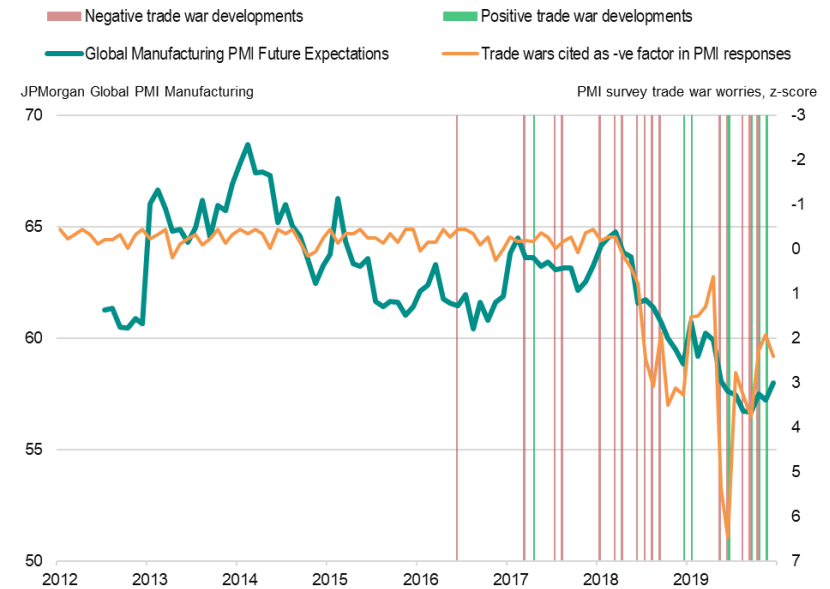
Global PMI indices

Global PMI Index, 50 = no change on prior month



Sources: IHS Markit, JPMorgan.

Global sentiment and trade wars



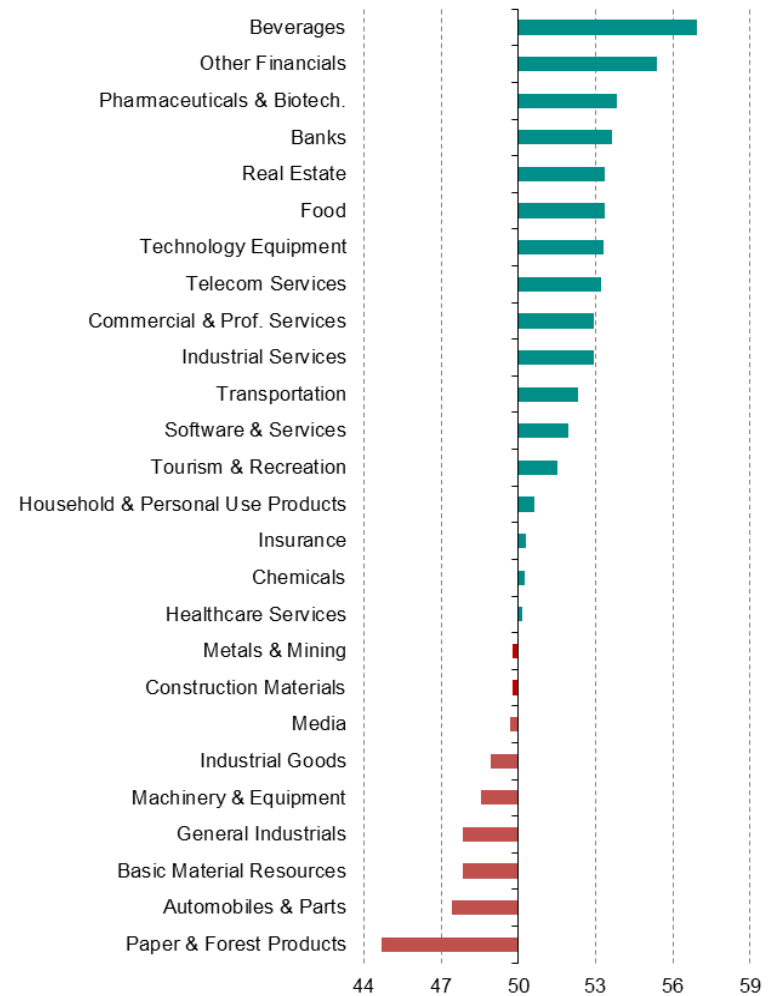
Sources: IHS Markit, JPMorgan.

Output grows globally in 17 out of 26 sectors

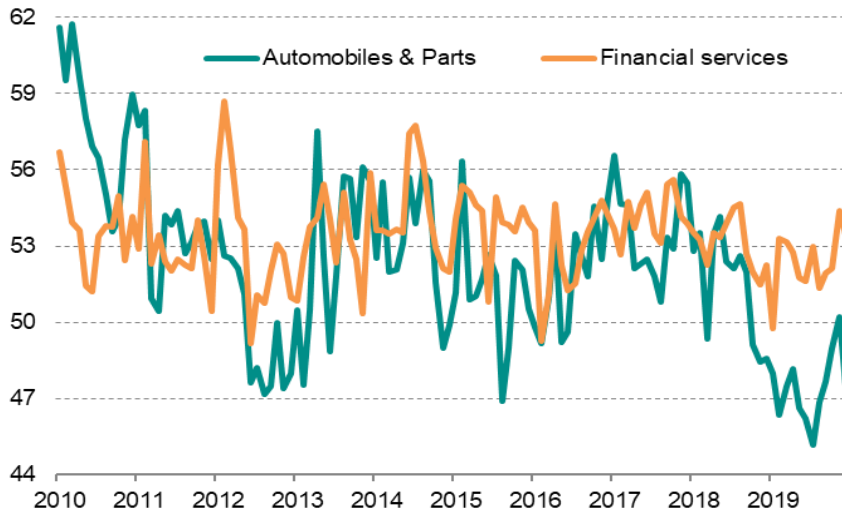
IHS Markit's [detailed PMI](#) data for December showed output rising in 17 of 26 sectors. Drink producers reported the strongest growth, but other (non-banking) financial and banks were especially notable in occupying second and fourth places, with real estate in fifth place.

Two prominent sectors failed to expand: global autos and parts sector output fell firmly back into decline after rising marginally in November, but the sector's PMI is off its 2019 lows to hint that the worst is over. Similarly, the machinery and equipment manufacturing sector, a key bellwether of global capex, saw a further fall in output, but the fourth quarter decline was the least marked since the end of 2018.

Global Sector PMI Output Index (Dec. 2019)



IHS Markit Global PMI Output Index

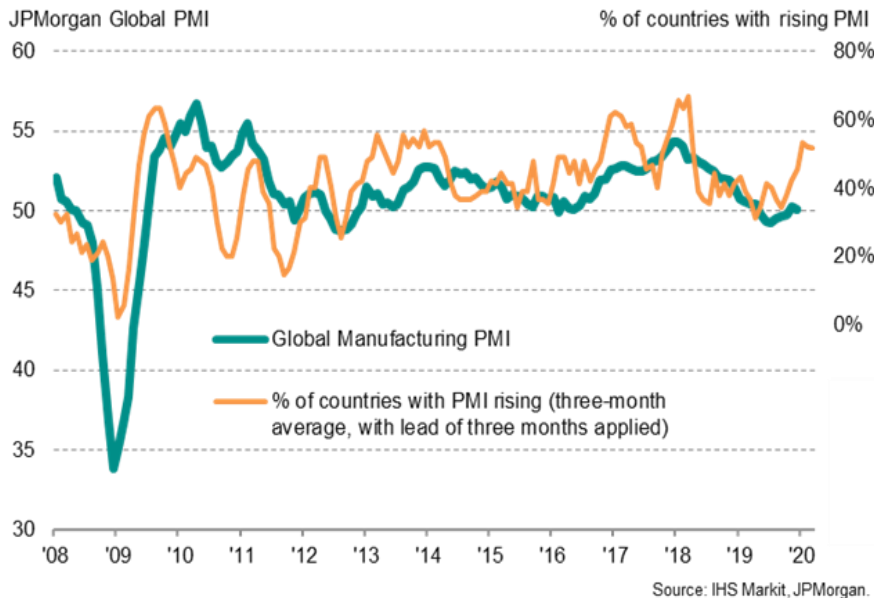


Source: IHS Markit

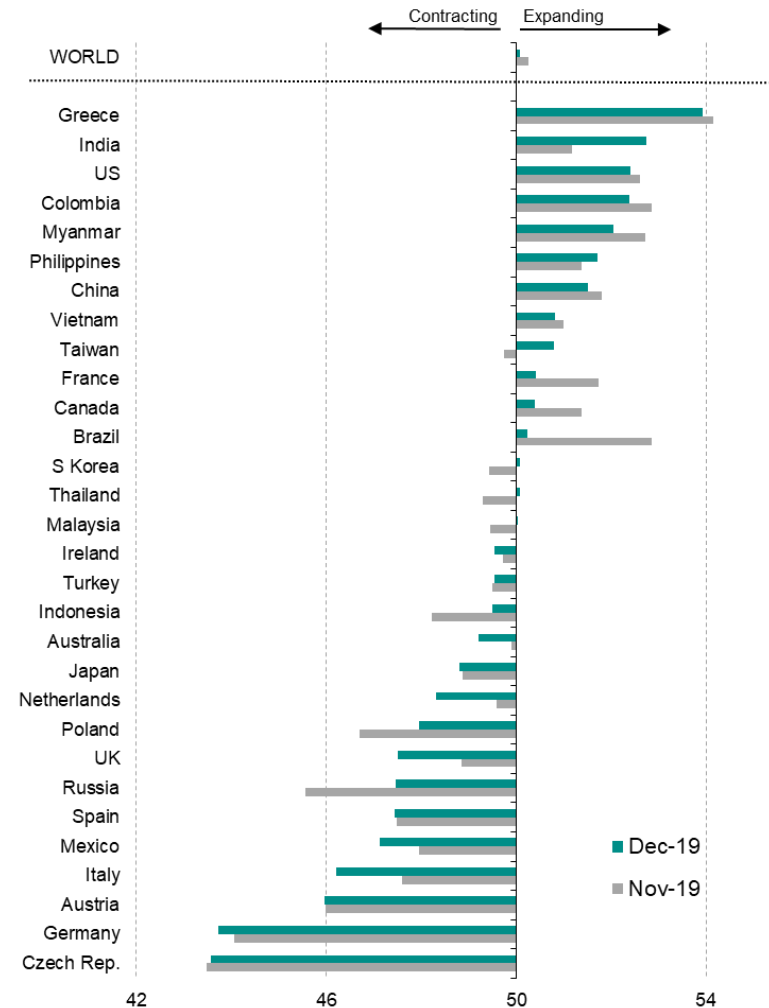
Source: IHS Markit

Countries with rising manufacturing PMIs close to two-year peak

Signs of manufacturing stabilising were provided by the JPMorgan Global Manufacturing PMI, compiled by IHS Markit from its surveys in 30 markets, which fell from 50.3 in November to 50.1 in December but remained above the 50.0 no-change level for a second month, contrasting with sub-50 PMI readings in the prior six months. The average reading of 50.0 for 2019 was down markedly from 52.8 in 2018 and 53.0 in 2017, its lowest since 2012 (and second-worst since 2009). However, although the number of countries with PMIs above 50 dipped from 15 out of 30 in November to 14, the number of countries with rising PMIs has increased markedly from earlier in 2019.



Manufacturing PMI, 50 = no change on prior month



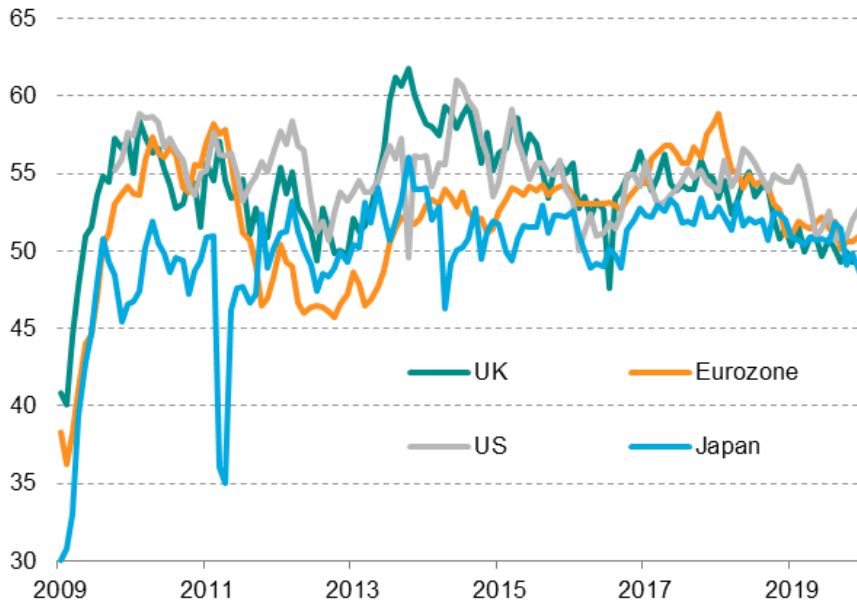
US leads developed world growth higher

Developed world growth remained especially sluggish relative to emerging markets. However, while growth in the former perked up to the fastest since July, the latter saw the rate of expansion weaken slightly from November's eight-month high, therefore closing the gap between the two markets. The emerging market composite PMI has nonetheless now exceeded that of the developed world for five successive months, contrasting with the underperformance seen throughout much of the prior five-year period.

Mixed trends were seen in the developed world, with the US leading the expansion followed by a lackluster eurozone. A mild downturn in the UK was accompanied by a steeper decline in Japan. All four major emerging markets meanwhile remained in expansionary territory according to their composite PMI readings, led by [India](#), which recorded the sharpest expansion of business activity since July. Growth slowed in [China](#), [Russia](#) and [Brazil](#), though in all cases remained well above the lows seen around mid-year.

Developed world PMI*

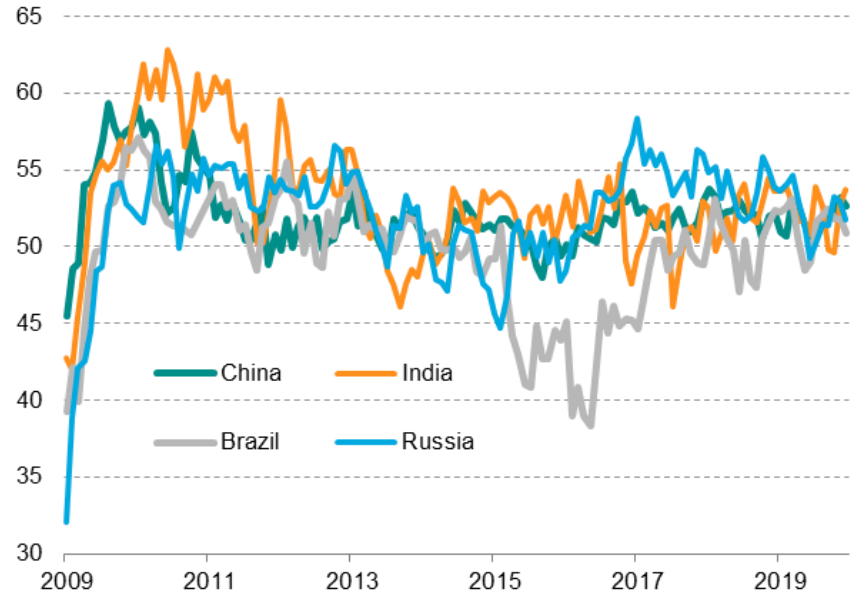
Composite PMI Output/Business Activity Index



Source: IHS Markit, CIPS, Jibun Bank.

Emerging market PMI*

Composite PMI Output/Business Activity Index



Source: IHS Markit, Caixin.

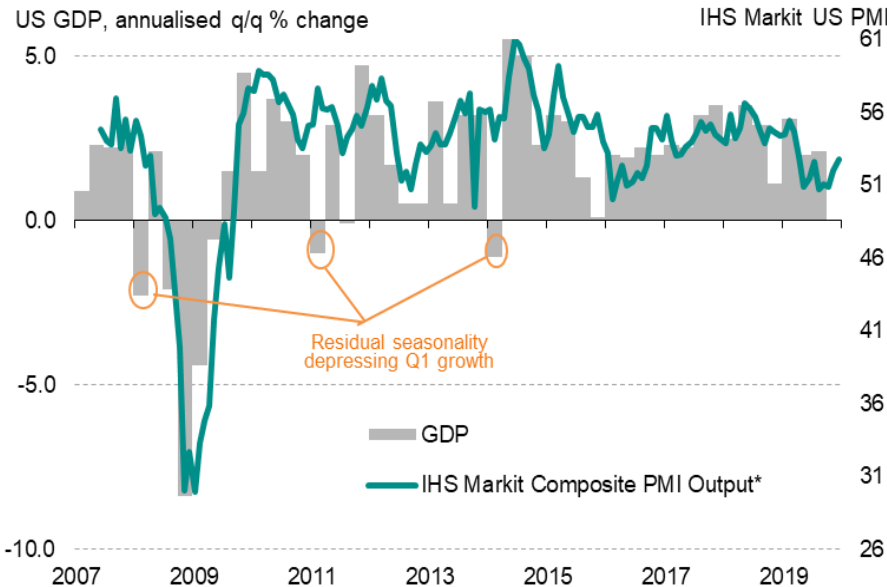
* PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

US ends 2019 on brighter note, but optimism remains subdued

Business activity in the vast US service sector picked up pace at the end of last year as rising domestic demand and signs of reviving exports led to higher workloads. Combined with indications of manufacturing lifting out of its recent lull, the IHS Markit survey data suggest the overall pace of US economic growth accelerated to its fastest since last April. However, the survey results are indicative of GDP rising at a relatively modest annual rate of 1.8% in December.

The missing ingredient compared to the previous year is optimism about the future, with business sentiment regarding prospects for the next twelve months running well below levels seen this time in 2018, and close to the lowest for at least seven years. Indeed, much of the recent improvement in demand has come from stronger sales to consumers, with business spending and investment remaining under pressure amid this anxiety about the economic and political outlook.

US economic growth and the PMI**



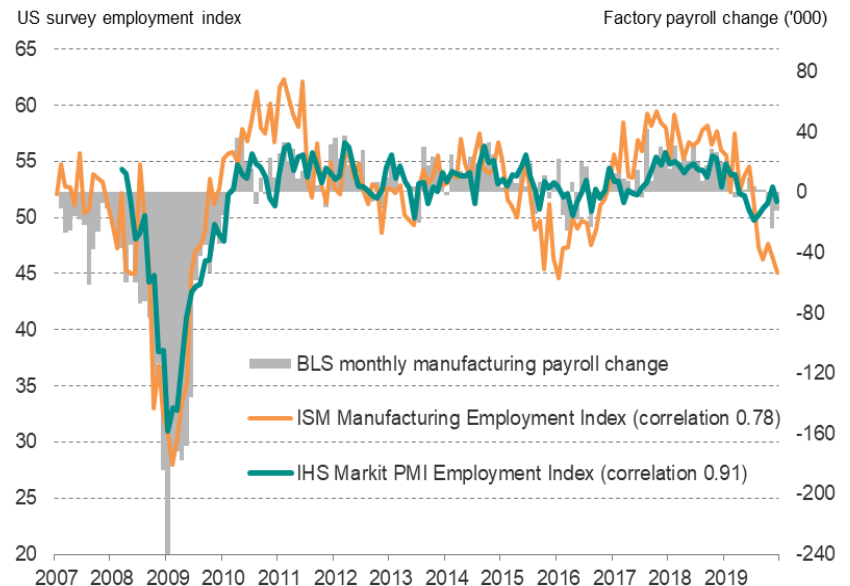
Source: IHS Markit, BEA

*Manufacturing PMI only pre October 2009

** PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

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US manufacturing employment



Sources: IHS Markit, ISM, Federal Reserve

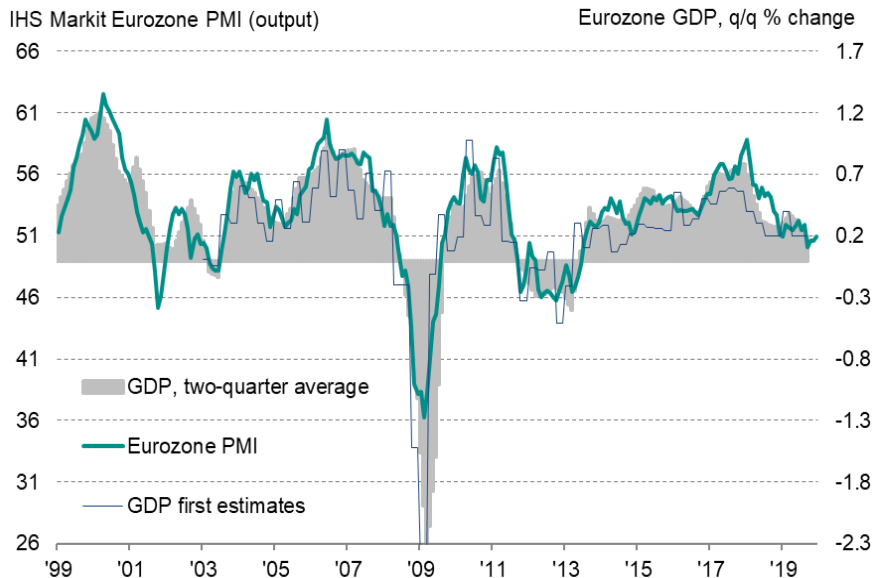
See also our paper on [ISM and IHS Markit PMI survey divergences](#).

Eurozone set to grow by just 0.1% in fourth quarter

Another month of subdued business activity in December rounded off the eurozone’s worst quarter since early 2013. Although edging higher to 50.9 in December, the surveys suggest the euro area will struggle to have grown by more than 0.1% in the closing three months of 2019. At face value, the weak performance is disappointing given last year’s additional stimulus from the ECB, with the drag from the ongoing plight of the manufacturing sector a major concern. However, policymakers will be encouraged by the resilient performance of the more domestically-focused service sector, where growth accelerated in December to its highest since last August. Business optimism about the year ahead has also improved to its highest since last May.

Especially weak PMI readings in Germany and Italy underscore a risk that these two economies could contract in the fourth quarter, but more robust signs of growth were seen in both France and Spain.

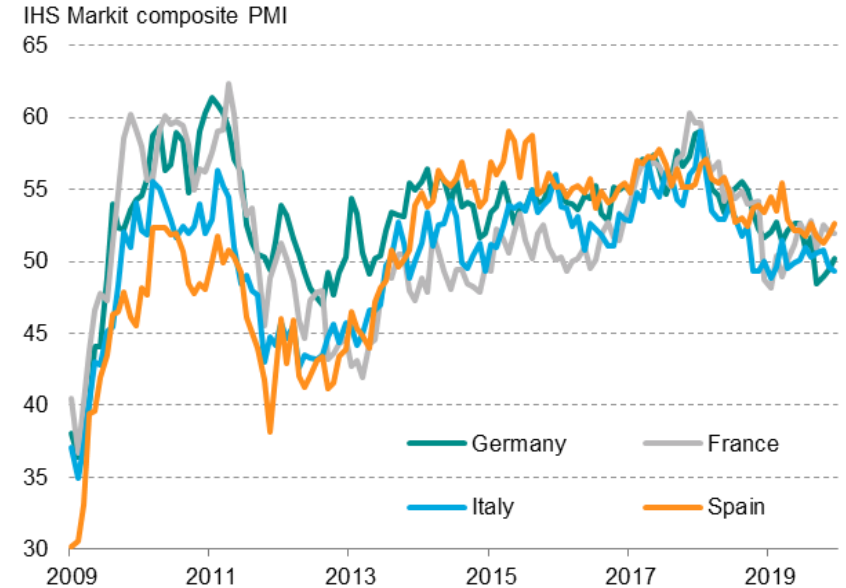
Eurozone PMI* and GDP



Sources: IHS Markit, Eurostat.

*PMI shown above is a GDP weighted average of the manufacturing and services indices.

Euro big-four composite PMI *(output)



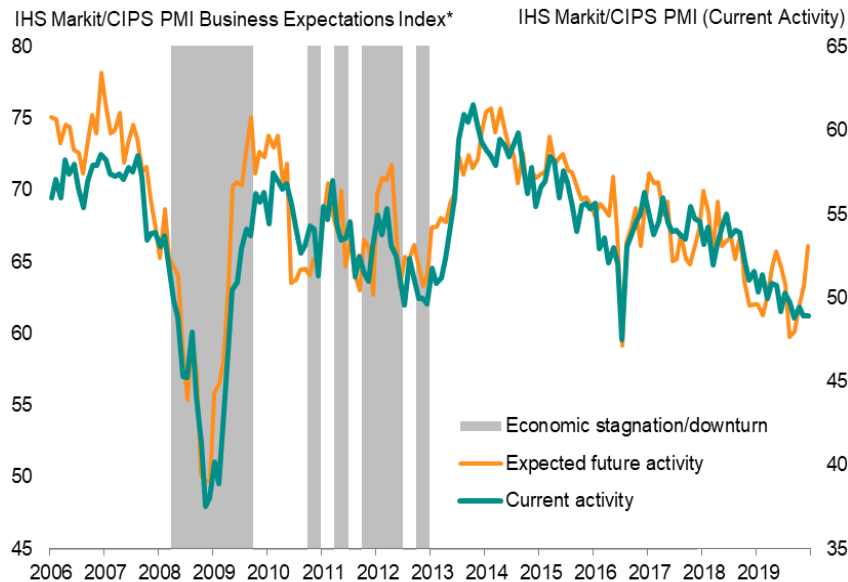
Source: IHS Markit.

UK PMI data signal stalled economy, but sentiment improves

December's UK PMI survey data lacked festive cheer, indicating that the economy contracted for the third time in the past four months. The all-sector PMI remained stuck at 48.9. The resulting decline in output indicated at the end of the year was among the largest recorded over the past decade and increases the likelihood that the economy stagnated at best in the fourth quarter as Brexit-related uncertainty intensified in the lead up to the general election. Manufacturing and construction acted as the main drags on the economy, but service sector activity also stagnated.

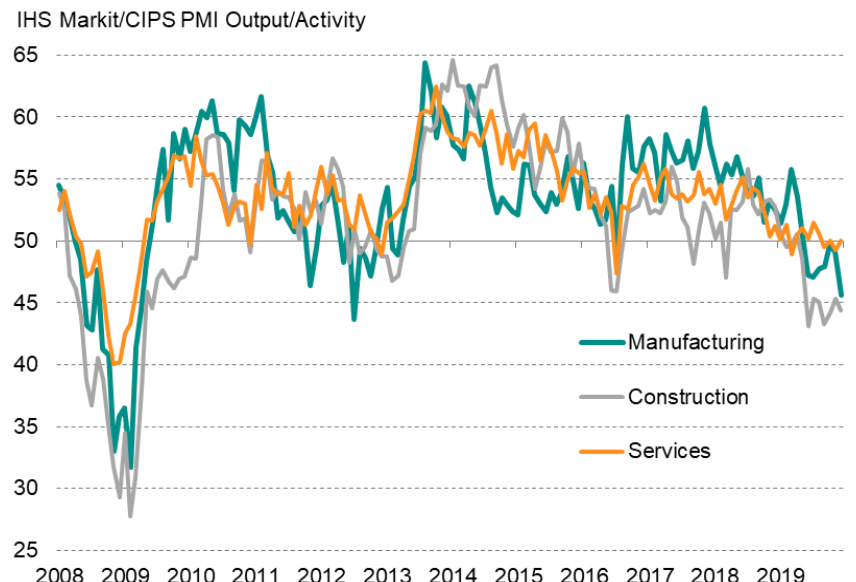
More encouragingly, the survey data showed a marked improvement in sentiment regarding output in the year ahead, with responses collected after the decisive general election being especially buoyant. The rise in sentiment suggests that increased political clarity, notably in relation to Brexit, has boosted business confidence and could drive growth higher in coming months.

UK PMI* and economic performance



Source: IHS Markit/CIPS.

UK PMI output by sector



Sources: IHS Markit, CIPS.

*PMI shown above is a GDP weighted average of the manufacturing, services and construction indices.

China PMI buoyed by manufacturing, but sentiment still subdued

The NBS and Caixin (IHS Markit) manufacturing PMI surveys both showed manufacturing enjoying relatively solid growth in the fourth quarter, with the surveys ending 2019 well up on earlier lows seen during the year. An easing of trade tensions has shown signs of feeding through to improved export sales, while other companies have suggested domestic demand has been buoyed by recent stimulus measures. Service sector growth also remained up on prior lows, but nevertheless remained somewhat subdued.

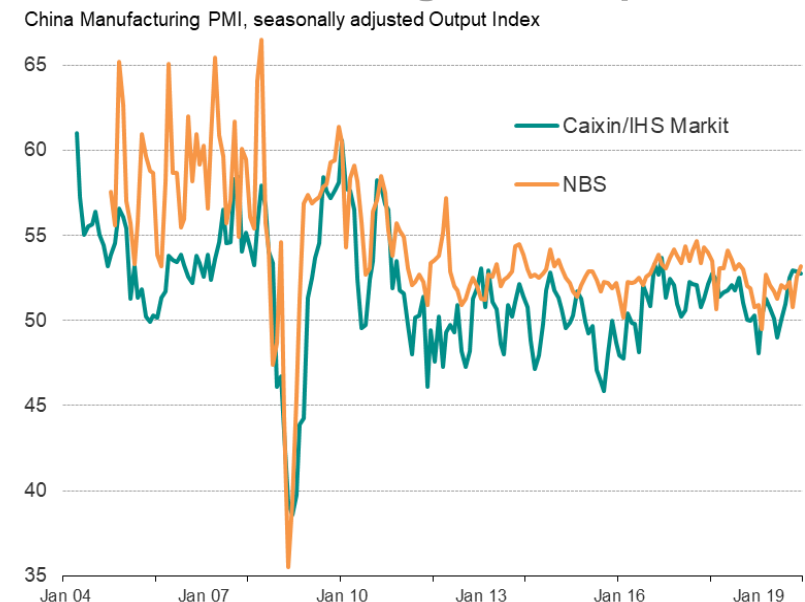
Business expectations across manufacturing and services meanwhile remained close to the lowest recorded since comparable data were available over seven years ago, indicating that the underlying GDP growth trend is likely to have remained weak in the fourth quarter and heading into 2020. The latest available official GDP data found growth to have slowed in the third quarter to 6.0%, the lowest since comparable data were available in 1992.

China GDP and PMI expectations*



* Index uses only services pre-April 2012, combined manufacturing and services thereafter.
Source: IHS Markit, Caixin, NBS.

China Manufacturing PMI, output

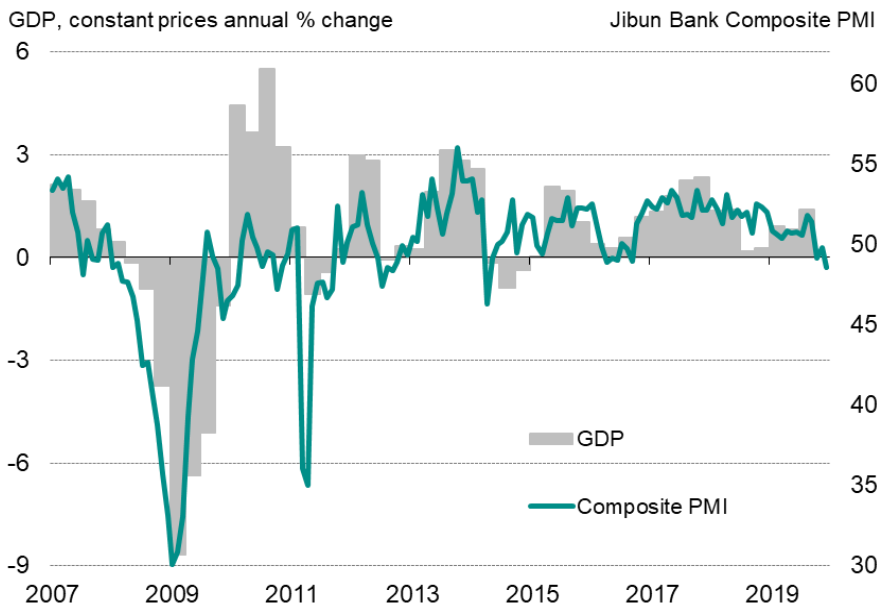


Sources: IHS Markit, Caixin, NBS.

Japan's worst spell for three years

Japan's private sector economy is poised for its first quarterly decline in more than three years, after December Jibun Bank PMI data indicated a third straight month of contraction. The downturn in business activity follows a slump in demand after the October sales tax rise. Furthermore, selling prices for goods and services fell for the first time since late-2016, raising the risk of deflation. However, other survey indicators such as new order inflows showed encouraging signs of growth possibly picking up in the new year.

Japan PMI* and GDP



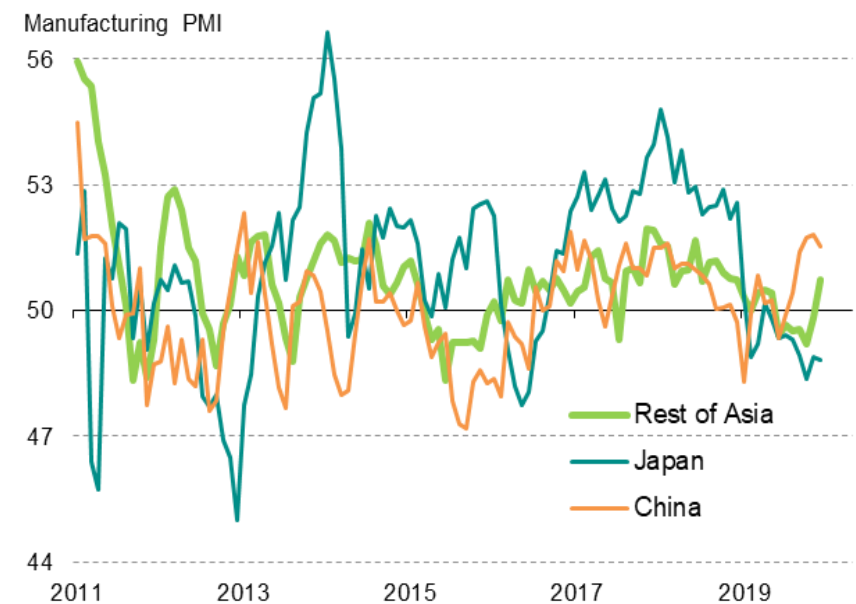
Sources: IHS Markit, Jibun Bank, Japan Cabinet Office.

*PMI shown above is a GDP weighted average of the manufacturing and services indices.

Asia manufacturing on the rise

While ongoing manufacturing growth in China contrasted with a further downturn in Japan, the rest of Asia sat somewhere in the middle, with a welcome return to growth after six months of decline, as indicated by the headline PMI rising to 50.7. The expansion was the strongest recorded for a year. The drag from Japan was especially noticeable with the Asia-excluding-Japan PMI hitting a two-year high of 51.3. The PMI for ASEAN meanwhile hit a seven-month high, though remained just below 50.

Asia PMI surveys



Sources: IHS Markit, Caixin, Jibun Bank.

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