



IHS Markit™

Global PMI

Global economy starts 2020 on ten-month high,
awaiting coronavirus impact

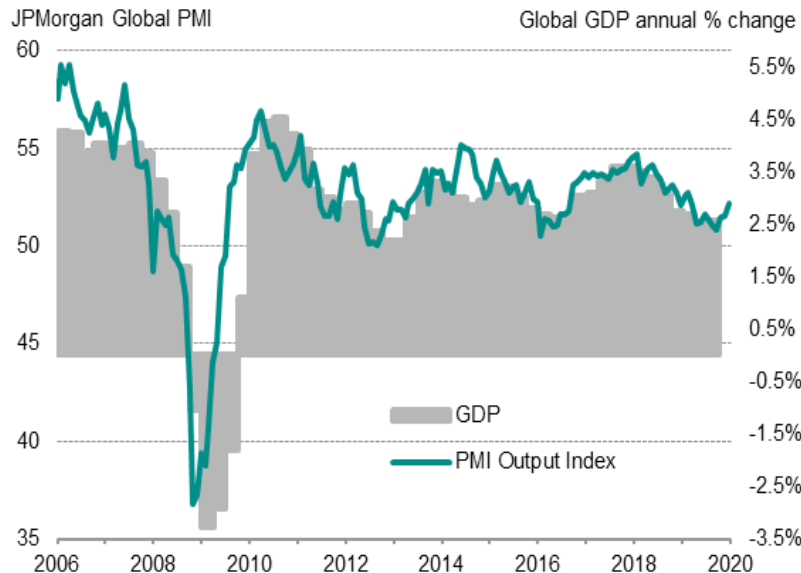
February 10th 2020

Global PMI at ten-month high prior to coronavirus outbreak

Worldwide growth accelerated for a third consecutive month in January, according to the latest PMI surveys, registering the strongest monthly increase in output since last March. The JPMorgan Global PMI™ (compiled by IHS Markit) rose from 51.6 in December to 52.2, marking a further recovery from last October’s low, when the PMI had slumped to its lowest since February 2016. Despite reaching a ten-month high, the latest reading is still modest by historical standards, comparable with global GDP rising at an annual rate of just over 2.5% (at market prices). The rise nevertheless hints that the global slowdown potentially bottomed-out late last year.

Other indicators of order books, jobs growth, global trade and business expectations likewise improved, adding to signs that the global economy was gaining momentum at the start of the year. However, short-term risks to the outlook have risen, especially as the vast majority of the January data were collected prior to the coronavirus outbreak, which poses a major threat to future output.

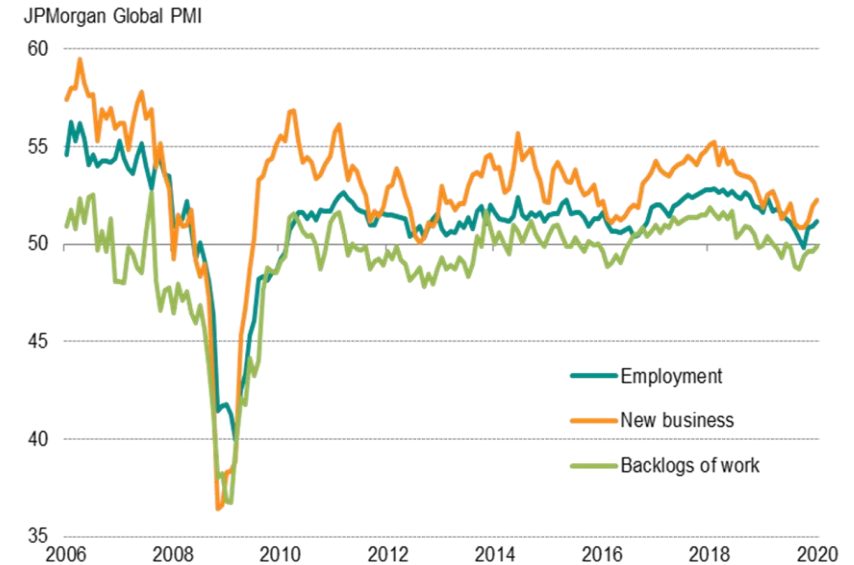
Global PMI* output & economic growth



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.

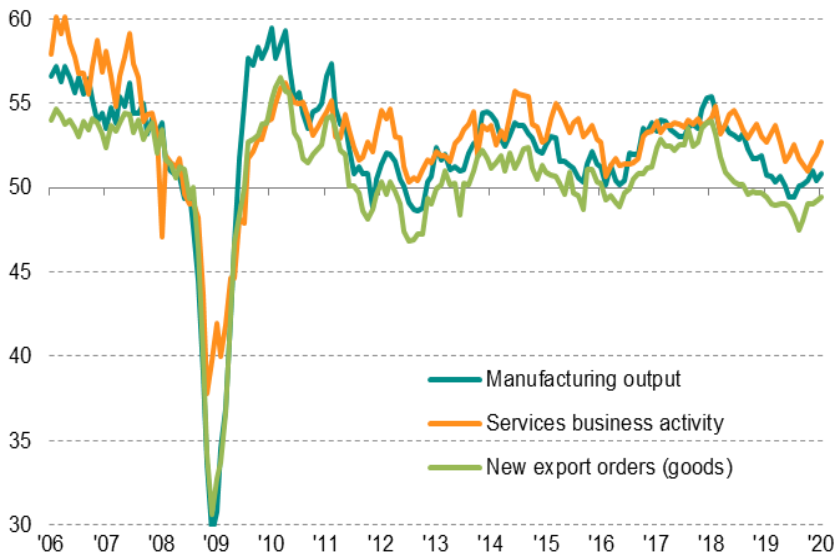
Services lead upturn, but easing trade worries boost factories

Both manufacturing and services saw better performances in January, with the latter continuing to lead the expansion. Service sector business activity grew at the fastest rate since last April, accelerating for a third straight month with new business showing a similar improving trend. Although recording a weaker rate of expansion than services, manufacturing was notable in reporting the fastest rate of new order growth since December 2018, linked in part to an easing in the rate of decline of global exports.

Worldwide new export orders fell only marginally in January to show the weakest monthly drop for nine months. Companies reported that trade had been boosted in part due to an alleviation of trade war tensions. Our index of trade and tariff worries, based on analysis of anecdotal evidence provided by worldwide PMI respondents, shows concerns moderated during January to one of the lowest degrees since early-2018, having appeared to have peaked last June.

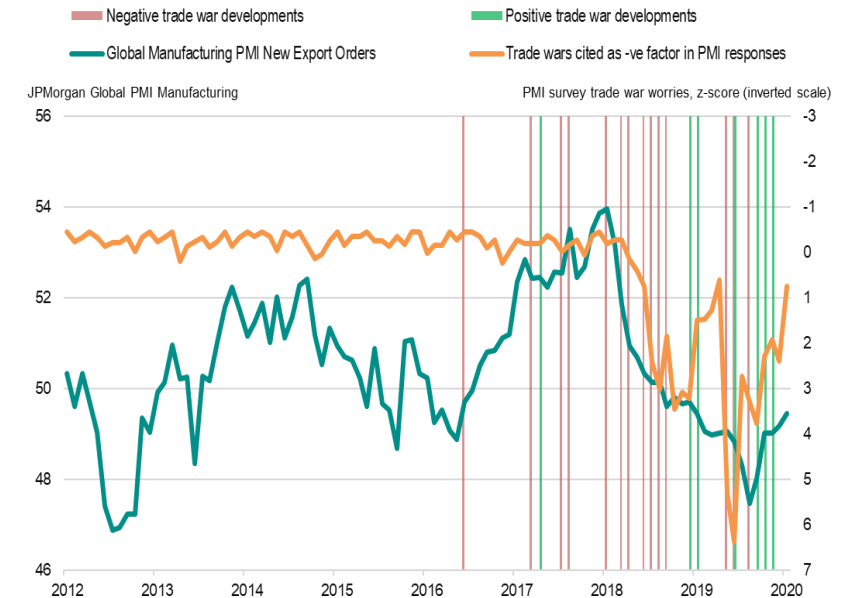
Global PMI indices

Global PMI Index, 50 = no change on prior month



Sources: IHS Markit, JPMorgan.

Global exports and trade wars



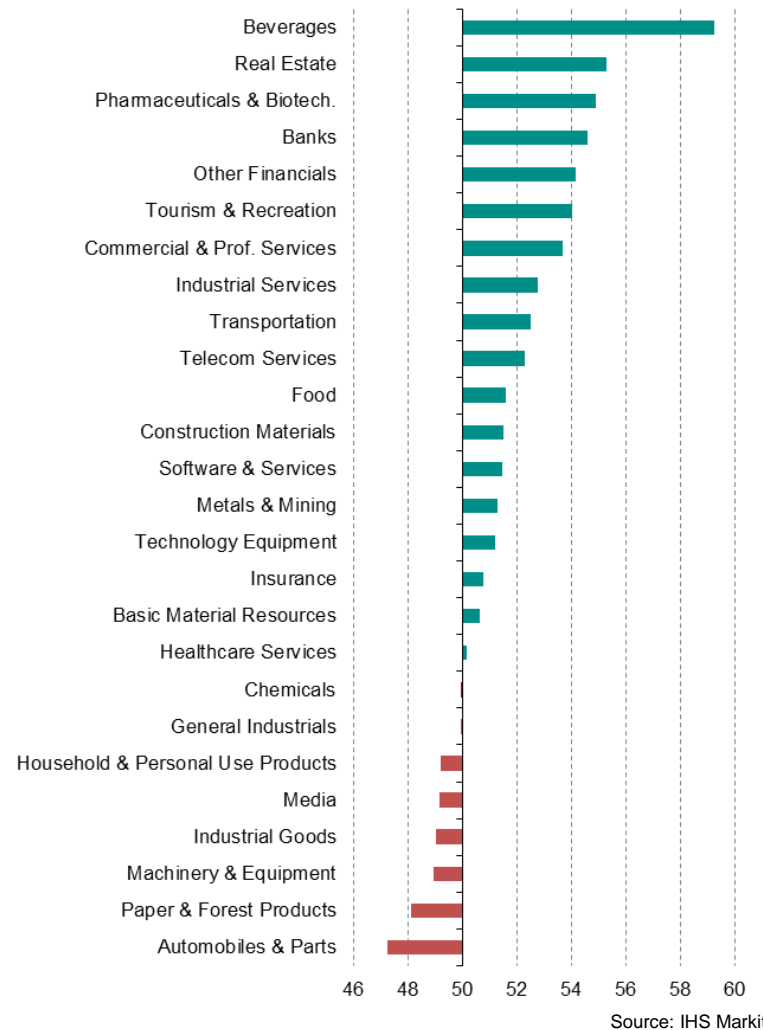
Sources: IHS Markit, JPMorgan.

Metals and mining returns to growth for first time in 16 months

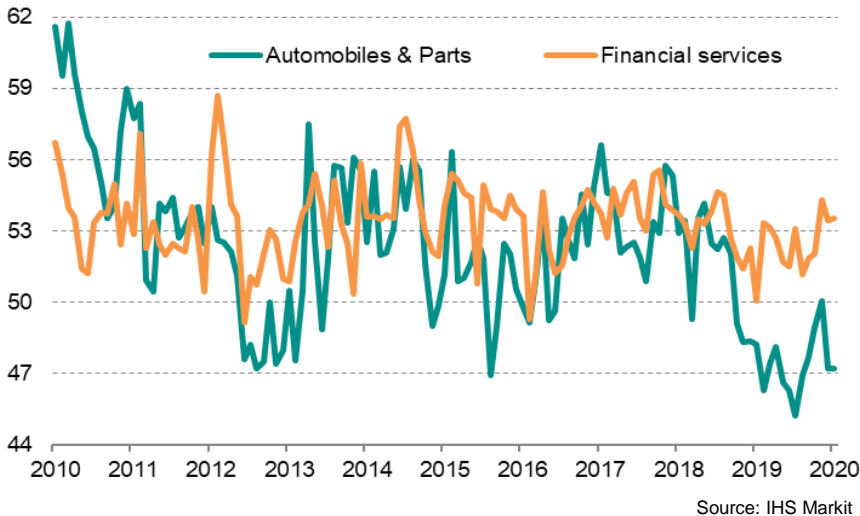
IHS Markit's [detailed PMI](#) data for January showed output rising in 18 of 26 sectors, led by drinks manufacturers. Two of the five fastest growing sectors were found in financial services, which grew at one of the sharpest rates seen over the past year and a half. Real estate activity showed the strongest rise for over two years and metals and mining returned to growth for the first time in 16 months.

However, two key sectors once again failed to expand: global autos output declined sharply again after showing signs of stabilizing late last year, as new orders deteriorated at the fastest rate since last August. Similarly, the machinery and equipment sector, a key bellwether of global capex, saw a further reduction of output as new orders fell for a fifteenth successive month, albeit with the rate of decline easing compared to the average seen in 2019.

Global Sector PMI Output Index (Jan 2020)



IHS Markit Global PMI Output Index



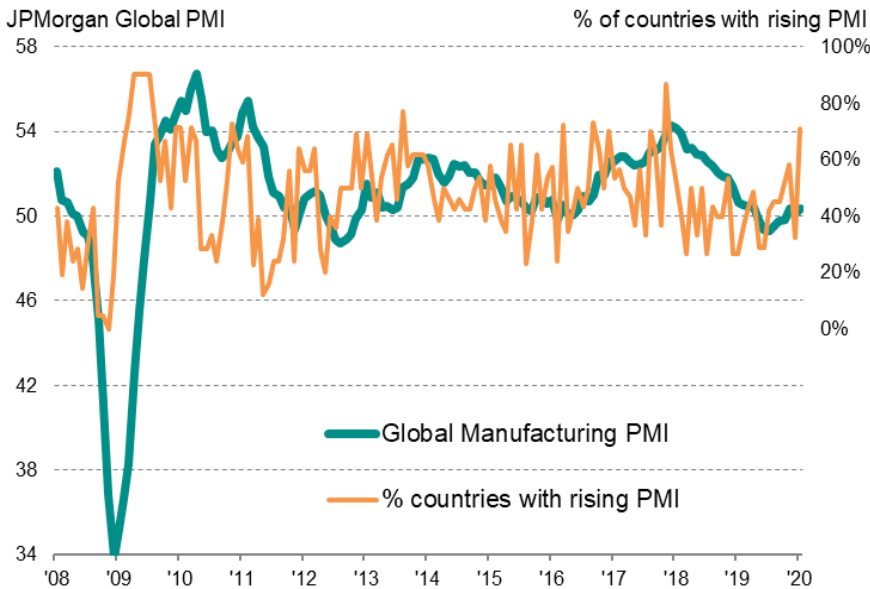
Source: IHS Markit

Source: IHS Markit

Almost three-quarters of all countries see rising manufacturing PMIs

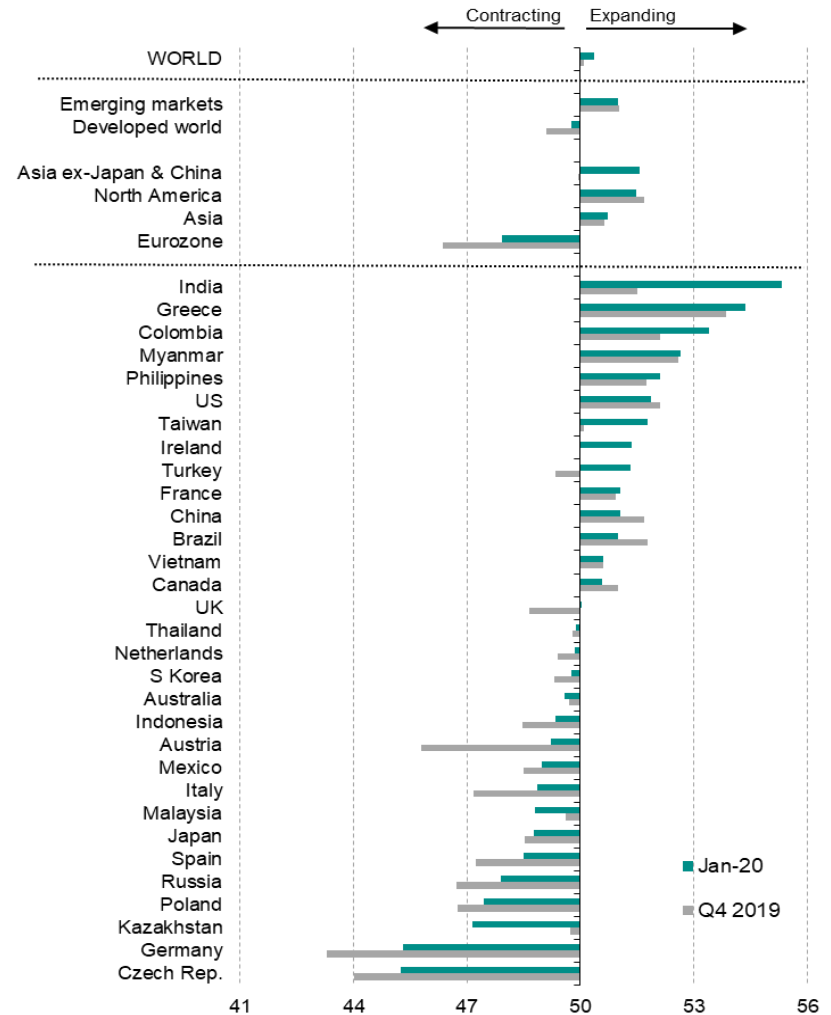
In a sign of the manufacturing expansion broadening out, nearly half of all countries surveyed reported PMIs above the 50.0 no change level in January, but more importantly some 71% saw their PMI figures rise since December, up from a low of 27% at the beginning of last year.

Some ten of the 15 markets reporting expansions in January were so-called emerging markets, and notably included India (which led the rankings), China, Vietnam, the Philippines and Brazil. Asia excluding Japan and China has seen especially encouraging growth in recent months, with the PMI reaching a 19-month high.



Sources: IHS Markit, JPMorgan.

Manufacturing PMI, 50 = no change on prior month



Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, NEVI, BME, Bank Austria, Investec, AERCE, Caixin, HPI, CBA, Davivienda, Jibun Bank, Tengri Partners.

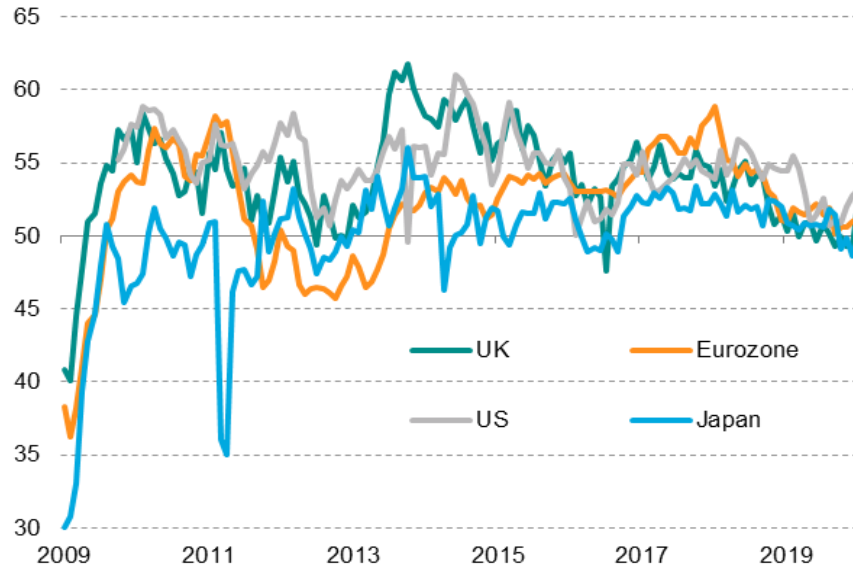
India leads global upturn, G4 economies all expand

Developed world growth hit the fastest since March of last year, with a broadly stable manufacturing economy accompanied by the strongest increase in service sector activity in ten months. Growth accelerated in the US, led by a stronger service sector, to reach the fastest since last March, as well as in the eurozone. However, welcome returns to growth were also seen in Japan and the UK after special factors hit business in the fourth quarter of 2019, making a ‘full house’ of growth across the G4 economies.

All four major emerging markets meanwhile remained in expansionary territory according to their composite PMIs, led for a second month by India, where business activity rose at a rate not exceeded in seven years. Growth also perked up in Brazil and Russia, reaching four- and two-month highs respectively. China bucked the trend of faster growth seen over the other ‘BRIC’ emerging markets, reporting a second monthly slowdown in business activity, suggesting growth was waning even before the virus struck.

Developed world PMI*

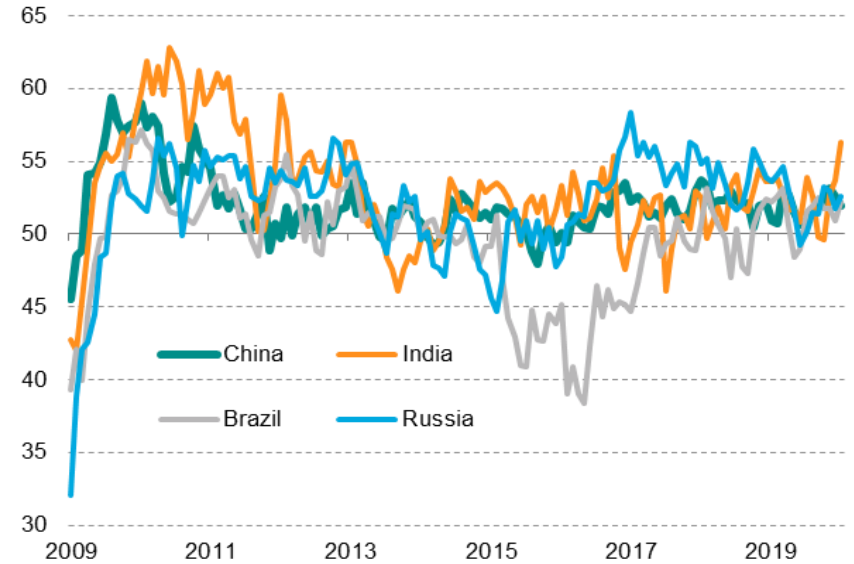
*Composite PMI Output/Business Activity Index



Source: IHS Markit, CIPS, Jibun Bank.

Emerging market PMI*

*Composite PMI Output/Business Activity Index



Source: IHS Markit, Caixin.

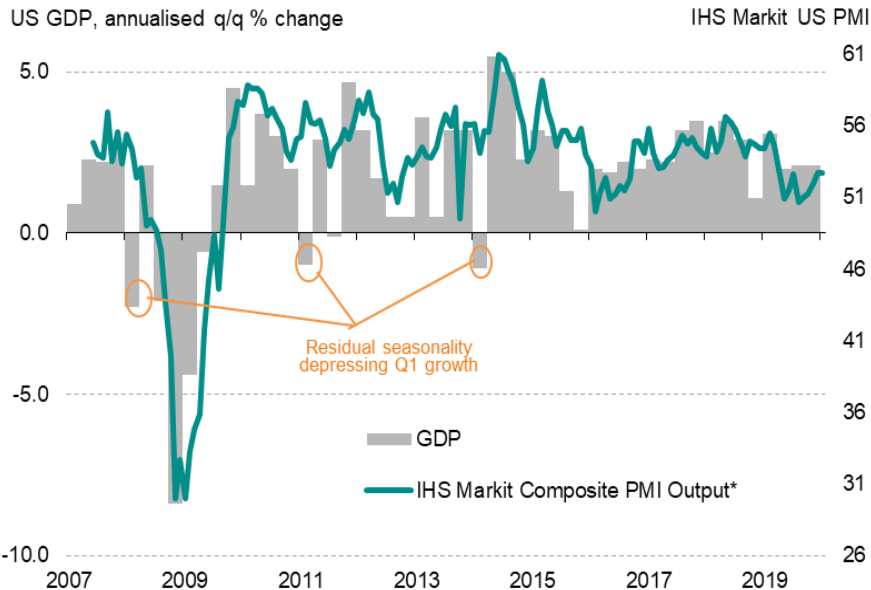
* PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

US starts 2020 with PMI at ten-month high

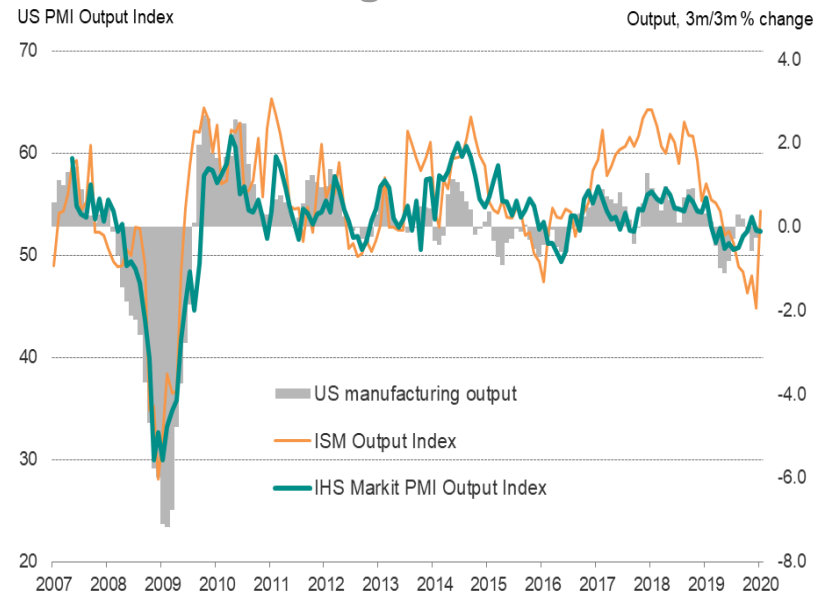
US business activity grew at its fastest rate for ten months in January, according to IHS Markit's PMI data, the rate of growth accelerating for a third straight month. The composite PMI rose to 53.3 from 52.7 in December. The upturn was again driven by the service sector, with manufacturing lagging behind as disappointing export business continued to act as a drag. Detailed sector data showed especially strong growth in the financial services sector, which hit the highest for one-and-a-half years, followed by consumer services.

Costs meanwhile rose at the fastest rate for seven months, lifted higher in many cases by tariffs and upward wage costs. Average charges rose at a weaker rate the December, however, as firms often absorbed the higher costs via smaller margins.

US economic growth and the PMI**



US manufacturing



Sources: 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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Sources: IHS Markit, ISM, Federal Reserve.

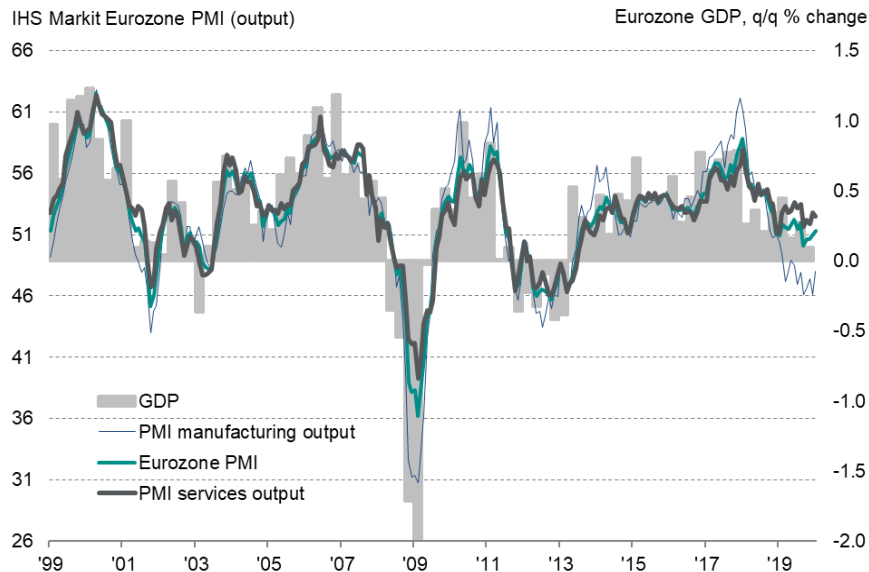
See also our paper on [ISM and IHS Markit PMI survey divergences](#).

Eurozone enjoys faster growth as factory downturn eases

A rise in the Eurozone PMI to the highest since last August added to evidence that the tide may be turning for the region's economy. Although the survey is signalling a quarterly GDP growth rate of just 0.1-0.2%, manufacturing is showing welcome signs of stabilising after the heavy downturn seen last year and services growth remains resilient. Business confidence about the outlook has also improved markedly, reaching a 16-month high in January, and forward-looking indicators such as the orders-to-inventory ratio have risen sharply. Fears of a manufacturing downturn spreading to services have therefore eased, in turn helping assuage the risk of recession.

However, output growth is still very subdued and firms remain concerned by existing headwinds as well as fresh risks. US trade rhetoric has turned to Europe, with the auto sector looking especially vulnerable to tariff threats. Brexit trade developments meanwhile remain highly uncertain, and the coronavirus represents a new potential disruptor to business and trade.

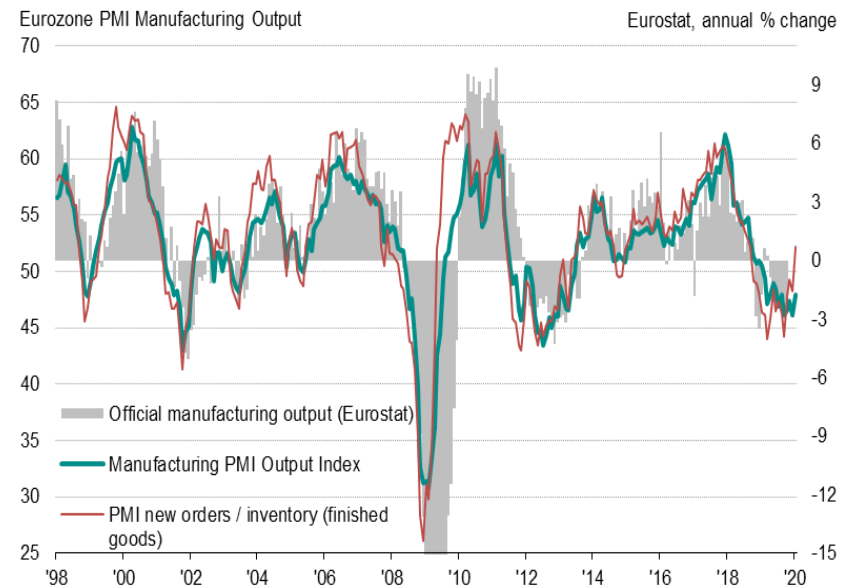
Eurozone PMI* and GDP



Sources: IHS Markit, Eurostat.

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

Euro big-four composite PMI *(output)



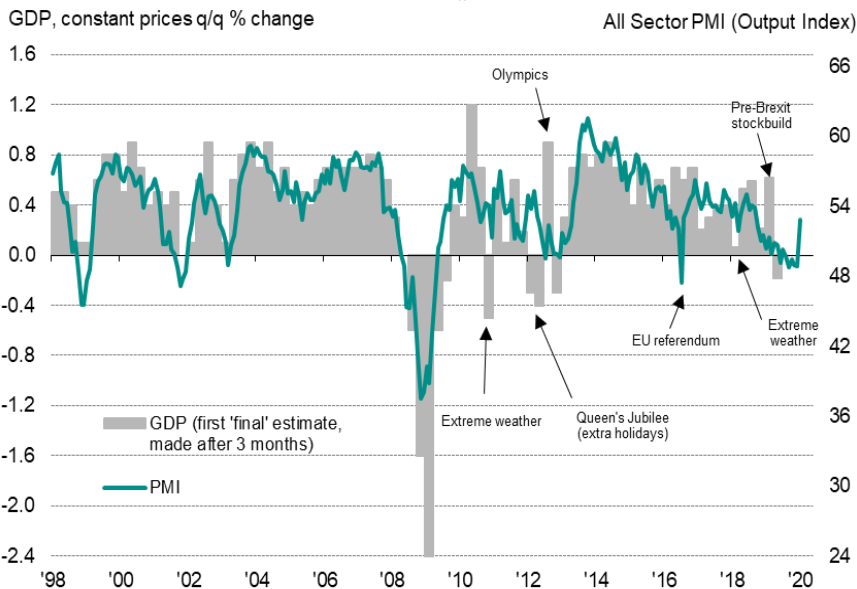
Source: IHS Markit, Eurostat.

UK PMI data signal post-election rebound

PMI survey data indicated an encouraging start to 2020 for the UK economy. Output grew at the fastest rate for 16 months amid rising demand for both manufactured goods and services and an easing in the rate of decline of orders for construction work, suggesting business is rebounding after declines seen late last year. Intensifying political and economic uncertainty ahead of last December's general election has eased, according to contributing companies, encouraging more spending and helping push business expectations of future growth to its highest since mid-2016.

At 53.3, the composite output index from the survey has rebounded to a level indicative of GDP rising at a quarterly rate of 0.2% in January. In contrast, the weak PMI data in the closing months of 2019 pointed to one of the worst spells for the economy seen over the past decade, commensurate with GDP stagnating at best in the fourth quarter. .

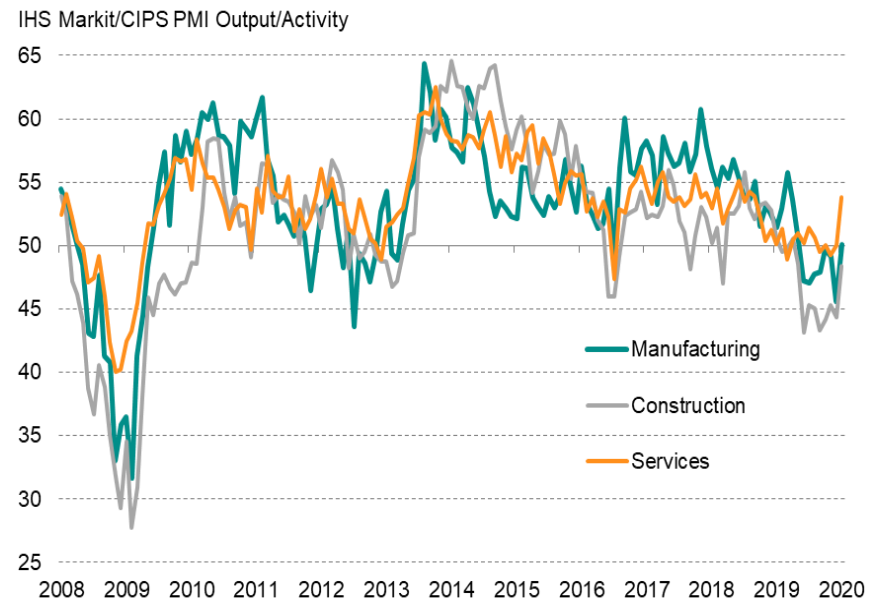
UK PMI* and economic performance



Sources: IHS Markit, CIPS, ONS.

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

UK PMI output by sector



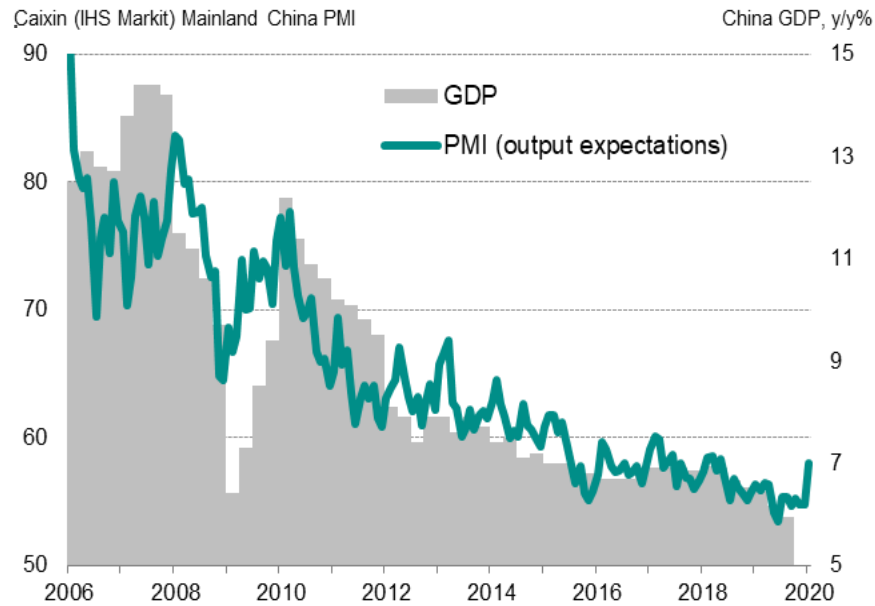
Sources: IHS Markit, CIPS.

China slowdown set to intensify amid virus-related disruptions

The start of the year saw a further slowdown in China’s business activity, even before the virus struck. The Caixin Composite PMI Output Index, compiled by IHS Markit and covering both manufacturing and services, dropped from 52.6 in December to 51.9 in January, showing only a modest increase in business activity. The latest reading was the lowest for four months as expansions of both manufacturing output and services business activity lost further momentum.

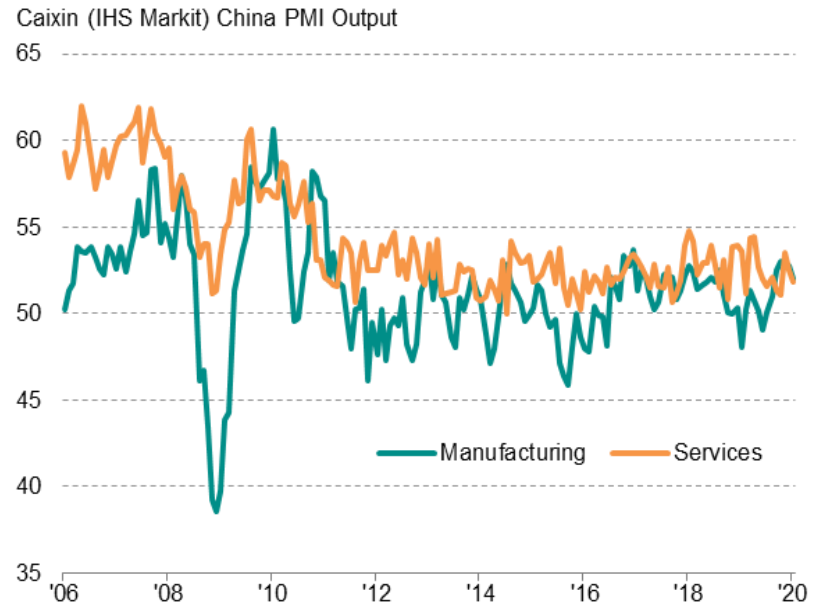
On a brighter note, the survey data also showed that business confidence about output over the next 12 months strengthened markedly in January to the highest level since May 2018. The easing in US-China trade tensions, and the signing of the Phase One deal at the end of last year, helped build stronger optimism. However, with the survey data collected prior to the escalation in the coronavirus situation, the true impact on business is expected to only be reflected in February PMI data.

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

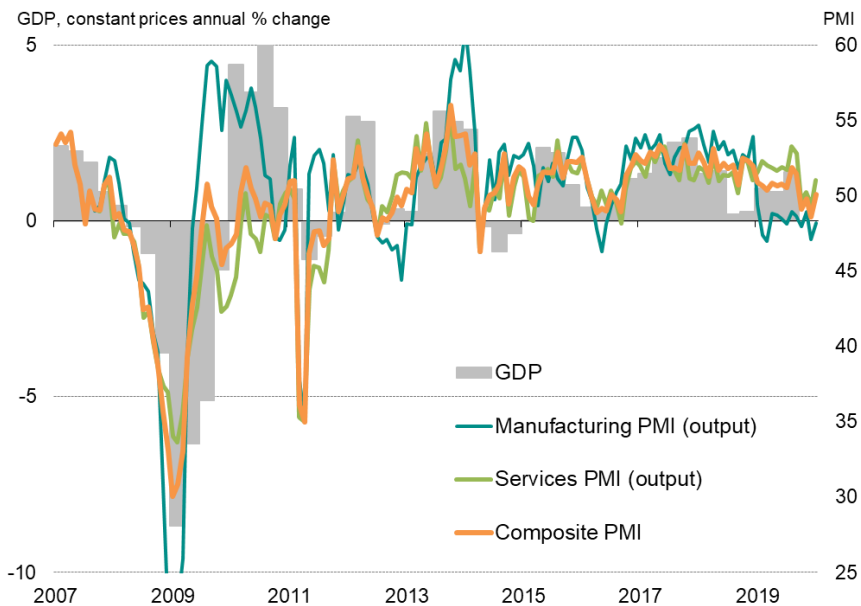


Sources: IHS Markit, Caixin, NBS.

Japan ends worst spell for 3 years

Japan's private sector economy eked out its first expansion in four months during January, with the Jibun Bank composite PMI rising to 50.1. Although only marginal, the gain represents a marked contrast to the weakness seen in Q4, when falling demand after the sales tax hike and typhoons caused the PMI to signal the steepest downturn for three years. However, manufacturing remained especially subdued in January, linked in part to weak global trade, and virus-related supply chain shocks pose a risk for coming months.

Japan PMI* and GDP



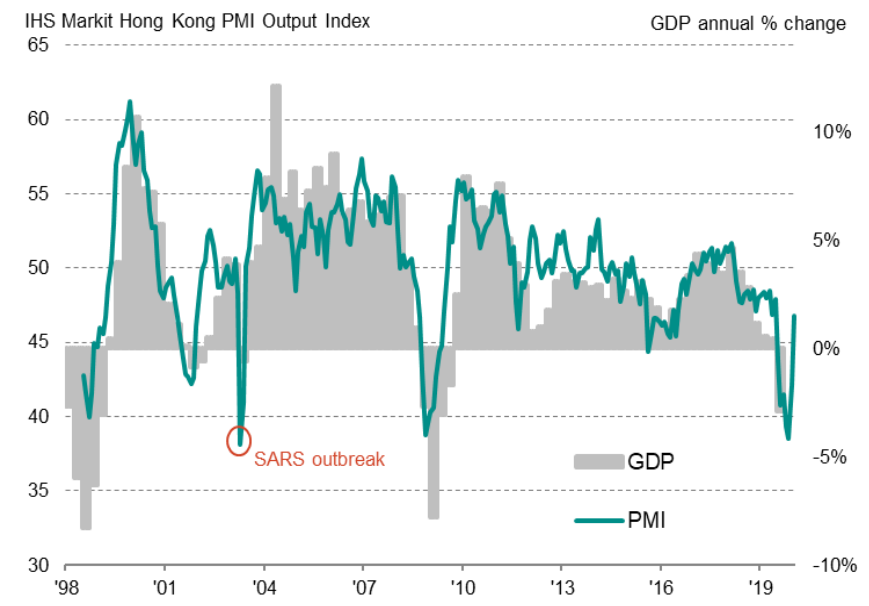
Sources: IHS Markit, Jibun Bank, Japan Cabinet Office.

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

Hong Kong SAR recovery in doubt

The PMI for the Hong Kong SAR economy has shown a welcome easing in the downturn in recent months as protest-related disruptions became less intense. The PMI rose for a second month running in January to reach its highest since last June, raising hopes that the steepest economic contraction since the global financial crisis was coming to an end. The coronavirus outbreak naturally puts the recovery in doubt. The SARS epidemic in 2003 resulted in a sharp, albeit brief, hit to business.

Hong Kong SAR PMI surveys



Source: IHS Markit.

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