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Global PMI

Global growth at three-year low
as weakness spills over to services

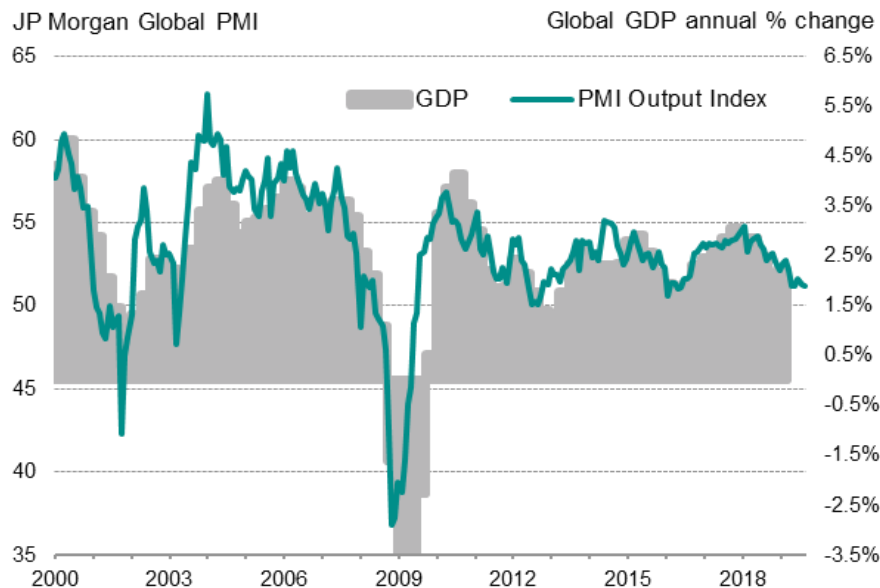
October 10th 2019

Global PMI at three-year low as slowdown spreads to services

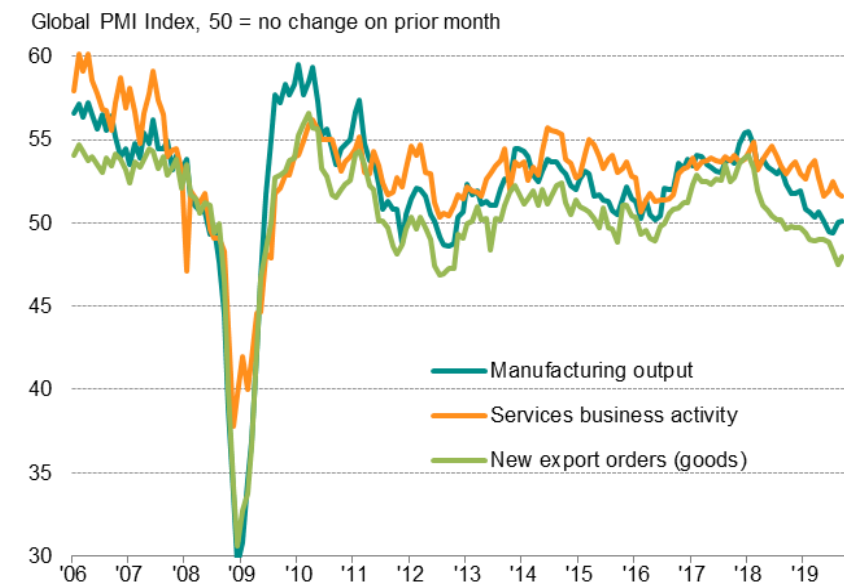
Latest worldwide PMI data showed the global economy losing growth momentum again in September, registering the joint-weakest increase in output for three years. At 51.2 in September, the JPMorgan Global PMI™ (compiled by IHS Markit) fell to a level matching the lows seen back in May and June. Inflows of new orders expanded at the slowest pace since 2012 and business expectations about the year ahead remained close to a survey low. Trade worries continued to dominate the outlook, alongside heightened uncertainty and concerns of weaker economic growth.

Global exports continued to fall at a steep pace and manufacturing activity remained more or less stagnate, albeit showing some signs of the slowdown easing. However, key to the recent weakening of global conditions has been a further spill-over of the trade-led slowdown from manufacturing to services, with growth in the latter now running at its joint-lowest for three years.

Global PMI* output & economic growth



Global PMI indices



* PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.
Sources: IHS Markit, JPMorgan.

Sources: IHS Markit, JPMorgan.

Jobs growth stalls as new orders rise at slowest pace since 2012

The global slowdown reflected a further deterioration in the trend for new orders in September, which showed the weakest monthly rise since November 2012, underscoring how growth of global demand for goods and services has cooled markedly in recent months.

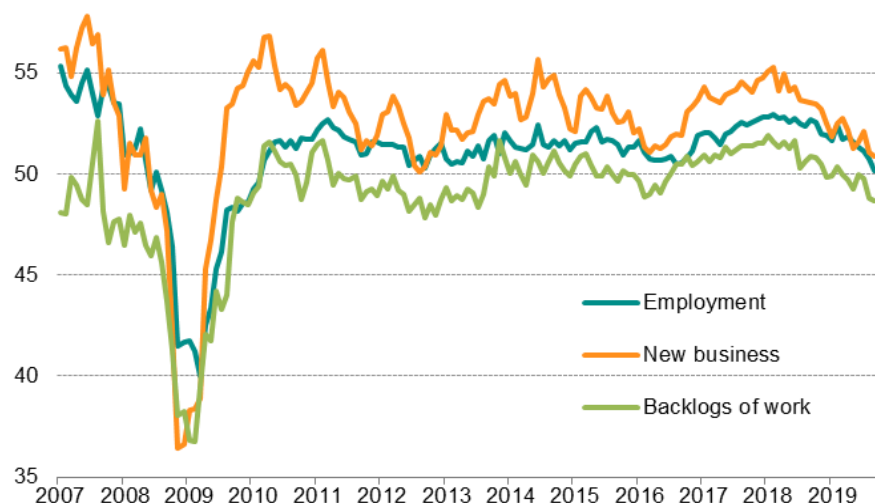
Weaker inflows of new orders meant global backlogs of work fell at the sharpest pace since July 2013, hinting at excess capacity, leading companies to increasingly pare back their hiring. Consequently, global jobs growth all but stalled in September, representing the softest rise since the current period of job creation began in March 2010.

Expectations of output in the year ahead meanwhile fell to the second-lowest on record (data were first available in 2012), adding to downside risks to future growth. Recent months have seen record levels of both 'trade' and 'uncertainty' being cited as factors dampening either current growth or sentiment. Concerns over weaker growth and 'recession' have also risen sharply.

Global PMI* employment and order books

Global PMI Index, 50 = no change on prior month

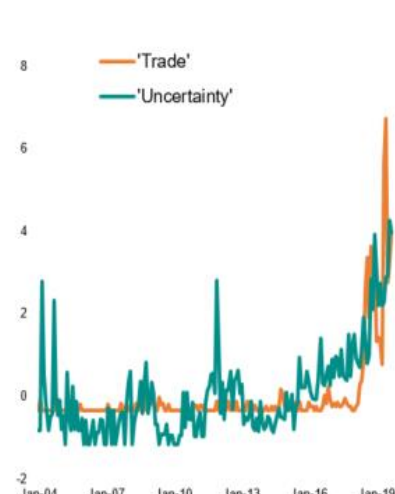
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Global PMI business optimism

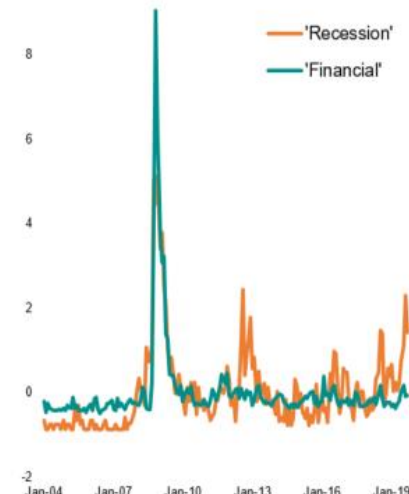
Words cited by global PMI contributors in survey responses (z-score)

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Words cited by global PMI contributors in survey responses (z-score)

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Sources: IHS Markit, JPMorgan.

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

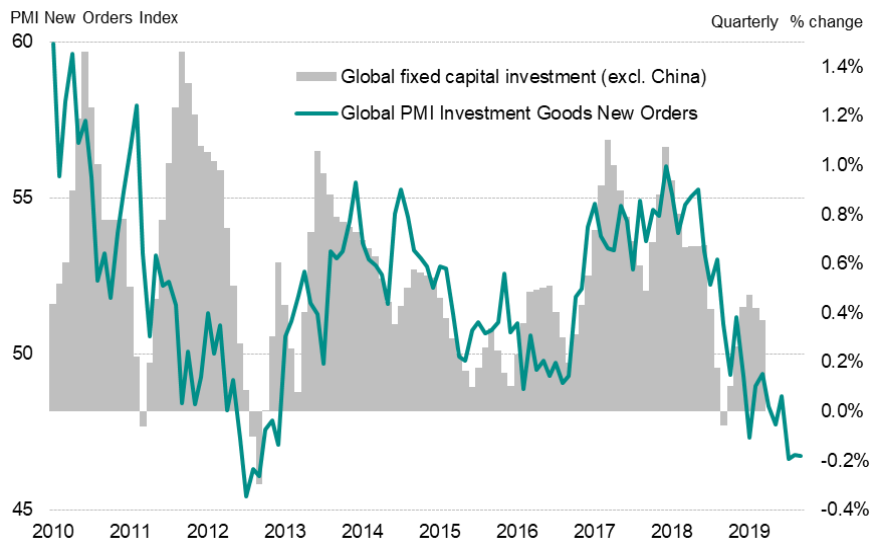
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Source: IHS Markit, JPMorgan.

Investment goods makers suffer worst quarter since 2012

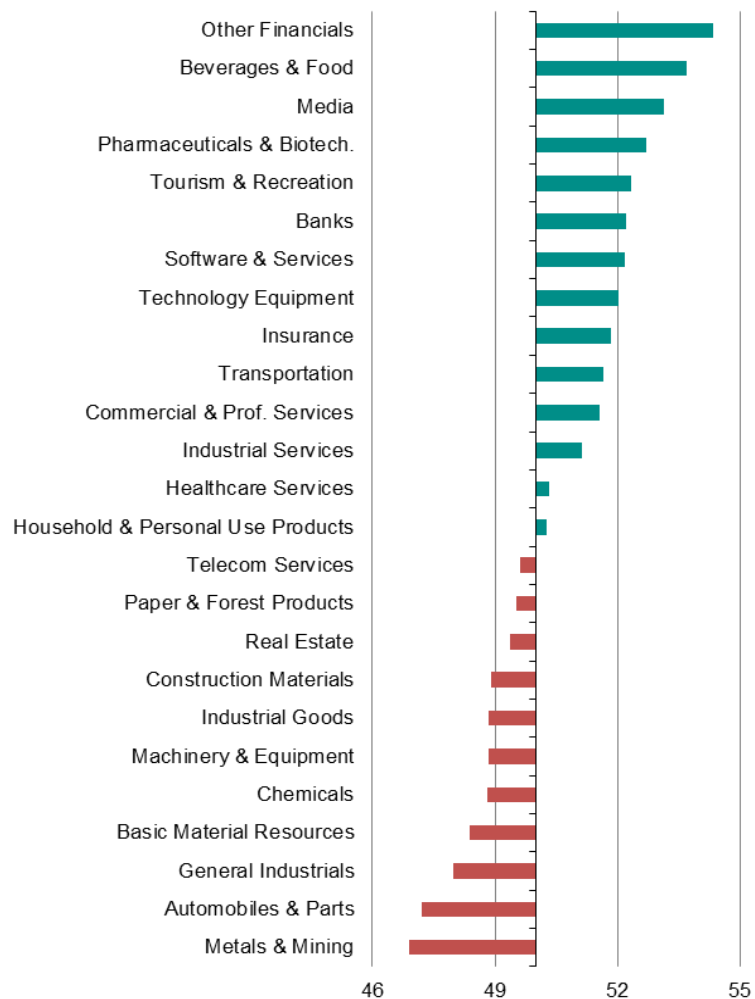
An additional sign of cost-cutting and risk-aversion was provided by the global PMI gauge of new orders for investment goods, which posted its lowest reading since 2012 in Q3. This index correlates well with official business investment data, providing an advance guide to global capex trends. The current picture of falling investment is a far cry from the surge seen early last year.

Looking in more detail at sectors globally, the steepest downturn in September was recorded for metals and mining companies, followed by autos and parts makers, the latter suffering its worst spell since the global financial crisis. The fastest growth was recorded for 'other' (non-banking) financials, followed by food and drink.



Sources: IHS Markit, JPMorgan, World Bank.

Global Sector PMI Output Index (Sept. 2019)



Source: IHS Markit.

Developed world PMI at lowest since 2012

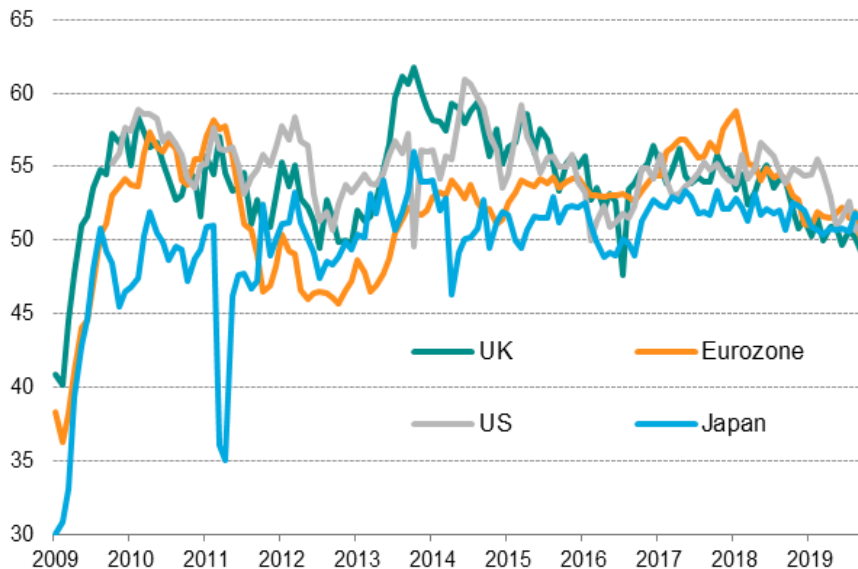
Developed world growth across both manufacturing and services sank to its lowest since December 2012, while emerging markets saw the pace of expansion run steady at the highest since April, albeit remaining among the weakest seen over the past three years.

In the developed world, subdued performances were seen across the G4 economies, with the UK once again at the bottom of the pack, with the composite PMI slipping into contraction territory for the first time since the 2016 referendum. The strongest expansion was seen in Japan, albeit aided by advance purchasing ahead of the sales tax rise.

Brazil meanwhile led the BRIC economies, with the composite PMI at a six-month high, while China's Caixin PMI struck a five-month high. India recorded the worst performance, with its composite PMI dropping below 50 for the first time in just over one-and-a-half years. Russian growth remained subdued, easing slightly from August's three-month high.

Developed world PMI*

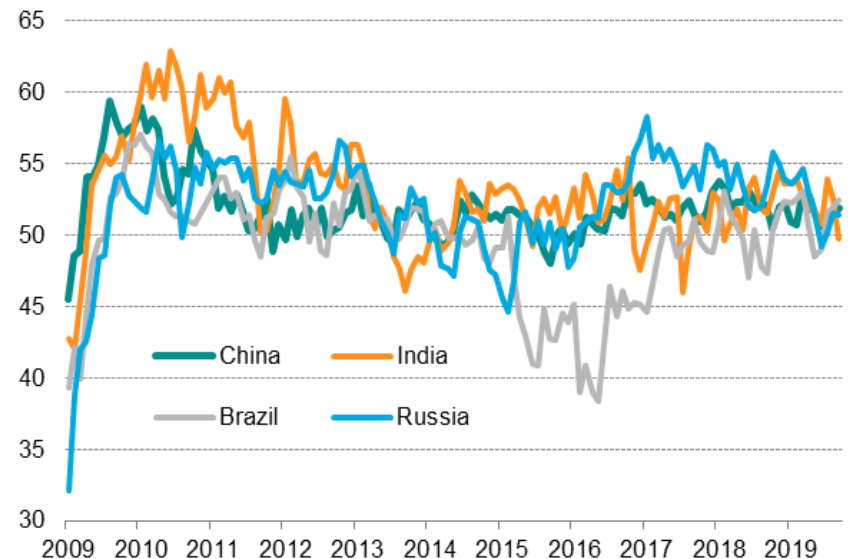
PMI Output/Business Activity Index



Source: IHS Markit, CIPS, Jibun Bank.

Emerging market PMI*

PMI Output/Business Activity Index



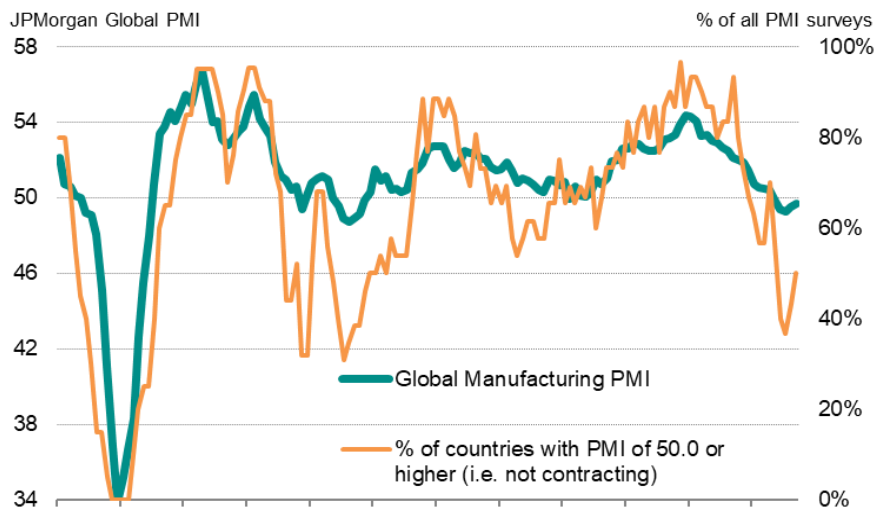
Source: IHS Markit, Caixin.

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

Manufacturing downturns seen in almost half of all countries

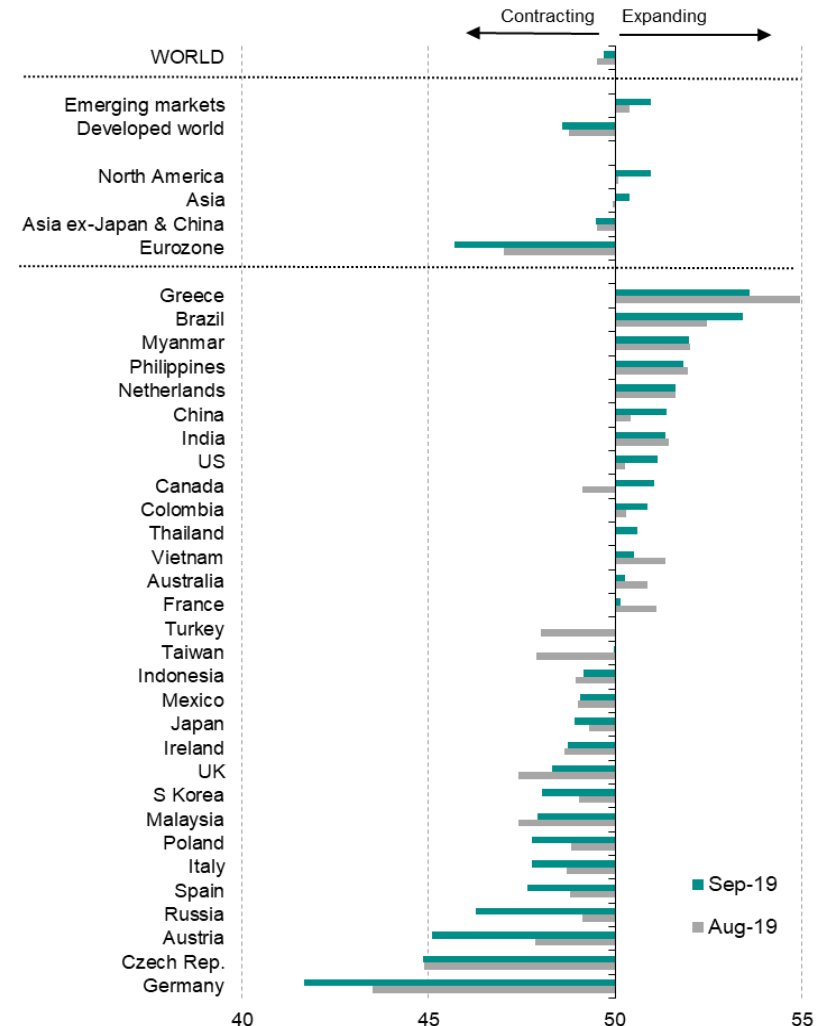
The JPMorgan Global Manufacturing PMI, compiled by IHS Markit from surveys in 30 markets, rose marginally to 49.7 in September, but remained below the 50.0 no-change level to signal a fifth straight month of deteriorating business conditions. The current downturn is the longest and deepest since 2012.

The number of countries reporting manufacturing downturns eased from 17 to 14 (down further from 19 in July, now running at just under half of all countries surveyed). Germany again reported the steepest contraction of all countries, but other notable nations in decline included Japan, the UK, Russia, Mexico, Italy, Spain, Malaysia, South Korea and Indonesia. The fastest expansion continued to be recorded in Greece



Source: IHS Markit, JPMorgan.

Manufacturing PMI, 50 = no change on prior month



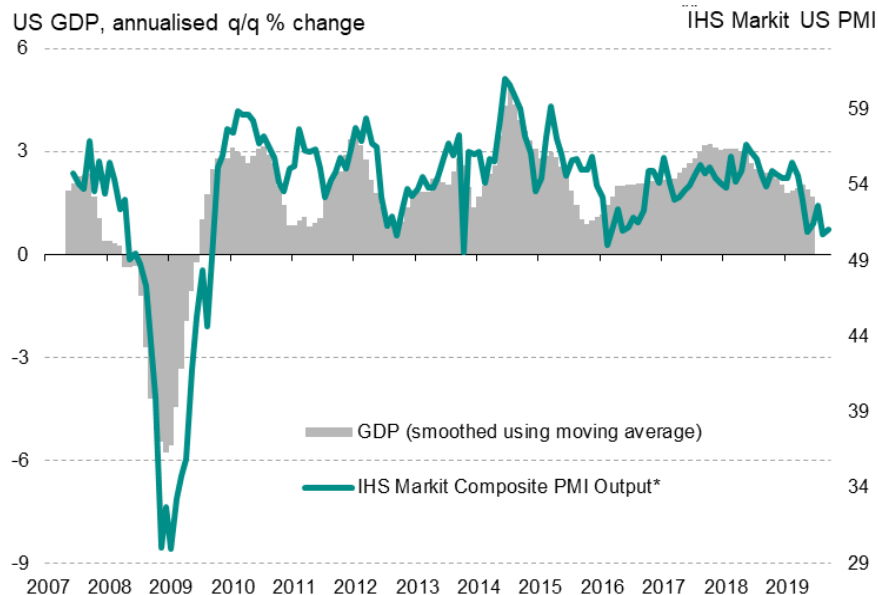
Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, NEVI, BME, Bank Austria, Investec, AERCE, Caixin, HPI, CBA, Davivienda, Jibun Bank.

US set for slower Q3 economic growth, hiring slows

A disappointing US service sector PMI followed news of lacklustre manufacturing growth and means the past two months saw one of the weakest back-to-back expansions of US business activity since 2009, sending a signal of slower GDP growth. The surveys are consistent with the economy growing at a 1.5% annualised rate in Q3, with forward-looking indicators suggesting further momentum could be lost in Q4. In particular, inflows of new business almost stalled, registering the smallest increase since 2009, and business expectations about the year ahead remained stuck at one of the gloomiest levels since at least 2012.

Companies also took an increasingly cost-conscious approach to payrolls, with September seeing surveyed firms report a net drop in headcounts for the first time since 2010. This translates into non-farm payroll growth trending below 100,000. Price pressures have also abated in line with the weak demand picture, suggesting official inflation gauges could likewise moderate in coming months.

US economic growth and the PMI**



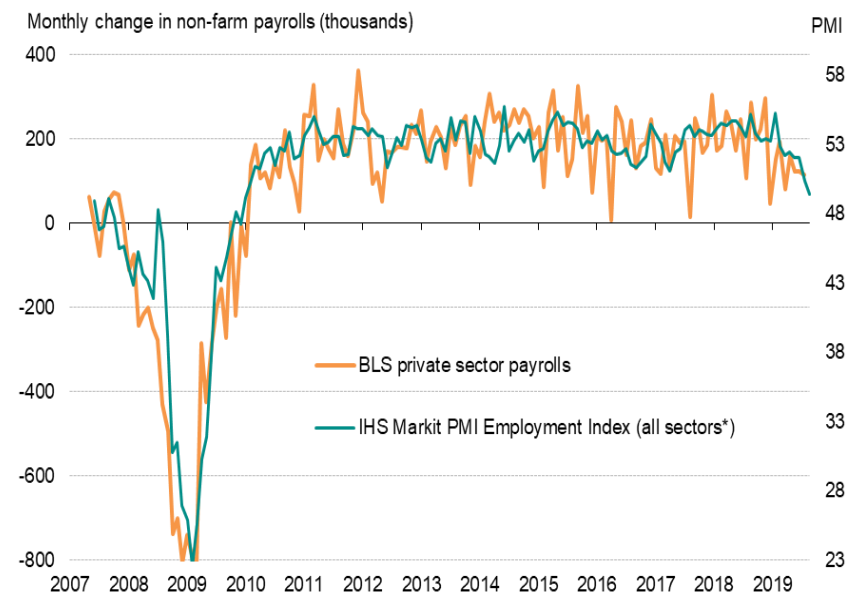
Source: IHS Markit.

*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 employment



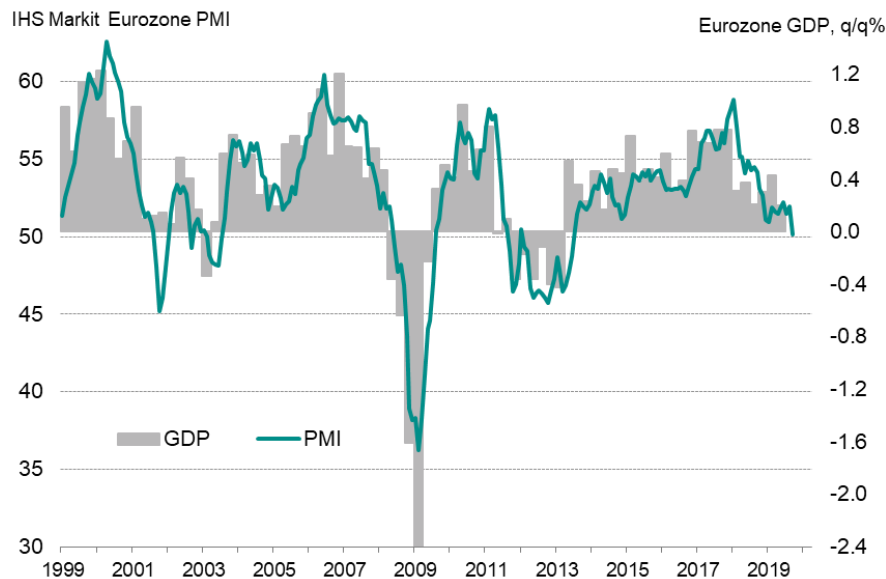
Sources: IHS Markit, BLS.

Eurozone economy grinds to halt, led by downturn in Germany

The eurozone economy ground to a halt in September, with the [PMI hitting 50.1](#) and painting the darkest picture since the current period of expansion began in mid-2013. GDP looks set to rise by 0.1% at best in Q3, with signs of further momentum being lost as we head into Q4, meaning the risk of recession is now very real. Inflows of new business are falling at the fastest rate for over six years and employment growth has hit the lowest since early 2016. The downturn also shows further signs of spreading from manufacturing to services. While the goods-producing sector is stuck in its deepest downturn since 2012, the service sector has also seen its growth rate slow sharply to one of the weakest seen in recent years.

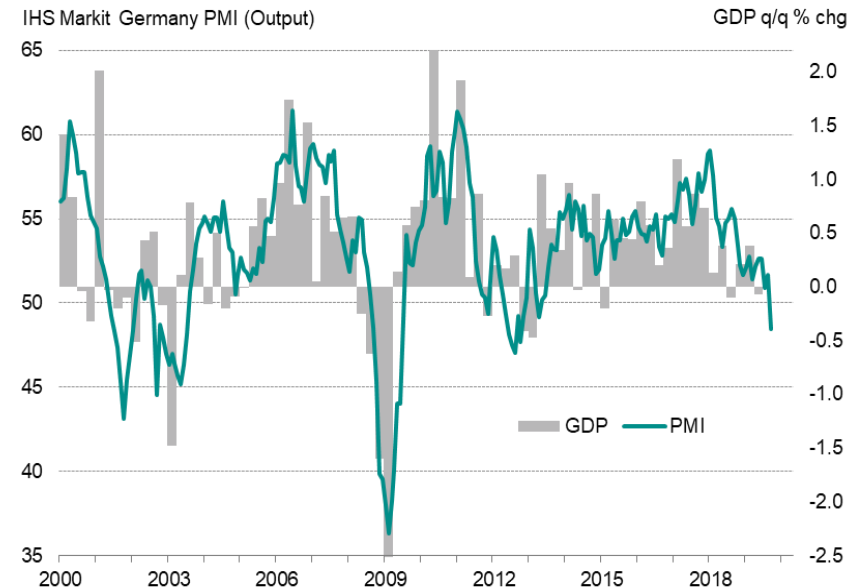
The deteriorating picture is being led by a downturn in Germany, where the composite PMI sank to a near seven-year low and indicating a recession, but France and Italy are also close to stalling and Spain has seen growth slow to the joint-weakest in around six years.

Eurozone PMI* and GDP



Sources: IHS Markit, Eurostat.
*PMI shown above is a GDP weighted average of the manufacturing and services indices.

Germany PMI* and GDP



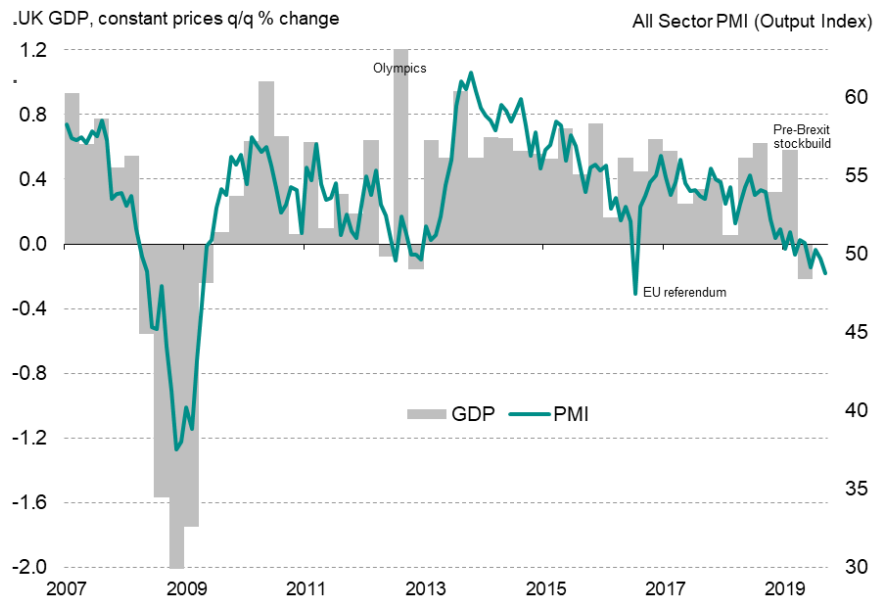
Sources: IHS Markit, Eurostat.

UK downturn deepens and job losses accelerate

The health of the UK economy continued to deteriorate in September, with the PMI surveys indicating the second-quickest monthly fall in business activity since the global financial crisis. Only the post-referendum slump saw a bigger decline. The headline index slipped to 48.8, consistent with GDP falling 0.1% in Q3. Brexit-related uncertainty dominated firms' worries about the year ahead, reflecting cancelled and postponed projects, a lack of investment and the prospect of possible disruptions from a no-deal exit on 31st October.

The downturn has now spread to all three main sectors of the economy, with activity falling in manufacturing, construction and services for the first time since July 2016, leading to the fastest rate of job shedding since 2009. Price pressures have also waned amid a further marked drop in demand for goods and services. Average prices charged for goods and services showed the softest monthly increase since April 2016.

UK PMI* and GDP**

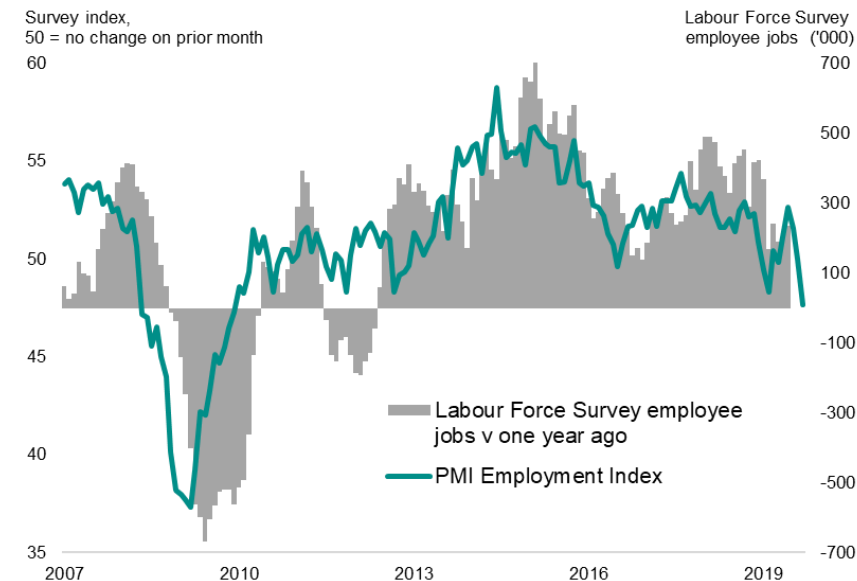


Sources: IHS Markit, CIPS, ONS.

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

**Q2 2019 GDP based on April and May ONS data only

UK PMI and employment



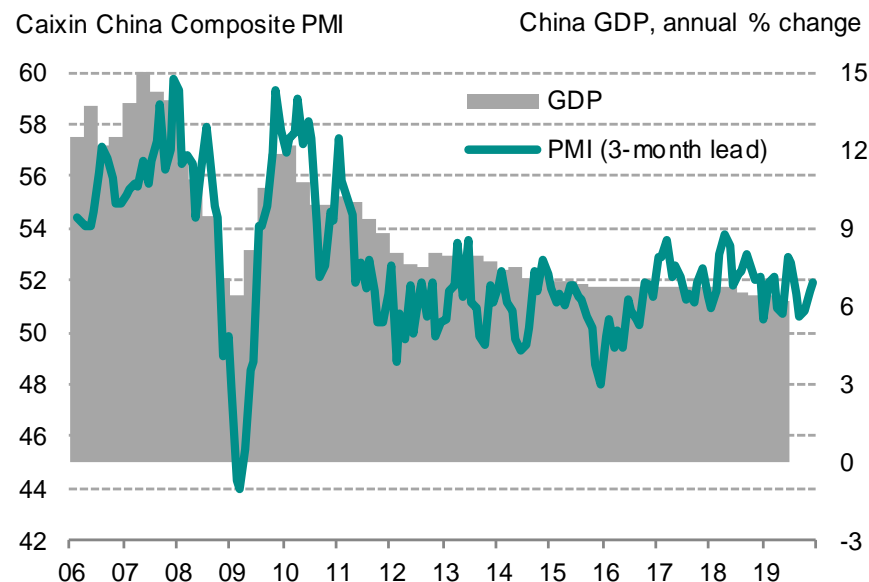
Sources: IHS Markit, CIPS, ONS.

China PMI lifts to five-month high on improved factory output

Growth in China's business activity gained further momentum at the end of Q3, according to the latest Caixin/IHS Markit PMI data, led by faster manufacturing growth. Near-term indicators, such as new orders, backlogs of work and employment all showed stronger improvements. Overall new business volumes increased at the fastest pace for just over one-and-a-half years, driven mainly by the domestic market, as new export business fell for a second straight month. Job creation was not only reported for a second month in a row, but also ran at the fastest pace since the start of 2013.

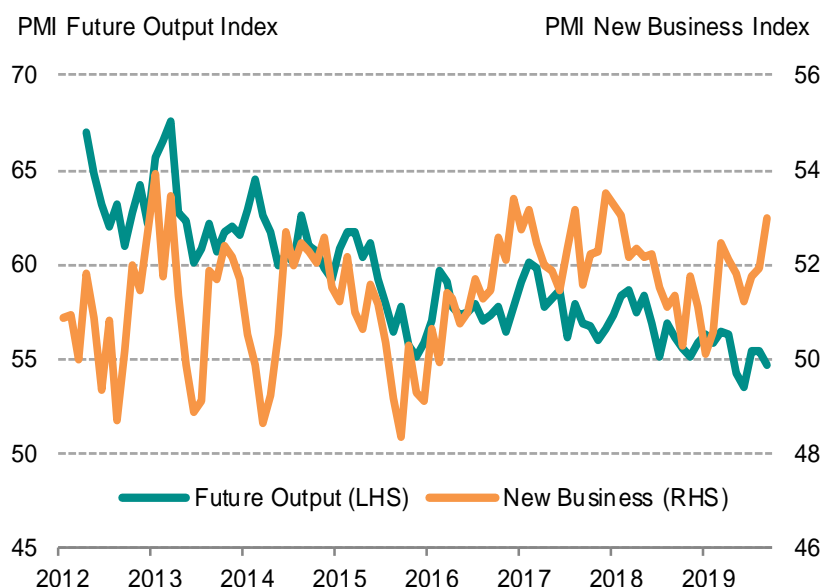
However, it was not all good news. Service sector growth sank to the lowest for seven months and longer-term prospects remained subdued. Business sentiment about output over the next 12 months, while positive, slipped to a three-month low, with concerns often relating to trade tensions.

China PMI output indices



Source: IHS Markit, Caixin, NBS.

China PMI forward-looking indicators

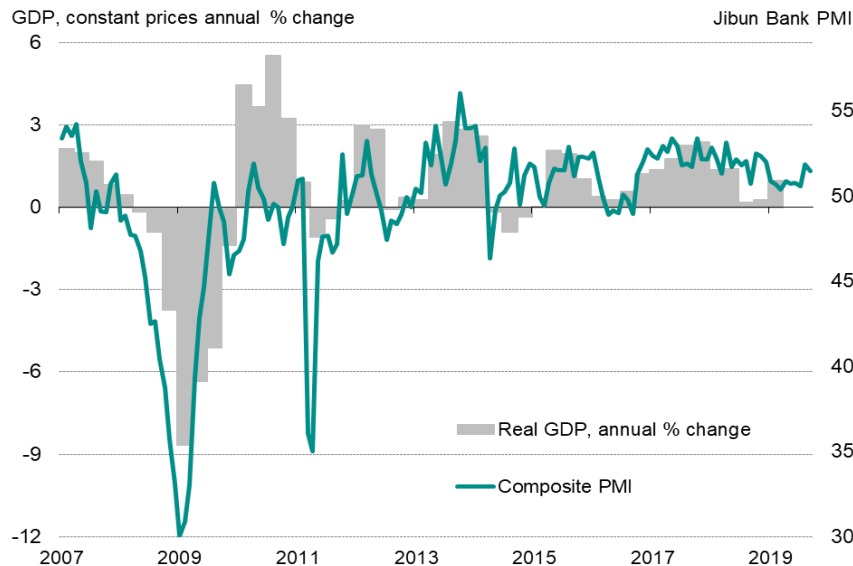


Sources: IHS Markit, Caixin.

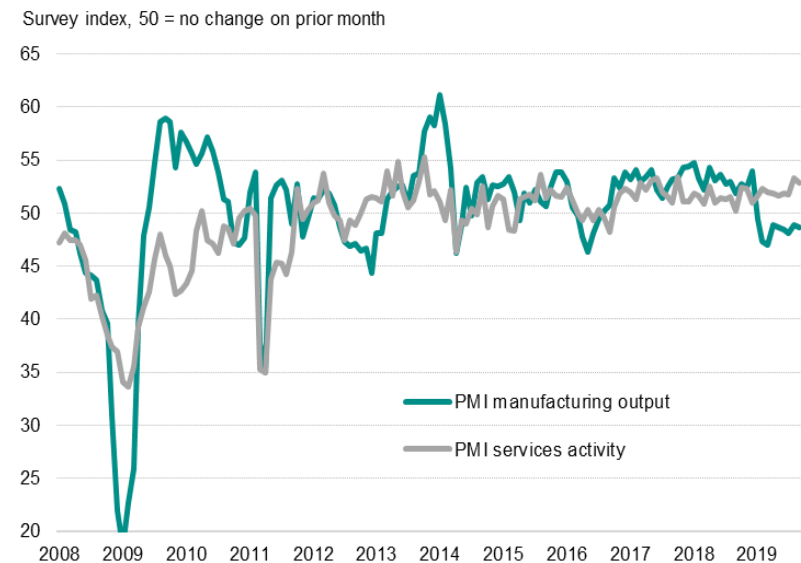
Japan's growth reliant on service sector as tax hike looms

The Jibun Bank composite PMI data fell slightly to 51.5 in September but nevertheless ended a solid quarter in which the surveys indicate annual GDP growth of approximately 1%. However, the resilient performance could be in part attributable to advanced purchasing ahead of next month's sales tax rise. Furthermore, forward-looking indicators suggest cracks are starting to appear. Notably, new order growth remained among the most sluggish recorded over the past three years, led by falling orders for goods. The latter caused factory output to fall for a ninth straight month, diverging markedly from the more robust picture seen in services. Exports also fell, down for a tenth successive month, highlighting the on-going impact of trade wars. Business expectations also remained close to a three-year low, despite picking up slightly, suggesting little scope for any imminent upturn in growth. On the contrary, growth looks likely to weaken as the sales tax hike hits in October.

Japan PMI* and GDP



Japan PMI output by sector



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

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

Sources: IHS Markit, Jibun Bank.

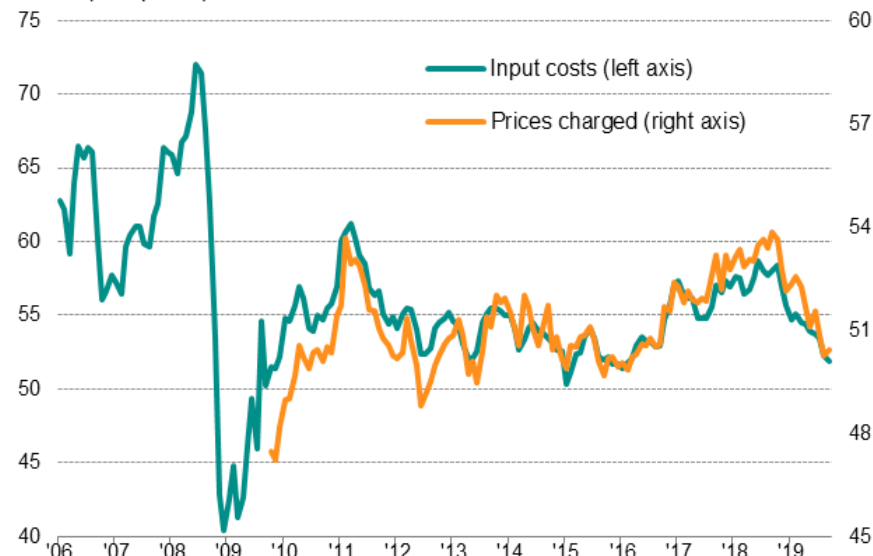
Global price pressures lowest since 2016

Finally, the global slowdown was also accompanied by weaker price pressures. Average selling prices for goods and services continued to rise only marginally in September, painting a picture of the lowest pricing power for three years, while average input price inflation hit the lowest since February 2016. In many cases, weaker demand meant companies were reportedly having to increasingly compete on price to sustain business levels.

Selling price inflation has eased markedly in all G4 economies so far this year, in all cases running at the lowest since 2016 on average in the third quarter. While the US bucked the trend with the selling price index rising in September, it had been the only G4 economy to report falling prices in August. However, while service sector charges continued to fall in the US in September, factory gate price inflation picked up on the back of tariff rises.

Global PMI* input and output prices

Global (Composite) PMI Price Indices



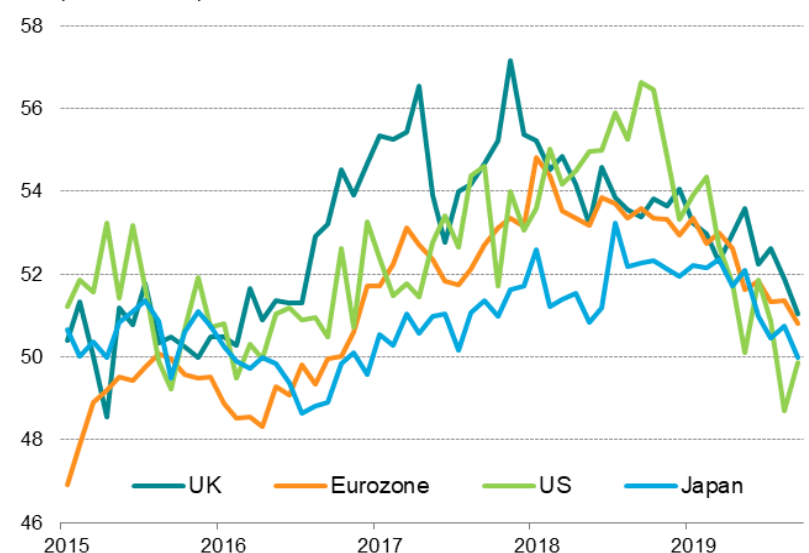
Sources: IHS Markit, JPMorgan.

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

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Global selling prices (goods & services)

Composite PMI Output Price Indices



Source: IHS Markit, CIPS, Jibun Bank.

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