



IHS Markit™

# Global PMI

Global growth slips closer to decade lows  
as manufacturing weakness spreads to services

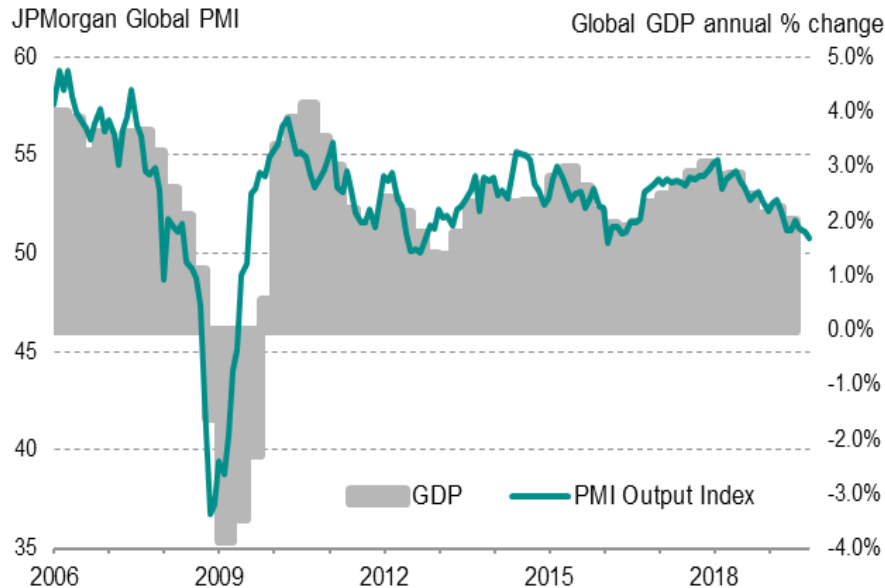
November 12<sup>th</sup> 2019

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

Latest [worldwide PMI data](#) showed the global economy losing further growth momentum in October. At 50.8, the JPMorgan Global PMI™ (compiled by IHS Markit) fell to its lowest since February 2016, registering one of the weakest monthly expansions since the global financial crisis. The PMI is comparable with global GDP rising at an annual rate of 1.75% (market prices) at the start of the fourth quarter.

Although manufacturing showed further tentative signs of improving, having led the global slowdown throughout the past year and a half via deteriorating worldwide exports, recent months have seen increasing signs of slower service sector growth. Global service sector output rose in October at its slowest rate since early-2016.

## Global PMI\* output & economic growth



Source: IHS Markit.

## Global PMI indices



Sources: IHS Markit, JPMorgan.

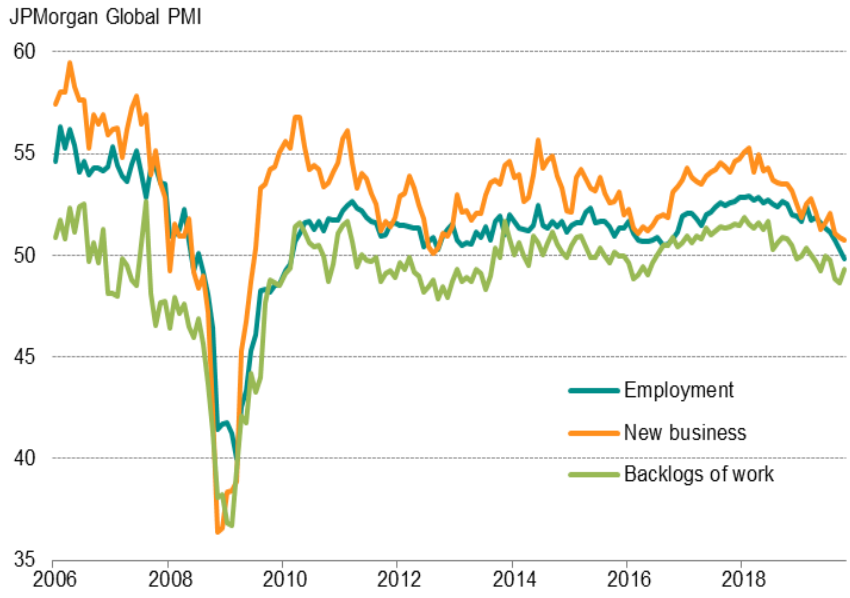
\* PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

# Global jobs fall for first time since early 2010

The deteriorating job market appears to have been a key transmission mechanism for the global slowdown from manufacturing to services. The October global PMI data showed the first net decline in employment since February 2010. The job market slowed as a consequence of reduced inflows of new work globally, which grew in October at the slowest rate for seven years and meant that firms ate into previously-placed orders for a fourth straight month.

Hiring was also hit by concerns about the future. In particular, the PMIs continued to see heightened anxiety about trade wars, geopolitical uncertainty and worries about the economic outlook, all of which dampened firms' appetite to spend and curbed hiring. Although overall levels of future sentiment improved slightly in October, the overall picture remained one of the least optimistic since comparable survey data were first available in 2012.

## Global PMI\* employment and order books

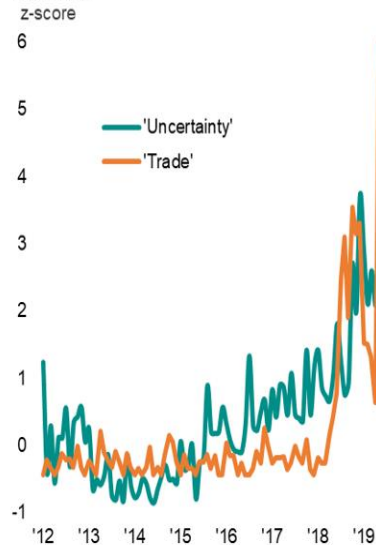


Source: IHS Markit.

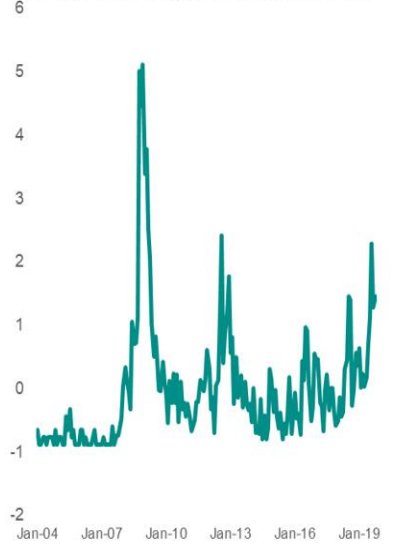
\* PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

## Global PMI business optimism

Words cited by global PMI contributors in comments z-score



Comments including "recession" for negative/pessimistic future output question, z-score

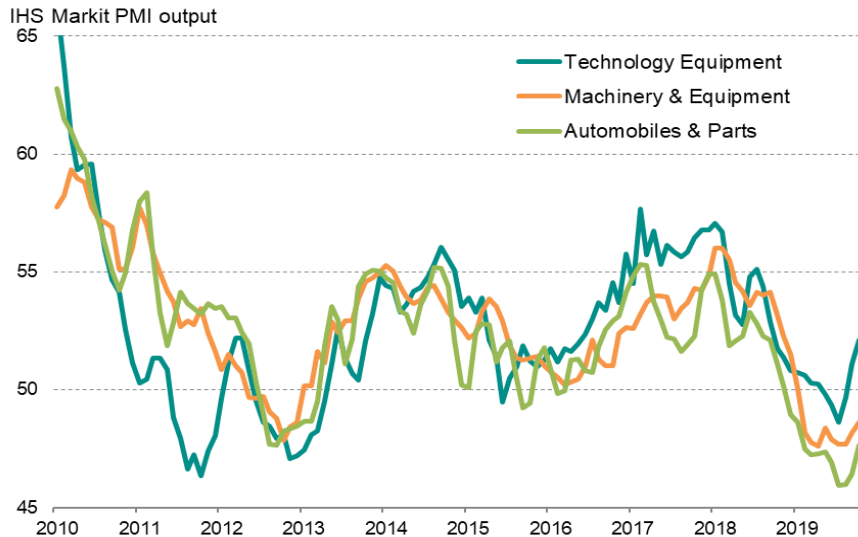


Source: IHS Markit, JPMorgan.

# Auto and equipment makers see signs of demand stabilising

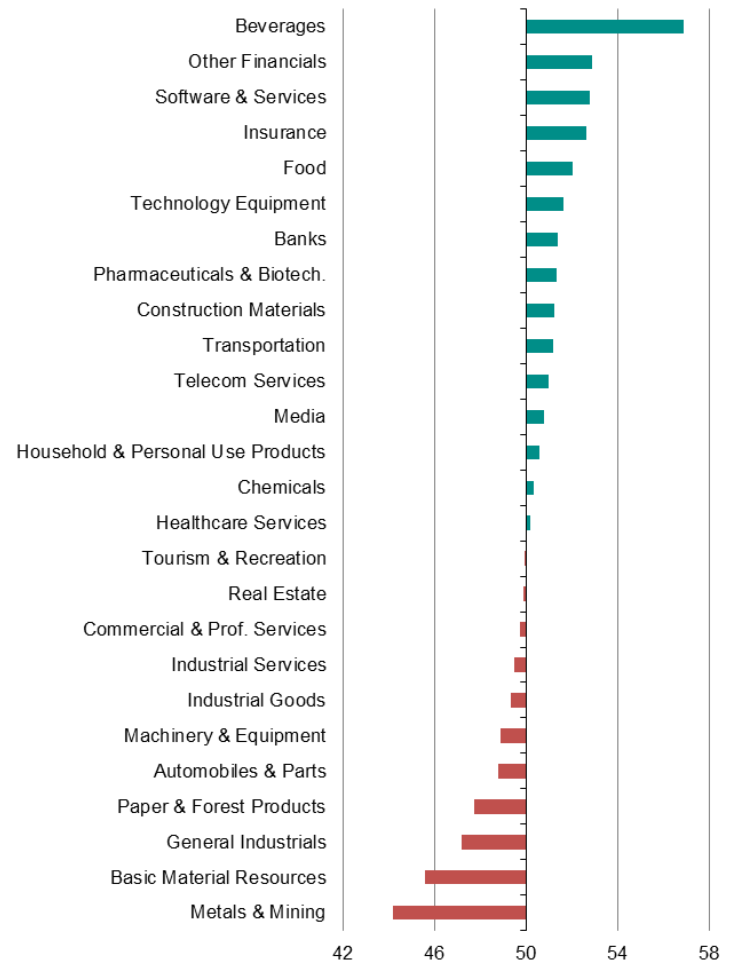
IHS Markit's [detailed sector PMI](#) data showed some encouraging signs in October. Although output fell in 11 of the 26 sectors, led by a steep fall in metals and mining, four of these were only very marginal declines. Moreover, two key sectors that have been in steep downturns showed signs of stabilising:

- output of the global autos and parts sector declined at the slowest rate since November of last year, with new orders almost stabilising after heavy falls earlier in the year
- the machinery and equipment sectors, a bellwether of global capex, saw the smallest drop in output for seven months. New orders fell to the least extent so far this year. Tech equipment output meanwhile rose for a third successive month.



Source: IHS Markit

## Global Sector PMI Output Index (Oct. 2019)

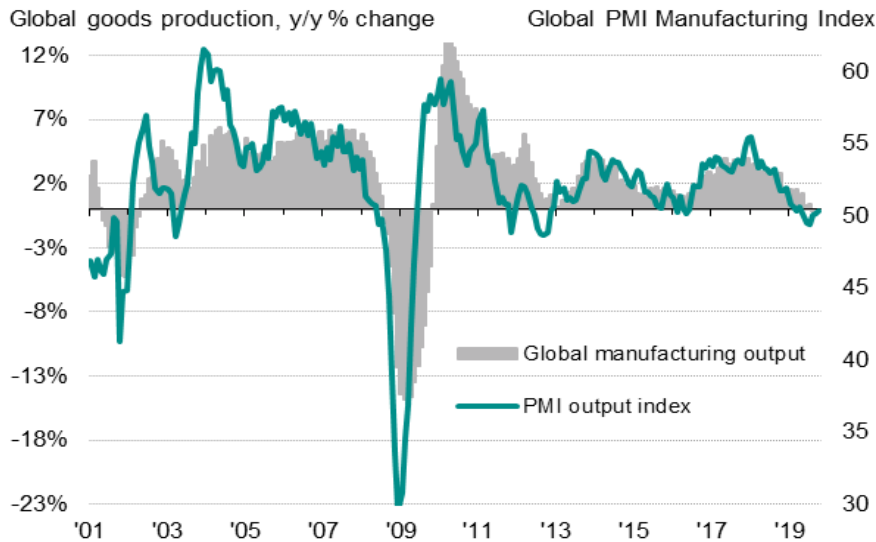


Source: IHS Markit.

# Global manufacturing downturn shows signs of easing

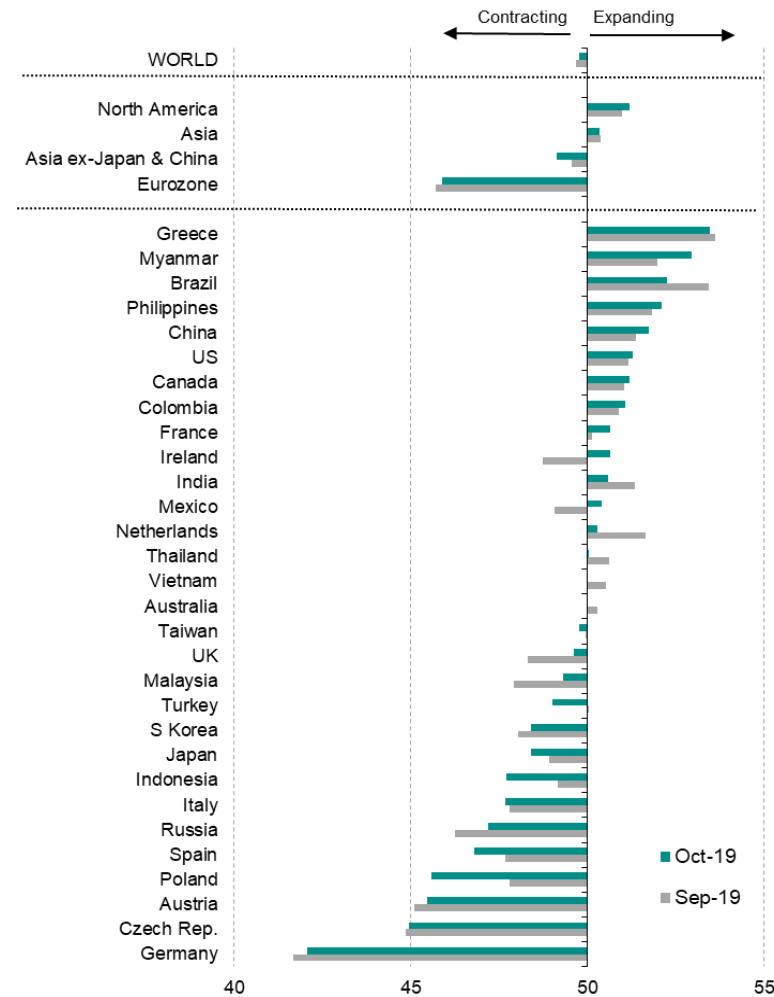
Global manufacturing activity contracted marginally for a sixth straight month in October, according to the latest PMI data, albeit with the rate of decline moderating to hint that the recent downturn may have bottomed out back in July. A total of 14 countries reported a decline, down from a peak of 19 in July.

Once again, Greece led the global growth rankings in October, while Germany has now sat at the foot of the rankings for eight consecutive months, followed in October by a cluster of neighbouring countries. Of the largest economies, the strongest expansions were reported by Brazil and China, followed closely by the US and Canada.



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.

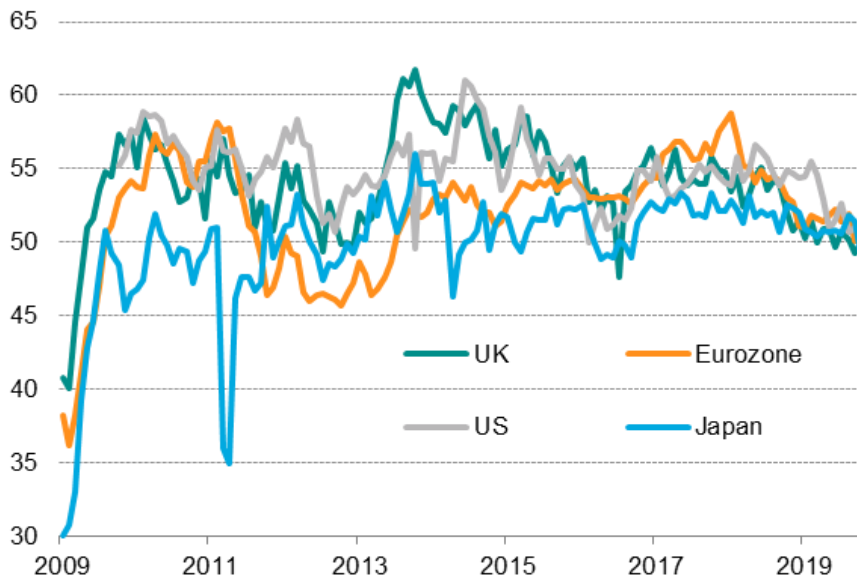
# Developed world new orders fall for first time since 2012

The global slowdown largely reflected weaker developed world growth, where output rose at the slowest rate for seven years. New business inflows in the developed world meanwhile fell, albeit only marginally, for the first time since 2012, highlighting the extent to which demand growth has slumped compared to the strong inflows seen this time last year. An eighth successive monthly fall in manufacturing output in the developed world was accompanied by a near-stagnation of services activity. US growth remained close to decade lows, the eurozone almost stalled and the UK stagnated. Output in Japan meanwhile fell for the first time in three years.

Emerging market growth remained more resilient, running at the same pace seen in August and September (yet remaining below that seen this time last year). While manufacturing growth has improved on lows seen earlier in the year, service sector growth has softened. Expansions were recorded in China, Brazil and Russia, but output fell in India for the second month in a row).

## Developed world PMI\*

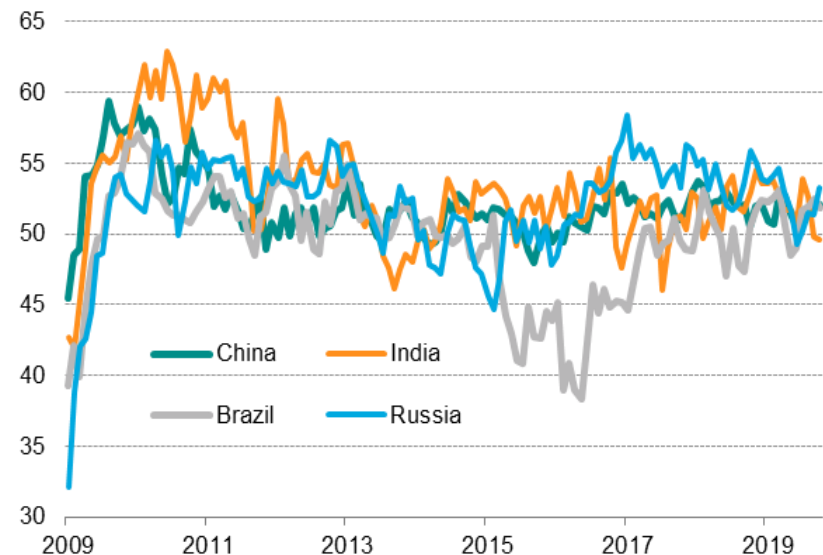
Composite PMI Output/Business Activity Index



Source: IHS Markit, CIPS, Jibun Bank.

## Emerging market PMI\*

Composite PMI Output/Business Activity Index



Source: IHS Markit, Caixin.

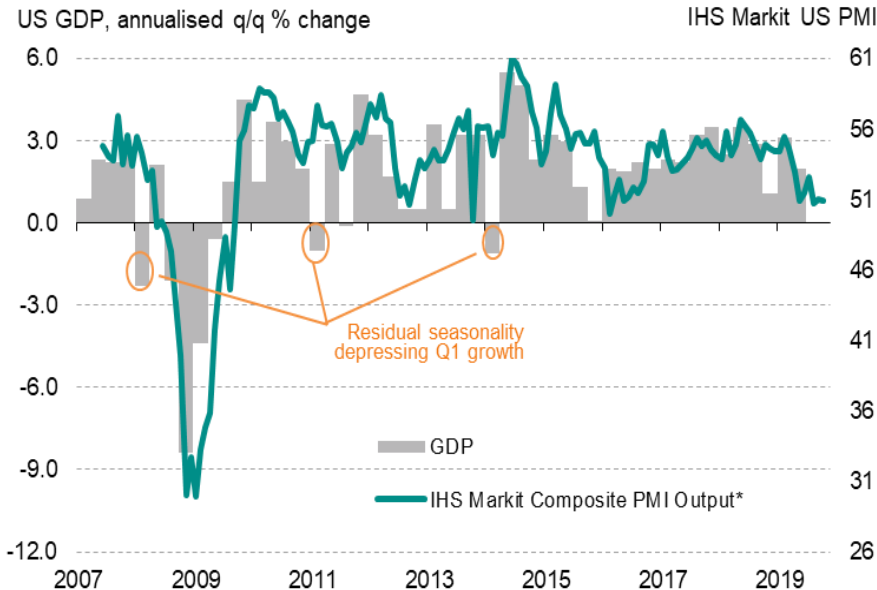
\* PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

# US sees subdued start to fourth quarter

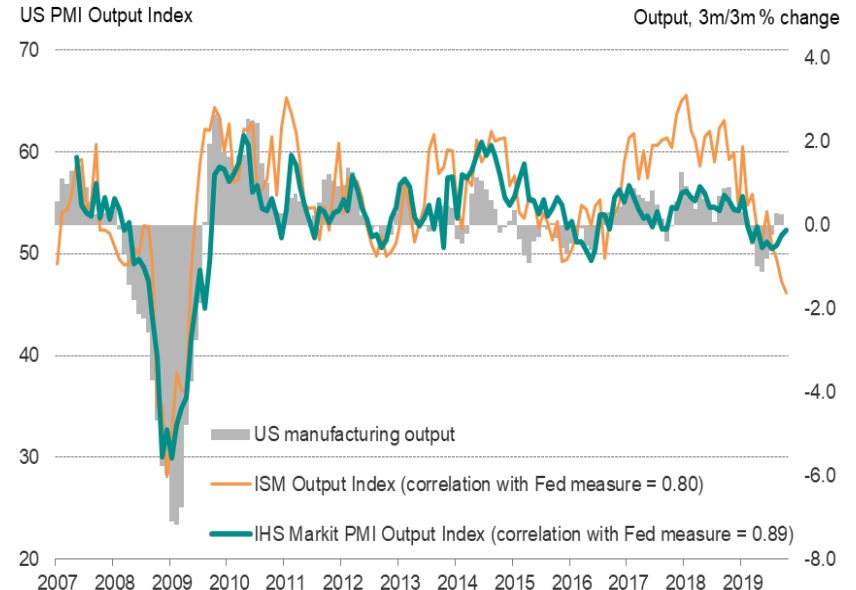
Although October's [IHS Markit PMIs](#) saw signs of manufacturing pulling out of its recent soft patch, the far-larger service sector remained in the doldrums as inflows of new work failed to grow for the first time since 2009. Taken together, the surveys suggest that the US economy got off to a disappointing start in Q4, consistent with GDP growing at an annualised rate of less than 1.5%. With inflows of new work drying up, firms were relying on previously-placed orders to sustain current output growth, meaning the rate of expansion could weaken further in coming months unless demand revives. Consequently, jobs were being cut at an increased rate among surveyed companies, with employment falling to a degree not seen since 2009.

The news was by no means all negative, however, with firms becoming more optimistic about the year ahead on balance, buoyed by hopes of an easing of trade war tensions and stimulus from lower interest rates.

## US economic growth and the PMI\*\*



## US manufacturing



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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Sources: IHS Markit, ISM, Federal Reserve

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

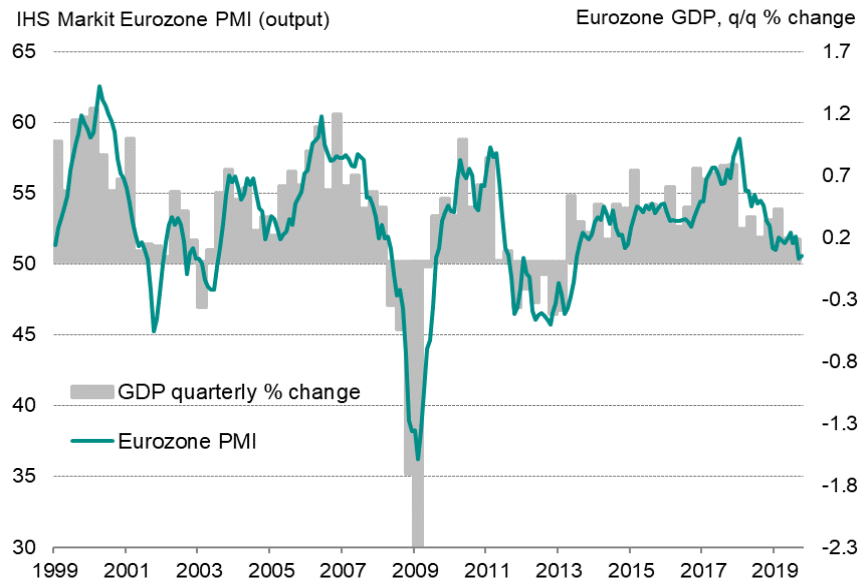
# Eurozone mired close to stagnation at start of fourth quarter

The euro area remained close to stalling in October. At 50.6, the October PMI was consistent with GDP rising at a quarterly pace of just 0.1%. Worryingly, the risks are tilted towards [contraction in coming months](#), as what little growth seen in October was supported by firms eating into previously-placed orders. New orders fell for a second successive month.

A further steep decline in manufacturing output was accompanied by one of the weakest service sector expansions since 2014. Future expectations remained among the gloomiest since 2013 and jobs growth hit the lowest for four years. Selling price inflation meanwhile remained stuck near a three-year low amid muted cost pressures.

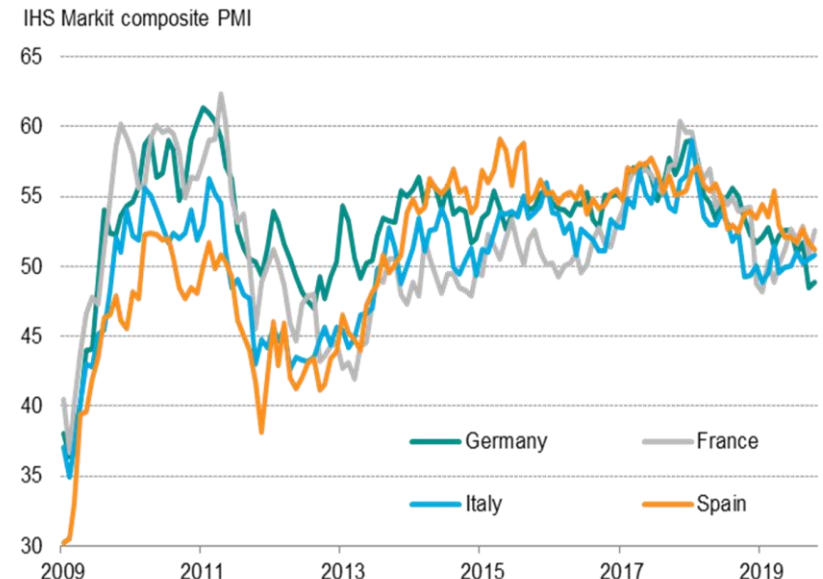
By country, an improved performance in [France](#) helped keep the eurozone out of contraction, alongside a mild easing in the rate of decline in [Germany](#). However, the rest of the region slowed closer to stagnation.

## 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.

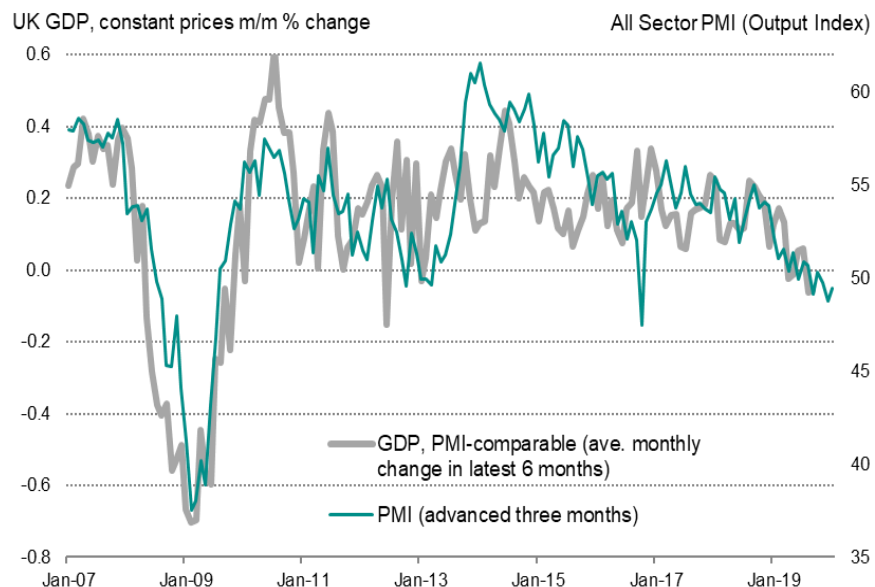


# UK economy in worst spell since 2009

The health of the UK economy deteriorated for a third month running in October, with the [PMI surveys](#) indicating the worst spell for business activity since the global financial crisis. At 49.5, the headline index is consistent with GDP falling at a quarterly rate of 0.1%. Worryingly, the disappointing October performance took place in spite of increased activity ahead of the postponed Brexit date of 31<sup>st</sup> October. The latest [official data](#) meanwhile showed the UK economy contracting for a second successive month in September, matching the decline in the business survey data. A key area of concern from both the survey and official data is a stalling of service sector growth that accompanies the manufacturing and construction sector downturns.

A lack of new order inflows and uncertainty about the outlook – commonly linked to Brexit and the upcoming general election – meanwhile also resulted in further job losses in October, which remained among the fiercest since 2009.

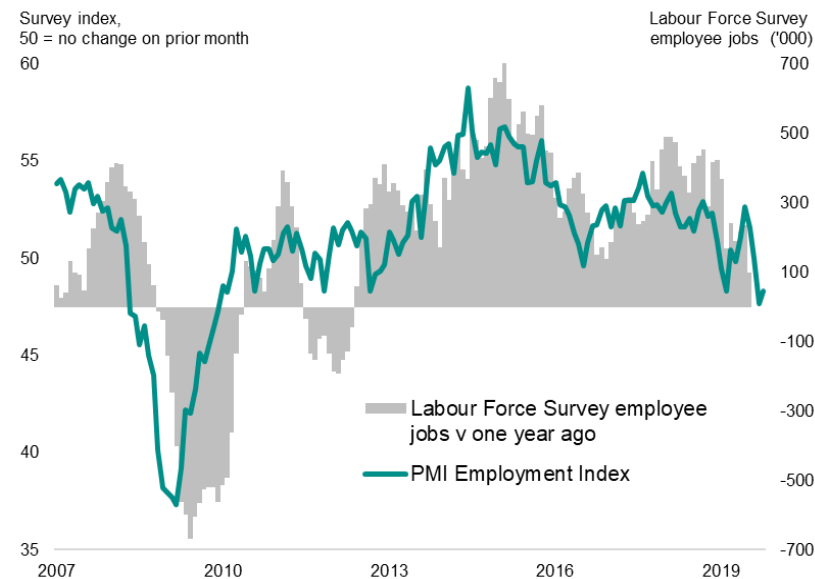
## UK PMI\* and GDP



Sources: IHS Markit, CIPS, ONS.

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

## UK PMI\* and employment



Sources: IHS Markit, CIPS, ONS.

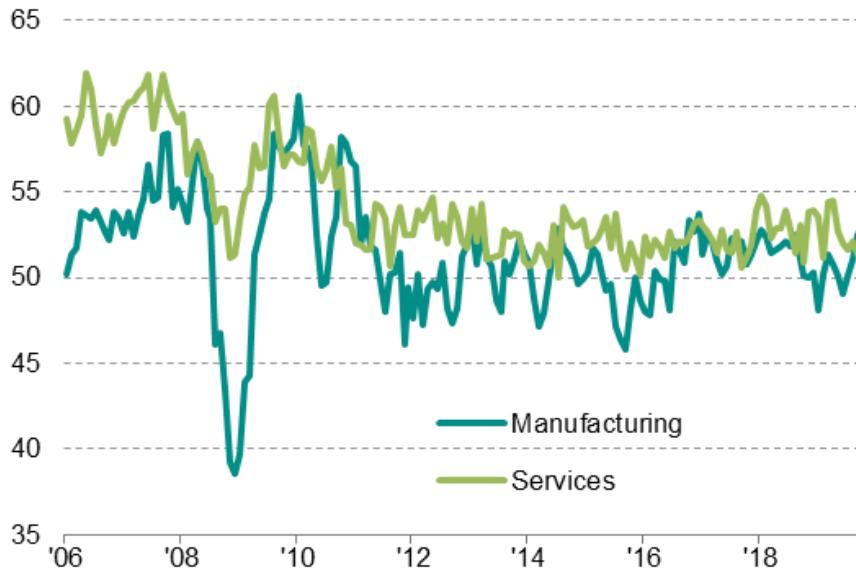
# China PMI lifts higher but outlook remains subdued

Although the [Caixin PMI survey](#) gauge of manufacturing output growth gained ground for a fourth successive month in October, growth remained subdued, especially in relation to exports. Moreover, the tentative signs of manufacturing turning the corner were countered by an easing in service sector growth to one of the weakest rates seen over the past six years. The overall picture for output was nevertheless the strongest for six months, thanks to the manufacturing improvement, which was most noticeable in larger firms.

Whether the upturn can be sustained remains in question, however, as firms not only pulled back on hiring amid uncertainty about business prospects, leading to further job losses in manufacturing, but sentiment about the [business outlook](#) remained firmly stuck at one of the lowest on record, lifting only slightly higher than at mid-year on hopes that trade war tensions may ease.

## China PMI output indices

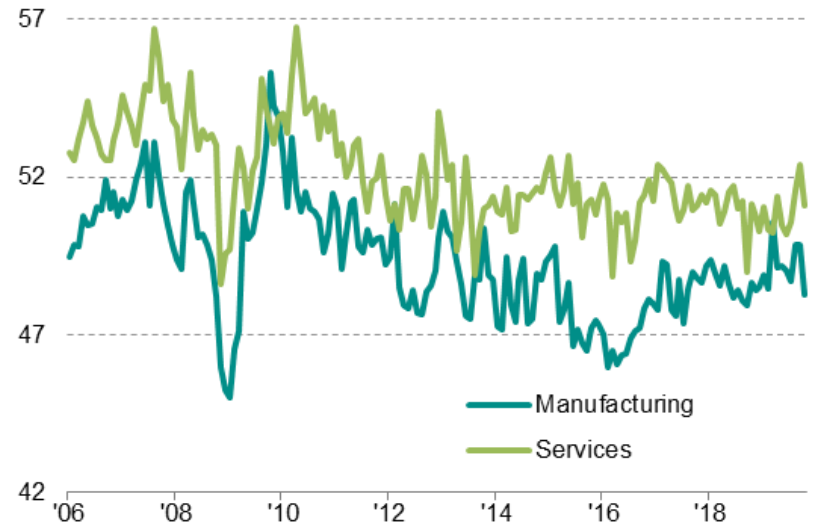
Caixin (IHS Markit) China PMI Output



Source: IHS Markit, Caixin, NBS.

## China PMI employment indicators

Caixin (IHS Markit) China PMI Employment

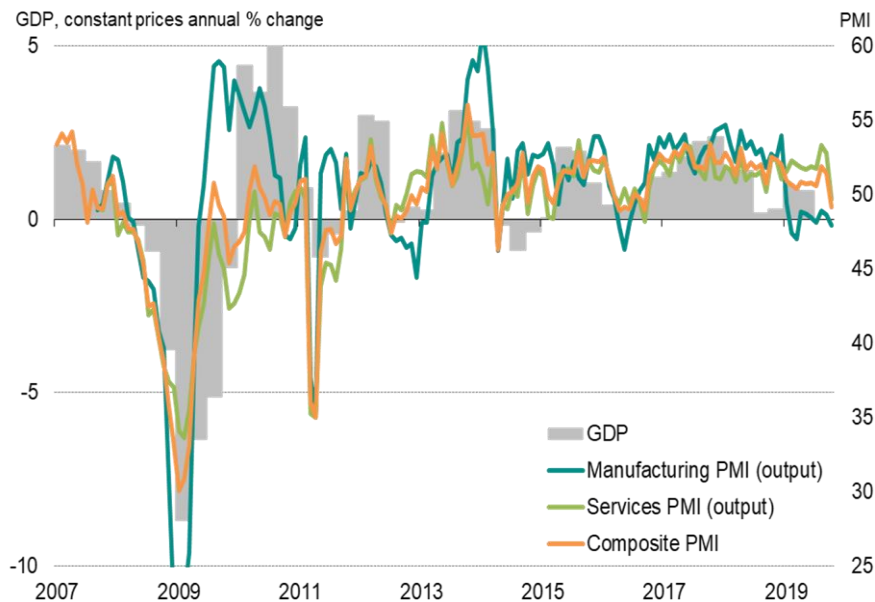


Sources: IHS Markit, Caixin.

## Japan hit by tax hike

Recent elevated Jibun Bank PMI readings for Japan had been inflated by spending ahead of the sales tax rise in October, and the [October PMI data](#) fell as a consequence of pay-back from this advance spending, most notably in the service sector. Overall, business activity fell for the first time in over three years as a result, and future sentiment fell to the gloomiest for just over three years. Manufacturers also remained in the doldrums as trade war tensions continued to dampen export demand.

### Japan PMI and GDP

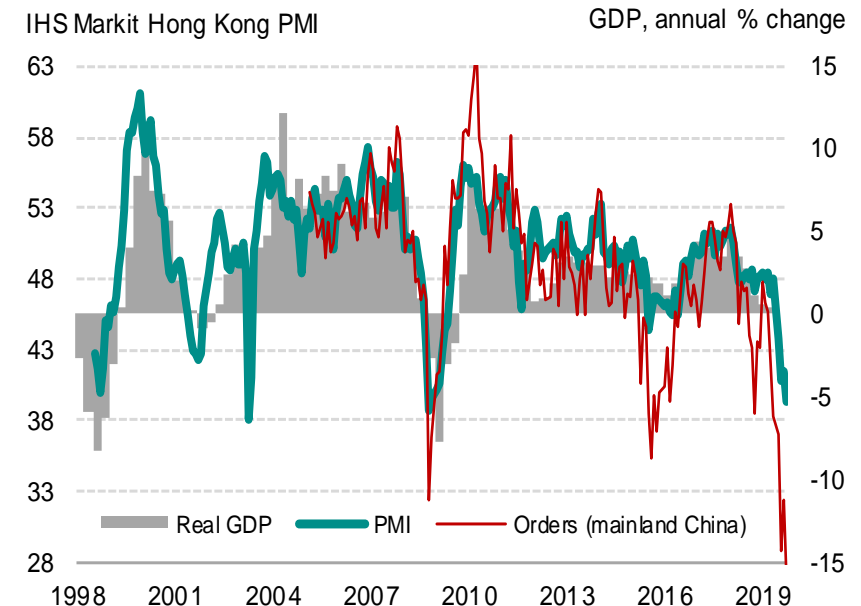


Sources: IHS Markit, Jibun Bank, Japan Cabinet Office.  
\*PMI shown above is a GDP weighted average of the manufacturing and services indices.

## Hong Kong slump continues

PMI data showed [Hong Kong SAR](#) mired in one of its worst downturns for the past two decades during October as the impact of the ongoing political unrest and a worsening global trade environment continued to dampen business activity and hurt investment. With PMI data having correctly anticipated the steep [GDP decline](#) in the third quarter, as indicated by official data, October PMI results suggest the economy is heading towards a deeper recession in the final quarter of the year.

### Hong Kong PMI and GDP



Sources: IHS Markit, C&SD.

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