



IHS Markit™

# Global PMI

Global growth accelerates, but virus worries cloud outlook

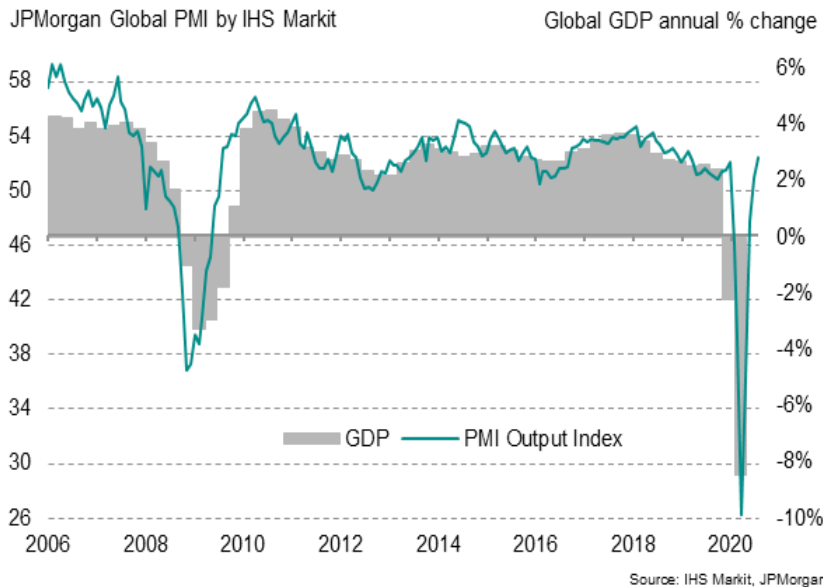
September 8<sup>th</sup> 2020

# Global PMI near 1½ year high in August as growth accelerates

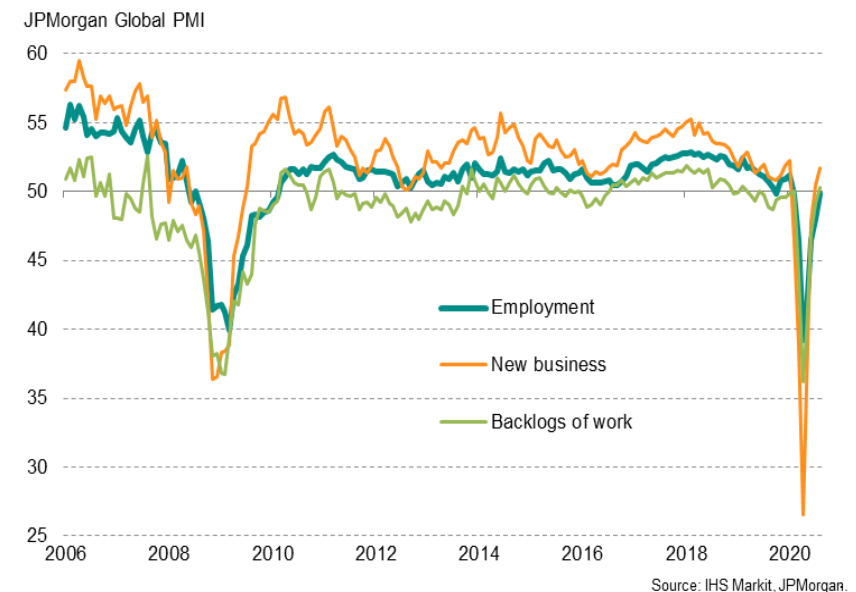
The [worldwide PMI surveys](#) signalled the fastest global growth for nearly 1½ years in August led by rebounding activity from COVID-19 lockdowns. The JPMorgan Global PMI™ (compiled by IHS Markit) rose for a fourth successive month in August, up from 51.0 in July to 52.4 in August, its highest since March 2019. The improved reading indicates a near-3% annual rate of GDP expansion.

The faster growth of global output was accompanied by the strongest monthly rise in new business since January, reflecting firmer client demand. Encouragingly, the rise in new work led to an increase in backlogs of work. Although only marginal, the rise in backlogs hints that global operating capacity was stretched on average for the first time since February. The increase in order books caused more firms to take a more positive view of payroll numbers, with the net loss of jobs in August only marginal and the smallest since global employment began falling back in February.

## Global PMI\* output & economic growth



## Global PMI orders books and jobs\*



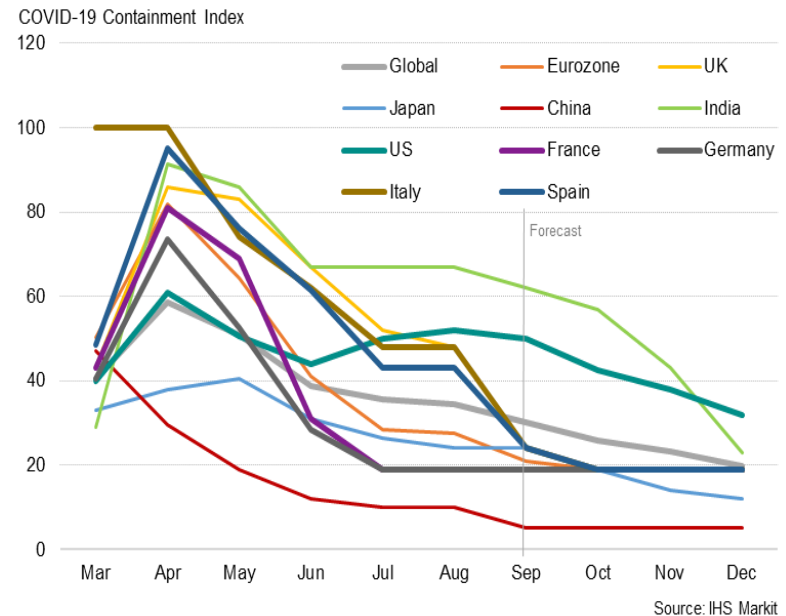
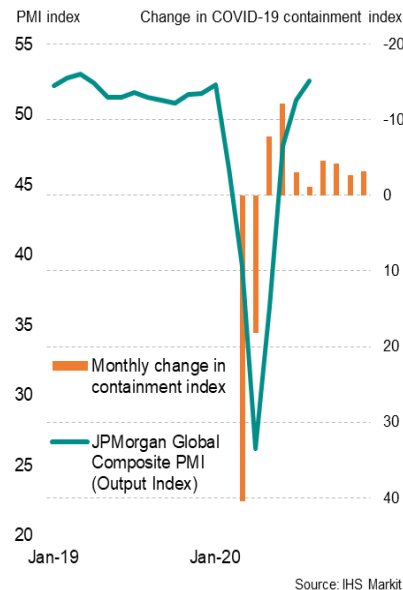
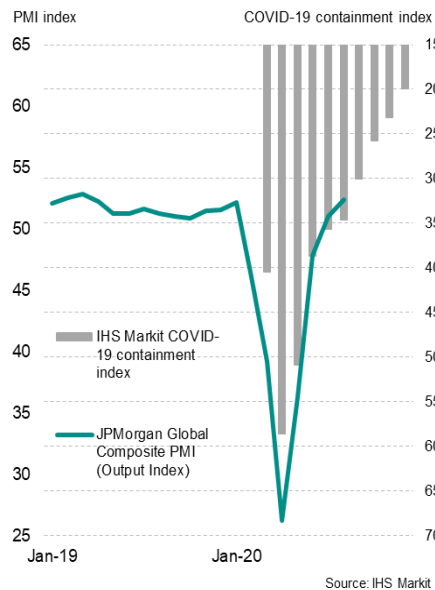
\* PMI shown is a GDP-weighted average of the survey manufacturing and services indices.

# Economic performance and COVID-19 lockdowns compared

The improving picture from the PMI has followed an opening up of the global economy since the height of the pandemic. The global PMI had collapsed to an all-time low of 26.2 in April as governments took drastic measures to contain COVID-19, including the closure of non-essential businesses and schools and severely restricting movement and travel. Since then the PMI has risen sharply as these containment measures have been gradually eased. IHS Markit's [COVID-19 Containment Index](#), a gauge based on a basket of measures applied by governments to control the spread of the pandemic, eased from a peak of 59 in April to 35 in August.

Globally, the containment index is expected to fall further to 30.0 in September, based on current government roadmaps, and eventually to 20 by the end of the year, though this assumes virus infection numbers and deaths do not diverge from current expectations. However, recent months have seen a retightening of some restrictions as virus numbers have increased, with higher than previously expected containment particularly evident in the US, Spain, Italy and India to fight these 'second waves'.

## PMI output v COVID-19 containment measures



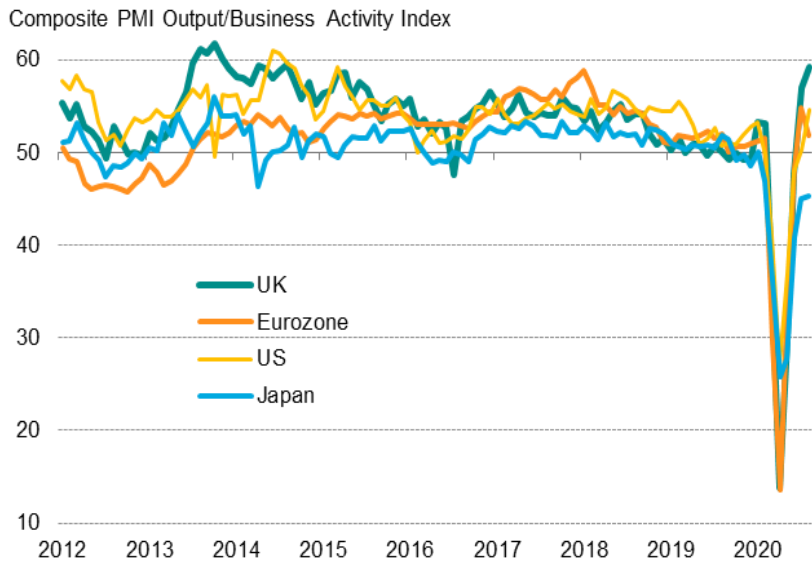
# UK leads August upturn, eurozone slips, Japan lags

National PMI data showed that the strongest expansion among the largest developed markets was recorded in the **United Kingdom**, where the composite PMI hit a six-year high as growth accelerated in both manufacturing and service sectors. The **United States** also reported well-above global average performance, with the composite PMI climbing to a 17-month high led by resurgent service sector activity, which showed one of the largest gains seen over the past two years, though manufacturing also reported stronger growth.

**Japan** saw the steepest decline. Although the rate of contraction moderated for a fourth consecutive month, both manufacturing and services remained firmly in decline amid a steepening loss of overseas revenues in particular.

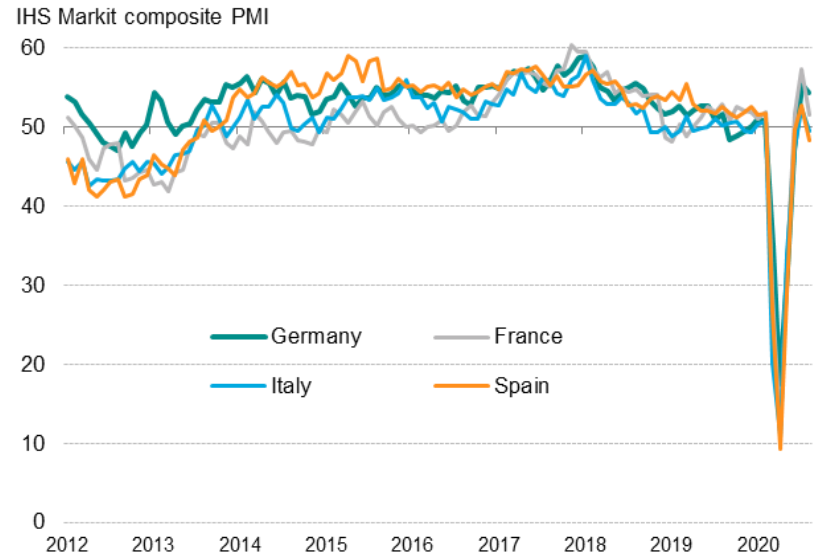
Trends were more mixed in the **eurozone**, which expanded for a second successive month, as upturns cooled in both **France** and **Germany** while **Spain** and **Italy** sank back into contraction after brief revivals in July. Service sector growth almost stalled, led by renewed downturns in Italy and Spain, often linked to worries over rising COVID-19 infection rates.

## Major developed economies' output\*



Sources: IHS Markit, CIPS, au Jibun Bank.

## Major eurozone nations' output\*



Sources: IHS Markit.

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

## Russia heads up emerging markets, India's decline eases

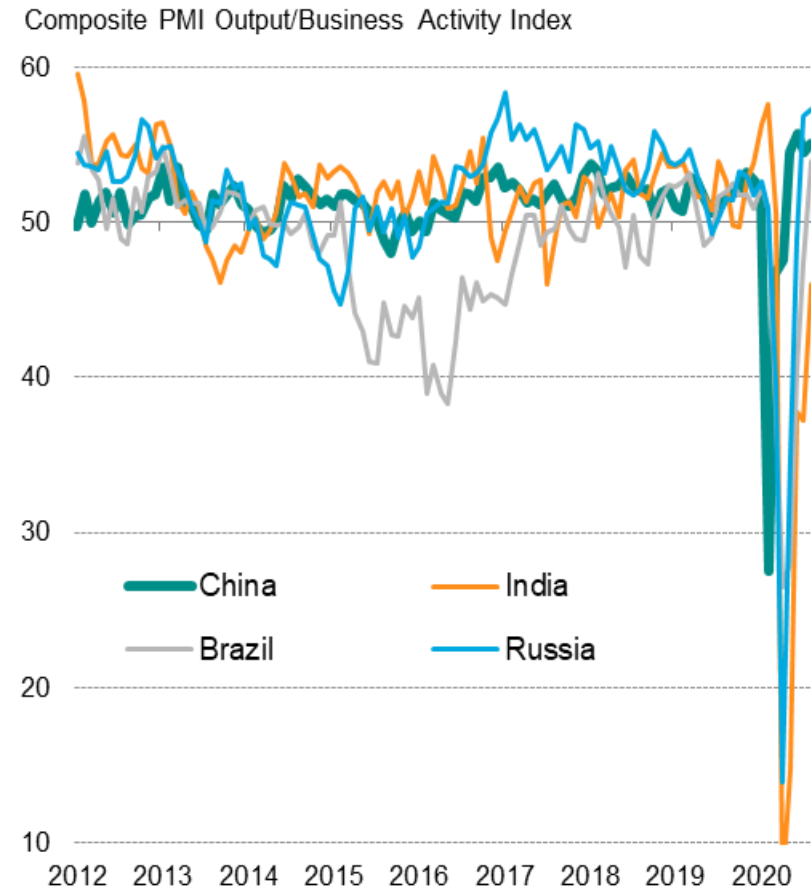
**Russia** led the [major emerging markets](#), with its composite PMI indicating the quickest monthly increase in activity since January 2017. The upturn was led by an especially strong service sector performance, though manufacturers also reported faster production growth.

Growth meanwhile re-accelerated in **China** after having lost a little momentum in July, with the composite Caixin PMI indicating the second-fastest expansion seen over the past decade and the fourth successive monthly improvement. With China having locked down its economy earlier to contain the virus, and reopening earlier, the sustained expansion is encouraging for other countries, assuming (like China) virus numbers can be contained.

**Brazil** was meanwhile notable in reporting a return to growth for the first time since February, with the composite PMI indicative of the fastest expansion since January 2013. Although service sector companies languished in a sixth month of contraction, manufacturers reported the largest jump in production in the 14-year survey history as factories reopened additional capacity.

**India** continued to report sharply falling business activity, albeit with manufacturing output rebounding sharply. While India's service sector downturn eased, it remained steeper than any other major economy due to especially tight virus containment.

### Major emerging markets' output\*



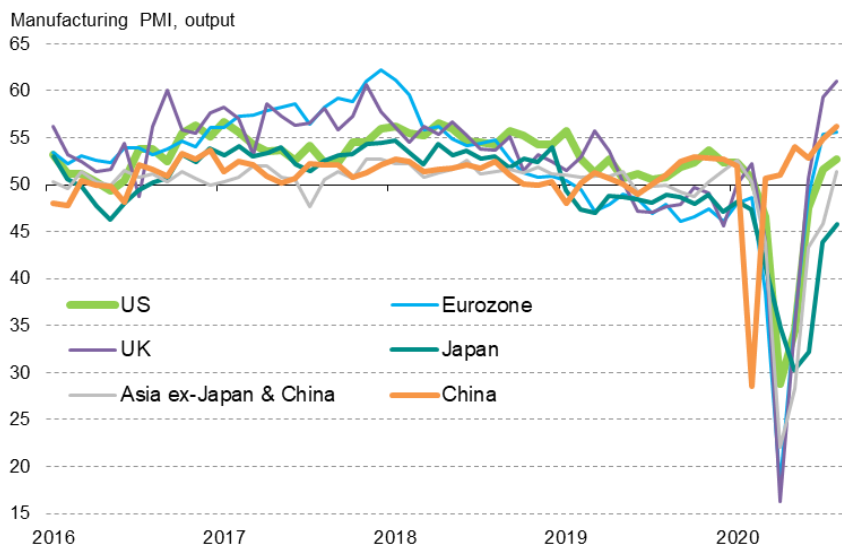
Sources: IHS Markit, Caixin.

# Asia ex-China lags global manufacturing upturn

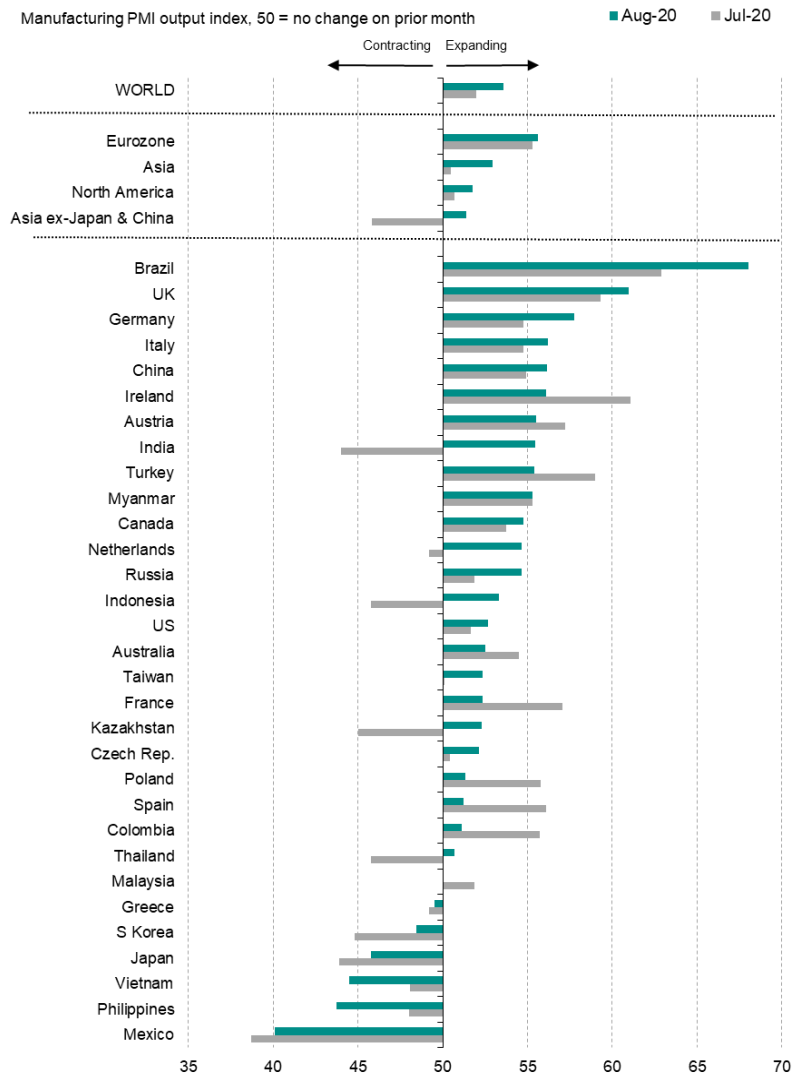
Of the 31 markets covered by [IHS Markit's manufacturing PMI surveys](#), some 25 reported higher output in August, the highest proportion since September 2018 and up from just one (China) in April and May.

Brazil reported the fastest expansion for a second month running, followed by the UK and then Germany, Italy and China. More modest, but nonetheless accelerating, growth was seen in the US and Canada.

The steepest decline was meanwhile recorded in Mexico. Besides Mexico and Greece, all other contracting manufacturing economies were located in Asia, including Japan. Asia excluding Japan and China therefore continued to underperform relative to Europe and North America, despite the region returning to growth for the first time since February.



Sources: IHS Markit, au Jibun Bank, Caixin.



Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, au Jibun Bank, NEVI, BME, Bank Austria, AIB, AERCE, Caixin, HPI, Davivienda, Istanbul Chamber of Industry, Tengri Partners.



# Recovery broadens out to 20 sectors, but travel & recreation lags

Output rose globally in 20 of the 26 sub-sectors covered by the PMIs during August, the highest number since March 2019. All manufacturing sectors reported growth, but the picture was more mixed in services, where business was often subdued by ongoing COVID-19 measures.

While **healthcare service** providers reported the strongest expansion in over ten years to lead the growth rankings, the steepest decline in August was seen in **tourism and recreation**.

However, it's the changing performance of some of the other hardest-hit industries that is particularly interesting and encouraging.

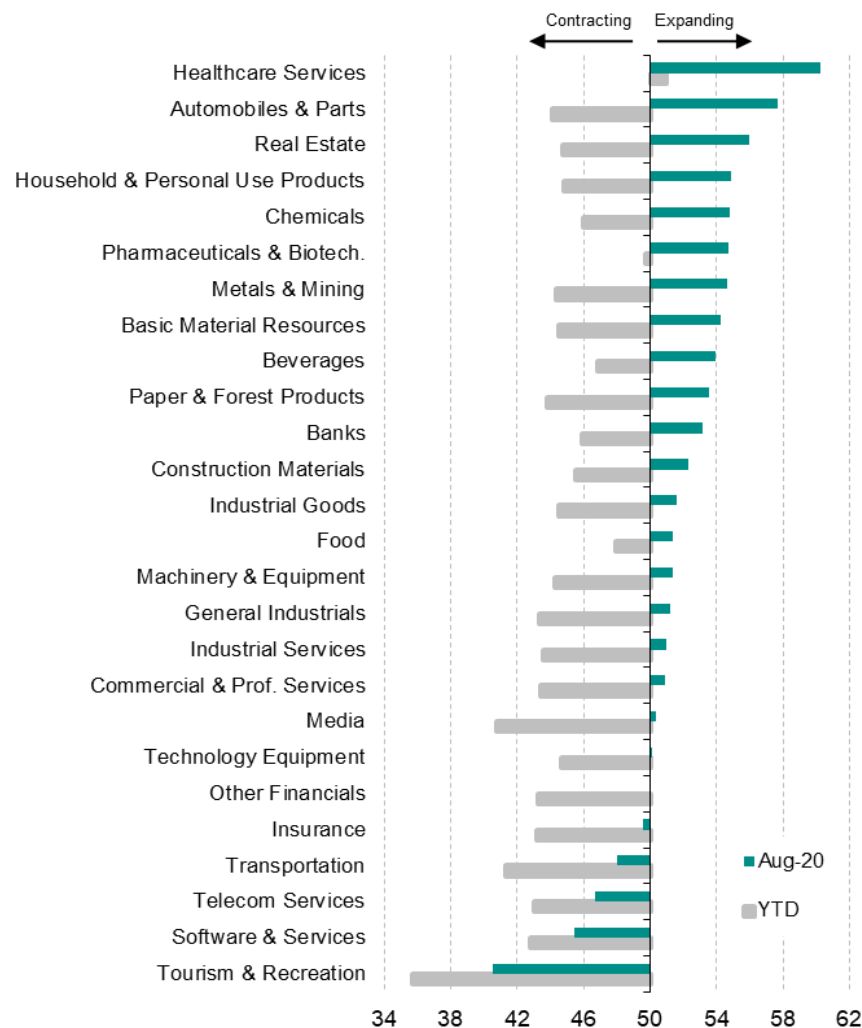
A revived strong **autos** performance was linked to the world's car factories reopening and demand for cars increasing, in part reflecting a shift away from public transport. The August increase in auto sector output was the largest recorded globally since February 2011.

**Real estate** also performed especially strongly, partly in a sign of improving housing demand, with activity surging in August at a rate not seen for almost three years.

**Household goods** producers likewise fared particularly well for a second successive month, growing at the sharpest rate for two-and-a-half years in August, buoyed by increased retail demand for items such as clothing as high streets continued to see rising footfall.

Encouragingly for investment, two other key sectors seen as bellwethers of capital expenditure reported improved trends: output of **machinery and equipment** rose for the first time since November 2018, while **construction material** production has risen over the past two months to a degree not seen for two years.

Global Sector PMI Output Index



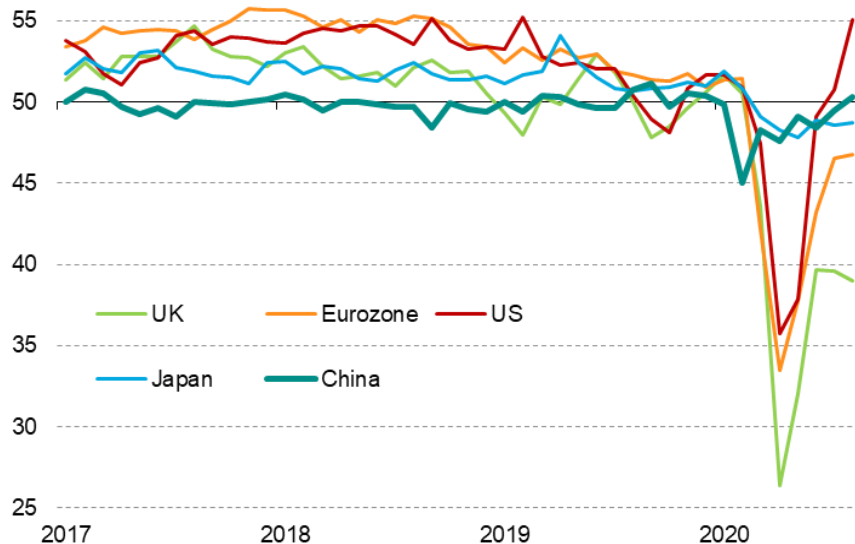
# Jobs cull continues in the eurozone and Japan, worsens in the UK

Worryingly, of the expanding economies in August, only the US saw faster growth of backlogs of work. These backlogs represent orders received by companies but not yet started or completed, and hence provide a useful guide to capacity utilisation. Rising backlogs hint that capacity will need to rise further in coming months to meet demand (assuming demand continues to improve). Hence the US, with its rising backlogs of work, was also the only major economy to report a robust increase in employment in August. China also saw backlogs rise, but at a slower rate, and consequently reported only a marginal gain in jobs.

Meanwhile, falling backlogs of work in the eurozone, UK and Japan were accompanied by further job losses, with the rate of job cutting even accelerating in the UK, so suggesting that companies have grown more cautious with respect to the outlook and sending a particularly worrying picture for the sustainability of the UK's outperformance in terms of recent output growth.

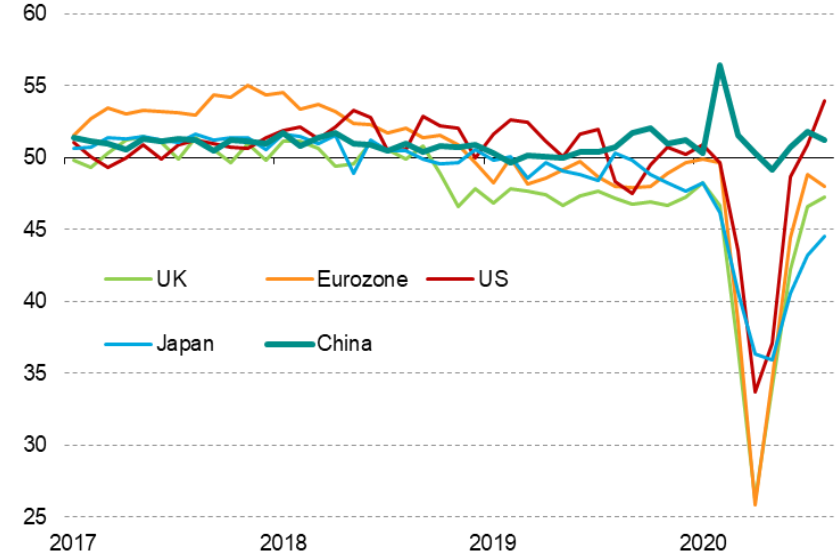
## PMI\* employment indices

Composite PMI Employment Index



## PMI\* backlogs of orders indices

Composite PMI Backlogs of Work Index



Sources: for charts IHS Markit, JPMorgan,, CIPS, au Jibun Bank, AERCE, Caixin, CIPS.

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

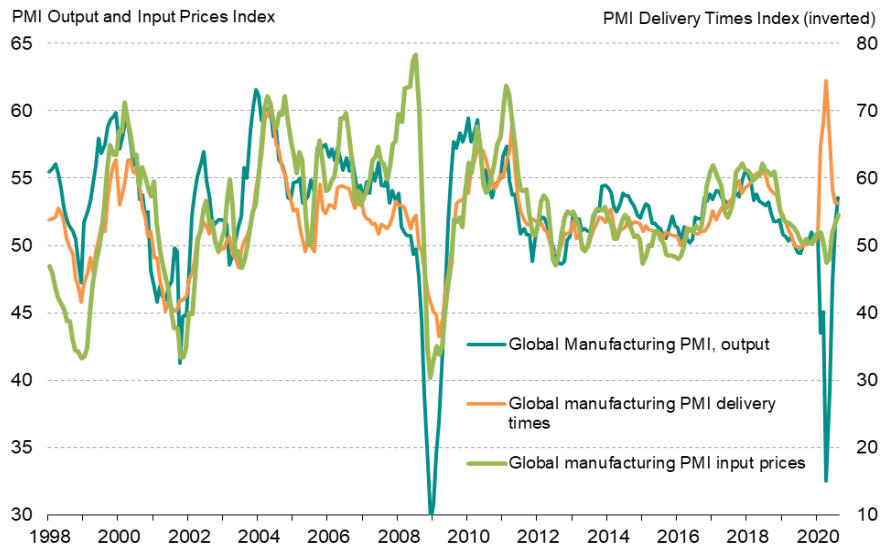


# Material prices rise at fastest rate since 2018 as supply delays linger

Average manufacturing input prices rose globally at the fastest rate since December 2018, elevated by the twin forces of rising demand and supply shortages for many inputs. Although the number of supply constraints has moderated since the height of the pandemic, delays in the provision of goods remained more widespread than at any time since late-2018.

Price trends again varied markedly by country, however, often linked to exchange rates. A strengthened euro in particular helped ease upward price pressures for many eurozone countries, whereas falling currencies pushed imported prices higher in countries such as Brazil, Turkey and, to a lesser extent, the US.

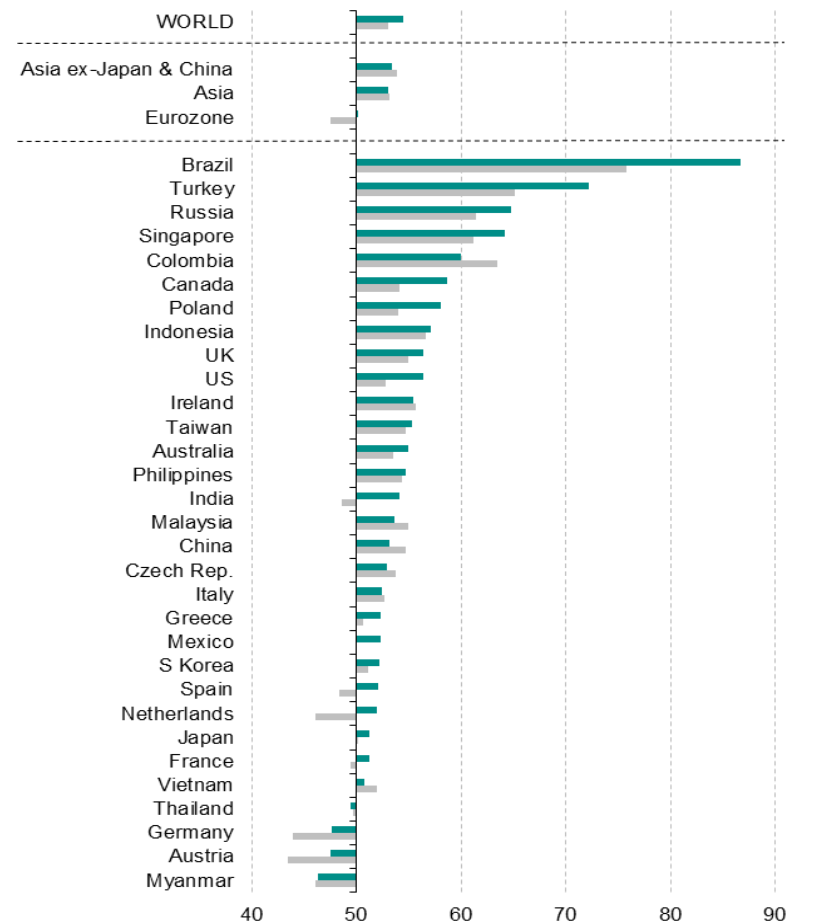
## Global PMI price indicators



Sources: IHS Markit, JPMorgan.

## Manufacturing input prices by country

Manufacturing PMI Input Prices Index, 50 = no change on prior month



Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, au Jibun Bank, NEVI, BME, Bank Austria, AIB, AERCE, Caixin, HPI, Davivienda, Istanbul Chamber of Industry, Tengri Partners.

## Podcast recording

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## Upcoming data releases

**23<sup>rd</sup> September:** Flash PMIs (US, UK, Eurozone, Japan & Australia)

**1<sup>st</sup> October:** Final Global Manufacturing PMIs

**5<sup>th</sup> October:** Final Global Services PMIs

**6<sup>th</sup> October:** Detailed global sector PMIs

[Link to calendar](#)

More research at

[www.ihsmarkit.com/research-analysis/pmi.html](http://www.ihsmarkit.com/research-analysis/pmi.html)

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