



IHS Markit™

# Global PMI

Global growth slows in September as COVID-19 numbers rise

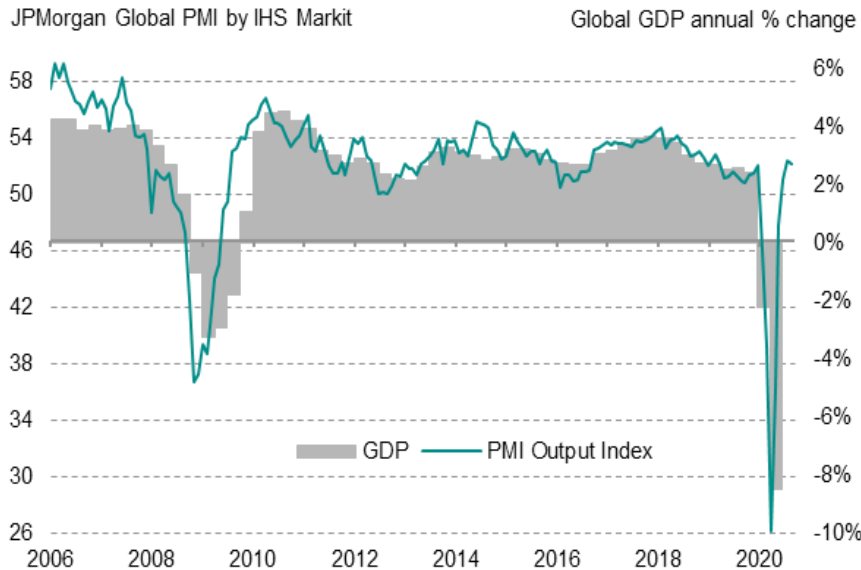
October 9<sup>th</sup> 2020

# Global PMI edges lower in September as virus case numbers rise

The [worldwide PMI surveys](#) indicated a further month of solid economic growth in September, with rising demand generating a return of jobs growth globally. However, the overall pace of output growth edged lower. The headline JPMorgan Global PMI™ (compiled by IHS Markit) fell for the first time in five months, dipping from 52.4 in August to 52.1. Business sentiment about the outlook meanwhile slipped lower for a second month amid growing worries of further waves of coronavirus disease 2019 (COVID-19) infections.

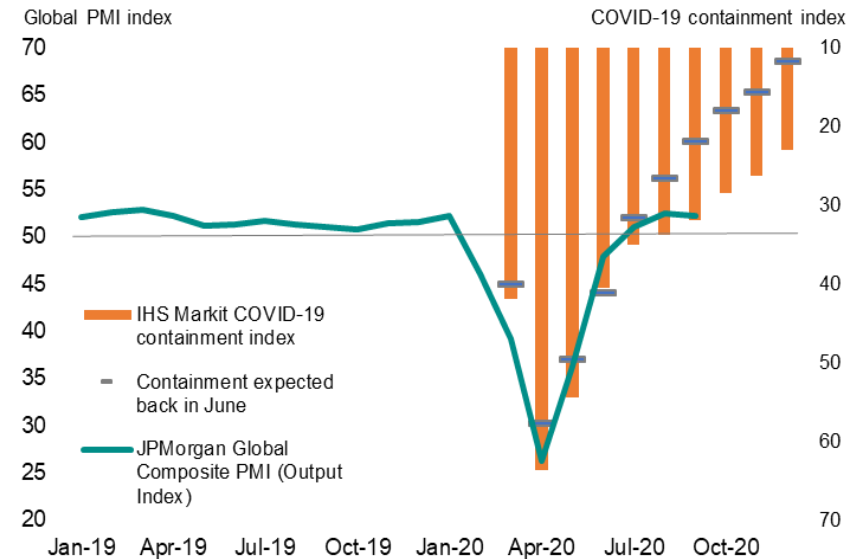
September not only saw rising coronavirus infection numbers in many countries, but also saw containment measures remain considerably tighter than had previously been expected as governments sought to reduce the spread of the virus. Containment even tightened in some countries, which consequently saw economic activity fall back into decline. However, in some cases, business growth slowed due to capacity constraints and supply chain delays.

## Global PMI\* output & economic growth



Source: IHS Markit, JPMorgan.

## Global PMI\* and Covid-19 containment



Source: IHS Markit

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

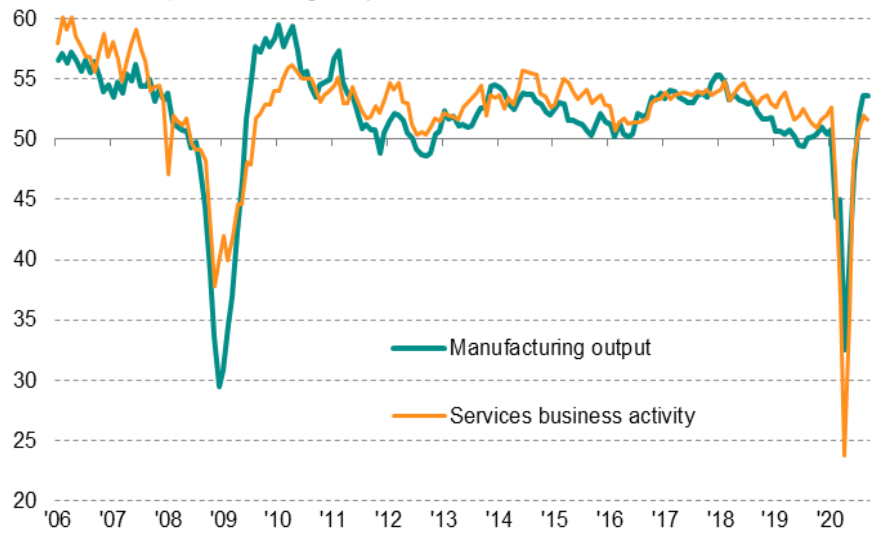
# Global growth led by manufacturing, service sector trade falls

Manufacturing led the global expansion, with the rate of output growth dipping marginally during September but nonetheless signalling the second-fastest upturn for over two years. Growth also slowed in the service sector from August’s seven-month high, lagging behind manufacturing due mainly to the greater hit to many types of services activity from ongoing virus-related social distancing measures and other health-related restrictions.

A key development driving growth in the factory sector was a revival of global goods trade, with manufactured exports rising in September at the fastest rate since March 2018. In contrast, exports of services – a significant portion of which is accounted for by travel and tourism – continued to decline at a marked pace, the rate of decline even re-accelerating slightly amid reports of increased travel restrictions (albeit falling at a much less severe rate than seen at the height of the pandemic in the second quarter).

## Global PMI output by broad sector

Global PMI Index, 50 = no change on prior month



Sources: IHS Markit, JPMorgan.

## Global exports of goods and services

Global PMI Index, 50 = no change on prior month



Sources: IHS Markit, JPMorgan.

# Autos lead global upturn, travel and recreation remains hardest hit

Output rose in 18 of the 25 [sub-sectors covered by the PMIs](#) during September. **Auto makers** led the upturn as increasing numbers of factories opened up production capacity and sales revived as showrooms reopened after lockdowns. New orders for autos showed the largest gain since December 2009.

**Banking services** recorded the second-strongest growth of all sectors, mainly reflecting the reviving need for financial intermediation as economies sprang back into life in the third quarter. Business activity in the banking sector rose at the fastest rate since last November.

**Healthcare services** were consequently pushed into third place, though continued to perform strongly amid the ongoing fight against COVID-19, albeit with growth easing from August's decade-high.

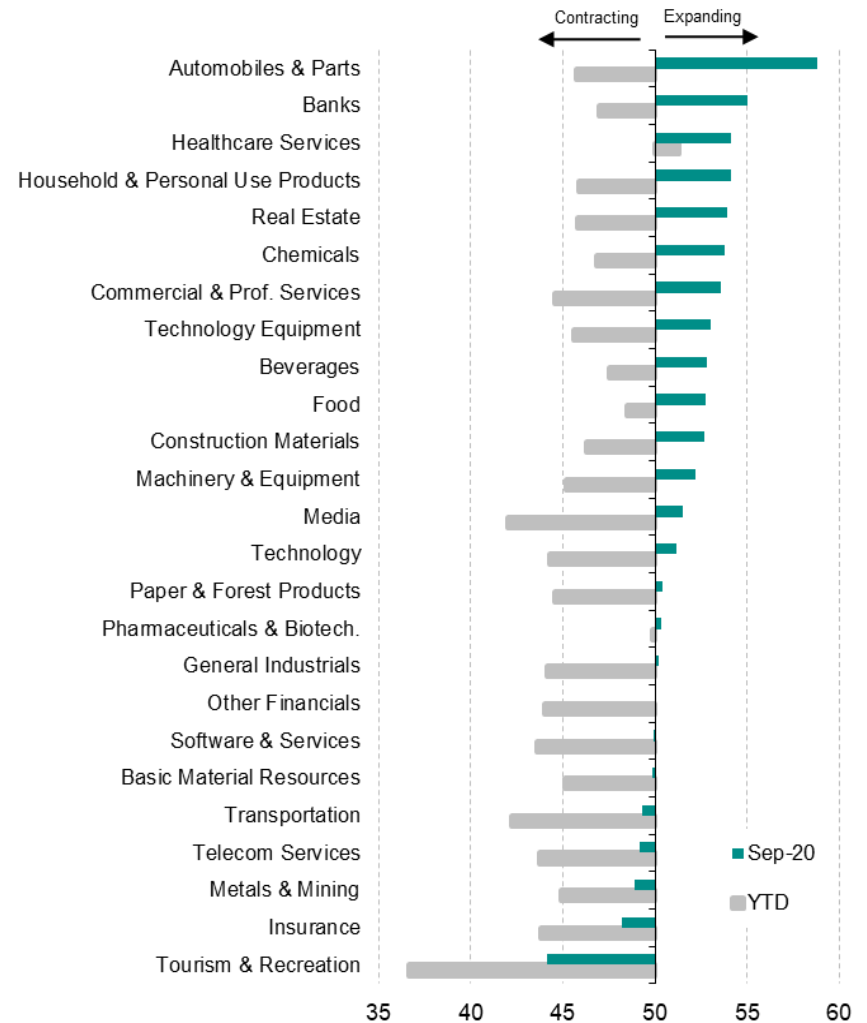
**Household & personal products** also fared well, reflecting rising demand linked to the reopening of high streets. The past two months have seen the steepest rise in demand for such goods for three years.

Similarly, **real estate** also reported above-average growth as housing market transactions rose following the lifting of lockdowns. However, the rate of increase slowed from August's near-three-year high.

Not all sectors have benefitted from the lifting of COVID-19 restrictions, however, with **tourism & recreation** services in particular still languishing at the foot of the global rankings, hit once again in September by virus containment measures.

More encouragingly, **media** – which has been the second hardest hit sector after tourism & recreation in the year-to-date – saw output rise for a third successive month in September as production resumed at increasing numbers of companies.

Global Sector PMI Output Index



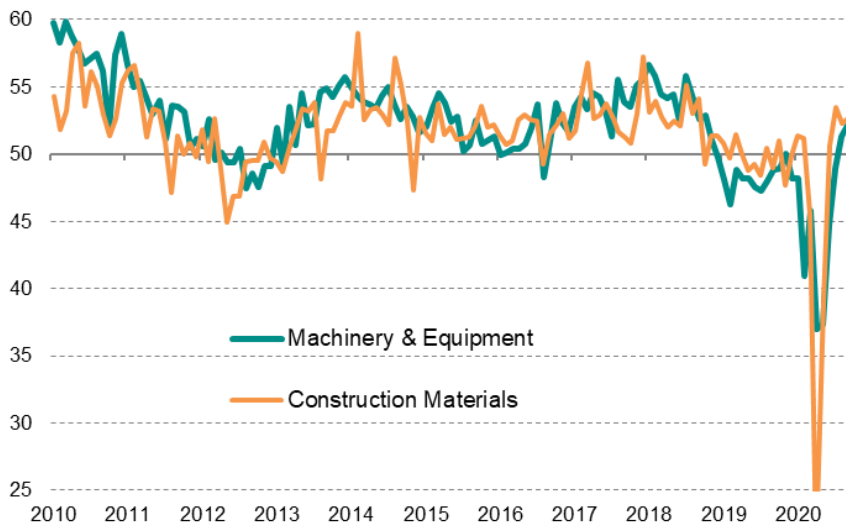
# PMIs signal upturn in business investment spending worldwide

The PMI sector data also showed a revival of business investment. Two sectors that we monitor closely are machinery & equipment and construction materials production, as these are useful bellwethers of capital expenditures. Encouragingly, August had seen output of machinery & equipment rise for the first time since November 2018, with the rate of increase gaining momentum in September to reach the highest for almost two years. Global construction materials production meanwhile rose for a fourth successive month, the rate of increase remaining among the highest seen over the past two years.

Combining the PMI new orders data from the machinery & equipment and construction materials sectors provides a useful leading indicator of global business investment spending. These PMI data point to a third quarter rise in investment spending after a steep fall in the second quarter.

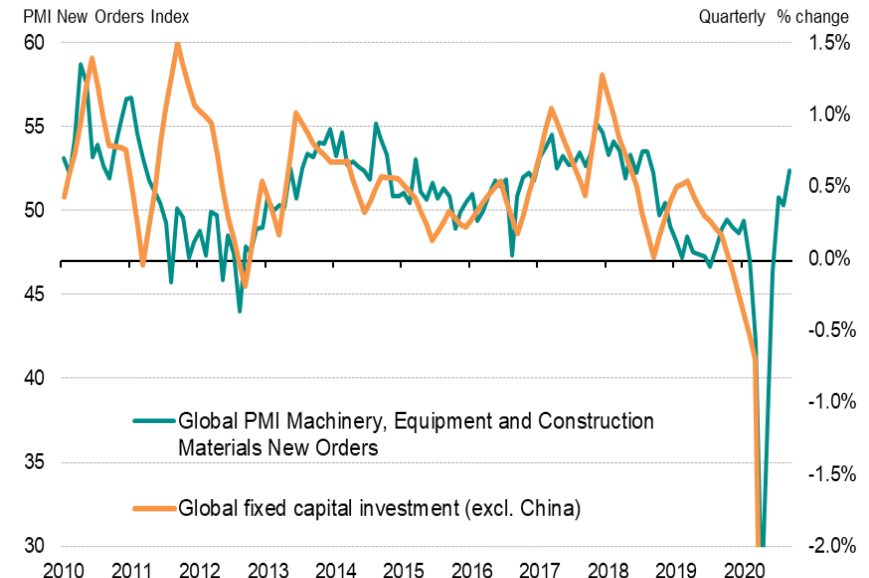
## Machinery and construction materials

IHS Markit Global PMI Output Index



## Global business investment

PMI New Orders Index



Sources: IHS Markit, JPMorgan, World Bank

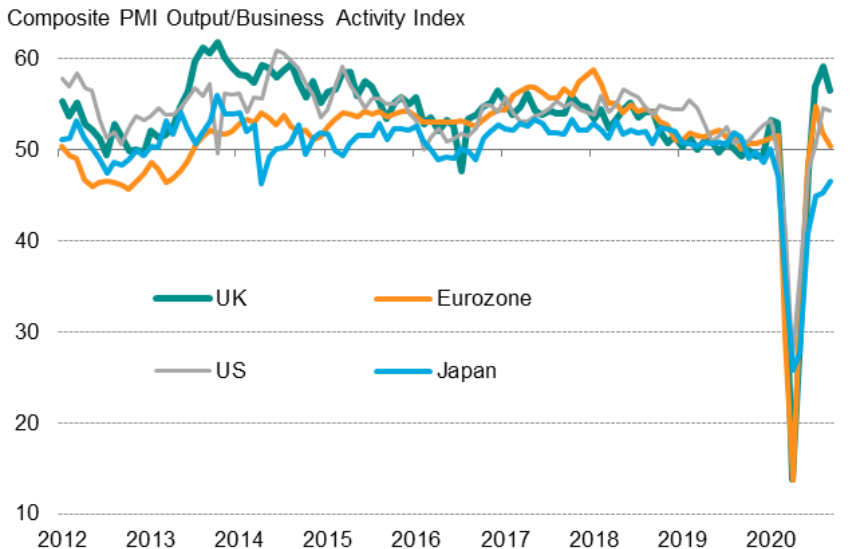
# Mixed performance in developed world economies

Of the largest developed and emerging economies, the UK reported the strongest expansion of business activity in September, albeit with growth moderating from August's six-year high, followed by Germany. The US also reported an above global-average performance, enjoying broad-based manufacturing and service sector growth though – as in the UK – the rate of expansion slowed.

The most marked downturn was recorded in Spain, followed by Japan and then France. Spain has only managed to record one month of growth since February, according to the PMI, with a renewed and accelerating downturn evident in both August and September, led by a steepening loss of service sector activity. France meanwhile fell into decline for the first time in four months, as rising factory output growth was countered by a renewed fall in service sector activity. The eurozone as a whole saw growth slip close to stagnation principally as a result of the worsening performances in Spain and France.

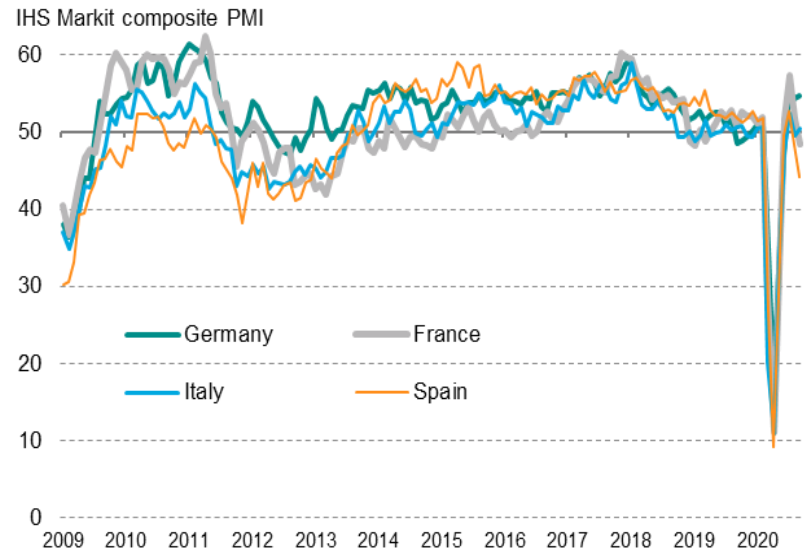
Japan has meanwhile failed to register any growth since January, although the downturn has moderated over the past four months.

## Major developed economies' output\*



Sources: IHS Markit, au Jibun Bank

## Major eurozone nations' output\*



Source: IHS Markit

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

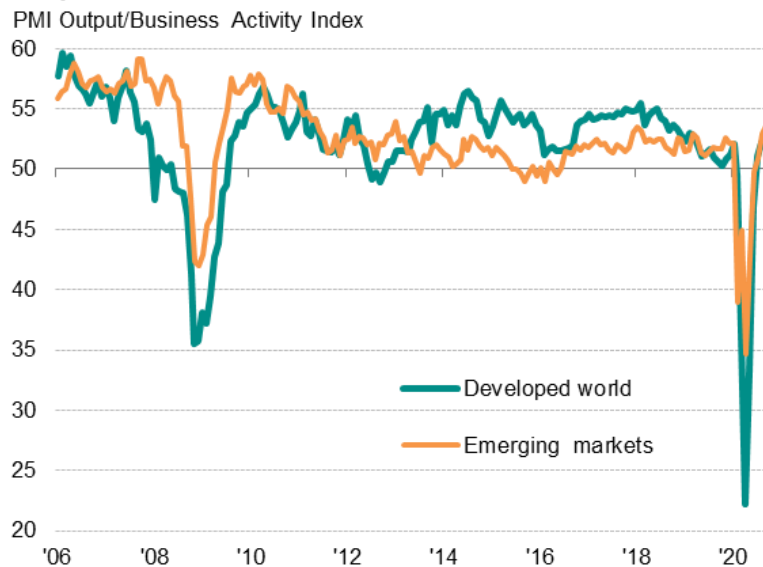
# Emerging markets report strongest growth since January 2012

India, China, Russia and Brazil meanwhile all reported robust expansions in September, pushing emerging market output growth comfortably ahead of that seen in the developed world. While developed world growth dipped slightly from August's 17-month high, growth accelerated across the emerging markets to the fastest since January 2013.

India led the emerging market upturn, fueled by the steepest rise in manufacturing activity recorded by any country in September, despite service sector activity continuing to slump. The overall rise in output was the first recorded in India since March. Brazil meanwhile reported a second successive month of growth, the rate of expansion cooling from August's 7½-year high but remaining robust, thanks primarily to a booming manufacturing recovery.

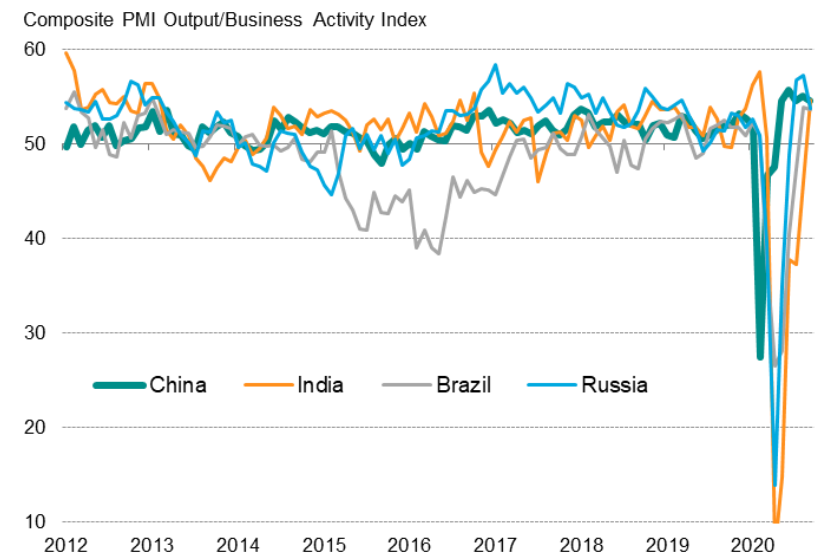
Russia's growth was broad-based across manufacturing and services, though the rates of expansion slowed markedly from August's three-year high. China's expansion also cooled but remained broad-based and among the strongest recorded over the past decade.

## Major developed economies' output\*



Source: IHS Markit.

## Major emerging markets' output\*



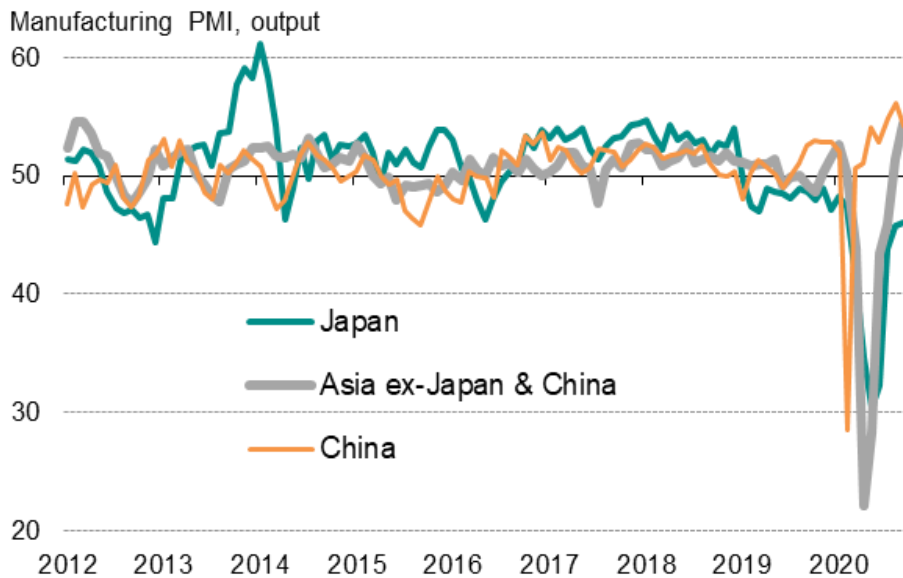
Sources: IHS Markit, Caixin.

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

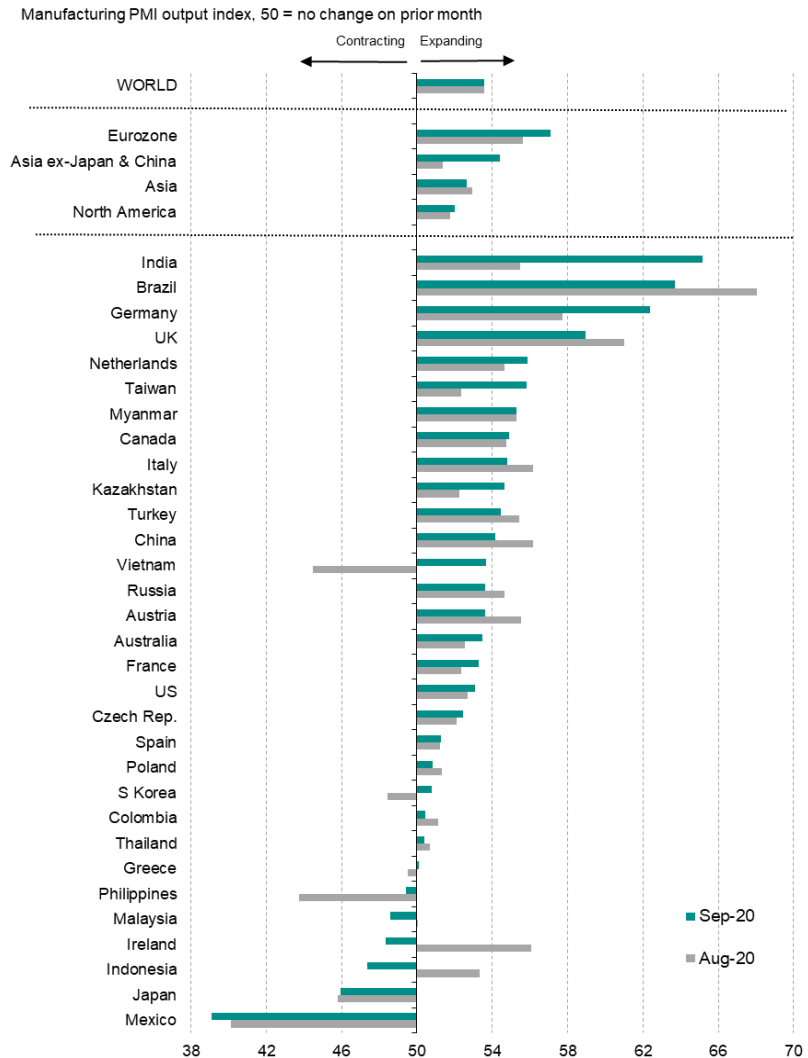
# Manufacturing upturn spreads further into Asia

Some 25 of the 31 countries covered by IHS Markit's Manufacturing PMIs reported rising output, which was unchanged on the situation in August, but up from 20 in July and 14 in June. India reported the steepest rise in production of all countries, with growth spiking higher to the fastest since December 2007 and pushing Brazil into second place

Importantly, while Asia excluding China has lagged the wider global recovery, growth in the region has strengthened as the third quarter has progressed, often attributable to improving global trade flows. Output in Asia ex-China & Japan consequently rose in September at the fastest rate since March 2012.



Sources: IHS Markit, 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.

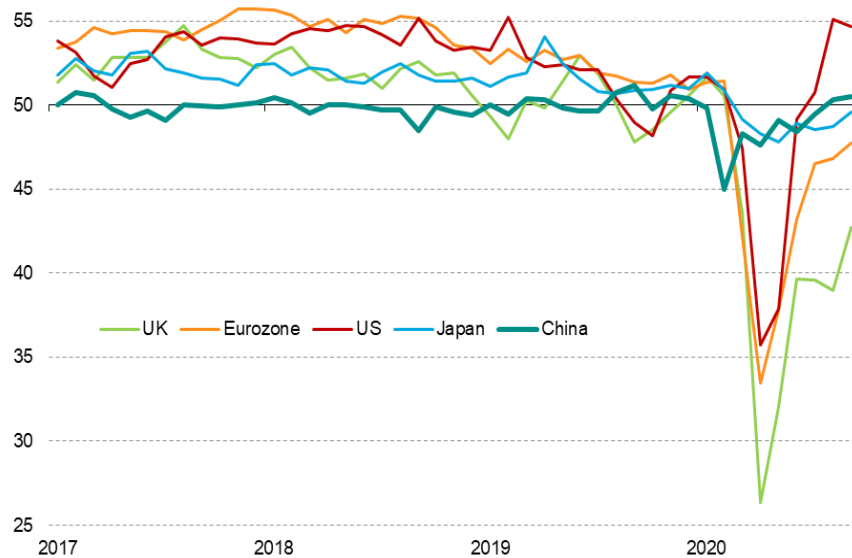


# US reports sharpest rise in employment, UK lags

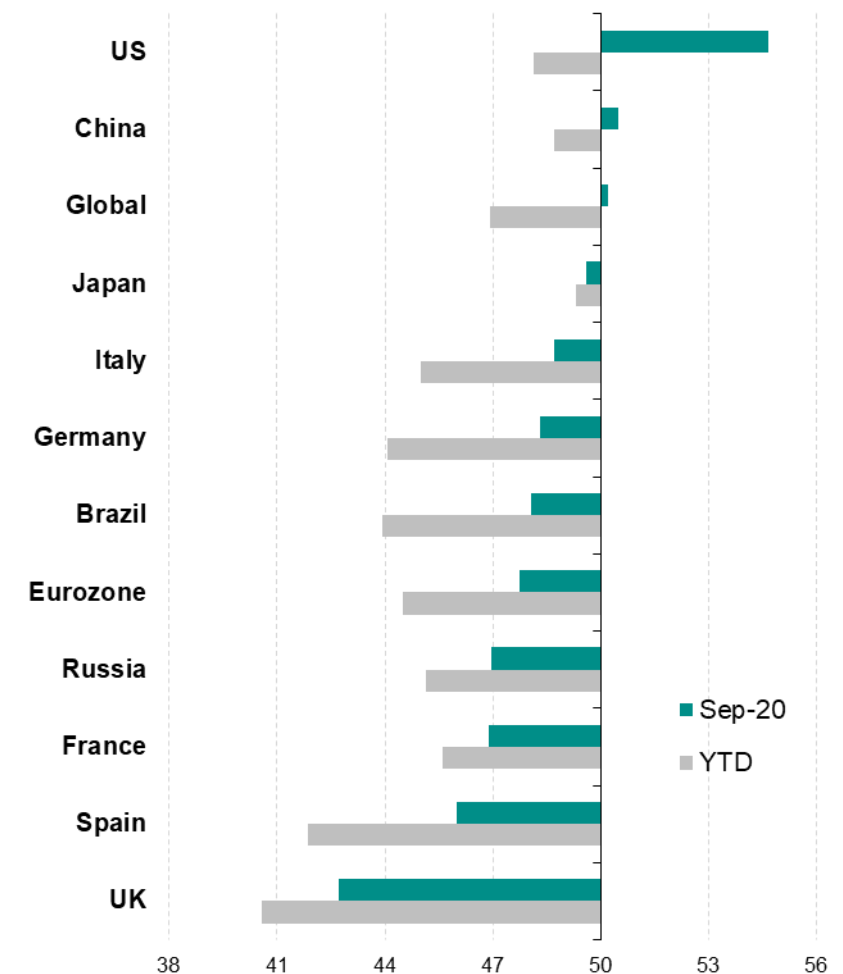
Whereas the UK reported by far the strongest output gain in September, it also reported the sharpest drop in employment. It has also seen the steepest loss of jobs so far this year of the 11 largest countries covered by the PMI.

Only the US and China reported any growth of jobs in September, with both reporting gains across both manufacturing and services during the month. The US reported by far the largest overall increase, though had also reported a far steeper loss of jobs than China at the height of the pandemic. Over the year to date, only Japan has reported a smaller loss of jobs than China

Composite PMI\* Employment Index



Composite PMI, employment index (manufacturing and services)



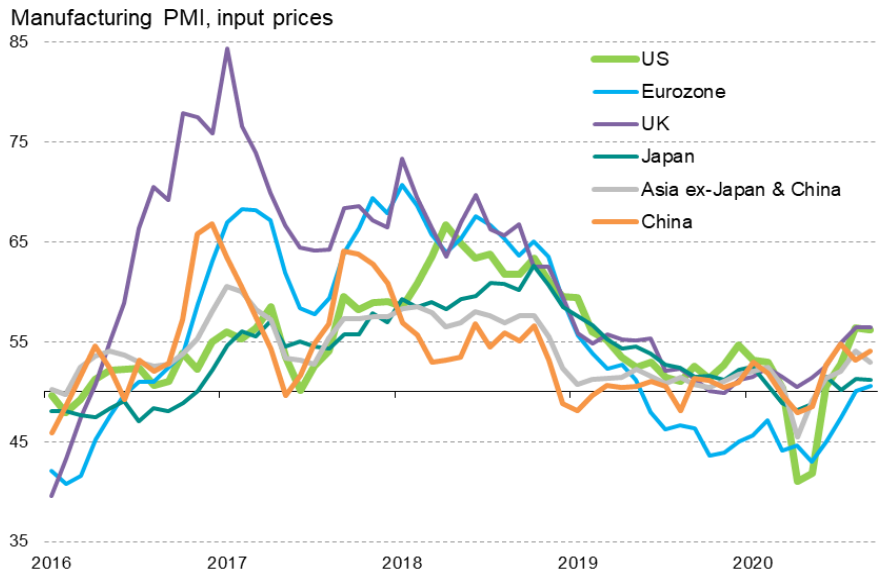
Sources: for charts IHS Markit, JPMorgan, CIPS, au Jibun Bank, AERCE, Caixin, CIPS.

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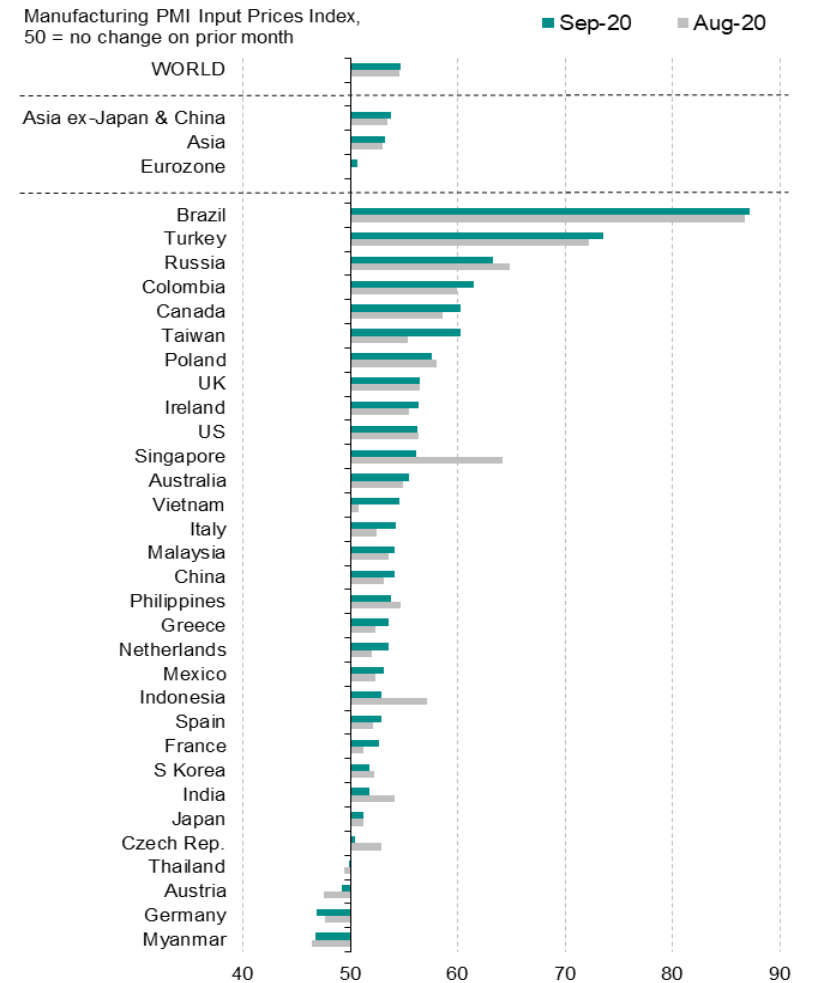
# Material prices rise at fastest rate since 2018

Global supply chains remained stretched by the upturn in demand for inputs as economies reopened. Purchasing activity rose to the greatest extent since June 2018, causing average vendor lead times to lengthen for the fourteenth month in a row as demand outstripped supply availability. Global input cost inflation consequently accelerated to its highest since the end of 2018.

Brazil and Turkey reported the quickest rises in input costs in September, though Russia, Canada, the UK and the US also saw notably strong rates of inflation. The eurozone, aided by a strengthened currency, saw the weakest raw material price pressures of the major economies.



## Manufacturing input prices by country



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

**23rd October:** Flash PMIs

**2nd November:** Final Manufacturing PMIs

**4th November:** Final Services PMIs

**5th November:** 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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