Global PMI

Global recovery slows in November, but optimism for the year ahead surges higher

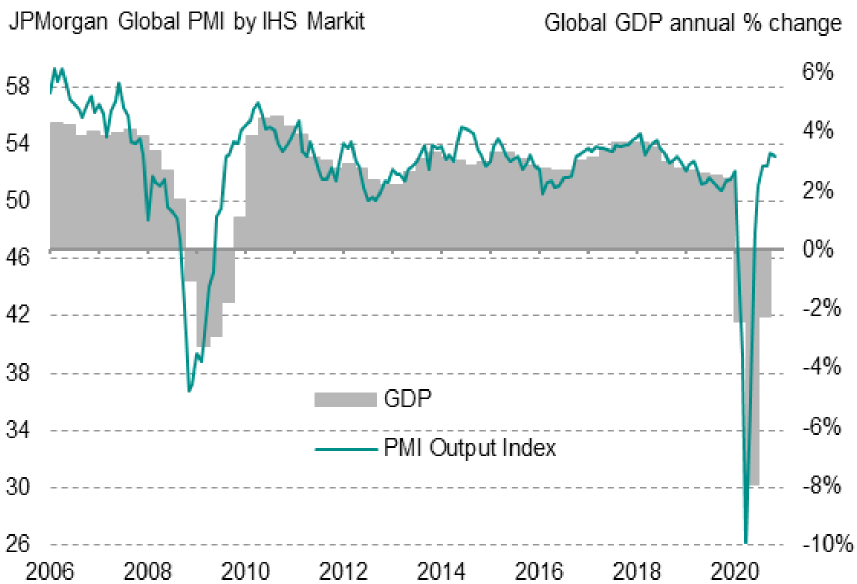
December 11th 2020

Global PMI loses ground as virus numbers rise again

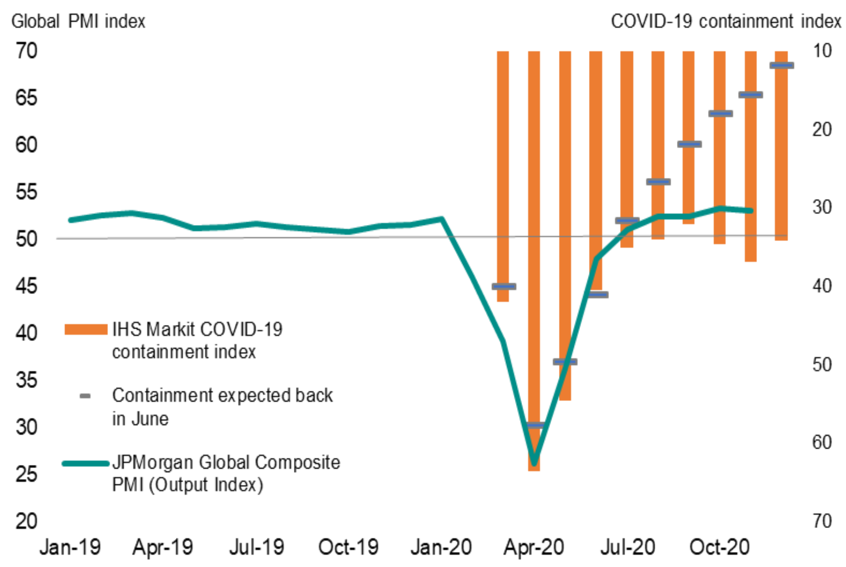
The global economic recovery hit a speed bump in November, as rising COVID-19 infections led to a renewed slowing of business activity. The JPMorgan Global PMI™ (compiled by IHS Markit) edged down from 53.3 in October, its highest since August 2018, to 53.1. While the PMI has now indicated expanding business activity for five successive months, reflecting a rebound after the pandemic caused an unprecedented collapse in the second quarter, the November data reveal a slight waning in the pace of that recovery.

The slowing in the global expansion in part reflects some cooling of initial lockdown rebounds, but also came at a time of renewed waves of virus infections in many countries, which have in turn led to increased lockdowns. IHS Markit's COVID-19 Containment Index has risen from 32 in September to 37 in November, though notably remains well below levels seen earlier in the year (during tighter lockdowns). The hit to global GDP from the pandemic in Q4 consequently looks considerably less severe than seen earlier in the year.

Global PMI* output & economic growth



Global PMI* and Covid-19 containment

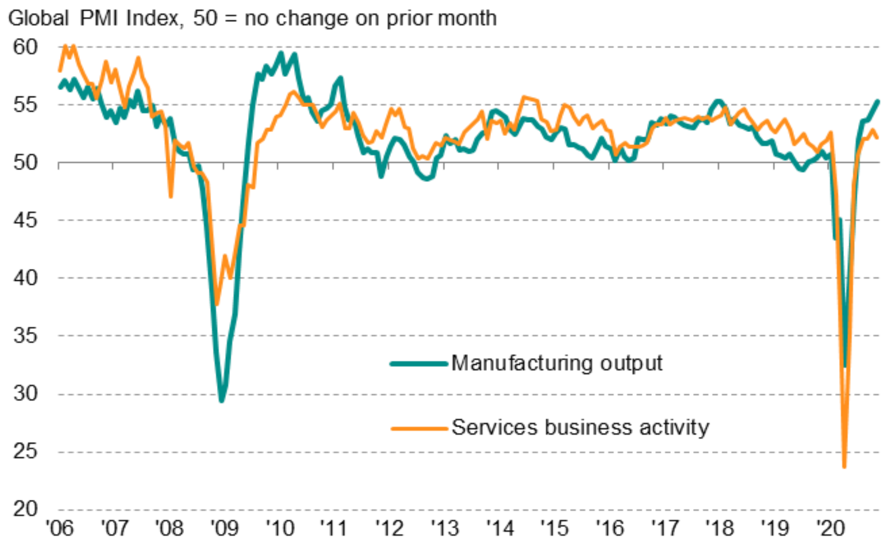


* PMI shown is a GDP-weighted average of the survey manufacturing and services indices.

Healthcare tops output rankings as tourism & recreation remains hardest hit

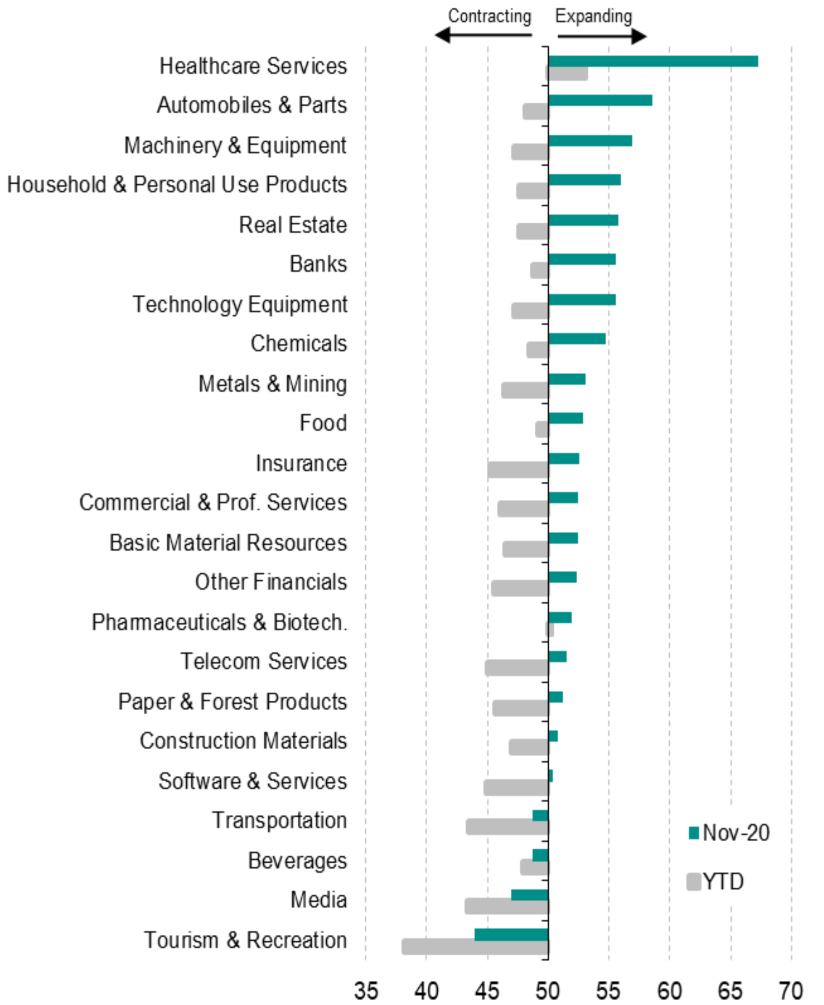
Encouragingly, manufacturing output growth continued to accelerate globally during November, reaching the highest recorded since January 2018. The upturn was led by auto makers followed by machinery & equipment (hinting at rising investment spending) and household & personal products (hinting at rising consumer spending).

Global service sector growth cooled from September's 18-month peak, however, amid rising virus infections and restrictions. Consumer-facing service providers once again reported the worst performance as output fell for a tenth successive month, led by an ongoing slump in tourism & recreation and further declines in media and transportation. Healthcare services, unsurprisingly, saw the strongest increase in activity.



Sources: IHS Markit, JPMorgan.

Global Sector PMI Output Index



Source: IHS Markit

Rising goods exports help sustain manufacturing resilience

The encouraging resilience of the manufacturing sector is in part attributable to a sustained recovery of goods trade. Global goods export orders rose for a third successive month in November. The PMI data suggest global goods trade is growing at an annualized rate of approximately 5%. Moreover, whereas it took eight months for the global PMI's export orders index to show a return to growth after bottoming out at the peak of the global financial crisis, 2020 has seen exports return to growth after just five months from the low point seen in April. The strongest growth of global exports has been seen in the auto sector, followed by chemicals and tech equipment.

It's a different story for services, however, where exports continued to fall sharply on a global basis in November. Although still acting as a severe drag on the global economy, the recent downturn in service exports is substantially less marked than seen at the height of the first pandemic lockdowns, hinting strongly at a more subdued hit to world GDP than earlier in the year.

Global PMI* new export orders

Sources: IHS Markit, JPMorgan.

Global goods trade flows

Sources: IHS Markit, CPB World Trade Monitor.

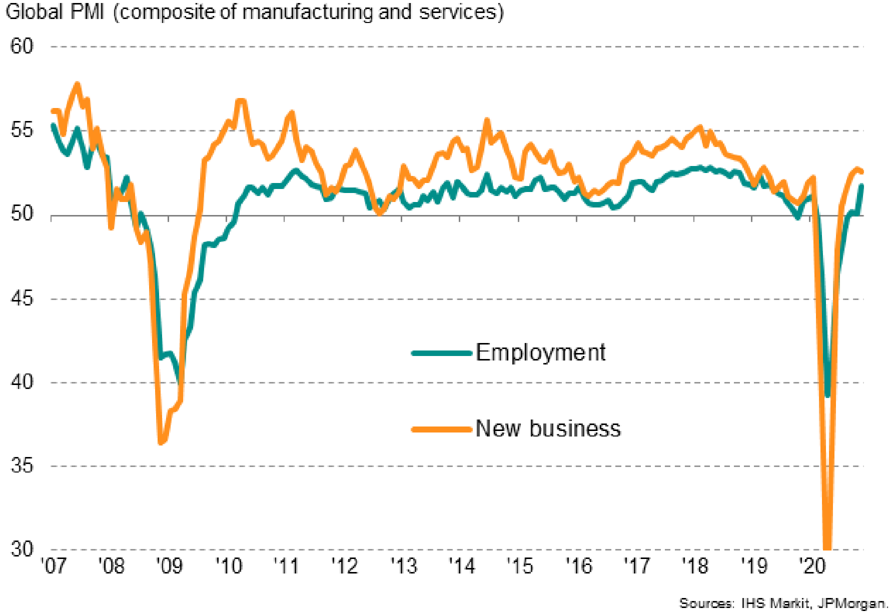
* PMI shown is a GDP-weighted average of the survey manufacturing and services indices.

Global employment and investment rebounds gain strength

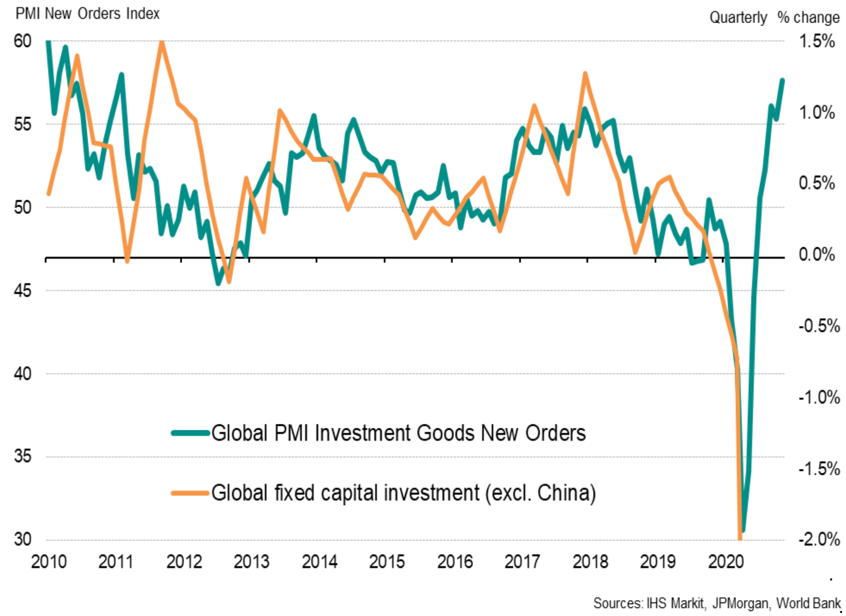
Besides the strengthening upturn seen in manufacturing, there were some additional encouraging signals from other PMI series regarding the global economic recovery. First, global employment rose in November to the greatest extent since April 2019 amid further growth of incoming new business. November saw factory jobs stabilise for the first time in a year, but it was the service sector where job creation was most widely reported. Service sector employment rose at the quickest pace since February 2019.

Second, producers of investment goods such as plant and machinery reported especially strong gains during the month, providing a welcome signal of reviving capital spending as businesses prepare for stronger demand in 2021. The overall global rise in output of investment goods was the strongest recorded since February 2011, matched by a similarly robust rise in new orders for such goods.

Global PMI* employment and new orders



Global business investment



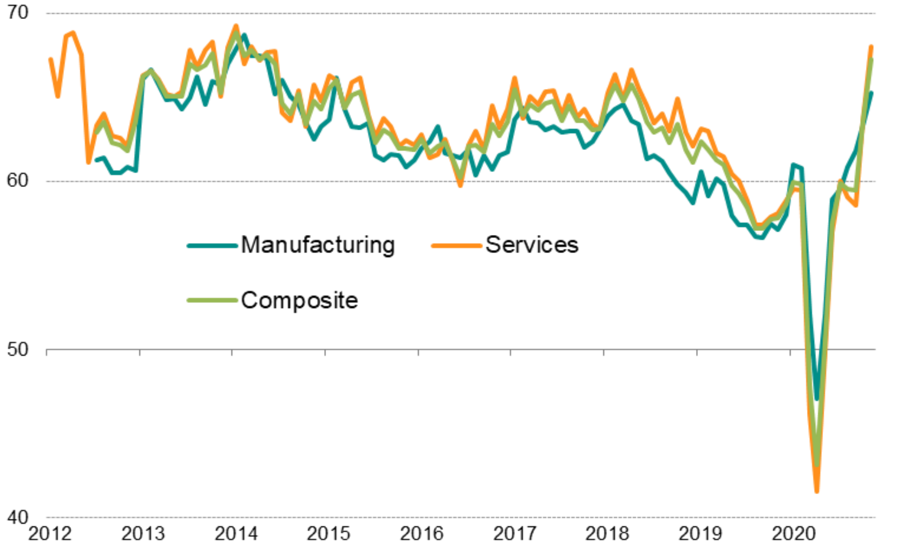
* PMI shown is a GDP-weighted average of the survey manufacturing and services indices.

Vaccine news buoys business prospects for the year ahead

News of successful vaccine trials has meanwhile painted a brighter picture for the coming months and contributed to a lifting of worldwide business expectations for the year ahead to the highest since May 2014. Manufacturing optimism hit the highest since February 2015 while the service sector saw confidence strike the highest since March 2014.

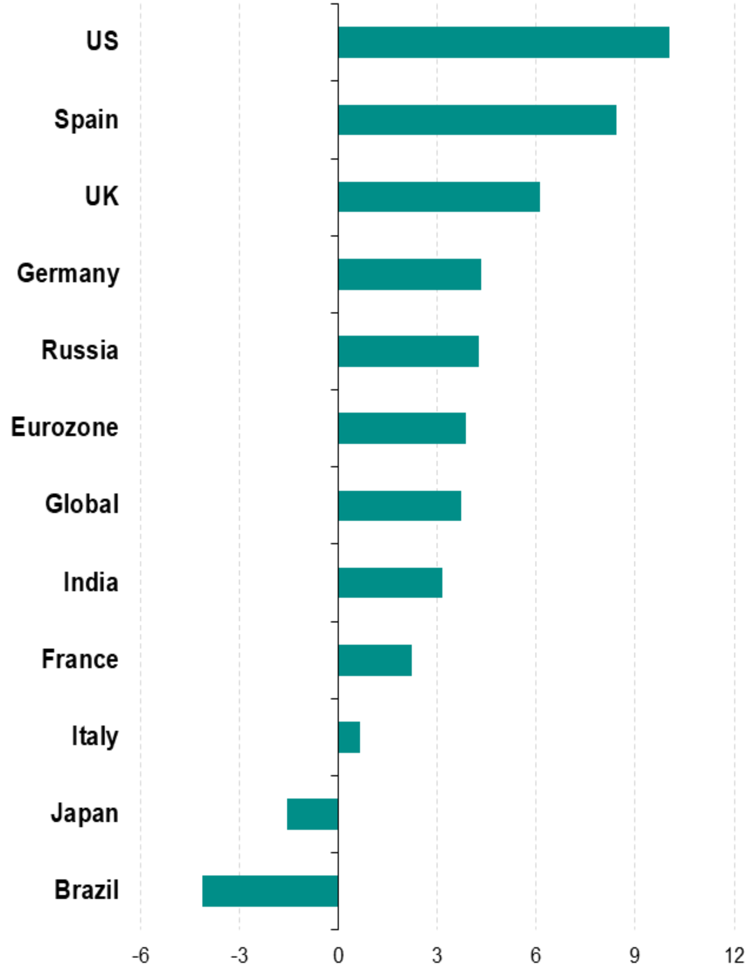
The greatest improvement in sentiment was seen in the US, where business optimism was also buoyed by reduced uncertainty following the presidential election and hopes of further state support in the form of fiscal stimulus.

Global PMI Future Expectations (optimism)



Sources: IHS Markit, JPMorgan.

Composite PMI, future expectations (manufacturing and services), index change Nov v. October



Source: IHS Markit., JPMorgan, Caixin. au Jibun Bank.

US leads developed markets, eurozone slides back into decline

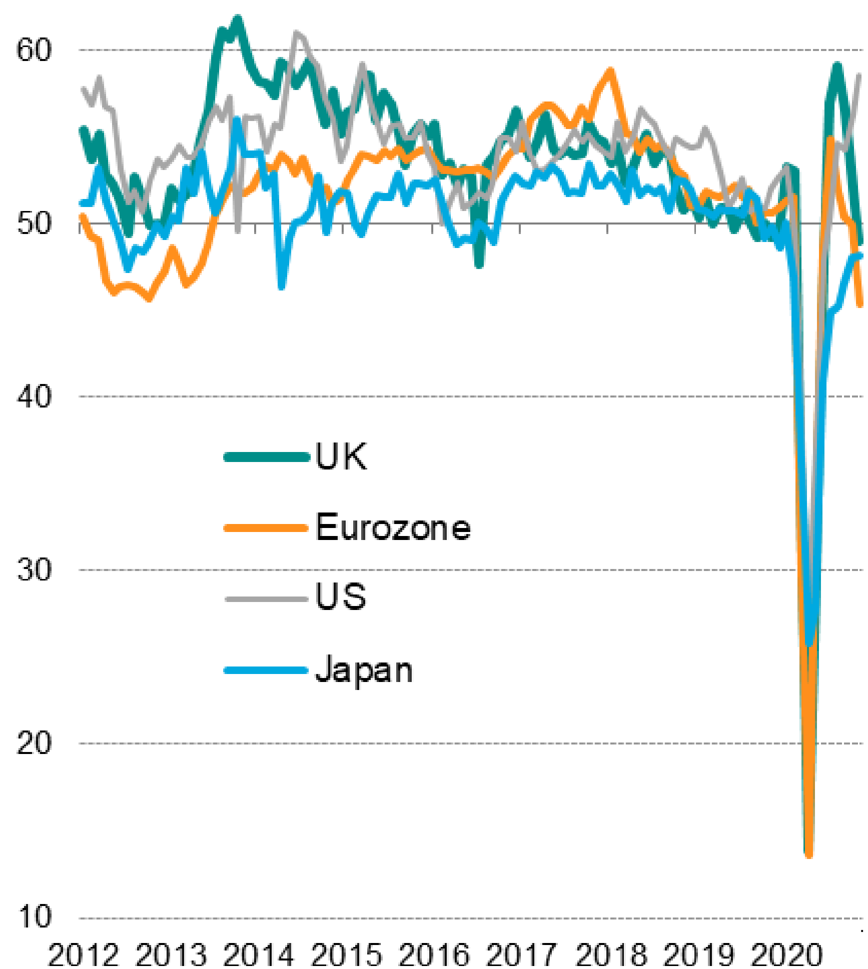
The **US** led the developed world upturn in November, with the composite PMI hitting a five-and-a-half year high. The rise coincided with its COVID-19 containment index dropping to the lowest since the pandemic began, despite rising virus numbers.

The **eurozone**, in contrast slipped back into a substantial contraction, led by sharply falling business activity in France, Spain and Italy. All three countries saw tighter Covid-19 restrictions in November as their governments sought to control second waves of infections. Germany bucked the eurozone downturn, thanks to strong manufacturing output growth offsetting a drop in service sector activity, though even in Germany the overall rate of expansion slowed markedly.

The **UK** joined the eurozone in reporting a renewed fall in business activity during November, likewise attributable to more aggressive lockdown measures hitting service sector activity. Manufacturing output rose, however, in part buoyed by pre-Brexit stockpiling.

The **Japanese** PMI meanwhile showed the economy struggling to gain recovery momentum, indicating a further decline in business activity during November. Inflows of new business shrank further, weighed down by a renewed fall in exports. It was also the only major economy besides Brazil to see future expectations deteriorate.

Composite PMI Output/Business Activity Index



Sources: IHS Markit, au Jibun Bank

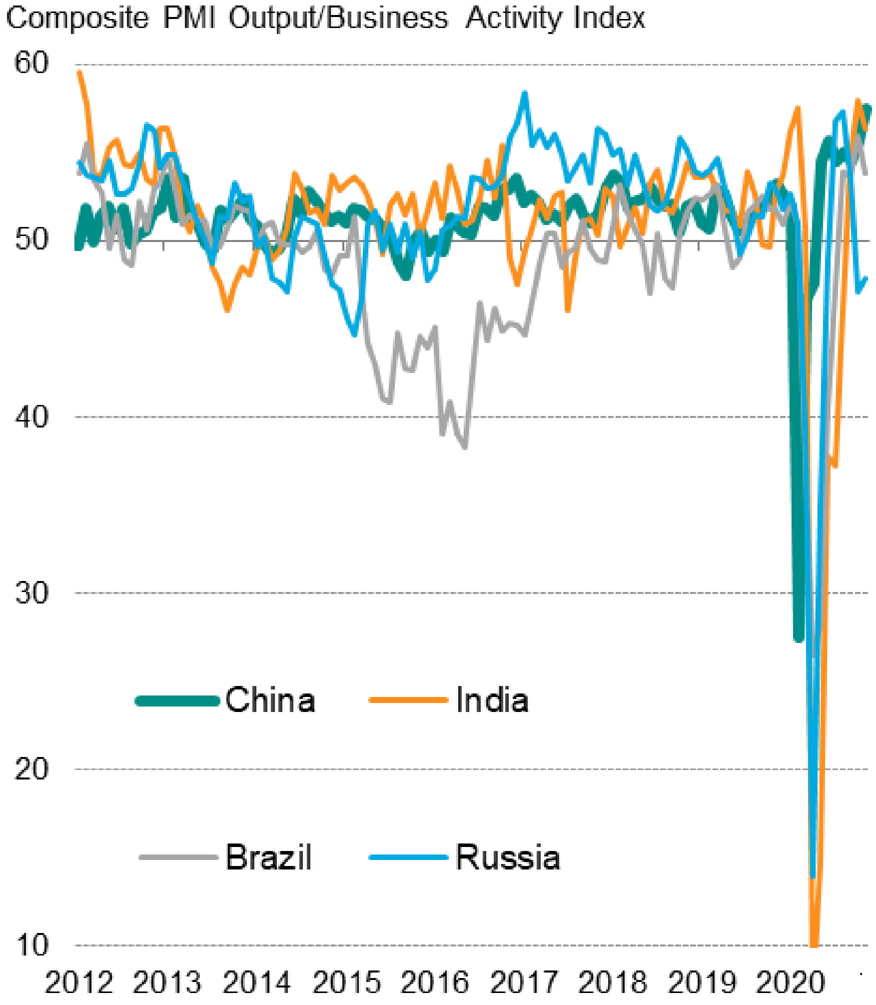
Emerging markets growth best since January 2011, led by China

Growth in the emerging markets hit the highest since January 2011, led by **China** where growth accelerated to the highest for over a decade. Both the manufacturing and the service sectors picked up further momentum in November, output in the latter rising at the second-highest rate in over ten years as the domestic economy continued to spring back into life.

Strong growth also persisted in **India**, albeit moderating since October, when the rate of expansion had reached the highest since January 2012. Only Brazil and Germany reported faster manufacturing output growth than India in November. Only the US and China reported faster service sector growth.

Brazil's recovery cooled but nevertheless saw output continue to expand at one of the strongest rates seen over the past decade. Its manufacturing output growth was the strongest of all countries surveyed for a second straight month, complemented by a sustained service sector expansion, albeit with growth rates slowing in both sectors.

Russia bucked the improving trend again, however, with business activity back in decline for a second successive month after three months of recovery. Both manufacturing and service sector output fell, often linked to rising COVID-19 cases and associated restrictions.



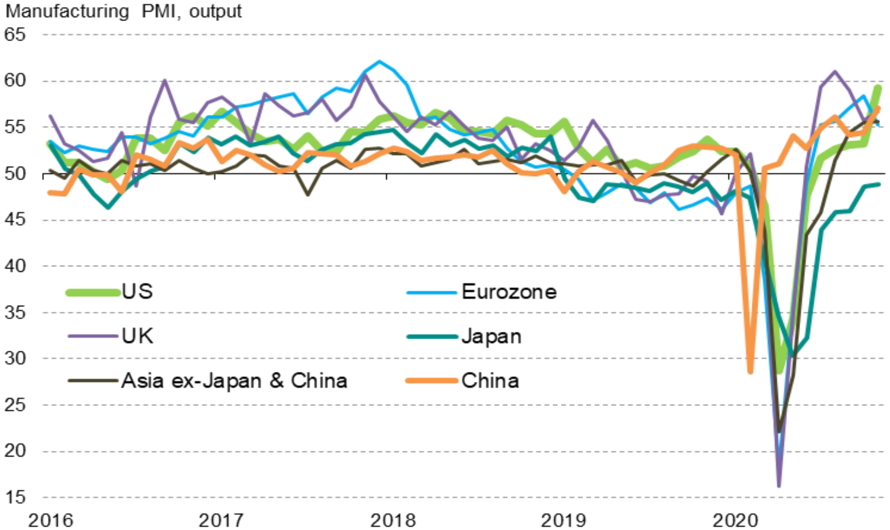
Sources: IHS Markit, Caixin.

Manufacturing upturn led by Brazil, Greece sees steepest decline

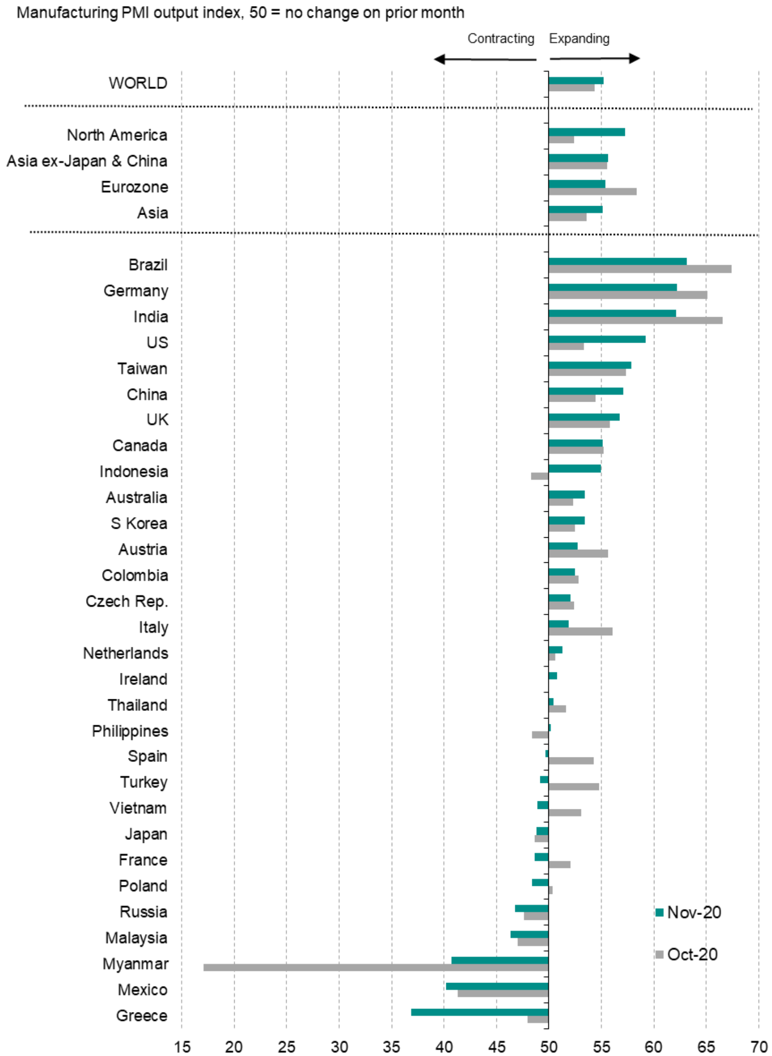
Brazil, Germany and India stood out by reporting especially strong manufacturing output growth. The US meanwhile notably moved up into fourth place in the rankings, reporting a marked acceleration in production growth to the fastest for just over six years. China, Taiwan and the UK also reported strong performances.

The improvement in the US pushed its rate of expansion ahead of that seen in the eurozone, where growth divergences widened across the single currency area. Germany was the stand-out performer while France and Spain fell back into contraction.

In all, 11 of the 30 countries for which November data are currently available reported falling output, up from nine in October, with Greece falling to the foot of the rankings, followed by Mexico.



Sources: IHS Markit, au Jibun Bank, Caixin.



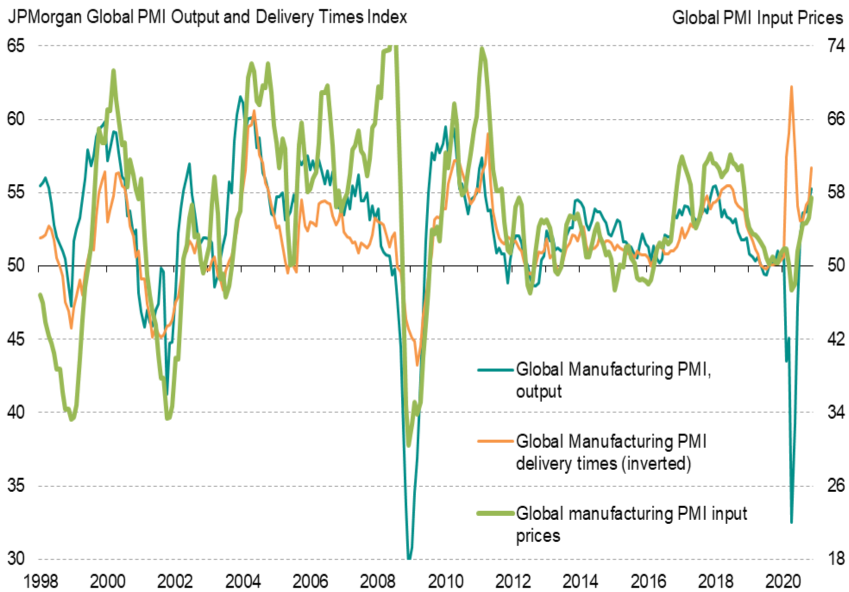
Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, au Jibun Bank, NEVI, BME, Bank Austria, AIB, AERCE, Caixin, HPI, Davivienda, Istanbul Chamber of Industry, Tengri Partners.

Prices rise at fastest rate in two years as demand grows and supply worsens

A consequence of the recent recovery, especially in manufacturing, has been a strengthening of prices. A stretching of capacity was signalled by a lengthening of supplier lead times, as suppliers increasingly struggled to provide inputs to manufacturers on a timely basis due to the recent upturn in demand. A shortage of shipping containers has exacerbated the imbalance of supply and demand. With the exception of the height of the pandemic through February to May, when widespread temporary factory closures were reported around the world, the incidence of supply chain delays in November was the highest since April 2011, when supply chains were hit by the Fukishima incident.

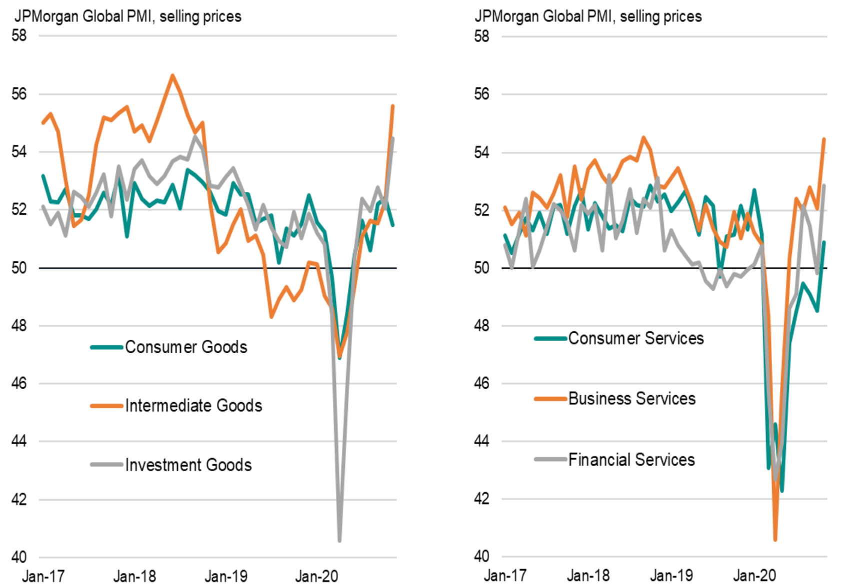
Supply shortages inevitably led to suppliers increasingly raising prices in November, causing average factory input costs to rise globally at the fastest rate for two years. These higher costs were often passed on to customers. Alongside recovering rates levied for services, these higher costs drove worldwide prices charged for goods and services higher at a rate not seen since October 2018.

Global PMI prices and supply pressures



Sources: IHS Markit, JPMorgan.

Global prices by type of good/service



Sources: IHS Markit, JPMorgan.

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- **4th-5th January:** Final Worldwide Manufacturing PMIs
- **6th January:** Final Worldwide Services PMIs
- **7th January:** Detailed Global Sector PMIs

Link to calendar

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