



IHS Markit™

Global PMI

Global growth slows further in December as COVID-19 infections rise

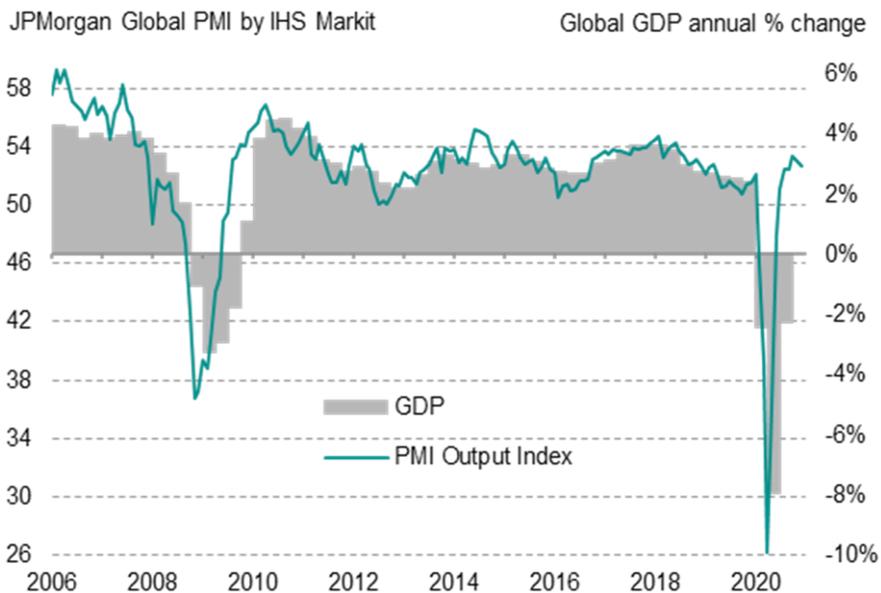
January 8th 2021

Global PMI falls for second month running in December

The JPMorgan Global PMI™ (compiled by IHS Markit with data collected 4th-21st December) edged down from 53.1 in November to 52.7 in December, its lowest since September. The decline indicates that the pace of global economic growth slowed for a second month running, as rising coronavirus disease 2019 (COVID-19) cases dampened activity and demand, though output is still indicated to have risen over the fourth quarter as a whole, further recovering from the unprecedented downturn seen in the first half of 2020.

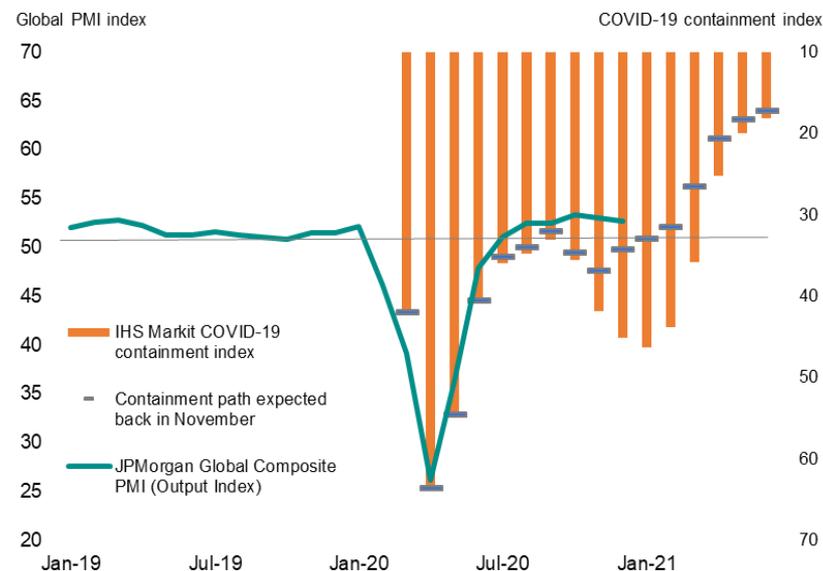
The slower expansion during December occurred alongside renewed measures implemented to fight further waves of virus infections in many countries. IHS Markit's COVID-19 Containment Index has risen from 32 in September to 45 in December, though notably remains well below levels seen earlier in the year (during initial, tighter lockdowns, the index hit 64). The adverse impact on global GDP from the pandemic in the fourth quarter consequently looks considerably less severe than seen during the second quarter. Worse may be yet to come, however, as the Global Containment Index is projected to rise to 46 in January.

Global PMI* output & economic growth



Source: IHS Markit, JPMorgan.

Global PMI* and Covid-19 containment



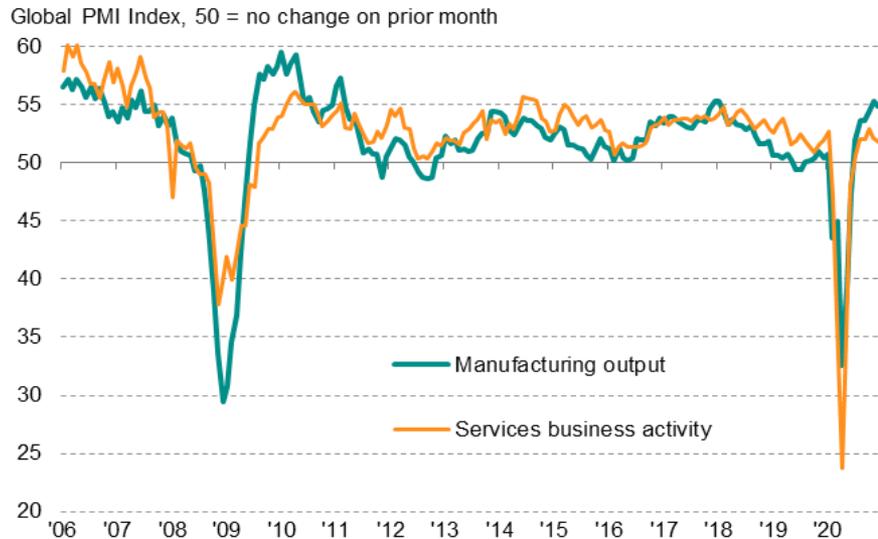
Source: IHS Markit

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

Consumer-facing services remain hardest hit

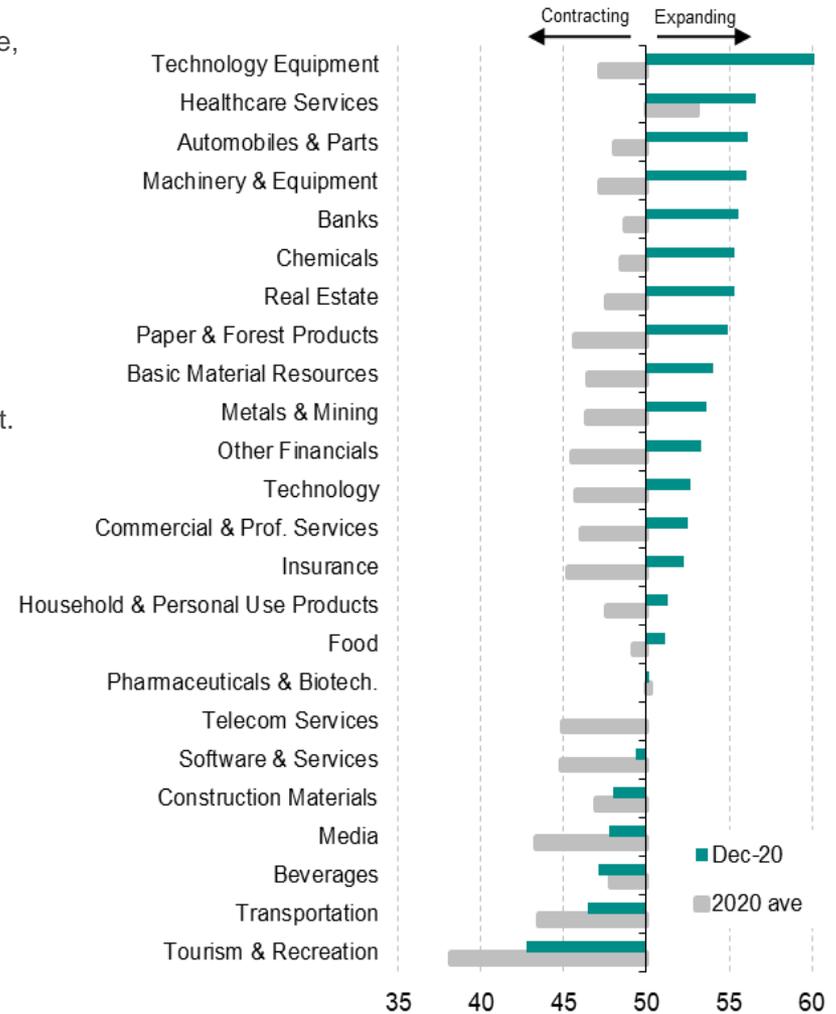
Global service sector growth again suffered, especially amid new lockdown measures, led by further steep falls in tourism, recreation and transportation services. However, rising activity was reported in healthcare, banking & finance, real estate, commercial & professional services and insurance, meaning the service sector as a whole continued to expand, albeit at a reduced rate.

Manufacturing showed encouraging resilience in the face of rising COVID-19 infections, with global output growth easing only slightly from the near-decade high seen in November. Tech equipment, auto makers and machinery & equipment producers (the latter hinting at rising investment spending) reported especially strong expansions. Only beverages and construction material manufacturers reported falling output.



Sources: IHS Markit, JPMorgan.

Global Sector PMI Output Index



Source: IHS Markit

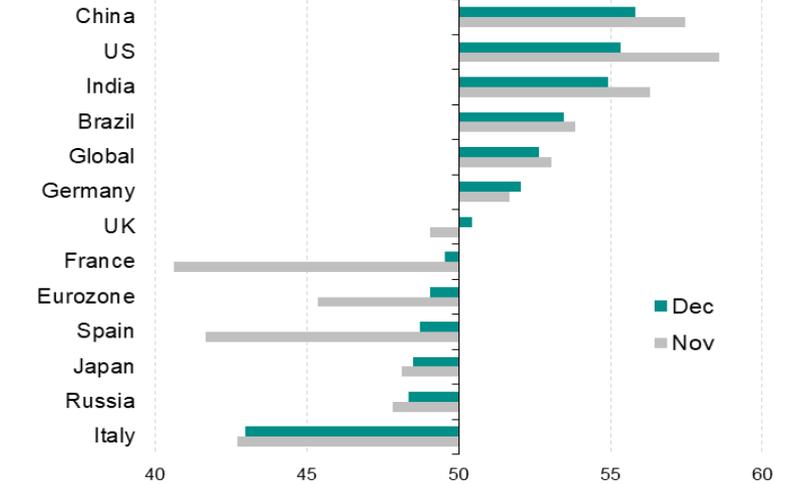
China and US lead overall global expansion

China and the US led the global expansion followed by India, mainly reflecting above-average service sector expansions in all three cases, albeit with rates of growth cooling versus November.

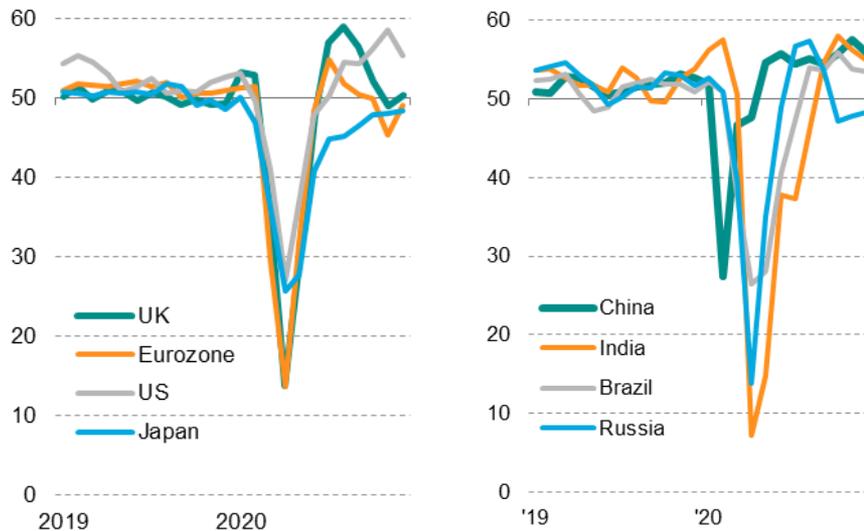
Italy reported the steepest downturn among the world's major economies, by some margin, amid sharply falling service sector activity. However, service sector output also fell in all other big-four euro member states, as well as in Japan, Russia and the UK.

Manufacturing expansions in the eurozone and the UK meant these economies remained broadly unchanged overall in December, but Japan and Russia were notable in remaining in contraction.

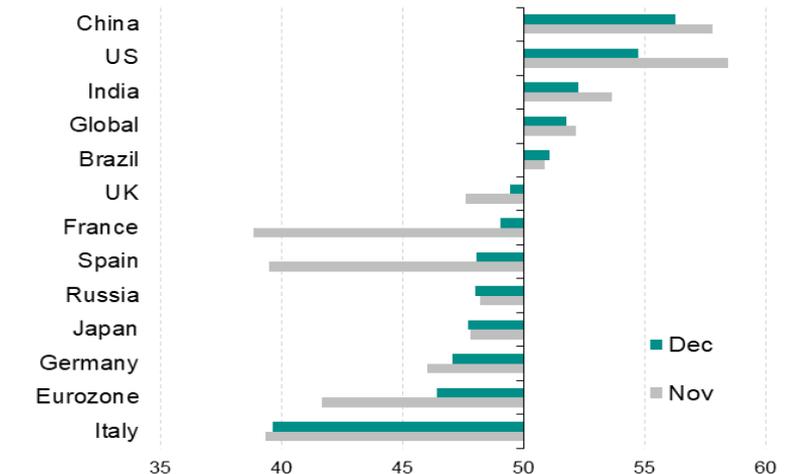
Composite PMI, output index (manufacturing and services)



Composite PMI Output/Business Activity Index



Services PMI, output index

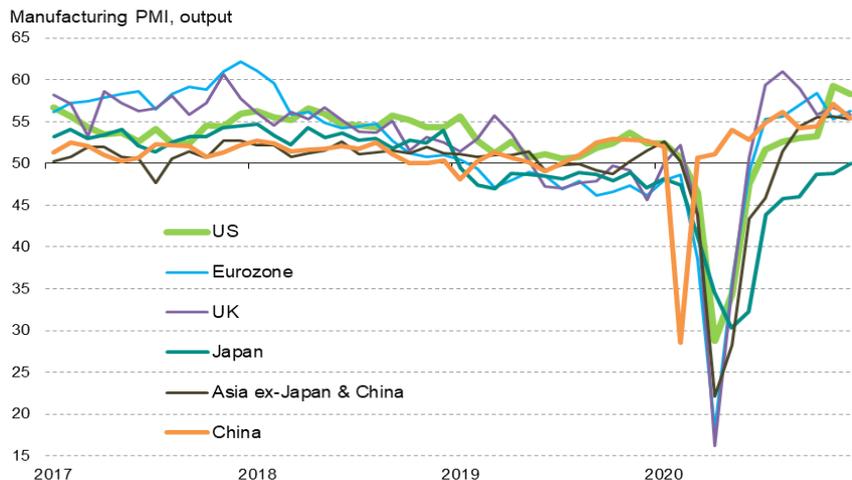


Manufacturing upturn headed by Germany and Brazil

Manufacturing growth was led by Germany, Brazil and India, where rates of increase remained among the highest seen over the past decade. The US was fifth-placed, reporting the second-fastest expansion in over five years. Canada likewise saw robust growth, benefitting from rising US demand, with output growing at the sharpest rate for over two years. Above average global growth was also seen in the UK, Ireland and the Netherlands, but these expansions in part reflected pre-Brexit stockpiling.

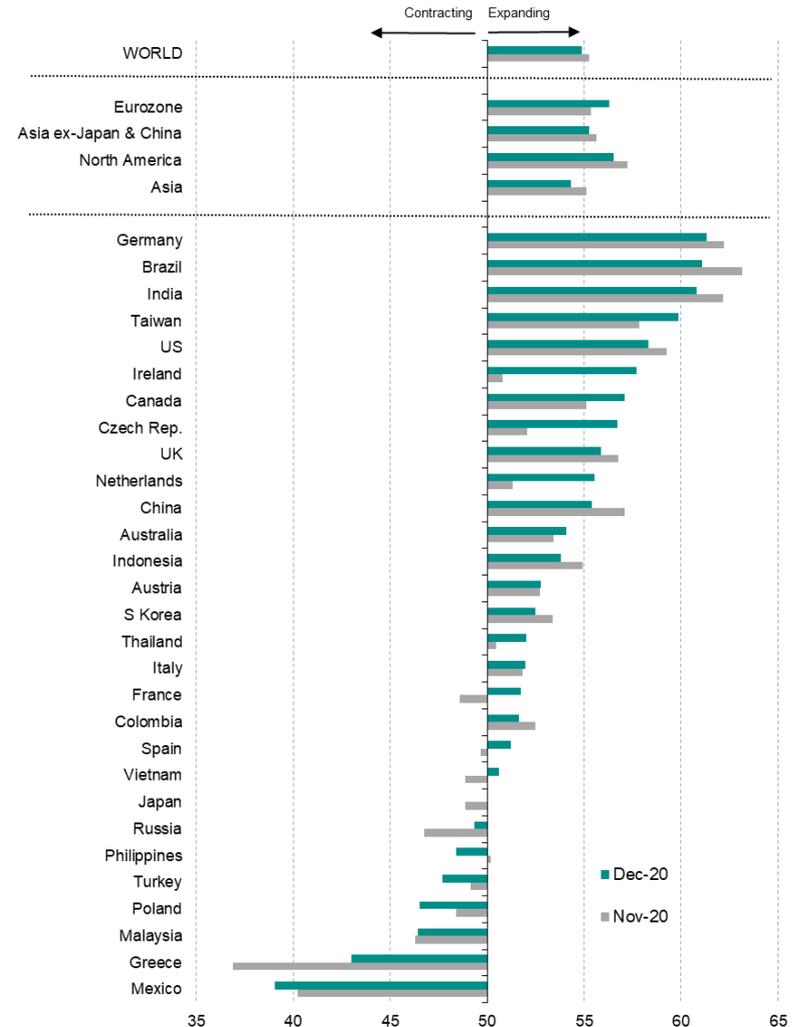
Japan was noteworthy in seeing its manufacturing output stabilise and China's growth slowed but remained close to a decade-high. Output in the rest of Asia meanwhile also grew at a slightly reduced rate, but the expansion was nonetheless the third-strongest since April 2011, led by India and Taiwan (the latter reporting the fastest growth for a decade).

Falling output was seen in just seven of the 29 economies for which PMI data are so far available for December, led by Mexico and Greece.



Sources: IHS Markit, au Jibun Bank, Caixin.

Manufacturing PMI output 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.

Global employment hit by renewed virus worries

Business sentiment about prospects for the year ahead fell in December, principally reflecting rising concerns over further waves of COVID-19 infections in many countries and the prospect of tighter restrictions in the near-term. Optimism waned especially sharply in services, though remained far more buoyant than seen earlier in the year due to recent encouraging news of vaccine developments.

The dent to confidence, alongside new COVID-19 restrictions in some markets, nonetheless took its toll on hiring. Having hit a one-and-a-half year high in November, global employment growth fell close to stagnation in December, stalling in manufacturing and registering only a modest rise in the service sector. Among the major economies, only the US, China and Brazil reported any net increases in payroll numbers, and even here the rates of job creation slowed sharply. The steepest falls were seen in Russia, the UK, India and the eurozone.

Global employment and future optimism

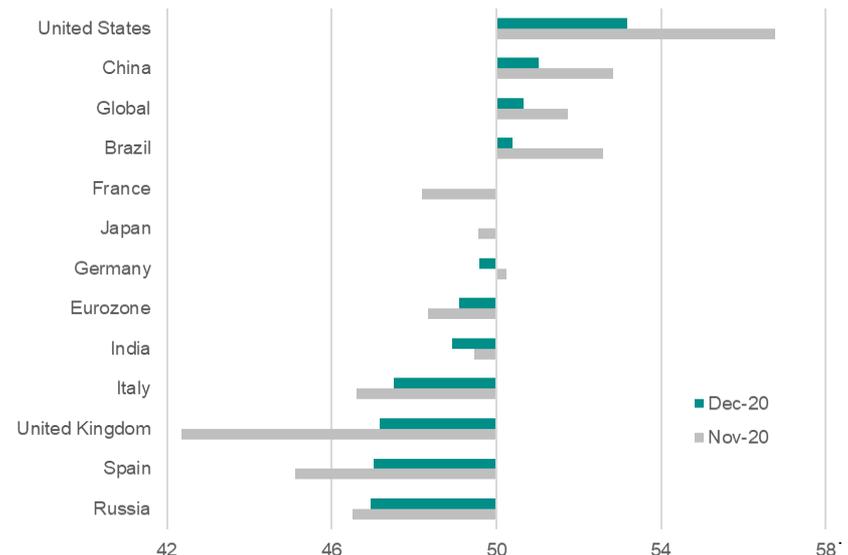
Global PMI (composite of manufacturing and services)



Source: IHS Markit, JPMorgan.

Employment

Composite PMI, employment index (manufacturing and services)



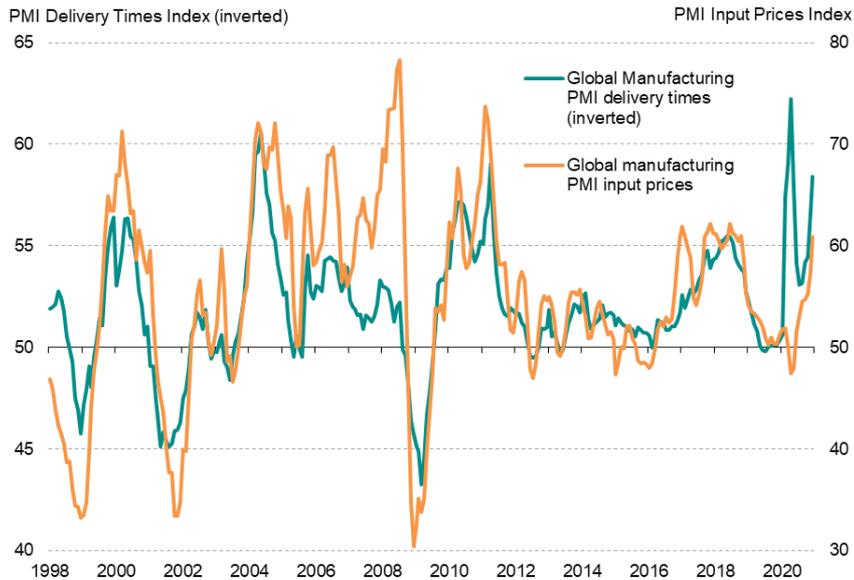
Source: IHS Markit, JPMorgan, Caixin, au Jibun Bank.

Supply problems drive industrial prices higher, but services inflation cools

Prices were pulled in different directions in December. On one hand, rising industrial output and resurgent trade flows led to supply problems. With the exception of the delays seen at the height of the pandemic in March and April, and the supply issues created by Fukushima in 2011, the incidence of supplier delays in December was the highest since 2004. Lead times for inputs lengthened in all countries surveyed, led by Brazil, the UK, Germany, Australia and the US. Companies commonly reported issues with a lack of shipping capacity, including a shortage of containers, and frequently reported bottlenecks as suppliers and logistics firms struggled to meet rising demand from manufacturers. Suppliers' pricing power consequently increased, pushing industrial prices higher at a rate not seen since July 2018. Rising prices for inputs (intermediate goods) fed through to higher selling prices for consumer goods.

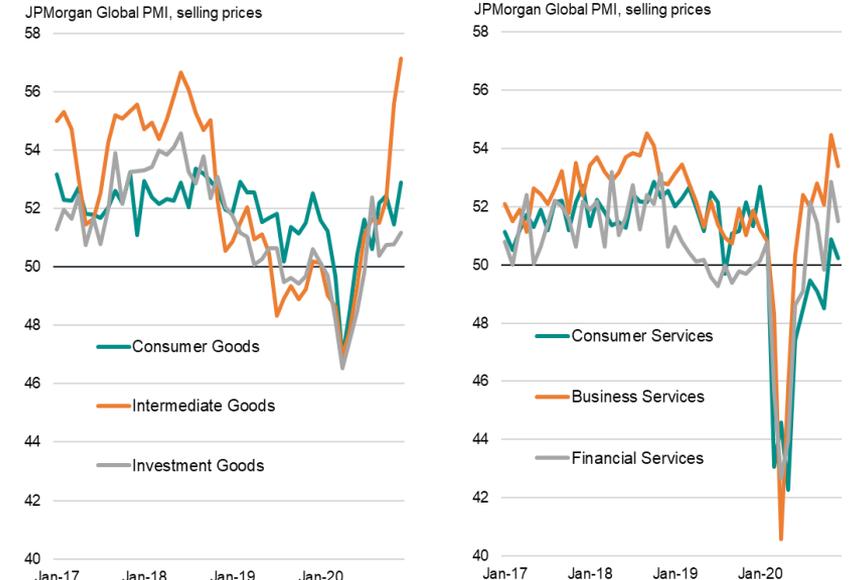
On the other hand, subdued demand in the service sector, especially among consumers, dampened charges levied by service providers. Rates charged for financial services and business services also rose at slower rates, blamed mainly on weaker demand.

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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- 1st February: Final Worldwide Manufacturing PMIs
- 3rd February: Final Worldwide Services PMIs
- 4th February: Detailed Global Sector PMIs

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