



IHS Markit™

Global PMI

Global growth slows in January amid new COVID-19 lockdowns and supply constraints

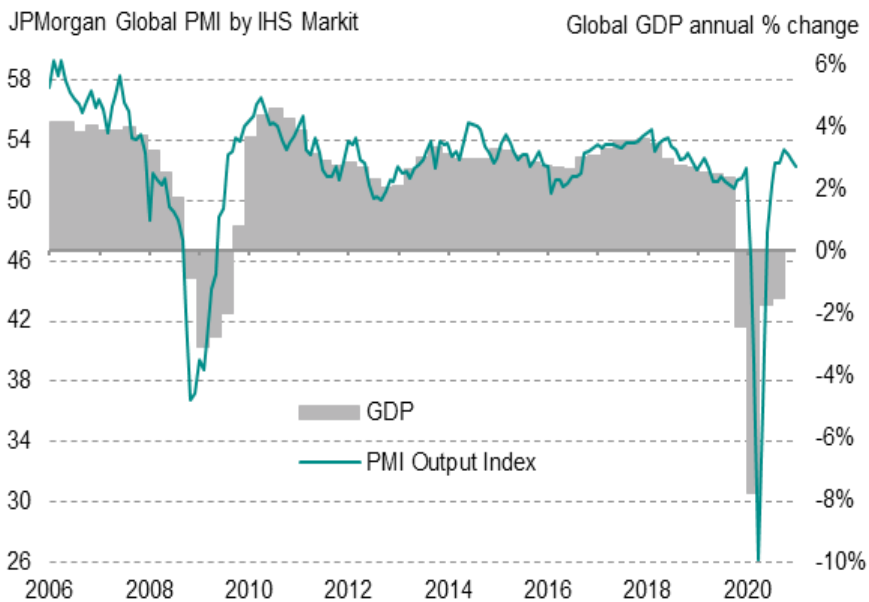
February 5th 2021

Global PMI dips for third month running but shows sustained growth

The JPMorgan Global PMI™ (compiled by IHS Markit) edged down for a third successive month in January, dipping from 52.7 in December to 52.3, its lowest since last July but nevertheless still indicating solid annualised GDP growth of approximately 3%.

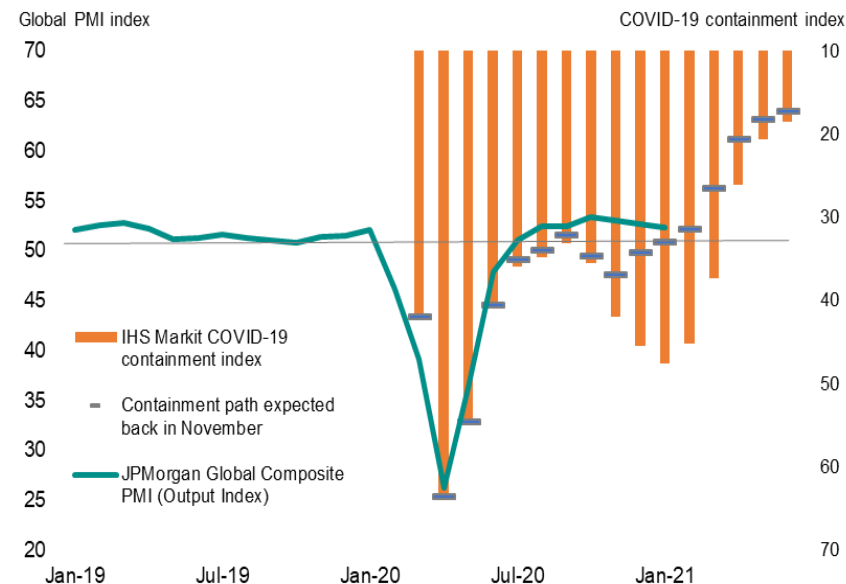
The weaker reading was in part attributable to rising coronavirus disease 2019 (COVID-19) cases in many countries, which in turn often led to tighter social distancing restrictions. These measures were reported to have not only curbed demand but also stifled supply capacity, the latter exacerbated by restocking and low employment in many companies. However, the adverse impact on global GDP from the pandemic in recent months so far looks considerably less severe than seen during the first half of 2020. This is being corroborated by official GDP data, which for example showed solid gains in the US and China and a smaller than feared contraction in the eurozone.

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

Globally, demand has been most resilient for manufactured goods, which has grown at a faster rate than for services since the recovery from the initial pandemic downturn began in the middle of last year.

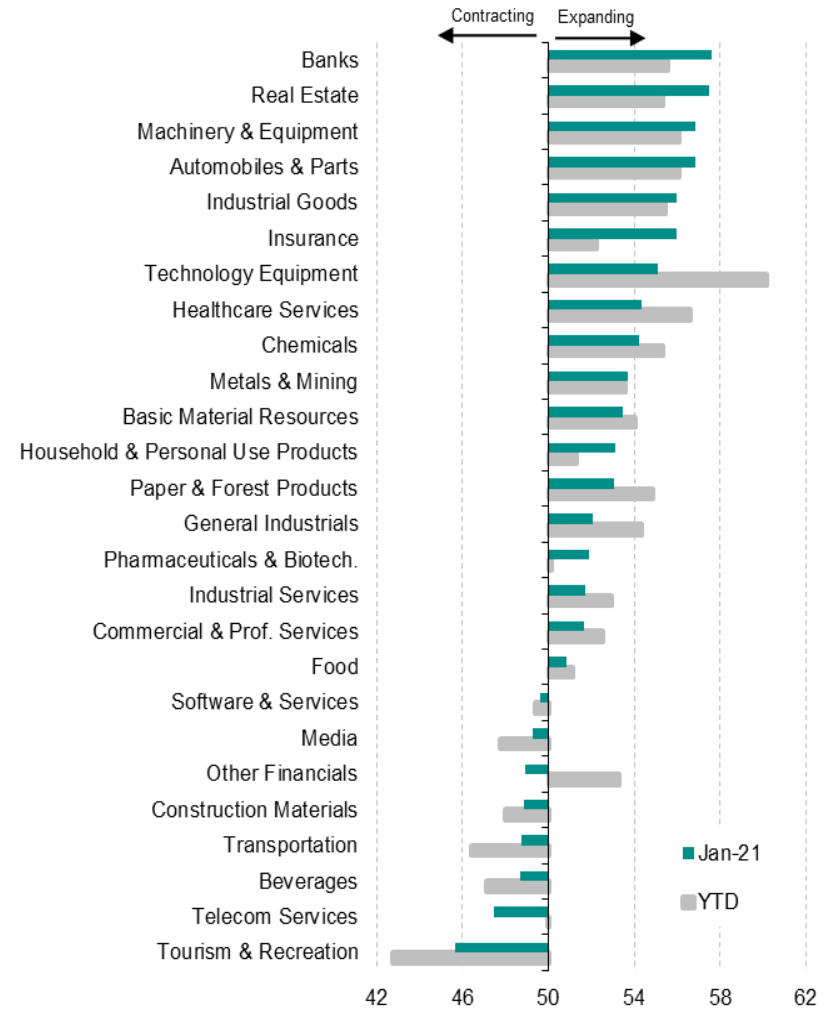
Many services continued to be adversely affected by virus restrictions in January, which have hit internationally-traded and consumer-facing services (notably tourism and travel) especially hard, with overall new business inflows into the service sector close to stalling globally again in January. However, some services – notably banking and real estate – enjoyed strong expansions, leading the global recovery in January.

The strongest growing manufacturing sectors were machinery & equipment, autos and tech equipment.



Sources: IHS Markit, JPMorgan.

Global Sector PMI Output Index



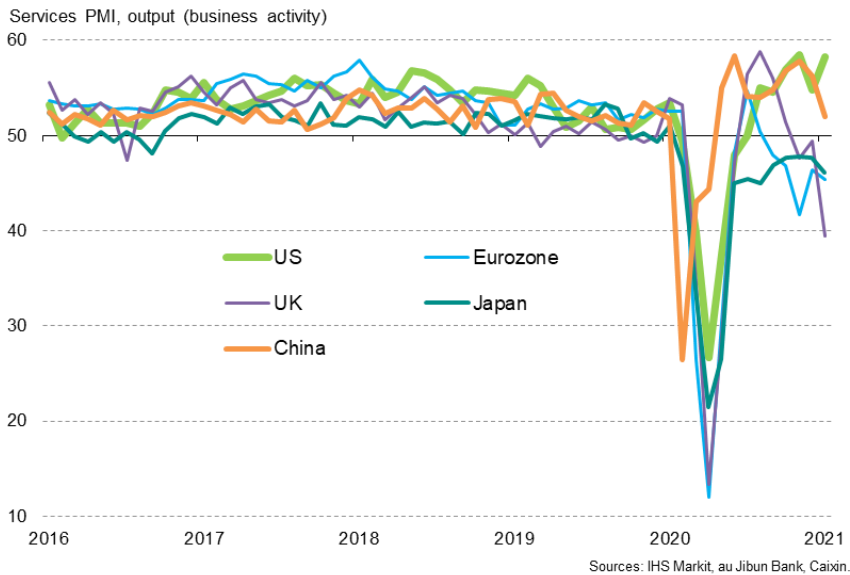
Source: IHS Markit

US outperforms with surging service sector growth, Europe slumps

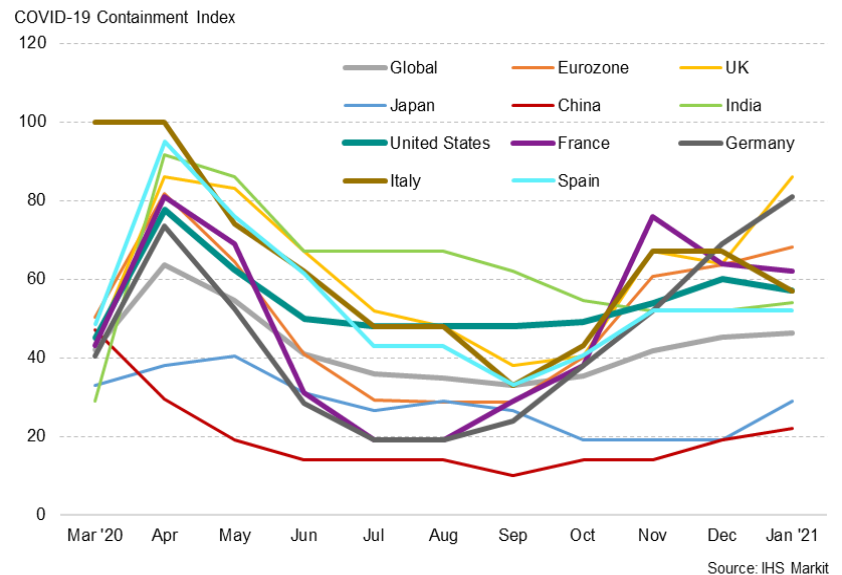
The US bucked a global slowdown, buoyed by one of the strongest expansions of service sector business activity seen over the past decade as COVID-19 restrictions were loosened slightly, according to IHS Markit's Covid-19 Containment Indices, and business and consumer sentiment was boosted by rising hopes of further fiscal stimulus and new political stability.

In contrast, Europe's largest economies struggled with tightening virus restrictions, which were widely blamed for a further deterioration of business activity in the eurozone as well as in the UK. The latter suffered an especially steep decline, though also saw the tightest restrictions with a third national lockdown. Japan likewise saw services activity contract at an accelerating rate and China's growth slowed, due mainly to new virus fighting restrictions. In all cases, however, service sector downturns have yet to be as marked as those recorded during the first half of 2020. This likely reflects the lockdowns not being as strict as early last year in most cases, but is also due to household and business behavior adapting somewhat to, or being less affected by, the restrictions.

PMI service sector output



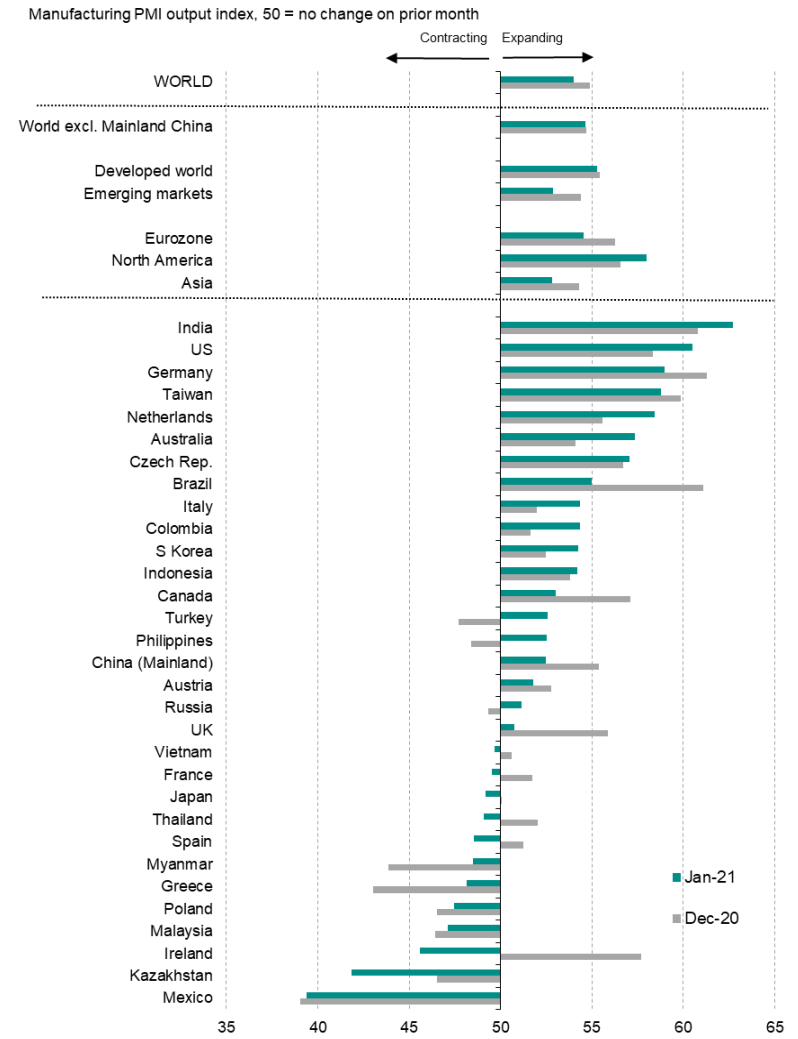
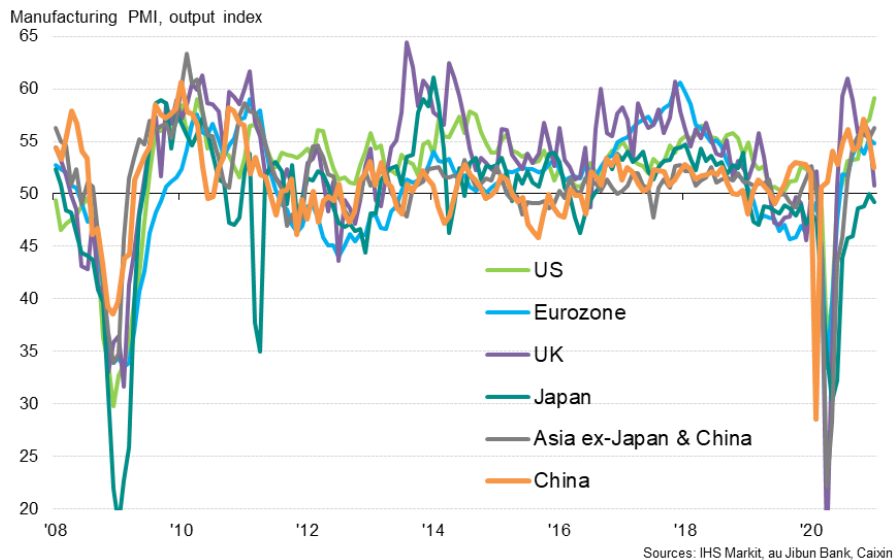
Covid-19 containment indices



Manufacturing upturn headed by India and the US

Manufacturing trends were varied as output rose in 19 economies covered by the IHS Markit PMI surveys but fell in 12. The strongest gains were seen in India and the US, both of which saw growth accelerate to near decade- and six-year highs respectively, followed by Germany and Taiwan. The steepest loss of output was meanwhile seen in Mexico, followed by Kazakhstan, Ireland and Malaysia.

Other notable developments among the major economies were a near-stalling of factory growth in the UK, where Brexit issues exacerbated the impact of a third national lockdown, and a marked slowing in China, where output showed the smallest rise since April. Japan slipped further into decline, linked in part to tighter COVID-19 restrictions, but in contrast the rest of Asia saw the fastest factory growth since April 2011.



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.

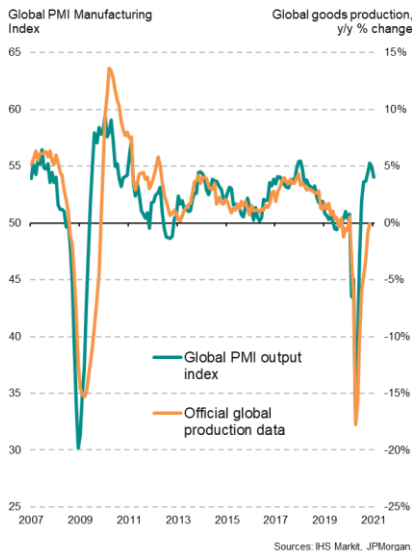
Global exports close to stalling

An area of concern is export growth, which came close to stalling worldwide after four months of expansion, suggesting that trade has become less of a driving force for the global manufacturing economy. However, much of the weakening export performance could be attributable to mainland China, where goods exports fell for the first time since July, dropping at the sharpest rate since last June.

China's export decline contrasted with surging exports in Germany, Taiwan and the Netherlands, and more subdued but still notably strong growth in the US and India. Excluding China, global export growth even picked up a little speed in January, showing the second-steepest rise in 32 months and presenting a more encouraging picture of global trade flows.

Some of the slowdown in goods trade was also a symptom of supply chain delays and shortages, which remained widespread in January, adversely affecting input buying as well as exports of finished goods.

Global factory output



Sources: IHS Markit, JPMorgan.

Global goods exports



Sources: IHS Markit, CPB World Trade Monitor.

China's goods exports



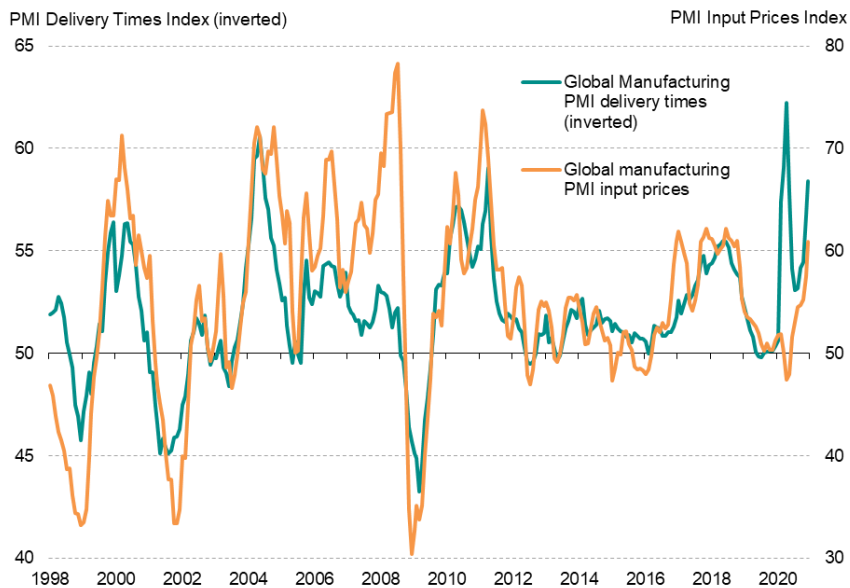
Sources: IHS Markit, Caixin, JPMorgan.

Prices charged for goods rise at fastest rates in a decade

With the exception of the supply delays seen at the height of the pandemic in March and April, and the Fukushima incident in 2011, global supply chain delays in January were the highest since 2004. Lead times for inputs lengthened in all countries surveyed with the exception of Thailand. Companies commonly reported a lack of shipping capacity, including a shortage of containers, and frequently reported bottlenecks as suppliers and logistics firms struggled to meet rising demand at a time of ongoing COVID-19 restrictions.

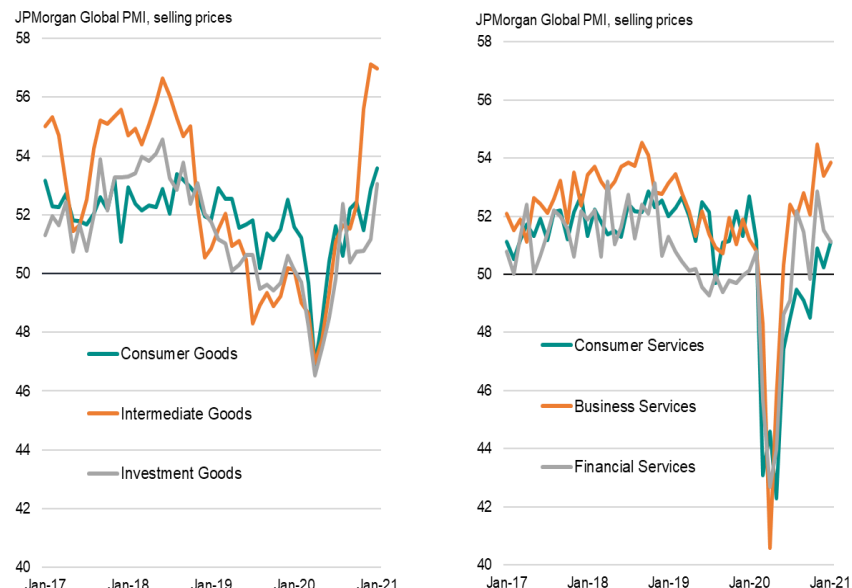
A consequence of supply shortages was further upward pressure on prices. Manufacturers' average input prices rose globally in January at the fastest pace since May 2011. Prices have now risen at an increasing rate over the past seven months, having fallen briefly between April and May amid the slump in demand caused by pandemic-related shutdowns. Price hikes were mainly attributed to increased pricing power among suppliers, shipping surcharges and PPE costs. Rising cost pressures fed through to the strongest increase in prices charged at the factory gate for almost a decade, and also showed signs of feeding through to some services.

Global PMI prices and supply pressures



Sources: IHS Markit, JPMorgan.

Global prices by type of good/service



Sources: IHS Markit, JPMorgan.

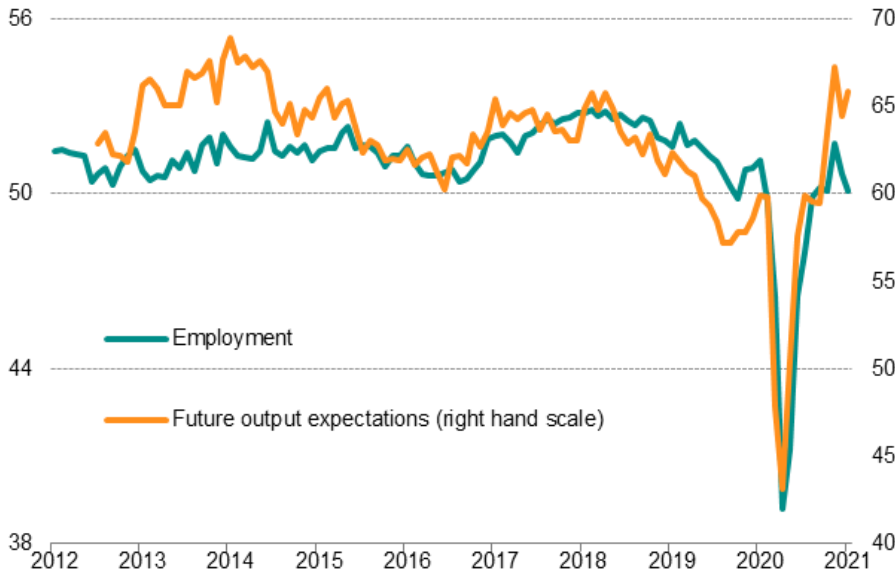
Global employment stalled but investment still rising

Business sentiment about prospects for the year ahead remained upbeat in January, and close to a seven-year high globally, as firms continued to focus on the prospect of life returning to normal over the course of 2021 and vaccine roll-out progress. However, rising near-term concerns over further waves of COVID-19 infections in many countries led to a pull-back in employment growth, which came close to stalling in January, albeit with marked variations. Robust job gains were seen in the US and Germany, but hiring waned in China and strong rates of job losses were seen in the UK, Spain and Italy, with more modest declines seen in Brazil, India and Japan .

Despite the near-term worries, improved year-ahead prospects helped sustain strong growth in demand for investment goods such as machinery and equipment, which bodes well for a sustained recovery in global investment spending in coming months and underscores our baseline forecast of the global economy seeing a slow start to 2021, then developing into a stronger second half of the year.

Global employment and future optimism

Global PMI (composite of manufacturing and services)



Source: IHS Markit, JPMorgan.

Business investment spending



Sources: IHS Markit, JPMorgan, World Bank

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

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