



IHS Markit™

# Global PMI

Global economic growth surges to 15-year high as COVID-19 lockdowns ease

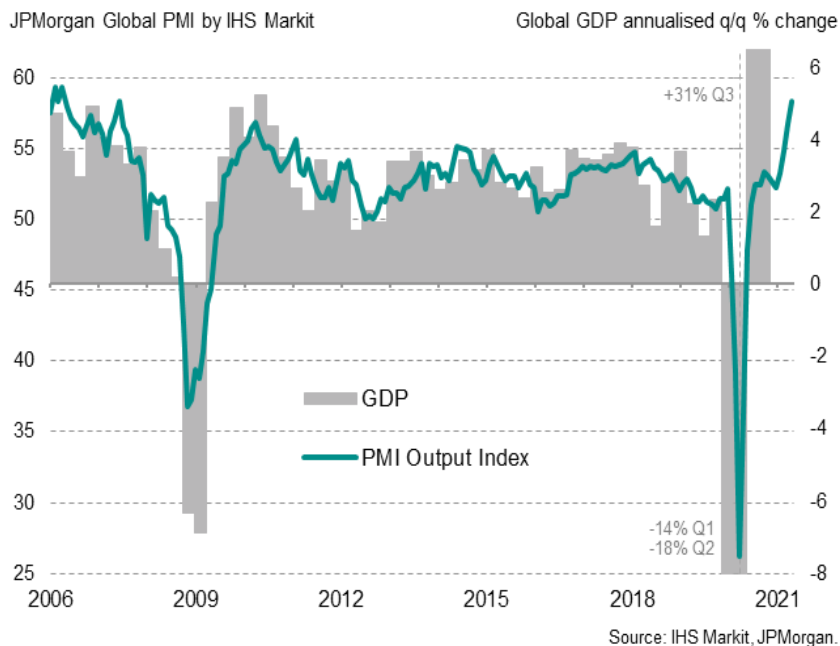
June 21st 2021

# Global PMI at 15-year high as COVID-19 restrictions ease

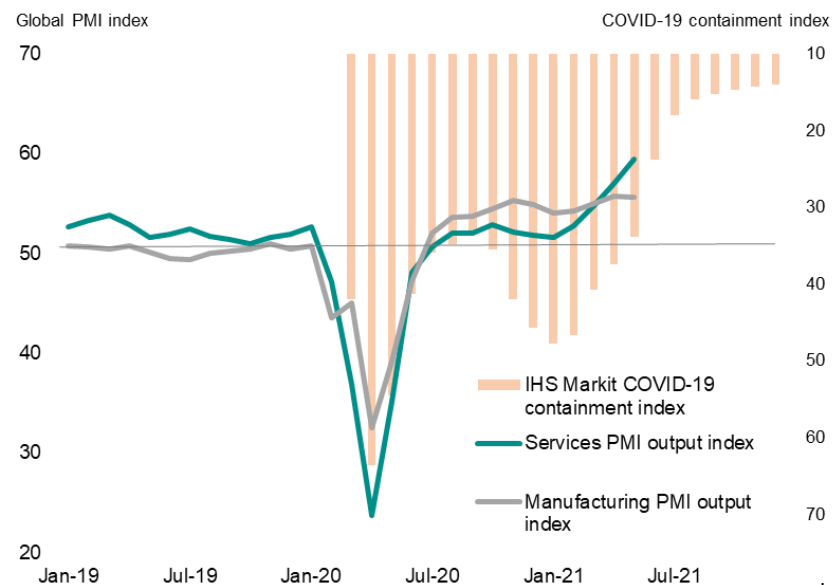
Global economic growth accelerated to the fastest for 15 years in May as economies continued to open up from COVID-19 related restrictions. At 58.4 in May, up from 56.7 in April, the JPMorgan Global PMI™ (compiled by IHS Markit) struck its highest since April 2006. The latest expansion took the recent run of growth into its eleventh consecutive month.

The acceleration in global growth was led by the service sector, which expanded at a rate not seen since 2006. Manufacturing also continued to expand at one of the strongest rates seen over the past decade, albeit losing slight momentum. The outperformance of the service sector so far in the second quarter has coincided with COVID-related restrictions easing globally to the lowest since last September. June is set to see these containment measures ease further to the lowest since the pandemic began. Manufacturing's relatively weaker performance was in part linked to supply chain delays.

## Global PMI\* output & economic growth



## Global PMI\* and COVID-19 containment

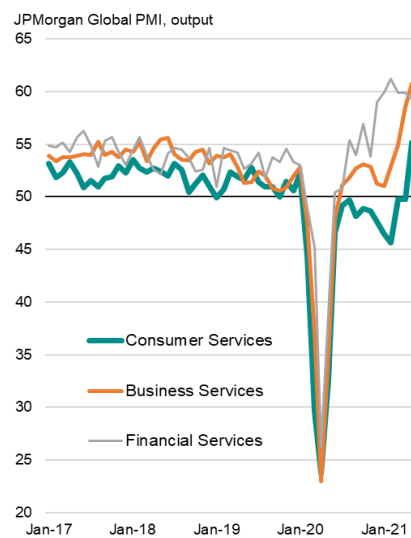
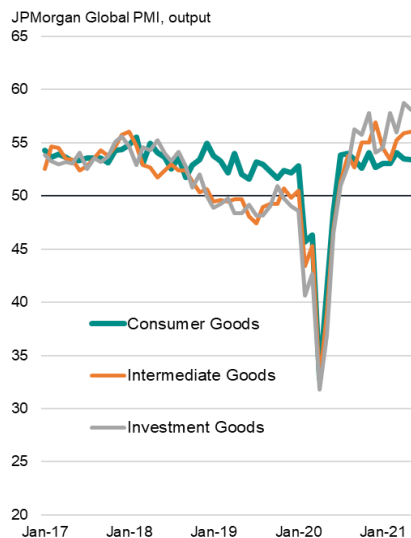


\* PMI shown is a GDP-weighted average of the survey manufacturing and services indices.

## Consumer and business services surge at unprecedented rates

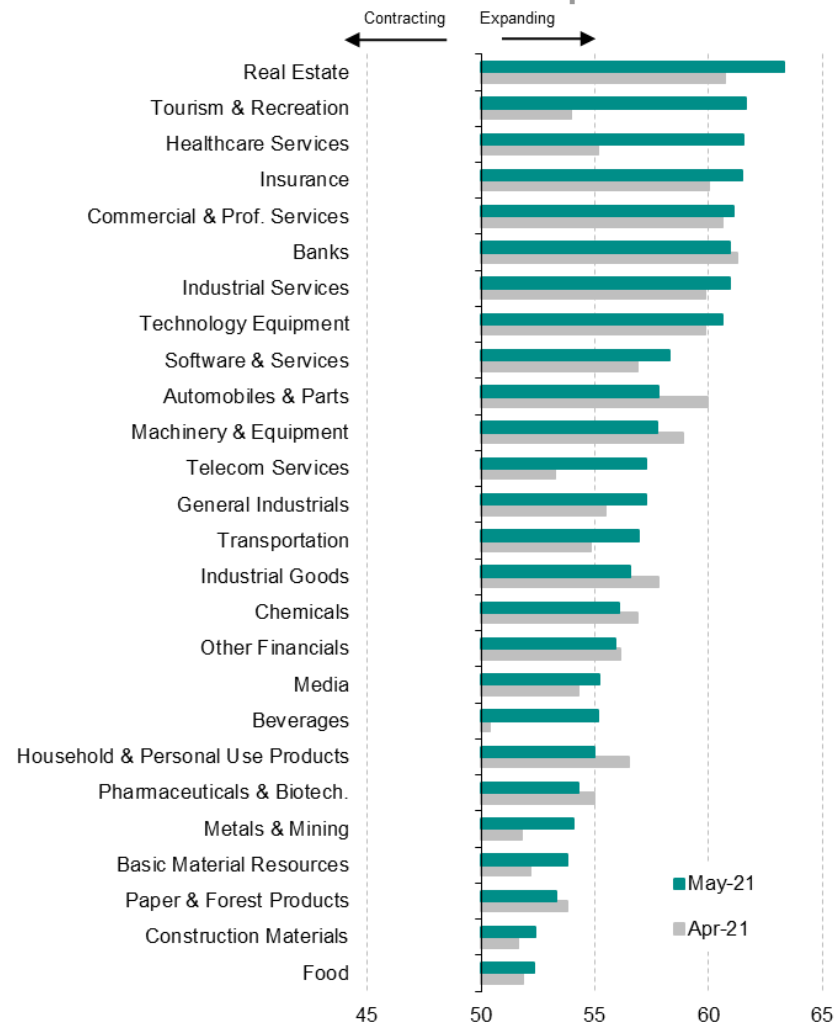
Of the 26 sub-sectors covered by the global PMI, the top seven were all service-related industries, led by real estate and tourism & recreation. The rise of the latter is a particularly encouraging sign of a post-pandemic recovery broadening out: this sector had been hardest hit in 2020. However, while the broader consumer services economy reported the strongest growth recorded since comparable global data were first available in 2009, business services saw an even stronger growth surge, likewise hitting a new record high.

All broad sectors of manufacturing meanwhile reported robust expansions, led by the investment goods sector, hinting at another encouraging increase in global capital spending.



Sources: IHS Markit, JPMorgan.

### Global Sector PMI Output Index



Source: IHS Markit

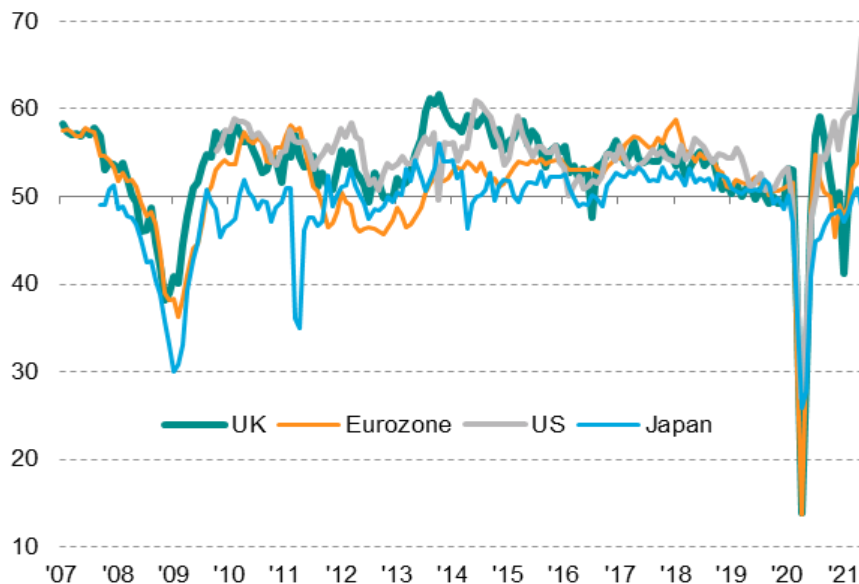
# US and UK enjoy record growth, eurozone revives, but Japan lags

A record expansion of output (by some margin) meant the US continued to lead the global upturn in May, adding to the likelihood of double-digit annualized GDP growth in the second quarter. The UK also reported unprecedented growth and the eurozone's recovery pace hit the highest for over three years, suggesting Europe's major economies will see strong second quarter GDP performances. Japan, in contrast, saw a renewed downturn in business activity, hinting at a renewed fall in GDP.

The growth variations were linked first and foremost to progress in tackling COVID-19. High vaccination rates (over 50% of the population) in the US and UK have helped these economies open up, while improving vaccination progress in the eurozone (with many of the large economies reaching around 30% vaccination rates) has allowed a similar revival of activity, notably in the service sector. In contrast, low vaccination progress and a further wave of COVID-19 infections in Japan meant fresh curbs on economic activity were imposed again, hitting the service sector in particular.

## Developed market PMI output, all sectors

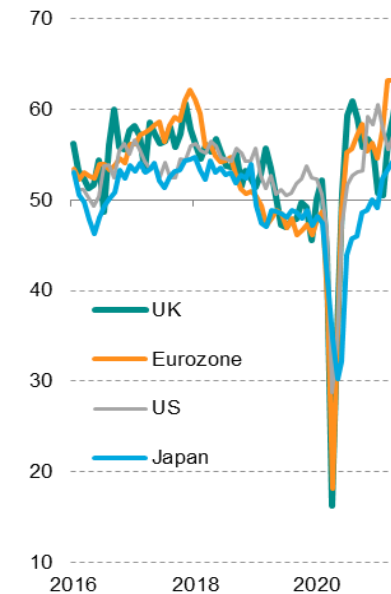
Composite PMI Output/Business Activity Index



Sources: IHS Markit, CIPS, au Jibun Bank

## Manufacturing

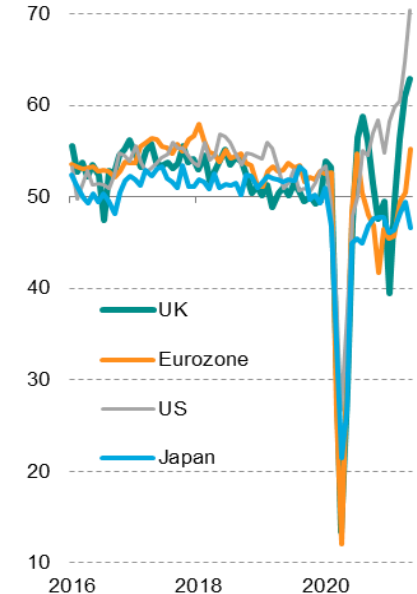
PMI Manufacturing Output Index



Sources: IHS Markit, au Jibun Bank

## Services

PMI Services Output Index



Sources: IHS Markit, au Jibun Bank

# India slides into decline to record worst expansion of the BRICs

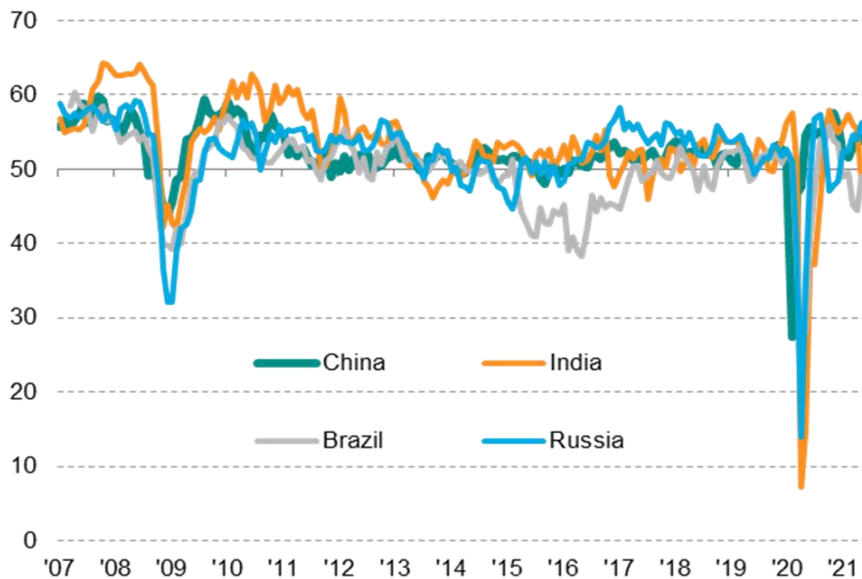
Looking at the four largest emerging markets, India suffered the largest deterioration in performance, with business activity sliding into contraction again as the country sought to quell an upsurge in COVID-19 infections. Services were especially affected as India's COVID-19 containment restrictions hit the tightest since May of last year. A further tightening of virus measures has been seen in June, which will likely suppress growth further and raising the risk of a sharp downturn in the economy in the second quarter.

Brazil's economy has also been hit hard by the pandemic so far this year, albeit showing some signs of stabilization in May thanks to resurgent manufacturing activity helping to offset a further service sector decline. The latter nevertheless means GDP is likely to have fallen again.

Similarly, growth moderated in China amid new virus-fighting restrictions, though second quarter growth so far remains stronger than seen in the first quarter, leaving Russia as the best performer of the BRICs in May.

## Emerging market PMI output, all sectors

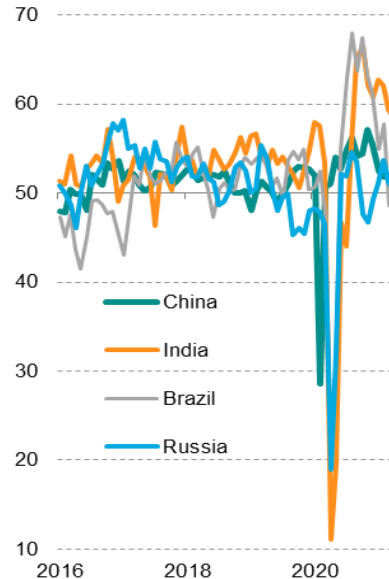
Composite PMI Output/Business Activity Index



Sources: IHS Markit, Caixin.

## Manufacturing

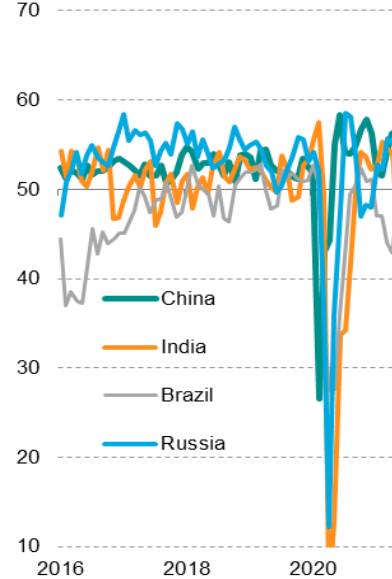
PMI Manufacturing Output Index



Sources: IHS Markit, Caixin.

## Services

PMI Services Output Index



Sources: IHS Markit, Caixin.

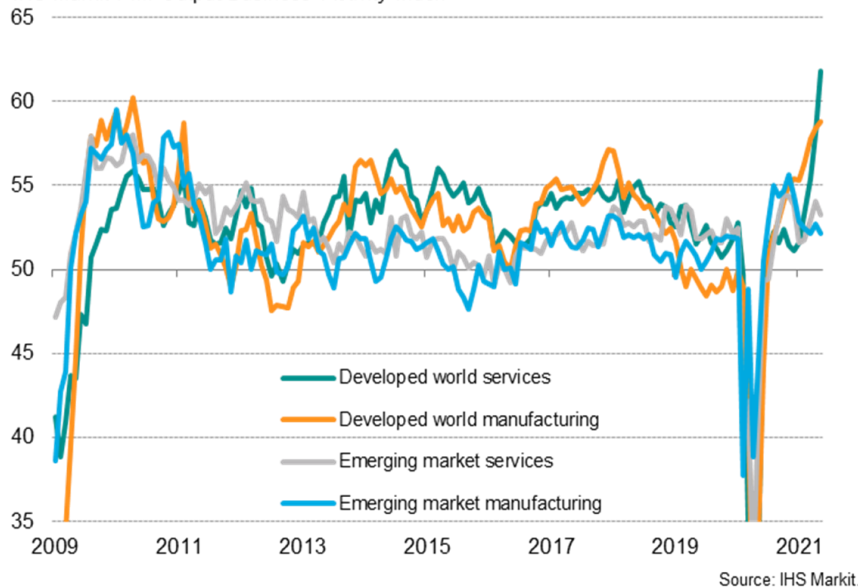
# Developed world outpaces emerging markets, as consumers diverge

Virus waves and vaccination trends led to a growing divergence between the developed and emerging markets. Near-record developed world service sector growth and manufacturing output expansion contrasted with far more modest – and slowing – rates of growth for both services and manufacturing across the emerging markets.

One of the major sources of economic divergence related to consumers. Looking at new orders placed at manufacturers of consumer goods and providers of consumer services, the PMIs show that growth of consumer demand in the US has vastly exceeded that seen in Asia and to a lesser extent Europe. Growth of new orders for consumer goods and services have hit new records by wide margins in the US, as loosening lockdowns have been turbocharged by unprecedented fiscal and monetary stimulus. Europe has also seen consumer goods demand hit a new 23-year high, though with services demand merely the highest since 2007. Consumer demand in Asia, in contrast, remains subdued, lacking any boosts from either lockdown easings or policy stimulus.

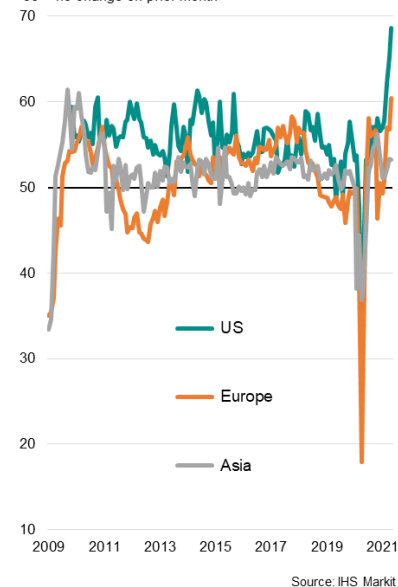
## Emerging v developed markets output

IHS Markit PMI Output/Business Activity Index

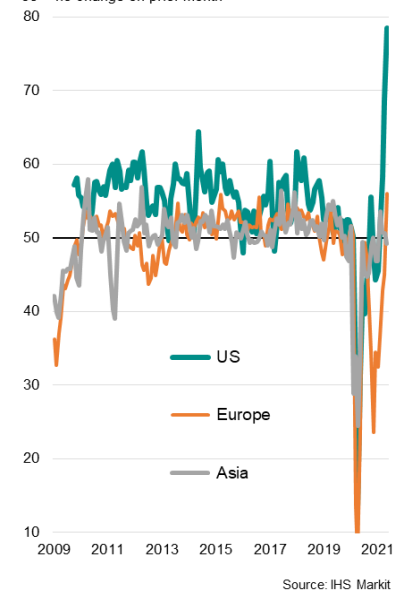


## Consumer industries new orders

Consumer Goods, New Orders Index, 50 = no change on prior month



Consumer Services, New Orders Index, 50 = no change on prior month



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



## Capacity indicators flash red

The PMIs provide various indicators which illustrate how companies have struggled to cope with the post-pandemic upturn in demand.

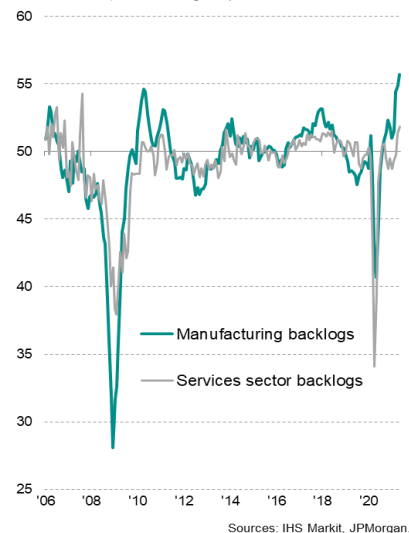
Backlogs of work (uncompleted orders) at factories rose globally in May at a near-survey record pace, with a further – though more muted – increase seen in the service sector.

Similarly, in manufacturing new orders growth has exceeded production to a near-record degree, underscoring the production shortfall relative to the recent surge in demand. This has been most evident for food, autos and timber products. The worst affected service sectors are telecoms, healthcare and tourism & recreation.

### Global capacity indicators

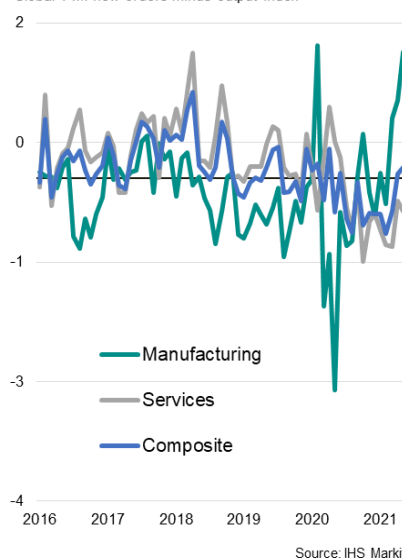
#### Backlogs of work

Global PMI Index, 50 = no change on prior month



#### Orders-output divergence

Global PMI new orders minus output index

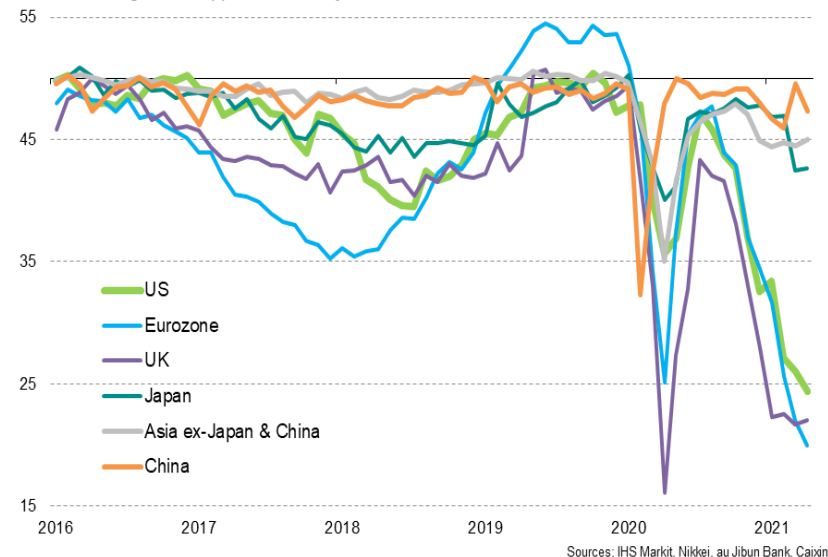


Average suppliers' delivery times meanwhile lengthened globally to the greatest degree in over 23 years, surpassing even the prior peak seen in the early stage of the pandemic when many factories (notably in mainland China) and shipping companies shut their operations. Supply delays are most common in Europe and North America. The imbalance of supply and demand since the pandemic has been exacerbated in May by an unprecedented number of companies building safety stocks, as well as an unprecedented reporting of transport shortages. Encouragingly for inflation, these factors should prove transitory.

### Supplier delivery times

(the lower the index below 50, the more supply delays are reported)

#### Manufacturing PMI, suppliers' delivery times



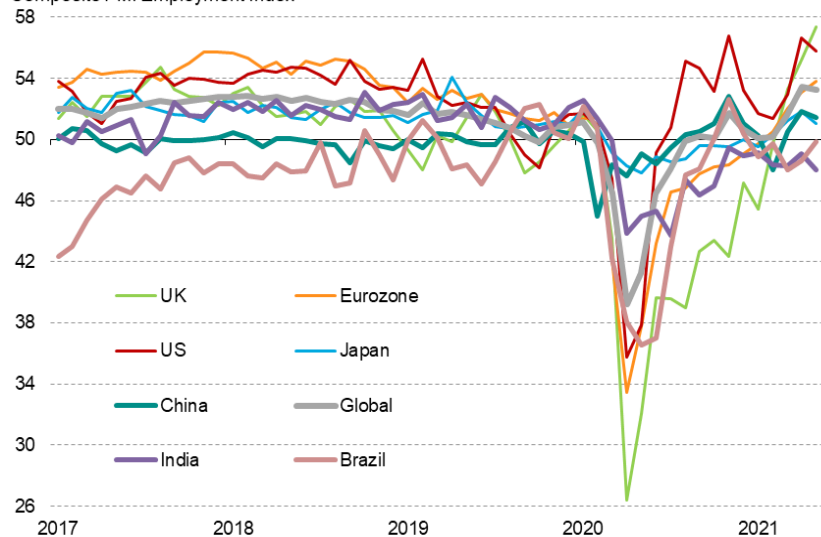
# Global jobs growth lags amid reports of staff shortages

Although growth of new orders accelerated globally in May to reach the highest since 2006, employment growth slowed marginally compared to April's 14-year peak. This divergence meant global employment growth lagged demand growth to the greatest extent since 2010. The US saw jobs growth lag demand to the far greatest extent of all major economies, in part due to an increased incidence of companies struggling to fill vacancies in both manufacturing and services. Notable shortfalls of employment relative to orders were also recorded in the service sectors of Italy, France and the UK, as well as the manufacturing sectors of the UK, Germany, France and Italy. By sector, jobs growth lagged demand to the greatest extent (by some margin) in tourism & recreation.

## PMI\* employment indices

Of the world's major economies, the UK reported the steepest rate of job creation in May, followed by the US, though the latter saw the pace of hiring moderate. India bucked the improving trend with a net loss of jobs and Brazil's payroll count stagnated.

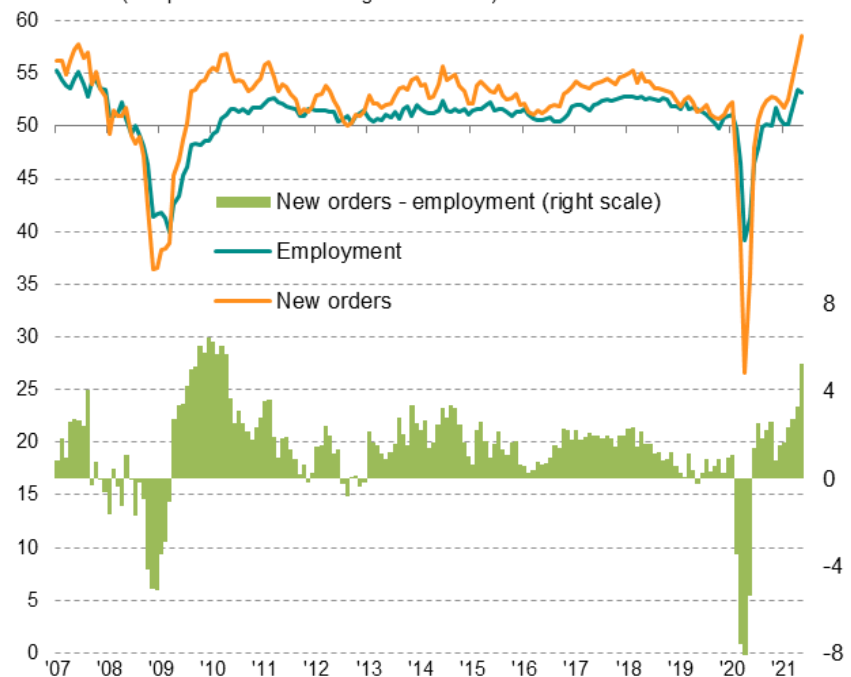
Composite PMI Employment Index



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

## Global order books and employment\*

Global PMI (composite of manufacturing and services)



Sources: IHS Markit, JPMorgan.

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

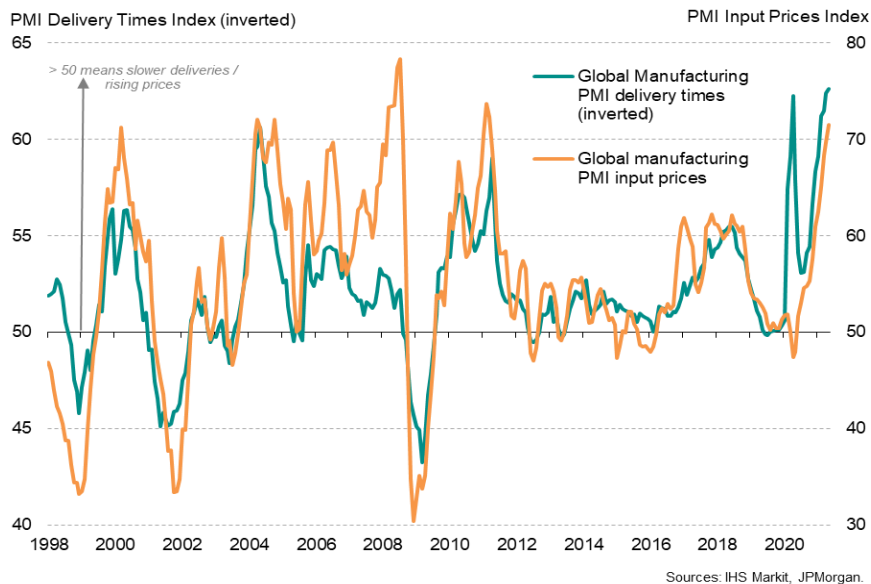


# Global cost inflation jumps to highest since 2008 in May

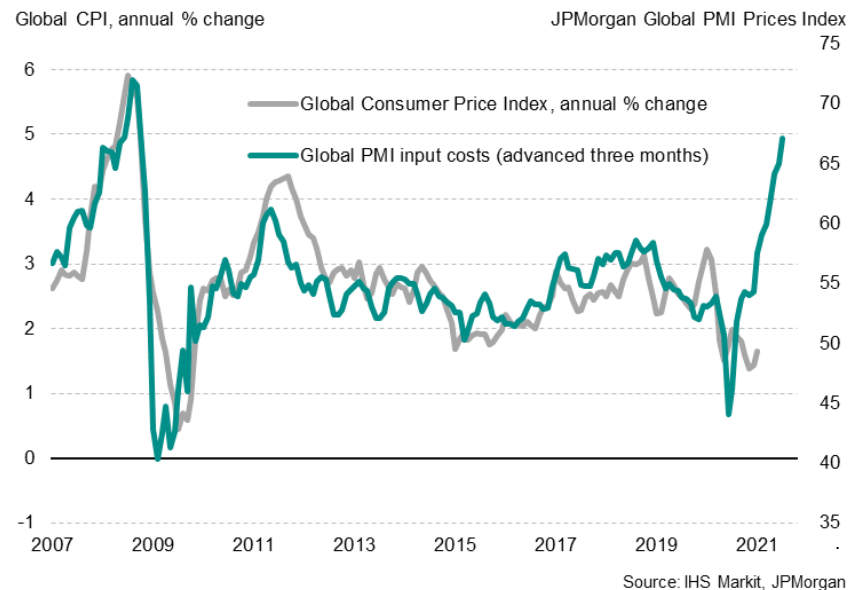
Record supply shortages and capacity constraints meant the global recovery continued to be accompanied by rising inflationary pressures. The PMI's composite input cost index covering both goods and service, hit 67.0, a level not previously breached since 2008. Cost pressures intensified in both sectors, though most notably in manufacturing. Firms increasingly sought to pass higher these costs on to customers to preserve margins, a process facilitated by the recent surge in demand for many products and services. Average prices charged by manufacturing and service sector firms consequently also rose globally at a rate not previously exceeded since comparable data for this series were compiled in 2009.

The worldwide PMI survey data therefore point to a sharp rise in consumer price inflation in the coming months. While some of this increase will reflect base effects, as prices for many goods and services fell sharply in the initial stages of the pandemic last year, it should be remembered that the PMI gauges are based on questions asking respondents to report month-on-month changes in variables, hinting a more fundamental broad-based upturn in inflationary pressures in recent months.

## Global supply constrains and prices



## Global PMI and inflation



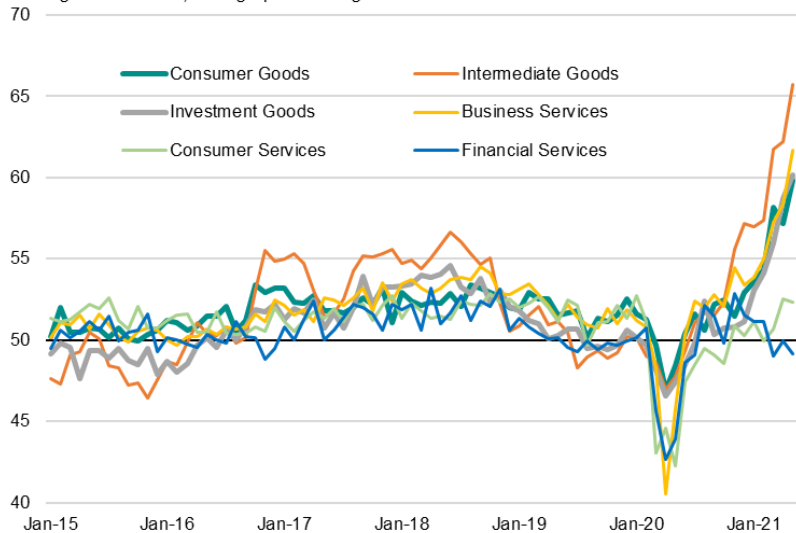
# New highs for price indices as US leads inflation surge

By far the highest global price pressures were recorded for intermediate goods – products supplied as inputs to other companies – which rose at the fastest rate yet recorded since data were first available in October 2009. New global PMI survey highs were also recorded for investment goods (such as machinery and equipment), consumer goods and business services.

Prices even continued to rise – albeit at a more subdued rate – in the consumer services sector, leaving financial services as the only major part of the global economy to report falling prices, often reflecting low borrowing costs.

## PMI prices charged, global sectors

JPMorgan Global PMI, average prices charged



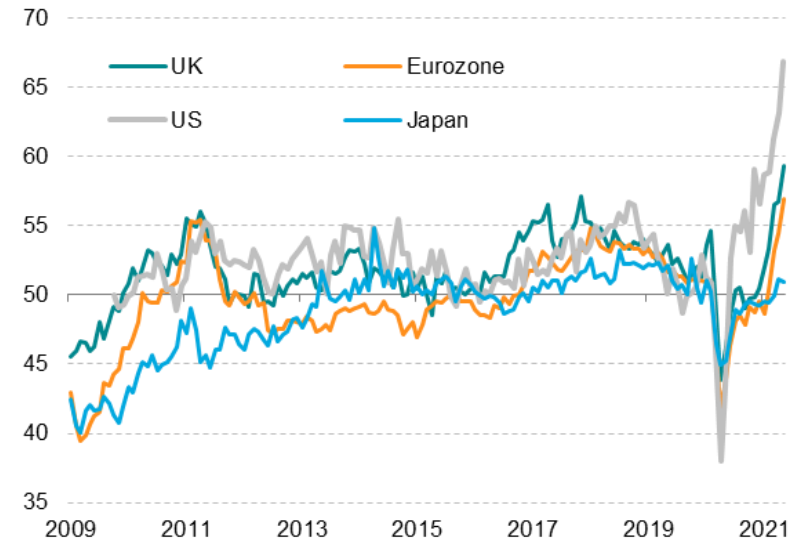
Source: IHS Markit, JPMorgan.

Among the major developed economies, by far the steepest increase in average selling prices for goods and services was again recorded in the US, where the PMI's Prices Charged Index surpassed all prior peaks by a substantial margin.

While the US is seeing the steepest price growth, higher inflation rates are also signalled for many other countries, notably the UK and the eurozone, where the composite Prices Charged Indexes surged to their highest in over 20 years. Selling prices meanwhile remained muted in Japan.

## PMI prices charged, main economies

Composite PMI Prices Charged Index



Sources: IHS Markit, CIPS, au Jibun Bank

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- **23<sup>rd</sup> June:** Flash PMIs (US, Eurozone, UK, Japan, Australia)
- **1<sup>st</sup> July:** Final Worldwide Manufacturing PMIs
- **5<sup>th</sup> July:** Final Worldwide Services PMIs
- **6<sup>th</sup> July:** Detailed Sector PMIs

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