



IHS Markit™

# Global PMI

Worldwide growth hits 27-month low

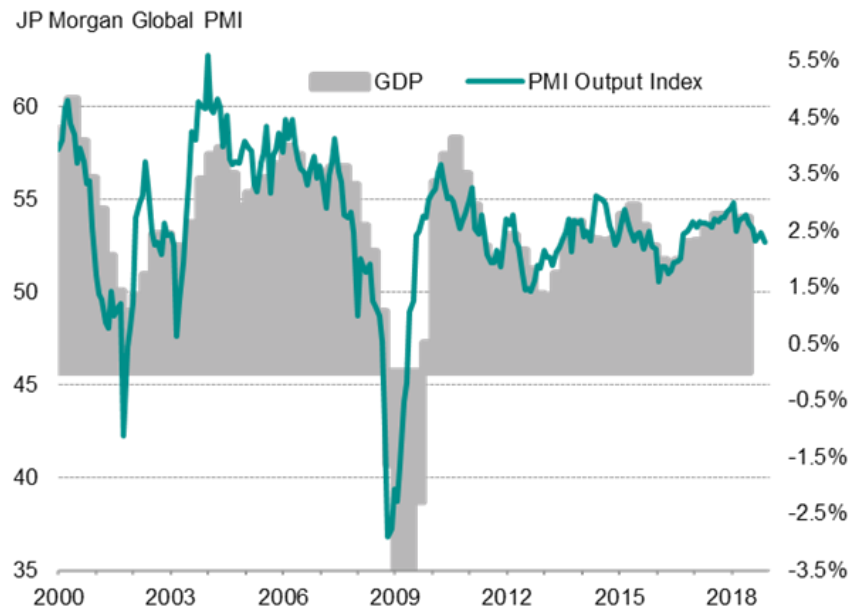
January 9<sup>th</sup> 2019

## Global PMI slips to 27-month low

The global economy ended 2018 on a disappointing note. The [JPMorgan Global PMI](#), compiled by IHS Markit, sank to its lowest for 27 months, extending a slowdown trend that has been evident throughout the past year. The latest reading is commensurate with worldwide GDP growth slowing close to 2%. Other indicators showed new order inflows at their lowest since September 2016 and job creation hitting a 20-month low. Optimism towards the year ahead meanwhile slipped to its weakest for two-and-a-half years, suggesting the slowdown has further to run.

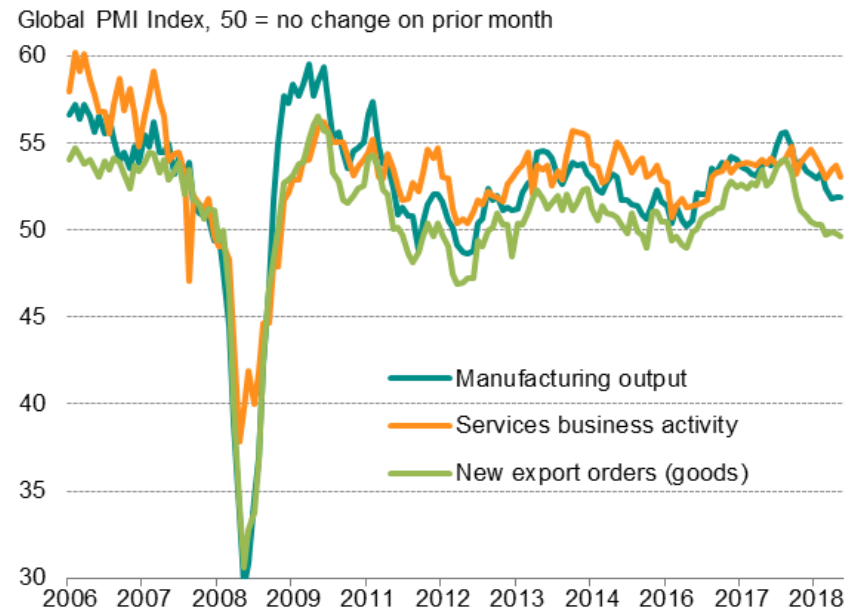
Deteriorating goods trade once again sat at the heart of the slowdown. Global goods exports dropped (albeit only modestly) for a fourth straight month to act as an ongoing drag on the manufacturing sector. Service sector growth remained more resilient, though also lost some momentum to register the second-smallest expansion of activity for just over two years.

### Global PMI\* output & economic growth



Sources: IHS Markit, JPMorgan.

### Global PMI indicators



Sources: IHS Markit, JPMorgan.

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

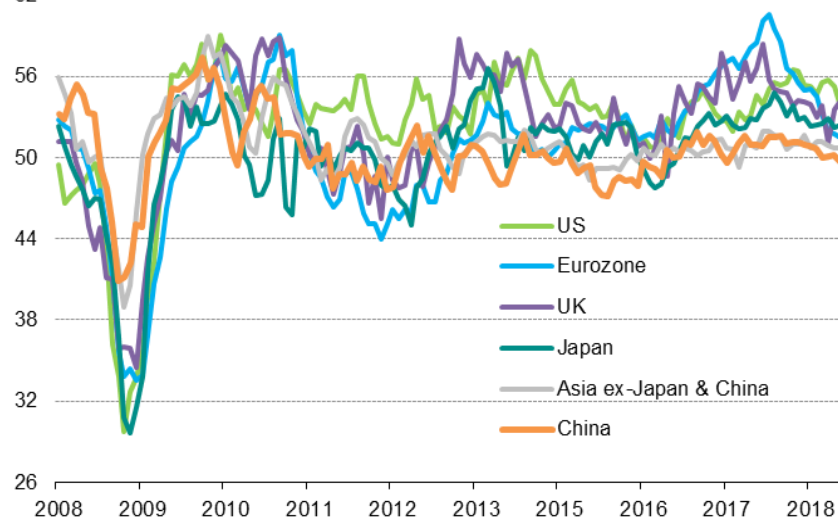
# One-in-three countries report manufacturing deterioration

Global manufacturing growth fell to its weakest for over two years at the end of 2018, according to the [JPMorgan Global Manufacturing PMI](#), compiled by IHS Markit, as the number of countries reporting deteriorating business conditions rose to one-in-three. By comparison, this time last year only one country (Colombia) reported a deterioration of business conditions.

The worst performance was again seen in Turkey, but China, France, Italy, the Czech Republic, Poland, Taiwan, Malaysia, South Korea and Mexico all also reported sub-50 PMI readings.

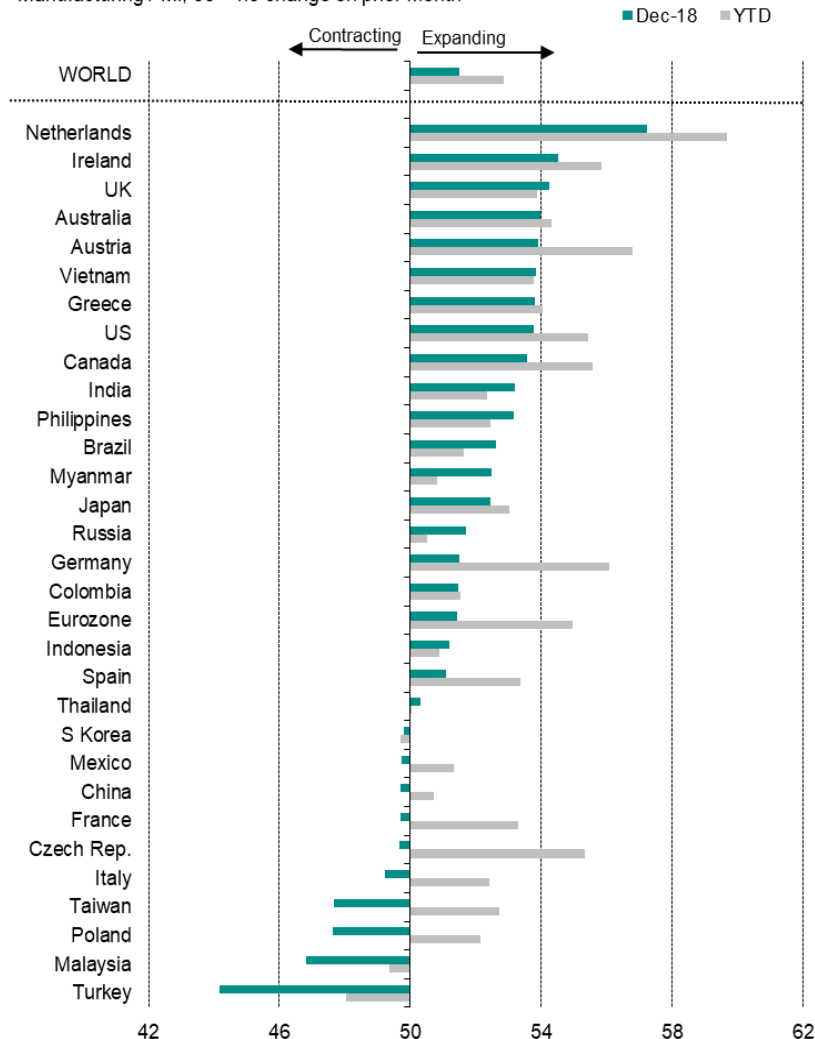
Growth remained resilient in a number of countries, with the Netherlands rising to the top of the PMI rankings, followed by Ireland and the UK.

Manufacturing PMI, 50 = no change on prior month



Source: IHS Markit, JPMorgan.

Manufacturing PMI, 50 = no change on prior month



Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, NEVI, Nikkei, BME, Bank Austria, Investec, AERCE, Caixin, HPI, CBA.

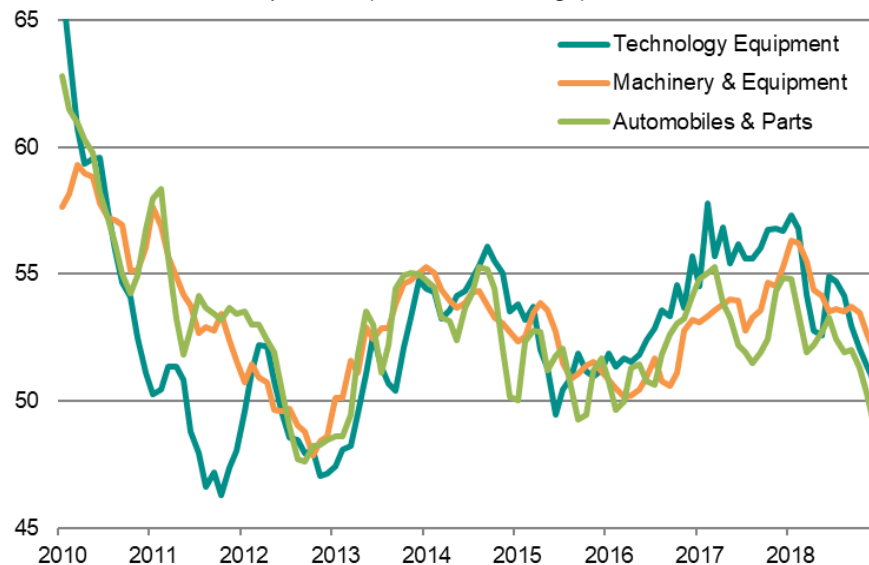
# Global indicators signal stagnant business equipment capex

Global [sector PMI data](#) showed typically 'defensive' sectors enjoying the strongest growth, including pharmaceuticals, insurance and food and drink. More cyclical sectors fared much worse, especially manufacturing and capex-related sectors. Metals, mining and basic resources – generalist sectors that are heavily depending on industrial growth – saw the steepest rates of decline of the 26 sectors monitored.

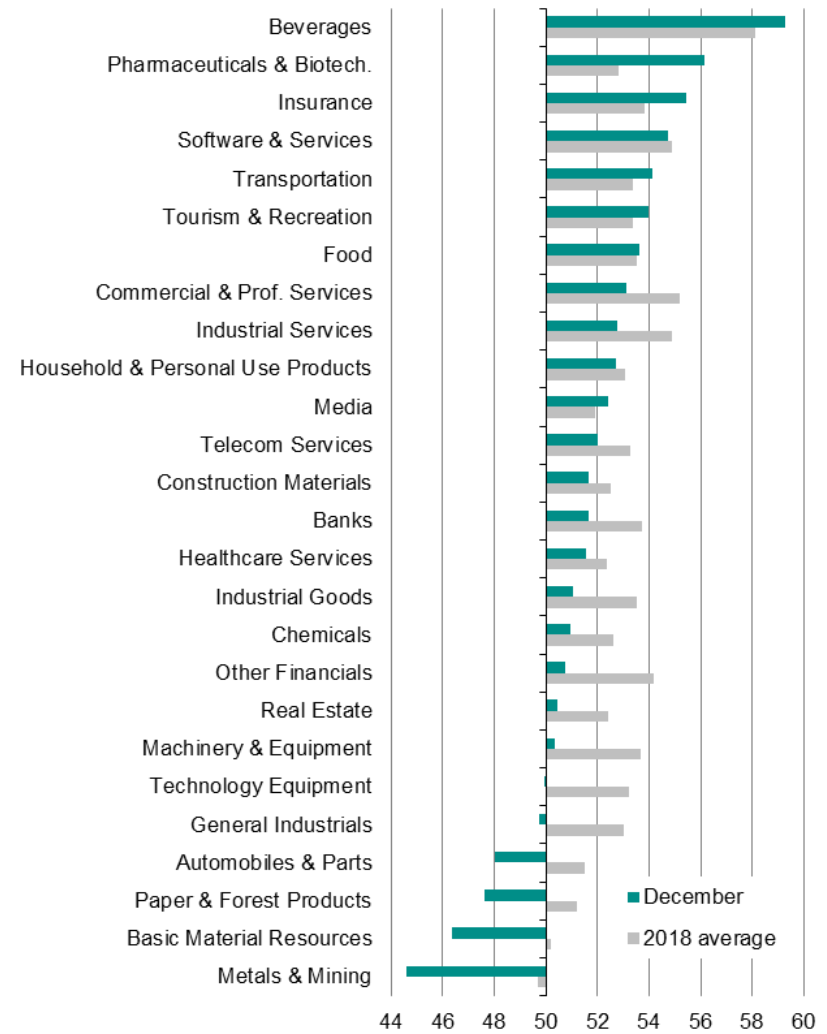
Auto makers meanwhile reported the largest drop in output for over three years, with an especially sharp fall [again seen in Europe](#).

Importantly from a global capex perspective, machinery & equipment makers and tech equipment producers saw growth trends continue to weaken, with both sectors at or near stagnation in December.

IHS Markit Global PMI Output Index (three-month average)



## Global Sector PMI Output Rankings



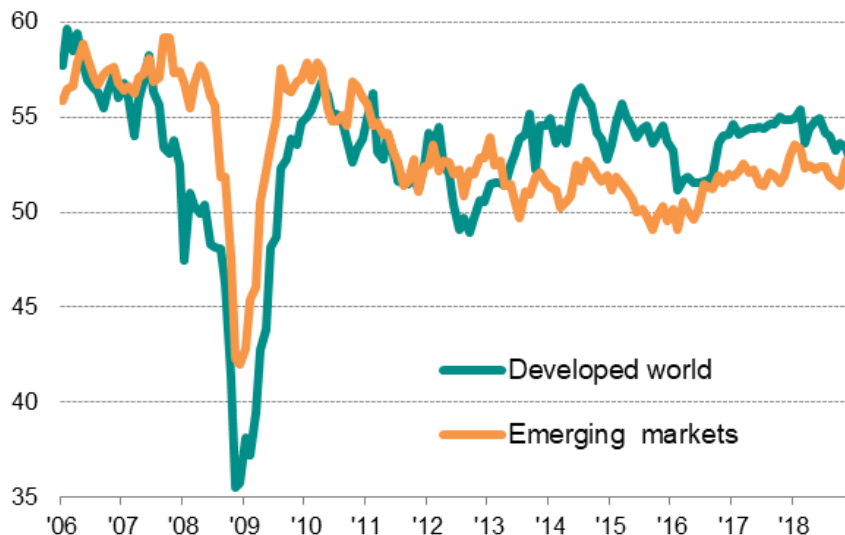
# Developed world growth wanes but US continues to lead

Developed world growth waned at the end of 2018 to its weakest since September 2016, continuing the slowdown seen since the start of the year. Emerging market growth remained more resilient, dipping only slightly from November's nine-month high. The gap between the outperformance of the developed world relative to emerging markets consequently narrowed to one of the smallest seen over the past five years.

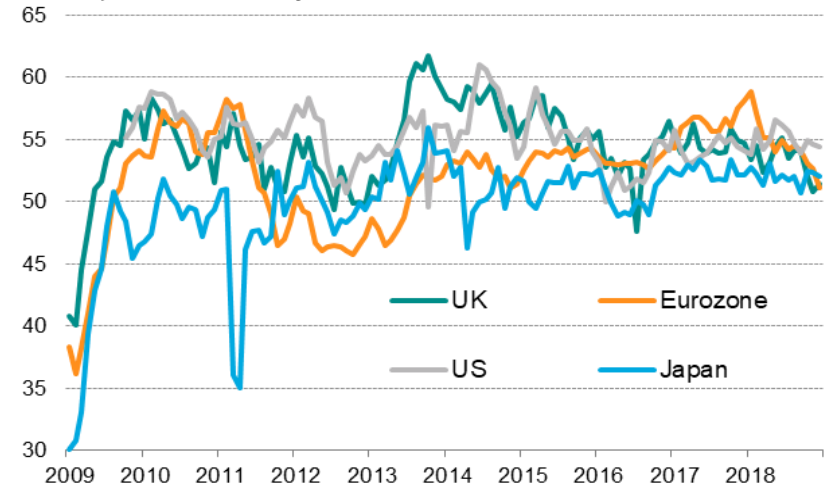
Among the major developed markets, the strongest expansion was again seen in the US while the eurozone and UK recorded especially modest rates of growth.

In the emerging markets, the strongest gains were seen in India and Russia, though both China and Brazil saw growth accelerate slightly.

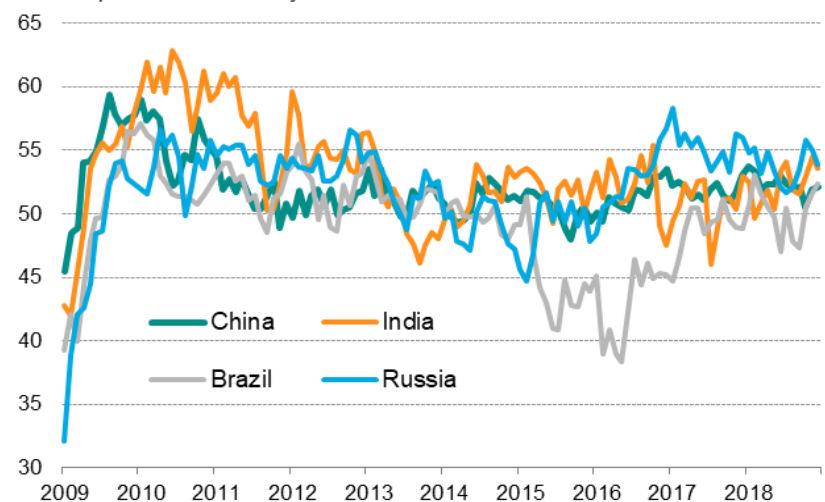
Global PMI Output/Business Activity Index



PMI Output/Business Activity Index



PMI Output/Business Activity Index



Sources: IHS Markit, CIPS, Caixin, Nikkei.

NB. All data refer to a GDP-weighted average of the PMI survey manufacturing and services indices.

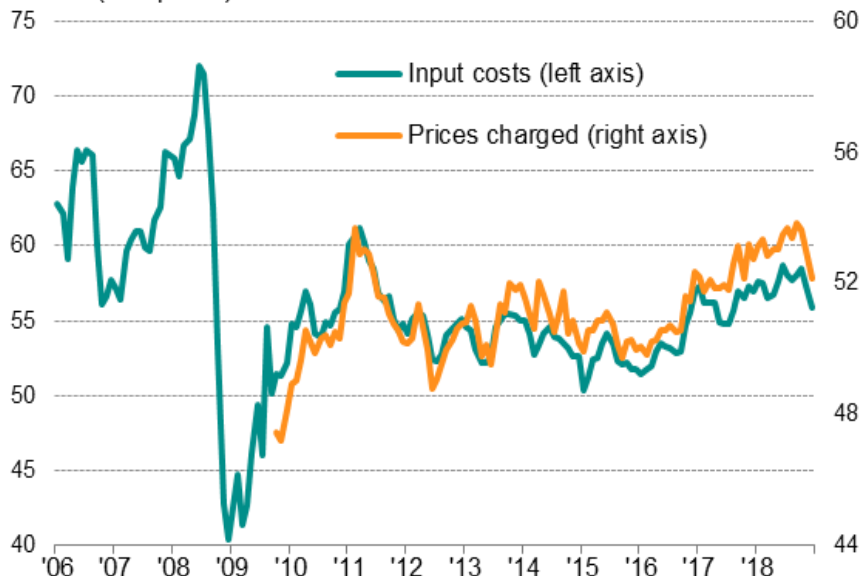
# Global price pressures ease, though UK bucks the trend

The December PMI surveys brought signs of global price pressures moderating further from post-global financial crisis highs earlier in the year. Average input costs rose globally at the slowest rate for 16 months, aided by weakened oil prices in particular, as well as signs of demand and supply coming back into balance. Widespread shortages of key inputs had led to price hikes earlier in the year. However, tariffs were once again reported to have pushed prices up. Average global selling prices for goods and services meanwhile rose at the slowest rate for nearly one-and-a-half years, generally reflecting signs of easing cost pressures.

Looking at price trends in the largest developed economies, the UK overtook the US in reporting the strongest increase in selling prices, linked to the depreciation of the pound and signs of prices being hiked amid Brexit-related stock-piling.

## Global PMI\* price indices

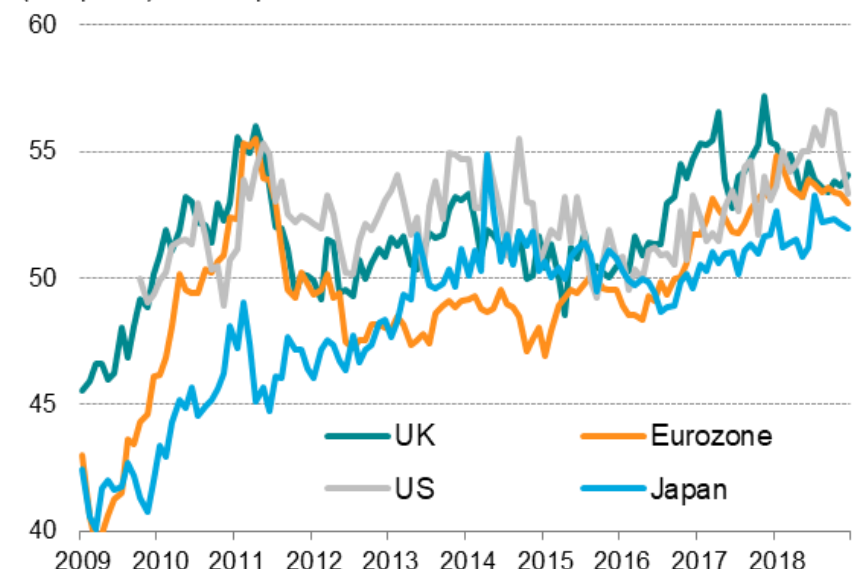
Global (Composite) PMI Price Indices



Sources: IHS Markit, JPMorgan.

## Global PMI\* price indices

(Composite) PMI Output Price Indices



Source: IHS Markit, CIPS, Nikkei.

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

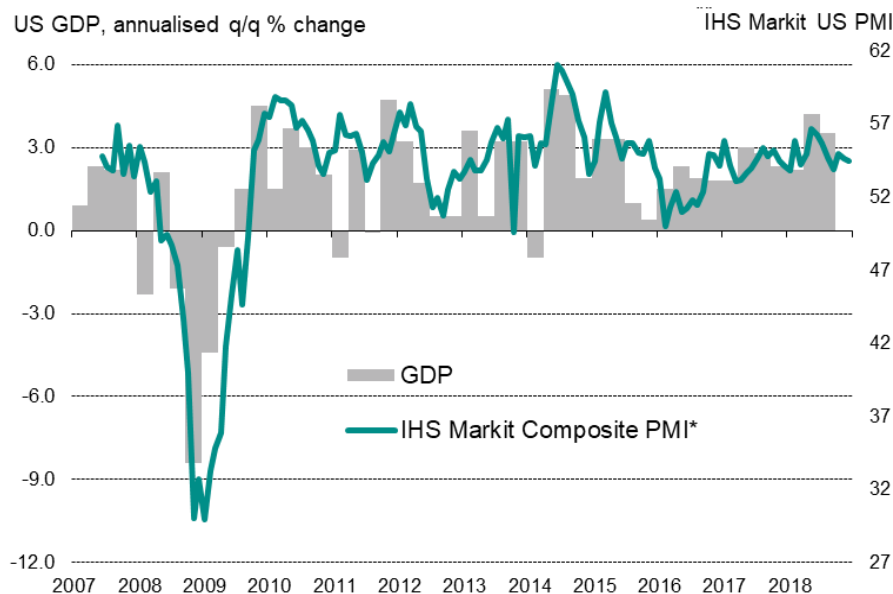


# US economy resilient in December, but shows signs of cooling

IHS Markit's US PMI surveys remained consistent with GDP growing at a healthy annualised rate of about 2.5% in Q4, albeit with the December surveys indicating that momentum eased slightly as the quarter proceeded. Growth may continue to moderate in coming months, however, as backlogs of unfinished work across the manufacturing and service sectors failed to rise for the first time since June 2017, reflecting a slowing in growth of new business to the joint-lowest in 20 months. Firms' expectations of growth in the coming year also deteriorated markedly, down to the second-lowest in over two years, adding to the gloomier outlook.

Although easing, jobs growth also remained strong, driven mainly by increased service sector employment. Inflationary forces meanwhile cooled as lower oil prices alleviated upward pressures from tariffs and, to a lesser extent, wages. Average prices charged for goods and services rose at the slowest rate for a year in December, which should feed through to lower consumer inflation in coming months.

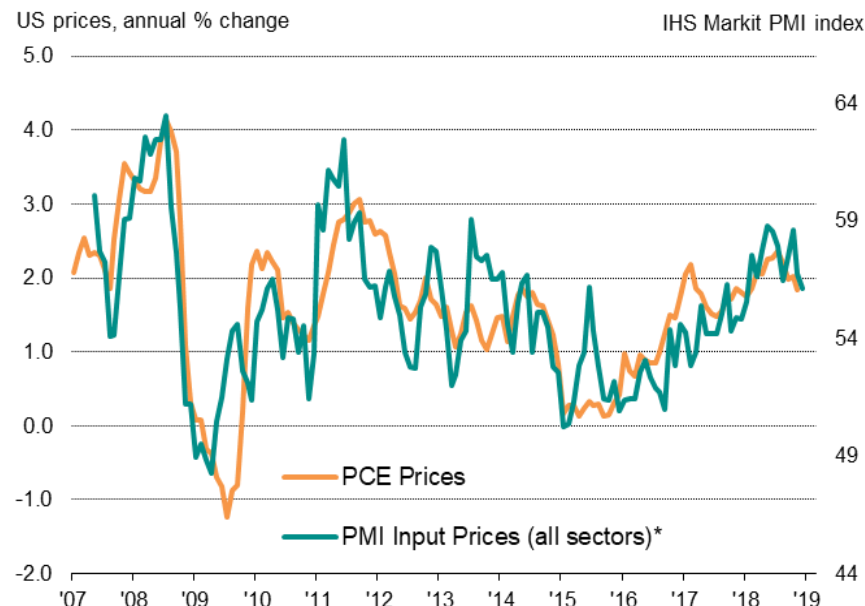
## US economic growth and the PMI\*\*



\* Manufacturing PMI only pre-October 2009.

Source: IHS Markit.

## US prices



Sources: IHS Markit, U.S. Federal Reserve.

\*Manufacturing PMI only pre-October 2009

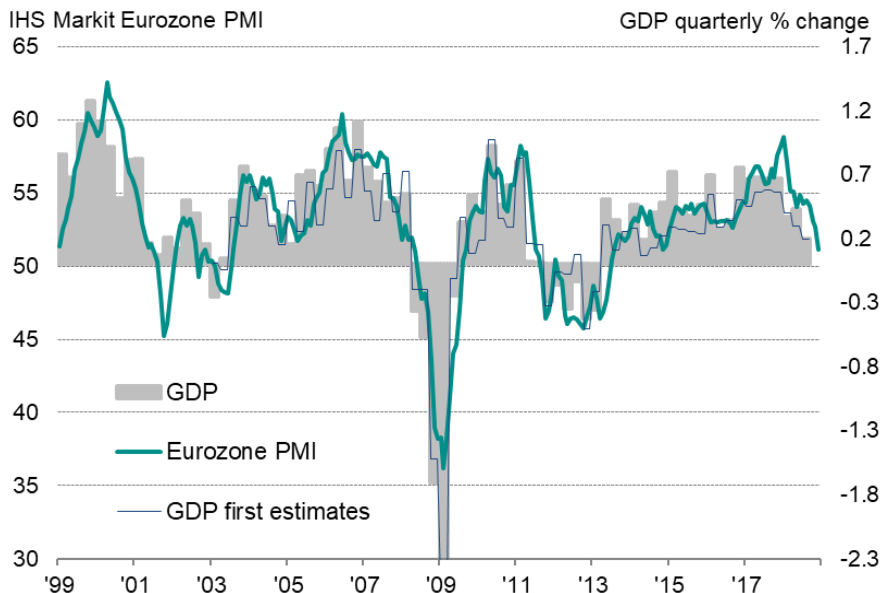
\*\* PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

# Eurozone reports worst expansion for over 4 years

The eurozone economy moved down another gear at the end of 2018, with growth having collapsed since the boom at the start of the year. The [December PMI](#) showed business activity growing at the joint-weakest rate seen for nearly 5½ years as inflows of new work barely rose. Back orders fell for the first time in nearly four years, boding ill for job creation and expansion in coming months. The data are consistent with eurozone GDP rising by just under 0.3% in Q4, with quarterly growth momentum slowing to 0.15% in December.

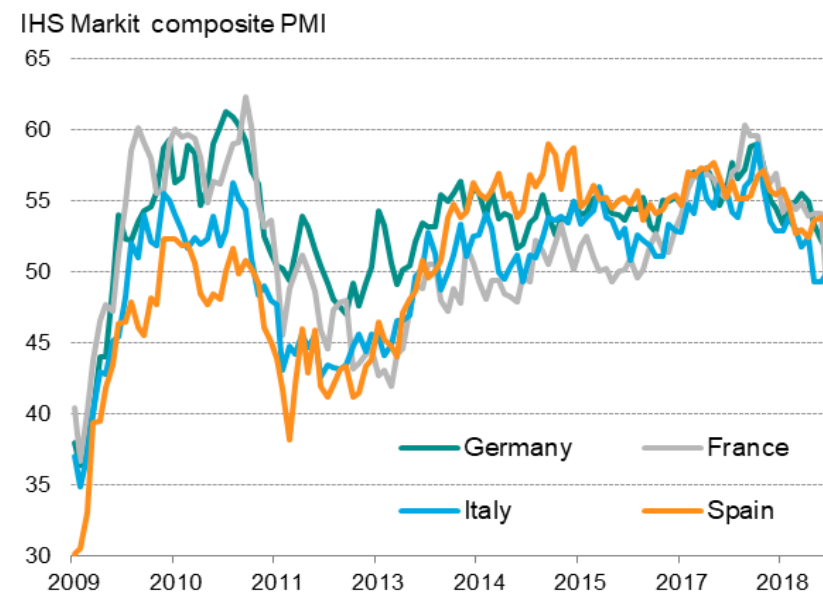
A drop in business activity in France for the first time in 2½ years could be partly blamed on ‘yellow vest’ protests, but the rest of the region lacked any such mitigating factors, albeit with ongoing weakness of the autos sector hopefully representing a temporary setback. German businesses reported the weakest performance for 5½ years, Italian output stagnated after two months of contraction and growth moderated in Spain, having already slowed sharply since earlier in the year.

## Eurozone economic growth and PMI\*



Source: IHS Markit, Eurostat.

## Eurozone ‘big-four’ output\*



Sources: IHS Markit.

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

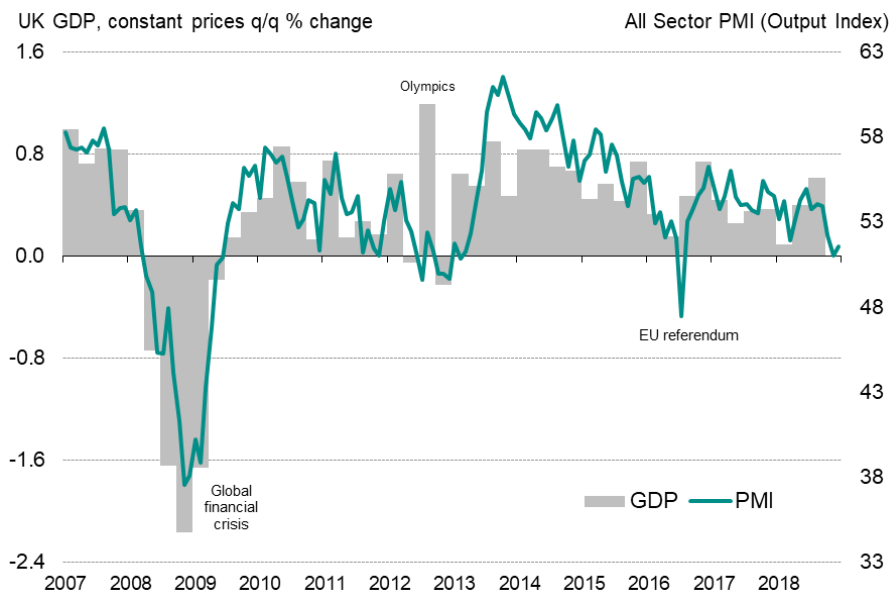


# UK growth running close to five-year low at end of 2018

A slight upturn in the pace of UK economic growth signalled by the [December PMI surveys](#) failed to prevent the economy from suffering one of its most disappointing expansions since early-2013. Increased preparations for a potentially disruptive 'no deal' Brexit provided a temporary boost to both output and order books, but heightened Brexit uncertainty continued to compound a broader economic slowdown. At 51.6, the IHS Markit/CIPS 'all-sector' PMI rose from 51.0 in November, but that was still the second-lowest reading since July 2016 and indicative of the economy growing just 0.1% in Q4.

Expectations of output in the year ahead were the third-lowest since comparable data were first available in 2012 (measured across all three sectors). Companies generally attributed disappointing output and order book trends, and the darker outlook, to heightened Brexit uncertainty, which had curtailed business investment and spending, as well as dented consumer confidence.

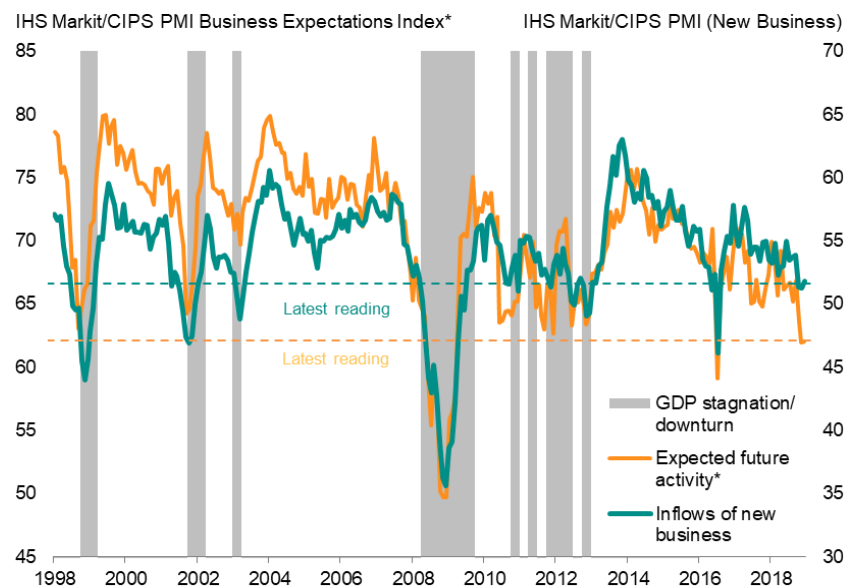
## UK PMI\* and GDP



Sources: IHS Markit, CIPS, ONS.

\*PMI shown above is a GDP weighted average of the manufacturing, services and construction indices.

## UK PMI forward-looking indicators



Sources: IHS Markit, CIPS, ONS.

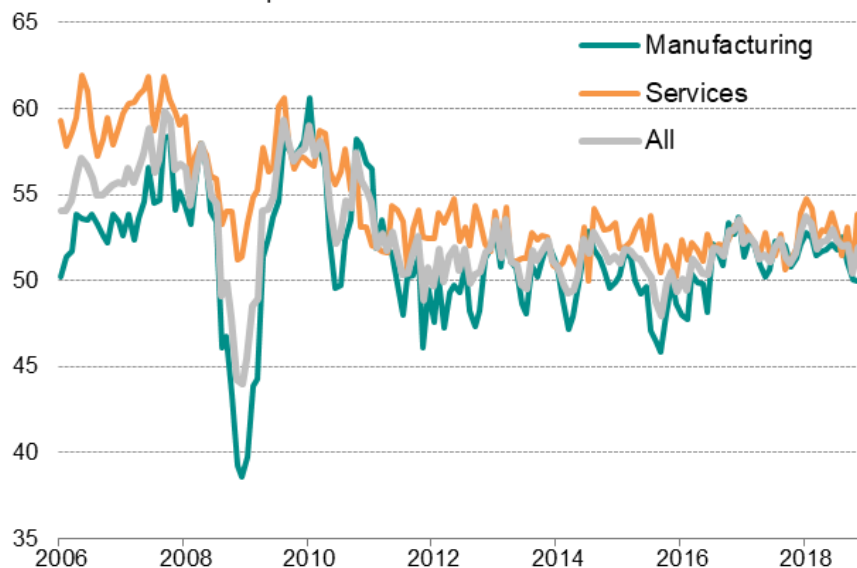
# Service sector boosts China PMI, price pressures cool

Faster economic growth was signalled in China during December, albeit with divergent growth trends by sector. The [Caixin Composite PMI™](#) rose to a five-month high of 52.2, though the rise failed to prevent the average expansion in Q4 slipping to the lowest for one-and-a-half years. Although the headline Manufacturing PMI fell below 50 for the first time in 19 months, indicating a deterioration of business conditions, there was better news from the service sector, where business activity grew at the fastest rate since June to highlight one of the best growth spells that the tertiary sector has witnessed over the past four years. Much of the weakness in manufacturing reflected a further drop in exports, which declined for a ninth straight month.

Divergent trends were also seen for prices: factory input costs fell for the first time since May 2017 as demand for inputs softened, but service sector cost inflation remained solid. Overall input cost inflation nevertheless fell to the joint-lowest for two-and-a-half years.

## China PMI output indices

Caixin China PMI Output Index

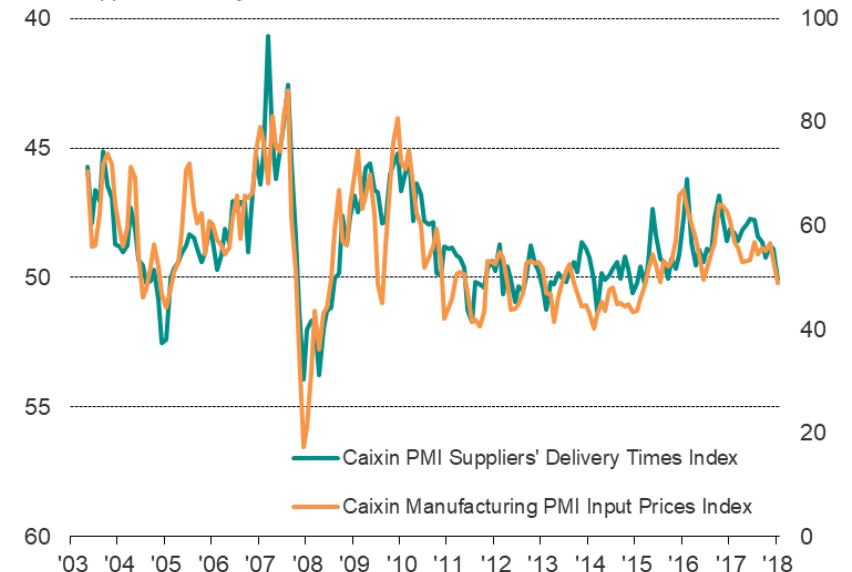


Sources: IHS Markit, Caixin.

## China PMI industrial price pressures

PMI Supplier Delivery Times

PMI Prices Index



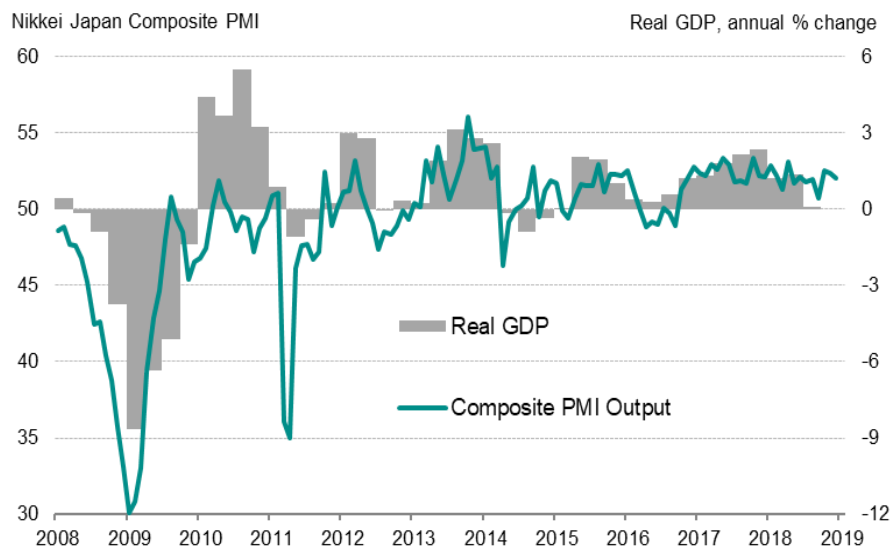
Sources: IHS Markit, Caixin.

# Japan enjoys solid Q4 but PMI hints at export-led slowdown

The Japanese economy continued to demonstrate underlying resilience at the end of 2018 despite recent natural disasters and global trade tensions, according to the [December Nikkei PMI](#). At 52.0 the PMI indicated a modest improvement in business conditions, similar to recent months and extending the current upturn to 27 months, the longest period of growth in the survey's history.

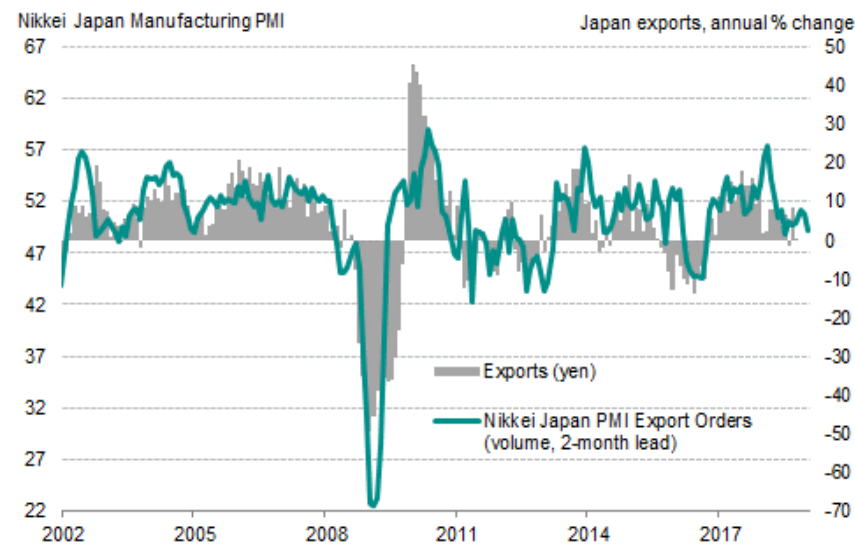
However, the survey brought signs of waning demand amid deteriorating global trade conditions. Order book growth was the weakest in five months, with a decline in new export business. Firms cited concerns that trade wars, an imminent hike in the consumption tax and ongoing shortages of materials - such as electrical components and steel - will weigh on output in the year ahead. The lack of any meaningful improvement in demand also constrained firms' ability to raise output charges, which may further delay the achievement of the Bank of Japan's 2% inflation target.

## Japan economic growth and the PMI\*



Sources: IHS Markit, Nikkei, Japan Cabinet Office.

## Japan manufacturing exports



Sources: IHS Markit, Nikkei, MOF.

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

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