



IHS Markit™

Global PMI

Global slowdown gathers pace at start of 2019

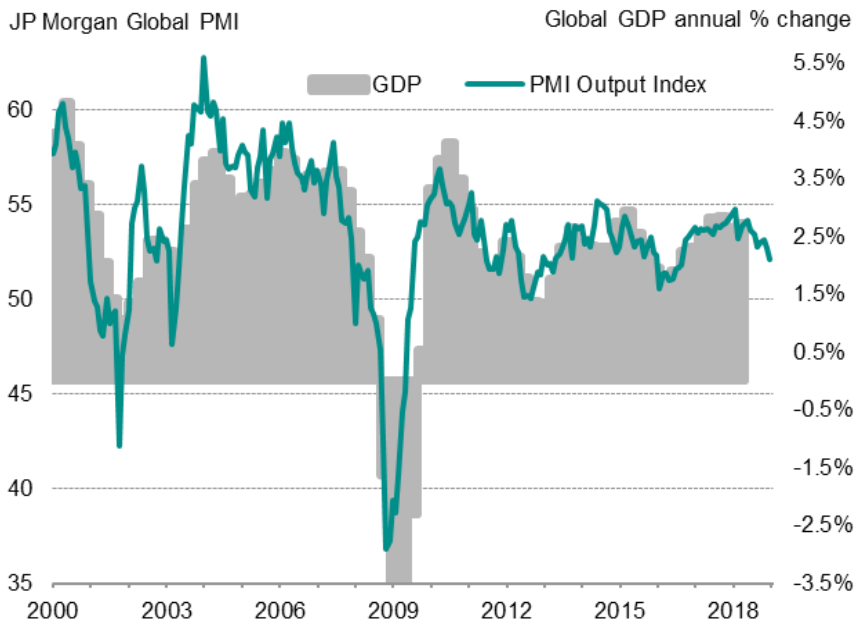
February 8th 2019

Global PMI starts 2019 at 28-month low

The global economy started 2019 with the weakest expansion since September 2016. The [JPMorgan Global PMI](#), compiled by IHS Markit, hit a 28-month low of 52.1, down from 52.7 in December, extending a slowdown that had been evident throughout 2018 into the new year. Manufacturing led the slowdown, with factory output growth easing to a 31-month low and slipping closer to stagnation amid an increased rate of decline in worldwide export volumes. However, the service sector likewise reported a weaker rate of expansion, showing the smallest gain since September 2016 as the slowdown broadened out and uncertainty spiked higher.

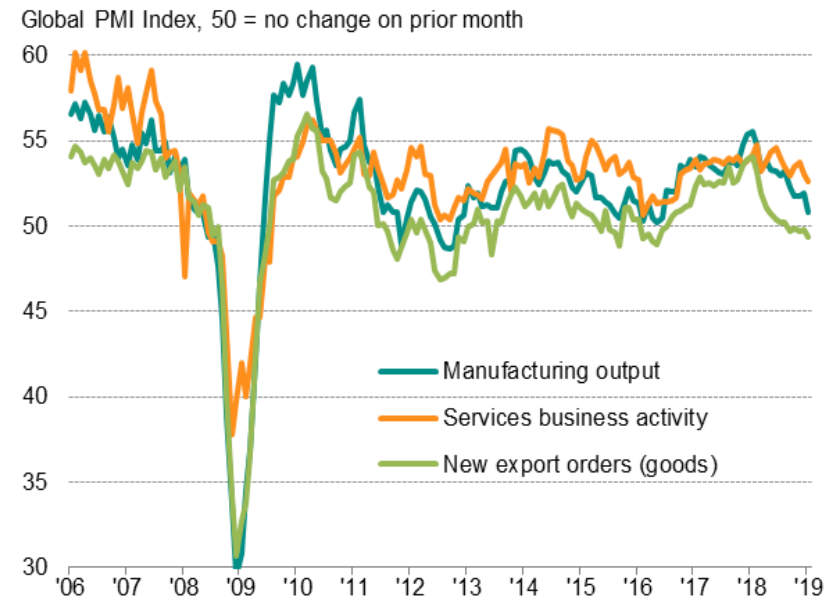
Other indicators showed new orders rising at the weakest rate since July 2016 and a second successive marginal decline in backlogs of work. Job creation hit a 21-month low as hiring slowed in response to the weakened order book trend. Optimism towards the year ahead meanwhile regained some ground from December's two-and-a-half year low, but remained subdued by recent standards.

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.

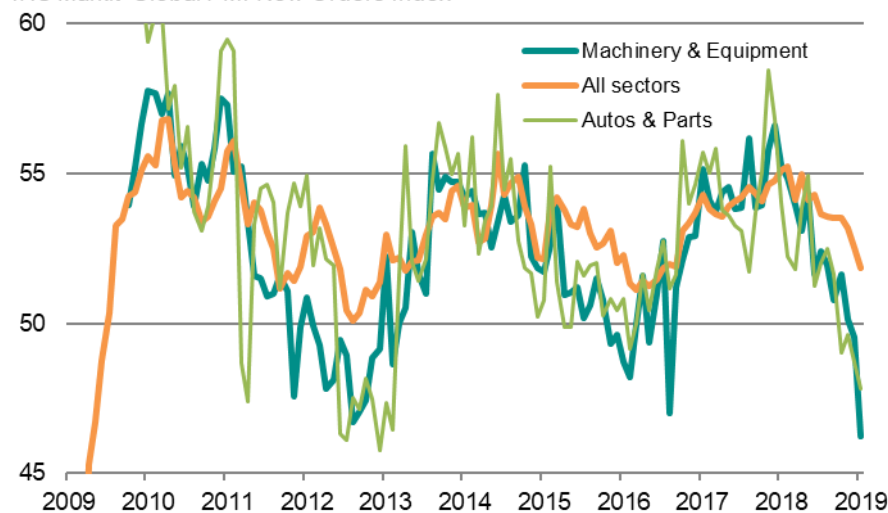
Global sector data hint at worst investment trend since 2009

Global [PMI data](#) showed nine of the 26 sectors in contraction at the start of 2019. By comparison, none were in decline this time last year. More cyclical sectors tended to fare worse, especially manufacturing and capex-related sectors. Metals, mining, basic resources and timber industries saw the steepest downturns but other notable sectors in contraction included autos and machinery and equipment.

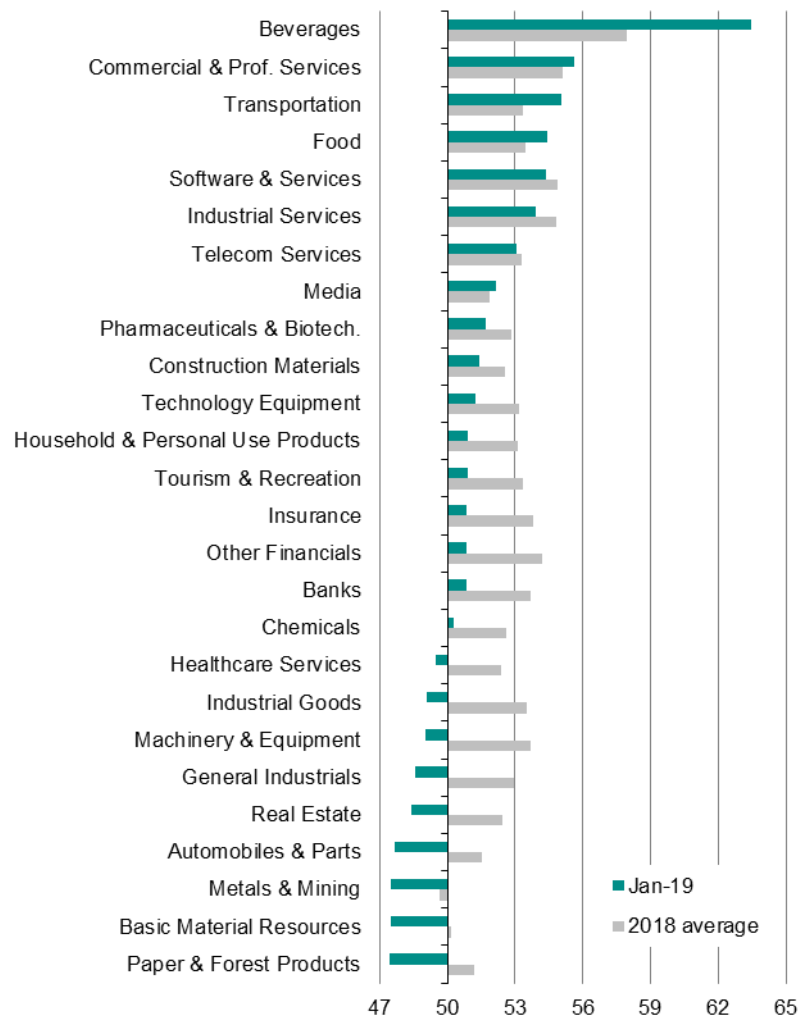
Auto makers reported the largest drop in output since August 2015, with production now having fallen for a fourth successive month. Worse may be to come, as new orders declined at the steepest rate for six years.

Machinery & equipment makers meanwhile reported the quickest drop in demand since comparable data were first available in 2009, hinting at reduced global business investment.

IHS Markit Global PMI New Orders Index



Global Sector PMI Output Rankings



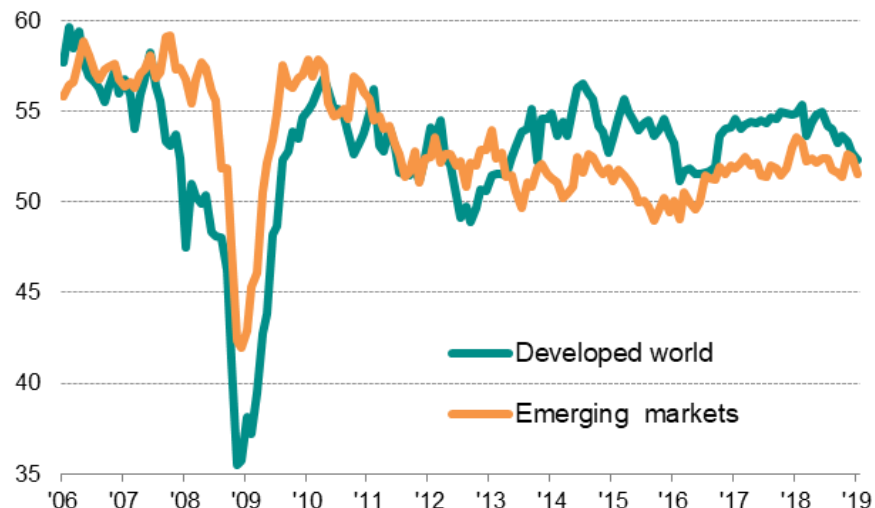
US and India see economic resilience amid global slowdown

Composite PMIs (covering manufacturing and services) indicated that growth slowed in all major developed and emerging economies with the exceptions of the US and India, both of which saw growth hold steady on that seen in December on the back of faster manufacturing expansions.

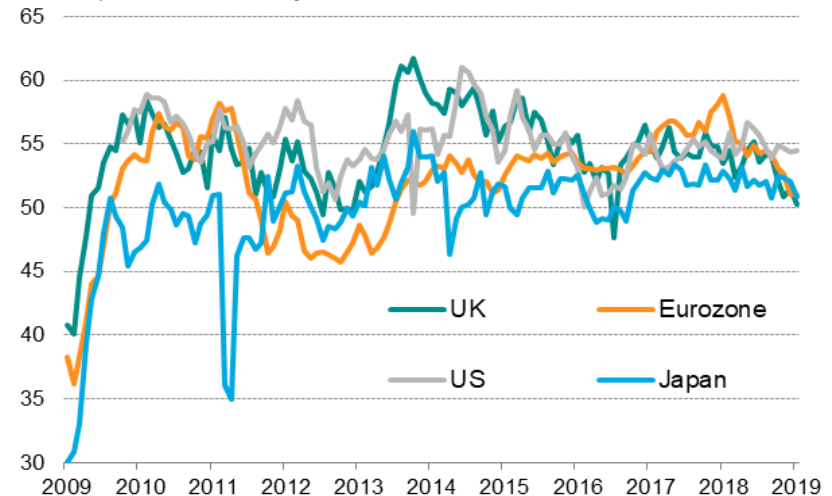
The UK reported an especially weak performance which, combined with increasingly subdued growth in the eurozone and Japan, meant developed world growth slipped to a 28-month low.

Only marginal slowdowns were seen in Brazil and Russia, with both enjoying relatively solid growth, but emerging market output as a whole rose at one of the weakest rates seen over the past two years as China reported one of its smallest expansions since mid-2016.

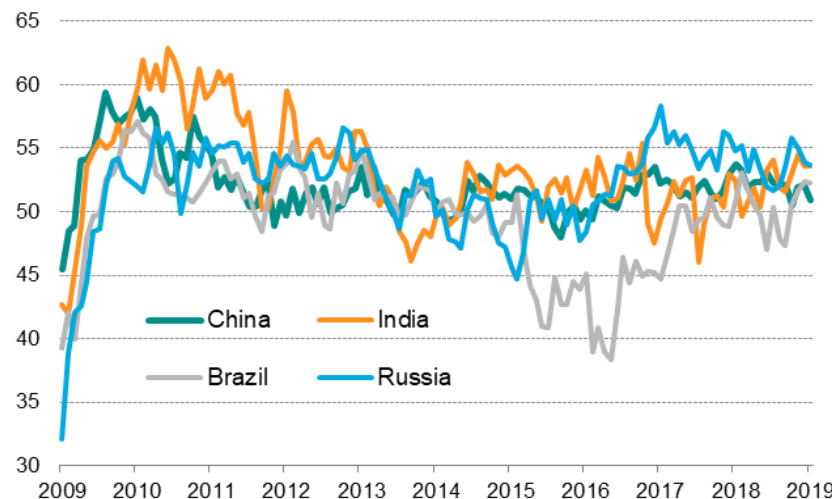
Global PMI Output/Business Activity Index



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.

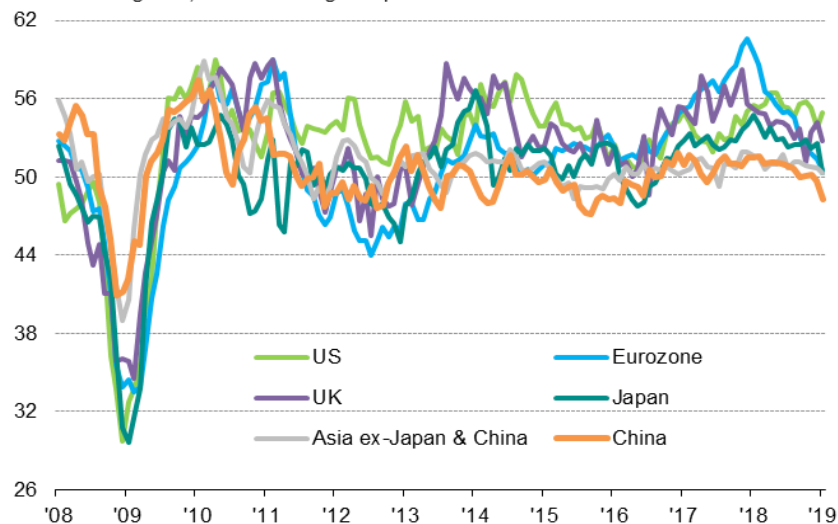
Manufacturing downturn spreads to 11 out of 30 countries

The US moved into second place in the [manufacturing growth rankings](#) in January, ahead of only the Netherlands, and up from eighth place in December. Worsening trends in Asia and Europe meanwhile meant the rest of the world slipped into stagnation for the first time since mid-2016.

Of the 30 countries surveyed by IHS Markit, 11 reported a deterioration of business conditions, up from just two this time last year, with the list now including China, Germany and Italy.

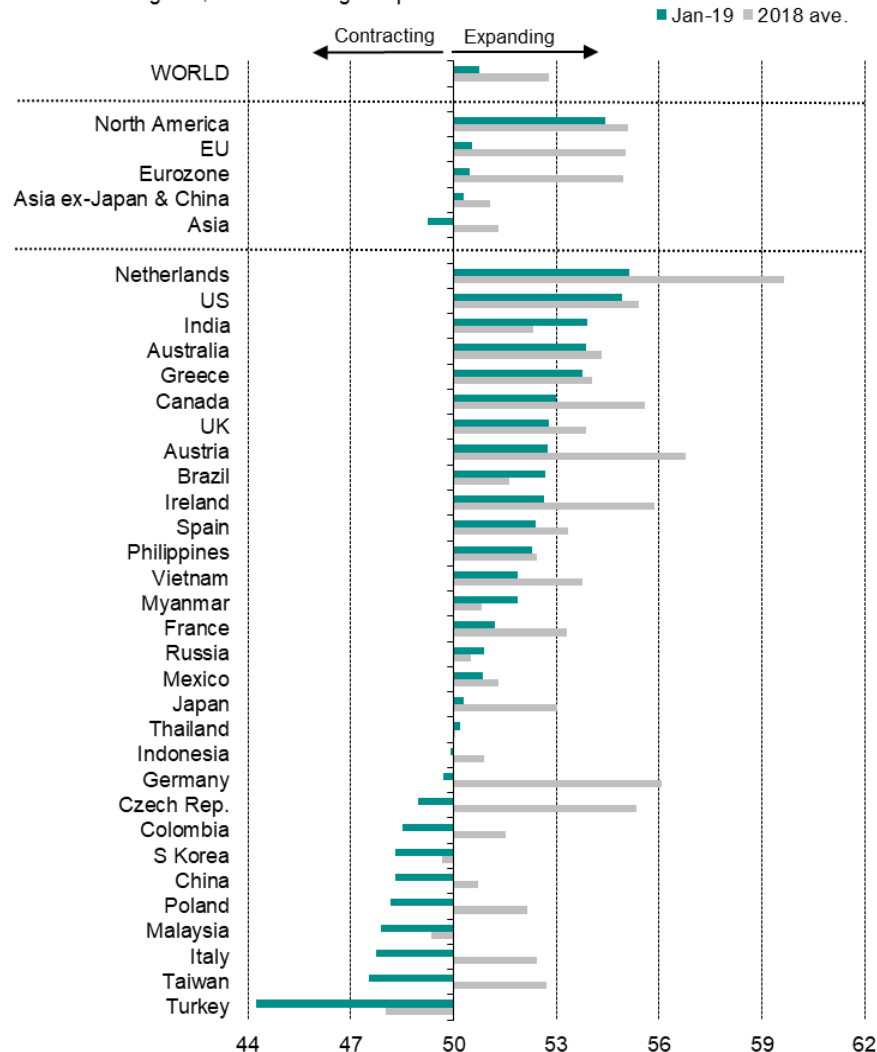
Taiwan, Malaysia, South Korea and Indonesia all reported sub-50 PMI readings to indicate a widening downturn in Asia. The pan-Asia Manufacturing PMI consequently slipped into decline for the first time since June 2016.

Manufacturing PMI, 50 = no change on prior month



Source: IHS Markit, JPMorgan.

Manufacturing PMI, 50 = no change on prior month



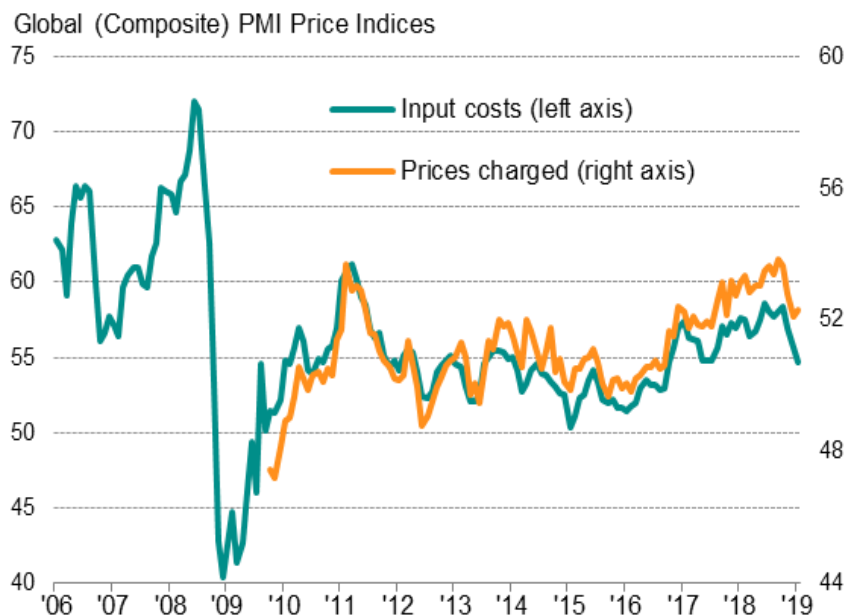
Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, NEVI, Nikkei, BME, Bank Austria, Investec, AERCE, Caixin, HPI, CBA.

Business input cost pressures moderate as prices fall in China

Global input cost inflation slowed to its joint-lowest since September 2016, easing in both the manufacturing and service sectors. The softer rise was often linked to lower oil prices as well as reduced raw material prices, highlighting how inflationary cost pressures have cooled alongside the global economic slow.

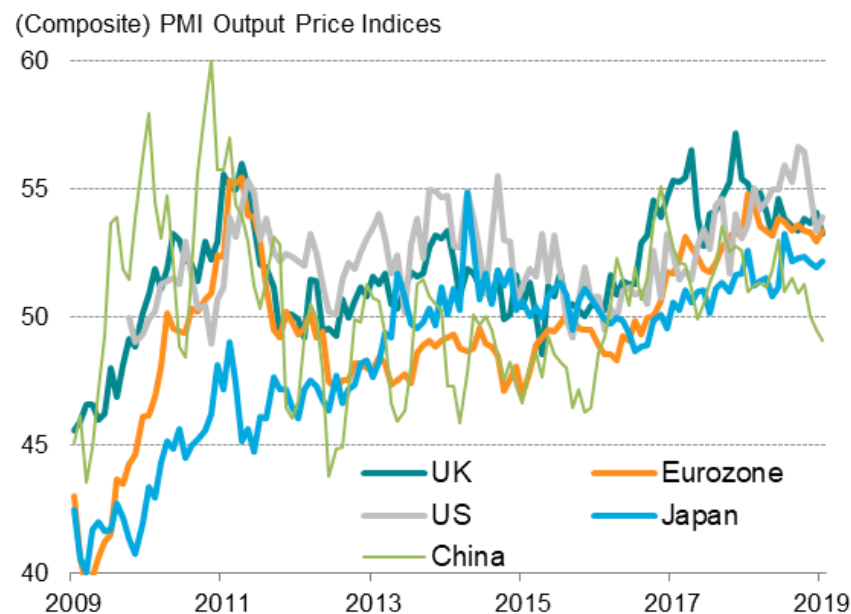
The overall pace of selling price inflation meanwhile remained well below the peaks seen last year and was the second-lowest for 15 months, reflecting the recent weakening of input cost inflation. However, national variations were notable: average selling price inflation ticked higher mainly in response to stronger increases in the US, the eurozone and Japan. In marked contrast, average selling prices for goods and services fell for a second successive month in China, dropping at the steepest rate for three years. The only other country to see falling prices for which comparable data were available was Italy.

Global PMI* price indices



Sources: IHS Markit, JPMorgan.

PMI* output price indices



Source: IHS Markit, CIPS, Nikkei, Caixin.

* GDP-weighted average of the manufacturing and services indices.

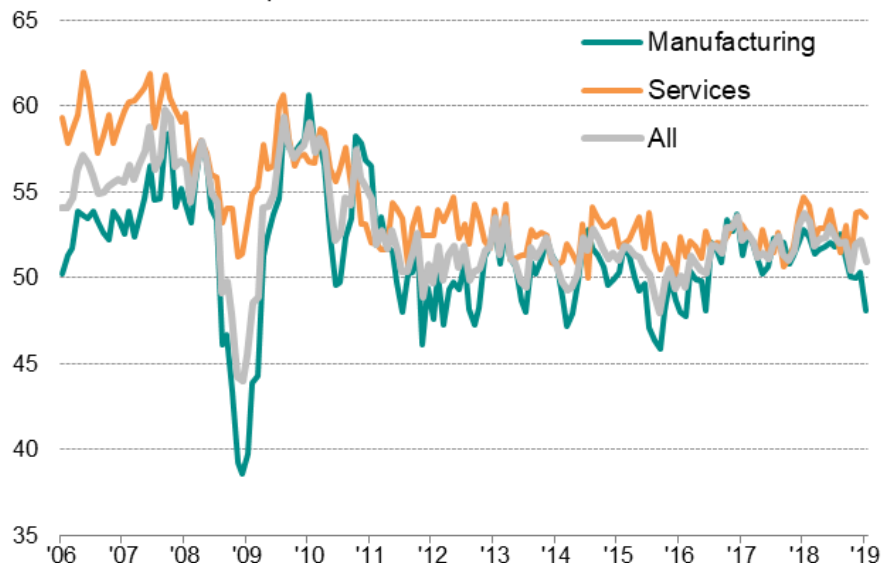
China PMI signals slower growth and easing price pressures

Business activity in China grew at its second-slowest rate since mid-2016 at the start of the year. The Caixin PMI's composite output index, compiled by IHS Markit, dropped from 52.2 in December to 50.9. The decline was fuelled by the first contraction of manufacturing output reported by the survey panel since June 2016, though service sector growth proved far more resilient. Encouragingly, the survey recorded a slight upturn in exports for the first time in ten months. Expectations of future growth also ticked higher, principally due to improved prospects in the manufacturing sector.

Companies' costs meanwhile showed the weakest (only marginal) rise for three years, reflecting the feed-through of lower oil prices but also reduced pressure on supply chains, as indicated by a moderation of supplier deliver delays. Reduced supply delays are a key indicator of cooling inflationary pressures, and should feed through to lower consumer price inflation in coming months.

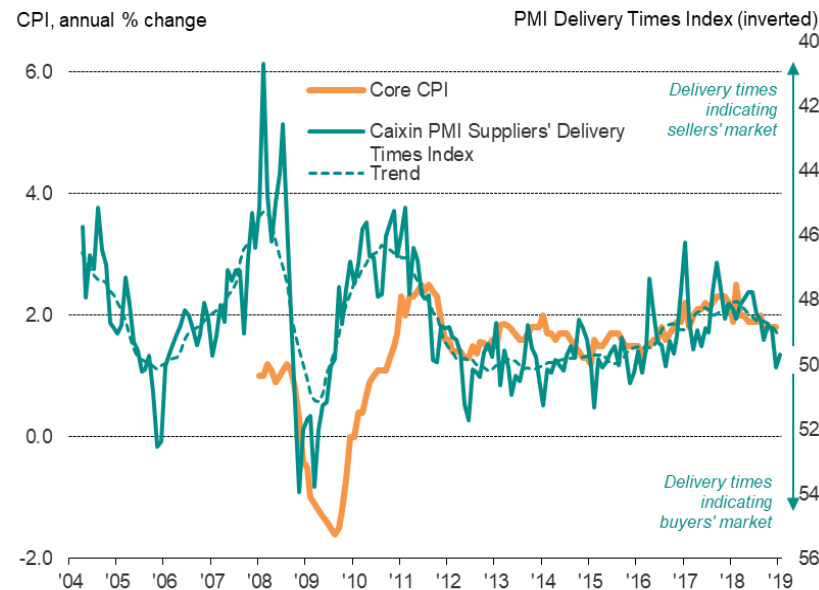
China PMI output indices

Caixin China PMI Output Index



Sources: IHS Markit, Caixin.

China PMI industrial price pressures



Sources: IHS Markit, Caixin.

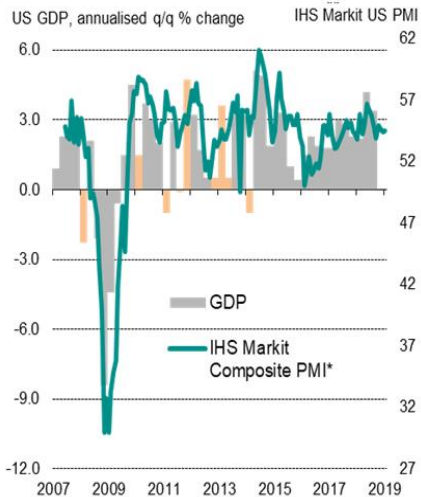
US economy maintains steady growth in January

IHS Markit's US PMI surveys indicated steady and robust economic growth at the start of the year, consistent with annualised GDP growth of around 2.5%. The Composite PMI Output Index posted 54.4 in January, matching that seen in December. A moderation of service sector growth was countered by factory output rising at the sharpest rate for four months. Jobs growth also remained buoyant as business optimism perked up to its highest since October. The survey also showed that backlogs of work are meanwhile building up, in part because firms struggled to meet demand, which has in turn allowed sellers to continue to push their prices higher.

However, although still robust, the rates of economic growth, job creation and inflation signalled by the PMI surveys have cooled since the peaks seen last year. This could in part reflect some impact from the government shutdown, but also reflects some easing of demand growth, notably from abroad. Foreign sales of goods and services barely rose in January, contrasting with faster growth of domestic orders.

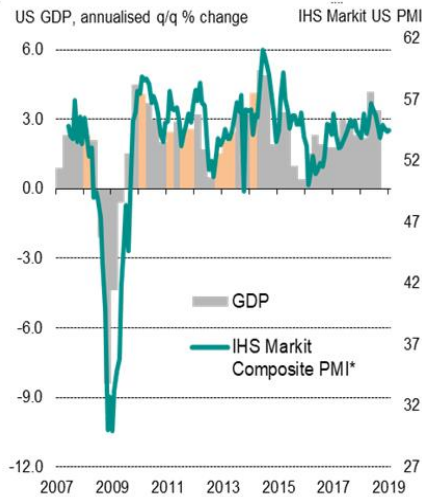
US economic growth and the PMI**

PMI v GDP compared



* Manufacturing PMI only pre-October 2009.

GDP adjusted for seasonal outliers

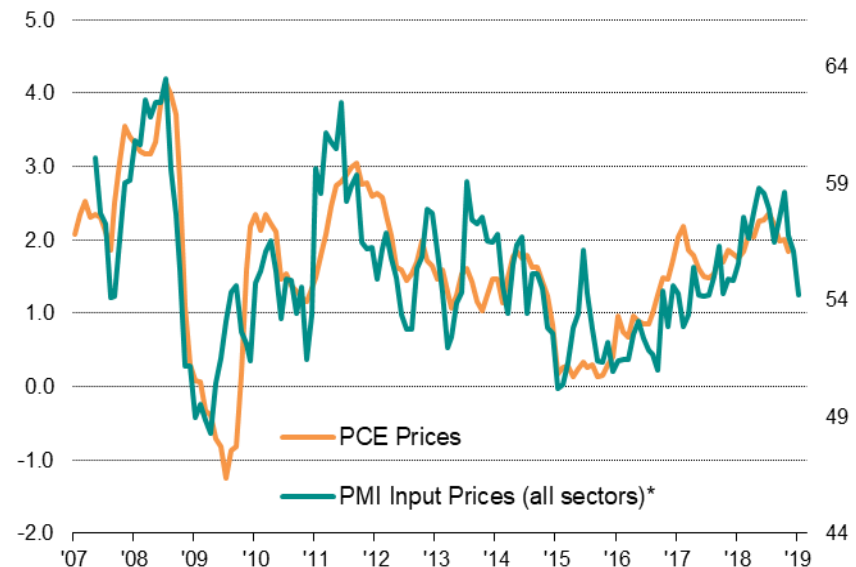


Orange bars show times when official GDP appear to have been distorted by residual seasonality, corrected for in right-hand chart using moving averages.

Source: IHS Markit.

US prices

US prices, annual % change



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

*Manufacturing PMI only pre-October 2009

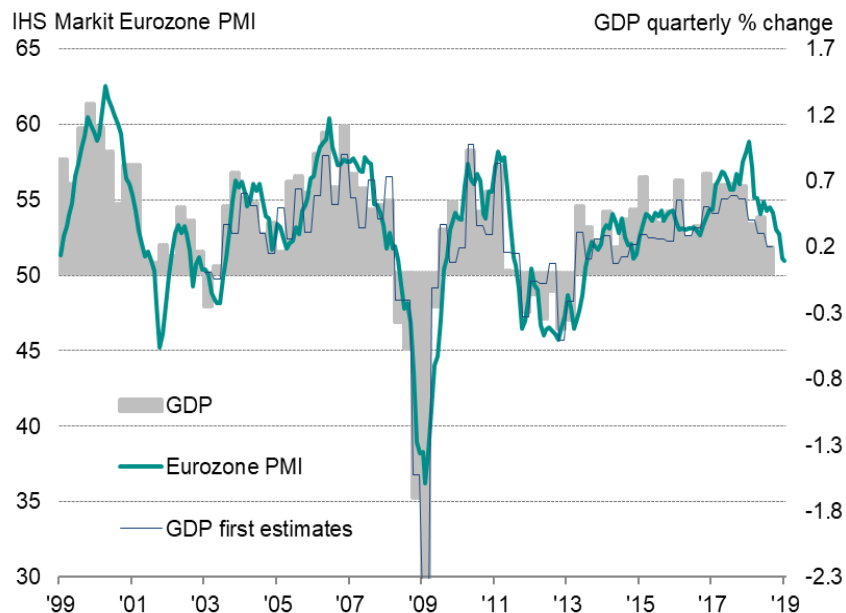
** PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

Eurozone PMI at lowest since July 2013

The eurozone started 2019 on a flat note, with growth close to stagnation amid falling demand for goods and services. At 51.0, the headline PMI indicates that GDP is growing at a quarterly rate of just 0.1%, setting the scene for the region's worst quarter since 2013. The current consensus forecast for 1.5% GDP growth in 2019 is therefore likely to be revised lower, and hence lead to more dovish signals from the ECB. What started as a manufacturing, export-led slowdown has increasingly affected the service sector. The manufacturing PMI is indicative of the sector slipping into recession, while growth in services is now running at its lowest for four years.

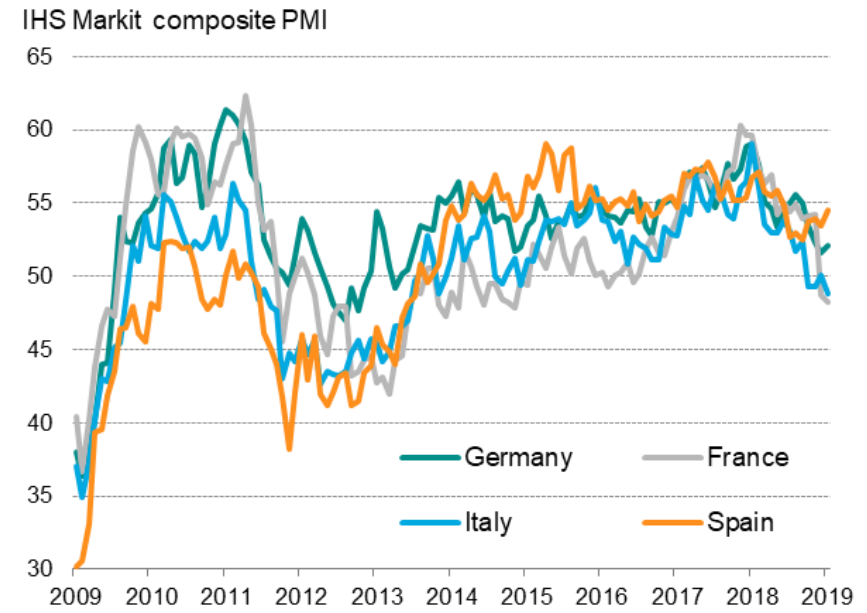
Staff hiring is also being affected by a growing reticence to expand capacity, with jobs being created at the slowest rate for over two years. The deteriorating picture is fairly broad-based. Italy is in its steepest downturn for over five years and France is in its sharpest decline for over four years. Faster growth in Germany and Spain meanwhile looks tenuous, as order book trends deteriorated in both cases.

Eurozone economic growth and PMI*



Source: IHS Markit, Eurostat.

Eurozone 'big-four' output*



Sources: IHS Markit.

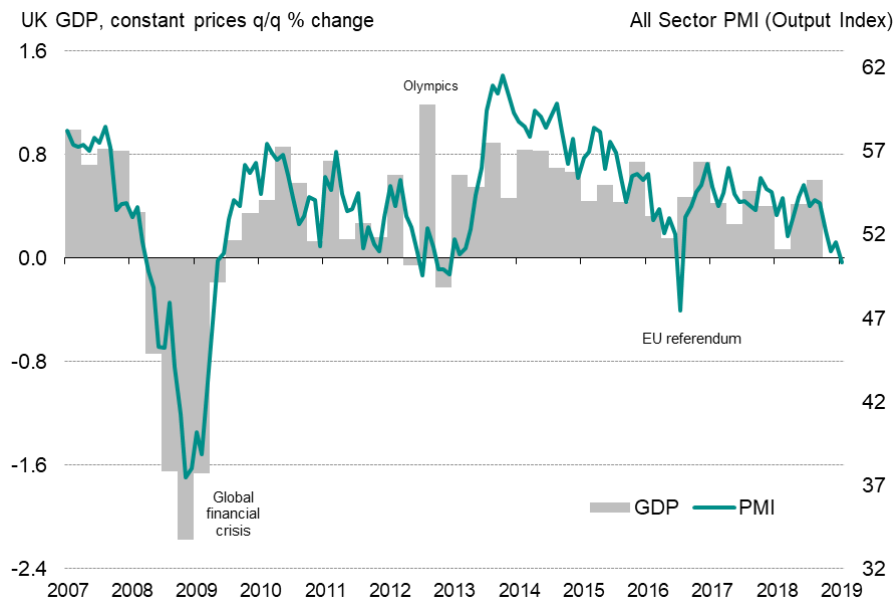
*PMI shown above is a GDP weighted average of the manufacturing and services indices.

UK economy stalls at start of 2019 amid Brexit uncertainty

The latest PMI surveys indicate that the [UK economy stalled](#) at the start of the year as intensifying Brexit worries exacerbated wider global concerns and led to an increasingly broad-based malaise. Service sector growth ground almost to a halt, matching similar disappointing news in the [manufacturing](#) and construction sectors. The triple-whammy of weaker surveys pushed the IHS Markit/CIPS 'all-sector' PMI down to 50.3, its lowest since December 2012 with the sole exception of July 2016, when the economy stumbled momentarily after the Brexit vote. Employment also fell at the steepest rate since 2012. The surveys indicate that companies have become increasingly risk averse and eager to reduce overheads in the face of weaker customer demand and rising political uncertainty.

Price pressures remained elevated, primarily due to the weak currency, though eased in response to lower oil prices and softer domestic demand. The deterioration in the survey indices suggest the Bank of England will adopt a more dovish policy stance.

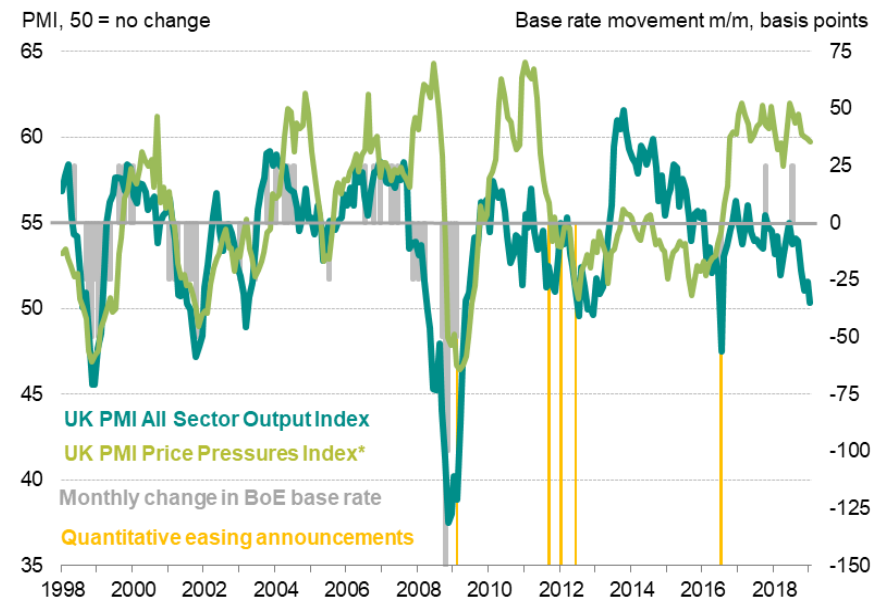
UK PMI** and GDP



Sources: IHS Markit, CIPS, ONS.

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

UK PMI and Bank of England policy



Sources: IHS Markit, CIPS, Bank of England

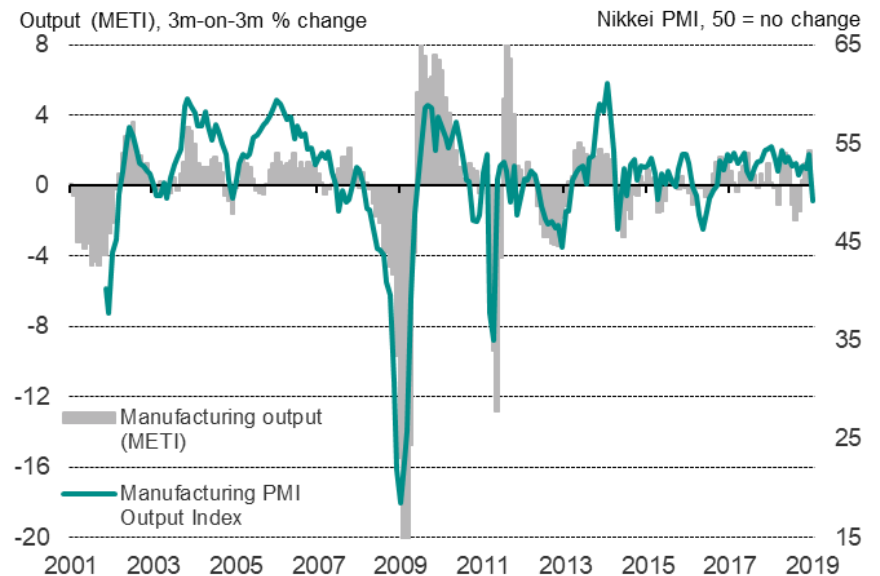
* A blend of input cost and suppliers' delivery times indices.

Japan's manufacturing woes cast shadow over 2019 outlook

Japan's [manufacturing economy stumbled in January](#) as a mounting global trade downturn took an increasing toll on the country's exporters and pushed business sentiment to its lowest for six years. The Nikkei Manufacturing PMI fell sharply in January amid a sharp deterioration in export orders, which dropped at the steepest rate for two-and-a-half years.

Although service sector growth picked up slightly, the overall picture was one of an economy growing at its second-slowest rate since September 2016. The weaker survey data raise questions over the ability of the economy to weather headwinds in 2019, which look set to include rising global trade tensions and a planned sales tax rise in October. IHS Markit has revised down its outlook for Japan's GDP growth to 0.8% in 2019. However, even this modest expansion is predicated on consumers stepping up their spending ahead of the sales tax hike, and could prove optimistic unless the PMI revives.

Japan manufacturing output



Japan manufacturing exports



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