



IHS Markit™

Global PMI

Global economy gains momentum for second month running
in March but manufacturing malaise deepens

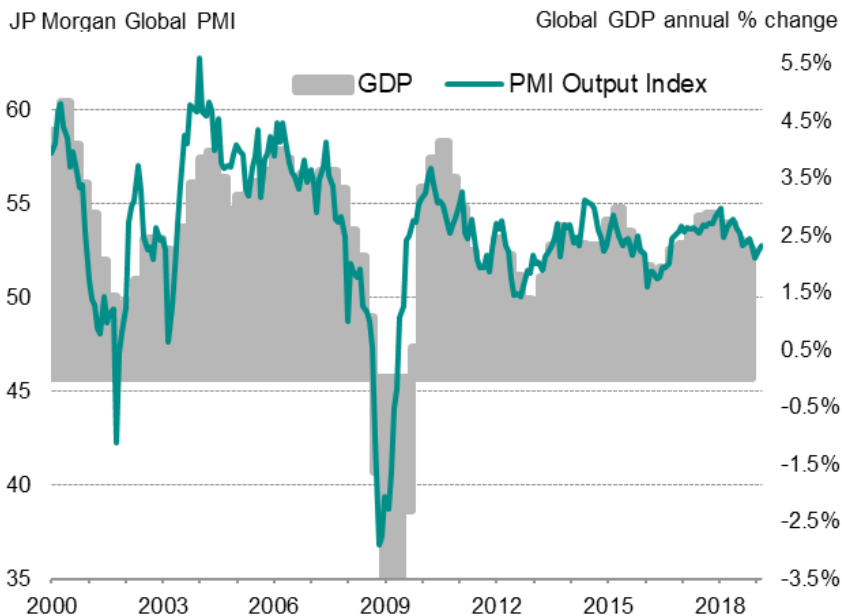
April 9th 2019

Global economy gains momentum but sentiment grows gloomier

The pace of global economic growth picked up again in March from a near two-and-a-half year low seen at the start of the year, but remained among the weakest since 2016. At 52.8 in March compared to 52.6 in February, the JPMorgan Global PMI, compiled by IHS Markit, rose for a second successive month to signal the strongest expansion of global output since November. The first quarter average PMI reading is indicative of worldwide GDP rising at an annual pace of just over 2% (at market prices).

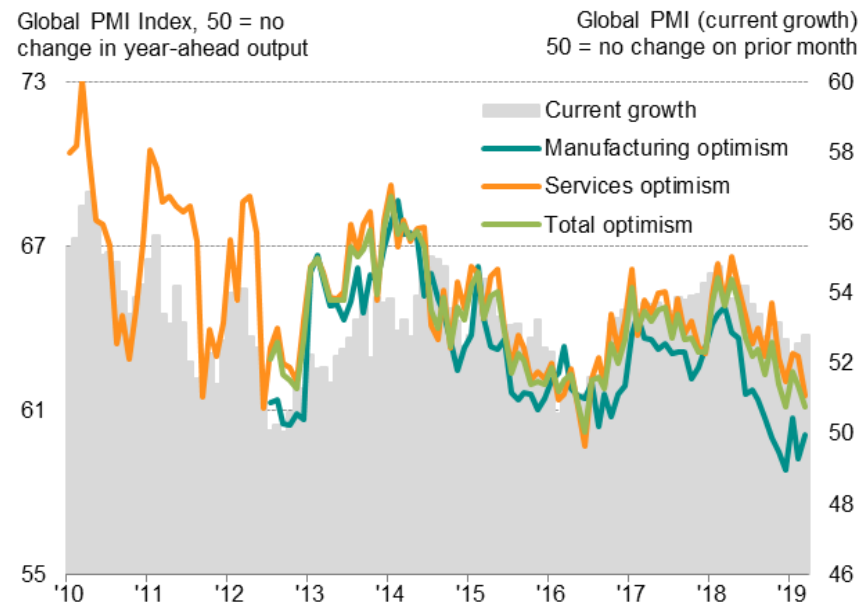
Business sentiment meanwhile sank lower, however, casting doubt over whether the current improvement in growth momentum can be sustained. The current level of business confidence is now one of the lowest seen since comparable data were first available in 2012, down to the joint-lowest since June 2016. Furthermore, inflows of new business continued to run at one of the slowest rates seen for two-and-a-half years, contributing to a stagnation of backlogs of work and leading to a slowdown in the overall pace of hiring.

Global PMI* output & economic growth



Sources: IHS Markit, JPMorgan.

Global PMI future expectations



Sources: IHS Markit, JPMorgan.

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

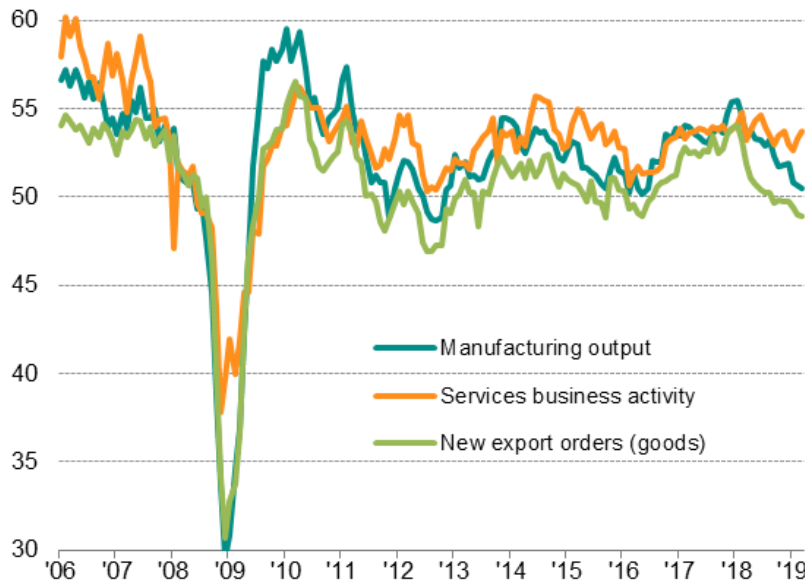
Global economy increasingly reliant on services

The survey data also revealed a widening of growth trends by sector, with the global economy increasingly reliant on services to sustain expansion. Manufacturing output growth almost stalled, while service sector growth accelerated to the joint-fastest in eight months. The resulting gap between the two sectors was the widest since August 2015 and among the biggest seen over the past decade.

The weakness of global trade remained a key drag on demand growth and an area of additional concern for the outlook. Worldwide exports of goods and services fell for a fourth straight month, with the rate of decline the steepest since May 2016, led by an increased loss of goods exports.

Global PMI* output by sector

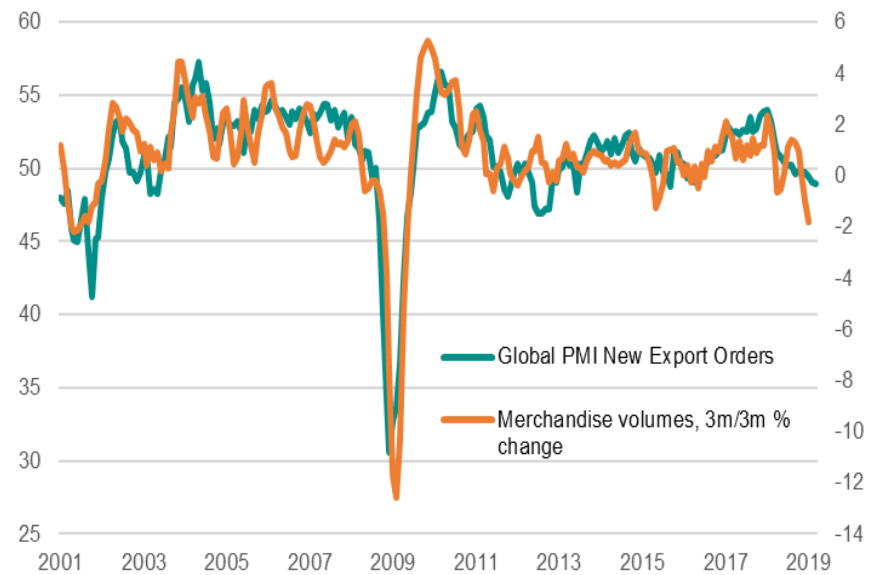
Global PMI Index, 50 = no change on prior month



Sources: IHS Markit, JPMorgan.

Global PMI new export orders (goods)

Global Manufacturing PMI, new export orders Global trade volumes, 3m/3m % change

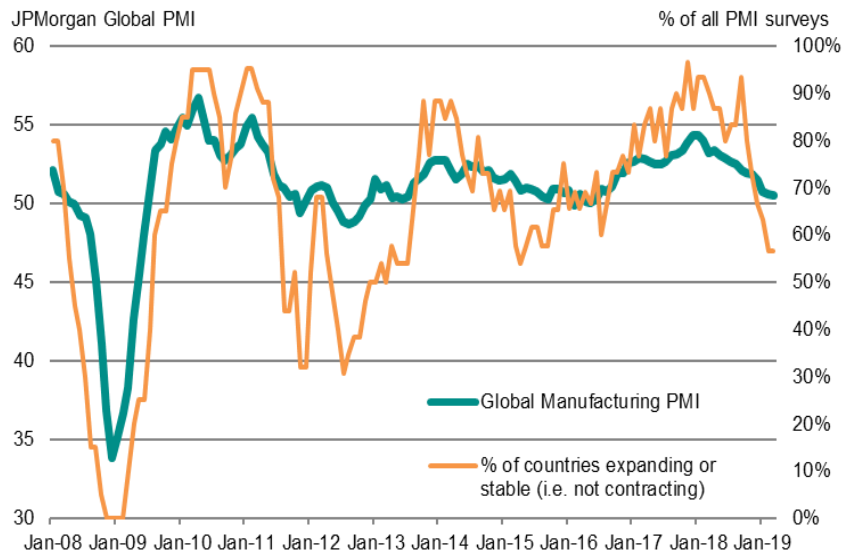


Sources: IHS Markit, CPB World Trade Monitor.

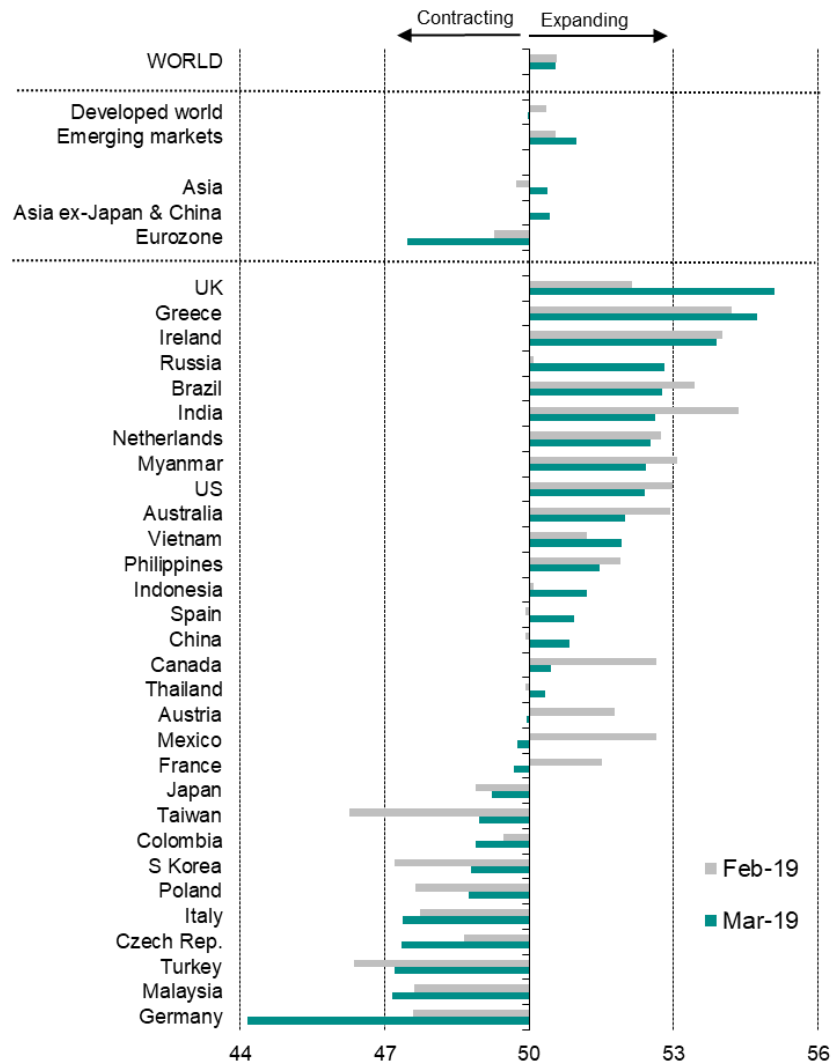
Manufacturing PMI order book trend weakest since 2012

The JPMorgan Global Manufacturing PMI, compiled by IHS Markit, held steady at 50.6 in March, thereby indicating a near-stagnant factory sector. The number of countries that reported a deterioration or stagnation of manufacturing conditions, defined as a PMI reading at or below 50, also remained steady at 13 out of the total of 30.

Developed world manufacturing failed to grow for the first time since 2012, fueled by the steepest decline in the eurozone since 2013 and disappointing trends in the US and Japan. But emerging markets saw the best performance since last July, buoyed in particular by improved business conditions in China.



Manufacturing PMI, 50 = no change on prior month

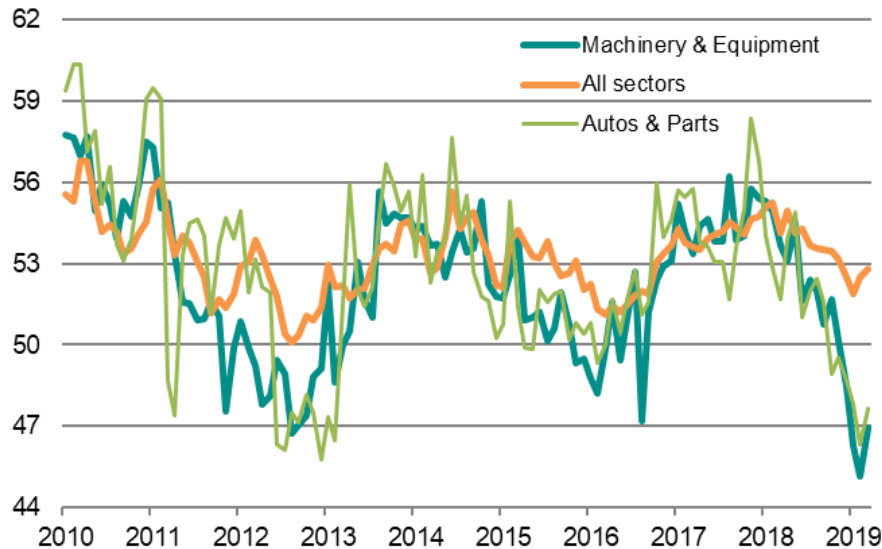


Key sectors remain in steep decline

The number of sectors in contraction in March eased to eight of the 26 covered by the [global PMI sector data](#) (from 10 in February). Telecoms and chemicals moved back into expansion. However, some key sectors remained in steep decline. Notably, global new orders for machinery and equipment (a key capex indicator) fell at the fastest rate since the global financial crisis in the first three months of 2019. Similarly, global new orders for automobiles and parts continued to slide at one of the fastest rates in six years. Global output of technology equipment meanwhile contracted for the first time since June 2015.

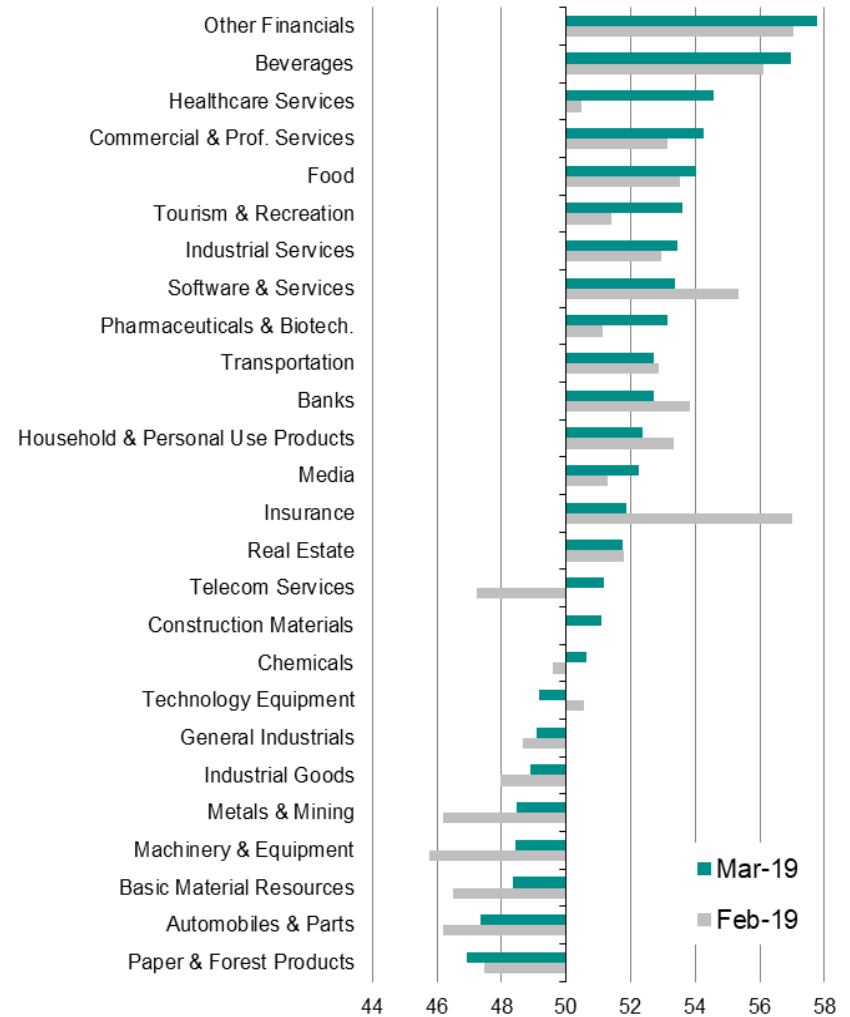
Eight of the top ten sectors were service industries, led by 'other' (mainly non-banking) financials. Food and drink producers were the highest ranked manufacturing sectors.

IHS Markit Global PMI New Orders Index



Source: IHS Markit, JPMorgan.

Global Sector PMI Output Rankings



Source: IHS Markit.

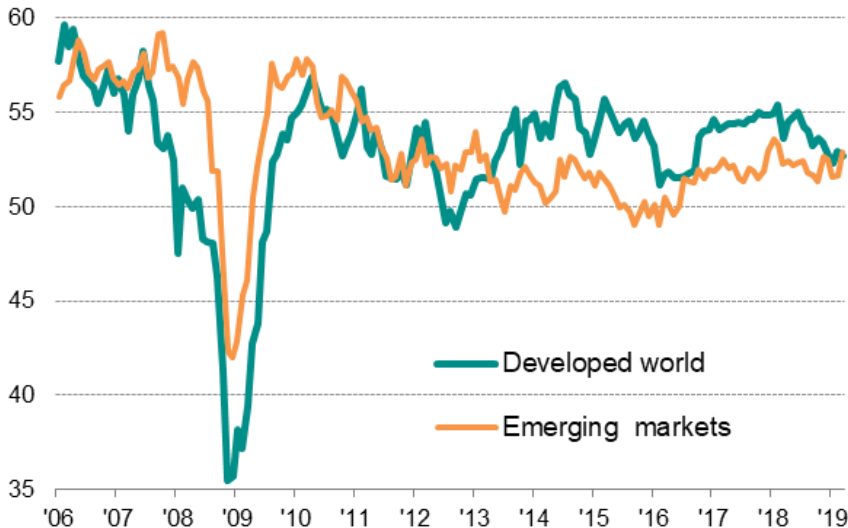
US outperforms, emerging markets show signs of improvement

Composite PMIs indicated that overall emerging market growth hit the fastest since February of last year, pushing the headline PMI above that of the developed world for the first time in six years. A weakening manufacturing trend led the overall pace of developed world growth down to the second-slowest since September 2016.

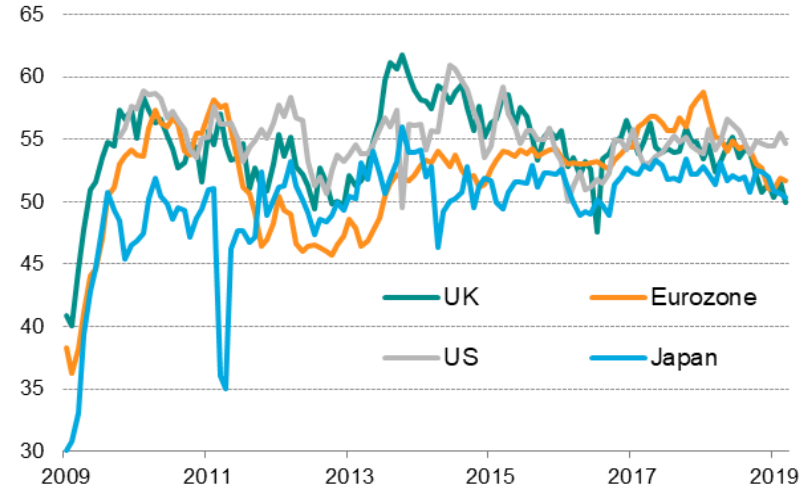
The United States continued to lead the developed world after a solid service sector performance. The Eurozone PMI meanwhile indicated one of the most lethargic rates of growth since 2014, and even worse performances were seen in the UK and Japan.

Robust expansions were seen in all four largest emerging markets, with growth accelerating in China, Brazil and Russia.

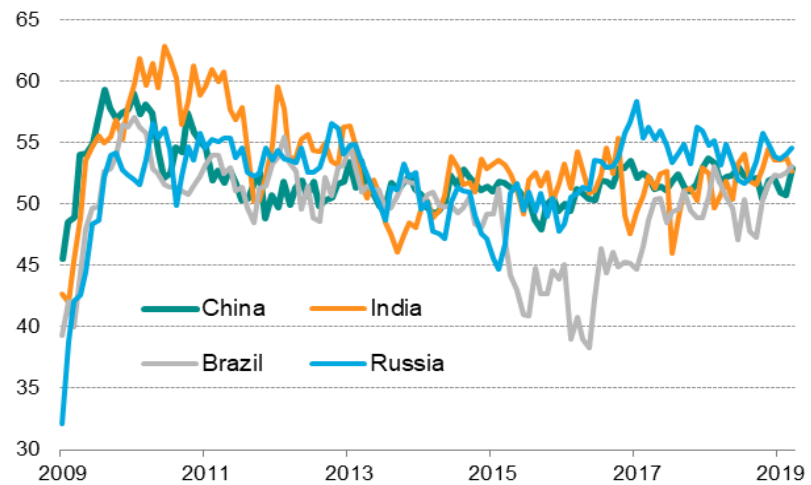
Global PMI Output/Business Activity Index



PMI Output/Business Activity Index



PMI Output/Business Activity Index



Sources: IHS Markit, CIPS, Caixin, Nikkei.

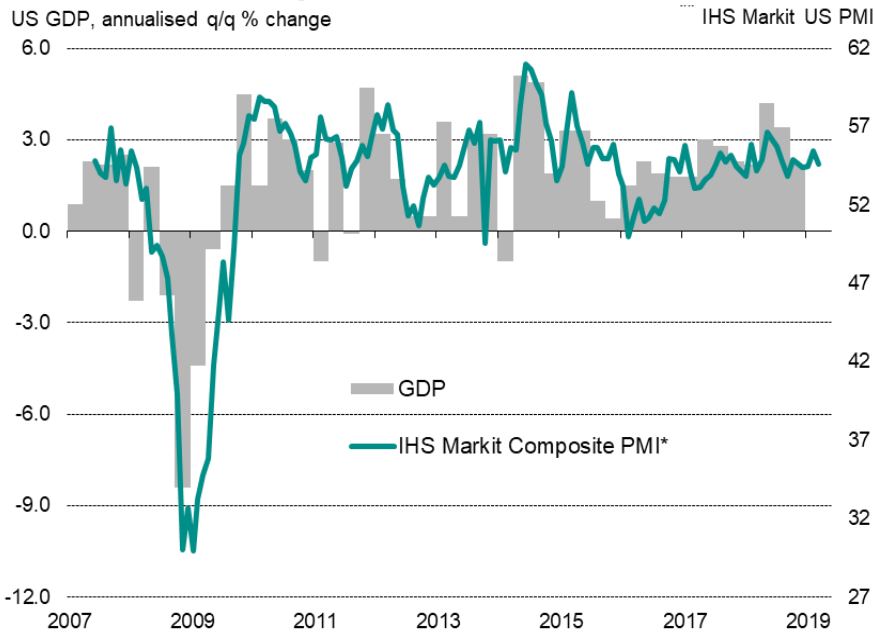
NB. All data refer to a GDP-weighted average of the PMI survey manufacturing and services indices.

US PMI shows solid Q1 but business optimism hits 2½ year low

The United States continued to enjoy solid growth in March after another strong service sector performance helped offset a deteriorating trend in manufacturing. For the first quarter as a whole, the [IHS Markit PMI surveys](#) are consistent with the US economy growing at an annualised rate of approximately 2-2.5%. The gap between the robust service sector and struggling manufacturing sector has opened up, however, to one of the largest on record. Moreover, inflows of new work have moderated markedly compared to this time last year, as manufacturing weakness showed signs of spreading to the service sector. Business optimism about the year ahead has also slipped to the lowest for two-and-a-half years, posing downside risks to growth in coming months.

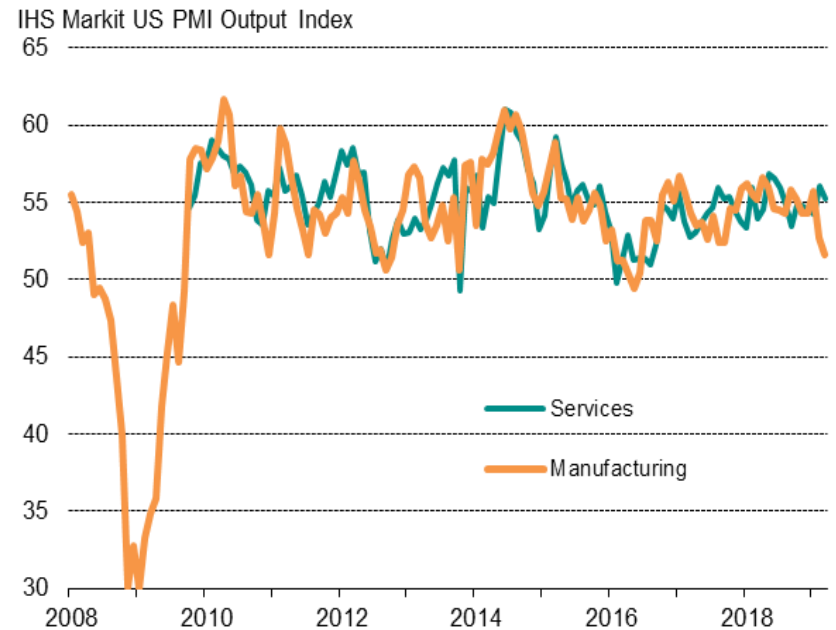
Hiring has already been hit by the drop in business sentiment and weakened inflows of new work, easing to the lowest since mid-2017, albeit still indicating non-farm payroll growth of around 165,000, matching similar recent resilient official non-farm payroll data.

US economic growth and the PMI**



* Manufacturing PMI only pre-October 2009.

US PMI sector output



Source: IHS Markit.

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

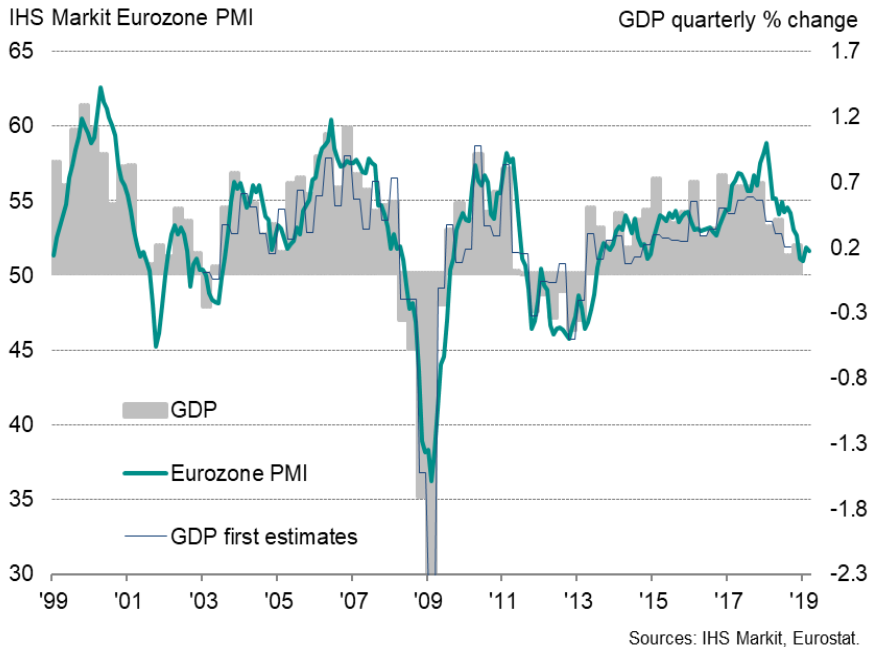
Eurozone PMI signals increased recession risk

The [eurozone PMI](#) indicated a sluggish end to Q1, with growth ebbing to one of the most lethargic rates seen since 2014. The slowdown was led by a deepening downturn in manufacturing, where output fell at the sharpest rate for almost six years. The service sector managed to sustain a relatively resilient rate of growth but has also lost momentum in recent months.

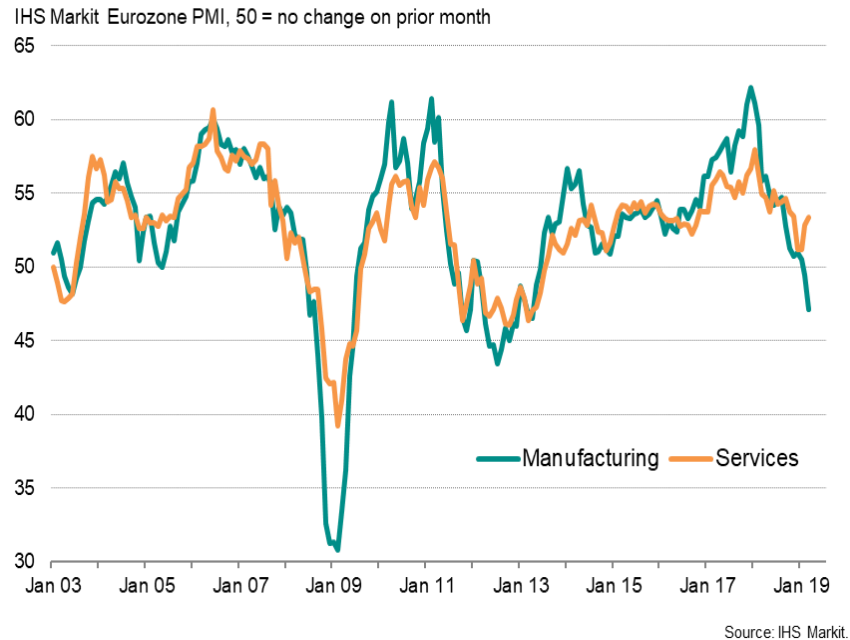
While the PMI remains consistent with GDP rising by 0.2% in Q1, the overall pace of economic growth will likely weaken in the second quarter as the manufacturing sector's malaise spreads to the service sector. In this respect, with forward-looking indicators from the manufacturing sector suggesting goods production will fall further in coming months, downside risk to the outlook have intensified.

Of the largest euro countries, growth was led by Spain. However, the surveys indicate that both France and Italy may have contracted slightly in Q1.

Eurozone economic growth and PMI*



Eurozone output by sector



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

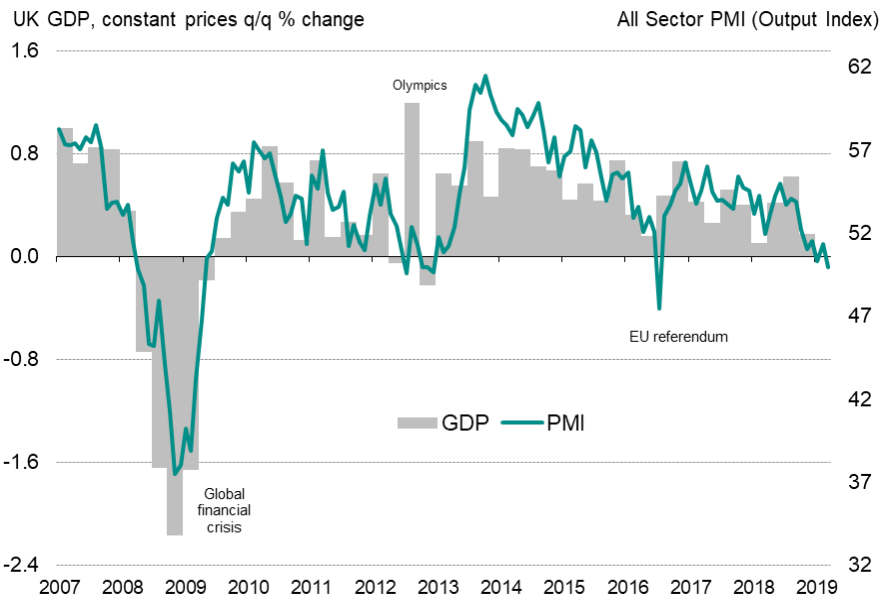
UK economy stalls, with downturn risks intensifying

Disappointing PMI surveys indicated that the [UK economy stalled](#) over the first quarter as a whole and is at risk of sliding into a deepening downturn in coming months. The deterioration was led by a renewed decline in service sector activity, alongside a second monthly drop in construction output. Only manufacturing recorded any growth, and even here the survey indicated that [pre-Brexit stockpiling](#) drove the increase in production, meaning growth could fall in coming months as stockpiling activity subsides.

A third successive monthly decline in new orders added to the gloomy near-term outlook. Measured over the first quarter as a whole, the fall in new orders was the steepest since the second quarter of 2009.

The overall rate of job creation remained among the lowest since 2012, highlighting widespread caution among companies in respect to hiring amid the increasingly uncertain business outlook. [Recruitment agencies reported](#) an even steeper labour market weakening.

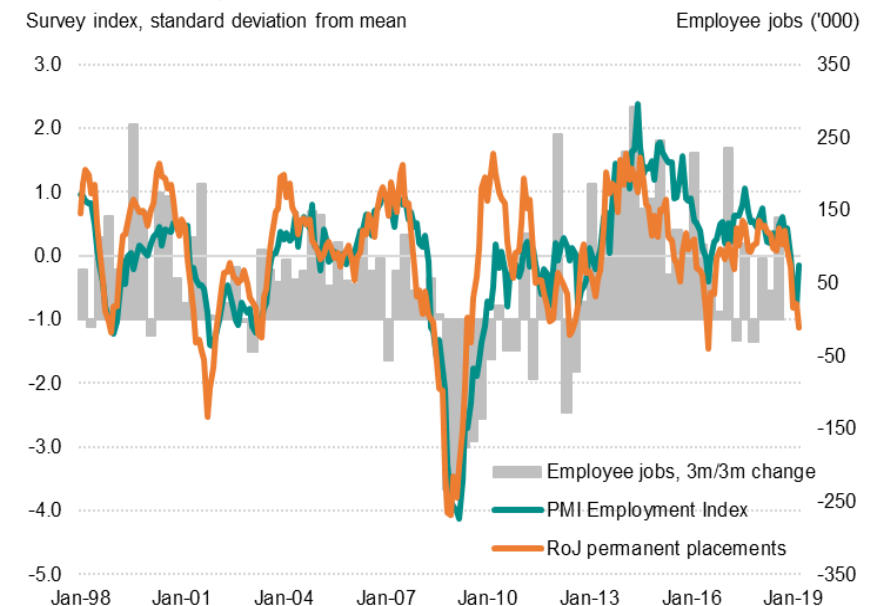
UK PMI* and GDP



Sources: IHS Markit, CIPS, ONS.

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

UK employment



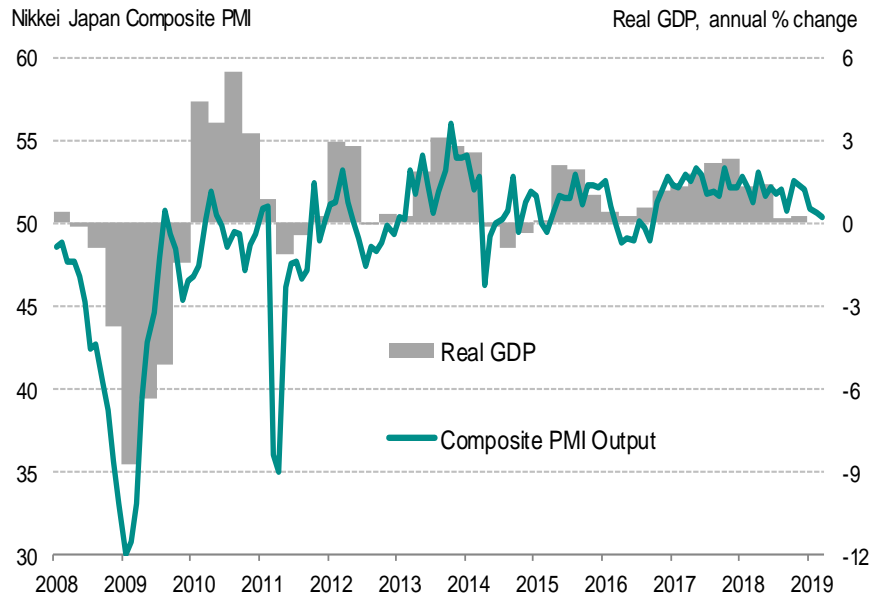
Sources: IHS Markit, CIPS, KPMG, REC, ONS.

Japan's PMI surveys point to economy near stagnation

In Japan, the [Nikkei PMI surveys](#) indicated only marginal growth, with March's headline reading the lowest since September 2016. The average PMI reading for the first quarter has been the weakest since the third quarter of 2016 and is consistent with the Japanese economy growing at an annual rate of less than 1%.

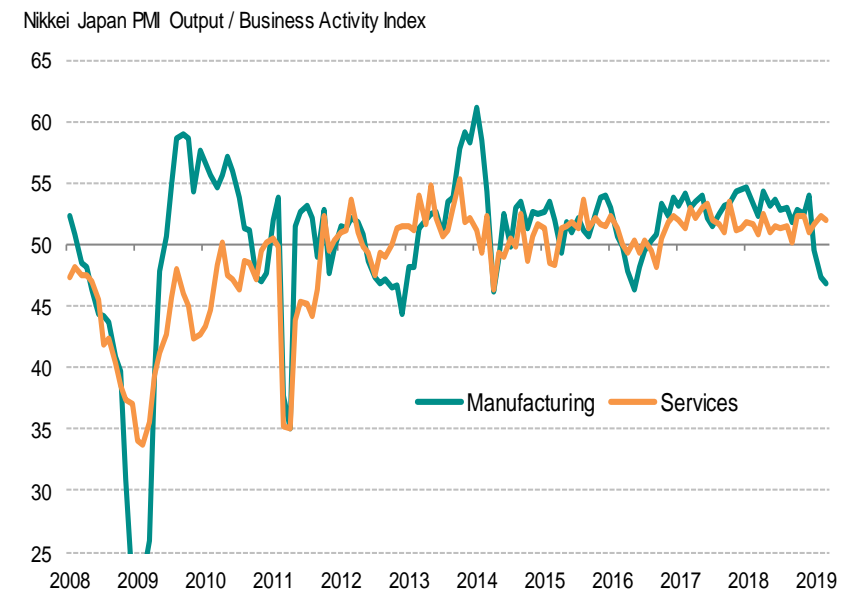
A deteriorating export picture contributed to the Japanese manufacturing economy suffering its worst decline in production for 34 months during March. The growth slowdown shows few signs of letting up, with a further decline in Japan's new export business marking the fourth consecutive monthly drop in overseas sales. In contrast, growth in the service sector remained well above its long-run average, resulting in one of the largest gaps between manufacturing and service sector growth rates on record.

Japan PMI and GDP



Sources: IHS Markit, Nikkei, Japan Cabinet Office.

Japan manufacturing v services



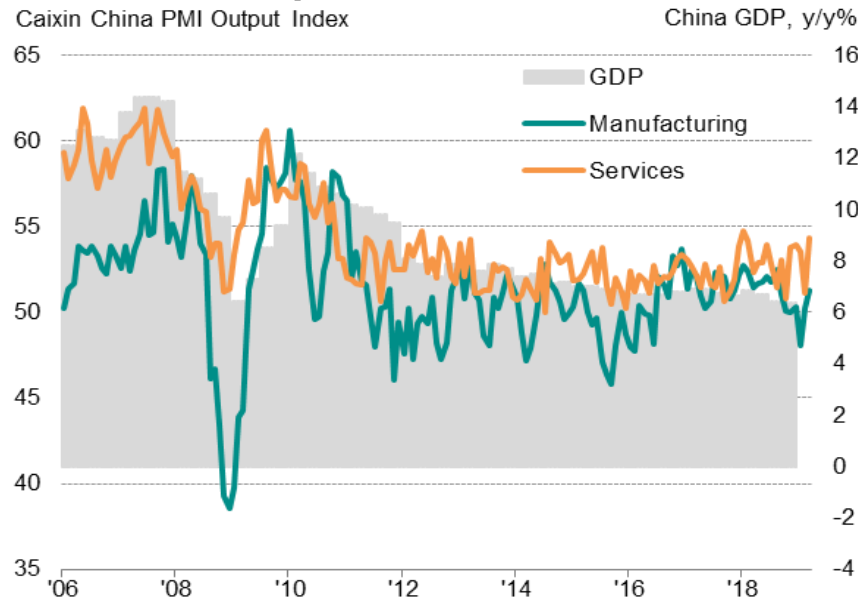
Sources: IHS Markit, Nikkei.

China PMI surveys signal strongest upturn since mid-2018

Business conditions across the Chinese economy improved at the fastest rate for nine months during March, according to [the latest Caixin PMI surveys](#), providing evidence to suggest that recent fiscal support measures are beginning to work. The Caixin China Composite PMI (which covers both manufacturing and services), compiled by IHS Markit, indicated one of the largest increases in output since mid-2014. The strongest growth in manufacturing output for seven months was accompanied by a surge in service sector business activity, which registered its largest gain in just over a year.

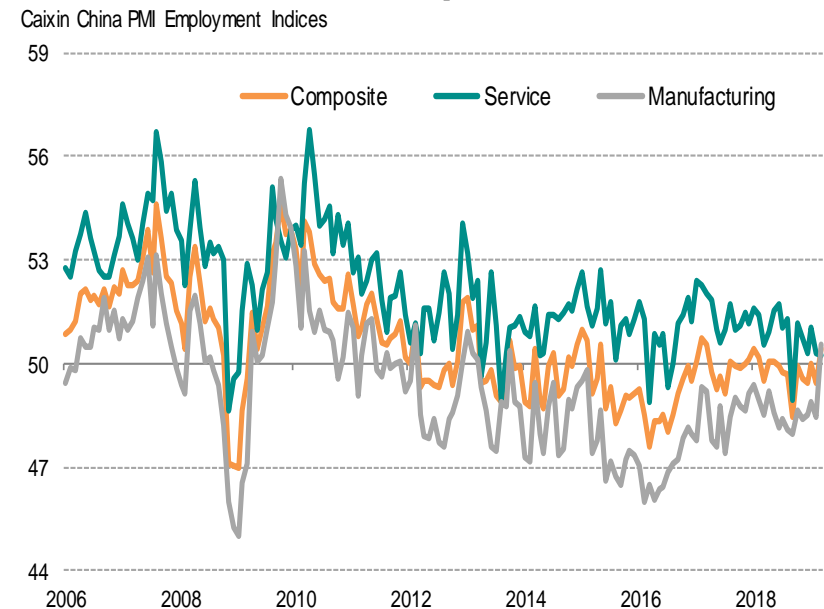
The stronger upturn fed through to the labour market. Employment across the two sectors rose for the first time in just over a year. Notably, factory job creation was reported for the first time in six years. Further expansions of business activity and employment look likely in April as overall inflows of new orders increased at the fastest pace since February last year.

China PMI output indices



Sources: IHS Markit, Caixin.

China PMI sector output



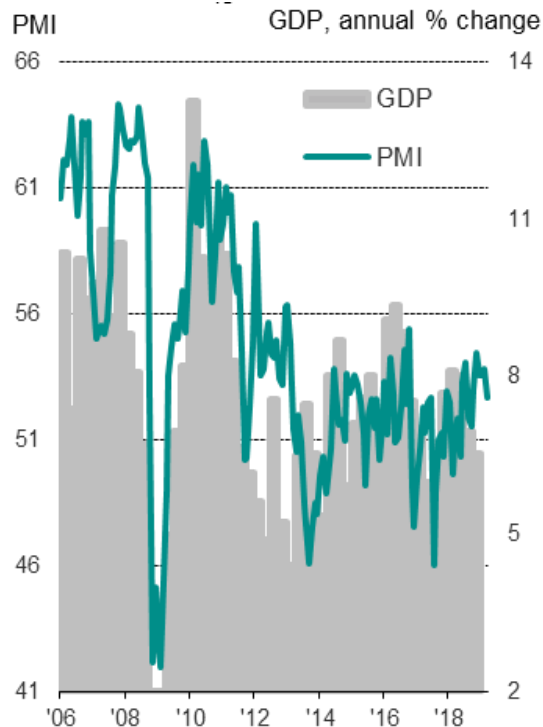
Sources: IHS Markit, Caixin.

India, Brazil and Russia report robust expansions

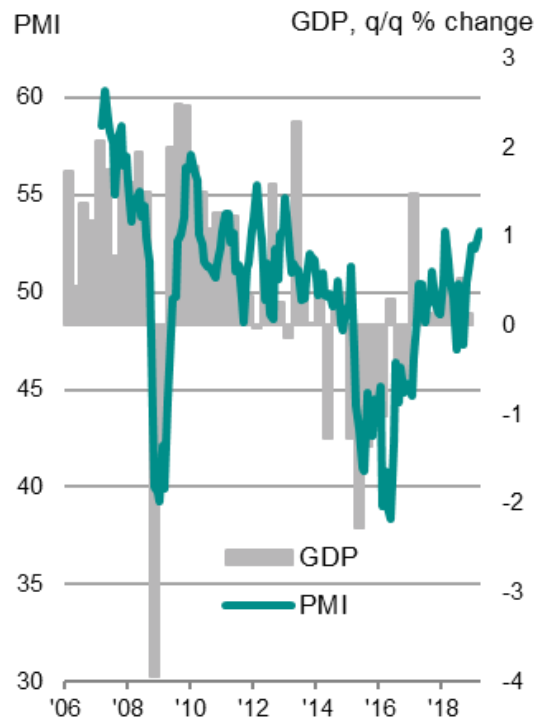
Looking at the other largest emerging markets, growth accelerated in Brazil and Russia on the back of robust expansions in both services and manufacturing, the latter gaining momentum in both cases. Brazil's resulting expansion was notable in being the joint-sharpest since January 2013. The surveys suggest that both Brazil and Russia are growing at an annualised rate of approximately 4%.

In contrast, India saw growth moderate to its weakest since September. However, the rate of expansion remained robust by recent standards, especially in manufacturing, rounding off a full-house of solid expansion in all four largest emerging markets.

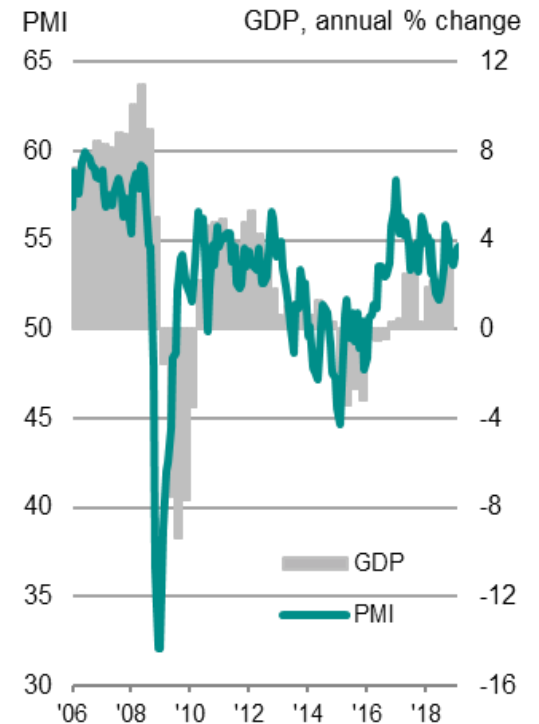
India PMI



Brazil PMI



Russia PMI



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