



IHS Markit™

# Global PMI

Global economic growth slips to three-year low amid gloomier outlook

June 10<sup>th</sup> 2019

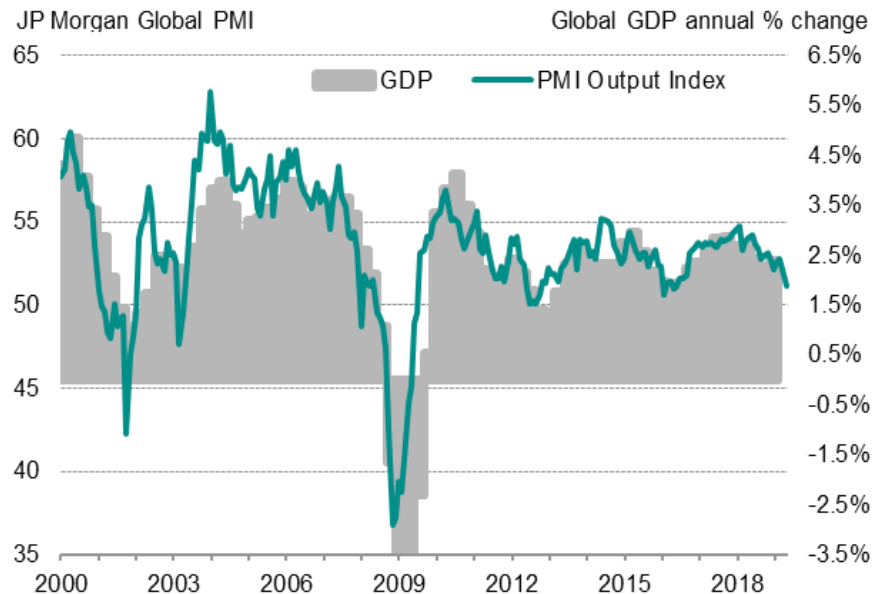
# Global PMI lowest since 2016

The pace of global economic growth eased to its weakest for three years in May amid an increasingly broad-based slowdown. The [JPMorgan Global PMI™](#), compiled by IHS Markit, fell for a second successive month in May to signal the slowest expansion since June 2016, slipping to 51.2 compared to 52.1 in April. The survey data are indicative of worldwide GDP rising at an annual pace of 2.0% (at market prices) so far in the second quarter, down from 2.4% in the first quarter, dropping to around 1.75% in May alone.

Manufacturing again led the slowdown, with output expanding only slightly to register the sector’s worst performance since October 2012. Falling global goods exports, down for a ninth successive month in May, fueled the factory malaise. However, service sector growth also slowed markedly, down to its lowest since August 2016.

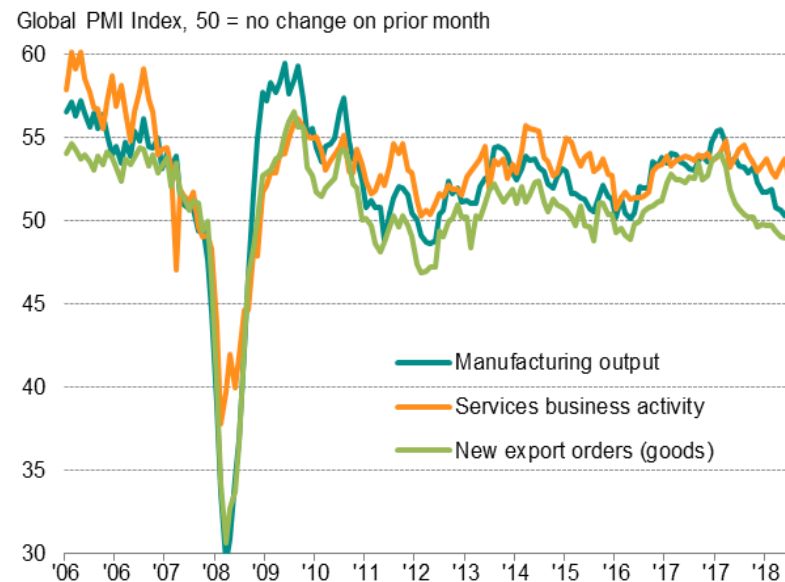
Business sentiment about the year ahead meanwhile deteriorated to its lowest since comparable data were first available in 2012.

## Global PMI\* output & economic growth



Sources: IHS Markit, JPMorgan.

## Global PMI output and exports



Sources: IHS Markit, JPMorgan.

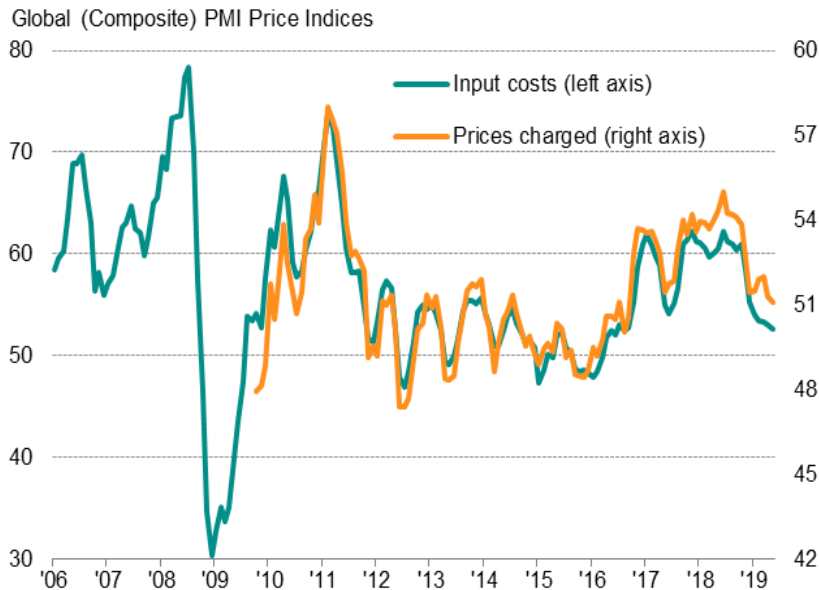
\* PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

# Global price pressures fade to lowest since 2016

Price pressures moderated alongside the slowing global economy, with weaker demand diminishing firms' pricing power. Average selling prices for goods and services rose worldwide at the slowest rate since September 2016, rising only modestly to contrast markedly with the solid rates of increase seen earlier in the year. Input cost inflation also slipped further from last year's high, easing to the lowest since September 2016.

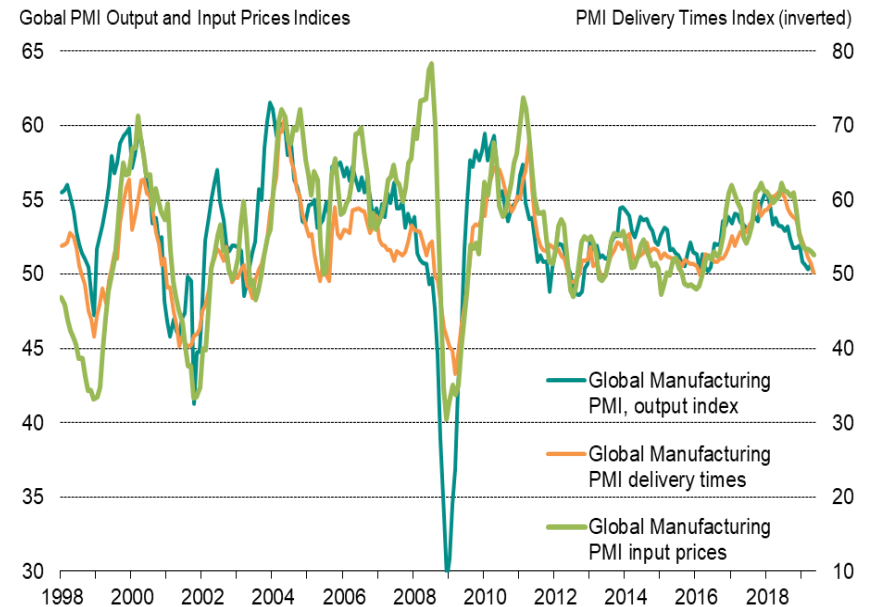
Prices tend to come under downward pressure amid spare capacity as firms seek to stimulate weaker than anticipated sales. Such a trend was seen in May, especially in manufacturing, with input costs rising at the slowest pace for nearly three years as more suppliers offered discounts. Supply chain delays have eased markedly in recent months, sending a clear signal of a growing shift towards the development of a buyers' market amid weaker demand growth.

## Global PMI costs and selling prices



Sources: IHS Markit, JPMorgan.

## Global goods prices and supply delays



Sources: IHS Markit, JPMorgan.

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

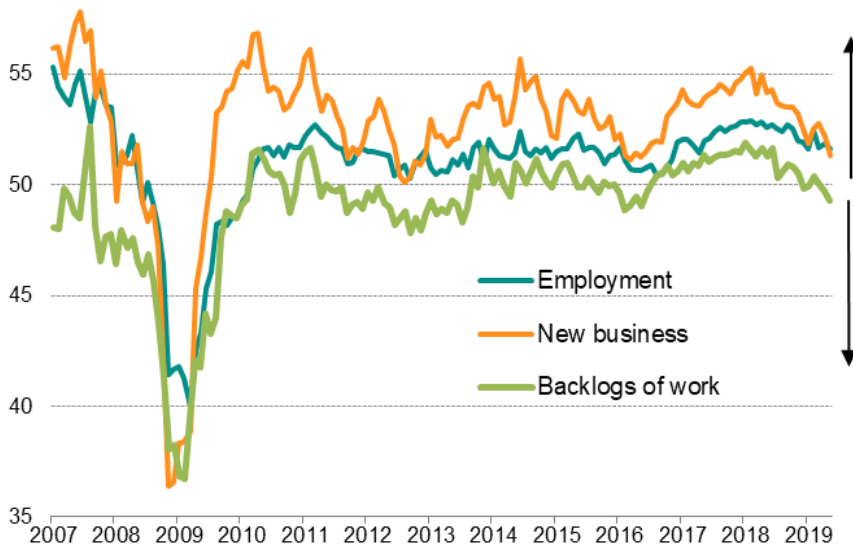
# Global jobs growth slows and investment slumps

Sluggish sales and gloomier outlooks were commonly cited as causes of a growing reticence to hire staff in May. Measured overall, global employment rose at the joint-slowest rate seen over the past two years, showing some resilience in services but with headcounts dropping in manufacturing (albeit only marginally) for the first time since August 2016. Employment may weaken further in coming months as backlogs of unfinished work fell for a second consecutive month in May, dropping at the steepest rate for three years in a sign of excess capacity developing.

Rising risk aversion was meanwhile also reflected in a further sharp drop in demand for investment goods such as plant and machinery. New orders for such goods fell in May to one of the greatest extents seen since 2012, having now declined for five consecutive months.

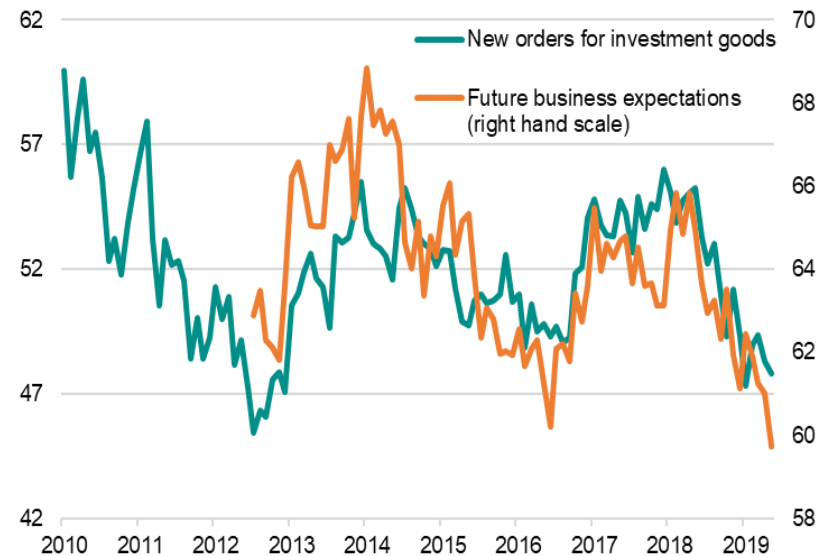
## Global PMI\* employment and order books

Global PMI Index, 50 = no change on prior month



## Global PMI\*

JPMorgan Global PMI



Sources: IHS Markit, JPMorgan.

Sources: IHS Markit, JPMorgan.

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

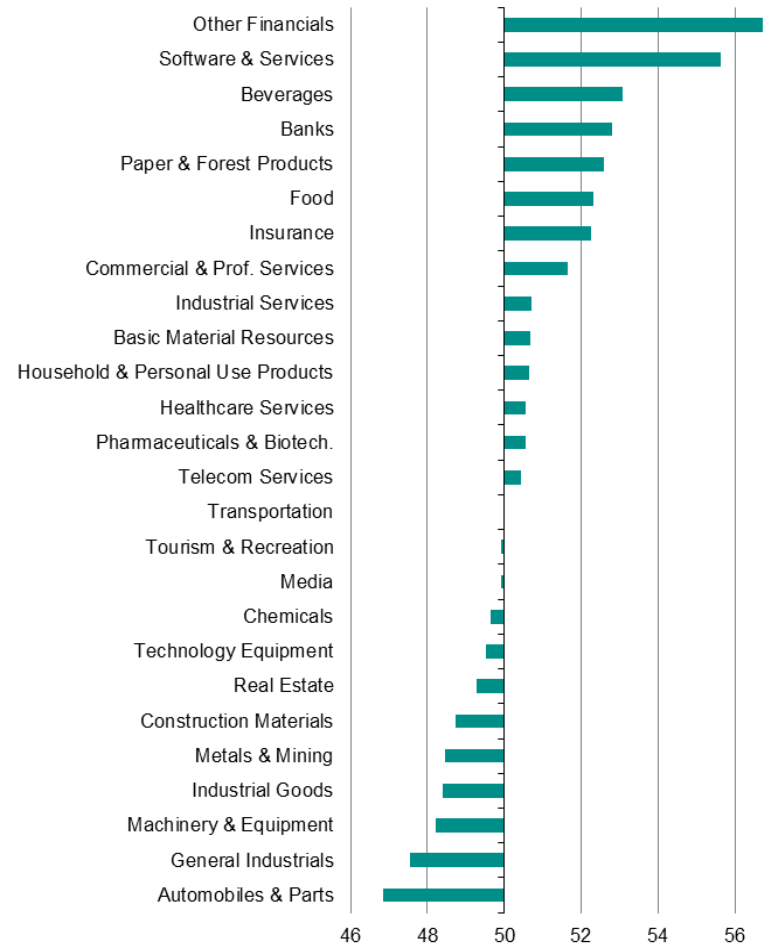
# Auto makers report steepest decline of all sectors

The detailed [global PMI sector data](#) showed eleven sectors in decline, led by autos and parts, in which the rate of contraction accelerated again in May to one of the steepest seen since data were first available in 2009.

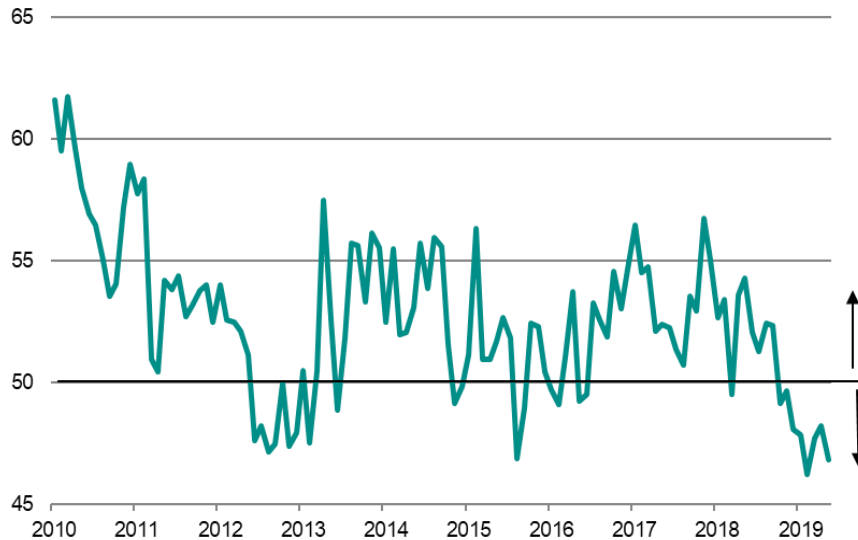
While manufacturers dominated the bottom half of the rankings, services held the top spots, led by ‘other’ (non-banking) financial services.

In total, 11 of the 26 sectors reported declining output compared to just five in April. Expansions were reported in 14 sectors with transportation stagnating.

Global Sector PMI Output Rankings (May 2019)



IHS Markit Global PMI Autos & Parts Output Index, 50 = no change on prior month



Source: IHS Markit, JPMorgan.

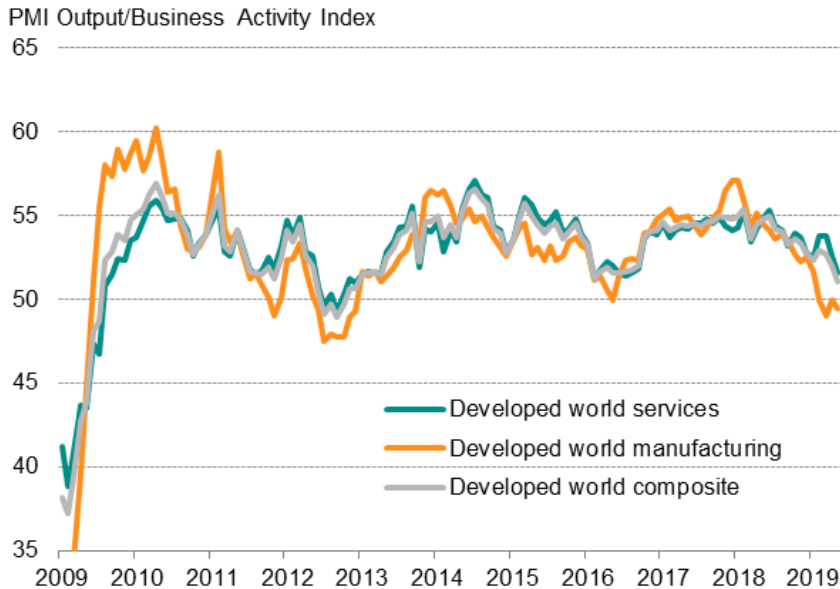
Source: IHS Markit.

# Developed world PMI at lowest since 2012

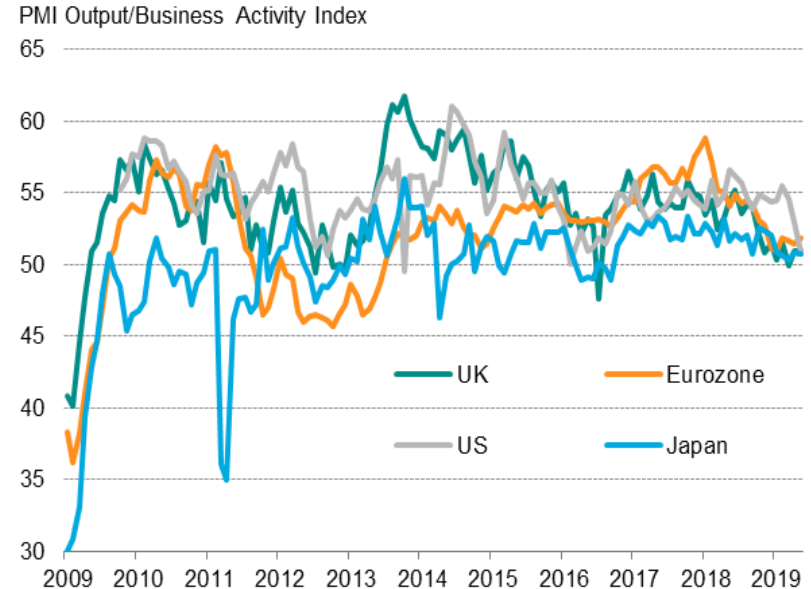
Growth in the developed world slipped to the lowest since December 2012, with manufacturing output in decline for a third straight month and services reporting the worst expansion since August 2016.

Among the largest advanced economies, the biggest change was seen in the US, where growth faded to a three-year low. The slowdown brought the US into line with the weak rates of expansion seen in the UK and Japan. The UK economy remained broadly stagnant, with companies reporting widespread worries over Brexit. In Japan, manufacturing weighed on the economy again, with goods production falling for a fifth straight month, though the service sector also remained lackluster. The eurozone was consequently the only major advanced economy to see growth accelerate in May, but the improvement was only modest and rounded off a disappointing month for all four of the largest developed economies.

## Developed world PMI (output)



## Developed world PMI\*



Source: IHS Markit.

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

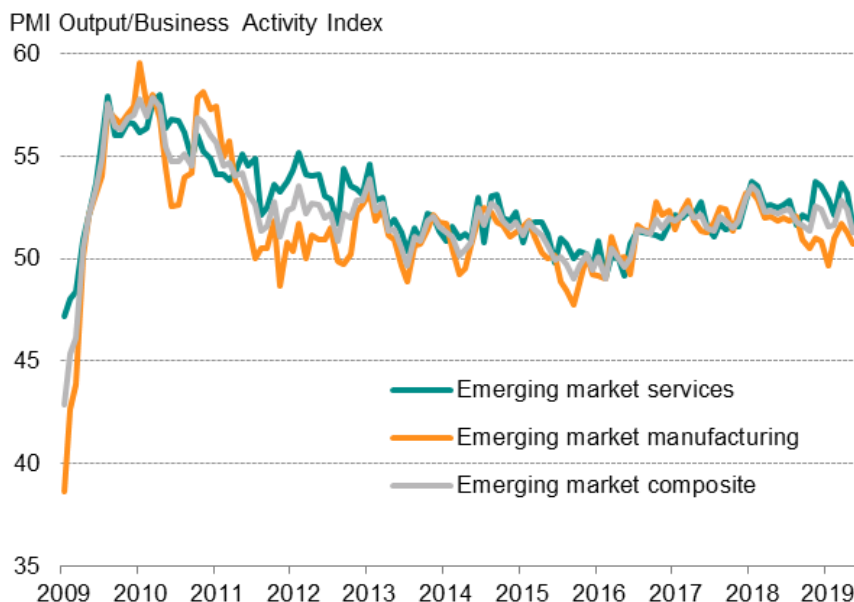


# Brazil leads broader emerging market slowdown

Emerging markets growth was the joint-weakest since September 2016, sliding closer to stagnation in manufacturing and slowing markedly in services. Looking at the four largest emerging markets, the worst performance was seen in Brazil, where output fell back into decline for the first time since September of last year with a deepening service sector downturn. Growth meanwhile slowed in both China and Russia. While the rate of expansion in China fell to a three-month low, the rise in output in Russia was the weakest for three years. Both saw a near-stalling of manufacturing output and weaker services growth.

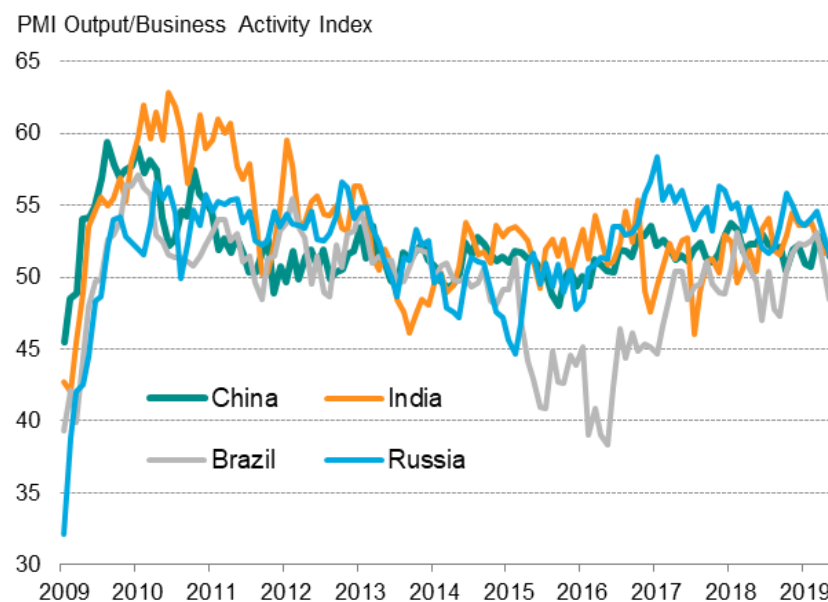
Only India avoided a worsening performance among the major emerging markets, but even here the rate of expansion merely held steady at April's seven-month low. Faster manufacturing growth offset a near-stagnation in India's service sector – its slowest expansion for a year and hinting at weaker domestic demand.

## Emerging market PMI (output)



Source: IHS Markit.

## Emerging market PMI\*



Source: IHS Markit.

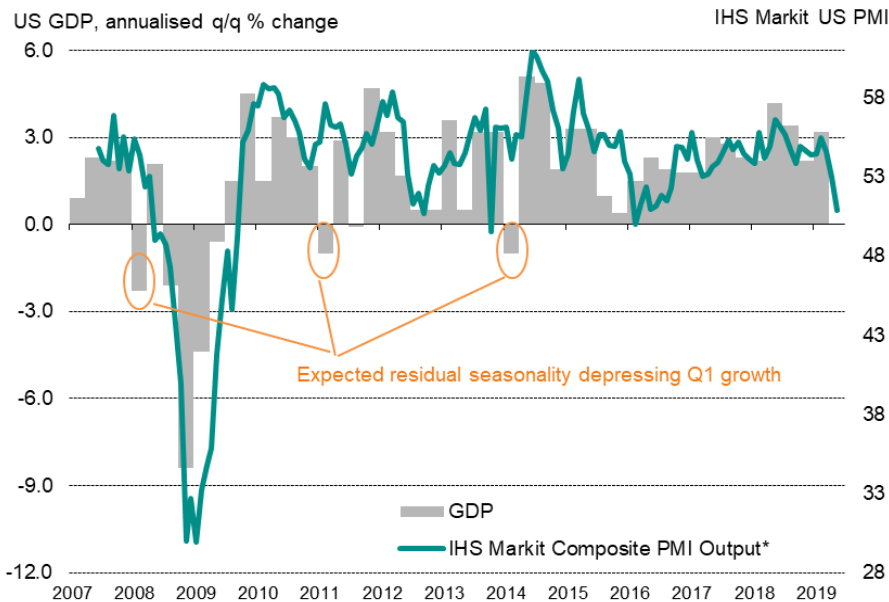
\* PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

# US growth slumps as slowdown spreads to services

[PMI data for May](#) add to worrying signs about the health of the US economy. With the exception of February 2016, businesses reported the weakest expansion for 5½ years as a trade-led slowdown continued to widen from manufacturing to services. Inflows of new business showed the second-slowest rise seen this side of the global financial crisis as the steepest fall in demand for manufactured goods since 2009 was accompanied by a further marked slowdown in orders for services.

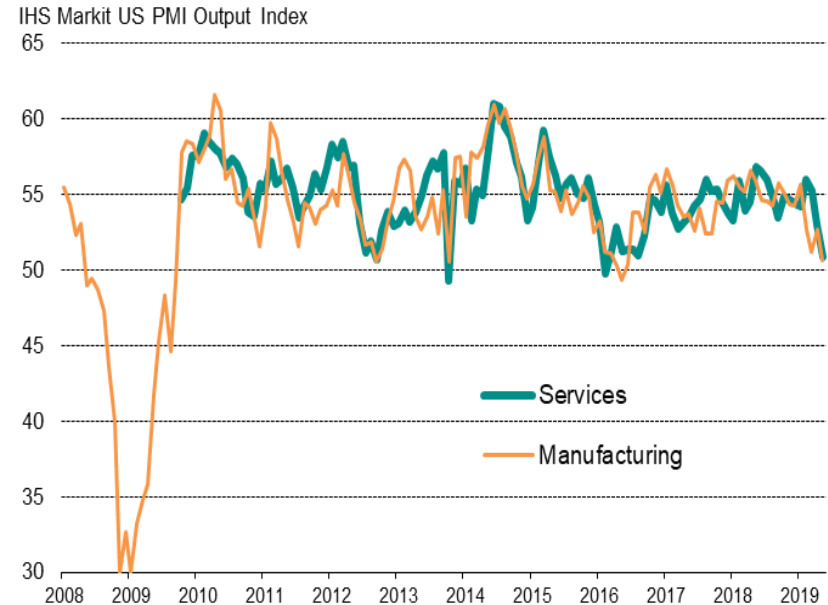
The survey data indicate a deterioration of annualised GDP growth to just 1.2% in May, down from 1.9% in April, putting the second quarter on course for a 1.5% rise. The slowdown has also seen inflationary pressures fade rapidly. Despite upward pressure on prices from tariffs, the rate of increase of average prices charged for goods and services barely rose in May, in marked contrast to the strong rises seen earlier in the year, as increasing numbers of companies competed on price amid weak demand.

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



\* Manufacturing PMI only pre-October 2009.  
Sources: IHS Markit, US Commerce Department

## US PMI sector output



Source: IHS Markit.

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

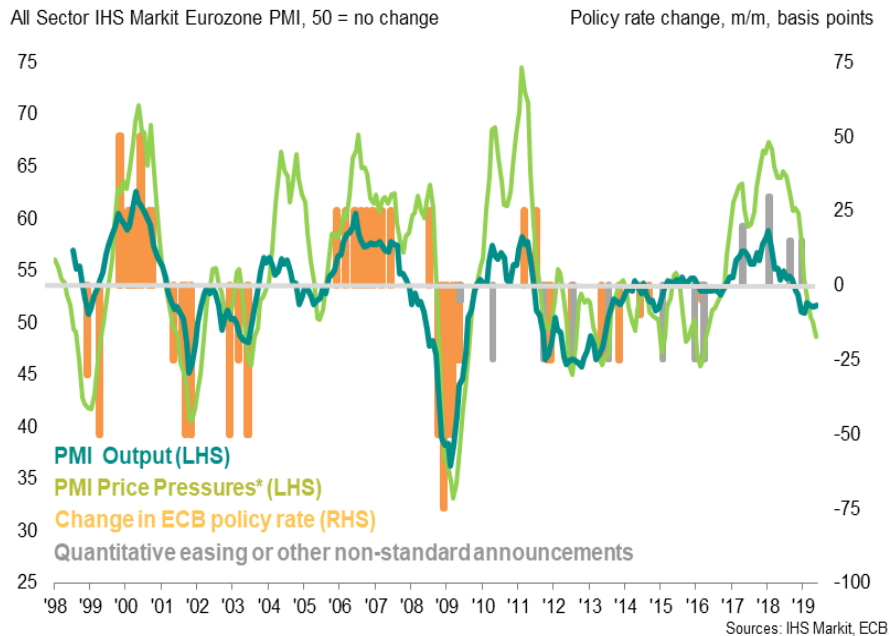


# Eurozone sees subdued growth amid stagnant demand

The [eurozone PMI for May](#) indicated the fastest growth for three months, but the overall picture remained one of weak growth and gloomier prospects for the year ahead. The PMI so far merely indicates a modest 0.2% rise in GDP in Q2 as the trade-led downturn in manufacturing was accompanied by only modest service sector growth. Although Germany and France saw stronger growth, rates of increase remained subdued. Spain meanwhile saw the slowest growth since late-2013 and Italy remained in a mild downturn.

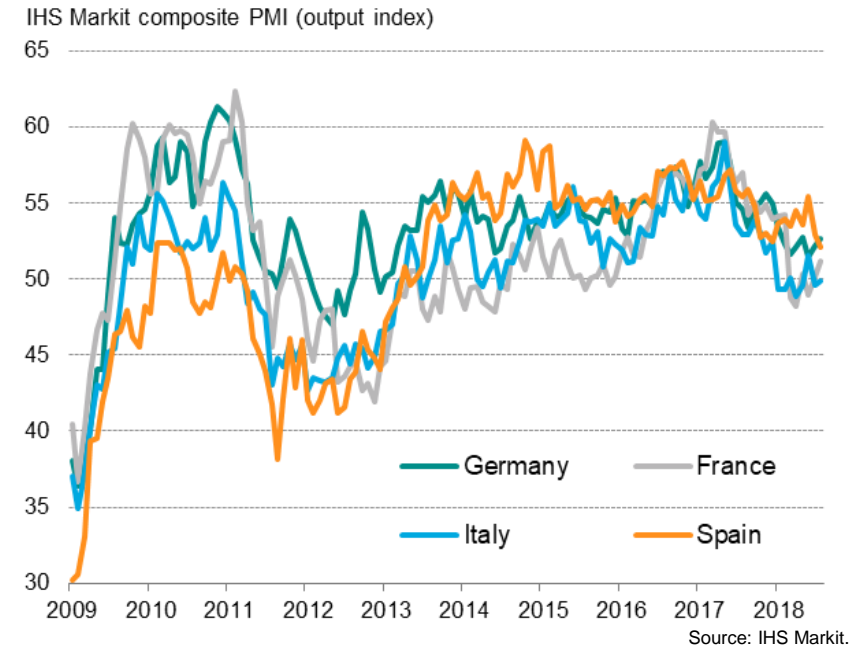
There seems little prospect of any immediate improvement: new orders barely rose in May, painting one of the gloomiest pictures of demand seen over the past six years. Companies' expectations of growth over the coming year likewise fell to one of the lowest in six years. The survey also brought further signs that companies are having to increasingly compete on price to sustain sales, dampening inflationary pressures to the lowest for over two years.

## Eurozone PMI and ECB policy decisions



\*Price pressures gauge is a blend of input cost and supplier delivery times indices.

## Eurozone PMI\* output by country



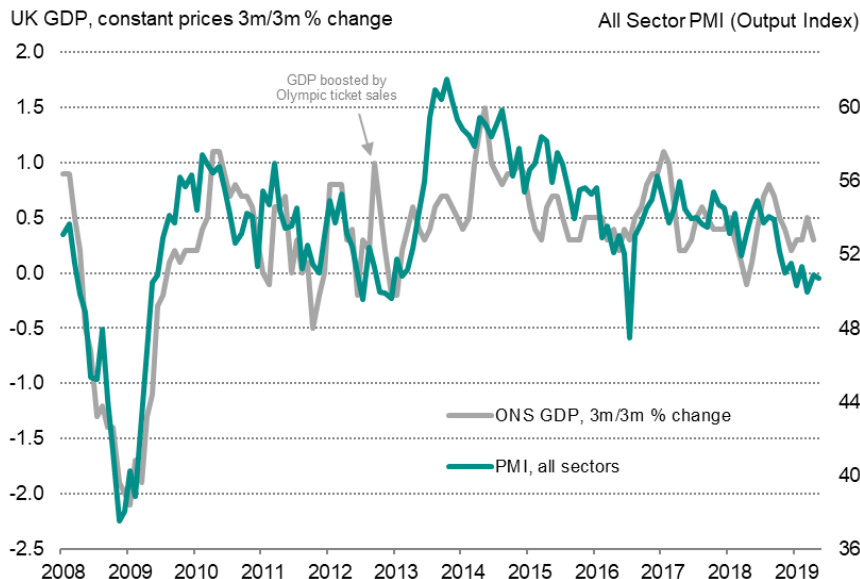
\*PMI shown above is a GDP weighted average of the manufacturing and services indices.

# UK PMI survey malaise adds to second quarter worries

The PMI surveys indicated that the [UK economy remained broadly stagnant](#) midway through the second quarter. Companies reported that activity, order books and hiring trends were subdued by a combination of weak demand and Brexit-related uncertainty. Although service sector business activity gained a little momentum, with growth reaching a three-month high, the pace of expansion remained muted and failed to offset a marked deterioration in manufacturing performance and a fall in output of the construction industry. Manufacturers reported the slowest rise in production since July 2016 as Brexit-related stock-building went into reverse while construction output fell at the quickest rate in 14 months. Weak official GDP data for April confirmed the darkening picture.

However, optimism about the year ahead picked up to an eight-month high, in part reflecting an easing of near-term concerns due to the extension of the Brexit deadline.

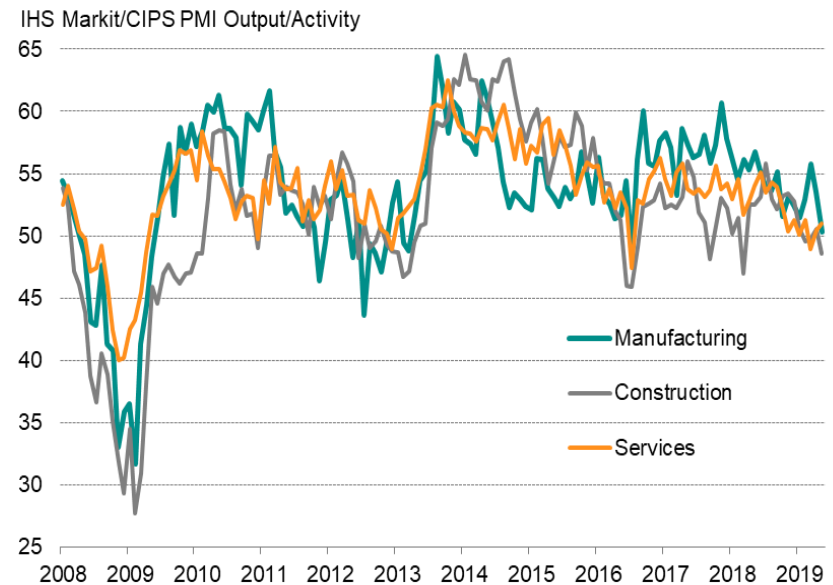
## UK PMI\* and GDP



Sources: IHS Markit, CIPS, ONS.

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

## UK output by sector



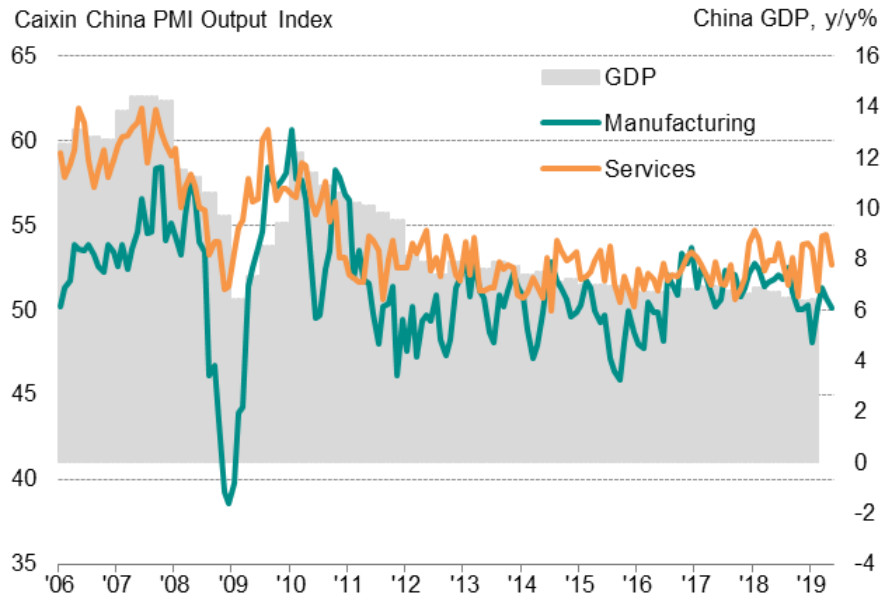
Sources: IHS Markit, CIPS.

# Business confidence in China slides to new survey low

Chinese enterprises reported further growth in economic activity in May, according to [the latest Caixin PMI™ surveys](#), although the rate of expansion slowed to a three-month low on the back of softer domestic demand. While Caixin manufacturing PMI data continued to indicate signs of stabilisation in China’s factories, with the headline index remaining above the neutral 50.0 level for a third month running in May, the latest survey saw softer growth in services activity.

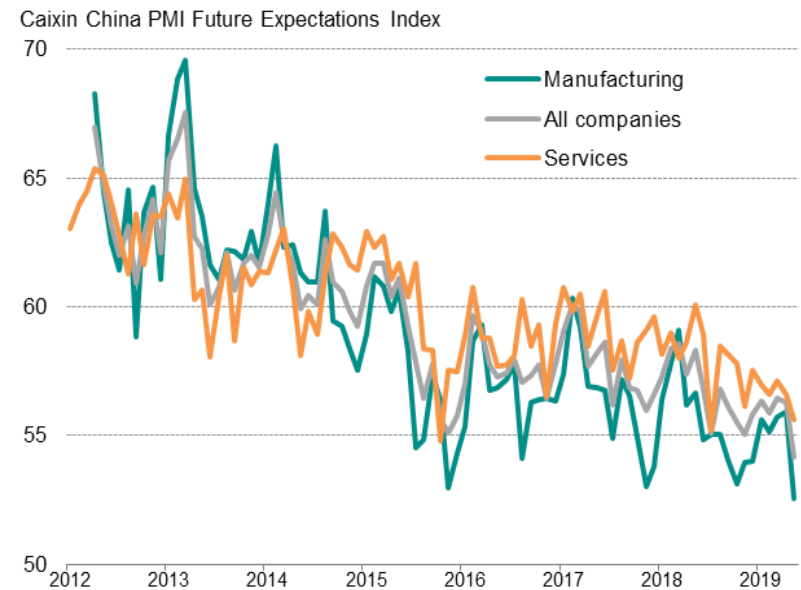
Business expectations for the year ahead meanwhile sank to the lowest in the series history, broadly reflecting rising concerns over the impact of escalating US-China trade tensions. Furthermore, with the survey data also indicating a lack of accumulation in backlogs of work midway through the second quarter, owing to only a marginal gain in new work, there is a growing likelihood that coming months will likely see business activity remain relatively subdued.

## China PMI output indices



Sources: IHS Markit, Caixin.

## China PMI future expectations



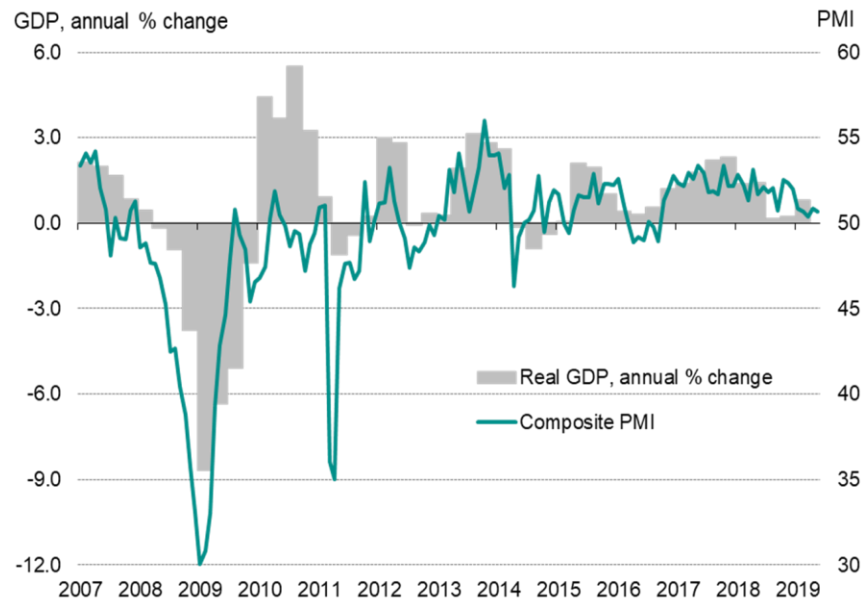
Sources: IHS Markit, Caixin.

# Modest expansion of Japan's economy led by service sector

Japan's services economy continued to tick along at a modest pace during May. Taken in conjunction with the manufacturing PMI, which recorded a further export-led drop in output, the surveys suggest the underlying pace of economic growth in Japan has remained resilient so far in the second quarter, albeit among the weakest seen since 2016. However, the disappointing pace of expansion raises concerns ahead of the scheduled consumption tax hike later this year. Indeed, service sector companies indicated a degree of concern towards the sales tax increase, which pulled sentiment to its joint-lowest in 18 months.

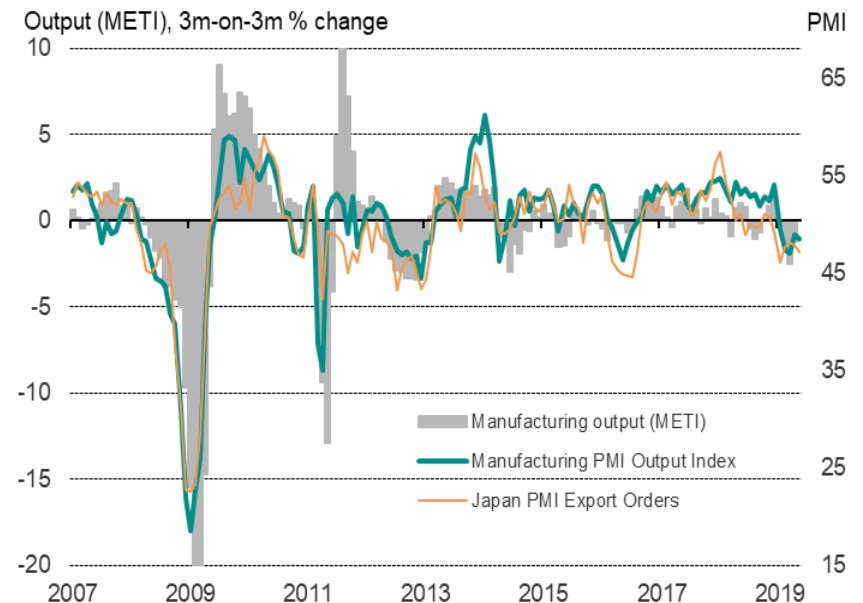
The re-escalation of trade tensions between the US and China, which together accounted for around 40% of Japan's exports in 2018, has meanwhile heightened concern among Japanese goods producers. Sentiment regarding future output turned pessimistic in May (meaning the number of pessimists exceeded optimists) for the first time since the end of 2012.

## Japan PMI and GDP



Sources: IHS Markit, Nikkei, Japan Cabinet Office.

## Japan manufacturing output



Sources: IHS Markit, Nikkei.

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