Global economic growth picks up in November

Key findings

J. P. Morgan Global PMI Composite Output Index at 4-month high of 51.5

Five out of six sub-sectors see output rise, led by solid expansion in financial services

International trade remains constraint to growth

The pace of global economic expansion improved to a four-month high in November, as rates of growth picked up in both the manufacturing and service sectors. The J.P.Morgan Global Composite Output Index – which is produced by J.P.Morgan and IHS Markit in association with ISM and IFPSM – posted 51.5, up from a 44-month low of 50.8 in October.

Five of the six sub-sectors covered by the survey saw output increase in November. Rates of expansion ranged from a marked rise at financial service providers to mild growth in both the intermediate goods and business services sectors. Capital goods was the only category to register contraction.

Output growth was led by China, which saw its rate of expansion hit a 21-month record. Economic upturns were also seen in the US, euro area, India, Brazil and Russia. Within the eurozone, increased activity in France, Spain and Ireland offset downturns in Germany and Italy. Economic activity contracted in Japan, the UK and Australia.

The upturn in output encouraged firms to raise employment in November. The rate of job creation was marginal but sufficient to reverse the cuts observed in the prior survey month. Staffing levels increased in the US, the euro area, China, Japan, India, Brazil, Russia and Australia. The UK saw job losses for the third successive month.

New business growth hit a four-month high, despite remaining among the weakest registered over the past three-and-a-half years. International trade remained a constraint on growth, as new export business decreased for the twelfth month running with declines at manufacturers and service providers alike.

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Business optimism was unchanged from October’s three-month high, but remained at one of its most subdued levels in the series history. Sentiment improved slightly at service providers, whereas confidence in manufacturing dipped from a four-month high. Emerging markets were (on average) more optimistic about the year ahead than their developed nation counterparts.

Input price inflation remained relatively mild in November. Costs rose at an unchanged rate compared to October, to remain at one of its weakest levels over the past three years. Output charges meanwhile rose only marginally.

**Global Services Summary.**

The J.P.Morgan Global Services Business Activity Index rose to a three-month high of 51.6 in November, up from 51.0 in October. The latest increase in output was underpinned by improved intakes of new business, efforts to reduce backlogs of work and higher employment. Business confidence picked up to a four-month high, but remained subdued overall.

The sharpest rates of expansion in business activity were registered in Russia and China. Increases were also seen in the US, the euro area, Japan, India and Brazil. In contrast, the UK and Australia both registered contractions.

Input price inflation in the global service sector remained close to October’s three-month high. Companies offset cost increases through a further rise in selling prices, although the rate of output charge inflation remained weak overall.

**Comment**

Olya Borichevska, from Global Economic Research at J.P.Morgan, said:

“The rate of global economic expansion improved in November, according to the latest PMI surveys. The more encouraging aspect of the November report is the continued increase in the manufacturing PMI. While the services activity PMI also increased last month, the trend in the series remains down. We take comfort in the large jump in the employment PMI following more than six months of sharp declines. While the early signs are that the economy is positioned to strengthen, the drags provided by international trade and low confidence suggest progress will remain slow overall.”
Methodology

The J.P. Morgan Global Composite PMI™ is produced by IHS Markit in association with ISM and IFPSM.

Global composite PMI indices are compiled by IHS Markit from responses to monthly questionnaires sent to companies in manufacturing and services survey panels in over 40 countries (see table, right for full coverage), totalling around 27,000 companies. These countries account for 89% of global gross domestic product (GDP)*.

For manufacturing surveys, responses are collected for the following variables: output, new orders, new export orders, future output, backlogs of work, employment, quantity of purchases, suppliers' delivery times, stocks of purchases, stocks of finished goods, input prices and output prices. For services surveys, responses are collected for the following variables: business activity, new business, new export business, future activity, outstanding business, employment, input prices and prices charged.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each manufacturing and services survey variable, at the country level. The index is the sum of the percentage of ‘higher’ responses and half the percentage of ‘unchanged’ responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

Global indices for manufacturing and services are calculated by weighting together the country indices using national manufacturing and services annual value added*. Global Composite indices are then calculated by weighing together comparable global manufacturing and services indices using global manufacturing and services annual value added*.

The headline figure is the Global Composite Output Index. This is a weighted average of the Global Manufacturing Output Index and the Global Services Business Activity Index.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

The J.P. Morgan Global Composite PMI provides the first indication each month of worldwide economic business conditions. The data enable decision makers in the financial world and in government to make better judgements much earlier than would otherwise be the case. The wide coverage of the indices, together with their speed of production, accuracy and direct comparability, make them unmatched as economic indicators. They provide truly “must have” information for financial institutions of all kinds and for major corporations worldwide.
