

News Release

MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 1100 (New York) / 1500 (UTC) June 5th 2019

J.P.Morgan Global Services PMI™

Produced by J.P.Morgan and IHS Markit in association with ISM and IFPSM

Global service sector growth at near three-year low

The rate of expansion in the global service sector eased to a 33-month low in May, with output growth slowing across the business, consumer and financial services categories.

The J.P.Morgan Global Services Business Activity Index – a composite index produced by J.P.Morgan and IHS Markit in association with ISM and IFPSM – posted 51.6 in May, down from 52.7 in April, and has stayed above the neutral 50.0 mark for 118 consecutive months.

Due to a later-than-usual release date, Ireland Services PMI data were not available to include in the May 2019 global readings.

The seeds of the global service sector slowdown were planted in the US and China. The US saw its lowest rate of expansion during the current 39-month sequence of increase, while growth in China eased to a three-month low. Brazil was the only nation to register contraction as activity fell to the greatest extent since last September. Output growth accelerated in the euro area, the UK and Australia, but decelerated in Japan, India and Russia.

The level of incoming new business rose at the slowest pace since July 2016, while the trend in new export order growth eased closer to stagnation. Backlogs of work showed a minor decrease, the first in five months.

Although service providers maintained a positive outlook in May, the degree of optimism dipped to a near three-year low. Confidence eased in the US, the euro area, China, Japan and Russia, and improved in India, the UK, Australia and Brazil.

Average input costs increased again in May. However, the rate of inflation was the weakest registered in over two-and-a-half years. A similar trend was witnessed for average output charges, with the rate of inflation dipping to its lowest since February 2017.

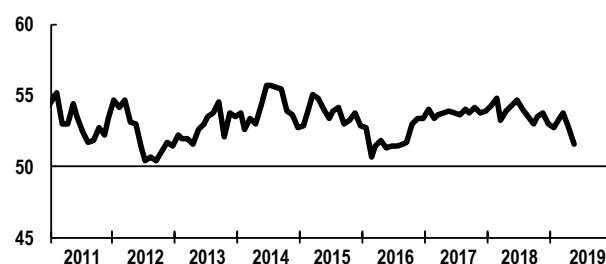
May saw a further increase in global service sector employment, with the rate of job creation steady during the latest survey month. Staffing levels rose in the US, the euro area, China, Japan, the UK, India and Australia. Job cuts were reported in Brazil, and Russia.

Commenting on the survey, Olya Borichevska, from Global Economic Research at J.P.Morgan, said:

“The May PMI surveys point to a notable growth slowdown in the global service sector. The effects were felt across the spectrum of activities, with rates of expansion easing across the business, consumer and financial services categories. However, with new order intakes remaining solid and employment still rising at a decent clip, there are still signs that growth in the sector may stabilize in the coming months.”

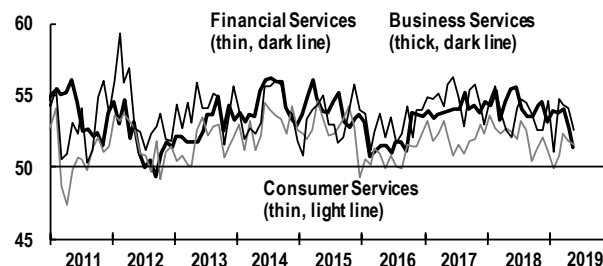
Service sector business activity

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JPMorgan Global PMI Sectors: Services Business Activity

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Global Services PMI™ Summary

50 = no change on prior month.

Index	Apr.	May	+/-	Summary
Output/Activity	52.7	51.6	-	Growth, slower rate
New Business	52.9	52.0	-	Growth, slower rate
New Export Business	50.9	50.3	-	Rising, slower rate
Backlogs of Work	50.2	49.6	-	Falling, from rising
Input Prices	54.9	54.3	-	Rising, slower rate
Output Charges	51.8	51.1	-	Rising, slower rate
Employment	52.3	52.3	=	Rising, same rate
Future Activity	61.4	60.4	-	Positive, lesser extent

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Notes to Editors:

The Global Report on Services is based on the results of surveys covering over 7,000 executives carried out in the US by IHS Markit (after September 2009) and the ISM (before October 2009), and in China, Japan, Germany, France, the UK, India, Brazil, Italy, Russia, Spain, Australia, Saudi Arabia, Nigeria, South Africa, the UAE, Ireland, Singapore, Hong Kong, Egypt, Kenya and Lebanon by IHS Markit, and in New Zealand by Business NZ. These countries together account for an estimated 76% of global service sector gross value added (GVA)².

For the US, data are taken from a combination of the IHS Markit US Services PMI™ and the ISM non-manufacturing survey. Global services PMI data points after September 2009 include data from the IHS Markit US services PMI survey in the calculation. For global services PMI data prior to October 2009, the calculation is based on data taken from the ISM non-manufacturing survey. Where appropriate, month-on-month changes in the ISM data series have been applied to the IHS Markit series to form a proxy back history.

In addition to the service sector included in the other countries, the ISM non-manufacturing definition also includes agriculture, construction, mining, public administration, retail, utilities and wholesale sectors.

Questions are asked about real events and are not opinion based. Data are presented in the form of diffusion indices, where an index reading above 50.0 indicates an increase in the variable since the previous month and below 50.0 a decrease.

The services report is accompanied by a Global Report on Manufacturing and a Global Composite PMI™ Report.

Data Sources:

Country	% Share of global GDP ²	Producer	In association with	Website
United States ¹ :	21.6%			
After Sep. 2009		IHS Markit	–	www.ihsmarkit.com/products/pmi.html
Before Oct. 2009		ISM	–	www.ism.ws
China	12.7%	IHS Markit	Caixin	www.caixin.com
Japan	7.7%	IHS Markit	Nikkei	www.nikkei.co.jp/nikkeiinfo/en/
Germany	4.8%	IHS Markit	–	www.ihsmarkit.com/products/pmi.html
France	3.6%	IHS Markit	–	www.ihsmarkit.com/products/pmi.html
United Kingdom	3.5%	IHS Markit	CIPS	www.cips.org
India	3.3%	IHS Markit	Nikkei	www.nikkei.co.jp/nikkeiinfo/en/
Brazil	2.8%	IHS Markit	–	www.ihsmarkit.com/products/pmi.html
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Spain	1.9%	IHS Markit	AERCE	www.aerce.org
Australia	1.7%	IHS Markit	Commonwealth Bank	www.commbank.com.au
Saudi Arabia ³	0.9%	IHS Markit	Emirates NBD	www.emiratesnbd.com
Nigeria ³	0.6%	IHS Markit	Stanbic IBTC Bank	www.stanbicibtcbank.com/
South Africa ³	0.5%	IHS Markit	–	www.ihsmarkit.com/products/pmi.html
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Ireland	0.4%	IHS Markit	–	www.ihsmarkit.com/products/pmi.html
Singapore ³	0.4%	IHS Markit	Nikkei	www.nikkei.co.jp/nikkeiinfo/en/
Hong Kong ³	0.4%	IHS Markit	Nikkei	www.nikkei.co.jp/nikkeiinfo/en/
Egypt ³	0.3%	IHS Markit	Emirates NBD	www.emiratesnbd.com
New Zealand	0.2%	Business NZ	Bank of New Zealand	www.businessnz.org.nz , www.bnz.co.nz
Kenya ³	0.1%	IHS Markit	Stanbic Bank	www.stanbicbank.co.ke
Lebanon ³	0.1%	IHS Markit	BLOMINVEST Bank	www.blominvestbank.com

1 Data from the IHS Markit survey of US services are included in the global services PMI composition from October 2009 onwards (including the October 2009 data point). Data prior to that date are based on the ISM US non-manufacturing survey.

2 Source: World Bank World Development Indicators (2017 data, constant US\$ measure).

3 For these nations, service sector responses are extracted from whole economy PMI surveys for inclusion in the Global Services PMI.

Methodology: Global Services PMI™ Indices

The Global Services PMI™ indices are all seasonally adjusted. The seasonal adjustment is applied at the national level (as opposed to at the global aggregate level) in order to account for differing seasonal patterns in each of the nations included. Global Services PMI™ indices are weighted according to national contributions to global services gross value added. Weights for the global indices are derived from the latest available World Bank data on the gross value added of services for each of the nations covered. World Bank data on value added are in constant US\$, with all national currencies converted to US\$ by the World Bank using DEC alternative conversion factors.

J.P.Morgan

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