Global economic growth hits 15-year high as rapid expansions in US and Europe offset subdued Asia region

Key findings

J. P. Morgan Global PMI Composite Output Index at 58.4 in May (181-month high)

New orders rise at quickest pace since April 2006

Capacity and price pressures remain severe

May saw a further solid acceleration in the pace of expansion of global economic activity, as output and new orders rose at the quickest rates since April 2006. Growth of activity was led by survey-record increases in the US and the UK. The euro area was also a bright spot, with its rate of expansion the highest in over three years.

The J.P. Morgan Global Composite Output Index – which is produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – rose to 58.4 in May, a 181-month high, to remain above the 50.0 no-change mark for the eleventh successive month. The Asia region tended to underperform relative to its US and European counterparts. Growth in China eased, while Japan and India fell back into contraction.

Notes: due to later-than-usual release dates, manufacturing PMI data for Indonesia and services data for Brazil were not available for inclusion in the latest global PMI readings.

The global service sector outperformed manufacturing for the second successive month in May. Service sector business activity rose at the quickest pace in over 15 years (since April 2006), while growth of manufacturing production eased slightly from April’s decade-high.

All six of the sub-sectors covered by the survey registered output growth in May, the first across the board concurrent expansions since November 2018. The strongest rate of increase was in the business services sector, following by financial services. Consumer-facing industries continued to underperform, with the weakest growth at consumer goods producers and consumer service providers.

The level of incoming new business rose at the fastest pace in 15 years in May, with rates of expansion accelerating at manufacturers and service providers alike. Part of the

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latest increase reflected improved international trade flows. Overall new export business rose for the fourth consecutive month and to the greatest extent on record (the composite new export business series starts in September 2014).

The outlook for the global economy remained positive in May, with manufacturers and service providers both forecasting that output would expand over the coming 12 months. This encouraged further job creation, with employment rising at an almost identical rate to April’s 160-month high.

Staffing levels rose sharply in the US, the euro area (31-month high) and the UK (83-month high) among others. Jobs growth in China and Japan was comparatively mild, while cutbacks were signalled in India.

Higher employment also reflected companies’ efforts to combat rising capacity pressures. Backlogs of work expanded at the fastest rate in 17 years, with stronger increases at both manufacturers and service providers. Demand outstripping supply also led to increased price inflation. Input costs rose to the greatest extent since August 2008 and output charges at the quickest rate on record (since at least October 2009).

Global Services Summary

The J.P.Morgan Global Services Business Activity Index posted 59.4 in May, up from 57.0 in April, to remain above the neutral mark of 50.0 for the eleventh month in a row.

Business activity and new order intakes both expanded at the quickest rates during the past 15 years (since April 2006 and May 2006 respectively). There was also a further mild increase in new export business. Rising levels of demand underpinned further job creation and business optimism, but also led to increased backlogs of work.

Average output charges rose at the fastest pace in the survey history during May. Part of the increase reflected higher input costs, which rose to the greatest extent since August 2008.

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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 weighting 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.

* Source: World Bank World Development Indicators.