

News Release

MARKET SENSITIVE INFORMATION
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J.P.Morgan Global Composite PMI™

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

Global economic growth eases to near three-year low in May

The rate of global economic expansion eased to a near three-year low in May. Output growth at service providers was the weakest since August 2016, while the trend in manufacturing production was near-stagnation. Demand dynamics stuttered in both sectors, with manufacturing particularly hard hit by the effect of rising global trade tensions on international trade flows.

The J.P.Morgan Global Composite Output Index^{1,2} – which is produced by J.P.Morgan and IHS Markit in association with ISM and IFPSM – fell to 51.2 in May, down from 52.1 in April. Although four out of the six broad sub-sectors covered by the survey – consumer goods, business services, consumer services and financial services – registered growth, all saw slower rates of expansion. Producers of intermediate and investment goods, meanwhile, both saw output fall for the fifth month running.

Please note that later-than-usual release dates for the Thailand, Colombia and Ireland Manufacturing PMI surveys, along with the services PMI for Ireland, meant these data were not available to include in the May 2019 global readings.

The slowdown was mainly centred on the US, where weaker increases in the manufacturing and service sector led to the slowest rise in all-industry activity for three years. Rates of overall expansion also slowed in China (three-month low), Japan and Russia (36-month low). Growth steadied in the UK and India. Mild accelerations were registered in the euro area and Australia, taking growth in both back above the global average.

May saw the rate of expansion in incoming new work ease to a three-year low. Growth at service providers slowed to its weakest for 34 months. Manufacturing new orders decreased for the second time in three months to the greatest extent since October 2012.

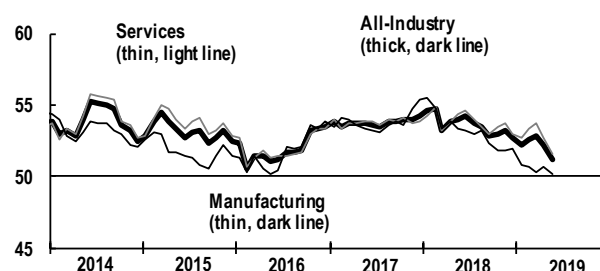
Backlogs of work declined for the second month running in May, with falls seen at both manufacturers and service providers. The presence of available capacity meant that the trend in new hirings softened slightly, with jobs growth the joint-weakest for over two years. Staffing levels were raised in the US, the euro area, Japan, the UK, India and Australia. Job cuts were signalled in China, Brazil and Russia.

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

“The rate of global economic expansion slowed to its weakest since June 2016, as manufacturing stagnated and services saw a marked growth slowdown. Both sectors were impacted by subdued underlying demand. Manufacturing in particular has been hurt by rising global trade tensions, leading to reduced opportunities to grow export orders. Global market conditions will need to pick-up noticeably in the coming months if economic growth is to revive.”

JPMorgan global PMI output

Diffusion Index, sa



Global Composite PMI™

50 = no change on prior month.

Index	Apr.	May	+/-	Summary
Output	52.1	51.2	-	Expanding, slower rate
New Orders	52.2	51.3	-	Expanding, slower rate
New Export Orders	49.4	49.3	-	Falling, faster rate
Employment	51.8	51.6	-	Rising, slower rate
Input Prices	54.4	53.9	-	Rising, slower rate
Output Charges	51.7	51.1	-	Rising, slower rate
Backlogs	49.7	49.3	-	Falling, faster rate
Future Output	61.0	59.7	-	Positive, lesser extent

Business confidence dipped to its lowest level since future output data were first collected in July 2012. Optimism fell in all three manufacturing sub-sectors covered by the survey (consumer, intermediate and investment goods) and at business services providers. On the price front, rates of inflation in output charges and input costs both slowed during the latest survey month.

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Notes to Editors:

The Global Composite PMI Report is compiled by IHS Markit based on the results of manufacturing and service sector surveys covering over 20,000 purchasing executives in over 40 countries. Together these countries account for an estimated 89% of global gross domestic product (GDP)⁴. 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.

Data Sources:

Country	% Share of global GDP ⁴	Producer	In association with	Website
United States ^{1,2} :	21.6%			
IHS Markit		IHS Markit	–	www.ihsmarkit.com/products/pmi.html
ISM		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	BME	www.bme.de
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- 1) Data from the IHS Markit survey of US manufacturing are included in the global manufacturing PMI composition from February 2010 onwards. Data prior to that date are based on the ISM US manufacturing survey.
- 2) 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.
- 3) For these nations, manufacturing and service sector responses are extracted from whole economy PMI surveys for inclusion in the Global PMI
- 4) Source: World Bank World Development Indicators (2017 data, constant US\$ measure).

Methodology: Global Composite PMI™ Indices

The Global Composite PMI™ indices are seasonally adjusted with the exception of the Future Output Index. The seasonal adjustment, where applied, is undertaken at the national sector level (as opposed to at the global aggregate level) in order to account for differing seasonal patterns in each of the nations included. Where comparable indices (such as output) are available for both the global manufacturing PMI and global services PMI surveys, the index for each sector is weighted together to produce a combined manufacturing & services (“composite”) reading. The weight applied is calculated according to the relative contributions of the service and manufacturing sectors to overall global GDP. Weights for the global indices are derived from the latest available World Bank data on the gross value added of manufacturing 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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