

News Release

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

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

Growth of global services output, new orders and employment gathers pace at start of 2017

The start of 2017 saw growth of global service sector business activity accelerate to a 17-month high. The improved rate of expansion was largely centred on the US and Russia, however, as growth held steady in the euro area and eased in both Japan and the UK.

At 53.9 in January, up from 53.5 in December, 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 – signalled an increase in output for the ninetieth successive month. The New Business Index also improved to an 18-month high.

Please note that a later than usual release date meant January 2017 data were not available for China. Previously published readings for the global services indices have also been restated following the annual national data weights review.

The rate of expansion in US services output was the steepest for 14 months, underpinned by the quickest new business growth for one-and-a-half years. Output in the euro area rose at an identical pace as before the turn of the year, as accelerations in France, Italy and Ireland were offset by slower growth in Germany and Spain.

Rates of expansion in service sector activity slowed to a two-month low in Japan and three-month low in the UK, but surged to an eight-and-a-half year record high in Russia. Contractions were recorded in India and Brazil.

By sector, rates of output growth improved across the business, consumer and financial services categories. The steepest increase was seen in financial services, with this sector also registering the sharpest expansion of incoming new business.

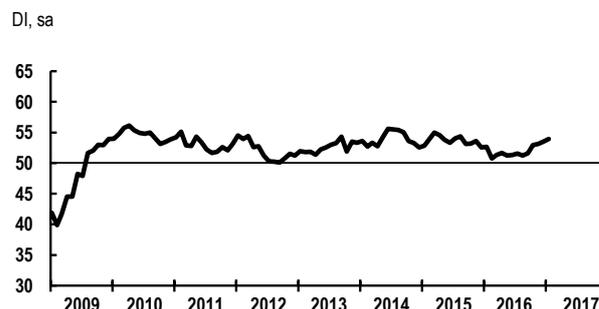
Backlogs of work rose in January, while business optimism reached a 20-month high. Taken alongside the faster expansions in new orders and activity, firms felt sufficiently encouraged to initiate a further increase to employment. The rate of job creation was the quickest since August 2015, with staffing levels raised in almost all of the nations covered by the survey (the main exception being Brazil).

Cost inflation accelerated to a 39-month high in January, but remained below its long-run average. Part of the rise in input prices was passed on to clients, leading to an increase in output charges for the eleventh month running.

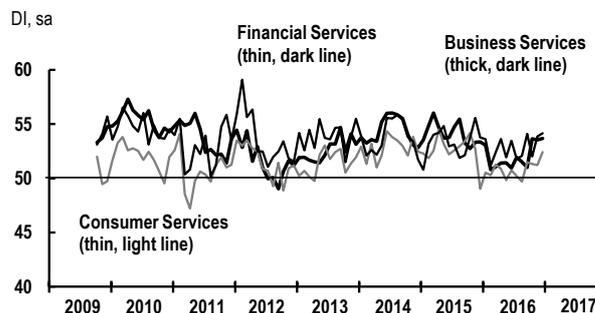
Commenting on the survey, David Hensley, Director of Global Economic Coordination at J.P.Morgan, said:

“The upturn in the global service economy gathered further steam at the start of 2017. Rates of expansion in output, new orders and employment all improved, providing a boost to business confidence. Taken together this suggests the sector has sufficient growth momentum to sustain the current rebound into the coming months.”

Service sector business activity



JPMorgan Global PMI Sectors: Services Business Activity



Global Services PMI™ Summary

50 = no change on prior month.

Index	Dec	Jan	+/-	Summary
Output/Activity	53.5	53.9	+	Growth, faster rate
New Business	53.9	54.5	+	Growth, faster rate
Backlogs of Work	50.4	50.7	+	Rising, faster rate
Input Prices	55.5	55.7	+	Rising, faster rate
Output Charges	51.9	51.6	-	Rising, slower rate
Employment	52.2	52.3	+	Rising, faster rate
Future Activity	63.9	65.7	+	Positive, greater extent

Contact Information:

For economics comments, data and technical queries, please call:

IHS Markit

Rob Dobson
Director, Senior Economist
Telephone: +44-1491-461-095
Mobile: +44-7826-913-863
Email: rob.dobson@ihsmarkit.com

IHS Markit Press Office

Joanna Vickers
Corporate Communications
Telephone: +44-207-260-2234
Email: joanna.vickers@ihsmarkit.com

J.P.Morgan Chase Bank

David Hensley
Director of Global Economics
Coordination
Telephone: +1-212-834-5516
Email: david.hensley@jpmorgan.com

Notes to Editors:

The Global Report on Services is based on the results of surveys covering over 6,500 executives carried out in the US by Markit (after September 2009) and the ISM (before October 2009), and in China, Japan, Germany, France, the UK, Brazil, India, Italy, Russia, Spain, Saudi Arabia, the UAE, Nigeria, South Africa, Ireland, Singapore, Hong Kong, Egypt, Kenya and Lebanon by Markit, in Australia by AiG 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 Markit US Services PMI™ and the ISM non-manufacturing survey. Global services PMI data points after September 2009 include data from the 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 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 All-Industry PMI™ Report.

Data Sources:

Country	% Share of global GDP ²	Producer	In association with	Website
United States ¹ :				
After Sep. 2009	22.2	Markit	–	www.ihsmarkit.com
Before Oct. 2009	22.2	ISM	–	www.ism.ws
China	11.9%	Markit	Caixin	www.caixin.com
Japan	7.6%	Markit	Nikkei	www.nikkei.co.jp/nikkeiinfo/en/
Germany	4.9%	Markit	–	www.ihsmarkit.com
France	3.7%	Markit	–	www.ihsmarkit.com
United Kingdom	3.6%	Markit	CIPS	www.cips.org
Brazil	3.1%	Markit	–	www.ihsmarkit.com
India	3.1%	Markit	Nikkei	www.nikkei.co.jp/nikkeiinfo/en/
Italy	2.7%	Markit	–	www.ihsmarkit.com
Russia	2.2%	Markit	–	www.ihsmarkit.com
Spain	1.9%	Markit	AERCE	www.aerce.org
Australia	1.7%	AiG	–	www.aigroup.asn.au
Saudi Arabia ³	0.9%	Markit	Emirates NBD	www.emiratesnbd.com
UAE ³	0.5%	Markit	Emirates NBD	www.emiratesnbd.com
Nigeria ³	0.6%	Markit	Stanbic IBTC Bank	www.stanbicibtcbank.com/
South Africa ³	0.6%	Markit	Standard Bank	www.standardbank.com
Ireland	0.4%	Markit	Investec	www.investec.co.uk
Singapore ³	0.4%	Markit	Nikkei	www.nikkei.co.jp/nikkeiinfo/en/
Hong Kong ³	0.4%	Markit	Nikkei	www.nikkei.co.jp/nikkeiinfo/en/
Egypt ³	0.3%	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%	Markit	Stanbic Bank	www.cfcstanbicbank.co.ke
Lebanon ³	0.1%	Markit	BLOMINVEST Bank	www.blominvestbank.com

1 Data from the 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 (2015 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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