

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

Global service sector expansion gathers pace at start of 2018

January saw a further improvement in the rate of increase in global services activity. Growth accelerated to match the 26-month high registered last October, underpinned by the fastest inflows of new work since July 2015.

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 54.1 in January, up from 53.8 in December.

Please note that the annual review of the global PMI weights has been implemented, resulting in minor revisions to the time series back histories from 2013 onwards.

Solid increases in output were registered across the business, consumer and financial services sectors. The steepest expansion was seen in the latter, with growth hitting a three-month high, followed closely by that recorded at business services firms (albeit slower than in December). The pace of increase in consumer services activity improved to a 27-month high.

The upturn remained broad-based by nation in January. Almost all of the countries covered saw business activity rise, with growth strengthening in the euro area (fastest in over a decade), China (68-month high), Japan and India (both three-month highs).

Output growth eased to a nine-month low in the US, 16-month low in the UK and three-month lows in Russia and Australia. The Brazilian service sector stabilised, halting a three-month sequence of contraction.

The outlook for the world service sector remained positive in January 2018. Alongside improved inflows of new work, companies reported feeling confident about future performance. Business optimism rose to a seven-month high, with all of the nations covered forecasting output growth over the coming year.

Employment rose at a solid pace in January. Moreover, rates of jobs growth during the past half-year have been among the best seen in over a decade. Staffing levels rose in all of the nations covered except Brazil.

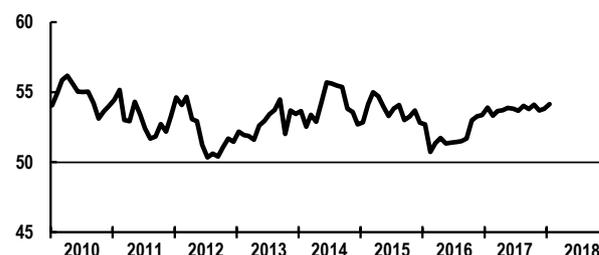
Price pressures increased at the start of 2018. Rates of inflation in input costs and selling prices accelerated to a six-and-a-half year high and joint-highest since April 2014 respectively. Rates of increase in both price measures remained stronger in developed nations compared to their emerging market counterparts.

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

“The global service sector made a positive start to 2018, with output growth improving and the upturn broad-based by both sub-sector and nation. Stronger inflows of new orders combined with rising business confidence and job creation all suggest that the sector is on course to maintain this robust upswing during the coming months.”

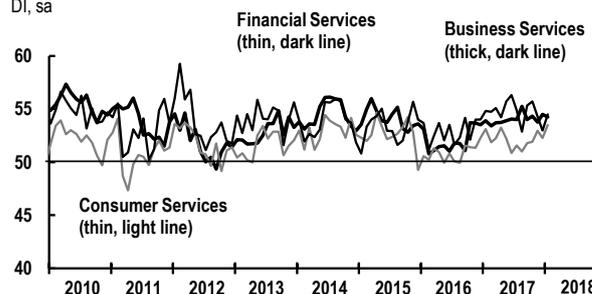
Service sector business activity

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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	Dec.	Jan.	+/-	Summary
Output/Activity	53.8	54.1	+	Growth, faster rate
New Business	54.4	55.0	+	Growth, faster rate
Backlogs of Work	50.8	51.4	+	Rising, faster rate
Input Prices	55.2	56.2	+	Rising, faster rate
Output Charges	52.4	52.8	+	Rising, faster rate
Employment	52.8	52.8	=	Rising, unchanged rate
Future Activity	63.1	65.3	+	Positive, greater extent

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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 IHS 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 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 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	IHS Markit	–	www.ihsmarkit.com
Before Oct. 2009	22.2	ISM	–	www.ism.ws
China	11.9%	IHS Markit	Caixin	www.caixin.com
Japan	7.6%	IHS Markit	Nikkei	www.nikkei.co.jp/nikkeiinfo/en/
Germany	4.9%	IHS Markit	–	www.ihsmarkit.com
France	3.7%	IHS Markit	–	www.ihsmarkit.com
United Kingdom	3.6%	IHS Markit	CIPS	www.cips.org
Brazil	3.1%	IHS Markit	–	www.ihsmarkit.com
India	3.1%	IHS Markit	Nikkei	www.nikkei.co.jp/nikkeiinfo/en/
Italy	2.7%	IHS Markit	–	www.ihsmarkit.com
Russia	2.2%	IHS Markit	–	www.ihsmarkit.com
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
UAE ³	0.5%	IHS Markit	Emirates NBD	www.emiratesnbd.com
Nigeria ³	0.6%	IHS Markit	Stanbic IBTC Bank	www.stanbicibtcbank.com/
South Africa ³	0.6%	IHS Markit	Standard Bank	www.standardbank.com
Ireland	0.4%	IHS Markit	Investec	www.investec.co.uk
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.cfcstanbicbank.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 (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

JPMorgan Chase & Co.

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