

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

Service sector growth slows as business confidence slides further

August saw the rate of global service sector expansion ease to a three-month low, as intakes of new work rose at the weakest pace since June 2016. Business optimism fell to its lowest level in the series history.

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 – fell to a three-month low of 51.8 in August, down from 52.5 in July, one of the worst readings posted over the past three years.

The slowdown in output growth was most evident in the US, which saw its rate of expansion ease to the weakest during the current 42-month sequence of increases. The UK, India and Brazil also saw growth slow, while Australia was the only nation to register a contraction. Stronger expansions were seen in the euro area, China, Japan and Russia.

Incoming new business rose at the weakest pace in over three years during August. This partly reflected a mild decrease in the level of new export work received, including contractions in the US, euro area and Brazil.

The business, consumer and financial services sectors all registered slower rates of expansion in output and new business during August. The slowdowns in activity and new work were especially marked in financial services.

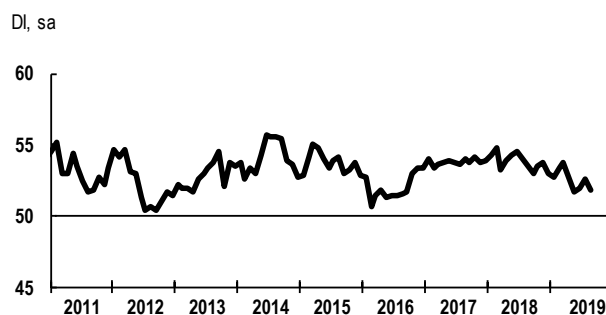
Service sector employment rose at the weakest pace since October 2016. Of the 13 nations for which August data were available, all except Russia registered increased staffing levels. Slower job creation was signalled in the US, Japan, the UK, France, India, Spain and Ireland. Price pressures remained subdued, as input costs and output charges rose at the slowest rates for 35 and 40 months respectively.

August saw business sentiment at global service providers fall to its lowest level since the index tracking future activity was first compiled in October 2009. Optimism among developed nations was (on average) the weakest recorded by the survey. Emerging markets also saw aggregate confidence fall slightly from July's nine-month high.

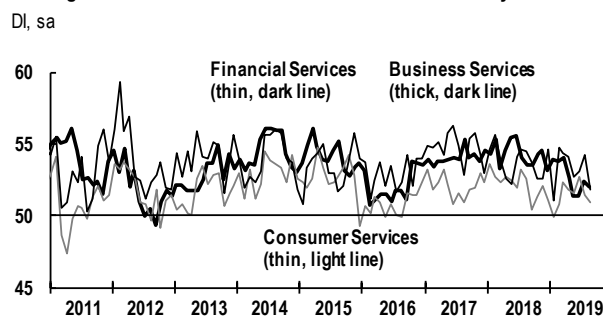
Commenting on the survey, Olya Borichevska, from Global Economic Research at J.P.Morgan, said:

“PMI data signal that rates of expansion in global service sector output and new orders slowed in August. This follows a period of resiliency in this sector that has helped cushion the slowdown in overall growth. Market conditions remain difficult and will need to improve substantially if service sector growth is to strengthen in the near future.”

Service sector business activity



JPMorgan Global PMI Sectors: Services Business Activity



Global Services PMI™ Summary

50 = no change on prior month.

Index	Jul.	Aug.	+/-	Summary
Output/Activity	52.5	51.8	-	Growth, slower rate
New Business	53.2	51.9	-	Growth, slower rate
New Export Business	51.1	49.5	-	Falling, from rising
Backlogs of Work	50.7	49.1	-	Falling, from rising
Input Prices	54.4	53.0	-	Rising, slower rate
Output Charges	51.2	50.5	-	Rising, slower rate
Employment	51.9	51.2	-	Rising, slower rate
Future Activity	58.9	57.4	-	Positive, lesser extent

Contact Information:

For economics comments, data and technical queries please call:

IHS Markit

Rob Dobson
Director
Telephone: +44-1491-461-095
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

Olya Borichevska
Global Economic Research
Email: olya.e.borichevska@jpmorgan.com

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	Jibun Bank	www.jibunbank.co.jp
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	–	–
Brazil	2.8%	IHS Markit	–	www.ihsmarkit.com/products/pmi.html
Italy	2.6%	IHS Markit	–	www.ihsmarkit.com/products/pmi.html
Russia	2.1%	IHS Markit	–	www.ihsmarkit.com/products/pmi.html
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	–	–
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
UAE ³	0.5%	IHS Markit	–	–
Ireland	0.4%	IHS Markit	AIB	www.aibeconomics.com
Singapore ³	0.4%	IHS Markit	–	–
Hong Kong ³	0.4%	IHS Markit	–	–
Egypt ³	0.3%	IHS Markit	–	–
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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