

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 services growth slows at end of 2018

Global service sector growth eased at the end of 2018. December saw the rate of expansion of business activity ease to a three-month low as new order intakes rose at the slowest pace in over two years.

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 53.1 in December, down from November’s four-month high of 53.7. The average index reading in the fourth quarter (53.4) was the weakest since quarter four of 2016.

Due to a later-than-usual release date, final data for the Japan Services PMI were not available to include in the global readings.

Sector data signalled that business activity increased across the business, consumer and financial services industries. The strongest performer was the latter, as financial services output rose at the fastest pace for five months. Activity growth slowed in both the business and consumer services categories.

The US remained one of the brightest spots for the global services economy, despite seeing its own rate of expansion ease to a three-month low. Output growth was also above the global average in China, Spain, India, Russia and Ireland.

The main source of the slowdown was the euro area, where output growth was the weakest since November 2014. France contracted for the first time in 30 months, while growth in Germany eased to a 27-month low. The performance of the UK service sector also remained lacklustre, with output expanding at the second-slowest pace in the past two-and-a-half years. Similar national trends were also seen for new business, including a weakening of growth across the euro area to the lowest since December 2014.

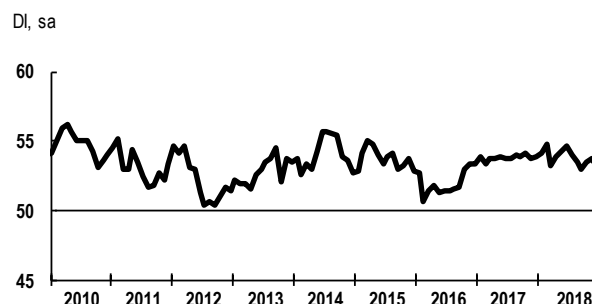
December saw a further modest increase in global service sector employment, although the rate of job creation remained close to November’s 19-month low. Staffing levels increased in all of the nations covered apart from Brazil (where employment fell to the greatest extent since September).

Output charge inflation eased to a 12-month low in December. The rate of increase in input prices also slowed, as costs rose at the weakest pace since April. Increases in both price measures were stronger (on average) in developed nations compared to emerging markets.

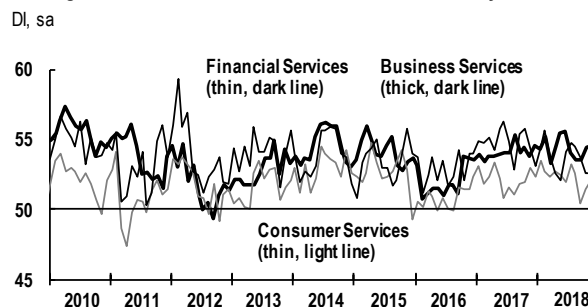
Commenting on the survey, David Hensley, Director of Global Economic Coordination at J.P.Morgan, said:

“The upturn in the global service sector slowed in December, following the weakest expansion of new order intakes in over two years. The financial services sector was a bright spot, seeing output growth accelerate to a five-month high, but this was more than offset by slower growth in both the business and consumer services industries. Conditions in the latter two will need to improve in the new year if the global service sector is to assist in a broader economic pick-up in 2019.”

Service sector business activity



JPMorgan Global PMI Sectors: Services Business Activity



Global Services PMI™ Summary

50 = no change on prior month.

| Index | Nov. | Dec. | +/- | Summary |
|---------------------|------|------|-----|-------------------------|
| Output/Activity | 53.7 | 53.1 | - | Growth, slower rate |
| New Business | 53.7 | 53.2 | - | Growth, slower rate |
| New Export Business | 50.7 | 50.1 | - | Growth, slower rate |
| Backlogs of Work | 50.5 | 49.5 | - | Falling, from rising |
| Input Prices | 56.4 | 55.9 | - | Rising, slower rate |
| Output Charges | 52.8 | 52.4 | - | Rising, slower rate |
| Employment | 52.1 | 52.2 | + | Rising, faster rate |
| Future Activity | 63.0 | 62.1 | - | Positive, lesser 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 | – | www.ihsmarkit.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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