

Monthly PMI Bulletin

Global output contraction deepens to start the fourth quarter

Monthly summary

The global slowdown deepened at the start of the fourth quarter with both manufacturing and services performance deteriorating and output contracting at a faster rate. Demand conditions worsened while prices remained elevated despite inflationary pressures easing. Concurrently, business confidence fell sharply in October.

The [J.P.Morgan Global Composite Output Index](#) – produced by S&P Global – posted 49.0 in October, down from 49.6 in September. This marked the third straight month of global contraction and at the fastest pace since June 2020, albeit still mild overall.

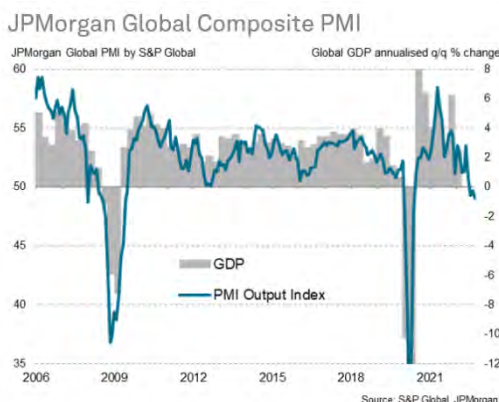
A faster contraction in demand in October, weighed on global private sector output with the [S&P Global Sector PMI](#) data showing only two of the eight sector groups tracked – technology and healthcare – registering growth in output.

National PMI data meanwhile highlighted that economic activity declined in most major economies including the US, China, the euro area, UK, Russia and Australia. On the other hand, Japan, India and Brazil saw private sector output expand.

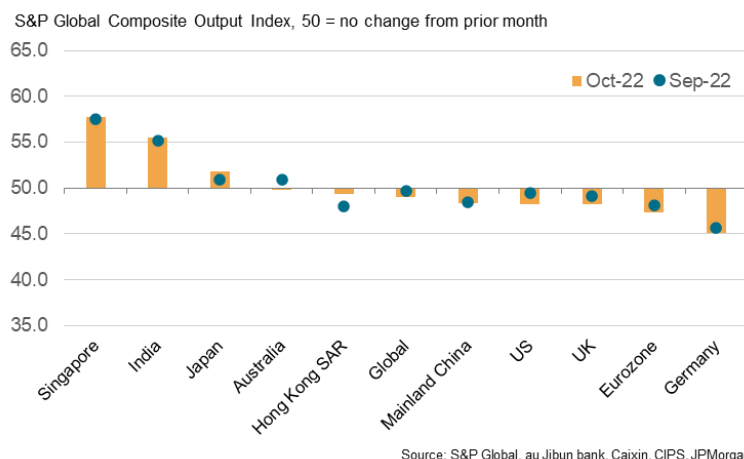
Amid the decline in output, and alongside improved logistics, upward pressure on raw material prices and shipping rates cooled, altogether leading to slower input cost and output price inflation in the month of October. To some extent, this is reflective of central bank tightening taking effect to rein in inflation, although the still-elevated inflation rates warrant continued attention on the monetary policy front. The amalgamation of prospects for further rate rises and the backdrop of faltering global demand therefore do little to support confidence as business optimism slipped to an over two-year low at the start of the fourth quarter.

In short, our key takeaways from the October PMI are:

- 1) Price pressures have further eased, moving in the direction nudged by rising interest rates, although we may not be near the end of tightening with prices still elevated
- 2) The rate of contraction in global demand meanwhile picked up pace in October, affected by the rising interest rate environment, and outlined the risks of recession faced by major developed economies around the world
- 3) Future outlook for global private sector output deteriorated to the worst in over two years alluding to the potential for further downturn in the near term

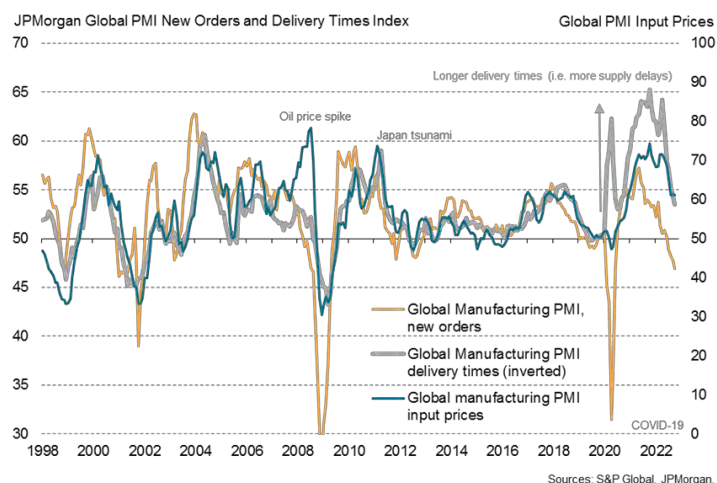


Regional comparisons



The Good, the Bad and the Ugly | Key PMI developments

The Good: Price pressures on the ease



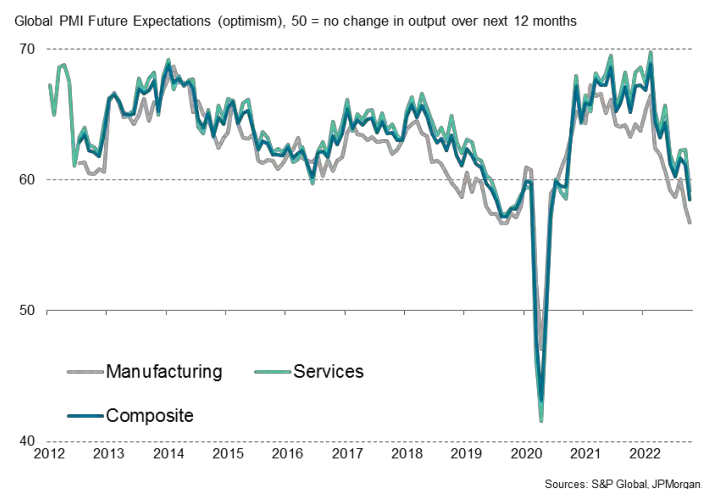
- The JPMorgan Global Composite PMI showed both input price and output charge inflation easing in the month of October, sinking down to 19-month lows.
- Deep diving into the sectors, price inflation declined on both the input and output end across the manufacturing and service sectors, contributing to the overall receding of price pressures. As mentioned above, the fall in prices were attributed to both the cooling of demand at the start of the fourth quarter and improvements in logistics, whereby manufacturing suppliers' delivery times lengthened at the slowest pace since August 2020.
- That said, price pressures remain elevated with inflation rates well above the long-run average to reflect the likelihood of further monetary policy tightening worldwide to tame inflation.

The Bad: Demand falters, shrinking in major developed countries



- While the easing of demand is arguably expected given central bank tightening, the pace at which new orders declined had been the fastest since the global financial crisis, barring pandemic-related shutdown months. Such a quick downturn outlines the heightened risks of recession for the global economy, a trend warranting greater caution.
- Specifically, global trade has also shown greater signs of deterioration at the start of Q4. New export business was seen falling at a faster rate compared to overall new business while manufacturing new export orders declined sharply across various developed countries, particularly in Europe and US.

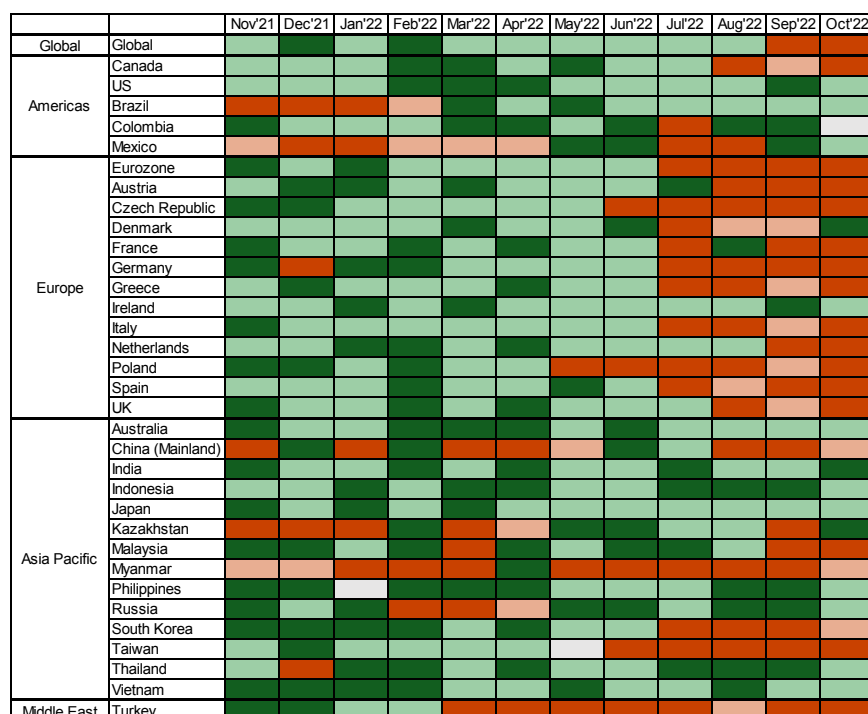
The Ugly: Business optimism at 28-month low



- Business confidence across both the global manufacturing and service sectors weakened to the lowest point in over two years in October. The PMI panel comment tracker further reflected a jump in concerns over greater economic uncertainty and mentions of 'recession' as a reason for the moderation in optimism.
- Given the Future Expectations Index as an indication of private sector expectations on output performance over the next 12-months, the latest dip suggests that further deterioration in conditions may only follow in the coming months.

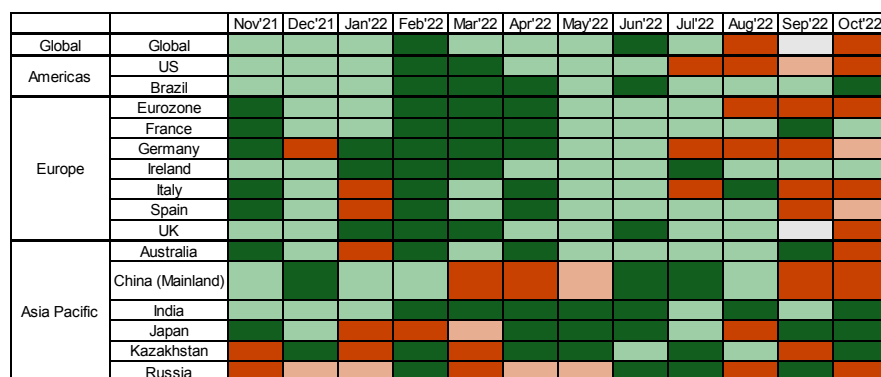
Global PMI heatmap

Manufacturing



Source: S&P Global in association with relevant sponsors.

Services



Source: S&P Global in association with relevant sponsors

Manufacturing indices

Output*
 New orders*
 New export orders
 Backlogs of work
 Employment*
 Input prices
 Output prices
 Future expectations
 Quantity of purchases
 Suppliers' delivery times*
 Stocks of purchases*
 Stocks of finished goods

*PMI components

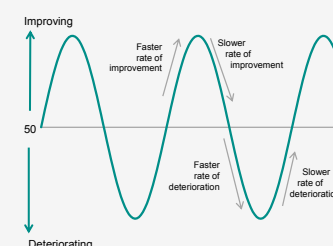
Services indices

Business activity
 New business
 New export orders
 Outstanding business
 Employment
 Input costs
 Prices charged
 Future expectations

Read more about the headline PMI™ and its subindices [here](#).

Key:

Improving at a faster rate	
Improving at a slower rate	
At neutral 50.0 mark	
Deteriorating at a slower rate	
Deteriorating at a faster rate	



To receive underlying PMI data, please contact: economics@ihsmarkit.com

Composite / Whole Economy

		Nov'21	Dec'21	Jan'22	Feb'22	Mar'22	Apr'22	May'22	Jun'22	Jul'22	Aug'22	Sep'22	Oct'22
Global	Global												
Americas	Brazil												
	US												
Europe	Eurozone												
	France												
	Germany												
	Ireland												
	Italy												
	Spain												
	UK												
Asia Pacific	Australia												
	China (Mainland)												
	Hong Kong SAR												
	India												
	Japan												
	Khazakhstan												
	Russia												
Middle East	Singapore												
	Lebanon												
	Qatar												
	Saudi Arabia												
	UAE												
Africa	Ghana												
	Kenya												
	Mozambique												
	Nigeria												
	South Africa												
	Uganda												
	Zambia												

Source: S&P Global in association with relevant sponsors

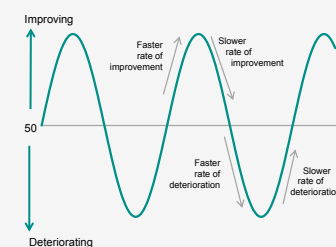
Composite indices comprise:

Output/business activity
 New business
 New export orders
 Outstanding business
 Employment
 Input costs
 Output prices
 Future expectations

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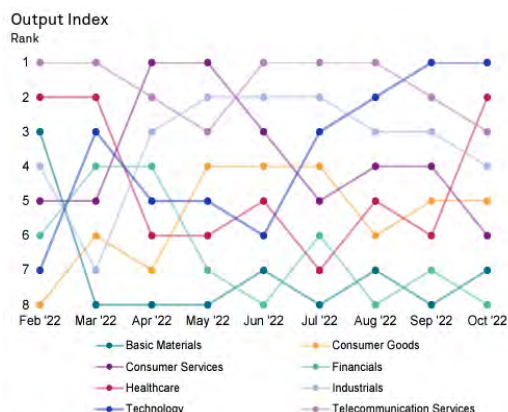
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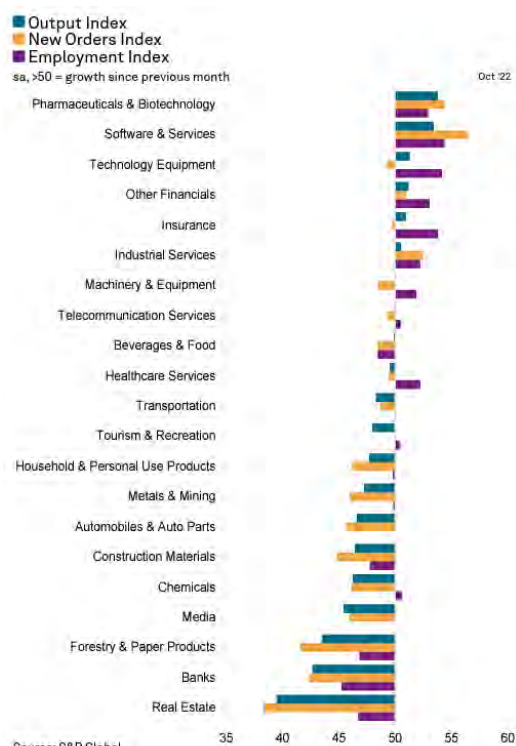
Global Sector PMI

Latest S&P Global Sector PMI™ data signalled persistent downturn across the majority of sectors tracked in October. *Financials* sank again to the bottom position amongst the **eight industry groups** tracked while *Technology* retained the lead.



Source: S&P Global.

Meanwhile amongst the sectors, *Real Estate* continued to lead the downturn in activity and this was followed by *Banks*, both feeling the strain of tighter monetary policy conditions. The *Real Estate* sector notably also saw the quickest rise in input costs amongst the 21 monitored sectors.



Source: S&P Global.

For more global sector PMI details, please visit [here](#) or contact economics@ihsmarkit.com to receive underlying PMI data.

Sector data is also available for US, Europe and Asia. Read more about using PMI data in active investment strategies [here](#).