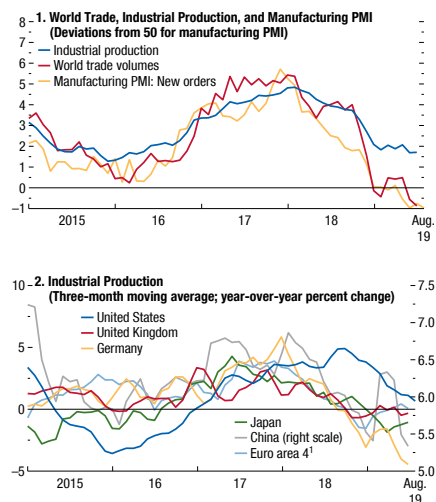


Figure 1.1. Global Activity Indicators*(Three-month moving average; year-over-year percent change, unless noted otherwise)*

Over the past 12 months there has been a geographically broad-based, notable slowdown in industrial output.



Sources: CPB Netherlands Bureau for Economic Policy Analysis; Haver Analytics; Markit Economics; and IMF staff calculations.

Note: PMI = purchasing managers' index.

¹Euro area 4 comprises France, Italy, the Netherlands, and Spain.

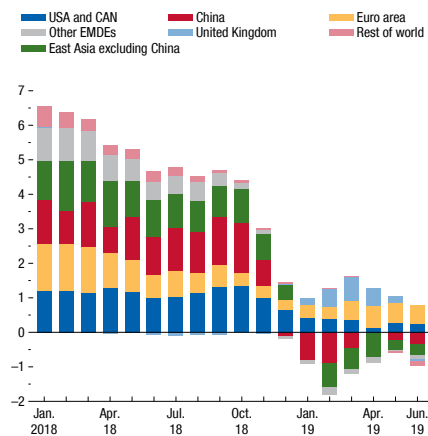
While manufacturing lost steam, services (a larger share of the economy) broadly held firm (Figure 1.5, panel 1). Resilient services activity has meant steady aggregate employment creation, which supported consumer confidence (Figure 1.5, panel 2) and, in turn, household spending on services. This favorable feedback cycle between service sector output, employment, and consumer confidence has supported domestic demand in several advanced economies.

Weakening Growth

Growth in the advanced economy group stabilized in the first half of 2019, after a sharp decline in the second half of 2018. The US economy shifted to a

Figure 1.2. Contribution to Global Imports*(Percentage points, three-month moving average)*

In the first half of 2019, the volume of global trade stood just 1 percent above its value one year ago—the slowest pace of growth for any six-month period since 2012.



Source: IMF staff calculations.

Note: CAN = Canada; EMEs = emerging market and developing economies; USA = United States.

somewhat slower pace of expansion (about 2 percent on an annualized basis) in the past few quarters as the boost from the tax cuts of early 2018 faded, and the UK economy slowed, with investment held back by Brexit-related uncertainty. The euro area economy registered stronger growth in the first half of this year than in the second half of 2018, but the German economy contracted in the second quarter as industrial activity slumped. In general, weak exports have been a drag on activity in the euro area since early 2018, while domestic demand has, so far, stayed firm. Japan posted strong growth in the first half of this year, driven by robust private and public consumption.

Preliminary data suggest a modest pickup in growth in the first half of 2019 for the emerging market and developing economy group, but well below its pace in 2017 and early 2018. China's growth was lifted by fiscal stimulus and some easing