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J.P.Morgan Global Manufacturing PMI™

Global manufacturing output and new orders contract at vastly reduced rates in June

Key findings

Headline PMI rises by record 5.4 points to 47.8

International trade flows remain a drag

Job losses continue to mount

The downturn in the global manufacturing sector eased sharply again in June. The J.P.Morgan Global Manufacturing PMI™ – a composite index produced by J.P.Morgan and IHS Markit in association with ISM and IFPSM – rose by a record 5.4 points to 47.8, up from 42.4 in May.

Please note that due to a later release date, final numbers for Canada were not available to include in the Global Manufacturing PMI calculation.

PMI survey indices tracking output, new orders and new export orders also registered their steepest month-on-month gains in June, but by remaining below 50.0 continued to signal contractions in all cases. The Future Output Index also rose to a record extent to signal an improvement in business optimism to a four-month high.

Measured overall, the rate of decline in global manufacturing production was the weakest during the current five-month sequence of decrease. The downturns in the three sub-sectors covered – consumer, intermediate and investment goods – also slowed sharply, taking each closer to stabilising only two months after April's substantial contractions.

National PMI data signalled expansions in output for 15 out of the 32 countries for which June data were available (up from just two in May). Among the largest industrial nations, growth was registered in China, France, Italy, the UK and Brazil, while downturns eased in the US, Japan, Germany, South Korea and India. Only Mexico saw a steeper pace of contraction than in the prior survey month.

The level of new orders fell for the fifth successive month in June, albeit at a much reduced pace. The trend in international trade remained the principal drag, falling for the twenty-second straight month and at one of the fastest rates in the survey history.

Continued on next page.

J.P.Morgan Global Manufacturing PMI™

sa, >50 = improvement since previous month

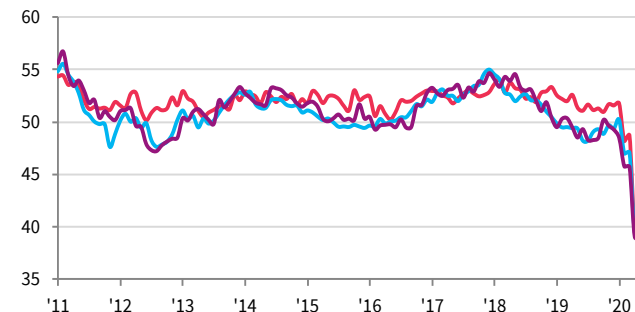


Sources: J.P.Morgan, IHS Markit.

PMI by goods sector

Consumer / Intermediate / Investment

sa, >50 = improvement since previous month

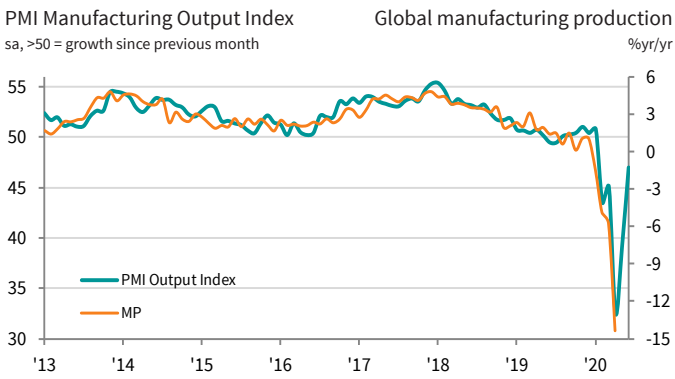


Sources: J.P.Morgan, IHS Markit.

Index summary

sa, 50 = no change over previous month. *50 = no change over next 12 months.

Index	May-20	Jun-20	Interpretation
PMI	42.4	47.8	Deterioration, slower rate
Output	39.1	47.0	Decline, slower rate
New Orders	36.4	46.6	Decline, slower rate
New Export Orders	32.3	43.4	Decline, slower rate
Future Output	52.0	58.7	Growth expected, firmer sentiment
Employment	43.1	45.8	Decline, slower rate
Input Prices	48.0	51.6	Inflation, from decline
Output Prices	47.9	49.5	Decline, slower rate

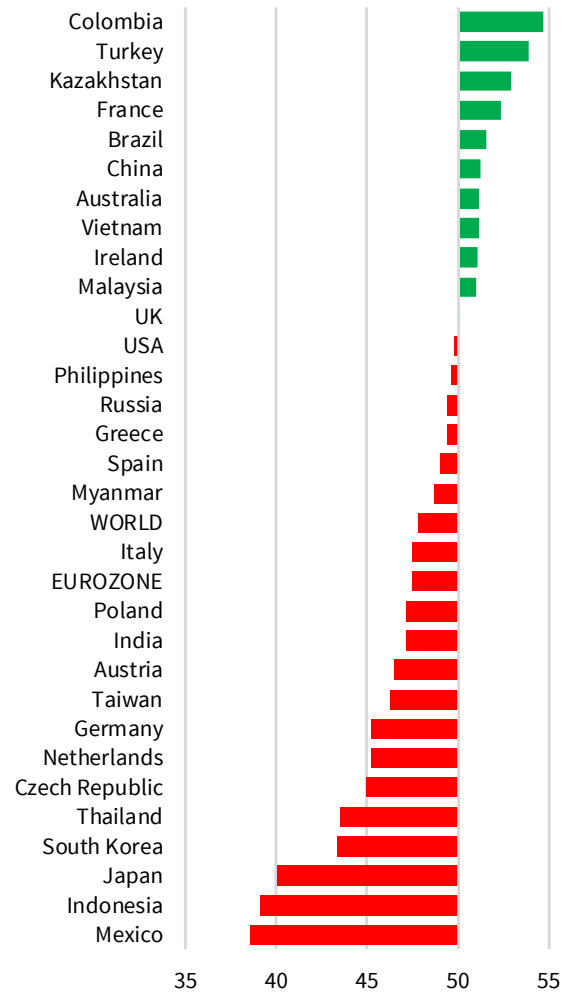


Manufacturing employment declined for the seventh consecutive month in June. Job losses were registered in almost all of the nations for which data were available, with only Turkey seeing an increase. However, the overall pace of decline eased sharply, as highlighted by the level of the Global Manufacturing Employment Index posting its second-greatest ever month-on-month increase. Rates of contraction eased in the US and the euro area, but accelerated in China and Japan.

June saw average input prices rise for the first time in three months. However, the rate of increase was marginal and well below the long-run survey average. Average output charges continued to fall, albeit at the slowest pace since February.

The restrictions and lockdowns in place to combat the COVID-19 pandemic continued to exert stress on global supply chains during June. Average vendor lead times lengthened for the eleventh consecutive month despite a further reduction in purchasing activity. Stocks of both raw materials and finished goods at manufacturers fell again.

Manufacturing PMI
sa, >50 = improvement since previous month
Jun '20



Sources: J.P.Morgan, IHS Markit, Commonwealth Bank, Unicredit Bank Austria, Caixin, Davivienda, BME, HPI, AIB, Jibun Bank, NEVI, AERCE, Istanbul Chamber of Industry, CIPS.

Comment

Olya Borichevska, Global Economist at J.P.Morgan, said:

“June saw a further momentum shift in the global manufacturing sector after the economy started on the recovery path in May. The output PMI increased for a second consecutive month in June rising a total of 14.5-points. We look for the PMI to continue moving higher as growth firms. This of course is premised on continued easing of activity restrictions. With demand rebounding, the focus is starting to shift to the labor market, with hopes that the current process of job retrenchment proves shallower and shorter than expected.”

Methodology

The J.P.Morgan Global Manufacturing PMI™ is produced by IHS Markit in association ISM and IFPSM.

Global manufacturing PMI indices are compiled by IHS Markit from responses to monthly questionnaires sent to purchasing managers in survey panels in over 40 countries (see table, right for full coverage), totalling around 13,500 companies. These countries account for 98% of global manufacturing value added*.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable, at the country level. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

Indices are calculated for the following variables: output, new orders, new export orders, future output, backlogs of work, employment, quantity of purchases, suppliers' delivery times, stocks of purchases, stocks of finished goods, input prices and output prices.

Global manufacturing indices are calculated by weighting together the country indices. Country weights are calculated from annual manufacturing value added*.

The headline figure is the Global Manufacturing Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five global indices: new orders (30%), output (25%), employment (20%), suppliers' delivery times (15%) and stocks of purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

The J.P.Morgan Global Manufacturing PMI provides the first indication each month of world manufacturing business conditions. The data enable decision makers in the financial world and in government to make better judgements much earlier than would otherwise be the case. The wide coverage of the indices, together with their speed of production, accuracy and direct comparability, make them unmatched as economic indicators. They provide truly "must have" information for financial institutions of all kinds and for major corporations world-wide.

* Source: World Bank World Development Indicators.

Data sources

Region	Producer	In association with
Australia	IHS Markit	Commonwealth Bank
Austria	IHS Markit	Unicredit Bank Austria / OPWZ
Brazil	IHS Markit	-
Canada	IHS Markit	-
China (mainland)	IHS Markit	Caixin
Colombia	IHS Markit	Daviyenda
Czech Republic	IHS Markit	-
Denmark	DILF	Kairoscommodities
Egypt*	IHS Markit	-
France	IHS Markit	-
Germany	IHS Markit	BME
Greece	IHS Markit	HPI
Hong Kong SAR ^{1*}	IHS Markit	-
Hungary	HALPIM	-
India	IHS Markit	-
Indonesia	IHS Markit	-
Ireland	IHS Markit	AIB
Israel	IPLMA	Bank Hapoalim Ltd
Italy	IHS Markit	-
Japan	IHS Markit	au Jibun Bank
Kazakhstan	IHS Markit	Tengri Partners
Kenya*	IHS Markit	Stanbic Bank
Lebanon*	IHS Markit	BLOMINVEST Bank
Malaysia	IHS Markit	-
Mexico	IHS Markit	-
Myanmar	IHS Markit	-
Netherlands (The)	IHS Markit	NEVI
New Zealand	Business NZ	Bank of New Zealand
Nigeria*	IHS Markit	Stanbic IBTC Bank
Philippines (The)	IHS Markit	-
Poland	IHS Markit	-
Russia	IHS Markit	-
Saudi Arabia*	IHS Markit	-
Singapore*	IHS Markit	-
South Africa*	IHS Markit	-
South Korea	IHS Markit	-
Spain	IHS Markit	AERCE
Switzerland	procure.ch	Credit Suisse
Taiwan	IHS Markit	-
Thailand	IHS Markit	-
Turkey	IHS Markit	Istanbul Chamber of Industry
UAE*	IHS Markit	-
United Kingdom	IHS Markit	CIPS
United States ²	IHS Markit / ISM	-
Vietnam	IHS Markit	-

*Indices calculated from manufacturing responses extracted from survey panels covering the entire private sector economy.

¹Hong Kong is a Special Administrative Region of China.

²US data compiled by ISM pre-February 2010 and by IHS Markit post-January 2010.

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About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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About IFPSM

The International Federation of Purchasing and Supply Management (IFPSM) is the union of 48 National and Regional Purchasing Associations worldwide. Within this circle, about 250,000 Purchasing Professionals can be reached. IFPSM facilitates the development and distribution of knowledge to elevate and advance the procurement profession, thus favourably impacting the standard of living of citizens worldwide through improved business practices. The term procurement is taken to embrace purchasing, materials management, logistics, supply chain management and strategic sourcing. IFPSM is a non-political, independent and non-profit oriented International Organization. www.ifpsm.org

About ISM

Institute for Supply Management® (ISM®) serves supply management professionals in more than 90 countries. Its 50,000 members around the world manage about US\$1 trillion in corporate and government supply chain procurement annually. Founded in 1915 as the first supply management institute in the world, ISM is committed to advancing the practice of supply management to drive value and competitive advantage for its members, contributing to a prosperous and sustainable world. ISM leads the profession through the ISM Report On Business®, its highly regarded certification programs and the ISM Mastery Model®. www.instituteforsupplymanagement.org

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