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J.P.Morgan Global Composite PMI™

Including J.P.Morgan Global Services PMI™

Global economic growth slows further at start of final quarter

Key findings

Growth of output and new orders weaken

Employment falls for first time since February 2010

Business optimism remains close to series-record lows

The global economy made a weak start to the final quarter. The rate of output growth slowed to its joint second-weakest during the current seven-year sequence of expansion. New order inflows also rose at a weaker pace, while job losses were registered for the first time in almost a decade.

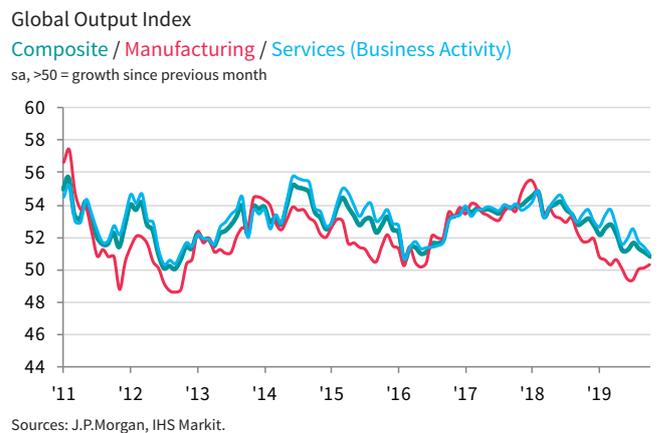
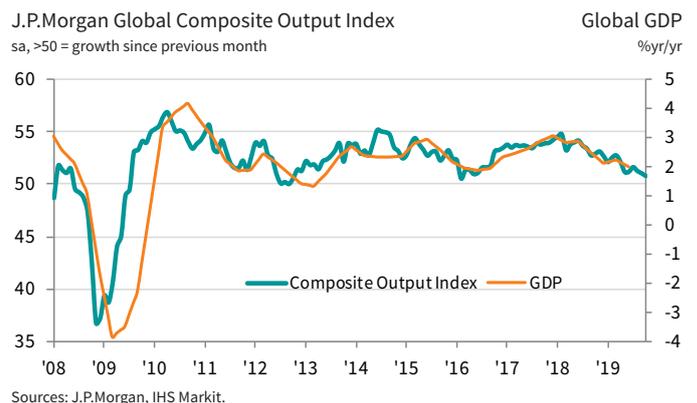
The J.P.Morgan Global Composite Output Index – which is produced by J.P.Morgan and IHS Markit in association with ISM and IFPSM – posted 50.8 in October, its lowest reading since February 2016 and consistent with only a mild increase in economic output. The level of the headline index has moved lower in each of the past three months.

The slowdown in growth was mainly centred on the service sector. Although services continued to outperform manufacturing, its pace of output expansion was the weakest in over three-and-a-half years. Rates of increase moderated across the business, consumer and financial services sub-industries. The strongest performer remained the financial services category.

Manufacturing production ticked higher in October, and at a slightly faster rate than September. Consumer goods registered the steepest rise in output of the manufacturing sub-industries covered by the survey. There was a reversal of fortunes for the investment goods sector, which saw output and new orders rise (albeit only slightly) for the first time in 11 months. Intermediate goods was the only category to register a contraction in production volumes.

National PMI data signalled expansions of output in the US, the euro area, China, Brazil and Russia. Disparities remained between the main eurozone economies, however, with solid growth in France contrasting with ongoing contraction in

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Composite Index summary

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

Index	Sep-19	Oct-19	Interpretation
Output	51.1	50.8	Growth, slower rate
New Business	50.9	50.8	Growth, slower rate
New Export Business	48.2	49.0	Decline, slower rate
Future Output*	57.2	57.8	Growth expected, firmer sentiment
Employment	50.3	49.8	Decline, from increasing
Outstanding Business	48.6	49.3	Decline, slower rate
Input Prices	52.0	53.1	Inflation, faster rate
Output Prices	50.4	51.0	Inflation, faster rate

Germany. The UK and Australia both saw economic activity stagnate, while downturns were signalled in Japan (first time in over three years) and India (second month in a row).

Slower growth of global economic activity reflected a weaker expansion in new work received. Manufacturing new orders stabilised following a five-month sequence of declines, while the rate of expansion at service providers dipped to a 43-month low. International trade flows continued to weigh on overall demand, as new export business fell for the eleventh successive month. Manufacturers and service providers both saw new export business decrease, albeit at slower rates in both cases.

Global employment declined for the first time since February 2010. Service sector staffing levels were broadly unchanged over the month, while the pace of job losses at manufacturers was the joint-fastest for over a decade. Employment fell in the US, China, Germany and the UK.

October saw a mild uptick in price inflationary pressures. Average input costs rose at the quickest pace in three months, while output charges increased to the greatest extent since June. Rates of inflation signalled for both price measures were broadly similar (on average) in developed and emerging markets.

Business optimism remained relatively lacklustre in October. Although improving from the series-record lows registered in August and September, the overall degree of positive sentiment was still the third-weakest since trends in future expectations were first tracked in July 2012. Confidence edged higher at both manufacturers and service providers.

Services Index summary

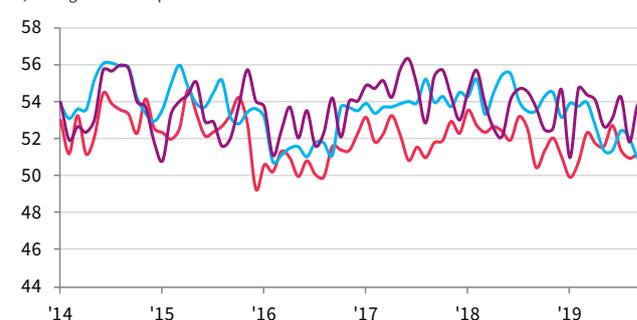
sa, 50 = no change over previous month. *50 = no change over next 12 months.

Index	Sep-19	Oct-19	Interpretation
Business Activity	51.4	51.0	Growth, slower rate
New Business	51.4	51.1	Growth, slower rate
New Export Business	48.8	49.3	Decline, slower rate
Future Activity*	57.4	57.9	Growth expected, firmer sentiment
Employment	50.5	50.1	Growth, slower rate
Outstanding Business	48.8	49.5	Decline, slower rate
Input Prices	52.4	54.2	Inflation, faster rate
Prices Charged	50.6	51.5	Inflation, faster rate

Business Activity Index

Consumer services / Business services / Financial services

sa, >50 = growth since previous month



Sources: J.P.Morgan, IHS Markit.

Comment

Olya Borichevska, from Global Economic Research at J.P.Morgan, said:

“The October PMIs signal a further slowdown in the rate of global economic growth, as weaker services activity offsets signs of modest improvement in the manufacturing sector. Perhaps the most worrisome result in today’s report is the continued sharp decline in the employment PMI. One downside of cooling labor markets is the potential hit to consumer spending growth. The outlook therefore remains cautious, with manufacturers and service providers alike hoping that ongoing factors weighing down on growth and demand, such as subdued confidence and global trade tensions, abate further during the coming months.”

Methodology

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

Global composite PMI indices are compiled by IHS Markit from responses to monthly questionnaires sent to companies in manufacturing and services survey panels in over 40 countries (see table, right for full coverage), totalling around 27,000 companies. These countries account for 89% of global gross domestic product (GDP)*.

For manufacturing surveys, responses are collected 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. For services surveys, responses are collected for the following variables: business activity, new business, new export business, future activity, outstanding business, employment, input prices and prices charged.

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 manufacturing and services 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.

Global indices for manufacturing and services are calculated by weighting together the country indices using national manufacturing and services annual value added*. Global Composite indices are then calculated by weighting together comparable global manufacturing and services indices using global manufacturing and services annual value added*.

The headline figure is the Global Composite Output Index. This is a weighted average of the Global Manufacturing Output Index and the Global Services Business Activity Index.

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 Composite PMI provides the first indication each month of worldwide economic 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 worldwide.

* Source: World Bank World Development Indicators, 2017.

Data sources

Country / territory ¹	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	Davivienda
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	Jibun Bank
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	-

¹Survey coverage of manufacturing sector only

**Manufacturing and services indices calculated from manufacturing and services responses extracted from survey panels covering the entire private sector economy.

¹Hong Kong is a Special Administrative Region of China.

²US manufacturing data compiled by ISM pre-February 2010 and by IHS Markit post-January 2010. US services data compiled by ISM pre-October 2009 (non-manufacturing data) and by IHS Markit post-September 2009. ISM US non-manufacturing data also include responses from agriculture, mining, construction, utilities, wholesale, retail and public administration sectors. Where appropriate, month-on-month changes in ISM data have been applied to IHS Markit data to form a proxy back history.

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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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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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