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J.P.Morgan Global Composite PMI™

Including J.P.Morgan Global Services PMI™

Growth of global output and new orders gather pace in August, as reopening of economies continue

Key findings

J. P. Morgan Global PMI Composite Output Index at 52.4 in August (17-month high)

New order growth accelerates

Trend in employment moves closer to stabilising

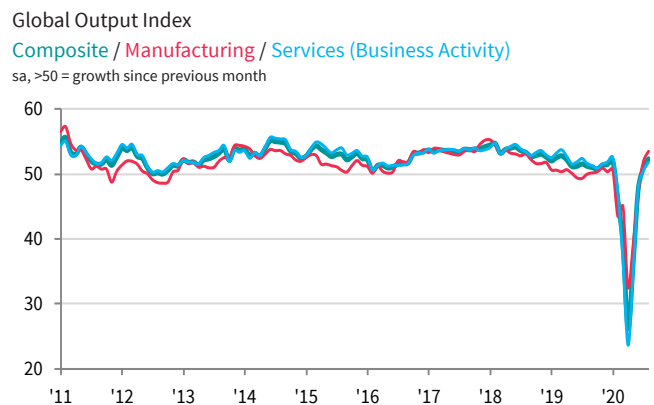
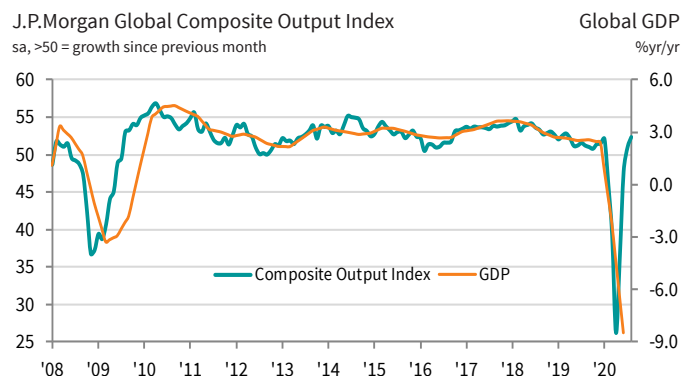
The rate of global economic expansion accelerated to a 17-month high in August. Growth was underpinned by rising levels of incoming new work, as lockdowns and restrictions in response to the coronavirus disease 2019 (COVID-19) were eased in many territories.

The J.P.Morgan Global Composite Output Index – which is produced by J.P.Morgan and IHS Markit in association with ISM and IFPSM – rose to 52.4 in August, its highest level since March 2019. Expansions have been signalled in each of the past two months, following a five-month sequence of contraction. Output growth was registered in both the manufacturing and service sectors, hitting 28- and seven-month highs respectively. The steeper pace of expansion was again seen at manufacturers.

Five of the six sub-sectors covered by the survey saw output increase, all of which also saw faster rates of expansion. Growth was led by financial services, followed by producers of consumer and intermediate goods. Although consumer services saw activity decline, the rate of contraction was the lowest during the current seven-month downturn.

All-industry output rose in the US, mainland China, the euro area, the UK, Brazil and Russia. Growth accelerated in four of these territories: the US (17-month high), mainland China (two-month high), the UK (six-year high) and Russia (43-month high). Brazil saw output expand for the first time since February, while the euro area saw output rise at a slower pace than July's 25-month record. Contractions were registered in Japan, India, Australia and Kazakhstan.

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Composite Index summary

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

Index	Jul-20	Aug-20	Interpretation
Output	51.0	52.4	Growth, faster rate
New Business	50.5	51.7	Growth, faster rate
New Export Business	46.6	49.2	Decline, slower rate
Future Output*	59.9	59.6	Growth expected, lower optimism
Employment	48.0	49.8	Decline, slower rate
Outstanding Business	49.2	50.3	Growth, from contracting
Input Prices	53.7	54.3	Inflation, faster rate
Output Prices	51.0	51.5	Inflation, faster rate

The level of new business rose for the second successive month and to the greatest extent since January. This was despite the continued downturn in international trade flows, with new export orders having now fallen throughout the past two years.

Business sentiment eased from July's high in August, as a slight dip in optimism at service providers offset rising confidence at manufacturers (a six-month peak). The trend in employment also moved closer to stabilising, with the latest survey seeing only a mild pace of job losses and the weakest during the current seven-month labour market downturn.

Staffing levels increased slightly at service providers for the first time since February, mainly due to gains in the US and China. In contrast, job cuts were registered in global manufacturing for the ninth straight month. All-industry backlogs of work edged higher to halt a five-month sequence of declines.

Input cost inflation accelerated to a 16-month high in August. Part of the increase in costs was passed on to clients, leading to the sharpest rise in output charges since June 2019.

Global Services Summary

The J.P.Morgan Global Services Business Activity Index rose to a seven-month high of 51.9 in August, signalling an expansion of output for the second successive month. New business also posted back-to-back increases, contributing to slight rises in outstanding work and employment during the latest survey month. Business optimism eased from July's 13-month record and remained well below its long-run average. Rates of inflation of input costs and output charges edged higher.

Services Index summary

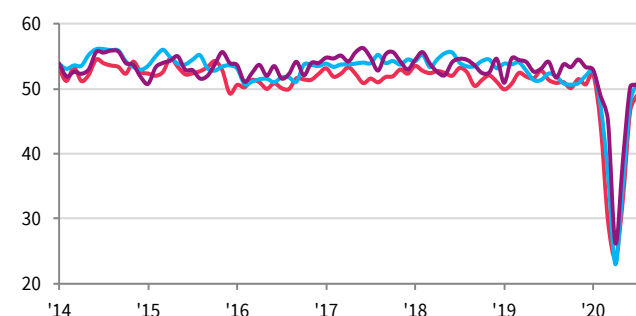
sa, 50 = no change over previous month. *50 = no change over next 12 months.

Index	Jul-20	Aug-20	Interpretation
Business Activity	50.6	51.9	Growth, faster rate
New Business	50.2	51.3	Growth, faster rate
New Export Business	44.6	47.1	Decline, slower rate
Future Activity*	60.0	59.1	Growth expected, lower optimism
Employment	48.2	50.3	Growth, from contracting
Outstanding Business	49.4	50.4	Growth, from contracting
Input Prices	54.0	54.2	Inflation, faster rate
Prices Charged	51.1	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, Global Economist at J.P.Morgan, said:

“The recovery in global activity continued through August with the PMIs reflecting this. Manufacturing is faring better so far during the recovery, as a continued downturn in consumer services weighs on services activity as whole despite a strong revival at financial service providers. The labour market continues to improve though more slowly than activity and on net remains depressed. Jobs may face renewed pressure later in the year as government support schemes fade and company restructuring programmes are implemented.”

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.

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	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	-

*Survey 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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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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