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# J.P.Morgan Global Composite PMI™

Including J.P.Morgan Global Services PMI™

## Global economic output contracts at fastest pace since 2009

### Key findings

J. P. Morgan Global PMI Composite Output Index falls to 46.1 in February (129-month low)

New orders and international trade decline

Manufacturing suffers steeper downturn than services

Disruption to demand, supply chains and international trade flows resulting from the COVID-19 outbreak led to the steepest drops in global economic activity and new business since mid-2009 in February. The downturn was especially marked in China, where output and new business contracted at survey-record rates at manufacturers and service providers alike.

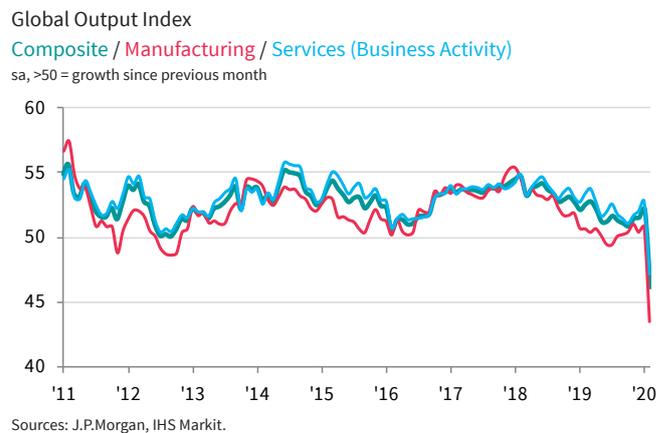
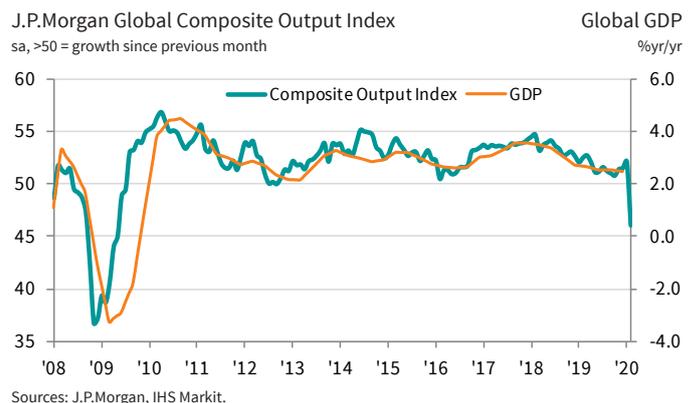
The J.P.Morgan Global Composite Output Index – which is produced by J.P.Morgan and IHS Markit in association with ISM and IFPSM – fell to 46.1 in February, down sharply from 52.2 in January and its lowest level since May 2009. The more than six-point drop in the headline index was the second-sharpest in the survey history, the current record being set in October 2001 (the month directly following the 9/11 attacks).

*Notes: due to a later-than-usual release date, the Myanmar Manufacturing PMI data were not included in the February Global PMI calculation.*

Global manufacturing output and service sector business activity both contracted during February, halting the recent recovery in the former and ending a 126-month sequence of expansion in the latter. Rates of decline in output were the sharpest since mid-2009 in both cases, with the pace of contraction steeper at manufacturers.

Downturns in economic activity and new business were registered across all six of the sub-sectors (consumer, intermediate and investment goods producers and business, consumer and financial service providers) covered by the survey in February. This is the first time that a concurrent contraction of that breadth has been seen in either variable since the start of the sub-industry time series data (October 2009). Investment goods recorded the sharpest drop in new business, while consumer services saw the steepest fall in

*continued on page 2...*



### Composite Index summary

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

Index	Jan-20	Feb-20	Interpretation
Output	52.2	46.1	Decline, from rising
New Business	52.3	46.3	Decline, from rising
New Export Business	49.5	45.2	Decline, faster rate
Future Output*	59.9	59.8	Growth expected, weaker sentiment
Employment	51.2	49.8	Decline, from rising
Outstanding Business	49.9	50.1	Growth, from falling
Input Prices	53.9	52.5	Inflation, slower rate
Output Prices	51.1	50.6	Inflation, slower rate

output (business activity).

The downturn was hardest felt in China, where output and new business fell at survey-record rates at manufacturers and service providers alike. The rest of the world (on average) saw new orders and economic activity broadly stagnate. Output fell in the US, China, Japan and Australia. Continued growth was registered in the euro area (six-month high), the UK, India (eight-year high), Brazil and Russia.

International trade flows were disrupted by the COVID-19 outbreak, with new export business falling at the quickest pace since the time series began in September 2014. Almost all of the nations for which composite PMI data are compiled saw new export orders fall, the exceptions being India and Ireland.

Global employment fell for the first time in four months during February. A modest increase in the services economy was more than offset by the sharpest decrease in manufacturing staffing levels for over a decade. Job losses were registered in China, Russia and Australia. Global business confidence held up comparatively well, however, with optimism remaining close to January's nine-month high.

Price inflation moderated in February, with rates of increase in input costs and output charges both easing to five-month lows. Indices tracking trends in both price measures were higher (on average) in developed nations compared to emerging markets.

**Global Services Summary.**

The J.P.Morgan Global Services Business Activity Index fell to 47.1 in February, its lowest reading in almost 11 years. The decline was led by a survey-record contraction in China, alongside lower levels of output in the US, Japan and Australia.

A similarly sharp decrease was also registered for new business, which fell to the greatest extent since mid-2009. International trade in services contracted at the fastest rate since that time series began in September 2014. Business optimism ticked lower, but remained close to January's seven-month high.

Service sector employment continued to increase during February. Staffing levels rose in the US, the eurozone, Japan, the UK, Brazil, India and Russia. Job losses were registered in China (survey-record rate) and Australia (joint survey-record).

**Services Index summary**

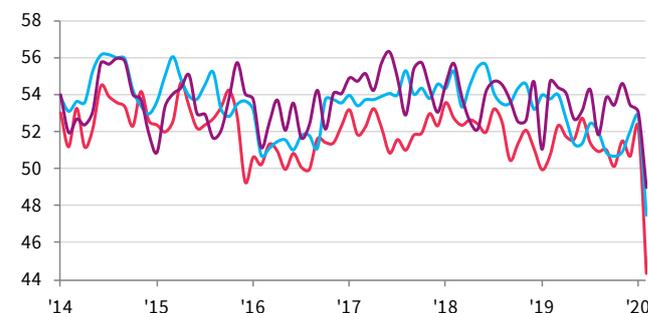
sa, 50 = no change over previous month. \*50 = no change over next 12 months.

Index	Jan-20	Feb-20	Interpretation
Business Activity	52.7	47.1	Decline, from rising
New Business	52.8	46.8	Decline, from rising
New Export Business	49.5	45.9	Decline, faster rate
Future Activity*	59.5	59.4	Growth expected, weaker sentiment
Employment	51.7	50.8	Growth, slower rate
Outstanding Business	50.3	49.6	Decline, from rising
Input Prices	54.7	52.7	Inflation, slower rate
Prices Charged	51.3	50.9	Inflation, slower 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 outbreak of COVID-19 disrupted global economic activity in February, with output and new business falling to the greatest extents since mid-2009. However, a lot of this owes to China where the composite PMI fell 24-pt as rates of decline in activity and new orders accelerated to survey records at manufacturers and service providers alike. The rest of the world fell a bit more than two points to near-stagnation though we expect further declines as long as the disruptions continue. Business sentiment held up better, staying close to January’s nine-month high.”*

## 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](mailto: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 <sup>1</sup>	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 <sup>1**</sup>	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
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 <sup>2</sup>	IHS Markit / ISM	-
Vietnam*	IHS Markit	-

<sup>1</sup>Survey coverage of manufacturing sector only

<sup>2</sup>Manufacturing and services indices calculated from manufacturing and services responses extracted from survey panels covering the entire private sector economy.

<sup>3</sup>Hong Kong is a Special Administrative Region of China.

<sup>4</sup>US 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 IFPSM

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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](http://www.instituteforsupplymanagement.org)

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