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J.P.Morgan Global Composite PMI™

Including J.P.Morgan Global Services PMI™

Global economic growth accelerates at end of 2019

Key findings

J. P. Morgan Global PMI Composite Output Index rises to 8-month high of 51.7

Output and new orders expand at faster rates

Downturn in international trade continues

The rate of global economic expansion accelerated for the second successive month in December, hitting its highest level since April 2019. The uptick was underpinned by stronger inflows of new work, rising employment and improved business optimism. International trade remained a drag on growth, however, as new export orders contracted for the thirteenth successive month.

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 an eight-month high of 51.7 in December, up from 51.4 in November. The headline index has posted above the neutral 50.0 mark that separates expansion from contraction in each of the past 87 months.

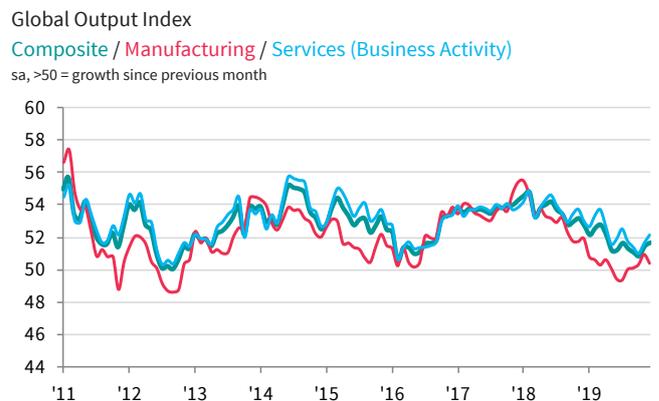
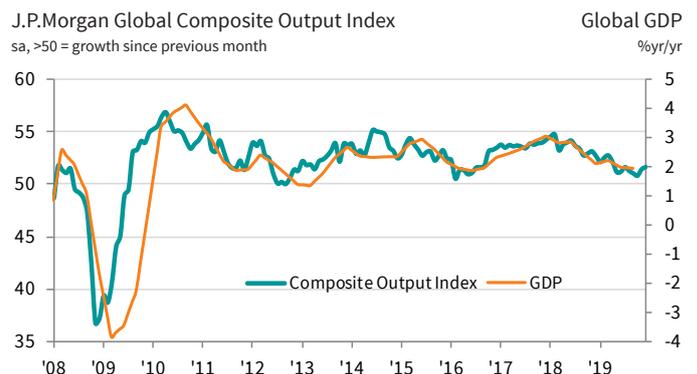
Note: due to later release dates, final PMI data for the Japan manufacturing and service sectors were not available to include in the global numbers. Japan Flash PMI data for December 2019 have been included instead.

Output growth was recorded in both the manufacturing and service sectors during December. The rate of expansion in manufacturing production eased, as downturns in the intermediate and investment goods sub-industries offset solid growth at consumer goods producers. Business activity at service providers rose at the fastest pace in five months, with expansions seen across the business, consumer and financial services industries.

December saw economic activity increase in the US, China, the euro area, India, Brazil and Russia. Contractions were registered in the UK, Australia and Italy. Output in Japan also decreased slightly, according to Flash PMI data, to extend its downturn into a third successive month.

The level of incoming new business rose at the fastest pace in five months in December. Manufacturing new orders rose

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Composite Index summary

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

Index	Nov-19	Dec-19	Interpretation
Output	51.4	51.7	Growth, faster rate
New Business	51.2	52.1	Growth, faster rate
New Export Business	49.0	49.4	Decline, slower rate
Future Output*	57.8	58.6	Growth expected, firmer sentiment
Employment	50.9	51.0	Growth, faster rate
Outstanding Business	49.6	49.6	Decline, same rate
Input Prices	53.1	53.4	Inflation, faster rate
Output Prices	50.8	51.3	Inflation, faster rate

only marginally, whereas growth at service providers accelerated to its best since July 2019. The trend in international trade flows remained weak, however, with new export orders contracting for the thirteenth consecutive month.

Increased levels of economic activity and new orders led to improved trends in job creation and business sentiment. Employment rose for the second month in a row, as stronger growth in the service sector offset cuts at manufacturers. Staffing levels rose in the US, the euro area, China, the UK, India and Russia. No change was signalled in Brazil, while Australia saw job losses for the first time since July.

Business confidence recovered to a six-month high in December. Optimism at manufacturers and service providers was the best for seven and five months respectively. Confidence also improved in five out of the six sub-industries monitored by the survey, with only financial services seeing sentiment dip. That said, the overall degree of optimism remained low by the historical standards of the survey.

December saw average input prices and output charges rise at faster rates. Cost inflation accelerated to a five-month high and selling prices rose at the steepest pace since June.

Global Services Summary.

The J.P.Morgan Global Services Business Activity Index rose to 52.1 in December, up from 51.6 in November. Growth of output, new orders and employment all accelerated to five-month highs. There was also a marginal increase in new export business for the first time since July. Inflation of input costs and output prices edged higher.

Service sector business activity increased in the US, the euro area, China, Brazil, India and Russia. The UK service sector stabilised, while Australia contracted for the second successive month.

Worldwide business sentiment improved to a five-month high in December, but remained low by the historical standards of the survey. Optimism strengthened in the US, the eurozone, the UK, India and Brazil.

Services Index summary

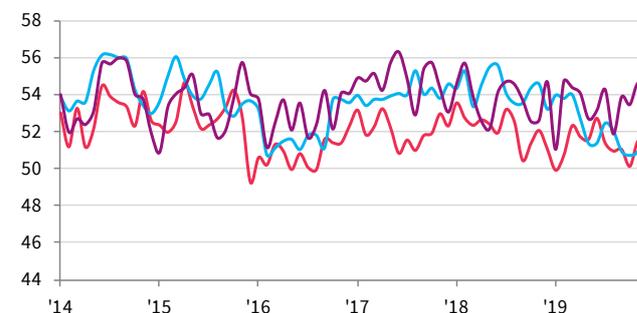
sa, 50 = no change over previous month. *50 = no change over next 12 months.

Index	Nov-19	Dec-19	Interpretation
Business Activity	51.6	52.1	Growth, faster rate
New Business	51.5	52.7	Growth, faster rate
New Export Business	49.3	50.1	Growth, from falling
Future Activity*	58.1	58.8	Growth expected, firmer sentiment
Employment	51.2	51.5	Growth, faster rate
Outstanding Business	49.7	49.8	Decline, slower rate
Input Prices	54.1	54.2	Inflation, faster rate
Prices Charged	51.1	51.4	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 December global all-industry PMI came in positively at the end of the year reinforcing a view that activity will improve in the coming quarters. The all-industry activity PMI increased for the second month to an eight-month high. Improving trends in new order inflows, employment and business sentiment also suggest that further headway should be made at the start of the new year. International trade remains the main drag on efforts to lift growth further, so any moves that reduce tensions and barriers on this front will be especially beneficial.”

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, 2018.

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

²Manufacturing 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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