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J.P.Morgan Global Composite PMI™

Including J.P.Morgan Global Services PMI™

Global economy moves closer to stabilising following record easing in rates of contraction in manufacturing and services

Key findings

J. P. Morgan Global PMI Composite Output Index rises to 47.7

Declines in output, new orders and jobs all ease

Business sentiment firms as economies re-open

The global economy moved closer to stabilising during June, as rates of contraction eased sharply in both the manufacturing and service sectors. Conditions firmed as lockdown restrictions to combat the spread of coronavirus disease 2019 (COVID-19) eased across much of the world, businesses re-opened and confidence recovered.

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 47.7 in June, a five-month high and up by a record 11.4 points from 36.3 in May.

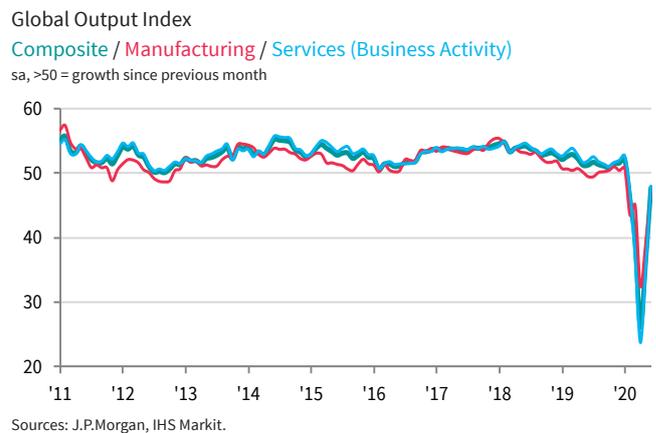
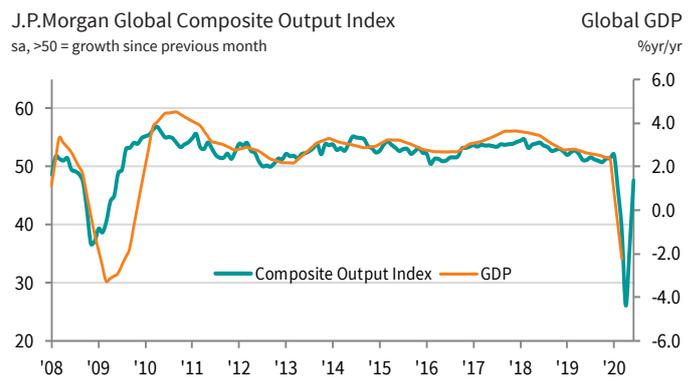
Notes: due to a later-than-usual release date, Manufacturing PMI data for Canada were not included in the June Global PMI calculation.

Global output contracted for the fifth successive month during June, although the rate of decline eased sharply. Both the Manufacturing Output Index and Services Business Activity Index rose to the greatest extents in their respective series histories, breaking the records set in the prior month.

Sub-industry data signalled that output rose in financial services for the first time in five months, making it the first sub-category to return to growth territory. Although downturns continued in the other five sectors (business services, consumer goods, consumer services, intermediate goods and investment goods), rates of contraction slowed noticeably in each.

Of the 14 nations for which composite output PMI data are calculated, three (China, Australia and France) registered expansion, up from only one (China) in May. The remaining nations all saw their respective rates of contraction slow sharply compared to May, in many cases to either the steepest or second-steepest extent on record.

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Composite Index summary

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

Index	May-20	Jun-20	Interpretation
Output	36.3	47.7	Decline, slower rate
New Business	35.8	47.7	Decline, slower rate
New Export Business	31.7	43.7	Decline, slower rate
Future Output*	50.5	57.5	Growth expected, greater optimism
Employment	41.2	46.4	Decline, slower rate
Outstanding Business	39.8	46.9	Decline, slower rate
Input Prices	46.2	51.7	Inflation, from falling
Output Prices	45.7	49.5	Decline, slower rate

A similar picture was seen for global new orders as that outlined for output, as new business volumes contracted for the fifth successive month but with the downturn easing to the greatest extent in the survey history. Only China, Spain, Australia and Kazakhstan saw new work rise, although the US Composite New Business Index rose close to the stabilisation mark of 50.0 (posting 49.9). International trade volumes fell for the twenty-second successive month, albeit at a substantially reduced pace.

June saw global employment fall for the fifth month in a row. Job cuts were seen in all of the nations covered, but with rates of decline easing in almost all cases (exceptions being accelerated losses in China and Kazakhstan). Global business optimism meanwhile rose to its highest level since February. Costs increased for the first time in three months, albeit only mildly, while output charges fell for the fourth straight month.

Global Services Summary.

The J.P.Morgan Global Services Business Activity Index posted 48.0 in June, up by a record 12.9 points from 35.1 in May. The headline index has now signalled contraction for five successive months, a sequence that has coincided with an identical run of declines in new work received. The ongoing downturn in the sector resulted in further job losses.

Business sentiment recovered to a four-month high, reflecting a further relaxing of COVID-19 restrictions in many nations and renewed forecasts of growth during the coming year. Output charges fell slightly, despite input costs increasing for the first time in three months.

Services Index summary

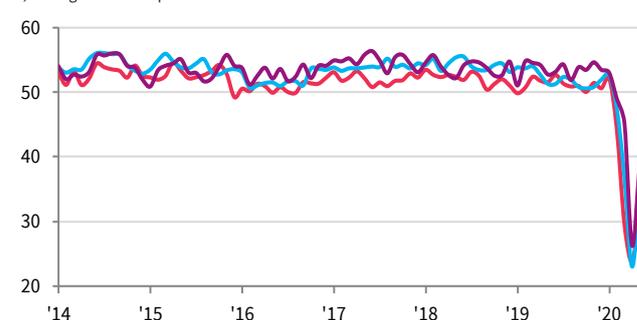
sa, 50 = no change over previous month. *50 = no change over next 12 months.

Index	May-20	Jun-20	Interpretation
Business Activity	35.1	48.0	Decline, slower rate
New Business	35.6	48.2	Decline, slower rate
New Export Business	29.8	44.7	Decline, slower rate
Future Activity*	49.9	57.0	Growth expected
Employment	40.5	46.7	Decline, slower rate
Outstanding Business	39.5	47.7	Decline, slower rate
Input Prices	45.4	51.8	Inflation, from falling
Prices Charged	44.8	49.5	Decline, 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, Global Economist at J.P.Morgan, said:

“The global economy continued its recovery path in June with a record gain in the output index. The Output PMI has risen by over 21 points since its April low and should make further gains as companies re-open, lockdowns ease and demand firms. This of course depends on further loosening of new restrictions. The picture on labor markets remains bleak with slow improvement expected as demand revives further.”

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	-

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.

³Hong Kong is a Special Administrative Region of China.

⁴US 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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