J.P.Morgan Global Manufacturing PMI™

Global Manufacturing PMI signals further deterioration in September

Key findings

Global manufacturing production stagnates
New orders fall as international trade volumes weaken
Business optimism stays at series-record low

The global manufacturing sector deteriorated further in September, but edged closer to stabilisation. This was signalled by the J.P.Morgan Global Manufacturing PMI™ – a composite index produced by J.P.Morgan and IHS Markit in association with ISM and IFPSM – rising for the second month running to 49.7. Although still below the neutral mark of 50.0 that separates improvement from deterioration, it was the highest reading since May.

Downturns continued in the intermediate and investment goods sub-industries during September, with both seeing contractions in production and new order intakes. The consumer goods industry fared better, as output and new business both moved higher.

National PMI data signalled deteriorations in overall business conditions in 15 of the countries covered. Among the larger industrial regions, growth was registered in both the US and China. In contrast, Japan saw further contraction while the downturn in the euro area deepened. The rate of decline in the eurozone was the fastest in almost seven years, mainly due to a sharp deterioration in the performance of Germany.

Global manufacturing production was broadly stagnant in September, as reduced intakes of new business discouraged any meaningful expansion of output volumes. The trend in international trade flows also remained weak, as new export orders declined for the thirteenth consecutive month. The US, China, Germany and Japan were among the many nations to report a decrease in new export business.

September saw a further mild decrease in global manufacturing employment. Job losses have now been registered for five successive months. Reductions in the intermediate and investment goods sectors more than offset marginal jobs growth at consumer goods producers.

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Sources: J.P.Morgan, IHS Markit.
Comment

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

“The global manufacturing PMI sent a message of stability in September. The output index near 50.0 is broadly unchanged from its level in May and consistent with very modest growth in IP. Away from the output PMI, other components also stabilized though at depressed levels. For now, the PMI is consistent with our rest-of-the-year outlook in which we expect modest growth in global manufacturing output. Conditions will need to revive if manufacturing is to show a substantial recovery in the coming months.”
Methodology

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

Global manufacturing PMI indices are compiled by IHS Markit from responses to monthly questionnaires sent to purchasing managers in survey panels in over 40 countries (see table, right for full coverage), totalling around 13,500 companies. These countries account for 98% of global manufacturing value added*.

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 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.

Indices are calculated 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.

Global manufacturing indices are calculated by weighting together the country indices. Country weights are calculated from annual manufacturing value added*.

The headline figure is the Global Manufacturing Purchasing Managers’ Index™ (PMI). The PMI is a weighted average of the following five global indices: new orders (30%), output (25%), employment (20%), suppliers’ delivery times (15%) and stocks of purchases (10%). For the PMI calculation the Suppliers’ Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

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 Manufacturing PMI provides the first indication each month of world manufacturing 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 world-wide.
