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J.P.Morgan Global Composite PMI™

Including J.P.Morgan Global Services PMI™

Growth of global output and new orders slow at start of 2021

Key findings

J. P. Morgan Global PMI Composite Output Index at 52.3 in January (six-month low)

New order growth slows as export business falls

Input price inflation at near-decade high

The rate of global economic expansion eased for the third month in a row during January. Output rose at the slowest pace since last July, as new business growth slipped to a five-month low. Businesses maintained a positive outlook, however, allowing for a further slight increase in employment.

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 52.3 in January, down from 52.7 in December, to remain above the neutral 50.0 mark for the seventh successive month.

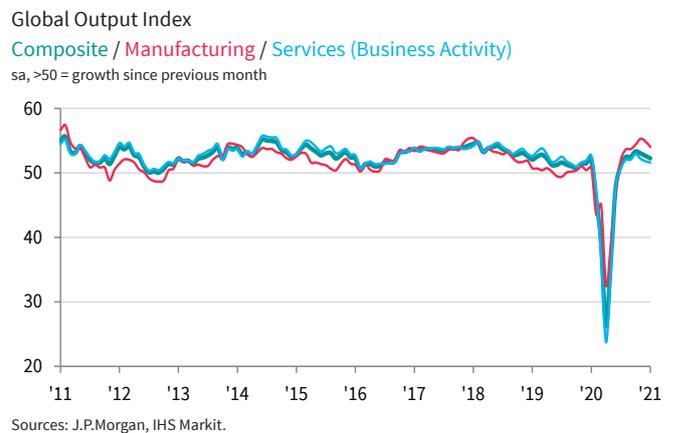
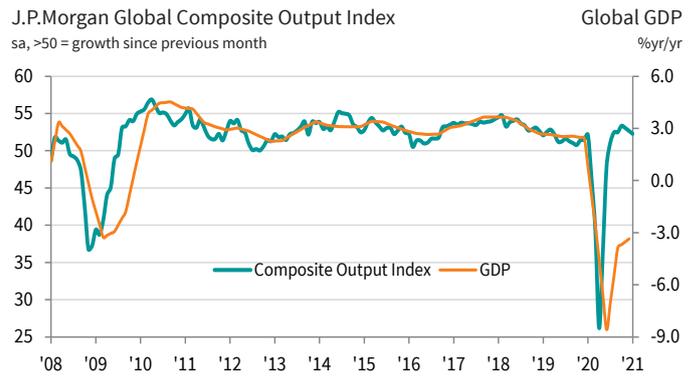
Notes: due to a later-than-usual release date, manufacturing PMI data for Mexico were not available for inclusion in the January global PMI readings.

Manufacturing production continued to rise at a faster pace than service sector business activity at the start of the year, as has been the case since the current upturn started in July 2020. Rates of expansion eased in both categories, however, hitting a four-month low in manufacturing and a six-month low at service providers.

Five out of the six sub-industries covered by the survey registered increases in economic activity during January. Growth was led by financial services, which was also one of three categories (alongside consumer goods and investment goods) to see a faster rate of increase. Upturns slowed in the business services and intermediate goods industries. The downturn at consumer services companies extended into its twelfth consecutive month, with output falling to the greatest extent since May 2020.

National PMI data signalled output growth in the US, China, Germany, India, Russia and Australia. In contrast, downturns were registered in Japan, the UK, France, Italy, Spain, Brazil,

continued on page 2...



Composite Index summary

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

Index	Dec-20	Jan-21	Interpretation
Output	52.7	52.3	Growth, slower rate
New Business	52.2	51.8	Growth, slower rate
New Export Business	49.8	49.4	Decline, faster rate
Future Output*	64.5	65.9	Growth expected, higher optimism
Employment	50.7	50.1	Growth, slower rate
Outstanding Business	50.1	49.4	Decline, from expanding
Input Prices	59.0	59.9	Inflation, faster rate
Output Prices	53.0	53.5	Inflation, faster rate

Ireland and Kazakhstan. The steepest rates of contraction were in Ireland and the UK.

Incoming new business rose for the seventh straight month in January, albeit at the slowest pace since last August. The level of new export orders fell again, reflecting a further decrease at service providers and a near-stalling of growth in international goods trade.

Business optimism ticked higher in January, improving to its second-highest level since February 2015. Continued confidence about the year-ahead outlook for economic growth helped sustain the current (albeit weak) upturn in staffing levels. Employment rose for the fifth month in a row, with job creation seen in the US, China, Germany, France, Australia and Ireland.

Input price inflation accelerated to a near-decade high in January. Costs increased to the greatest extent since April 2011, reflecting stronger rises in both the manufacturing and service sectors. This was partly passed on to clients in the form of higher charges, the main factor underlying the steepest rise in output prices for 27 months.

Global Services Summary

The J.P.Morgan Global Services Business Activity Index fell to 51.6 in January, its lowest level since July 2020 (the first month of the current upturn). New order intakes rose at a similarly weaker pace, in part reflecting reduced inflows of new export business. Employment was unchanged compared to the previous survey month, while input cost inflation accelerated to its highest since September 2008.

National PMI data signalled output growth in the US, China, India, Russia and Australia, with by far the fastest rate of expansion indicated for the US. The euro area, Japan, Brazil and the UK all registered contractions.

Services Index summary

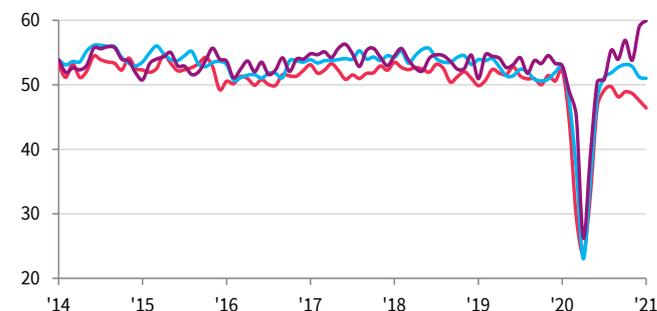
sa, 50 = no change over previous month. *50 = no change over next 12 months.

Index	Dec-20	Jan-21	Interpretation
Business Activity	51.8	51.6	Growth, slower rate
New Business	51.3	50.9	Growth, slower rate
New Export Business	45.7	47.3	Decline, slower rate
Future Activity*	64.3	66.5	Growth expected, higher optimism
Employment	50.9	50.0	No change, from expanding
Outstanding Business	49.5	48.7	Decline, faster rate
Input Prices	58.3	58.9	Inflation, faster rate
Prices Charged	52.5	52.9	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 global economy is decelerating at the start of the year according to the January all-industry PMIs. The slowing is taking place across both the manufacturing and services sectors though it is expected to be more pronounced in the services sector, a focus of concentrated lockdowns. Encouragingly, the level in the PMI early this year remains solid with the forward looking future output PMI improving on the month. The PMI suggests rising rates of increase in input costs and selling prices.”

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	-
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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