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J.P.Morgan Global Composite PMI™

Including J.P.Morgan Global Services PMI™

Global economy makes solid start to 2020 as output, new orders and employment rise at faster rates

Key findings

J. P. Morgan Global PMI Composite Output Index at ten-month high of 52.2

New orders and business optimism strengthen

Services outperforms manufacturing

The rate of global economic expansion accelerated to a ten-month high in January, as growth strengthened in both the manufacturing and service sectors. With new order intakes and business optimism also improving, companies were sufficiently encouraged to raise employment for the third straight month. Although the trend in international trade flows remained a constraint on economic growth, new export business moved closer to stabilising.

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 52.2 in January, up from 51.6 in December and reaching its highest reading since March 2019. It should be noted that the majority of the January PMI survey data were collected before the nCoV outbreak.

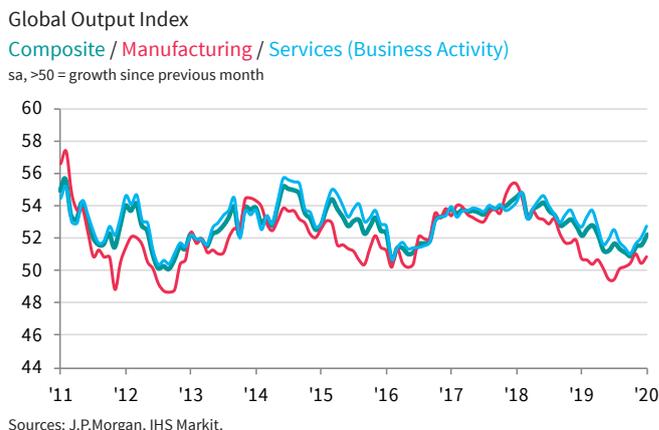
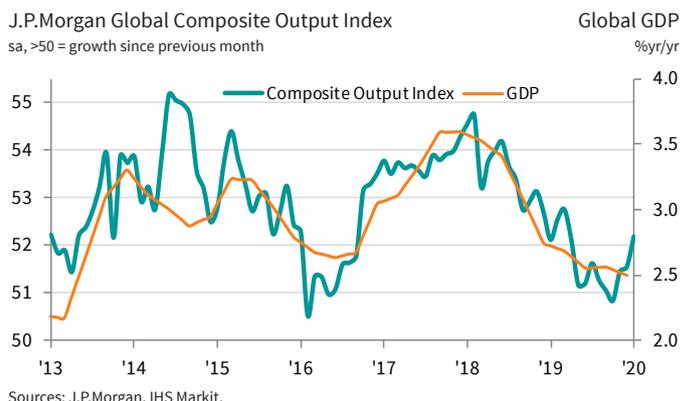
Notes: due to a later-than-usual release date, the Mexico Manufacturing PMI data were not included in the January Global PMI calculation. Kazakhstan PMI data for manufacturing and services are now included in the global numbers. Time series data for the global manufacturing, services and composite indices have been updated following the annual review of national weights.

Output rose in five out of the six sub-sectors covered by the survey, the only exception being the ongoing downturn at investment goods producers. Faster growth was signalled at business services, consumer goods and consumer services companies. Intermediate goods production rose following a negligible decrease in December.

The upturn in economic activity also remained broad-based by nation. The US, China, the euro area, the UK, India, Brazil, and Russia all registered solid expansions, while Japan and Australia saw modest growth following contractions before the turn of the year. Output contracted in Kazakhstan.

Encouraging signs were also provided by the other PMI sub-

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Composite Index summary

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

Index	Dec-19	Jan-20	Interpretation
Output	51.6	52.2	Growth, faster rate
New Business	51.9	52.3	Growth, faster rate
New Export Business	49.4	49.5	Decline, slower rate
Future Output*	58.6	59.9	Growth expected, firmer sentiment
Employment	50.9	51.1	Growth, faster rate
Outstanding Business	49.6	49.9	Decline, slower rate
Input Prices	53.3	53.9	Inflation, faster rate
Output Prices	51.3	51.1	Inflation, slower rate

indices during January. New orders rose at the fastest pace since March 2019, while business optimism strengthened to a nine-month high. Future Activity Index readings were higher in the euro area, China, Japan, the UK, India and Australia. The trend in international trade flows also moved to the cusp of stabilisation and was less of a constraint on overall growth than in previous months.

The improved performance of the global economy during January underpinned further job creation. Employment rose for the third straight month and at the quickest pace since July 2019. Sector data suggested that stronger jobs growth was largely confined to the service sector, with increases signalled across the business, consumer and financial services sub-industries. In contrast, manufacturing saw further losses, following cutbacks at both intermediate and investment goods producers. Consumer goods firms raised employment.

January saw a mild acceleration in the rate of input cost inflation, which hit a nine-month high. Stronger increases were seen in both the manufacturing and services sectors. Part of the rise in costs was passed on to clients, leading to a further increase in output charges. That said, the rate of selling price inflation was slightly less marked than in the prior survey month.

Global Services Summary.

The J.P.Morgan Global Services Business Activity Index rose to 52.7 in January, up from 52.0 in December, its highest level since April 2019. Based on the trend in output, the service sector outperformed its manufacturing counterpart for the twenty-second successive month.

The upturn in services activity was broad-based, with 13 out of the 14 nations covered seeing expansions during January. The sole exception was a further downturn in Kazakhstan. The fastest rates of increase were registered in Ireland, India and Germany. Service sector jobs growth accelerated to a six-month high in January. Employment increased the US, the euro area, China, Japan, the UK, India, Russia, Australia and Brazil.

Services companies benefited from improved intakes of new work and firmer business sentiment. New orders rose at the fastest pace for six months and to an extent sufficient to test capacity and generate mild growth of backlogs of work. Business optimism rose to its highest in seven months, with confidence improving across the business, consumer and financial services sub-industries.

Services Index summary

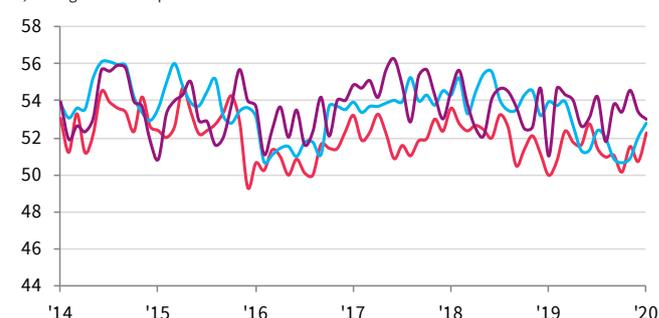
sa, 50 = no change over previous month. *50 = no change over next 12 months.

Index	Dec-19	Jan-20	Interpretation
Business Activity	52.0	52.7	Growth, faster rate
New Business	52.6	52.8	Growth, faster rate
New Export Business	49.9	49.5	Decline, faster rate
Future Activity*	58.9	59.5	Growth expected, firmer sentiment
Employment	51.5	51.7	Growth, faster rate
Outstanding Business	49.8	50.3	Growth, from decline
Input Prices	54.1	54.7	Inflation, faster rate
Prices Charged	51.5	51.3	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 global economy started 2020 on a stronger footing, with output growth rising for the third straight month to its highest since March of last year suggesting global growth at an-above potential pace. However, we brace ourselves for a much weaker outcome this quarter as the outbreak of the nCoV virus disrupts activity in China and potentially around the world. Encouragingly, the gains in the PMI were not just confined to the Output Index, with trends in new orders, business sentiment and employment also firming.”

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	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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