

Embargoed until 1100 EDT (1500 UTC) 4 August 2021

J.P.Morgan Global Composite PMI™

Including J.P.Morgan Global Services PMI™

Global economic growth eases further from May peak at start of third quarter

Key findings

J. P. Morgan Global PMI Composite Output Index at 55.7 in July (4-month low)

US and eurozone remain bright spots; growth still subdued in Asia

Input cost and selling price inflation remain elevated

The global economic upturn remained solid at the start of the third quarter, with output growth especially robust in the euro area and US. The services sector outperformed its manufacturing counterpart for the fourth successive month.

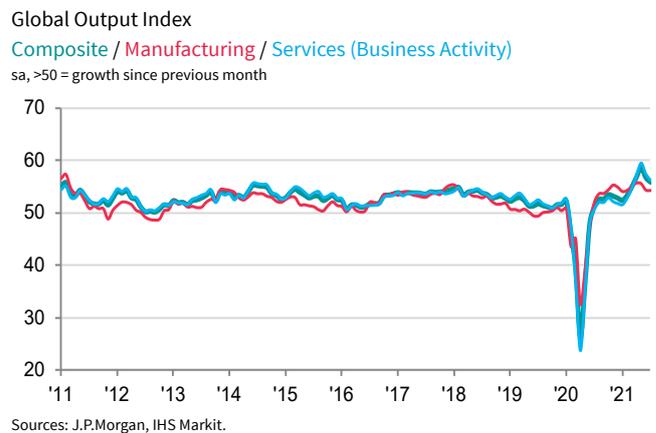
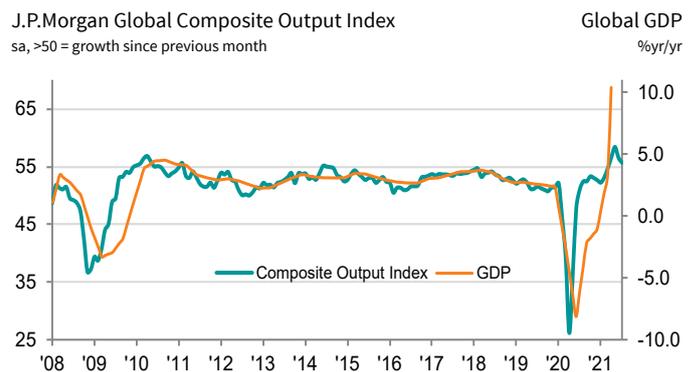
The J.P.Morgan Global Composite Output Index – produced by J.P.Morgan and IHS Markit in association with ISM and IFPSM – slipped to a four-month low of 55.7 in July, down from 56.6 in June, remaining above its long-run average of 53.4. The headline index has signalled expansion in each of the past 13 months.

Notes: due to later-than-usual release dates, manufacturing PMI data for Canada and Ireland and services data for Ireland were not available for inclusion in the latest global PMI readings.

All six of the sub-sectors covered by the survey registered growth of output during July. The three highest-ranked categories were all involved in service provision (consumer services, business services and financial services), while the three lowest were in manufacturing (intermediate goods, consumer goods and, in last position, investment goods).

National PMI data indicated that growth was quickest in Germany, Spain and the US. Rates of expansion in China, Brazil and Russia were all below the global average. Contractions were signalled in India, Japan and Australia.

The upturn in global economic output was again underpinned by rising intakes of incoming new business. New orders rose for the thirteenth successive month, although the pace of increase eased to a four-month low. The latest expansion reflected a strengthening of demand in several domestic markets, alongside an increase in international trade flows for the sixth straight month.



Composite Index summary

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

Index	Jun-21	Jul-21	Interpretation
Output	56.6	55.7	Growth, slower rate
New Business	56.6	55.5	Growth, slower rate
New Export Business	52.9	52.5	Growth, slower rate
Future Output*	68.6	65.2	Growth expected, weaker optimism
Employment	53.0	52.6	Growth, slower rate
Outstanding Business	52.9	53.3	Growth, faster rate
Input Prices	65.9	66.0	Inflation, faster rate
Output Prices	58.2	58.0	Inflation, slower rate

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July saw employment rise for the eleventh month running. Although the rate of increase remained solid, it too eased to a four-month low. Job creation was signalled in the US, the euro area (led by a series-record expansion in Germany), China, Japan, the UK, Brazil, Australia and Russia. The overall rate of increase in employment was insufficient to prevent further growth of backlogs of work, however, which rose at a near-record pace during the latest survey month.

Price pressures remained intense during July, with rates of both input cost and output charge inflation among the steepest in the survey history. Part of the increase in input prices reflected the ongoing disruption across global supply chains. Increased costs were passed on to clients in the form of higher charges. Rates of increase in both price measures were steeper at manufacturers than service providers.

Business sentiment remained positive at the start of the third quarter, with companies expecting (on average) to see output rise over the coming year. That said, the overall degree of optimism slipped to a seven-month low, with all of the nations for which July data were available signalling a lower level of positivity than in June.

Global Services Summary

The J.P.Morgan Global Services Business Activity Index posted 56.3 in July, down from 57.5 in June and moving further from May's 181-month high of 59.5. The headline index has signalled growth in each of the past 13 months.

Although still solid overall, rates of increase in services activity, new business and employment all slipped to four-month lows in July. Business optimism also dipped, to its lowest since February. Rates of input cost and output charge inflation remained elevated. Services new export orders rose for the fourth successive month.

Services Index summary

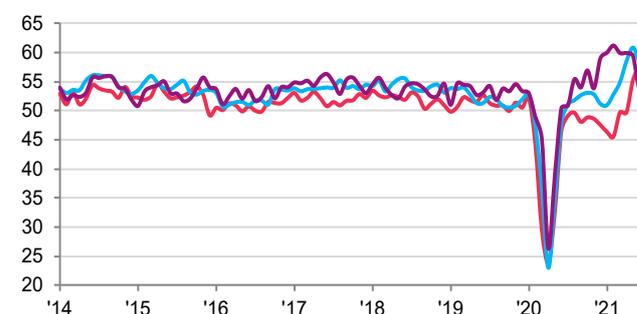
sa, 50 = no change over previous month. *50 = no change over next 12 months.

Index	Jun-21	Jul-21	Interpretation
Business Activity	57.5	56.3	Growth, slower rate
New Business	56.9	55.6	Growth, slower rate
New Export Business	52.0	51.6	Growth, slower rate
Future Activity*	69.5	65.6	Growth expected, weaker optimism
Employment	53.1	52.6	Growth, slower rate
Outstanding Business	52.2	52.7	Growth, faster rate
Input Prices	64.1	64.1	Inflation, same rate
Prices Charged	57.2	57.1	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, Global Economist at J.P.Morgan, said:

“The global all-industry PMI took a step lower in July. While momentum has come off, the level in the PMI still suggests boomy GDP growth. It was encouraging to see the PMI pickup in the Euro area, a region we expect to deliver stronger growth in the second half of this year. Less upbeat was the drop the global all-industry future output PMI. Looking ahead, while global supply constraints and rising cost pressures may provide headwinds, the expansion is likely to maintain a similar course over the months ahead.”

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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