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J.P.Morgan Global Manufacturing PMI™

Global manufacturing suffers steepest contraction in over a decade as COVID-19 outbreak hits supply chains and demand

Key findings

Global Manufacturing PMI slumps to 47.2

Survey-record contraction in China; rest of the world stagnates on average

Global trade falls at fastest pace since April 2009

The global manufacturing sector suffered its steepest contraction since 2009 as demand, international trade and supply chains were severely disrupted by the COVID-19 outbreak. Output fell across the consumer, intermediate and investment goods industries, with the steepest drop at investment goods producers.

The J.P.Morgan Global Manufacturing PMI – a composite index produced by J.P.Morgan and IHS Markit in association with ISM and IFPSM – fell to 47.2 in February, down from 50.4 in January and to its lowest level since May 2009.

Please note that due to a later release date, final numbers for the Myanmar Manufacturing PMI were not available to include in the Global PMI calculation.

Manufacturing production and new orders registered their sharpest declines since April 2009. The downturns in both were quickest in China, where output and new business fell at survey-record rates. Of the 31 nations for which February data were available, 15 registered a contraction of output, including China, Japan, Germany, France, Italy, Taiwan, South Korea and Australia. The US, the UK, Canada, Mexico, India and Brazil were some of the larger countries to experience output growth.

The trend in international trade flows weakened noticeably during February. The rate of contraction was the steepest since 2009, as the outbreak of COVID-19 directly impacted supply from larger exporting nations such as China and South Korea and also had knock-on effects for demand in a number of nations. Declines were also registered in the US, the euro area, Japan, the UK, Taiwan, Australia and Brazil.

The outbreak of COVID-19 had a marked impact on supply-chains during February. Average vendor lead times lengthened to the greatest extent in almost nine years (since

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sa, >50 = improvement since previous month

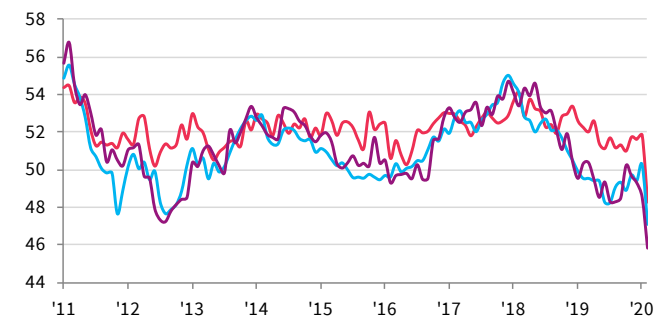


Sources: J.P.Morgan, IHS Markit.

PMI by goods sector

Consumer / Intermediate / Investment

sa, >50 = improvement since previous month

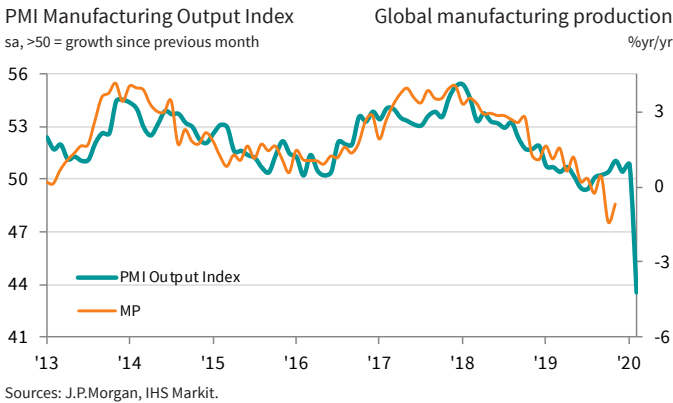


Sources: J.P.Morgan, IHS Markit.

Index summary

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

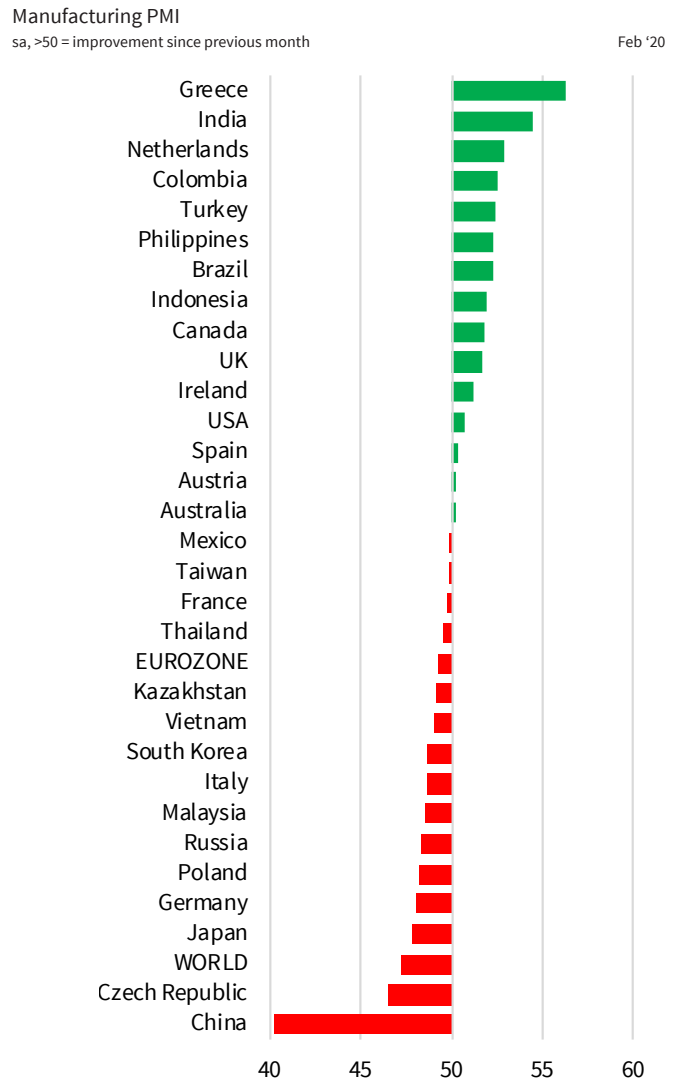
Index	Jan-20	Feb-20	Interpretation
PMI	50.4	47.2	Deterioration, from improvement
Output	50.8	43.5	Decline, from expanding
New Orders	50.8	45.3	Decline, from expanding
New Export Orders	49.5	45.0	Decline, faster rate
Future Output	61.0	60.8	Growth expected, lesser extent
Employment	49.8	47.2	Decline, faster rate
Input Prices	51.8	51.9	Inflation, faster rate
Output Prices	50.6	49.9	Decline, from increasing



April 2011). Delivery delays exerted greater pressure on input stocks, leading to the sharpest decrease in holdings for over a decade. Stocks of finished goods also fell. Purchasing activity declined to the greatest extent in the series history (which started in October 2009), mainly due to decreased purchasing by China and the knock-on effects of COVID-19 and the resulting drops in production and demand elsewhere.

Manufacturing employment declined for the third successive month in February, with the rate of job losses the fastest since August 2009. Staffing levels were reduced in China (survey-record pace), the euro area, the UK, Russia, Poland, the Czech Republic, Mexico, South Korea, Vietnam, Malaysia, Thailand and Australia. Business confidence was little-changed from January's 17-month high, as lower optimism (on average) in developed nations was offset by a mild improvement in emerging markets.

Input price inflation accelerated to an eight-month high in February, but remained mild by the historical standards of the survey. In contrast, average output charges declined for the first time in four months.



Comment

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

“The global manufacturing output PMI collapsed over seven points in February to 43.5, the second-largest monthly decline recorded going back to 1998. At this level, the PMI implies a contraction in global IP around a 5%ar pace. However much of the February output PMI drop owes to a 23-points tumble in China where the outbreak of the COVID-19 severely disrupted activity. Detail of the PMI report were negative across many components. However, the future output PMI stood out with its resilience. In other details, the trend in international trade was hit hard, with new export business falling to the greatest extent in a decade.”

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.

* Source: World Bank World Development Indicators.

Data sources

Region	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	-

*Indices calculated from manufacturing responses extracted from survey panels covering the entire private sector economy.

¹Hong Kong is a Special Administrative Region of China.

²US data compiled by ISM pre-February 2010 and by IHS Markit post-January 2010.

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About J.P.Morgan

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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 IFPSM

The International Federation of Purchasing and Supply Management (IFPSM) is the union of 48 National and Regional Purchasing Associations worldwide. Within this circle, about 250,000 Purchasing Professionals can be reached. IFPSM facilitates the development and distribution of knowledge to elevate and advance the procurement profession, thus favourably impacting the standard of living of citizens worldwide through improved business practices. The term procurement is taken to embrace purchasing, materials management, logistics, supply chain management and strategic sourcing. IFPSM is a non-political, independent and non-profit oriented International Organization. www.ifpsm.org

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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