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# J.P.Morgan Global Composite PMI™

Including J.P.Morgan Global Services PMI™

## Global economic output and new orders show signs of recovery at start of third quarter

### Key findings

J. P. Morgan Global PMI Composite Output Index at six-month high of 50.8 in July

Output and new orders return to growth

Business sentiment back at pre-crisis level

The start of the third quarter saw the global economy edge back into growth territory, as output and new orders both rose slightly during July. The first steps towards recovery following the downturn caused by the coronavirus disease 2019 (COVID-19) pandemic were taken at manufacturers and service providers alike, with both sectors seeing expansions of economic activity and new business.

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 a six-month high of 50.8 in July, up from 47.8 in June. This was the first time since January that the headline figure has posted above the neutral 50.0 mark.

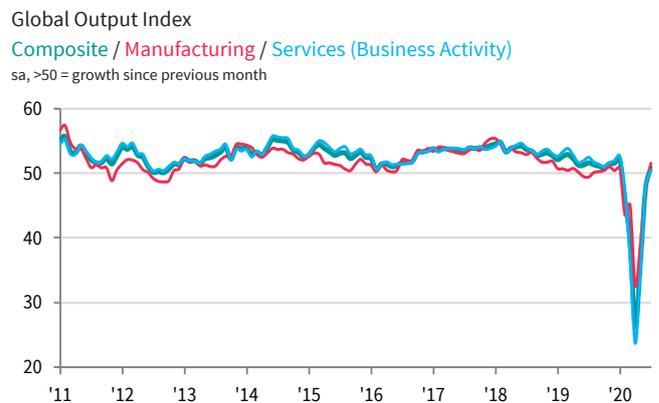
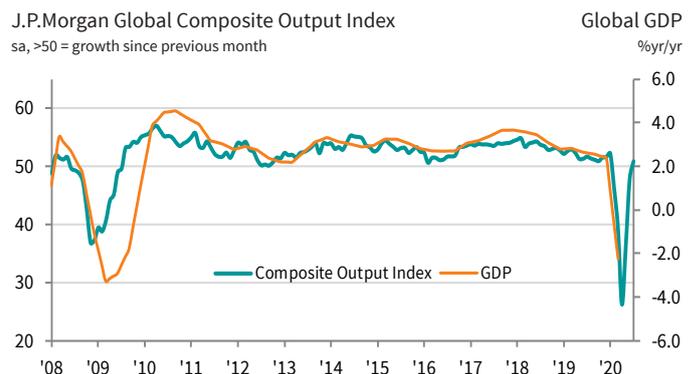
*Notes: due to later-than-usual release dates, Manufacturing PMI data for Canada, Ireland, Myanmar and Turkey and Services PMI data for Ireland were not included in the July Global PMI calculation.*

Five out of the six sub-sectors covered by the survey registered output growth during July, with the fastest rate of expansion seen at consumer goods producers. Business services, financial services, intermediate goods and investment goods also saw increases. Although consumer services was the only category to see a decline, the pace of contraction eased to the weakest during the current six-month downturn.

National PMI data signalled expansions in nine out of the 13 countries for which July composite data were available. The strongest expansions were seen in Australia, France and the UK. The US also saw growth, although at a rate below the global average. Downturns continued in Japan, India, Brazil and Kazakhstan.

The trend in international trade remained weak in July. New export business declined for the twenty-third successive month, although the rate of contraction eased to its lowest

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### Composite Index summary

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

Index	Jun-20	Jul-20	Interpretation
Output	47.8	50.8	Growth, from contracting
New Business	47.8	50.3	Growth, from contracting
New Export Business	43.8	46.4	Decline, slower rate
Future Output*	57.5	59.9	Growth expected, greater optimism
Employment	46.5	47.9	Decline, slower rate
Outstanding Business	46.9	49.1	Decline, slower rate
Input Prices	51.7	53.7	Inflation, faster rate
Output Prices	49.5	51.0	Inflation, from falling

since January. Declines were seen in both the manufacturing and service sectors.

July saw a further reduction in employment. Staffing levels were reduced for the sixth month running, with further cuts in both the manufacturing and service sectors. That said, the overall rate of decline eased to its weakest since February. Of the nations covered by the survey, only the US recorded an increase in employment.

Business optimism recovered to its joint-highest in the past 15 months during July, moving back to its pre-pandemic level. Output charges rose for the first time in five months, reflecting higher selling prices at manufacturers and service providers. Input cost inflation accelerated to its fastest since January.

**Global Services Summary.**

The J.P.Morgan Global Services Business Activity Index posted 50.5 in July, up from 48.0 in June and above the neutral 50.0 mark for the first time since January. The upturn in output was supported by growth of new business, which also rose for the first time in six months. Signs of recovery had a positive impact on business sentiment, which climbed to a 13-month high.

National services PMI data signalled output growth in the euro area, China, the UK, Russia and Australia, more than offsetting ongoing contractions in Japan, India, Brazil and Kazakhstan. The US stabilised following its recent downturn.

The downturn in the labour market continued, with job losses registered for the fifth straight month. The rate of decline in staffing levels eased to its weakest during that sequence nonetheless. Cuts were registered in almost all of the nations covered, the sole exception being the US. Input costs and output prices both increased.

**Services Index summary**

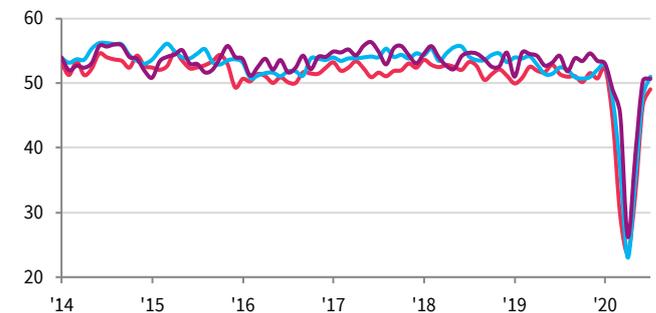
sa, 50 = no change over previous month. \*50 = no change over next 12 months.

Index	Jun-20	Jul-20	Interpretation
Business Activity	48.0	50.5	Growth, from contracting
New Business	48.2	50.2	Growth, from contracting
New Export Business	44.8	44.6	Decline, faster rate
Future Activity*	57.0	60.0	Growth expected, greater optimism
Employment	46.7	48.2	Decline, slower rate
Outstanding Business	47.7	49.4	Decline, slower rate
Input Prices	51.8	54.0	Inflation, faster rate
Prices Charged	49.5	51.1	Inflation, from falling

**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 continued to recovery in July, with the latest PMI data signaling further gains in the indices tracking output and new orders. Global labor markets remain grim suggesting weakness will persist. The employment PMI reflects this with a modest gain in the July employment PMI leaving the level at 47.9. To fully recoup the losses experienced earlier in the year will still take some time, particularly if COVID-19 restrictions are reintroduced in key pockets of the global economy and supply chains during the coming weeks and months.”*

## 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](mailto: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 <sup>1</sup>	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 <sup>1**</sup>	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 <sup>2</sup>	IHS Markit / ISM	-
Vietnam*	IHS Markit	-

\*Survey coverage of manufacturing sector only

\*\*Manufacturing and services indices calculated from manufacturing and services responses extracted from survey panels covering the entire private sector economy.

<sup>1</sup>Hong Kong is a Special Administrative Region of China.

<sup>2</sup>US 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 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](http://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](http://www.instituteforsupplymanagement.org)

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