Growth of global manufacturing output slows amid record supplier delays, rising costs and stalling export trade

Key findings

Manufacturing PMI little-changed at 54.3 in October

Record lengthening in supplier lead times

Steeper increases in output prices and input costs

The rate of expansion in global manufacturing production was the weakest during the current 16-month upturn in October. Output growth was stymied by substantial disruption to raw material deliveries, resulting input shortages, rising cost inflation and a near-stalling of international trade flows.

The J.P. Morgan Global Manufacturing PMI™ – a composite index produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – edged higher to 54.3 in October, up from 54.1 in September. The rise in the headline index reflected a record lengthening of vendor lead times, increased stock holdings and faster jobs growth. This offset the effect on the PMI level of slower increases in both output and new orders.

Of the 31 nations for which October data were available, all except two (Mexico and Myanmar) registered PMI readings above the 50.0 no-change mark. The euro area remained a bright spot, with the top-five ranked countries all members of the currency bloc. The US, Japan and China were in sixth, nineteenth and twenty-eighth positions respectively. Data broken down by sector, signalled expansions across the consumer, intermediate and investment goods industries.

The upturn in global manufacturing production eased to a marginal pace during October, with rates of expansion slowing in the US, the euro area and the UK. The downturn in China extended into a third successive month while Japan registered renewed growth but at only a modest pace. Among the largest emerging markets, India saw a sharp output growth acceleration, while Brazil sank back into contraction territory.

Production rose at a marginally quicker rate in the consumer goods sector, but decelerated slightly in the intermediate goods category. Meanwhile, the investment goods industry saw output decrease for the first time in 16 months.

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The level of incoming new business rose at a slower pace at the start of the final quarter, in part reflecting weaker growth in international trade volumes. Capacity at manufacturers remained under pressure despite the muted trend in demand, as highlighted by a further solid increase in backlogs of work.

Rising levels of pressure despite the muted trend in demand, as highlighted by a further solid increase in backlogs of work. Rising levels of outstanding business, alongside a positive outlook for future growth of manufacturing production, led to a modest increase in employment. That said, the overall degree of business confidence dipped to a 12-month low.

Workforce numbers were added to in the US, the euro area, Japan, the UK and Brazil (among others). In contrast, cuts were seen in China and India.

Global supply chains remained under severe pressure during October, with average vendor delivery times increasing to the greatest extent in the survey history. Supplier performance deteriorated to record, or near-record, extents across the consumer, intermediate and investment goods industries.

The impact of supply-chain issues filtered through to price inflation during October. Input costs increased at the fastest pace in over 13 years, while average output charges rose to the greatest extent on record. Rates of inflation in both price measures were noticeably steeper (on average) in developed nations compared to emerging markets.
Methodology

The J.P. Morgan Global Manufacturing PMI™ is produced by IHS Markit in association with 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.