Global manufacturing conditions remain weak at end of 2019

Key findings

Global Manufacturing PMI falls to 50.1 (2-month low)

Weak international trade flows continue to weigh on overall performance

Consumer goods sector expands; downturns continue at intermediate and investment goods producers

Global manufacturing remained lacklustre at the end of 2019. Growth of production and new orders were both marginal, as weak international trade flows stymied hopes of a stronger recovery from the mid-year downturn in the sector. Subdued business confidence led to cutbacks in staffing, purchasing and inventory holdings.

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 50.1 in December, from 50.3 in November, to remain only marginally above the 50.0 waterline that separates expansion from contraction.

Please note that due to a later release date, final numbers for the Japan Manufacturing PMI were not available to include in the Global PMI calculation. Flash figures have been used instead.

PMI readings signalled contractions in the intermediate and investment goods sectors, with rates of deterioration accelerating in both cases. This reflected ongoing downturns in output and new orders in these industries. The consumer goods category remained a pocket of growth in December, with its PMI staying close to November’s seven-month high following further expansions in new work and production.

National PMI data signalled expansions in 14 nations. The top-three ranked countries were Greece, India and the USA. The main drag on global manufacturing remained the euro area, which saw output fall for the eleventh successive month. This mainly reflected the ongoing steep contraction in Germany, that also impacted on neighbouring countries such as Austria and the Czech Republic. Among the largest industrial nations covered, China, South Korea and Brazil expanded whereas Japan, the UK and Italy contracted.

Continued on next page...
Comment

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

“The upward move in the global manufacturing PMI since July took a step back last month. In level terms, the December PMI still suggest a weak pace of growth in global output. The trend in new export orders will need to stage a revival if the upturn is to gather pace at the start of the new decade.”
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.
