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J.P.Morgan Global Manufacturing PMI™

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.

J.P.Morgan Global Manufacturing PMI™

sa, >50 = improvement since previous month

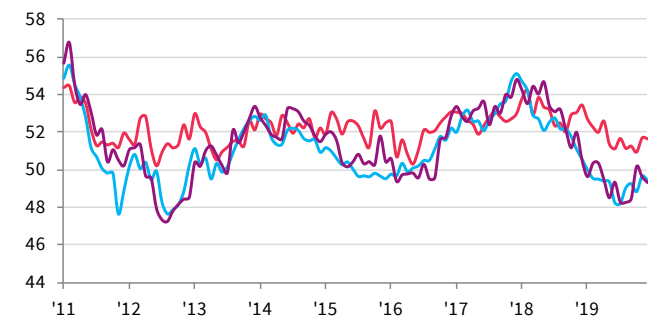


Sources: J.P.Morgan, IHS Markit.

PMI by goods sector

Consumer / Intermediate / Investment

sa, >50 = improvement since previous month



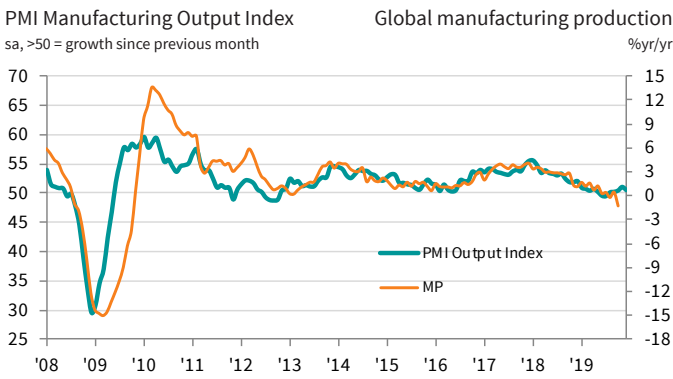
Sources: J.P.Morgan, IHS Markit.

Index summary

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

Index	Nov-19	Dec-19	Interpretation
PMI	50.3	50.1	Improvement, slower rate
Output	51.0	50.4	Growth, slower rate
New Orders	50.4	50.4	Growth, unchanged rate
New Export Orders	48.9	49.2	Decline, slower rate
Future Output	57.2	58.0	Growth expected, greater extent
Employment	50.1	49.6	Decline, from rising
Input Prices	50.3	51.3	Inflation, faster rate
Output Prices	50.1	51.0	Inflation, faster rate

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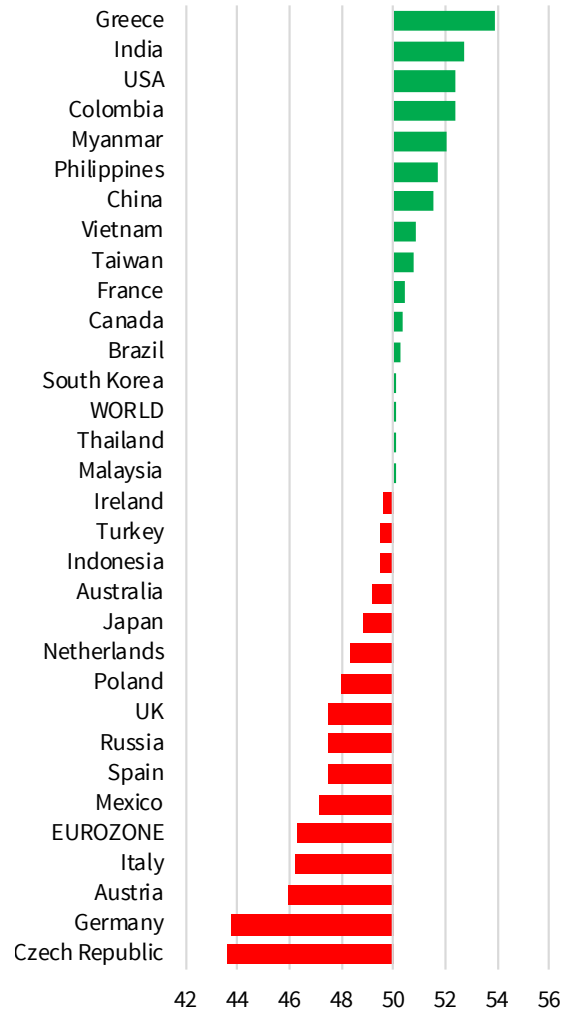
Sources: J.P.Morgan, IHS Markit.

Global manufacturing output rose for the fourth successive month in December. The rate of growth remained only marginal, however, as did the upturn in new work intakes. International trade flows continued to stymie efforts to expand production further, as new export business fell for the sixteenth month in a row.

Business confidence rose to a seven-month high in December, but remained low by the historical standards of the survey. This led to ongoing caution among manufacturers, resulting in cutbacks to purchasing, inventory holdings and staffing levels. Employment fell for the seventh time in the past eight months. Job losses were seen in the euro area, South Korea, Brazil, Indonesia, the UK, Russia, Turkey, Mexico, Thailand, Poland, Malaysia, Australia and the Czech Republic.

December saw moderate accelerations in the rates of increase in average input costs and output charges. That said, inflationary pressures remained only moderate. Increases in both price measures were higher (on average) in emerging markets compared to developed nations.

Manufacturing PMI
sa, >50 = improvement since previous month
Dec '19



Sources: J.P.Morgan, IHS Markit, Commonwealth Bank, Unicredit Bank Austria, Caixin, Davivienda, BME, HPI, AIB, Jibun Bank, NEVI, AERCE, Istanbul Chamber of Industry, CIPS.

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 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, 2017.

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
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 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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