

Embargoed until 1100 EDT (1500 UTC) 5 October 2020

J.P.Morgan Global Composite PMI™

Including J.P.Morgan Global Services PMI™

Global economic growth slows but remains solid in September

Key findings

J. P. Morgan Global PMI Composite Output Index at 52.1 in September (52.4 in August)

New business and output continue to rise

Employment and new export orders return to growth

The global economy continued its path to recovery in September, with output and new orders both rising for the third successive month. The upturn also showed signs of filtering through to the labour market, as staffing levels increased for the first time since January.

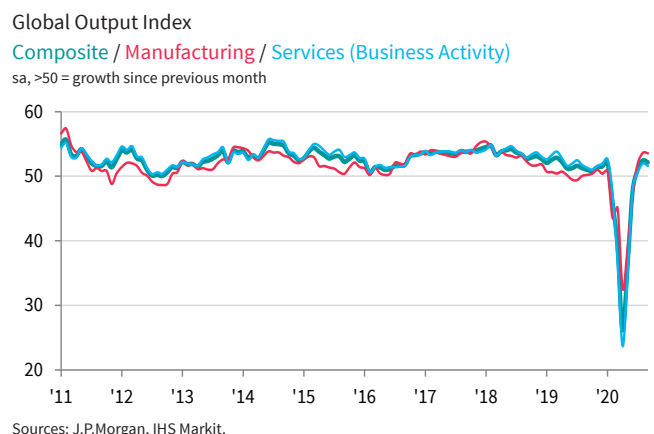
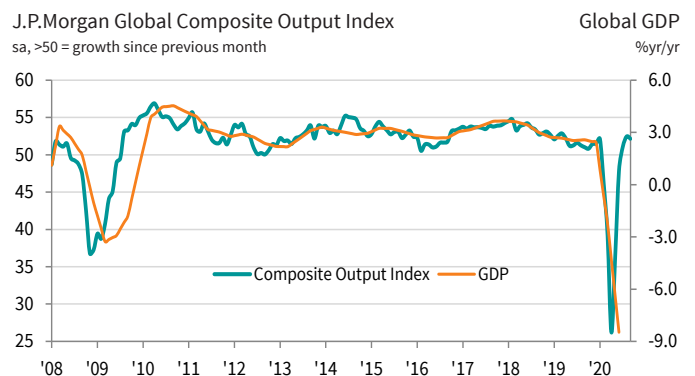
The J.P.Morgan Global Composite Output Index – which is produced by J.P.Morgan and IHS Markit in association with ISM and IFPSM – posted 52.1 in September, down marginally from August's 17-month high of 52.4. Output growth was registered in both the manufacturing and services sectors, although rates of expansion ticked lower. The increase in manufacturing production remained faster than that signalled for service sector business activity.

Notes: due to later-than-usual release dates, manufacturing PMI data for South Korea and Taiwan and services PMI numbers for China and India were not available for inclusion in the September global PMI readings.

Economic activity rose in five of the six sub-sectors covered by the survey in September. The strongest performance was in the investment goods industry, where production rose at the fastest pace in almost a decade. Growth was also signalled at business services, consumer goods, financial services and intermediate goods companies, although among those only the business services category saw an acceleration. In contrast, the downturn in consumer services activity deepened, falling at the steepest rate in three months.

Eight out of the 12 nations for which September Composite PMI data were available registered expansions of output. Growth in the US, Germany, the UK, Italy, Brazil, Russia, Australia and Kazakhstan offset contractions in Japan, France, Spain and Ireland.

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Composite Index summary

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

Index	Aug-20	Sep-20	Interpretation
Output	52.4	52.1	Growth, slower rate
New Business	51.7	52.2	Growth, faster rate
New Export Business	49.2	50.5	Growth, from contracting
Future Output*	59.6	59.4	Growth expected, lower optimism
Employment	49.9	50.2	Growth, from contracting
Outstanding Business	50.3	50.5	Growth, faster rate
Input Prices	54.3	54.1	Inflation, slower rate
Output Prices	51.5	51.8	Inflation, faster rate

The level of new business rose for the third straight month in September. Moreover, the rate of expansion improved to its joint-fastest during the past one-and-a-half years, boosted by the first increase in new export orders since August 2018. Higher demand tested capacity, leading to a second successive month-on-month increase in backlogs of work.

September data signalled an increase in employment for the first time in eight months, albeit only marginal. However, the expansion was centred solely on the US, which saw job creation for the third successive month and a rate of growth close to August's one-and-a-half year record. In contrast, cuts were registered in the euro area, Japan, the UK, Brazil, Russia, Australia, Ireland and Kazakhstan.

The rate of increase in average output charges accelerated to an 18-month high in September, following a further solid rise in input costs. Business optimism remained positive and close to July's six-month peak. Confidence improved in the euro area, Japan and Australia, but fell in the US, the UK, Brazil and Russia.

Global Services Summary

The J.P.Morgan Global Services Business Activity Index posted 51.6 in September, remaining close to August's seven-month high of 52.0. Companies reported that output was boosted by improved inflows of new business, even after considering a further solid decrease in new export orders. Employment and backlogs of work both rose for the second successive month. Business sentiment remained positive.

Among the largest national service economies covered by the survey, output growth was registered in the US, Germany and the UK. Japan saw activity fall for the eighth successive month. Later release dates meant September data for China and India were not available at the time of publication.

Services Index summary

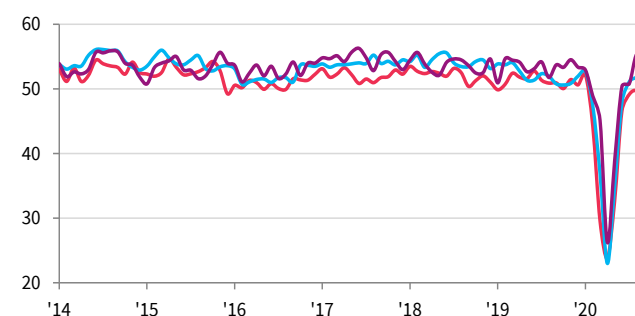
sa, 50 = no change over previous month. *50 = no change over next 12 months.

Index	Aug-20	Sep-20	Interpretation
Business Activity	52.0	51.6	Growth, slower rate
New Business	51.3	51.6	Growth, faster rate
New Export Business	47.1	46.7	Decline, slower rate
Future Activity*	59.1	58.4	Growth expected, lower optimism
Employment	50.4	50.5	Growth, faster rate
Outstanding Business	50.4	50.5	Growth, faster rate
Input Prices	54.2	53.9	Inflation, slower rate
Prices Charged	51.5	51.9	Inflation, faster rate

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:

“While the slight dip in the global Output PMI in September was disappointing, there remained several positive aspects to the latest surveys. The trend in new orders strengthened, international trade PMI increased above 50 for the first time since August 2018 and the labour market stabilised following its recent deep retrenchment. This should place the global economy on a firmer footing to sustain the recovery especially if the re-opening process continues during the final quarter of the year as expected.”

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.

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 ¹	Producer	In association with
Australia	IHS Markit	-
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	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 ²	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.

¹Hong Kong is a Special Administrative Region of China.

²US 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

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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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