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J.P.Morgan Global Manufacturing PMI™

Global manufacturing upturn slows at start of 2021 as supply chain pressures continue to build

Key findings

Manufacturing PMI at 53.5 in January

Growth rates for output and new orders both ease

Input delivery times continue to lengthen

The performance of the global manufacturing sector remained solid at the start of 2021. Although 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 a three-month low of 53.5 in January, down from 53.8 in December, it remained at one of its highest levels over the past three years.

Notes: Due to a later-than-usual release date, January 2021 data for Mexico were not available for inclusion in the global figures.

Of the 30 nations for which January data were available, 23 registered PMI readings above 50.0 (signalling expansions) compared to only six indicating contractions. Growth was led by Taiwan, the US, the Netherlands and India, while upturns in China and the euro area (on average) continued. PMIs for Japan, Spain, Thailand, Malaysia, Kazakhstan and Myanmar all signalled contraction. The Greece PMI posted a reading identical to the stagnation-mark of 50.0.

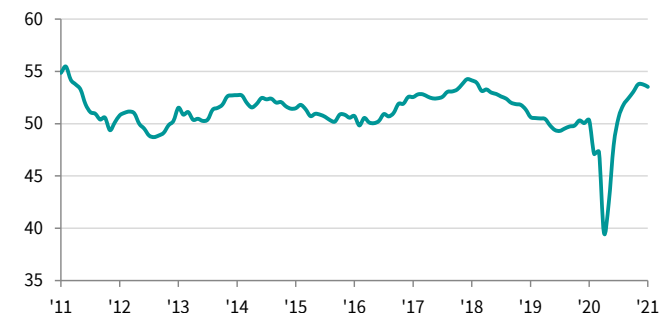
World manufacturing production and new orders both expanded again in January, extending the current sequence of concurrent growth to seven months. However, rates of increase eased for the second successive month, as growth of new export orders slipped to near-stagnation.

Data broken down by sector signalled increases in output and new business across the consumer, intermediate and investment goods categories. Intermediate goods producers fared best, slightly outperforming their investment goods counterparts in terms of both output and new order growth. The consumer goods sector saw the weakest expansion in production as new business growth stalled.

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sa, >50 = improvement since previous month

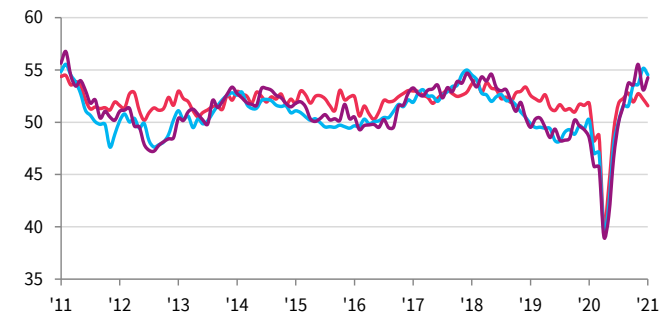


Sources: J.P.Morgan, IHS Markit.

PMI by goods sector

Consumer / Intermediate / Investment

sa, >50 = improvement since previous month

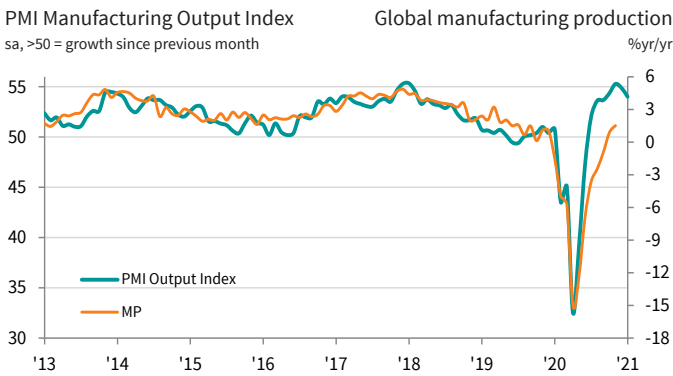


Sources: J.P.Morgan, IHS Markit.

Index summary

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

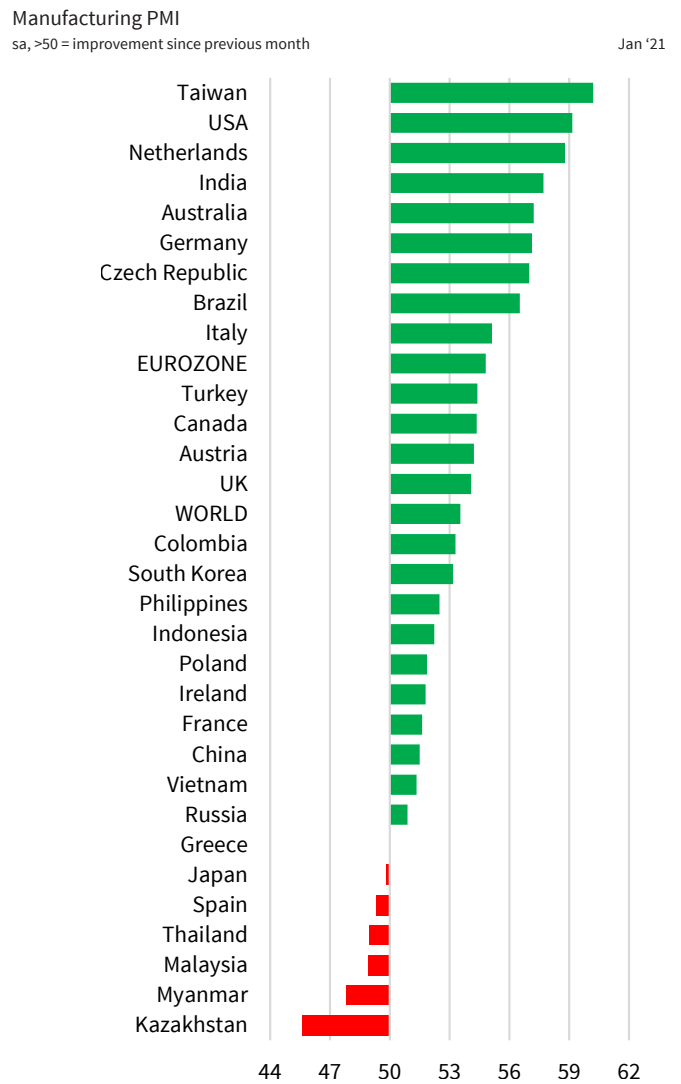
Index	Dec-20	Jan-21	Interpretation
PMI	53.8	53.5	Improvement, slower rate
Output	54.9	54.0	Growth, slower rate
New Orders	54.4	54.1	Growth, slower rate
New Export Orders	51.1	50.1	Growth, slower rate
Future Output	64.7	64.4	Growth expected, weaker sentiment
Employment	50.1	50.2	Growth, faster rate
Input Prices	61.0	62.3	Inflation, faster rate
Output Prices	54.4	55.0	Inflation, faster rate



The labour market continued to stabilise at the start of 2021. Staffing levels edged higher for the third month running, following an 11-month sequence of decline. Job creation at intermediate and investment goods producers was largely offset by deeper losses in the consumer goods industry. Among the larger nations covered, the US and the UK saw employment rise, in contrast to declines in the euro area, China and Japan.

Supply chains were increasingly stretched at the start of 2021, with January seeing vendor lead times lengthen to one of the greatest extents in the survey history. Disruptions and resulting shortages contributed to an uptick in purchase price inflation, which was passed on to clients through higher output charges. Input price inflation was the strongest since May 2011, and charge inflation the joint-highest over the same period.

Sentiment regarding the year-ahead outlook for output remained positive in January. That said, the overall degree of optimism dipped to a three-month low. Among the nations covered by the survey, only Thailand manufacturers in Thailand signalled that they expect production to fall during the coming year.



Comment

Olya Borichevska, Global Economist at J.P.Morgan, said:

“The rate of global manufacturing expansion slowed at the start of 2021, according to the latest PMI surveys. The output PMI fell nearly a point which was the largest drop since April. Smaller declines were seen across other components. Encouragingly, the employment PMI moved higher last month. Companies remain cautiously optimistic about the year ahead, allowing for a further slight increase to be implemented.”

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.

Data sources

Region	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	-

*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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