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# J.P.Morgan Global Composite PMI™

## Global economy contracts for first time since June 2020 despite further easing in cost inflation

### Key findings

US drops to bottom of national PMI rankings

Downturns signalled in all sectors except financial services

Signs of excess capacity as backlogs fall and jobs growth slows

August saw global economic activity contract for the first time since June 2020, as new order inflows declined, international trade volumes fell and signs of excess capacity grew. There was better news on the price front, however, with rates of input cost and output charge inflation both easing.

Please note that due to a later-than-usual release date, August data for Vietnam manufacturing were not available for inclusion in the global numbers.

The J.P.Morgan Global Composite Output Index – produced by J.P.Morgan and S&P Global in association with ISM and IFPSM – fell to 49.3 in August, from 50.8 in July. Output contracted in both the manufacturing and service sectors, the first time both categories have been in concurrent downturns since June 2020.

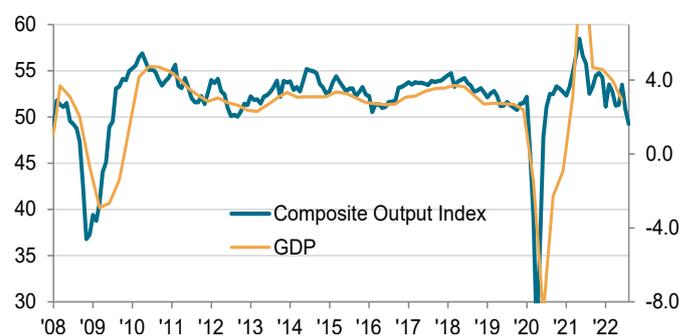
August data signalled that weaknesses in the global economy were becoming more widespread. Five out of the six sub-industries covered saw downturns – business services, consumer goods, consumer services, intermediate goods and investment goods. In contrast, the financial services sector saw a mild upturn following July's contraction.

The downturn was centred on developed markets (DM), with output contracting across both the DM manufacturing and service sectors.

National PMI data indicated that business activity decreased in five out of the 14 nations covered, all advanced economies. The performance of the US was especially weak, with its rate of decline the steepest since May 2020. Japan, Germany, the UK and Italy also saw contractions. Manufacturing output and services activity both continued to rise (on average) across emerging markets, led by solid expansions in India, Brazil and China.

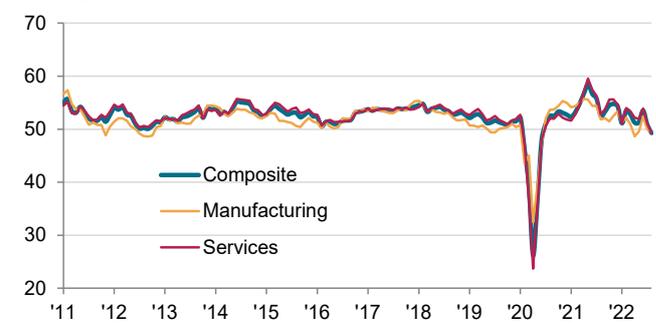
Incoming new business declined in August, ending a 25-month sequence of expansion. Manufacturing new orders fell, while growth of new work at service providers eased to a 25-month low. International trade flows also continued

J.P.Morgan Global Composite Output Index  
sa, >50 = growth since previous month



Source: J.P.Morgan, S&P Global.

■ Composite Output Index  
■ Manufacturing Output Index  
■ Services Business Activity Index  
sa, >50 = growth since previous month



Sources: J.P.Morgan, S&P Global.

### Composite Index summary

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

Index	Jul-22	Aug-22	Interpretation
Output	50.8	49.3	Decline, from expanding
New Business	51.2	49.7	Decline, from expanding
New Export Business	48.0	47.3	Decline, faster rate
Future Output*	60.2	61.7	Growth expected, better optimism
Employment	52.1	51.6	Growth, slower rate
Outstanding Business	49.1	48.5	Decline, faster rate
Input Prices	67.6	64.8	Inflation, slower rate
Output Prices	58.1	56.9	Inflation, slower rate

to retrench. New export business fell for the sixth straight month and at the quickest pace in over two years.

There were signs of excess capacity building in parts of the global economy. Backlogs of work declined at manufacturers and service providers, while stocks of finished products at manufacturers also rose. Subsequently, the rate of job creation eased to a seven-month low. Staffing levels rose in almost all of the nations covered – the exceptions being China and Russia – although rates of increase generally eased.

Rates of input price and output charge inflation both eased during August. Costs increased at the slowest pace for almost one-and-a-half years, while the rise in selling prices was the weakest since April 2021. Rates of inflation for both price measures were noticeably higher (on average) in developed nations compared to emerging markets.

**Global Services Summary**

The J.P.Morgan Global Services Business Activity Index posted 49.2 in August, to signal a contraction for the first time since June 2020. Moreover, the index fell below its manufacturing equivalent for the first time since January.

Service sector business activity rose in China, the UK, India, Brazil, France, Italy, Spain, Australia, Ireland and Kazakhstan, but fell in the US, Japan, Germany and Russia. The downturn in the US was especially marked, with activity declining at the quickest pace since May 2020.

Growth of new business slowed to a near-standstill in August. Although employment increased to the lowest extent in seven months, jobs growth was still registered in almost all of the nations covered (the exceptions being China and Russia). Rates of input cost and output price inflation both decelerated.

**Services Index summary**

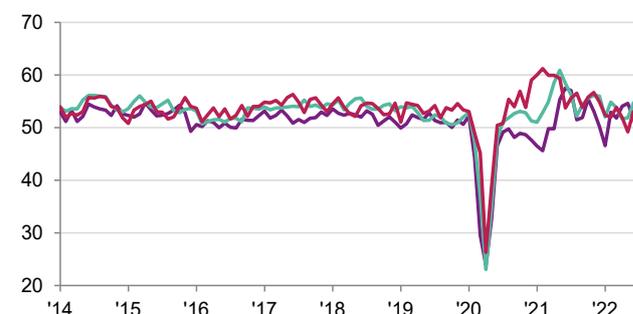
sa, 50 = no change over previous month. \*50 = no change over next 12 months.

Index	Jul-22	Aug-22	Interpretation
Business Activity	51.1	49.2	Decline, from expanding
New Business	52.0	50.3	Growth, slower rate
New Export Business	48.3	48.1	Decline, faster rate
Future Activity*	60.8	62.3	Growth expected, better optimism
Employment	52.7	52.1	Growth, slower rate
Outstanding Business	49.0	48.3	Decline, faster rate
Input Prices	68.4	66.2	Inflation, slower rate
Prices Charged	58.1	57.0	Inflation, slower rate

**Business Activity Index**

- Consumer Services
- Business Services
- Financial Services

sa, >50 = growth since previous month



Sources: J.P.Morgan, S&P Global.

**Comment**

*Bennett Parrish, Global Economist at J.P.Morgan, said:*

*“The composite PMI fell 1.5pts in August to its lowest level since June 2020. The headline index, at 49.3, is now at a level rarely seen outside of global recession. Another decline in the new orders PMI is particularly concerning and suggests that multi-decade high inflation is weighing considerably on global demand. In more positive news for the outlook, the pricing PMIs continued to ease and the future output PMI bounced back from a June-July slide.”*

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**Survey methodology**

The J.P.Morgan Global Composite PMI™ is produced by S&P Global in association with ISM and IFPSM.

Global composite PMI indices are compiled by S&P Global 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](mailto: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.

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JPMorgan Chase & Co. (NYSE: JPM) is a leading global financial services firm with assets of \$2.3 trillion and operations in more than 60 countries. The firm is a leader in investment banking, financial services for consumers, small business and commercial banking, financial transaction processing, asset management and private equity. A component of the Dow Jones Industrial Average, JPMorgan Chase & Co. serves millions of consumers in the United States and many of the world's most prominent corporate, institutional and government clients under its J.P. Morgan and Chase brands. [www.jpmorganchase.com](http://www.jpmorganchase.com).

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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](http://www.instituteforsupplymanagement.org)

**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](http://www.ifpsm.org)

**About PMI**

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).

**Data sources**

Region	Producer	In association with
Australia	S&P Global	–
Austria	S&P Global	Unicredit Bank Austria / OPWZ
Brazil	S&P Global	–
Canada	S&P Global	–
China (mainland)	S&P Global	Caixin
Colombia	S&P Global	Davivienda
Czech Republic	S&P Global	–
Denmark	DILF	Kairos commodities
Egypt*	S&P Global	–
France	S&P Global	–
Germany	S&P Global	BME
Greece	S&P Global	HPI
Hong Kong SAR <sup>1</sup> *	S&P Global	–
Hungary	HALPIM	–
India	S&P Global	–
Indonesia	S&P Global	–
Ireland	S&P Global	AIB
Israel	IPLMA	Bank Hapoalim Ltd
Italy	S&P Global	–
Japan	S&P Global	au Jibun Bank
Kazakhstan	S&P Global	Tengri Partners
Kenya*	S&P Global	Stanbic Bank
Lebanon*	S&P Global	BLOMINVEST Bank
Malaysia	S&P Global	–
Mexico	S&P Global	–
Myanmar	S&P Global	–
Netherlands (The)	S&P Global	Nevi
New Zealand	Business NZ	Bank of New Zealand
Nigeria*	S&P Global	Stanbic IBTC Bank
Philippines (The)	S&P Global	–
Poland	S&P Global	–
Russia	S&P Global	–
Saudi Arabia*	S&P Global	–
Singapore*	S&P Global	–
South Africa*	S&P Global	–
South Korea	S&P Global	–
Spain	S&P Global	AERCE
Switzerland	procure.ch	Credit Suisse
Taiwan	S&P Global	–
Thailand	S&P Global	–
Turkey	S&P Global	Istanbul Chamber of Industry
UAE*	S&P Global	–
United Kingdom	S&P Global	CIPS
United States <sup>2</sup>	S&P Global / ISM	–
Vietnam	S&P Global	–

\*Indices calculated from manufacturing responses extracted from survey panels covering the entire private sector economy.

<sup>1</sup>Hong Kong is a Special Administrative Region of China.

<sup>2</sup>US data compiled by ISM pre-February 2010 and by S&P Global post-January 2010.

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