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J.P.Morgan Global Manufacturing PMI™

Downturn in global manufacturing as output, new orders and international trade all contract

Key findings

Global Manufacturing PMI at 26-month low

Output falls across consumer, intermediate and investment good sectors

Input cost and output price inflation both ease

Global manufacturing output fell back into contraction in August, amid signs that conditions may deteriorate further in coming months. New order intakes declined for the second successive month, while a reduction in backlogs of work combined with rising stocks of finished goods point to a possible build-up of excess capacity at factories.

The J.P.Morgan Global Manufacturing PMI™ – a composite index produced by J.P.Morgan and S&P Global in association with ISM and IFPSM – fell to a 26-month low of 50.3 in August, down from 51.1 in July and only slightly above the 50.0 no-change mark.

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

Global manufacturing production contracted in August. Apart from the China lockdown-related falls earlier in the year, this is the first downturn since June 2020 (during the early stages of the COVID pandemic). Output declined across the consumer, intermediate and investment goods industries.

Only ten out of the 30 nations for which August data were available registered increases in production, the majority of which only saw marginal growth (including China, Brazil Spain and Australia). The US, the euro area, Japan and the UK were among the larger economies to see contractions.

August data signalled a further softening of global demand for manufactured products, with the level of new orders decreasing for the second consecutive month. International trade flows also retrenched further, with the volume of new export business down for the sixth month in a row. Only two of the nations covered – India and Australia – saw foreign demand improve during the latest survey month.

There were signs that excess capacity may be building in the global manufacturing sector. August saw the second successive month where stocks of finished goods rose and

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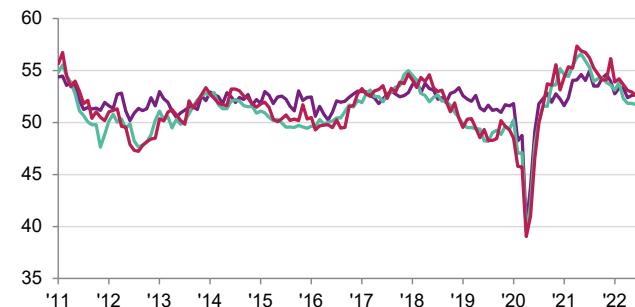
sa, >50 = improvement since previous month



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

- Consumer Goods PMI
- Intermediate Goods PMI
- Investment Goods PMI

sa, >50 = improvement since previous month

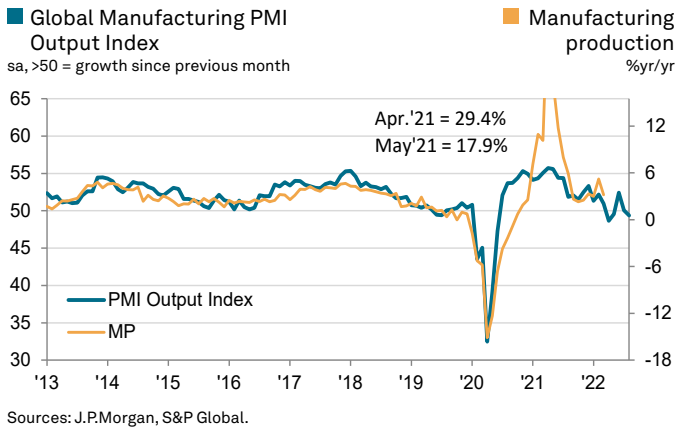


Source: J.P.Morgan, S&P Global.

Index summary

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

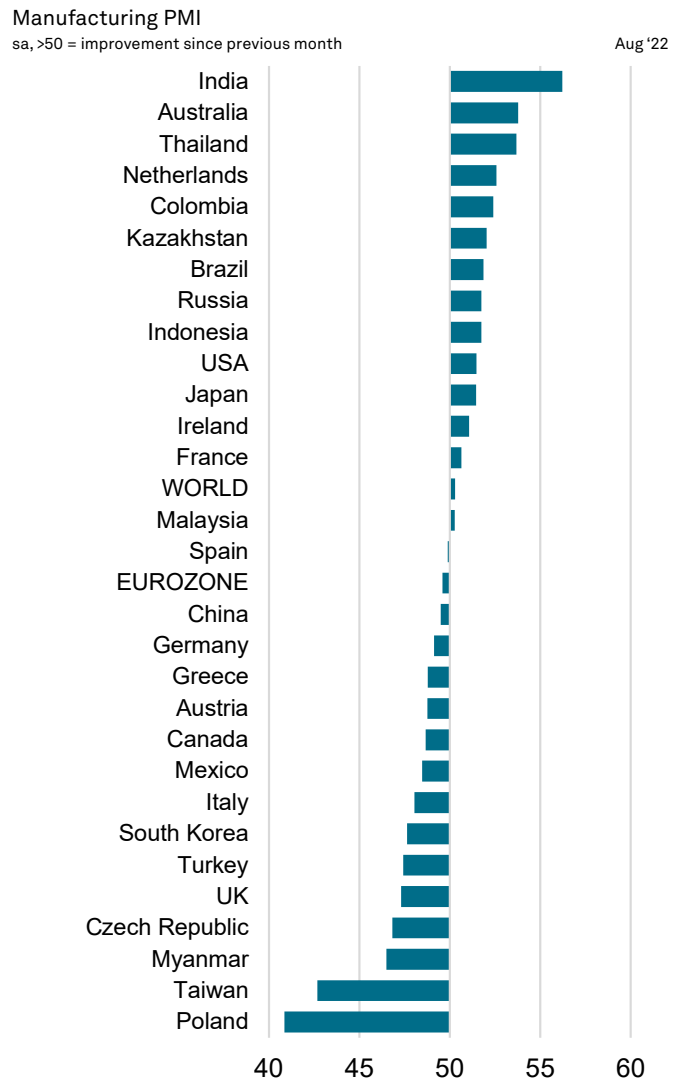
| Index | Jul-22 | Aug-22 | Interpretation |
|-------------------|--------|--------|-----------------------------------|
| PMI | 51.1 | 50.3 | Improvement, slower rate |
| Output | 50.0 | 49.4 | Decline, from no change |
| New Orders | 48.9 | 48.2 | Decline, faster rate |
| New Export Orders | 48.0 | 47.0 | Decline, faster rate |
| Future Output | 58.7 | 60.1 | Growth expected, better sentiment |
| Employment | 50.4 | 50.4 | Growth, same rate |
| Input Prices | 65.4 | 61.1 | Inflation, slower rate |
| Output Prices | 58.3 | 56.7 | Inflation, slower rate |



backlogs of work contracted. Subsequently, the rate of jobs growth remained only marginal, matching July's one-and-a-half year low. Staffing levels were raised in the US, the euro area and Japan (among others), while China was one of the 11 nations to see a decrease.

Rates of input cost and output price inflation eased further during August. The increase in purchasing costs was the least marked since the end of 2020. However, cost pressures remained elevated, with reports of supply chain difficulties, raw material shortages and elevated prices for key inputs such as energy and electronics. Average output charges rose at the slowest pace for one-and-a-half years.

Business optimism edged upwards during August, rising to a three-month high and recovering from July's 26-month low. Confidence strengthened to a six-month high in emerging markets (on average) and hit a three-month peak among developed nations. However, despite firms' positive outlook for the year ahead, the near-term horizon remained negative. The cyclically sensitive new orders to inventories of finished goods ratio fell to 0.95 – its lowest level since May 2020 (during the early stages of the COVID pandemic).



Comment

Bennett Parrish, Global Economist at J.P.Morgan, said:
“The manufacturing output PMI fell below 50 in August, suggesting an outright contraction in global factory output in early 2H22. The outlook is also increasingly weak. The orders:inventory ratio in August fell to its lowest level since May2020, and the further deterioration in orders points to additional excess capacity building at factories. The good news from the latest surveys was a sizeable easing in the pricing PMIs, providing some respite from inflationary pressures.”

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Survey methodology

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

Global manufacturing PMI indices are compiled by S&P Global 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 economic@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.

About J.P.Morgan

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.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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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

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 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.

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 | Kairoscommodities |
| Egypt* | S&P Global | – |
| France | S&P Global | – |
| Germany | S&P Global | BME |
| Greece | S&P Global | HPI |
| Hong Kong SAR ¹ * | 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 ² | S&P Global / ISM | – |
| Vietnam | S&P Global | – |

*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 S&P Global post-January 2010.

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