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J.P.Morgan Global Composite PMI™

Downturn in global economic activity moderates in December despite deeper contraction in new orders

Key findings

Global PMI Output Index edges up to 48.2

US at bottom of PMI Output Index rankings

New orders contract at faster pace

The December PMI™ surveys indicated a further contraction of global economic activity. Output decreased for the fifth successive month, as new order intakes fell at the fastest pace in over two-and-a-half years. Job creation subsequently ground to a near-standstill.

The J.P.Morgan Global Composite Output Index – produced by J.P.Morgan and S&P Global in association with ISM and IFPSM – posted 48.2 in December, up a few ticks from November's 29-month low of 48.0. Although signalling a slight easing in the rate of contraction, the reading was still among the weakest registered over the past 15 years.

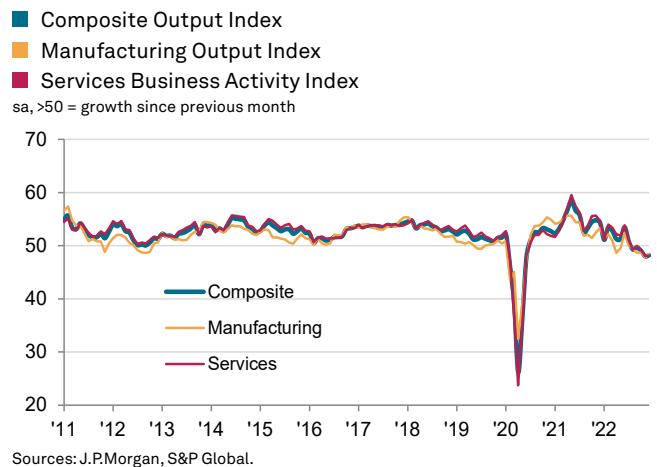
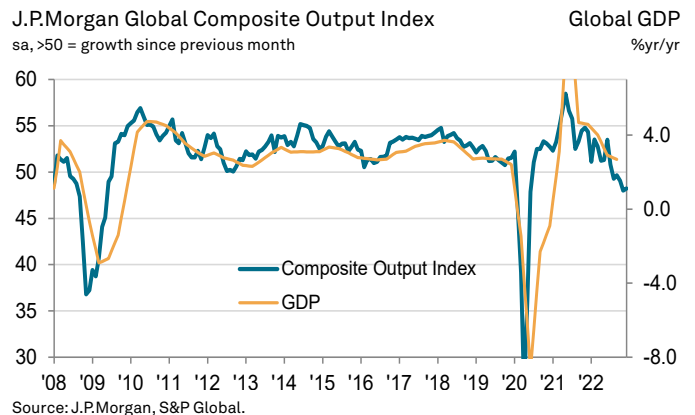
Later-than-usual releases dates meant that December PMI data for Kazakhstan and Thailand manufacturing and Kazakhstan services were not available for inclusion in the global numbers. Japan flash data have been used as a substitute for the final data.

Similar rates of contraction were signalled in both the manufacturing and service sectors, with the former seeing a slight deceleration and the latter the same pace as the prior month.

A deeper interrogation of the data by sector pointed to broader-based weakness in the services economy, with all three categories of activity covered (business, consumer and financial services) seeing declines. In comparison, the manufacturing downturn was centred on the intermediate goods sector, as consumer and investment goods producers both registered mild upturns.

India and Ireland were the only nations to register growth of economic activity in December. Japan registered a stabilisation in output, while the US, China, euro area, UK, Brazil, Russia and Australia all saw downturns. The US fell to last-place in the PMI Output Index league table.

New business fell for the fifth month in a row in December. Excluding the lows seen during the early pandemic months, the rate of decline was the steepest since May 2009. International trade flows also deteriorated further. New export orders decreased for the tenth month running and at a rate close to October's near two-and-a-half year record. The weaker trend in demand meant that backlogs of work fell for the sixth consecutive month.



Composite Index summary

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

Index	Nov-22	Dec-22	Interpretation
Output	48.0	48.2	Decline, slower rate
New Business	47.8	47.7	Decline, faster rate
New Export Business	46.6	46.6	Decline, same rate
Future Output*	60.1	60.9	Growth expected, better optimism
Employment	50.3	50.2	Growth, slower rate
Outstanding Business	47.9	48.2	Decline, slower rate
Input Prices	63.0	59.7	Inflation, slower rate
Output Prices	55.7	55.1	Inflation, slower rate

Reduced intakes of new work and lower levels of economic activity filtered through to the labour market. Although the end of 2022 saw staffing levels rise for the twenty-eighth successive month, job creation slowed to a near-standstill pace. Employment rose slightly at service providers, in contrast to a marginal decrease in manufacturing. The US, euro area, Japan and India were among the regions to raise workforce numbers. China, the UK, Brazil and Russia were among those to register declines.

There was better news on the prices and business confidence fronts at the end of 2022. December saw optimism recover to a three-month high, albeit still low compared to the historical standards of the survey. Rates of increase in input costs and output charges eased further, to 24- and 22-month lows, respectively.

Global Services Summary

The J.P.Morgan Global Services Business Activity Index posted 48.1 in December, unchanged from November's 29-month low and signalling a further drop in services activity. Output has contracted in each of the past three months.

Only five out of the 13 nations for which December data were available saw service sector activity rise – Japan, India, Spain, Ireland and Brazil. The US registered the fastest pace of contraction.

Incoming new business also fell at a rate unchanged from November's low, while employment rose at the slowest pace during the current 22-month sequence of job creation. Input cost and output charge inflation both eased further. Business optimism improved slightly to a three-month high.

Services Index summary

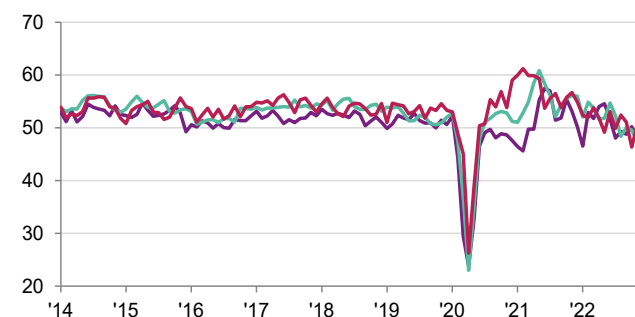
sa, 50 = no change over previous month. *50 = no change over next 12 months.

Index	Nov-22	Dec-22	Interpretation
Business Activity	48.1	48.1	Decline, same rate
New Business	48.2	48.2	Decline, same rate
New Export Business	48.0	48.1	Decline, slower rate
Future Activity*	60.9	61.3	Growth expected, better optimism
Employment	50.5	50.4	Growth, slower rate
Outstanding Business	48.2	48.8	Decline, slower rate
Input Prices	64.3	60.8	Inflation, slower rate
Prices Charged	55.5	55.3	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 global all-industry output PMI rose by 0.2pts in December. Combined with the uplift in the equivalent index for manufacturing, and stabilisation in the services index, the latest set of surveys raise hopes that the downturn in global economic activity bottomed out at the end of 2022. A recovery in confidence levels also offsets some of the weakness in the demand and labor market indexes. Inflationary concerns moderated, as rates of increase in input costs and selling prices eased.”

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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.

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.

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.

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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	Judo Bank
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 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 and services 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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