

Embargoed until 1100 EST (1600 UTC) 1 February 2023

J.P.Morgan Global Manufacturing PMI™

Contraction in global manufacturing output shows signs of easing at start of 2023

Key findings

Rates of decline in output and new orders slow

Consumer goods production expands for second month

Input cost and output price inflation both edge higher

The global manufacturing downturn showed signs of easing at the start of 2023, according to the latest PMI™ surveys. Rates of contraction in output and new orders both slowed, while employment posted a slight increase.

At 49.1 in January, 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 – remained below the 50.0 mark that separates contraction from expansion, but rose from 48.7 to signal a slower rate of decrease.

The survey's Output Index, which acts as an advance indicator of worldwide factory production trends, signalled a second successive month of slower decline. That index rose to its highest since last August, adding to signs that the global manufacturing downturn reached its nadir in November.

Only nine out of the 31 nations for which January data were available signalled expansions in output. The few pockets of growth were largely confined to Asia, with India, Indonesia, Russia, the Philippines, Thailand and Myanmar all registering increases. Italy, the Netherlands and Canada were the remaining nations to see production rise.

Elsewhere there were also signs of the downturn easing. Although the largest industrial regions of China, the US, the euro area and Japan all saw output contract, rates of decrease eased in all four cases. A similar picture of moderating contraction was also seen in the UK, Brazil and Turkey.

Data broken down by sector indicated that the downturn was centred on the intermediate and investment goods industries. In contrast, consumer goods production rose for the second successive month.

Manufacturers' business confidence continued to revive at the start of 2023, with optimism hitting a ten-month high (albeit still below its long-run average). The cyclically-sensitive new orders-to-finished goods stock ratio also

J.P.Morgan Global Manufacturing PMI™

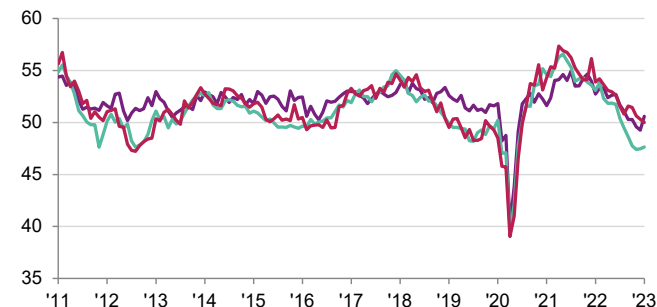
sa, >50 = improvement since previous month



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

Consumer Goods PMI
Intermediate Goods PMI
Investment Goods PMI

sa, >50 = improvement since previous month

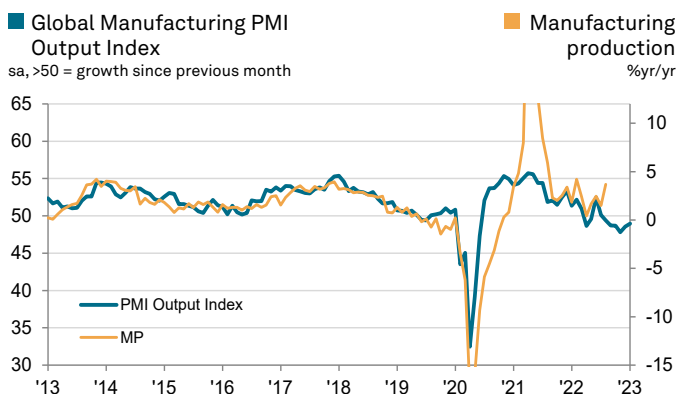


Source: J.P.Morgan, S&P Global.

Index summary

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

Index	Dec-22	Jan-23	Interpretation
PMI	48.7	49.1	Deterioration, slower rate
Output	48.5	49.0	Decline, slower rate
New Orders	46.4	47.8	Decline, slower rate
New Export Orders	46.2	47.5	Decline, slower rate
Future Output	60.0	62.3	Growth expected, better sentiment
Employment	49.8	50.1	Growth, from declining
Input Prices	56.8	57.1	Inflation, faster rate
Output Prices	54.7	54.8	Inflation, faster rate



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

climbed to a seven-month record.

The level of incoming new business fell for the seventh consecutive month in January, albeit to the least marked extent since last August. A similar trend was signalled for new export business, where the pace of contraction was a six-month low. The continued downturn in new order intakes nonetheless meant that spare capacity remained in global industry, as highlighted by a solid decrease in backlogs of work at factories.

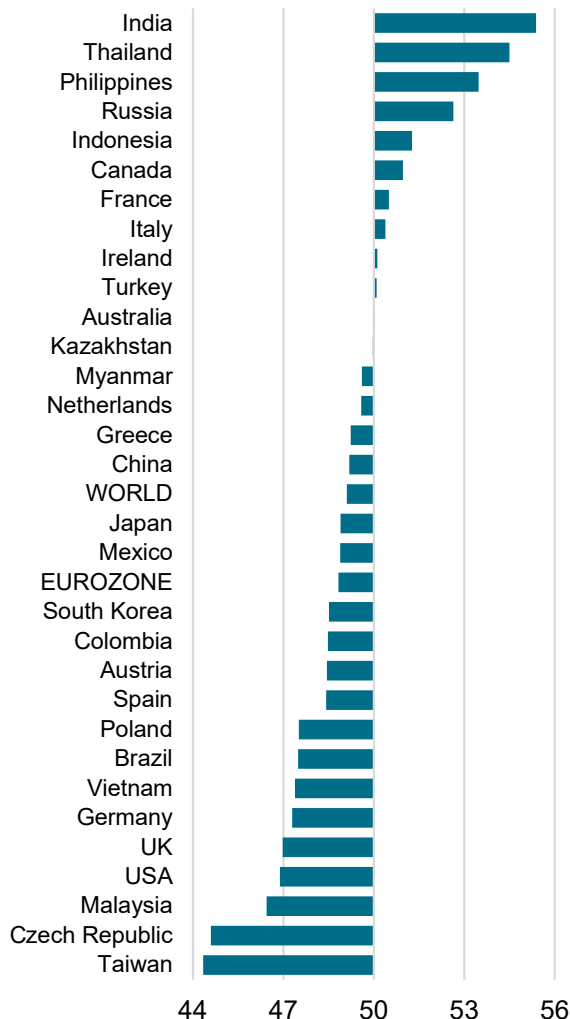
Staffing levels edged higher at the start of 2023, after falling in each of the prior two months. Among the larger industrial regions covered by the survey, job creation was seen in the US, Japan and the euro area, offsetting cuts in nations such as China, the UK and Brazil. By sector, employment rose in the consumer and investment goods categories, but fell at intermediate goods producers.

January data pointed to mild upticks in the rates of both input price and output charge inflation, halting recent sequences of moderation. Supply chain pressures continued to ease, with average vendor lead times lengthening to the lowest extent in three years.

Manufacturing PMI

sa, >50 = improvement since previous month

Jan '23



Sources: J.P.Morgan, S&P Global, Unicredit Bank Austria, Caixin, Davivienda, BME, HPI, AIB, Jibun Bank, NEVI, AERCE, Istanbul Chamber of Industry, CIPS.

Comment

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

“The manufacturing PMI output and new orders indices both moved higher in January, raising hopes that the downturn in global industry reached its nadir before the turn of the year. Rising business optimism, an improved orders-to-inventory ratio and a boost to growth as China re-opens should also provide a boost in the months ahead. The slight upticks in the price indices are of limited concern in the near term, staying well below earlier peaks and are likely to resume their easing trends as supply chain constraints ease.”

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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

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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	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	Riyad Bank
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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