PRESS RELEASE Embargoed until 11:00am US Eastern Time 6 January 2005

JPMorgan Global PMI

Report on Manufacturing and Services

Produced by JPMorgan and NTC Research in association with ISM and IFPMM

Expansion of the global private sector economy accelerated in December, led by stronger performance of the services industry.

Growth of the global private sector economy accelerated in December. The **Global All-Industry Output Index** rose for the first time since July, recording 57.3, up from 55.9 in November. Combined manufacturing and service sector output has increased in each of the past twenty-one months, with the rate of increase picking up to the fastest since September. At its current level, the All-Industry Output Index is consistent with solid growth of global GDP of around 4% saar. However, PMI data for Q4 2004 as a whole showed that the performance of the global economy was the least robust since the third quarter of 2003.

Growth of the global economy was led by the services industry. Service sector business activity rose at the fastest rate for seven months, while manufacturing output expanded at a rate broadly consistent with November's sixteen-month low. The differential between growth of manufacturing production and services activity widened to its most significant level for three years.

The level of new business increased for the twentieth consecutive month in December. At 57.6, up from November's seventeen-month low of 55.0, the **Global All-Industry New Orders Index** showed an improvement in the growth rate of new business to the most marked in five months. New business in the services economy increased at the fastest rate for five months. Growth in new orders in the manufacturing economy strengthened for the first time in five months – to the most robust since August – but remained below that recorded for services.

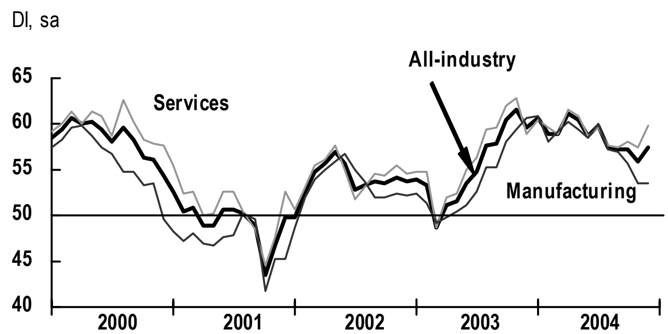
At 52.7 in December, the **Global All-Industry Employment Index** indicated an increase in worldwide private sector employment for the fifteenth month in a row – with the rate of expansion in staffing levels picking up on November. However, the trend in the Index level masked the contrasting performances of the manufacturing and service sector labor markets. Service sector employment increased at the fastest rate in over a year, but growth in manufacturing jobs eased to the least marked since January.

Although still considerable, inflation of input prices eased for the second successive month in December. This was highlighted by the **Global All-Industry Input Prices Index** posting 64.8, down further from October's four-and-a-half year high of 67.8. Inflation of manufacturing input costs eased to a ten-month low, as oil and energy prices eased further. In contrast, costs in the services economy rose at a slightly stronger rate than in the previous month and, on average, at a faster rate in Q4 2004 than in Q3.

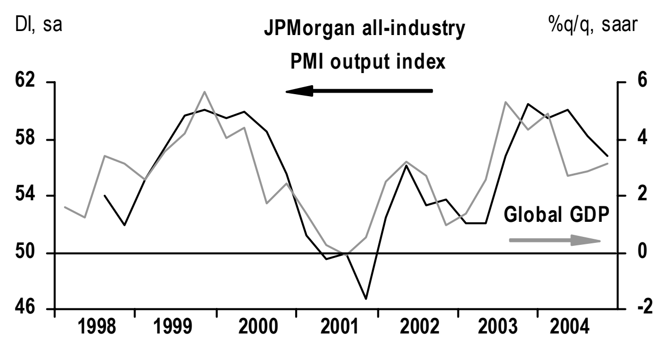
Commenting on the survey, David Hensley, Director of Global Economics Coordination at JPMorgan, said:

"The performance of the global economy showed a slight improvement at the end of 2004, with growth in activity and new business picking up from recent lows. Robust global demand and further easing of energy and oil prices suggest growth of world GDP is likely to strengthen in Q1 2005."

JPMorgan global PMI output



Global activity indicators



Global PMI Summary

50 = no change on previous month.

		Nov	Dec	Latest movement
Output	Total	55.9	57.3	Expanding at faster rate
	Manufacturing	53.4	53.5	Expanding at faster rate
	Services	57.4	59.8	Expanding at faster rate
New orders	Total	55.0	57.6	Expanding at faster rate
	Manufacturing	53.9	56.5	Expanding at faster rate
	Services	55.8	58.4	Expanding at faster rate
Employment	Total	52.1	52.7	Expanding at faster rate
	Manufacturing	52.0	50.5	Expanding at slower rate
	Services	52.1	54.0	Expanding at faster rate
Input prices	Total	65.8	64.8	Rising at slower rate
	Manufacturing	71.8	68.4	Rising at slower rate
	Services	62.0	62.6	Rising at faster rate

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Notes on data

The Global Report on Manufacturing and Services is based on the results of surveys carried out in the USA by ISM, in Japan, China, the UK, Germany, France, Spain, Italy, Russia, Ireland, Greece, Austria, the Netherlands, Poland, Czech Republic and Hong Kong by NTC Research and in a number of other countries: Denmark, Israel, Hungary, South Africa, Australia, Switzerland, Singapore and New Zealand. These countries together account for an estimated 80% of global GDP.

The Global Report on Manufacturing and Services provides the first indication each month of global business conditions, based on data collected from around 10,000 purchasing executives. It is compiled by NTC Research. The data enable decision makers in the financial world to make better judgements much earlier than would otherwise be the case.

The wide coverage of the indexes, 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. Questions are asked about real events and are not opinion based. Data are presented in the form of diffusion indices, where an index reading above 50.0 indicates an increase in the variable since the previous month and below 50.0 a decrease.

Data sources

Country	% share of global GDP*	Producer	In association with	Web
US	27.0	ISM	–	www.ism.ws
Japan	17.0	NTC	Nomura/JMMA	www.nomura.co.jp, www.jmma.gr.jp
Germany	8.0	NTC	BME	www.bme.de
France	5.3	NTC	CDAF	www.cdaf.asso.fr
UK	3.9	NTC	CIPS	www.cips.org
Italy	3.6	NTC	ADACI	www.adaci.it
China	3.1	NTC	CLSA	www.clsa.com
Spain	2.1	NTC	AERCE	www.aerce.org
Netherlands	1.5	NTC	NEVI/YACHT	www.nevi.nl, www.yachtgroup.com
Australia	1.4	AiG	PWC, Commonwealth Bank	www.aigroup.asn.au, www.pwcglobal.com/au, www.commbank.com.au
Russia	1.1	NTC	Moscow Narodny Bank	www.mosnar.com
Switzerland	1.0	SVME	Credit Suisse	www.svme.ch, www.credit-suisse.ch
Austria	0.8	NTC	BA Creditanstalt/OPWZ	www.ba-ca.com, http://einkauf.opwz.com
Denmark	0.6	DILF	Danske Bank	www.dilf.dk, www.danskebank.dk
South Africa	0.5	BER	IPSA/Investec	www.ber.sun.ac.za, www.ipsa.co.za, www.investec.co.za
Poland	0.5	NTC	–	www.ntc-research.com
Hong Kong	0.5	NTC	–	www.ntc-research.com
Greece	0.4	NTC	HPI	www.hpi.org
Ireland	0.3	NTC	NCB Stockbrokers	www.ncbdirect.com
Singapore	0.3	SIPMM	–	www.sipmm.org.sg
Israel	0.3	IPLMA	–	www.iplma.org.il
Czech Republic	0.2	NTC	–	www.ntc-research.com
Hungary	0.2	HALPIM	Hungarian National Bank	www.logisztika.hu
New Zealand	0.2	Business NZ	ANZ Banking Group	www.businessnz.org.nz, www.anz.com/nz

* Source: World Bank

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