

JPMorgan Global PMI

Report on Manufacturing and Services

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

Global economy expanded at slowest pace in over two years during September, following marked easing in service sector growth.

Growth of the global economy lost significant momentum during September, as highlighted by the **Global All-Industry Output Index** falling to 54.8. Although still comfortably above the neutral 50.0 mark, this was the lowest Index reading since July 2003 and below its long-run average of 55.5. At its current level, the All-Industry Output Index is consistent with growth of global GDP of around 3-3.5% q/q saar.

Slower growth of the global economy was the result of a marked easing in the rate of expansion of the service sector to a near two-and-a-half year low. In contrast, growth of global manufacturing production picked up sharply to its fastest for over a year. The manufacturing sector outperformed its services counterpart for the first time in fourteen months, and to the greatest extent in the history of the global PMI survey.

National data suggested that a marked easing in the rate of expansion of the US service sector was the main factor underlying the slowdown in global economic growth. This countered the strong performance of US manufacturing and led to the slowest overall growth of the US economy during its current period of expansion. In contrast, the EU and Asia-Pacific (manufacturing data only) – saw sharper growth than one month earlier.

At 55.9 in September, the **Global All-Industry New Orders Index** remained at a level indicative of solid growth in new business. However, this masked a divergence between the trends of manufacturing new orders (which rose at the fastest rate for over a year) and service sector new business (which increased at the slowest pace since June 2003).

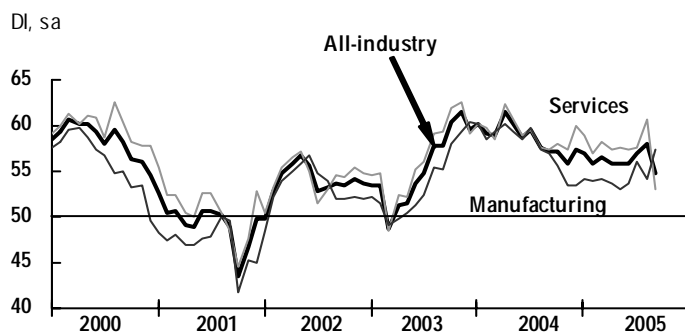
Global employment increased for the fourth month running in September, with the rate of expansion in workforce levels remaining solid. Latest data suggested that the performance of the US jobs market remained robust, especially with regard to service sector recruitment – suggesting that US service providers implemented planned workforce expansions despite slower activity growth.

The **Global All-Industry Input Prices Index** rose sharply to 66.5 in September, its highest level in almost a year. This reflected the continued strength of international oil and energy prices, which were felt across the manufacturing and service sectors.

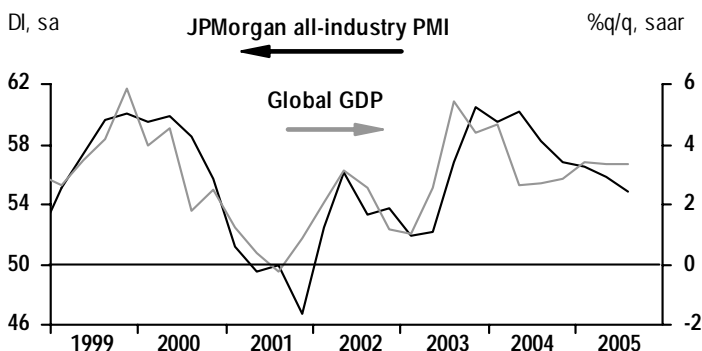
Commenting on the survey, David Hensley, Director of Global Economics Coordination at JPMorgan, said:

"Growth of the global service sector lost momentum in September, reflecting a sharp slowing in the United States in response to the severe hurricanes and surging energy prices. On the other hand, global manufacturing output picked up pace. Most likely, global GDP growth will downshift near-term to a 2-3% annualized rate. Cost pressures have intensified greatly, and there are indications that this is beginning to be passed through at the retail level."

JPMorgan global PMI output



Global activity indicators



Global PMI Summary

50 = no change on previous month.

		Aug	Sep	Latest movement
Output	Total	58.1	54.8	Expanding at slower rate
	Manufacturing	54.1	57.3	Expanding at faster rate
	Services	60.6	53.1	Expanding at slower rate
New orders	Total	57.5	55.9	Expanding at slower rate
	Manufacturing	54.0	57.5	Expanding at faster rate
	Services	59.8	54.8	Expanding at slower rate
Employment	Total	53.2	52.1	Expanding at slower rate
	Manufacturing	50.3	50.7	Expanding at faster rate
	Services	55.1	53.0	Expanding at slower rate
Input prices	Total	61.8	66.5	Rising at faster rate
	Manufacturing	59.7	65.6	Rising at faster rate
	Services	63.2	67.0	Rising at faster rate

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Press contacts

For further information or for other press enquiries please contact:

David Hensley
(1-212) 834-5516
david.hensley@jpmorgan.com
JPMorgan Chase Bank

Rob Dobson
(44) 1491 418 695
rob.dobson@ntc.co.uk
NTC Research Ltd

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	RBS/BME	www.rbs.co.uk, www.bme.de
France	5.3	NTC	CDAF/RBS	www.cdaf.asso.fr, www.rbs.co.uk
UK	3.9	NTC	CIPS/RBS	www.cips.org, www.rbs.co.uk
Italy	3.6	NTC	RBS/ADACI	www.rbs.co.uk, www.adaci.it
China	3.1	NTC	CLSA	www.clsa.com
Spain	2.1	NTC	RBS/AERCE	www.rbs.co.uk, 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	-	www.dilf.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	ABN AMRO	www.abnamro.com
Hong Kong	0.5	NTC	Brunswick Group, HKCIPS	www.brunswickgroup.com, www.cips.org
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	ABN AMRO	www.abnamro.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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