

JPMorgan Global PMI Global Report on Manufacturing

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

Growth of global manufacturing production steadied in September. Orders are sliding and input cost pressures remain intense.

The operating performance of the global manufacturing economy continued to improve at a robust pace in September. At 54.9, the **Global Manufacturing PMI** – a composite index produced by JPMorgan and NTC in association with ISM and IFPMM – posted a level above the no-change mark of 50.0 for the fifteenth successive month. However, the recent trend of the PMI suggests that the current upturn has already passed its peak, with the average reading for Q3 2004 (56.0) below that recorded for the second quarter (57.2 – a survey high).

This was further highlighted by the national PMI data. Although stronger business conditions were recorded for eighteen of the nations for which September data were available (with Hungary reporting no change over the month), the majority of these saw the rate of improvement ease since August.

At 57.0 in September, little changed from 57.1 in August, the **Global Manufacturing Output Index** remained at a level broadly consistent with 5-6% saar growth of global industrial production. However, the PMI is not fully capturing the slowdown in production in Asia. JPMorgan's estimate of global factory output rose at just a 2.7% annual rate in the three months through August. South Africa recorded the strongest expansion of production, after seeing growth pick up to the fastest rate in the (South African) series history. The US was in second position, and reported a slight acceleration in output growth – with the ISM Output Index edging back above the 60.0 mark.

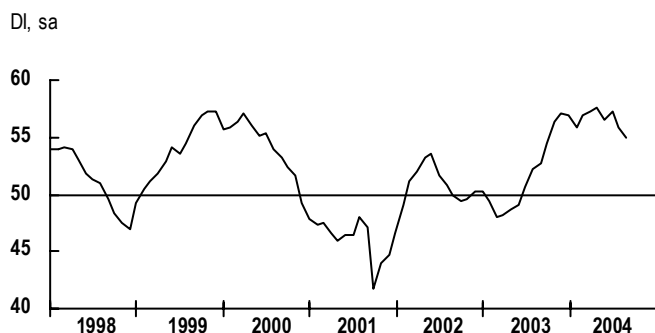
Growth of new orders continued at a robust pace in September, as highlighted by the **Global Manufacturing New Orders Index** posting 55.5. However, the rate of increase eased for the second month running, and was the slowest since August 2003. The slowdown in growth of global new orders reflected an easing in the rates of expansion recorded for the four principal industrialized regions – the US, the Eurozone, Japan and the UK – to the least marked for fourteen, eleven, fourteen and fifteen months respectively. Meanwhile, international trade volumes rose at the slowest rate for a year.

The **Global Manufacturing Employment Index** rose to 52.4 in September, to signal an increase in staff levels for the tenth month running and a slight up-tick in the rate of jobs growth. The US saw growth of employment reach a three-month high, and remained the principal driver of the current upturn in worldwide staff levels. Manufacturing jobs were cut in Japan and the Eurozone, and showed little change in the UK.

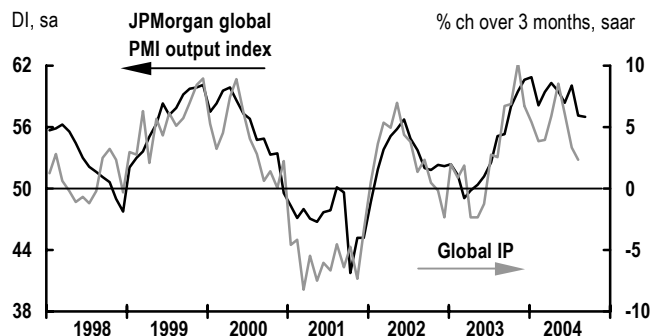
Upward pressure on input costs remained intense during September, as the short-supply of metals and higher oil prices continued to drive up purchasing costs. The **Global Manufacturing Input Prices Index** posted 71.7, little changed from 71.6 in August. However, the average rate of inflation signalled by the Index in Q3 2004 was below the survey high recorded for Q2.

At 50.1 in September, the **Global Manufacturing Stocks of Purchases Index** registered a reading at or above the neutral mark of 50.0 for the fourth consecutive month. Growth of inventories was especially robust in South Africa.

JPMorgan global manufacturing PMI



Global manufacturing output



Global Manufacturing PMI Summary

50 = no change on previous month.

	Aug	Sep	Change	Comparison with previous month
Global PMI	55.8	54.9	-	Expanding at slower rate
Output	57.1	57.0	-	Expanding at slower rate
New Orders	57.6	55.5	-	Expanding at slower rate
Input Prices	71.6	71.7	+	Increasing at faster rate
Employment	52.0	52.4	+	Expanding at faster rate

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

"The pace of global manufacturing activity continues to lose momentum. Factory output rose at an estimated 3% annual rate in the three months to August, led by a sharp slowdown in Asia. The continued downward trend in new orders growth suggests the production slowdown may not yet have run its course."

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Notes on data

The Global Report on Manufacturing is based on the results of surveys carried out in the USA by ISM, in Japan, the UK, Germany, France, Spain, Italy, Russia, Ireland, Greece, Austria, the Netherlands, Poland and Czech Republic by NTC Research and in a number of other countries: Denmark, Israel, Hungary, South Africa, Switzerland, Australia, Singapore and New Zealand. These countries together account for an estimated 76% of global manufacturing output.

The Global Report on Manufacturing provides the first indication each month of global manufacturing business conditions, based on data collected from around 7,000 purchasing executives. It is compiled by NTC Research. 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 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	Reuters/Nomura/JMMA	www.reuters.co.jp, www.nomura.co.jp, www.jmma.gr.jp
Germany	8.0	NTC	BME/Reuters	www.bme.de, www.reuters.de
France	5.3	NTC	CDAF/Reuters	www.cdaf.asso.fr, www.reuters.fr
UK	3.9	NTC	CIPS/Reuters	www.cips.org, www.reuters.co.uk
Italy	3.6	NTC	Reuters/ADACI	www.reuters.it, www.adaci.it
Spain	2.1	NTC	AERCE	www.aerce.org
Netherlands	1.5	NTC	NEVI/YACHT	www.nevi.nl, www.yachtgroup.com
Australia	1.4	AiG	PriceWaterhouseCoopers	www.aigroup.asn.au, www.pwcglobal.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
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, www.anz.com/nz

* Source: World Bank



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