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JPMorgan Global PMI

Global Report on Services

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

Impressive performance of the global services economy continues in December. Growth of activity and new business remain robust.

Further significant growth of the global services economy was signalled in December. Business activity and new business both expanded at considerable rates, while further solid growth of employment was also recorded. Meanwhile, inflation of input prices gathered further pace, with December seeing the sharpest increase in average costs since the Iraq war-related peaks of Q1 2003.

Although the **Global Services Business Activity Index** fell slightly in December from last month's survey high of 62.4, at 59.7, the Index remained well above the 50.0 no-change mark and therefore indicated further significant growth of service sector activity.

December data suggested that the expansion of business activity had been broad-based, with all countries for which service sector data were collected reporting a substantial increase in output. The sharpest rise was recorded in Russia. Growth of the Russian services economy has accelerated throughout the final quarter of 2003, and reached a four-month peak in December. Meanwhile, the US, Eurozone and the UK all reported significantly improved performances. However, the rates of growth in each of these economies eased compared to one month earlier.

Services companies around the globe continued to benefit from surging market demand, with all of the countries for which December data were available reporting significant growth of incoming new business. The **Global Services New Business Index** registered 60.0, down from November's survey high of 63.0, but above the critical no-change mark of 50.0 for the ninth successive month. Furthermore, the rate of growth implied by the Index in the final quarter of 2003 has remained stronger than that indicated throughout the previous three years.

The **Global Services Backlogs of Work Index** posted 52.6 in December, to suggest slightly slower growth of backlogs than one month earlier.

At 53.7 in December, the **Global Services Employment Index** signalled growth of staffing for the third successive month. Furthermore, the rate of increase was only marginally slower than last month's near three-year peak. The most significant growth of employment was reported by Russia, whilst the US and Australia also saw marked expansions. Meanwhile, the German labour market remained weak, and staffing in Hong Kong declined for the first time in six months.

At 55.9 in December, the **Global Services Input Prices Index** signalled that inflation of input costs had reached a nine-month high. PMI survey data have suggested an increase of worldwide input costs throughout the past two years.

The Global Report on Services data are combined with the equivalent manufacturing data to produce indicators of all-industry global business conditions. See www.ntc-research.com for details.

Service sector business activity

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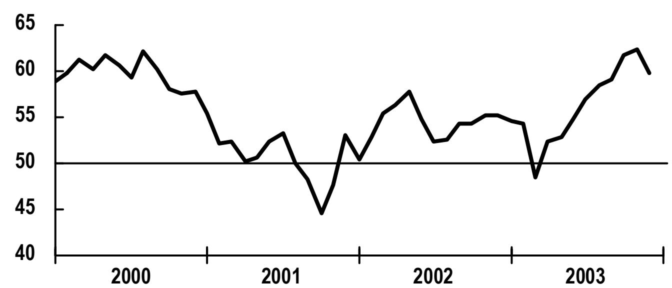
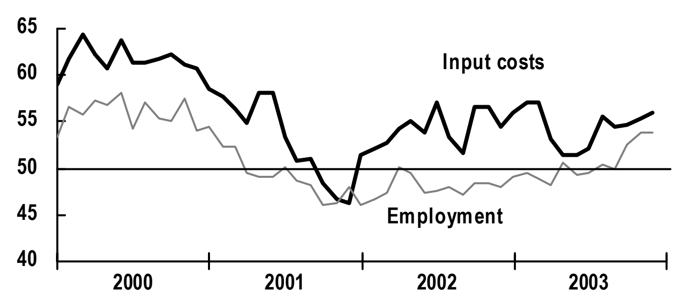


Service sector employment and input costs

DI, sa



Global Services Summary

50 = no change on previous month.

	Nov	Dec	Change	Change on previous month
Output/activity	62.4	59.7	-	Expanding at slower rate
New business	63.0	60.0	-	Expanding at slower rate
Backlogs of work	53.2	52.6	-	Expanding at slower rate
Input prices	55.3	55.9	+	Rising at faster rate
Employment	53.9	53.7	-	Expanding at slower rate

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

"The global services economy expanded at a strong pace in December. Although growth eased from last month's record rate, new orders growth remains robust and labor markets are strengthening. Input costs are rising more rapidly but inflation pressures remain modest."

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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

Luke Thompson
(44) 1491 418 626
luke_thompson@ntc.co.uk
NTC Research Ltd

Notes on data

The Global Report on Services is based on the results of surveys carried out in the USA by ISM, and in the UK, Germany, France, Spain, Italy, Russia, Ireland and Hong Kong by NTC Research. These countries together account for an estimated 60% of global service sector output. For the US, data for service industries are extracted from the ISM non-manufacturing survey in order to retain consistency with data for other countries.

The Global Report on Services provides the first indication each month of global private service sector business conditions, based on data collected from around 3,500 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.

The services report is accompanied by a Global Report on Manufacturing and a Global All-Industry PMI Report. See www.ntc-research.com for details.

Data sources

Country*	% share of global GDP**	Producer	In association with	Web
US*	27.0	ISM	–	www.ism.ws
Germany	8.0	NTC	Reuters	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
Australia	1.4	AiG	Commonwealth Bank	www.aigroup.asn.au, www.commbank.com.au
Russia	1.1	NTC	Moscow Narodny Bank	www.mosnar.com
Hong Kong	0.5	NTC	–	www.ntc-research.com
Ireland	0.3	NTC	NCB Stockbrokers	www.ncbdirect.com

* Note: ISM non-manufacturing data have been recalculated to be consistent with the service sector coverage used by NTC. ** Source: World Bank

www.ntc-research.com

www.ism.ws

www.ifpmm.org

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NTC Research is one of the world's largest specialist providers of business research information, operating business surveys on behalf of blue-chip clients. Current research includes continuous surveys providing original data on economic conditions in the UK, Japan, Germany, France, Italy, Spain, the Netherlands, Austria, Ireland, Greece, Russia, Poland, the Czech Republic and Hong Kong. NTC surveys are widely used by governments, businesses and financial markets.

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The **International Federation of Purchasing and Materials Management** (IFPMM) is the union of 42 national purchasing associations worldwide. Within this circle, about 200,000 purchasing professionals can be reached. IFPMM is a non-political, independent and non-profit oriented international organisation, registered in Aarau, Switzerland. IFPMM 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.