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JPMorgan Global PMI

Global Report on Services

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

Global service sector growth maintained in June, but rate of expansion eased. Inflation of input prices surged to four-year peak.

The global services economy continued to expand at a robust rate in June, as companies across the world benefited from a surge in new order volumes. The increase in service sector activity was again reflected in the labor market, with the average rate of job growth during the second quarter of 2004 the strongest since Q4 2000. Upward cost pressures intensified, as inflation of input prices hit its highest level for over four years.

At 58.9 in June, the **Global Services Business Activity Index** signalled a rise in worldwide service sector business activity for the fifteenth consecutive month. However, despite remaining substantial, the rate of expansion has eased in each of the past two months, reflecting slower growth in many of the world's principal service economies.

The US remained the main growth engine of the global service economy. Nevertheless, the rate of increase of activity for the US eased for the second month running to the slowest since February. The Eurozone, the UK and Russia all saw marked rises in services output. However, growth of activity in the Eurozone was slower than one month earlier, and eased to the least marked rate for eleven and seventeen months in the UK and Russia respectively. Hong Kong registered an improved performance, and a rate of overall expansion broadly consistent with the UK (and above the average for the euro area). Meanwhile, growth of services activity in Australia eased to a modest rate in June.

At 58.8 in June, the **Global Services New Business Index** pointed to a marked expansion of new orders and a rate of growth broadly consistent with May's four-month high. The US recorded the sharpest rise in new orders, followed by Russia, and the UK also saw a marked increase. However, growth of new business in these nations eased to the least robust for three, fourteen and eleven months respectively. Meanwhile, despite remaining below its US, Russian and UK counterparts, the rate of expansion of new business reported for the Eurozone picked up slightly to the strongest for four months.

The **Global Services Employment Index** posted 53.1 in June, to signal a rise in staffing levels for the eleventh month running. Growth of worldwide services employment was again led by the US, whilst Russia recorded the second-strongest rate of increase. Staffing levels across the Eurozone were little changed (on average) from one month earlier. The only nations to record a drop in employment were Germany and Australia.

Inflation of input prices reached it highest level for over four years in June. The **Global Services Input Prices Index** registered 64.0, up 2.1 points from 61.9 in May. Cost inflation was especially marked in the US, where the rate of increase of input prices was the sharpest since the global series was first compiled in July 1998.

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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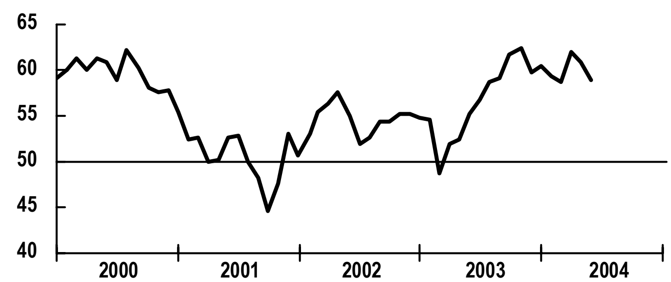

Service sector employment and input costs

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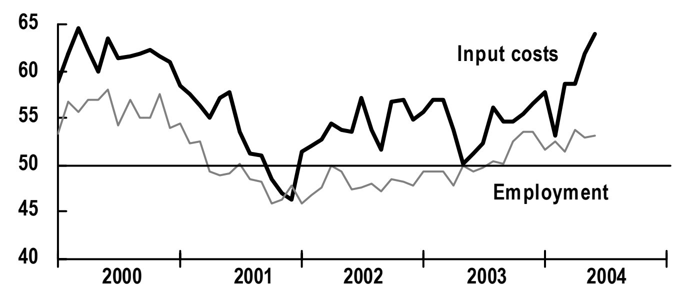

Global Services Summary

50 = no change on previous month.

	May	June	Change	Change on previous month
Output/activity	60.9	58.9	–	Expanding at slower rate
New business	59.4	58.8	–	Expanding at slower rate
Backlogs of work	52.8	52.8	=	Expanding at unchanged rate
Input prices	61.9	64.0	+	Rising at faster rate
Employment	53.0	53.1	+	Expanding at faster rate

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

"The global services economy exhibited further strength in June. However, growth of services activity is slowing in a number of the major world economies as companies contend with surging costs and, in a handful of cases, a shortage of spare capacity. Hiring is gaining momentum."

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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 and in Australia. 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.