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JPMorgan Global PMI

Global Report on Services

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

World-wide service sector growth hits three-year high in September. But growth of new business weakens.

The overall performance of the global services economy improved significantly during September, with the latest survey data signalling the largest monthly increase in business activity for three years.

The **Global Services Business Activity Index** rose from 58.3 in August to 59.0 in September. Having contracted in March, due largely to uncertainty regarding the Iraq war, service sector activity has risen continually over the past six months with the rate of increase accelerating sharply over this period. Growth in September was the strongest since September 2000.

All countries surveyed recorded an increase in business activity. The strongest rise was seen in the US, with growth hitting a three-year high, followed by Russia. Growth also accelerated in the UK, reaching the fastest pace since April 2000, and in Hong Kong – the bellwether of Asian services growth – where activity rose at the steepest rate since June 2000. Even the Eurozone recorded an increased rate of expansion, with growth climbing to a seventeen-month peak.

New business rose for the sixth month in a row, but the rate of increase eased from the near-three-year high seen in August. The **Global Services New Business Index** fell from 59.4 to 56.8. Although rising at a slower rate than in both August and July, the latest monthly rise was nevertheless the third strongest recorded since April of last year. Growth of new business accelerated in the Eurozone, UK and Hong Kong, but slowed in the US and Russia.

At 50.0 in September, the **Global Services Backlogs of Work Index** indicated no overall change in the volume of work-in-hand. The index therefore points to the existence of few significant capacity constraints.

A world-wide reluctance to boost staffing levels was evident in September as the strength of the upturn in new business wavered. At 49.6, down from 50.0 in August, the **Global Services Employment Index** indicated a slight fall in staffing levels following stagnation in August. Employment has failed to show any significant growth over the past two-and-a-half years.

Average input costs rose for the twenty-first consecutive month in September. The **Global Services Input Prices Index** eased from August's five-month high of 55.8 but, at 54.6, continued to register a marked rate of growth of costs. Cost inflation has risen sharply since the recent low seen back in May largely due to a recovery of oil prices, which has pushed up fuel costs in many sectors.

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 output

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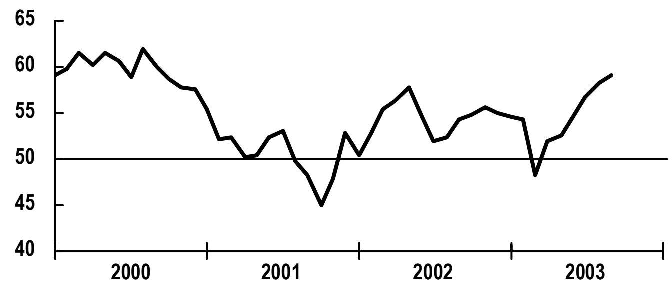
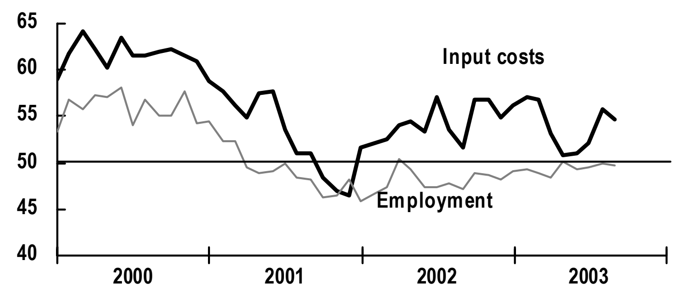


Service sector employment and input costs

DI, sa



Global Services Summary

50 = no change on previous month.

	Aug	Sep	Change	Change on previous month
Output/activity	58.3	59.0	+	Expanding at faster rate
New business	59.4	56.8	–	Expanding at slower rate
Backlogs of work	49.7	50.0	+	No change on one month ago
Input prices	55.8	54.6	–	Expanding at slower rate
Employment	50.0	49.6	–	Contracting

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

"Global services output is rising at an impressive rate. The rate of increase of new business eased but remains strong. Employment is lagging the upturn in economic growth, but we expect recruitment to accelerate in coming months as the recovery in global demand for services continues."

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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. 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
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

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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.