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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 economy expanded at weakest rate since July 2003, following further slowdown of new business growth.

Worldwide service sector business activity increased for the eighteenth successive month in September. At 57.3, the **Global Services Business Activity Index** registered a reading well above the neutral mark of 50.0. Growth remained broad-based, with all ten of the national service sectors included in the composition of the Business Activity Index registering an increase in output. However, the Index fell to its lowest level in over a year, to suggest a further easing in the rate of expansion. This reflected slower growth of output in the majority (eight) of the national service economies.

The US and Australia saw the sharpest growth of business activity, and were the only two national economies to record a pick-up in their respective rates of expansion. The US recorded the fastest growth of all nations, with the US Business Activity Index edging back above the 60.0 mark. Growth of output eased across the European Union, with all of the member states for which services PMI data were collected recording a slower rate of expansion than one month earlier.

Although still well above the 50.0 mark, at 56.7 the **Global Services New Business Index** fell to its lowest level for fifteen months in September. The slower growth trend of new business suggests that the downturn in the rate of expansion of activity may continue during the short-term. Slower growth of new business reflected the (relatively) poor performance of the EU member states, with all except one (Italy) registering a weaker rate of expansion than in August. The US recorded the fastest growth of new business, followed closely by Australia – with both nations seeing their respective rates of increase pick-up since the previous month.

Higher oil and energy prices were also a major brake on the growth potential of the global service economy. At 59.6 in September, the **Global Services Input Prices Index** pointed to a marked increase in costs. However, the Index fell below the 60.0 mark for the first time in five months, to suggest a further shift away from June's four-year peak.

At 53.5, the **Global Services Employment Index** posted its highest level in five months. The latest data suggest that gains in activity are starting to be more fully reflected in the labor market, as the gap between the growth rates of employment and output narrowed to the least marked since May 2003. The fastest growth of employment was recorded in Australia – where staffing expanded at an (Australian) survey record rate – followed by the US. The European Union registered a slight gain in employment, with Germany the only member state to see a drop in staff levels.

September data pointed to a thirteenth successive monthly expansion of outstanding business. However, at 50.7, down from August's recent high of 53.6, the **Global Services Outstanding Business Index** signalled slower growth of backlogs of work than one month ago.

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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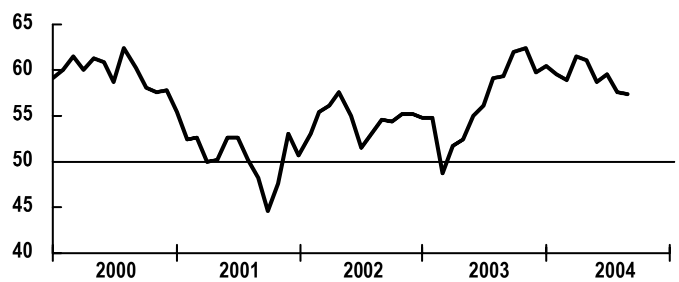

Service sector employment and input costs

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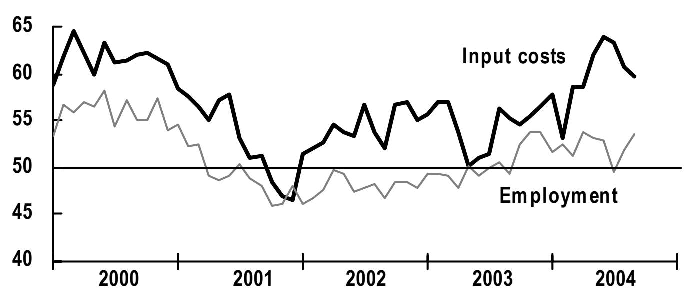

Global Services Summary

50 = no change on previous month.

	Aug	Sep	Change	Change on previous month
Output/activity	57.6	57.3	–	Expanding at slower rate
New business	57.2	56.7	–	Expanding at slower rate
Backlogs of work	53.6	50.7	–	Expanding at slower rate
Input prices	60.8	59.6	–	Rising at slower rate
Employment	51.9	53.5	+	Expanding at faster rate

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

"The global service economy expanded at a trend-like pace in September. Companies continue to cope with weaker demand growth and rising cost pressures. Job growth, nonetheless, has remained steady in recent months."

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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

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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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