

JPMorgan Global PMI

Global Report on Services

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

Growth of global service sector lost significant momentum in September. Oil price strength continued to drive cost inflation.

At 53.1 in September, down from 60.6 in August, the **Global Services Business Activity Index** pointed to a sharp slowdown in the rate of expansion of the world service sector to a near two-and-a-half year low. The Index fell by 7.5 points from the previous month, the sharpest drop in its level since the series was first compiled in July 1998.

The easing in the rate of increase of business activity was primarily the result of slower growth of the US service economy. After reaching a sixteen-month peak in August, growth of US activity was only marginal in September and the least robust during the current upturn. There was also a marked easing in the rate of expansion of business activity in Australia.

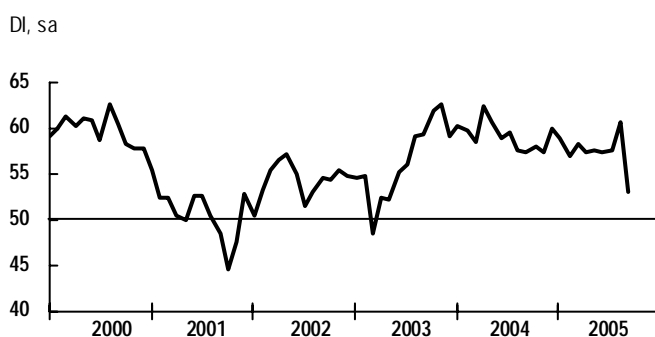
The trends seen for the US and Australia contrasted markedly from those signalled for Russia and the Eurozone. Russia recorded the fastest expansion in business activity of the national services economies for which data were collected. The Eurozone registered a slight pick up in growth to a fourteen-month high, and outperformed the US for the first time in over three years. Improved growth across the Eurozone was led by the robust German service sector, where business activity rose at the fastest rate for five years. The French service sector continued to record solid growth, while the trend in business activity in Italy recovered following the weak performances recorded in recent months. The rate of expansion in the UK was broadly unchanged from August's robust pace.

Slower growth of world service sector activity was the result of a marked easing in the rate of expansion of incoming new business. The **Global Services New Business Index** registered 54.8 in September, down from 59.8 in August. In line with the trend seen at the national level for activity, growth of new business was led lower by a sharp easing in the rate of expansion signalled for the US. Russia recorded the sharpest growth of new business of all nations, followed by Ireland. The Eurozone saw new business rise at the fastest rate for fourteen months.

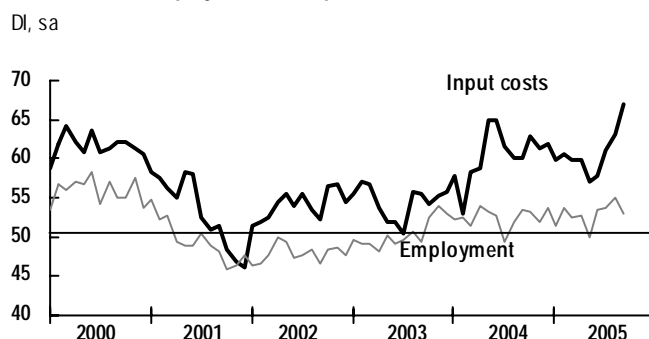
September data signalled a further increase in global service sector **employment**. Although easing from August's recent high, the rate of net job-creation remained solid. All except one of the national services economies for which data were collected (Italy) recorded an increase in employment. Growth in staffing levels improved in the Eurozone (to a four-year high), Russia, Australia and Hong Kong. The rate of workforce expansion in the US eased sharply from August's six-year high, but remained stronger than that signalled for the Eurozone.

At 67.0 in September, the **Global Services Input Prices Index** rose to its highest level since the series was first compiled in July 1998. Inflation of costs strengthened as a result of high oil prices, through driving up fuel and energy costs. The US recorded the fastest cost inflation of all nations, with the rate of increase the fastest in the history of the global series. Inflation of costs picked up in the Eurozone (reaching an eleven-month high), the UK (ten-month high), Russia (nineteen-month high) and Hong Kong.

Service sector business activity



Service sector employment and input costs



Global Services Summary

50 = no change on previous month.

	Aug	Sep	Change	Change on previous month
Output/activity	60.6	53.1	-	Expanding at slower rate
New business	59.8	54.8	-	Expanding at slower rate
Backlogs of work	53.2	50.2	-	Expanding at slower rate
Input prices	63.2	67.0	+	Rising at faster rate
Employment	55.1	53.0	-	Expanding at slower rate

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

"The global service economy lost substantial momentum in September, as high energy prices and the effects of recent US hurricanes reined in US demand growth. Notably, service-sector growth picked up pace modestly in Europe, however. High energy and fuel costs are likely to present a significant headwind for the service economy worldwide in coming 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	RBS	www.rbs.co.uk
France	5.3	NTC	CDAF/RBS	www.cdaf.asso.fr , www.rbs.co.uk
UK	3.9	NTC	CIPS/RBS	www.cips.org , rbs.co.uk
Italy	3.6	NTC	RBS/ADACI	www.rbs.co.uk , www.adaci.it
Spain	2.1	NTC	RBS/AERCE	www.rbs.co.uk , 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	Brunswick Group, HKCIPS	www.brunswickgroup.com , www.cips.org
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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The **International Federation of Purchasing and Supply Management (IFPSM)** is the union of 42 national purchasing associations worldwide. Within this circle, about 200,000 purchasing professionals can be reached. IFPSM is a non-political, independent and non-profit oriented international organisation, registered in Aarau, Switzerland. IFPSM 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.

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