

JPMorgan Global PMI

Report on Manufacturing and Services

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

Global economic expansion hit twenty-month high in March.
Cost inflationary pressures abated further.

Growth of the global economy reached a twenty-month high in March, as rates of increase in service sector business activity and manufacturing production picked up slightly on one month ago.

The **JPMorgan Global All-Industry Output Index** registered 58.5, a level indicative of over 4% q/q saar growth of global GDP. Data for Q1 2006 as a whole suggested that all-industry activity rose at the fastest rate (on average) since Q3 2004.

The US and the Eurozone both saw rates of expansion in all-industry activity improve in March, reaching three-month and five-and-a-half year highs respectively. However, growth across the Eurozone remained slightly below that recorded in the US. Within the Eurozone, Germany, France and Italy all expanded at faster rates than one month earlier. The Eurozone manufacturing sector outperformed its services counterpart for the first time in over a year.

In the UK, growth remained firmly centered on the service sector, as the rate of expansion in UK manufacturing output fell to a nine-month low. The performance of the Japanese manufacturing sector remained buoyant, with the rate of expansion in production during March close to recent survey record highs.

New business increased at the fastest rate so far in 2006 during March, with the US the principal recipient of the latest acceleration of new order growth. This was highlighted by the **Global All-Industry New Orders Index** posting 58.0. Growth of new business in the world service sector reached a three-month high, while the rate of increase in manufacturing new orders remained close to February's nineteen-month high.

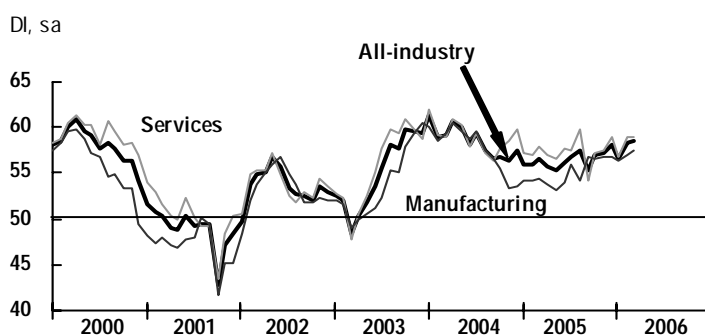
Although rates of increase in workforce levels eased across the world manufacturing and service sectors in March, at 53.4 the **Global All-Industry Employment Index** suggested that the global jobs market remained relatively robust. The rate of increase in US employment was solid, despite easing sharply over the month. The Eurozone added jobs at the most marked pace for five years.

March data pointed to a further easing in the rate of **cost inflation** to an eight-month low. The rate of increase in service sector costs was the least marked since last June. In contrast, manufacturing input prices rose at a stronger rate than in February.

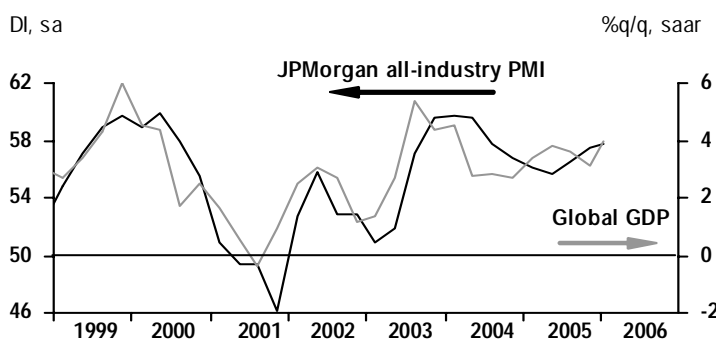
Commenting on the survey, David Hensley, Director of Global Economics Coordination at JPMorgan, said:

"March data pointed to further broad-based, rapid expansions of the global manufacturing and service sectors. Although growth of employment eased, the labor market remains relatively strong. This is likely to continue in coming months, as demand is still robust and cost pressures are showing further signs of easing."

JPMorgan global PMI output



Global activity indicators



Global PMI Summary

50 = no change on previous month.

		Feb	Mar	Latest movement
Output	Total	58.2	58.5	Expanding at faster rate
	Manufacturing	57.1	57.6	Expanding at faster rate
	Services	59.0	59.1	Expanding at faster rate
New orders	Total	57.1	58.0	Expanding at faster rate
	Manufacturing	58.4	57.9	Expanding at slower rate
	Services	56.3	58.1	Expanding at faster rate
Employment	Total	54.4	53.4	Expanding at slower rate
	Manufacturing	52.4	51.9	Expanding at slower rate
	Services	55.6	54.3	Expanding at slower rate
Input prices	Total	62.4	61.1	Rising at slower rate
	Manufacturing	62.8	63.4	Rising at faster rate
	Services	62.1	59.7	Rising at slower rate

N.B. For the global services and all-industry PMIs, US data are taken from the ISM survey of the US non-manufacturing sector. In addition to the service sector included in the other countries, the US non-manufacturing survey also includes agriculture, construction, mining, public administration, retail, utilities and wholesale sectors.

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Notes on data

The Global Report on Manufacturing and Services is based on the results of surveys carried out in the USA by ISM, in Japan, China, the UK, Germany, France, Spain, Italy, Russia, Ireland, Greece, Austria, the Netherlands, Poland, Czech Republic and Hong Kong by NTC Economics and in a number of other countries: Denmark, Israel, Hungary, South Africa, Australia, Switzerland, Singapore and New Zealand. These countries together account for an estimated 80% of global GDP.

The Global Report on Manufacturing and Services provides the first indication each month of global business conditions, based on data collected from around 10,000 purchasing executives. It is compiled by NTC Economics. The data enable decision makers in the financial world 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.

Data sources

Country	% share of global GDP*	Producer	In association with	Web
US	27.0	ISM	-	www.ism.ws
Japan	17.0	NTC	Nomura/JMMA	www.nomura.co.jp, www.jmma.gr.jp
Germany	8.0	NTC	RBS/BME	www.rbs.co.uk, www.bme.de
France	5.3	NTC	RBS/CDAF	www.rbs.co.uk, www.cdaf.asso.fr
UK	3.9	NTC	CIPS/RBS	www.cips.org, www.rbs.co.uk
Italy	3.6	NTC	RBS/ADACI	www.rbs.co.uk, www.adaci.it
China	3.1	NTC	CLSA	www.clsa.com
Spain	2.1	NTC	RBS/AERCE	www.rbs.co.uk, www.aerce.org
Netherlands	1.5	NTC	NEVI/YACHT	www.nevi.nl, www.yachtgroup.com
Australia	1.4	AIG	PWC, Commonwealth Bank	www.aigroup.asn.au, www.pwcglobal.com/au, www.commbank.com.au
Russia	1.1	NTC	Moscow Narodny Bank	www.mosnar.com
Switzerland	1.0	SVME	Credit Suisse	www.svme.ch, www.credit-suisse.ch
Austria	0.8	NTC	BA Creditanstalt/OPWZ	www.ba-ca.com, http://einkauf.opwz.com
Denmark	0.6	DILF	-	www.dilf.dk
South Africa	0.5	BER	IPSA/Investec	www.ber.sun.ac.za, www.ipsa.co.za, www.investec.co.za
Poland	0.5	NTC	ABN AMRO	www.abnamro.com
Hong Kong	0.5	NTC	Brunswick Group, HKCIPS	www.brunswickgroup.com, www.cips.org
Greece	0.4	NTC	HPI	www.hpi.org
Ireland	0.3	NTC	NCB Stockbrokers	www.ncbdirect.com
Singapore	0.3	SIPMM	-	www.sipmm.org.sg
Israel	0.3	IPLMA	-	www.iplma.org.il
Czech Republic	0.2	NTC	ABN AMRO	www.abnamro.com
Hungary	0.2	HALPIM	Hungarian National Bank	www.logisztika.hu
New Zealand	0.2	Business NZ	ANZ Banking Group	www.businessnz.org.nz, www.anz.com/nz

* Source: World Bank



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