

# JPMorgan Global PMI

## Report on Manufacturing and Services

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

Global economic growth at its highest for a year in May, as expansion of services activity gained traction. Cost inflation accelerated to a nine-month peak.

Growth of the global economy accelerated to its highest in a year in May, driven mainly by the US. Expansion steadied in the European Union, whilst there growth continued in the Asia Pacific region.

The JPMorgan **Global All-Industry Output Index** posted 58.0 in May. At its current level, the Output Index is consistent with around 4% saar growth of global GDP. Expansion improved in the service sector, reaching a year-high, and steadied in manufacturing.

Q2 2007 has seen a revival of US economic growth following the weaker trend seen through the first quarter. Expansion of the US manufacturing and non-manufacturing sectors hit thirteen-month highs, meaning that overall growth was the fastest since April 2006. Market conditions in the US also appear to be conducive to further expansion. Total new business rose at the fastest pace for twelve months and, in the manufacturing sector, expansion of new export orders was the highest since the end of 2004. The US labor market has also exhibited increased strength since the start of Q2, with hirings rising at the sharpest pace in a year.

Expansion of the Eurozone steadied in May, as a slight deceleration in manufacturing was offset by a pick up in services. Jobs growth in the euro area was stronger than in the US, reaching its fastest since last June.

At 57.1 in May, the **Global All-Industry New Business Index** rose to an eleven-month high. Growth picked up in both the manufacturing (sharpest since last July) and service (eleven-month high) sectors, with the faster expansion signalled for services.

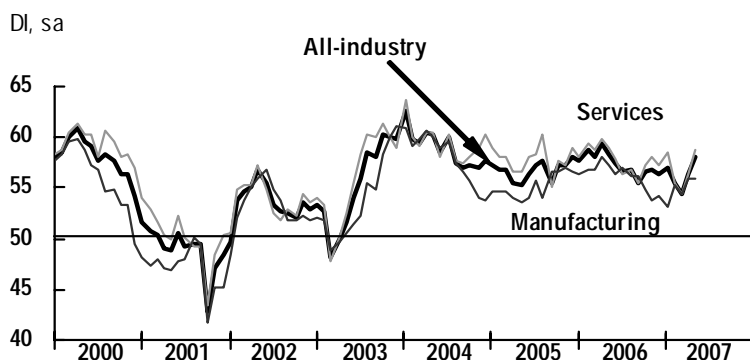
The global labor market exhibited greater strength in May, with the rate of increase in staffing levels the quickest for a year. This was largely led by the service sector, where a solid acceleration in jobs growth was posted. Manufacturing employment rose for the twenty-fourth month running, but at a slightly slower pace than in April. The **Global All-Industry Employment Index** posted 54.4.

**Cost inflationary pressures** continued to build in the global economy in May, as the rate of increase in costs reached a nine-month high. Manufacturing input prices rose at a faster pace than average service sector costs. National PMI data pointed to widespread inflation of average costs. The strongest increases were seen in the US where, measured overall, costs rose at the fastest pace since last August.

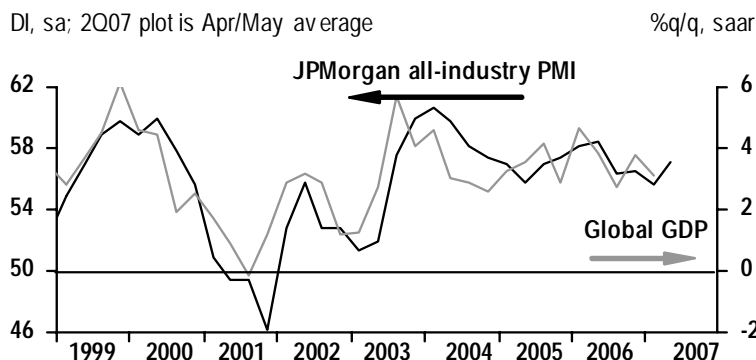
### Commenting on the survey, David Hensley, Director of Global Economics Coordination at JPMorgan, said:

"The solid improvement in global economic expansion seen at the start of the current quarter gained further traction, with the global all-industry PMI pointing to global growth approaching 4% q/q saar. The faster growth of new orders and reduced rate of inventory accumulation is encouraging. So is the apparent pick-up in employment growth."

JPMorgan global PMI output



Global activity indicators



### Global PMI Summary

50 = no change on previous month.

		Apr	May	Latest movement
Output	Total	56.3	58.0	Expanding at faster rate
	Manufacturing	56.0	55.9	Expanding at slower rate
	Services	56.4	58.7	Expanding at faster rate
New orders	Total	55.9	57.1	Expanding at faster rate
	Manufacturing	55.5	55.9	Expanding at faster rate
	Services	56.0	57.5	Expanding at faster rate
Employment	Total	52.7	54.4	Expanding at faster rate
	Manufacturing	53.0	52.7	Expanding at slower rate
	Services	52.6	54.9	Expanding at faster rate
Input prices	Total	63.0	63.8	Rising at faster rate
	Manufacturing	65.9	65.9	Rising at unchanged rate
	Services	61.8	63.2	Rising at faster 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
United States	30.6	ISM	-	www.ism.ws
Japan	14.0	NTC	Nomura/JMMA	www.nomura.co.jp, www.jmma.gr.jp
Germany	5.6	NTC	BME	www.bme.de
China	4.9	NTC	CLSA	www.clsa.com
United Kingdom	4.5	NTC	CIPS	www.cips.org
France	4.0	NTC	CDAF	www.cdaf.asso.fr
Italy	3.2	NTC	ADACI	www.adaci.it
Spain	1.9	NTC	AERCE	www.aerce.org
Australia	1.3	AIG	PriceWaterhouseCoopers	www.aigroup.asn.au, www.pwcglobal.com/au
Netherlands	1.1	NTC	NEVI/DPA	www.nevi.nl, www.dpasupplychainpeople.com
Russia	0.9	NTC	VTB Bank Europe	www.vtb.com
Switzerland	0.7	SVME	Credit Suisse	www.svme.ch, www.credit-suisse.ch
Austria	0.6	NTC	BA Creditanstalt/OPWZ	www.ba-ca.com, http://einkauf.opwz.com
Hong Kong	0.6	NTC	-	www.ntceconomics.com
Poland	0.5	NTC	ABN AMRO	www.abnamro.com
Denmark	0.5	DILF	-	www.dilf.dk
South Africa	0.4	BER	IPSA/Investec	www.ber.sun.ac.za, www.ipsa.co.za, www.investec.co.za
Greece	0.4	NTC	HPI	www.hpi.org
Israel	0.3	IPLMA	Dun & Bradstreet	www.iplma.org.il, www.dnb.com, www.dbisrael.co.il
Ireland	0.3	NTC	NCB Stockbrokers	www.ncbdirect.com
Singapore	0.3	SIPMM	-	www.sipmm.org.sg
Czech Republic	0.2	NTC	ABN AMRO	www.abnamro.com
New Zealand	0.2	Business NZ	-	www.businessnz.org.nz
Hungary	0.2	HALPIM	Hungarian National Bank	www.logisztika.hu

\* Source: World Bank



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