

JPMorgan Global PMI Global Report on Manufacturing

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

Growth of output and new orders picked up slightly at the start of 2008, but conditions remained subdued overall. Cost inflation hit eighteen-month peak.

After ending 2007 at a two-and-a-half year low of 51.6, the **JPMorgan Global Manufacturing PMI*** recovered slightly to a four-month high of 52.3 in January. The headline PMI for the US rose back above the 50.0 no-change mark, whilst the levels of PMIs for the Eurozone, Japan and China all held broadly steady. Conditions in the UK were comparatively weak, with the UK PMI slipping to a near two-and-a-half year low of 50.6.

January data indicated that rates of growth for production and new orders gained slightly, but remained below their respective averages for 2007 as a whole. Cost inflationary pressure continued to build, with input prices rising at the fastest rate for one-and-a-half years. With conditions still relatively subdued overall, and inflationary pressures rising, world manufacturing employment fell slightly for the first since May 2005.

At 54.4 in January, up from a low of 52.5 in December, the **Global Manufacturing Output Index** rose to a five-month high and was in line with its long-run average. At its current level, the Output Index is broadly consistent with growth of global IP of around 3% saar. World manufacturing production has now risen in each of the past fifty-seven months.

The trend in US manufacturing production staged a robust recovery in January. After falling in December, US output rose at the strongest pace for seven months at the start of 2008. Growth of production remained solid in the Eurozone, Japan, China, the UK, India and Brazil.

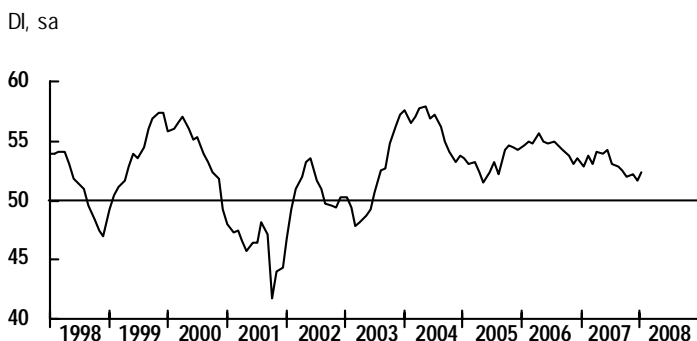
The **Global Manufacturing New Orders Index** registered 52.4 in January, up slightly from 51.7 in December, but remained at a level indicative of only a modest rise in new work received. The US posted a decline in new order volumes for the second successive month, the first time back-to-back contractions have been recorded for the US in over four-and-a-half years. A fall in new orders was also recorded in the UK, whilst growth of new work steadied at a relatively muted rate in the Eurozone. Asia-Pacific manufacturers fared better. Growth of new business stayed close to December's survey high in India, remained robust in China and picked up further in Japan.

Growth of **international trade volumes** accelerated in January, mainly led by the strong export performance of US manufacturers.

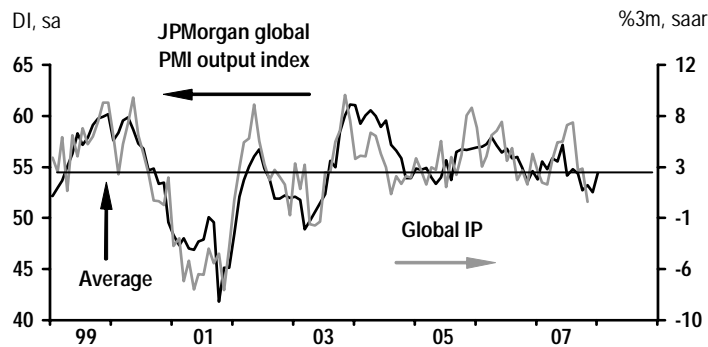
Rising for the fourth month in a row, the **Global Manufacturing Input Prices Index** posted 71.2 in January – its highest level since July 2006. Rates of increase remained elevated across most of the national manufacturing economies covered by the survey. Accelerations were posted for the US (one-and-a-half year high), the Eurozone (fastest in six months), Japan (most marked since July 2006) and the UK (three-year high).

At 49.9 in January, the **Global Manufacturing Employment Index** posted a sub-50.0 reading for the first time since May 2005. Job cuts were recorded in the US, China and the UK. Growth of employment steadied in the Eurozone, India and Brazil.

JPMorgan global manufacturing PMI



Global manufacturing output



Global Manufacturing PMI Summary

50 = no change on previous month.

	Dec	Jan	Change	Comparison with previous month
Global PMI	51.6	52.3	+	Expanding at faster rate
Output	52.5	54.4	+	Expanding at faster rate
New Orders	51.7	52.4	+	Expanding at faster rate
Input Prices	67.2	71.2	+	Increasing at faster rate
Employment	51.1	49.9	-	Contracting, change of direction

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

"Although the modest acceleration in output is a positive development, conditions in the global manufacturing sector remain relatively subdued overall, especially the flow of new orders. At the same time, soft demand led to the first cutback in staffing levels since May 2005. Cost inflationary pressures are building, as high oil prices raise energy, chemical, plastic and transportation costs."

*Please note that the back data calculated from the global manufacturing PMI survey have been revised to reflect changes resulting from the annual assessment of seasonal factors applied to the US data by the ISM. The Global Manufacturing PMI is calculated as a weighted average of the New Orders (30%), Output (25%), Employment (20%), inverted Suppliers' Delivery Times (15%) and Stocks of Purchases (10%) indexes.

JPMorgan Global PMI

Global Report on Manufacturing

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Notes on data

The Global Report on Manufacturing is based on the results of surveys carried out in the USA by ISM, in Japan, Germany, China, the UK, France, Italy, Spain, Brazil, India, the Netherlands, Russia, Turkey, Austria, Poland, Greece, Ireland and Czech Republic by NTC Economics and in a number of other countries: Australia, Switzerland, Denmark, South Africa, Israel, Singapore, New Zealand and Hungary. These countries together account for an estimated 83% of global manufacturing output.

The Global Report on Manufacturing provides the first indication each month of global manufacturing business conditions, based on data collected from around 7,500 purchasing executives. It is compiled by NTC Economics. 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.

Data sources

Country	% share of global GDP*	Producer	In association with	Web
United States	30.5	ISM	-	www.ism.ws
Eurozone	18.7	NTC	Royal Bank of Scotland	www.rbs.co.uk
Japan	13.9	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
Brazil	1.9	NTC	Banco Real	www.bancoreal.com.br, www.abnamro.com
India	1.7	NTC	ABN AMRO	www.abnamro.com
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
Turkey	0.7	NTC	ABN AMRO	www.abnamro.com
Austria	0.6	NTC	BA Creditanstalt/OPWZ	www.ba-ca.com, http://einkauf.opwz.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.h

* Source: World Bank



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NTC Economics Ltd. 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, China, Germany, France, Italy, Spain, the Netherlands, Austria, Ireland, Greece, Russia, Poland, the Czech Republic, Turkey, India, Brazil and Hong Kong. NTC surveys are widely used by governments, businesses and financial markets.

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