

JPMorgan Global PMI

Global Report on Services

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

Marked growth of world service sector maintained following broad-based improvement of global demand. Cost inflationary pressure abated.

The global service sector exhibited further strength in March, with growth of business activity and new orders remaining broad-based by nation. The **JPMorgan Global Services Business Activity Index** posted 59.1, up slightly from 59.0 in February, to record its highest level for seven months.

The performance of the world service sector (on average) for the first quarter of 2006 was especially positive, with the rate of increase in business activity the sharpest since Q4 2004. Although growth of new business during Q1 2006 was the least marked for three quarters, there were signs in March of a solid recovery in the rate of improvement of demand.

At the national level, Ireland topped the global services business activity growth league table. In second position was the US non-manufacturing sector*, where activity rose at the fastest rate so far in 2006. The Eurozone service sector exhibited further strength, with growth in activity maintained at February's near five-and-a-half year high. Within the euro area, the performances of Ireland (sixty-four month high), France (fastest for sixty-three months) and Italy (sharpest since November 2003) were particularly robust. Although activity growth eased in Germany, the average rate of increase for Q1 2006 as a whole was the sharpest since Q2 2000.

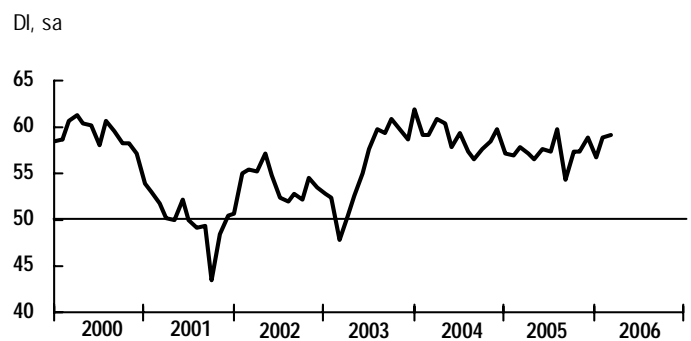
Australia was the only nation covered by the survey to record a decline in business activity in March.

The **Global Services New Business Index** registered 58.1 in March, from 56.3 in February, to signal a solid recovery in the rate of growth of new orders to its highest so far in 2006. The rate of expansion of new business in the US stepped up to a three-month high. Although still below the global average, growth of new orders in the Eurozone was the fastest for over two years.

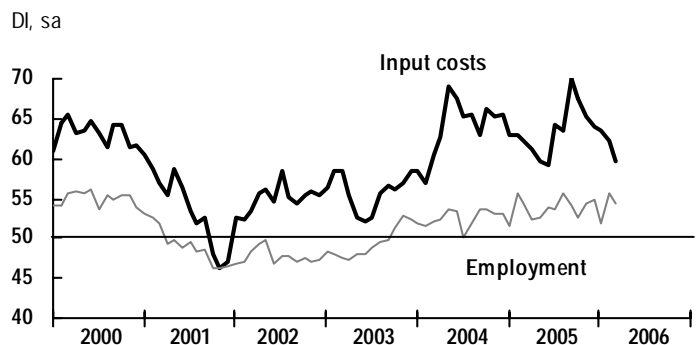
The global service sector continued to add jobs at a solid pace in March, although the increase was slightly less marked than one month ago. Despite easing sharply from February's high, the rate of expansion of **staffing levels** in the US remained above its Eurozone counterpart, although the Eurozone did see employment rise at the fastest rate for five years. The UK recorded the least marked rate of increase in workforce levels of the national service sectors covered.

March data pointed to a further easing of cost inflationary pressure in the global service sector, with the rate of increase in **input prices** the least marked for nine months. Rates of cost inflation eased in the US, the Eurozone and in Hong Kong, but strengthened in the UK and Russia.

Service sector business activity



Service sector employment and input costs



Global Services Summary

50 = no change on previous month.

	Feb	Mar	Change	Change on previous month
Output/activity	59.0	59.1	+	Expanding at faster rate
New business	56.3	58.1	+	Expanding at faster rate
Backlogs of work	53.3	51.3	-	Expanding at slower rate
Input prices	62.1	59.7	-	Rising at slower rate
Employment	55.6	54.3	-	Expanding at slower rate

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

"March PMI data confirm that the sharp rebound in the level of the business activity index in February was not just a temporary spike, but has been sustained following another robust increase in new orders. The service sector jobs market is still relatively buoyant, and this is likely to continue as cost pressures are easing and demand remains strong."

*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 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 Economics 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 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.

The services report is accompanied by a Global Report on Manufacturing and a Global All-Industry PMI Report. See www.ntceconomics.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	RBS/CDAF	www.rbs.co.uk , www.cdaf.asso.fr
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

** 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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