

News Release

MARKET SENSITIVE INFORMATION

EMBARGOED UNTIL : 11:00am (US EASTERN TIME) 3 September 2010

JPMorgan Global Services PMI™

Produced by JPMorgan and Markit in association with ISM and IFPSM

Service sector recovery continued, despite growth easing to six-month low

The recovery in the global service sector slowed again in August. The JPMorgan **Global Services Business Activity Index** fell to a six-month low of 53.5, down further from April's 33-month high, but nonetheless signalled expansion for the thirteenth month running.

Growth of business activity was recorded in the US, the Eurozone, the UK, China, India, Hong Kong, Australia and Brazil. The rate of expansion accelerated to a three-month high in the euro area, with growth led by Germany and France. Activity increased at the quickest rates since April and March in China and Brazil respectively, while growth also picked up slightly in Hong Kong. The increase in Australia was only slight, but ended a three month sequence of contraction.

The only countries covered by the survey to see declines in output were Japan, Spain and Russia. For Spain and Russia this followed periods of expansion which had run for five and twelve months respectively. Japan saw activity fall for the fourth month in a row, but to the weakest extent during that period.

August saw a further increase in the level of **incoming new business**, continuing a trend observed throughout the past year. However, the rate of expansion eased further from March's 33-month peak to its weakest so far in 2010. Growth of new work received accelerated in the Eurozone, the Asia (excluding Japan) region and in Brazil. Rates of increase eased in the US and the UK, while new business fell in Japan, Spain, Australia and Russia.

Global service sector **employment** fell for the first time in five months in August, although the rate of reduction was only marginal. Job losses were seen in the US, Japan, the UK, Australia and Russia. In contrast, the Eurozone and China both saw workforce levels rise at faster rates than in July.

Cost increases remained widespread amongst the national service sectors covered by the survey in August, with only Ireland and Japan seeing input prices decline. Global service sector costs have now risen for thirteen months running, with the rate of inflation accelerating sharply to its quickest since May.

The US saw a marked pick up in cost inflation to a three-month high in August, as the US Non-Manufacturing PMI Input Prices Index gained 7.6 points – its sharpest rise in a year. Rates of increase also accelerated in China, the UK, and Hong Kong.

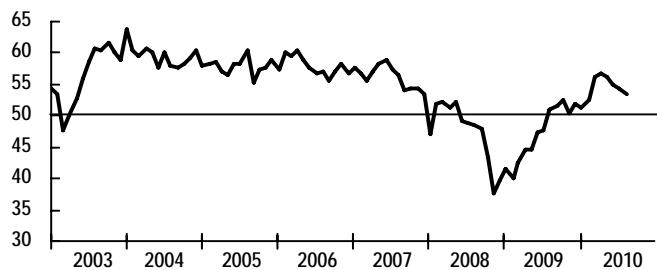
At 49.6 in August, from 49.8 in July, the **Global Services Backlogs of Work Index** signalled a decline in outstanding business for the second month running. Although slightly faster than in the previous month, the rate of reduction remained only marginal.

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

"Although the August PMI data showed that the global service sector recovery continued, growth of activity lost further momentum, new business rose at the weakest rate in the year-to-date and job losses were reported for the first time since March. It looks as if service providers and their clients remain somewhat cautious about the economic outlook, suggesting that the slowdown may be set to continue in the coming months."

Service sector business activity

DI, sa



Service sector employment and input costs

DI, sa



Global Services PMI™ Summary

50 = no change on previous month.

	Jul	Aug	+/-	Summary
Output/activity	54.3	53.5	-	Growth, slower rate
New business	53.4	52.3	-	Growth, slower rate
Backlogs of work	49.8	49.6	-	Falling, faster rate
Input prices	52.3	56.3	+	Higher costs, faster rate
Employment	50.8	49.6	-	Falling, change of direction

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Notes to editors

The Global Report on Services is based on the results of surveys covering around 3,500 executives carried out in the USA by ISM, and in Japan, China, the UK, Germany, France, Spain, Italy, Brazil, India, Russia, Ireland and Hong Kong by Markit, in Australia by AiG, New Zealand by Business NZ and Mexico by HSBC. These countries together account for an estimated 80% of global service sector output. For the US, data are taken from the ISM non-manufacturing survey which, in addition to the service sector included in the other countries, also includes agriculture, construction, mining, public administration, retail, utilities and wholesale sectors. The Hong Kong PMI also covers construction, manufacturing and retail.

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.

Data sources

Country	% share of global GDP*	Producer	In association with	Web
United States	28.8	ISM	–	www.ism.ws
Eurozone	17.7	Markit	–	www.markit.com
Japan	12.8	Markit	Nomura	www.nomura.co.jp
China	6.5	Markit	HSBC	www.hsbc.com
Germany	5.2	Markit	–	www.markit.com
United Kingdom	4.3	Markit	CIPS	www.cips.org
France	3.8	Markit	–	www.markit.com
Italy	2.9	Markit	ADACI	www.adaci.it
Brazil	2.1	Markit	HSBC	www.hsbc.com
India	2.0	Markit	HSBC	www.hsbc.com
Spain	1.8	Markit	AERCE	www.aerce.org
Mexico	1.7	HSBC	–	www.hsbc.com
Australia	1.3	AIG	Commonwealth Bank	www.aigroup.asn.au, www.commbank.com.au
Russia	1.1	Markit	HSBC	www.hsbc.com
Hong Kong	0.6	Markit	HSBC	www.hsbc.com
Ireland	0.3	Markit	NCB Stockbrokers	www.ncbdirect.com
New Zealand	0.2	Business NZ	Bank of New Zealand	www.businessnz.org.nz, www.bnz.co.nz

* Source: World Bank WDI (2008 data, constant US\$ measure)



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