

# JPMorgan Global PMI

## Global Report on Manufacturing

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

### Expansion of global manufacturing sector continued in December, but rates of growth in output, new orders and employment all slowed.

December data indicated that global manufacturing operating conditions continued to improve at a solid pace. The **Global Manufacturing PMI** – a composite index produced by JPMorgan and NTC Economics in association with ISM and IFPSM – posted 54.0. However, the PMI has fallen in each of the past two months, suggesting that the current uptick in global manufacturing growth is losing momentum.

At 56.6 in December, the **Global Manufacturing Output Index** remained well above the no-change mark of 50.0. At its current level, the Output PMI is broadly consistent with solid growth of global IP of around 6% saar.

Denmark recorded the fastest growth of production, followed by Switzerland. The rate of expansion in the US remained solid, but eased further from September's recent high and was only slightly above the global average. After accelerating in each of the past four months, the rate of increase in output for the Eurozone reached a seventeen-month high. Chinese manufacturing production maintained its broad sideways trend.

Although indicative of a robust improvement in demand conditions, at 56.3, the **Global Manufacturing New Orders Index** eased further from September's recent high of 57.4 to its lowest level in four months.

December data pointed to a shift in the focus of global new order growth towards Japan and the Eurozone and away from the US. New business in the Japanese manufacturing sector rose at its fastest pace for almost two years, while new order growth in the Eurozone hit a near one-and-a-half year peak. New orders posted a further solid increase in the US. However, the rate of growth was the weakest since May, and below that of the Eurozone for the first time since April 2003.

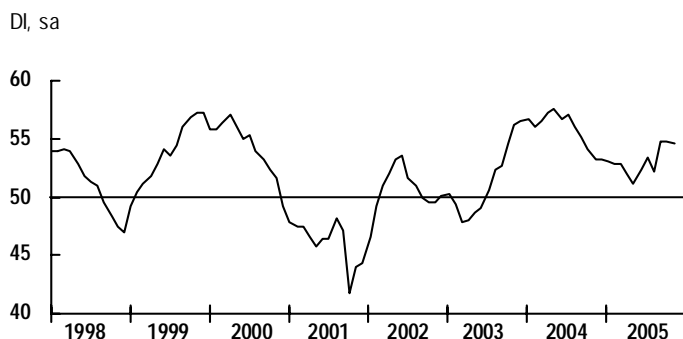
Within the euro area, growth of new orders reached a sixteen-month high in Germany, improved in France and hit a near five-and-a-half year peak in Italy.

**International trade volumes** continued to increase at a robust pace in December. However, growth in new export orders was less marked than November's recent high. This primarily reflected a sharp easing in the export performance of the US manufacturing sector.

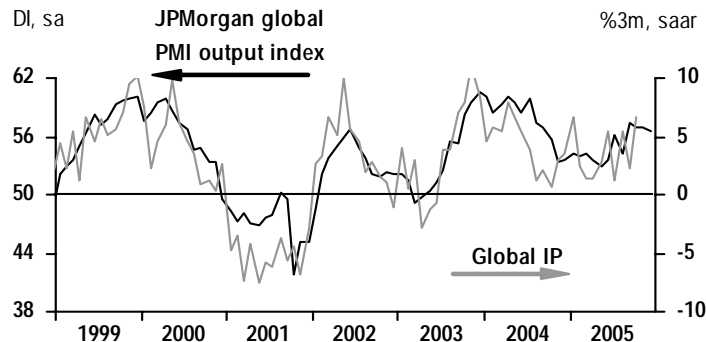
The global manufacturing sector added jobs throughout the second half of 2005, with the rate of workforce expansion during Q4 faster than in Q3. However, at 51.0, the **Global Manufacturing Employment Index** signalled an easing in the rate of increase in staffing levels from November's fourteen-month high. The US recorded a further expansion in workforce levels, although there was a marked slowdown in the rate of increase to a four-month low. The Japanese manufacturing sector also continued to add jobs, while the Eurozone saw an increase in employment (albeit only slight) for the first time since May 2001.

Inflation of **input prices** eased further from the eleven-month high recorded for October, with December data pointing to the least marked increase in costs for four months. The recent slower trend in input price inflation reflects a sharp easing in the rate of increase signalled for the US. The ISM Input Prices Index has fallen by over twenty points during the past two months.

JPMorgan global manufacturing PMI



Global manufacturing output



Global Manufacturing PMI Summary

50 = no change on previous month.

	Nov	Dec	Change	Comparison with previous month
Global PMI	54.6	54.0	-	Expanding at slower rate
Output	56.9	56.6	-	Expanding at slower rate
New Orders	56.5	56.3	-	Expanding at slower rate
Input Prices	64.7	61.3	-	Increasing at slower rate
Employment	52.2	51.0	-	Expanding at slower rate

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

"The latest PMI data point to a slight moderation in the pace of global manufacturing output, to a still robust 5-6% annual rate. Although solid gains were posted for output and new orders, rates of expansion slowed. Input price pressures are abating, however, and this should reduce uncertainty and pressure on profit margins in coming months."

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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, China, the UK, Germany, France, Spain, Italy, Russia, Ireland, Greece, Austria, the Netherlands, Poland and Czech Republic by NTC Economics and in a number of other countries: Denmark, Israel, Hungary, South Africa, Switzerland, Australia, Singapore and New Zealand. These countries together account for an estimated 80% 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 7,000 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
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	PriceWaterhouseCoopers	www.aigroup.asn.au, www.pwcglobal.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.ntceconomics.com, www.abnamro.com
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.ntceconomics.com, 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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