

# JPMorgan Global PMI

## Global Report on Manufacturing

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

Global manufacturing economy started 2006 on a positive footing, with growth of output, new orders and employment all maintained.

The **JPMorgan Global Manufacturing PMI** maintained its broad sideways trend in January, posting 54.4, to suggest that growth of the world manufacturing economy steadied at a solid pace. The latest improvement in operating performance reflected gains in output, robust demand conditions and a further expansion of staffing levels.

At its January level of 56.4, the **Global Manufacturing Output Index** is consistent with annual growth of global IP of around 5-6% saar. The performance of Japan was especially positive, with output growth reaching a twenty-six month high, supported by a strong recovery of domestic market conditions. The US saw a further easing in its rate of expansion, to five-month low and a pace broadly in line with the global average.

Measured overall, growth of manufacturing production in the EU was the fastest for one-and-a-half years in January. Output in Germany rose at the sharpest rate for eighteen months. The recent trend in Germany has been especially positive considering that, since the slight contraction last August, the sector has moved steadily up the EU growth league table from last place to reach first in January. This offset the relatively muted growth of production registered for France and the UK.

The recent trends of the national PMI surveys suggests a shift in the focus of growth in the global manufacturing sector since Q4 2005, moving away from the US and towards Japan and Germany.

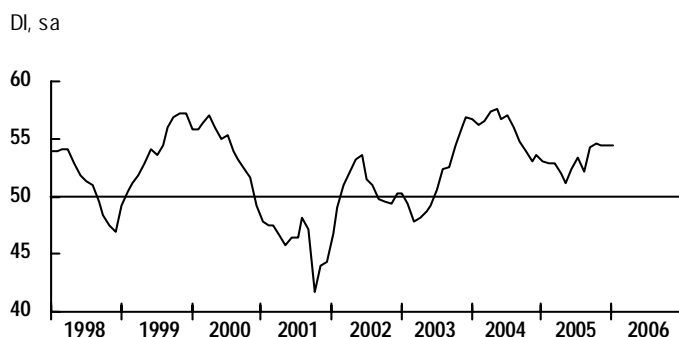
Although signalling a slight easing in the rate of new order growth in January, at 57.1 the **Global Manufacturing New Orders Index** nonetheless remained at a level indicative of robust expansion. Japan and the US both recorded growth of new business above the global average. The rate of increase in Japan was the fastest in over two years, mainly as a result of strong domestic demand. This differed to the US, where growth eased to a five-month low but was more evenly distributed across the domestic and foreign markets.

January data suggested that the global manufacturing economy created further jobs, as **employment** rose for the eighth successive month. Staffing levels rose in Japan (seven-month high), the US (slowest rise since last June) and in Eastern Europe. The trend in labor market conditions remained weak in the EU, as the UK, France and Italy all reported job losses. On a more positive note, the German Manufacturing Employment PMI hit a fifty-six month high of 51.1.

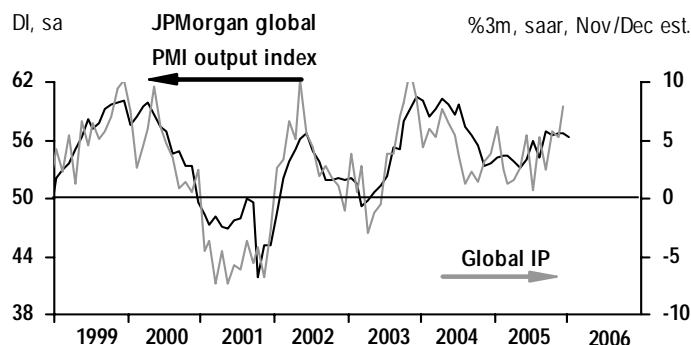
The **Global Manufacturing Input Prices Index** rose for the first time in four months in January, to suggest a slight pick up in the rate of cost inflation. However, at 61.5, the index was still well below the high of 68.4 registered last October. Purchase prices rose sharply in the US, the Eurozone (fastest in nearly a year), Japan and the UK. China recorded a further fall in costs.

Global manufacturers maintained a preference for reduced inventory holdings, leading to a further slight drop in **stocks of raw materials**.

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Global manufacturing output



Global Manufacturing PMI Summary

50 = no change on previous month.

	Dec	Jan	Change	Comparison with previous month
Global PMI	54.4	54.4	=	Expanding at unchanged rate
Output	56.8	56.4	-	Expanding at slower rate
New Orders	57.3	57.1	-	Expanding at slower rate
Input Prices	61.2	61.5	+	Increasing at faster rate
Employment	51.3	50.8	-	Expanding at slower rate

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

"PMI data pointed to a further consolidation of the trends in output, new orders and employment. At its current level, the Output PMI is indicative of 5-6% saar growth of global IP. Rising energy prices remain the major potential headwind for maintaining increases in production and employment in the coming months."

*N.B. revisions have been made to the previously published global PMI data. This is in accordance with the annual revision of the US manufacturing PMI published by the Institute for Supply Management (ISM) on January 25 2006.*

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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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**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 and Hong Kong. NTC surveys are widely used by governments, businesses and financial markets.

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