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JPMorgan Global PMI

Global Report on Manufacturing

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

Growth of global manufacturing output and new orders picked up to fastest rates since mid-2004, encouraging greater creation of jobs.

Stronger growth of production, new orders and employment led to an improvement in global manufacturing operating conditions in February. The **JPMorgan Global Manufacturing PMI** rose for the first time in four months and, at 55.3, reached its highest for one-and-a-half years. The latest movement in the PMI suggests that the global manufacturing sector is strengthening following a steady period of consolidation seen towards the end of 2005.

The rate of expansion of production reached an eighteen-month high in February, supported by stronger rates of growth in the US, Eurozone (nineteen-month high) and China (five-month high). The performance of Japan was also positive, with output increasing at a rate broadly in line with January's twenty-six month peak. At 57.1, the **Global Manufacturing Output Index** is consistent with growth of global IP of around 6-7% saar.

Supporting February's expansion of output was an increase in the level of **global manufacturing new orders**, as the rate of growth in new business reached its highest level since July 2004. New orders have now risen in each of the past thirty-three months. The US recorded the third-sharpest growth of new orders of all nations, behind Denmark and Switzerland. The rate of increase in the US was the most robust for over a year, as the ISM New Orders Index climbed to 61.9. Japan also saw a marked increase in new business, although the rate of expansion eased slightly from the previous month's high.

Although rising at a slower pace than its US and Japanese counterparts, the rate of increase in new business for the Eurozone reached a twenty-one month high. Growth of new business was the fastest since May 2004 in Germany, improved in Italy and France, and reached a thirteen-month high in Spain.

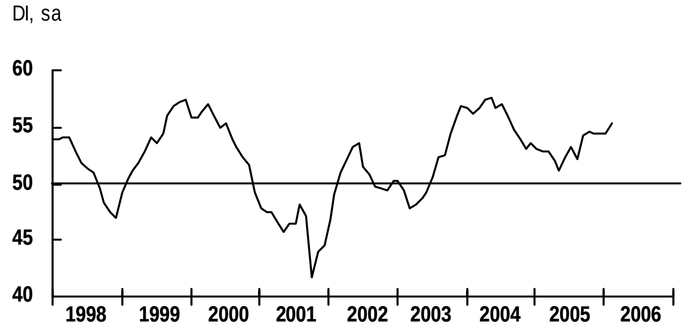
International trade volumes also increased, as the rate of growth in **new export business** reached a nineteen-month high.

Rising levels of production and new business encouraged manufacturers to expand employment for the ninth successive month in February. At 52.4, the **Global Manufacturing Employment Index** signalled the sharpest rate of growth in workforce levels for over one-and-a-half years. The US jobs market recovered strongly in February, with the rate of increase in employment accelerating following the seven-month low recorded for January.

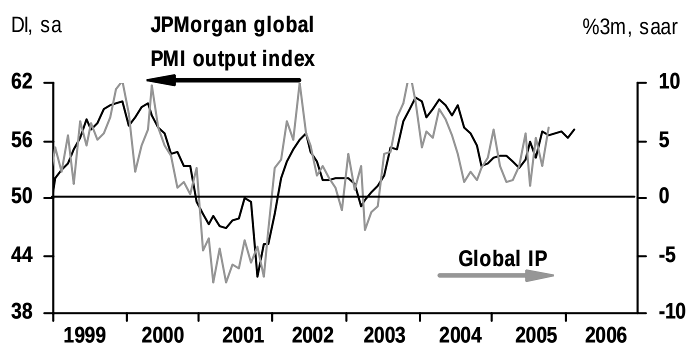
High energy and commodity (especially metals) prices led to a further marked increase in average costs. The recent upward trend in the level of the **Global Manufacturing Input Prices Index**, which posted 62.8 in February, implies that cost inflationary pressures are again on the ascendancy. Japan and the EU saw their respective rates of cost inflation hit four and thirteen-month peaks. Although input prices also rose markedly in the US, the rate of inflation eased to a six-month low.

There were tentative signs that the current process of stock depletion in the global manufacturing sector may be approaching its conclusion. This was signalled by the **Global Manufacturing Stocks of Purchases Index,** which at 49.5, pointed to only a slight drop in inventory levels.

JPMorgan global manufacturing PMI



Global manufacturing output



Global Manufacturing PMI Summary

50 = no change on previous month.

	Jan	Feb	Change	Comparison with previous month
Global PMI	54.4	55.3	+	Expanding at faster rate
Output	56.4	57.1	+	Expanding at faster rate
New Orders	57.2	58.5	+	Expanding at faster rate
Input Prices	61.6	62.8	+	Increasing at faster rate
Employment	50.9	52.4	+	Expanding at faster rate

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

"PMI data confirm that global manufacturing has made a solid start to 2006, with gains in output and new orders at their highest since mid-2004. Cost pressures may be rising, but manufacturers were not discouraged from taking on additional staff, a sign that they expect the current acceleration in growth to be sustained into the 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

JPMorgan

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www.ism.ws

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