

JPMorgan Global PMI Global Report on Manufacturing

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

Growth of production and new orders slowed but remained solid in August. Cost inflation eased to a four-month low.

Latest PMI data indicated that the trends in output and new orders for the global manufacturing sector eased, but remained solid, in August. Higher output underpinned a further robust increase in employment, as jobs were added at the sharpest pace in four months. Cost inflationary pressure eased, but supply-side constraints continued to rise.

At 55.1 in August, the **JPMorgan Global Manufacturing PMI** posted a reading above the no-change mark of 50.0 for the thirty-eighth successive month. Although down on the 55.5 recorded for July, the figure was broadly in line with the robust average for 2006 so far (55.2). Of the major industrial regions covered by the survey, the most noticeable improvement in operating conditions was seen in the Eurozone (led by Germany). PMIs for Japan and the US fell slightly, but remained at solid levels.

The **Global Manufacturing Output Index** registered 56.8 in August, from 57.7 in July. Although output growth remained solid overall, national PMI data pointed to a broad-based slowdown in the rate of expansion.

Growth was predominantly centred on the European economies, within which the highest rates of increase were for Switzerland (survey record peak), Denmark and Germany. Measured overall, growth of Eurozone manufacturing output eased to a six-month low, with the majority of the euro area nations recording (slightly) slower rates of expansion. Nonetheless, the rate of growth across the Eurozone in Q3 so far is above its equivalent measure for the first half of the year. US and Japanese manufacturing output both increased at slightly less marked rates than those posted for July.

The global manufacturing sector continued to benefit from robust growth of **new orders** in August, although the rate of increase eased for the second successive month to its lowest for a year. Growth of new business in the majority of nations was predominantly centred on their domestic markets. Rates of expansion in new orders eased across the US (three-month low), the Eurozone (least marked since February), Japan (seventeen-month low) and the UK (slowest since March). Growth of **international trade volumes** gained momentum, reaching a three-month high in August.

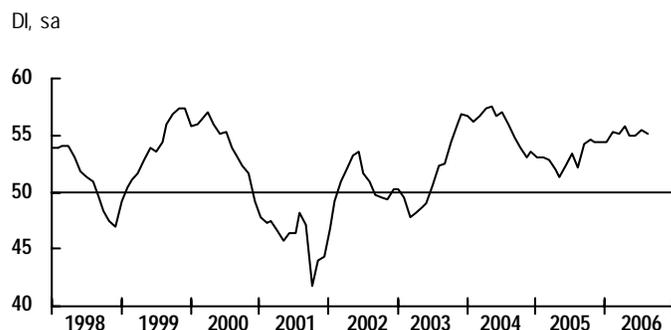
After rising to a twenty-one month high in July, the rate of increase in average purchase prices eased sharply to a four-month low in August. Cost inflation slowed in the US, Eurozone and China (all to four-month lows), Japan and the UK. However, at 69.8, the **Global Manufacturing Input Prices Index** remained at an elevated level.

The global manufacturing sector continued to create jobs in August. **Staffing levels** increased for the fifteenth month running and at the fastest pace since April. Employment rose in the US, Eurozone, Japan (survey record high rate) and China, but maintained a broad sideways trend in the UK.

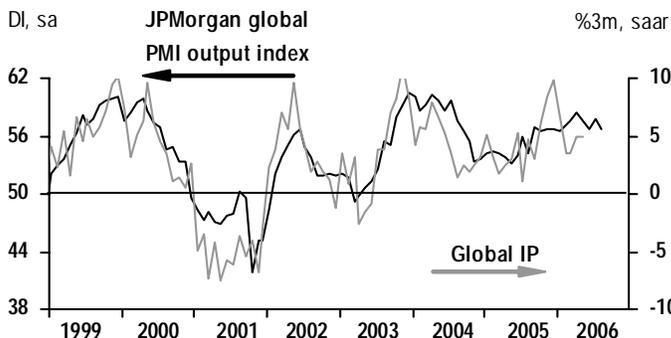
Supply-side pressures continued to grow in August. At 43.3, the **Global Manufacturing Suppliers' Delivery Times Index** was little-changed from July's twenty-two month low of 43.1.

At 51.0 in August, the **Global Manufacturing Stocks of Purchases Index** signalled an increase in inventory-holdings for the second successive month.

JPMorgan global manufacturing PMI



Global manufacturing output



Global Manufacturing PMI Summary

50 = no change on previous month.

	Jul	Aug	Change	Comparison with previous month
Global PMI	55.5	55.1	-	Expanding at slower rate
Output	57.7	56.8	-	Expanding at slower rate
New Orders	56.8	55.4	-	Expanding at slower rate
Input Prices	73.1	69.8	-	Increasing at slower rate
Employment	52.0	53.4	+	Expanding at faster rate

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

"The PMI indicates that growth of global manufacturing output and employment remained solid in August. There are however, signs of moderation in the report. The pace of new order growth has slowed significantly, while inventory build is relatively rapid. This combination has been a sure signal of weaker manufacturing activity in the past, and we look for global output growth to slow to a 3-4% annual rate in coming months."

JPMorgan Global PMI

Global Report on Manufacturing

Press contacts

For further information or for other press enquiries please contact:

David Hensley
(1-212) 834-5516
david.hensley@jpmorgan.com
JPMorgan Chase Bank

Rob Dobson
(44) 1491 418 695
rob.dobson@ntc.co.uk
NTC Economics Ltd.

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/DPA	www.nevi.nl, www.dpasupplychainpeople.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	-	www.businessnz.org.nz

* Source: World Bank



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