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JPMorgan Global PMI

Global Report on Manufacturing

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

Global manufacturing production and new orders expanded at slowest rates for four-and-a-half years in December. Cost inflation hit six-month high.

At 51.4 in December, the **JPMorgan Global Manufacturing PMI** fell to its lowest level for almost four-and-a-half years and signalled only a slight improvement in the overall health of the sector. The PMI was dragged lower by a worsening in US manufacturing conditions, as the US PMI posted its lowest reading since April 2003 and fell below the 50.0 no-change mark for the first time in eleven months. Conditions strengthened slightly in the Asia-Pacific region, and steadied in the Eurozone, whereas the UK Manufacturing PMI lost the momentum it regained in November.

Rates of expansion in world manufacturing production and new orders both eased in December. The **Global Manufacturing Output Index,** which posted 52.2, and the **Global Manufacturing New Orders Index,** at 51.4, dropped to four-and-a-half year lows.

US manufacturing output declined for the second time in Q4 2007 in December, and at the fastest rate since March 2003, as the level of new orders received contracted at the sharpest pace in over six years. Although the decline in total order books was mainly centred on the domestic market, growth of new export business also eased noticeably. Employment fell for the second month in a row and stock holdings were cut back markedly.

The rate of expansion of manufacturing output held broadly steady in the Eurozone in December. However, growth disparities widened amongst the big-four euro area economies, as faster increases in France and Germany contrasted with near-stagnation in Italy and Spain.

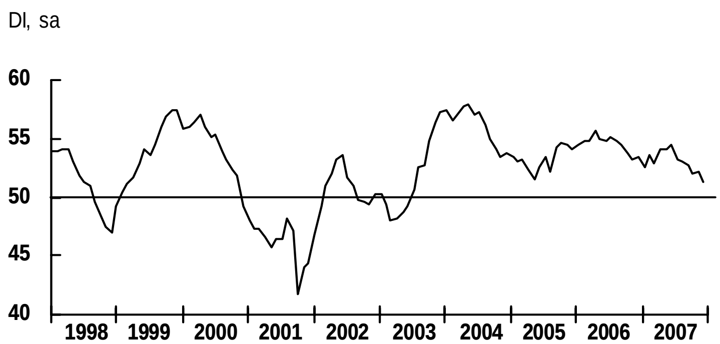
December PMI data indicated that conditions strengthened in the Asia-Pacific region, with output expanding at faster rates in Japan, China, India and Australia. These nations also saw sharper increases in new orders. Growth was especially robust in India, where new work rose at a survey record pace.

After accelerating sharply in November, input price inflation gained additional pace in December. The **Global Manufacturing Input Prices Index** posted 67.2, up slightly from 67.0, to reach a six-month high. Cost inflation picked up in the US (fastest since June), China (up noticeably to a new survey record peak) and Brazil. Rates of increase moved broadly sideways in the Eurozone and India, and fell back moderately in Japan and the UK.

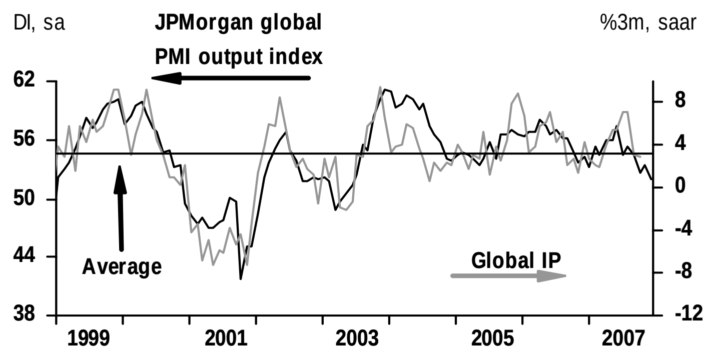
At 50.9 in December, the **Global Manufacturing Employment Index** remained above the no-change mark of 50.0 for the thirty-first successive month. Jobs were added in the Eurozone and the UK, both at their fastest rates during Q4 2007, and Japan (six-month high). Manufacturing employment fell in the US and was broadly unchanged in China.

Supply-side pressures continued to build in December. The **Global Manufacturing Suppliers' Delivery Times Index** posted 46.4, its lowest reading since January 2007 and a level indicative of a marked deterioration in average vendor performance. Lead-times lengthened in the US, the Eurozone, Japan, China, the UK, Brazil and India.

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	52.2	51.4	–	Expanding at slower rate
Output	53.4	52.2	–	Expanding at slower rate
New Orders	53.3	51.4	–	Expanding at slower rate
Input Prices	67.0	67.2	+	Increasing at faster rate
Employment	50.5	50.9	+	Expanding at faster rate

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

"The global manufacturing sector ended 2007 on a weak footing. Production and new business rose at their slowest rates for four-and-a-half years in December, and this lacklustre trend is likely to continue into Q1 2008. Jobs are still being created, although the labour market is also exhibiting less buoyancy than earlier in the year. Cost inflation gained strength, reaching a level only slightly below its June peak."

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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, Germany, China, the UK, France, Italy, Spain, Brazil, India, the Netherlands, Russia, Turkey, Austria, Poland, Greece, Ireland and Czech Republic by NTC Economics and in a number of other countries: Australia, Switzerland, Denmark, South Africa, Israel, Singapore, New Zealand and Hungary. These countries together account for an estimated 83% 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 7,500 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
United States	30.5	ISM	–	www.ism.ws
Eurozone	18.7	NTC	Royal Bank of Scotland	www.rbs.co.uk
Japan	13.9	NTC	Nomura/JMMA	www.nomura.co.jp, www.jmma.gr.jp
Germany	5.6	NTC	BME	www.bme.de
China	4.9	NTC	CLSA	www.clsa.com
United Kingdom	4.5	NTC	CIPS	www.cips.org
France	4.0	NTC	CDAF	www.cdaf.asso.fr
Italy	3.2	NTC	ADACI	www.adaci.it
Spain	1.9	NTC	AERCE	www.aerce.org
Brazil	1.9	NTC	Banco Real	www.bancoreal.com.br, www.abnamro.com
India	1.7	NTC	ABN AMRO	www.abnamro.com
Australia	1.3	AIG	PriceWaterhouseCoopers	www.aigroup.asn.au, www.pwcglobal.com/au
Netherlands	1.1	NTC	NEVI/DPA	www.nevi.nl, www.dpasupplychainpeople.com
Russia	0.9	NTC	VTB Bank Europe	www.vtb.com
Switzerland	0.7	SVME	Credit Suisse	www.svme.ch, www.credit-suisse.ch
Turkey	0.7	NTC	ABN AMRO	www.abnamro.com
Austria	0.6	NTC	BA Creditanstalt/OPWZ	www.ba-ca.com, http://einkauf.opwz.com
Poland	0.5	NTC	ABN AMRO	www.abnamro.com
Denmark	0.5	DILF	–	www.dilf.dk
South Africa	0.4	BER	IPSA/Investec	www.ber.sun.ac.za, www.ipsa.co.za, www.investec.co.za
Greece	0.4	NTC	HPI	www.hpi.org
Israel	0.3	IPLMA	Dun & Bradstreet	www.iplma.org.il, www.dnb.com, www.dbisrael.co.il
Ireland	0.3	NTC	NCB Stockbrokers	www.ncbdirect.com
Singapore	0.3	SIPMM	–	www.sipmm.org.sg
Czech Republic	0.2	NTC	ABN AMRO	www.abnamro.com
New Zealand	0.2	Business NZ	–	www.businessnz.org.nz
Hungary	0.2	HALPIM	Hungarian National Bank	www.logisztika.h

* Source: World Bank

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