

# JPMorgan Global PMI Global Report on Manufacturing

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

Expansion of global manufacturing sector lost noticeable momentum in February. Weakest growth of output and new orders in over four-and-a-half years.

After recovering slightly in January, rates of expansion of global manufacturing production and new orders slipped back to their lowest for over four-and-a-half years in February. Measured overall, conditions in the sector remained subdued. The **JPMorgan Global Manufacturing PMI\*** posted 51.1. This was its lowest reading since July 2003 – the first month of its current sequence above the 50.0 no-change mark.

The ISM US PMI fell to a sub-50.0 level for the second time in the past three months in February. PMIs for the Eurozone, Japan and China all pointed to improvements in operating conditions, but their respective levels were lower than one month ago. The main factor leading the Eurozone PMI lower was a sharp decline in the health of the Spanish manufacturing sector, where conditions deteriorated to the greatest extent since December 2001.

At 52.4 in February, the **Global Manufacturing Output Index** signalled an increase in production for the fifty-eighth successive month. Growth of output remained broad-based across the majority of the world manufacturing sector, although reports of slower rates of expansion were also widespread. After recovering strongly in January, the rate of expansion of US manufacturing output fell back to a level close to stagnation. Growth steadied in the Eurozone, as strong expansions in Germany and France offset a marked contraction in Spain. Growth in the Asia-Pacific region was slower than one month ago, as rates of increase eased in Japan, China and India (although the expansion posted by India remained comfortably above global average).

February data pointed to only a moderate increase in global manufacturing **new orders**, which was the weakest since June 2003. Weaker demand was recorded in many of the world's major producing regions, with new orders falling for the third month running in the US, for the second consecutive months in the UK and Italy, and at the fastest rate in over six years in Spain. New business in the euro area, measured overall, and in Japan were only marginal, whereas growth remained robust (and above global average) in China and India.

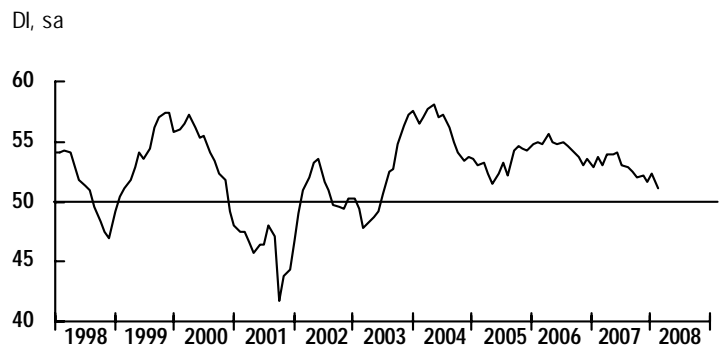
Input cost inflation steadied at a level close to January's high in February, mainly reflecting high oil, energy and metals prices. The **Global Manufacturing Input Prices Index** posted 70.9, from 71.2 in the previous month, and has now remained above the 50.0 no-change mark for four-and-a-half years. The sharpest rates of cost inflation were recorded for the US, Japan (survey-record high), the UK (fastest since November 2004), Russia (forty-five month high) and Denmark.

February data pointed to a slight decline in global manufacturing **employment**. Staffing levels in the US were scaled back to the greatest extent since June 2003. Job cuts were also recorded for China and the UK. Growth in staffing levels steadied in the Eurozone, but eased in Japan and India.

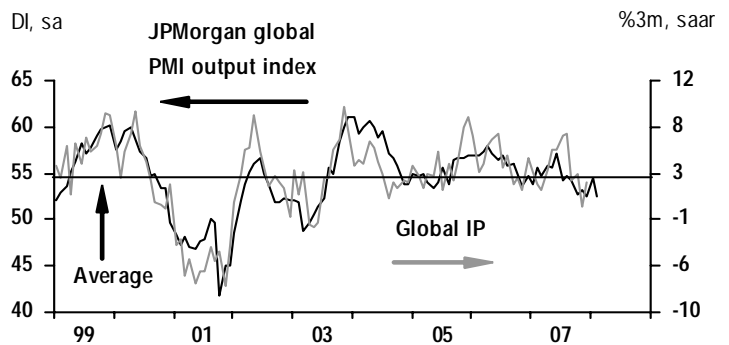
At 47.3 in February, the **Global Manufacturing Stocks of Purchases Index** posted its lowest reading for five months and signalled a moderate rate of reduction in pre-production stocks.

\*The Global Manufacturing PMI is calculated as a weighted average of the New Orders (30%), Output (25%), Employment (20%), inverted Suppliers' Delivery Times (15%) and Stocks of Purchases (10%) indexes.

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	52.3	51.1	-	Expanding at slower rate
Output	54.4	52.4	-	Expanding at slower rate
New Orders	52.4	51.4	-	Expanding at slower rate
Input Prices	71.2	70.9	-	Increasing at slower rate
Employment	50.0	49.3	-	Contracting, from no change

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

"Growth of the global manufacturing sector was noticeably weaker in February, with rates of expansion for production and new orders the lowest for over four-and-a-half years. Conditions in the labour market have also taken a turn for the worse since the start of 2008, as companies face a combination of slower economic expansion and intense cost inflation. Conditions are likely to remain subdued through H1 2008 at least."

# JPMorgan Global PMI

## Global Report on Manufacturing

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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	Bank of New Zealand	www.businessnz.org.nz, www.bnz.co.nz
Hungary	0.2	HALPIM	Hungarian National Bank	www.logisztika.h

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

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The **International Federation of Purchasing and Supply Management** (IFPSM) is the union of 42 national purchasing associations worldwide. Within this circle, about 200,000 purchasing professionals can be reached. IFPSM is a non-political, independent and non-profit oriented international organisation, registered in Aarau, Switzerland. IFPSM facilitates the development and distribution of knowledge to elevate and advance the procurement profession, thus favourably impacting the standard of living of citizens worldwide through improved business practices.

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