

JPMorgan Global PMI Global Report on Manufacturing

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

Survey record increase in input costs in May, as oil, energy and metals prices remained high. Conditions stayed muted overall, as new orders and employment fell.

Conditions in the global manufacturing sector remained relatively weak in May. Although the JPMorgan **Global Manufacturing PMI** posted above the critical no-change mark of 50.0 for the fifty-ninth successive month, at 50.4, it stayed at a level indicative of only negligible improvement in the overall health of the sector.

Manufacturers experienced further marked upward pressures on average purchasing costs in May, with the rate of input price inflation hitting a survey record high. The main factors underlying the latest increase in costs were rising oil, energy, fuel and food product prices. The high cost of oil also fed through to increased transportation costs and hikes in the prices for a number of oil by-products. All of the PMI surveys for which May data were available reported sharp increases in purchasing costs, led by South Africa and the US – with the rate of inflation in the US hitting a four-year high. The **Global Manufacturing Input Prices Index** posted 76.3.

Manufacturing output expanded again in May. However, anecdotal evidence suggested that higher production was partly sustained through companies making in-roads into levels of outstanding business, as new work received posted a further decline. Job losses were recorded for the second month running – the first back-to-back reductions in employment for four-and-a-half years – as some companies trimmed non-essential staff in response to subdued market conditions and to offset part of the rise in costs.

The **Global Manufacturing Output Index** posted 51.3 in May, rising further from March's low of 50.8, but still well below its long-run average of 54.3. Production rose in the US (after contracting in the previous two months), the Eurozone (although growth was unchanged from March's low), China and India. Output stagnated in the UK, and declined at the fastest rate for over six years in Japan.

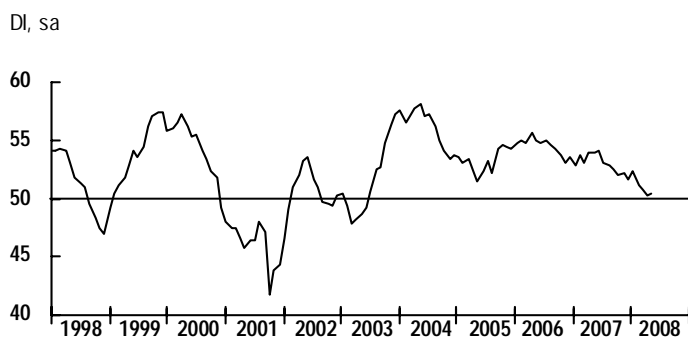
At 49.7 in May, the **Global Manufacturing New Orders Index** signalled that the level of new work received had fallen for a second successive month. However, the rate of contraction was only minor and slower than in April. New orders declined across many of the world's major industrialised nations, including the US, the Eurozone, Japan (sharpest drop since January 2002) and the UK. In contrast, sharp gains in new business were recorded for China, India and Denmark.

The level of international trade continued to rise in May. Gains were especially marked in the US, where the weak dollar exchange rate contributed to the fastest growth of external trade for four years. Conversely, Eurozone manufacturers saw export business decline for a second consecutive month.

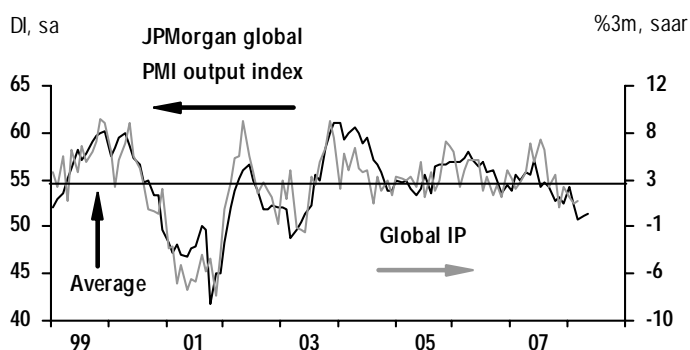
Staffing levels declined for the second month in a row in May, as highlighted by the **Global Manufacturing Employment Index** registering 49.3, from 49.6 in April. Although indicative of only a moderate decline in staffing levels, this was still the lowest reading posted by the index for fifty-five months. Jobs losses were reported for the US and the UK. The Eurozone, Japan, China, India and Brazil all reported higher employment.

*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.

	Apr	May	Change	Comparison with previous month
Global PMI	50.2	50.4	+	Expanding at faster rate
Output	51.1	51.3	+	Expanding at faster rate
New Orders	48.9	49.7	+	Contracting at slower rate
Input Prices	76.1	76.3	+	Increasing at faster rate
Employment	49.6	49.3	-	Contracting at faster rate

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

"Although the Global PMI stabilised just above the stagnation mark of 50.0 in May, growth in the manufacturing sector remained soft overall. Further declines in new business and employment also suggest that conditions are becoming increasingly tight, as manufacturers face record increases in average purchase prices and a slower outlook for global markets."

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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