

Global manufacturing

Flash PMIs hint at improving global manufacturing economy

- All three flash manufacturing PMIs above 50 for first time in over two years
- Employment indicators disappoint, but at least generally move in right direction

Flash PMI data from Markit covering the eurozone, China and the US showed an across-the-board improvement in manufacturing business conditions in August. This was for the first time since June 2011 and suggested that the global manufacturing economy has picked up growth momentum.

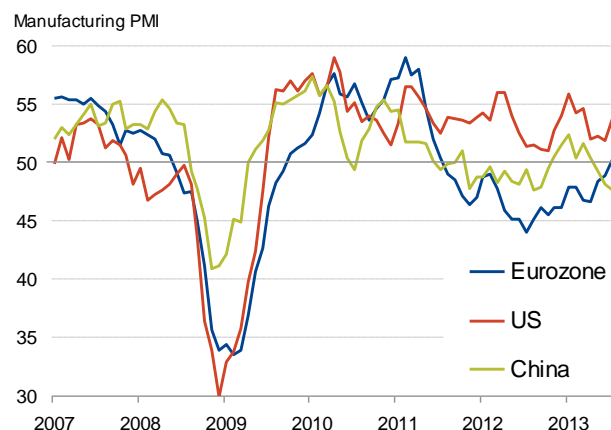
The Markit-produced [HSBC flash manufacturing PMI for China](#) rose sharply in August, up from a near post-crisis low of 47.7 in July to a four-month high of 50.1. Although barely above the no-change level of 50.0, the improvement in the China PMI was significant in signalling an end of a three-month sequence of contraction. The data therefore add to hopes that the Chinese economy reached a low in the second quarter, when [GDP growth slowed to 7.5%](#).

A flash [Markit Eurozone PMI](#) reading of 51.3 signalled an improvement in manufacturing business conditions for the second month running in August. An increase in the index from 50.3 in July also pointed to an acceleration in the pace of growth to the fastest since June 2011. A concomitant improvement in the regions' services PMI – which registered an upturn in business activity for the first time since January 2012 – left the composite Eurozone PMI at its highest for two years.

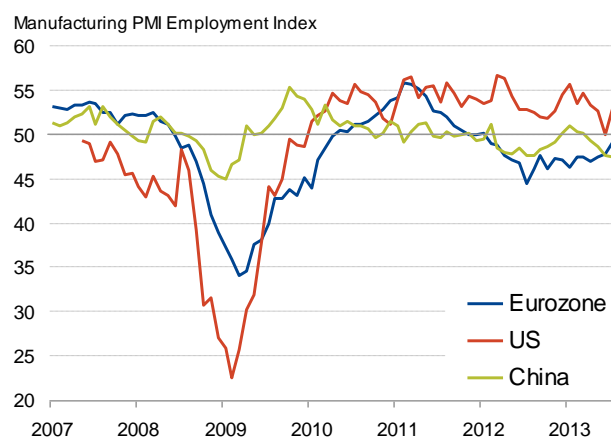
Manufacturing growth in the single currency area was led by Germany, where the PMI was the highest for over two years, while the French manufacturing sector more or less stagnated. Particularly encouraging news came from the rest of the region, where business conditions showed the largest monthly improvement since June 2011.

Moving further west, the [Markit US manufacturing PMI](#) came in at 53.9 according to the flash August reading, up from 53.7 in July and recording the fastest pace of expansion since March. With the US PMI up for a second successive month from June's eight-month low,

Flash PMI manufacturing business surveys



Employment



the survey data suggest that the economy has gained momentum again after a spring lull.

The upturns in the flash PMIs for three of the world's largest manufacturing economies bode well for global growth. The JPMorgan Global Manufacturing PMI signalled that a [near-stagnation of the world's factories](#) in the second quarter continued into July, but the flash data for August suggest that growth could lift higher.

Employment

With central bank policy increasingly shifting towards employment targets, it was notable that the surveys were less upbeat about job markets than output trends. Although the US PMI signalled a slight uptick in employment creation, the sector still looks to be

contributing little to non-farm payroll growth. Meanwhile, China's factories cut staffing levels for the fifth successive month, albeit with the rate of job loss running at the slowest since April. In the eurozone, manufacturing headcounts fell for the nineteenth successive month, with the rate of decline gathering pace as many firms sought to boost productivity.

However, while the employment indices from the PMIs remained disappointingly weak, the gains in production and orders books noted in the surveys should lead to rising demand for staff in coming months, if sustained.

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