

Global manufacturing

Flash manufacturing PMIs signal ongoing broad-based, but weak, upturn

- **China's manufacturing economy grows at fastest pace for seven months**
- **Eurozone manufacturing records second-best month of growth since mid-2011**
- **US sees markedly weaker expansion**

Markit's flash PMIs provide the first indication of how global manufacturing has fared at the start of the fourth quarter. For the third successive month, all three economies saw business conditions improve, a broad-based upturn that has previously not been seen since early-2011.

However, rates of growth were weak across-the board. Marginal upturns in the pace of expansion in the eurozone and China were accompanied by a steep slowing in the pace of growth in the US, as the disruption and uncertainty caused by the 17-day government shutdown appears to have hit business growth.

Positive PMIs

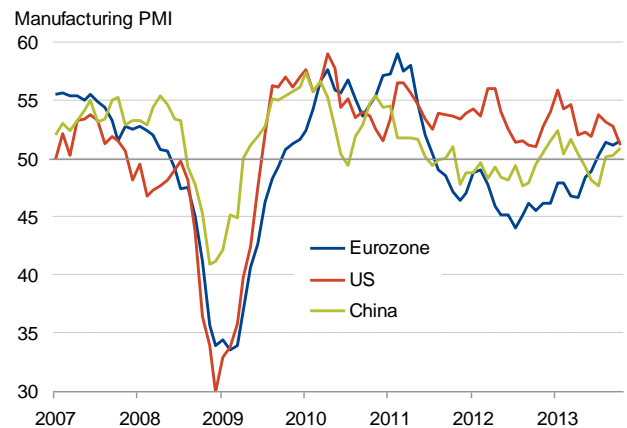
The Markit-produced HSBC flash manufacturing PMI for China rose to a seven month high of 50.9 in October, rising from 50.2 in September and signalling a modest improvement in overall business conditions for a third consecutive month.

In the eurozone, the manufacturing PMI rose from 51.1 in September to 51.3, falling just below August's 26-month peak of 51.4 and signalling an upturn in business conditions for a fourth successive month.

France's manufacturing PMI remained below the 50.0 no-change level, albeit only marginally, while Germany saw a slight improvement in the rate of expansion. However, the strongest growth was seen outside the two largest 'core' countries, where the manufacturing PMI rose to its highest since May 2011.

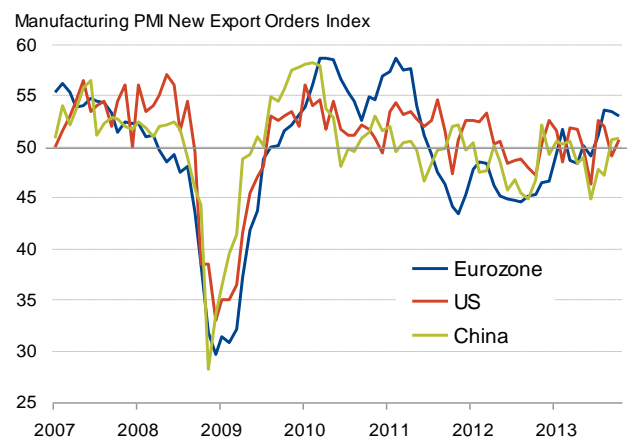
In the US, the manufacturing PMI fell sharply from 52.8 to 51.1 in October, reflecting the first drop in output since September 2009. The data suggest that the government shutdown due to the budget crisis has hit business hard, though it is not possible to disentangle the impact of the shutdown from other possible factors.

Flash Manufacturing PMIs



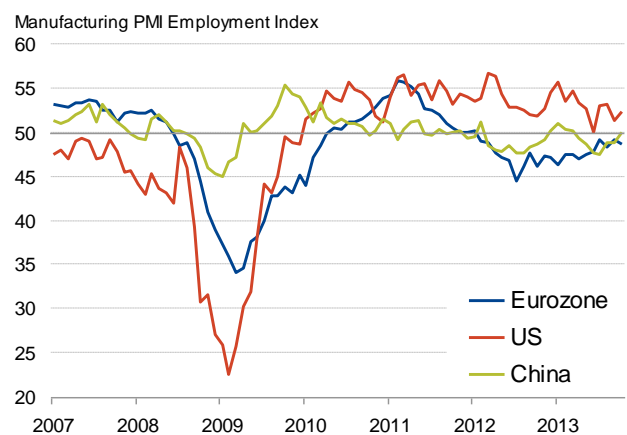
Sources: Markit, HSBC.

Exports



Sources: Markit, HSBC.

Employment



Sources: Markit, HSBC.

Eurozone leads export upturn

Despite the recent appreciation of the euro, the single currency area reported stronger growth of exports than both China and the US for the third successive month in October. German exports rose only modestly, and at a weaker rate than seen in September, while France's exports showed the largest monthly rise since May 2011. Elsewhere in the region, export growth was even stronger, having registered the best period of growth for two-and-a-half years in recent months.

Although exports rose in both China and the US, the rates of increase were only very modest. The upturns nevertheless contrast with falling export sales earlier in the year in both cases, suggesting a modest upturn in global trade flows is currently in place.

Signs of job creation limited to the US

The US was the only country to see an increase in manufacturing payrolls, but the rate of job creation remained modest. Ongoing job losses in the eurozone in part reflected an increased rate of job cutting in Germany, France and the rest of the region as a whole. In China, job losses all but halted, registering the smallest fall since employment began its renewed fall seven months ago, adding to suggestions that the sector is gearing up for further production gains.

The flash PMIs are based on approximately 85% of usual monthly replies and provide an accurate indication of the final results, published on 1 November.

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