

Global manufacturing

Manufacturing remains stuck near stagnation in May

- **Global manufacturing close to stagnation**
- **US, Japanese and UK growth contrasts with downturns in Eurozone and China**
- **Emerging markets remain stuck in the doldrums**

Manufacturing continued to more or less stagnate in May, according to the worldwide PMI surveys. Modest expansions in the US, Japan and the UK offset downturns in China and in particular the euro area, leaving an overall picture of almost no growth. However, while a renewed deterioration in China and ongoing weakness in other emerging markets highlight a persistent lack of demand on a global scale, an easing in the rate of decline in the eurozone brought some hope that the crisis-hit region is moving closer to stabilising.

The JPMorgan Manufacturing PMI rose from 50.4 in April to 50.6 in May, barely above the 50.0 no change level. The surveys therefore suggest that growth of global goods production slowed to near-stagnation in the second quarter after managing only modest growth in the first quarter.

Output, new orders and employment growth all picked up globally in May, although in all three cases rates of expansion remained subdued.

North American-led upturn

The strongest rates of growth were seen in North America, with the PMIs for the US, Canada and Mexico all coming in above 50.0. Strengthening rates of growth were seen in both Canada and the US, though while the former saw the best expansion for almost a year, the latter saw another month of only modest improvement, with growth remained below that seen in the first quarter.

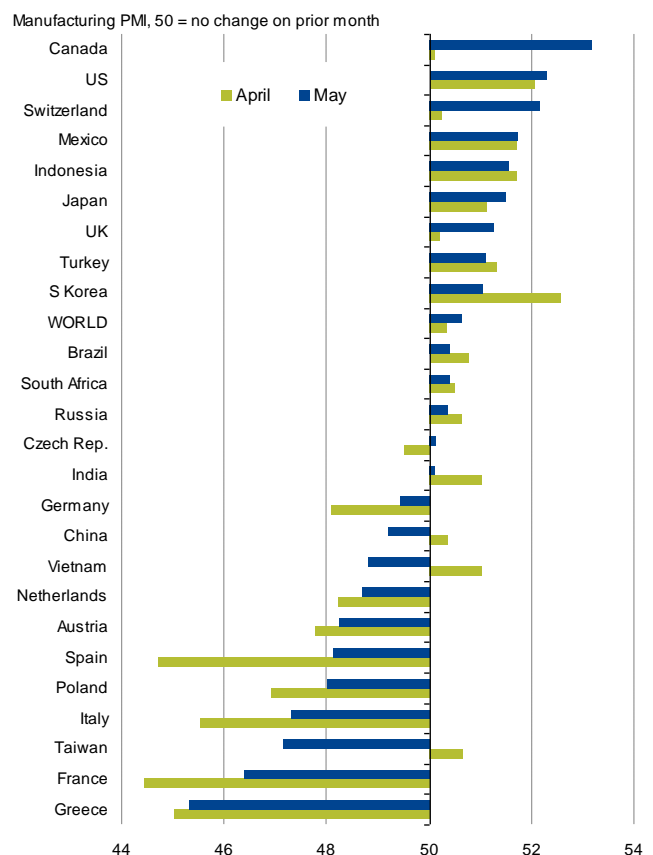
Europe stabilising

The UK was the only European country besides Switzerland to see improved business conditions. The UK's performance was the best since March of last year, reflecting improved exports and rising domestic demand. New orders showed the strongest expansion for just over two years as a result.

Manufacturing business conditions (PMI)



Manufacturing PMI rankings



In addition to the UK seeing an increased rate of expansion in May, eurozone manufacturers reported the weakest rate of decline since February of last year, adding to a brightening European picture. Downturns have eased in all euro countries, and markedly so in France, Italy, and Spain. Germany is meanwhile showing welcome signs of stabilising once again.

Perhaps most encouragingly, new orders across the European Union as a whole almost stabilised in May, dropping only marginally and raising hopes that the downturn in orders which began in July 2011 may soon come to an end.

Japan upturn contrasts with wider Asian downturn

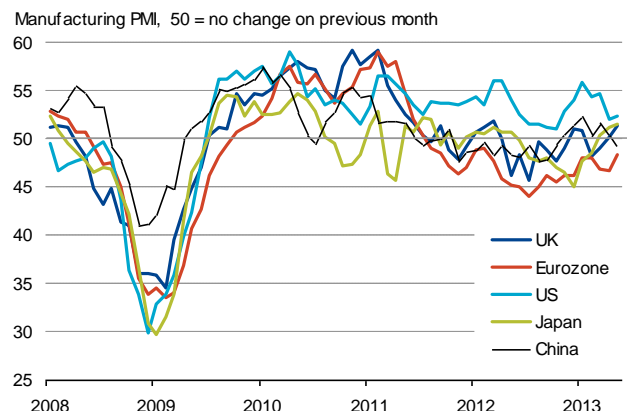
In Asia, Japan’s manufacturers saw an improvement in business conditions for the third month running in May, contrasting with the first deterioration in business conditions seen across the rest of the region for seven months. Most notable was the first sub-50 reading of the PMI for China since September and a marked deterioration in business conditions in Taiwan, which fell to third-from bottom of the global PMI rankings. Only France and Greece saw steeper downturns than Taiwan in May

India added to the sense of gloomy business conditions, seeing its worst manufacturing performance since March 2009, while only modest expansions were seen in Indonesia, Vietnam and South Korea.

Emerging market doldrums

Other emerging markets outside of Asia also saw disappointing manufacturing performances in May. The PMIs for Brazil and Russia slipped closer to the 50 level, hitting seven- and five-month lows respectively and signalling only marginal rates of expansion. Only marginal growth was also reported in South Africa.

Manufacturing PMI



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