

Global manufacturing

Manufacturing sector sees near-stalling of growth in April

- **PMI signals near-stagnation of manufacturing economy**
- **US slowdown accompanied by renewed weakening in the eurozone, but UK and Japan buoyed by exports**
- **Growth stalls in most major emerging markets**

The JPMorgan Global Manufacturing PMI – compiled by Markit – came in at 50.5 in April, down to a four-month low from 51.1 in March to signal a near-stagnation of business activity in the world’s factories.

Modest growth has been recorded over the past four months, representing an improvement on the downturn seen throughout much of the latter half of last year, but the pace of expansion remains disappointingly weak – extending a period of weakness that has now persisted for two years.

Global manufacturing output and new orders grew at the slowest rates for four months in April. Inventories of finished goods meanwhile showed the smallest fall for eight months, as weaker-than-expected order flows led to the unplanned build-up of stock at increasing numbers of companies. Employment barely rose again as a result, continuing the trend of largely in-existent job creation that has prevailed over the past year.

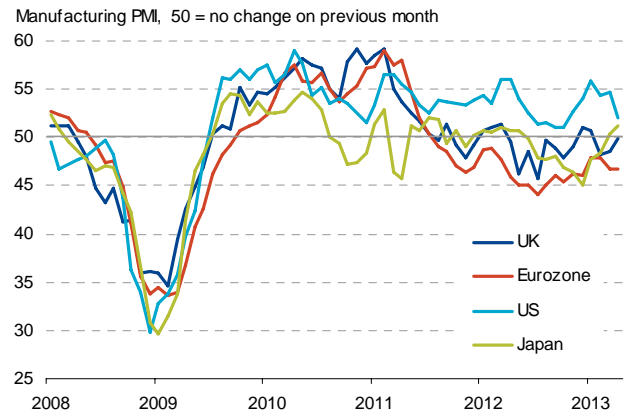
Price pressures fall

Manufacturers at least saw the recent upturn in raw material prices come closer to an end, as average purchase prices rose only marginally in April. Where lower costs were reported, they were often passed on to customers, resulting in the first drop in average prices charged since October. However, the concern is that lower prices reflect weak pricing power amid a widespread lack of demand in the global economy.

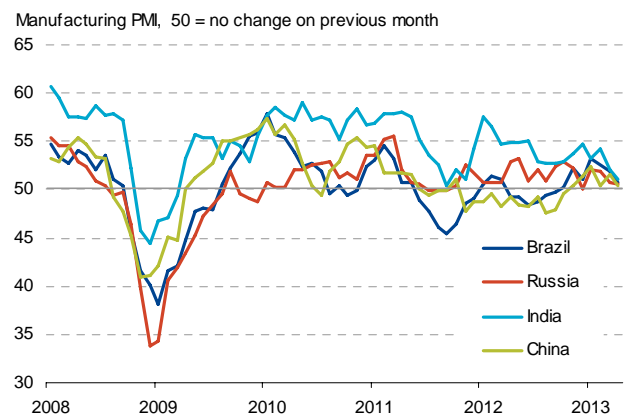
US slowdown hits neighbours

Looking at the detail, Markit’s US PMI fell sharply to signal the slowest growth for six months, a weakening that contributed to a further stagnation of manufacturing in neighbouring Canada and the weakest pace of expansion for 20 months in Mexico.

Developed world manufacturing PMIs



Emerging markets manufacturing PMIs



Global exports

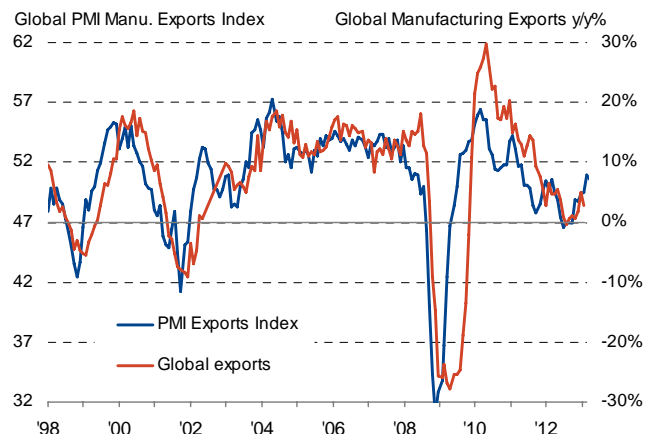


Chart sources: Markit, HSBC, JPMorgan, CIPS, JMMA, Reuters Ecowin.

Stalling BRICs

Growth of the manufacturing economy has meanwhile dwindled to near-stagnation in China, Brazil, Russia and India, suggesting the “BRIC” growth engine has stalled. Growth hit a 17-month low in India, a six-month low in Brazil, a four-month low in Russia and two-month low in China.

Japan and UK benefit from rising exports

The UK and Japan were two of the major countries to see their PMIs improve in April, linked to weakened currencies helping to boost export performance.

The UK saw the strongest growth of exports of all countries covered by the PMIs in April for the first time in the 15-year history of the global PMI, enjoying the strongest monthly rise in exports since July 2011. Export growth was seen by Japan for the second successive month, albeit a weaker gain than in March, to register the first back-to-back monthly increases for just over two years.

Somewhat disappointingly, the improvement in UK exports merely helped the PMI suggest a moderation in the rate of decline of the sector to near-stagnation and the weakest for three months, as subdued domestic demand offset the export gains.

In Japan, in contrast, better exports helped drive the PMI to a 13-month high, with business conditions improving for the second month running.

Chris Williamson

Chief Economist

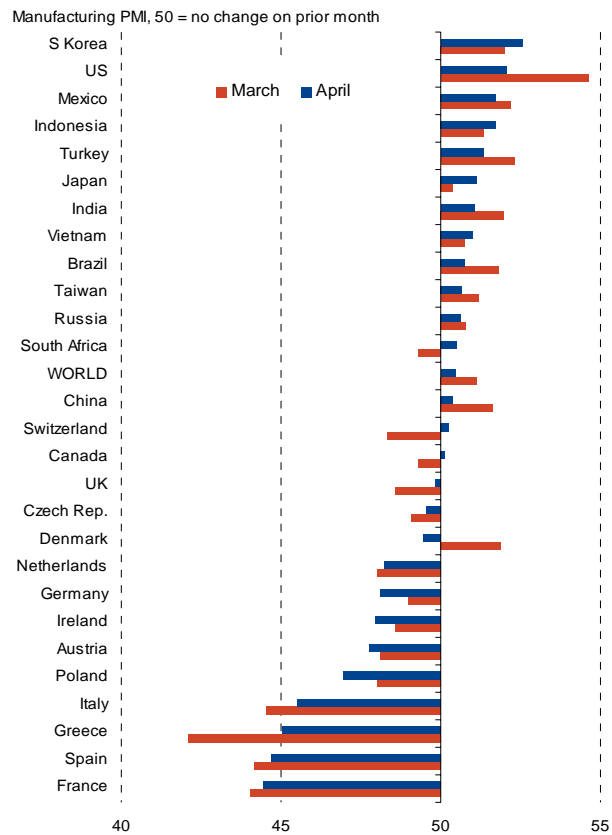
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For further information, please visit www.markit.com

Countries ranked by manufacturing PMI



Countries ranked by manufacturing exports

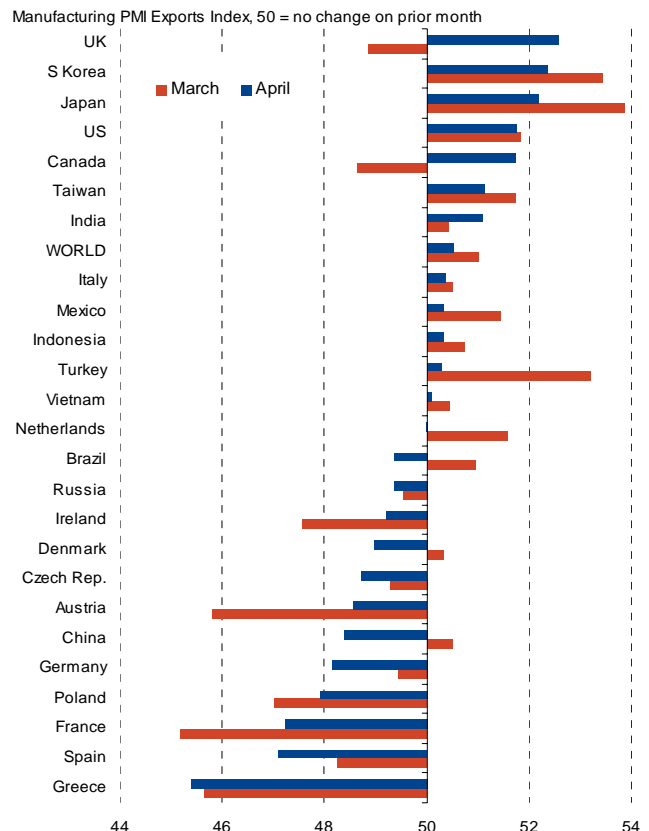


Chart sources: Markit, HSBC, JPMorgan, CIPS, JMMA, RBC, BME, Bank Austria, Credit Suisse, BERKagiso and DILF.