

Global economy

Global manufacturing sees robust start to third quarter amid strong US and UK expansions and signs of faster growth in Asia

- **Global manufacturing PMI edges lower on cooling of strong expansions in UK and US**
- **Japan slides closer to stagnation, but growth picks up elsewhere in Asia**
- **France remains at bottom of PMI league table**

The global manufacturing economy continued to grow at a steady though unspectacular pace at the start of the third quarter. The US and UK again provided the main thrusts to global growth, albeit with rates of expansion moderating in both cases. Manufacturing meanwhile remained disappointingly subdued in the eurozone and in Asia, although signs of stronger growth have appeared in Asia ex-Japan.

Steady manufacturing upturn

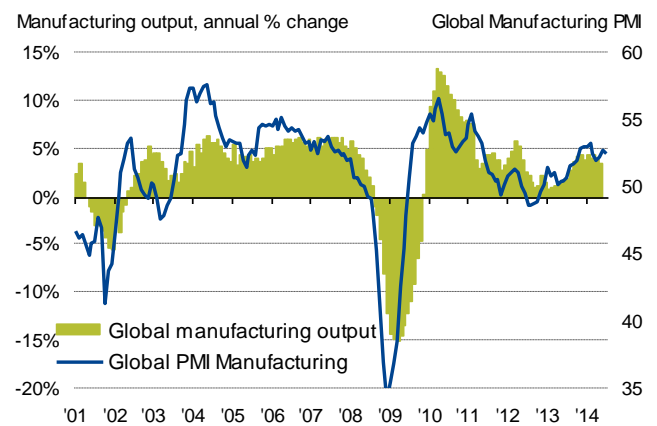
The JPMorgan Global PMI™ edged lower in July to 52.5 against 52.6 in June but remains consistent with worldwide manufacturing production growing at a reasonable 4-5% annual rate at the start of the third quarter. The latest available official data showed manufacturing output rising 3.5% on a year ago in May, down from 4.1% in April, broadly in line with the PMI signal.

The global manufacturing upturn continues to be driven by the US and UK, although both saw rates of growth moderate in July. The UK PMI fell to a 12-month low while a three-month low was recorded in the US.

Faster growth in Asia-ex Japan

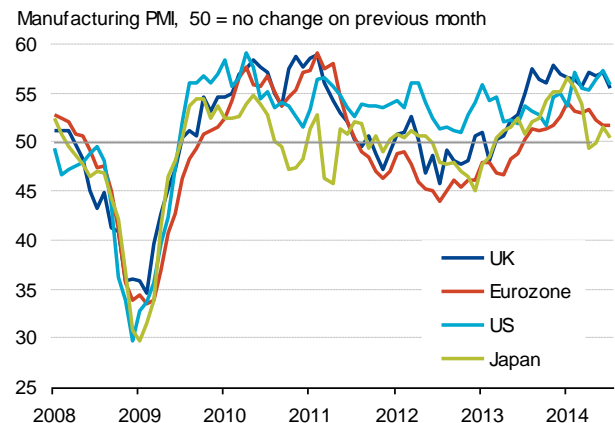
The US and UK slowdowns were largely offset by faster growth in the Asian economies of China, India and Taiwan, the latter seeing growth reach a three-year high while expansions in China and India were the strongest for one-and-a-half years. The PMI for Asia ex-Japan rose to 51.6, its highest since March of last year and an improvement on the mild contraction seen for the region earlier in the year, though still indicative of only very modest growth.

Global manufacturing output

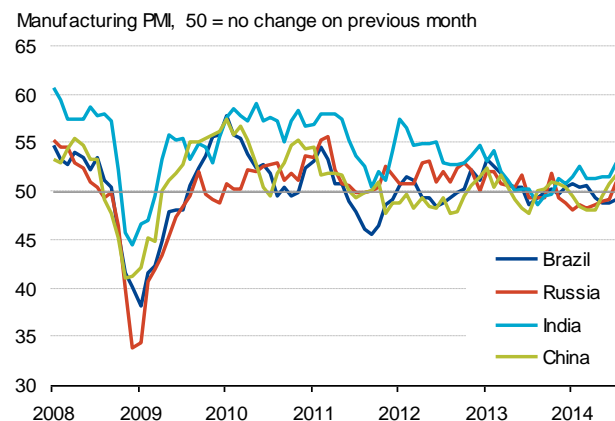


Sources: Markit, JPMorgan, Ecwin.

Manufacturing PMIs: developed world



Manufacturing PMIs: emerging markets



Japan moves closer to stagnation

It was not a consistent picture of improvement in Asia. The PMI for Japan edged closer to stagnation, with demand having been hit in recent months by April's sales tax rise, growth slowed in Vietnam and was unchanged in Indonesia, while South Korea's manufacturing economy contracted for a third month running, albeit with the rate of decline easing to show only a marginal contraction.

Sluggish Eurozone manufacturing

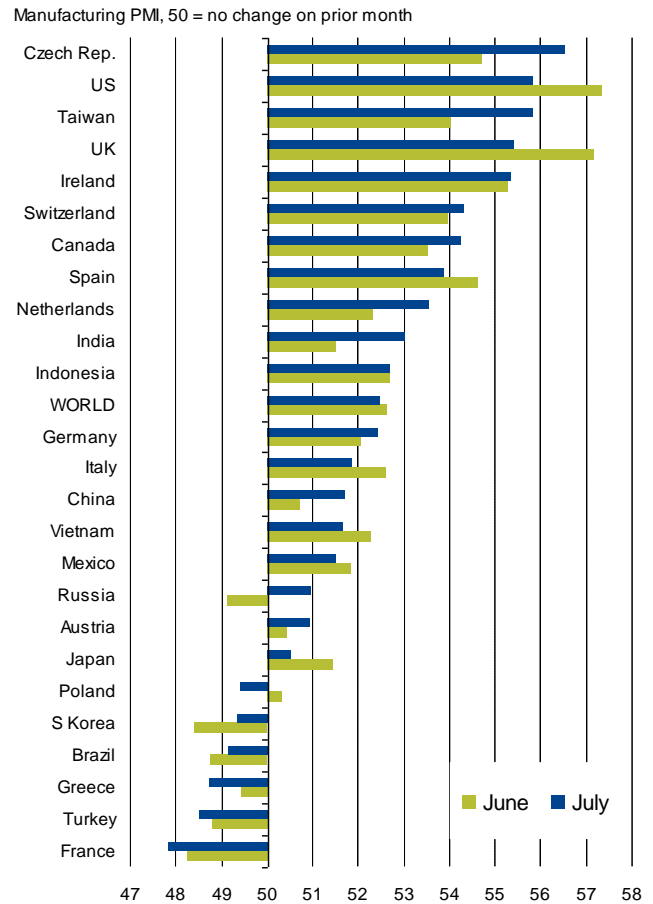
The overall weak picture in Asia was accompanied by news that the eurozone meanwhile saw growth merely hold steady on the disappointing seven-month low seen in June. Slightly faster growth in Germany was offset by a deepening downturn in France and slower growth in Italy and Spain.

Czech Republic leads growth table, France remains at bottom

Russia's PMI moved into positive territory for the first time in nine months, but elsewhere in Central and Eastern Europe the news was more mixed. Poland's manufacturing economy contracted for the first time in just over a year. The best news was reserved for the Czech Republic, which knocked the UK off the top of the manufacturing PMI league table, with its PMI rising to one of the highest levels seen in the past four years.

France remained at the foot of the growth rankings, seeing the steepest contraction of activity of all countries for the second successive month, followed by Turkey and Greece. The only other countries to see business conditions deteriorate in July were a World Cup-distracted Brazil, South Korea and Poland.

Countries ranked by manufacturing PMI™



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