

# Global manufacturing

## Weak June PMI rounds off worst quarter for three years

- **Global manufacturing PMI edges up to 50.4 but Q3 average lowest for three years**
- **European countries lead growth rankings**
- **Asia remains in decline**

Global manufacturing remained mired in near-stagnation in June, recording one of the weakest expansions seen since late-2012, a time when the world was struggling in the face of the escalating eurozone debt crisis.

The JPMorgan Global PMI, compiled by Markit from its worldwide business surveys, rose from 50.0 in May to 50.4 in June, but as such only indicated a marginal improvement in business conditions.

The PMI has been signalling a near-stagnant global manufacturing economy over the past year, with signs of the trend worsening rather than improving in recent months. Over the second quarter as a whole the rate of expansion slipped slightly lower to the weakest for three years.

Other survey indices showed broadly no change in global exports and employment, as well as ongoing inventory reduction. New orders rose at a slightly faster rate, driving the first (albeit marginal) increase in backlogs of work since last October.

Rising oil prices (and a strong US dollar) were meanwhile a key driver of a third consecutive monthly rise in input costs, which fed through to a third marginal rise in average selling prices.

### Global growth remains subdued

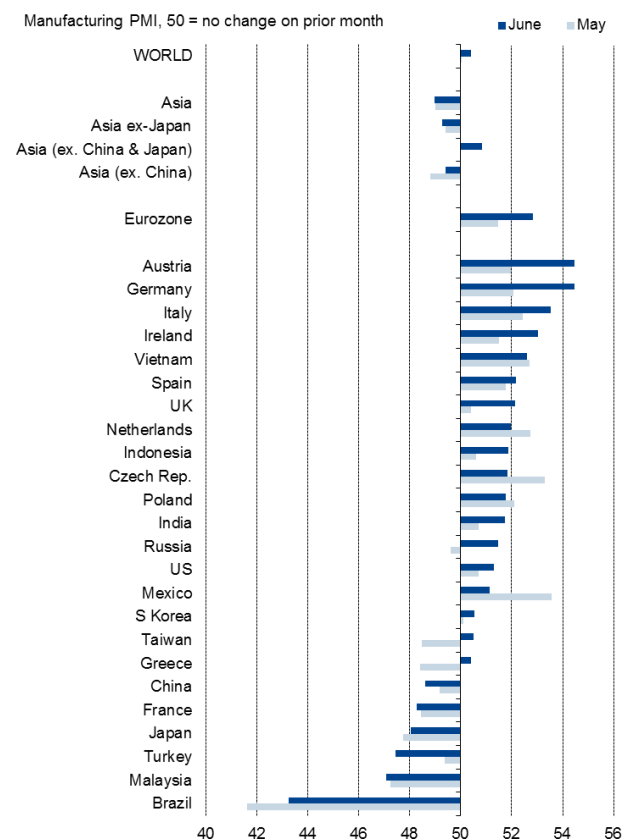
Europe appeared to shrug off Brexit worries, albeit with the survey data largely reflecting the pre-EU referendum vote. Eurozone manufacturing activity rose at the fastest rate since December, and UK firms notched up the best performance since January.

Seven of the top eight manufacturing economies were in fact European, six of which were euro members, led for the first time in the history of the PMI surveys by Austria, followed by Germany.

### Global manufacturing output



### Worldwide manufacturing PMI rankings



Sources for charts: JPMorgan, Nikkei, Caixin, Markit.

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In both the UK and Eurozone as a whole, growth remained sluggish, however, and companies often reported that worries about the outlook had increased in the lead up to the UK vote, suggesting the decision by the UK to leave the EU could cause a pull-back in business activity in the UK especially in coming months.

Growth also picked up in the US, but likewise remained worryingly weak, suggesting US factories remained stuck in one of their weakest phases since the global financial crisis, with the second quarter average of the PMI at its lowest since the third quarter of 2009.

### Asia downturn persists

The expansions seen in the US and Europe contrasted with an ongoing downturn in manufacturing activity across Asia. Asia's factories reported a deterioration in business conditions for the sixteenth successive month, with the rate of decline unchanged in June. The weak PMI rounded off the worst quarter for Asian manufacturers since the third quarter of last year, and the second-worst since the third quarter of 2012.

Japan's manufacturing sector was among the worst performing in Asia (behind Turkey, where the PMI signalled the steepest downturn since April 2009, and Malaysia). Faced with a strong yen and ongoing supply chain disruptions resulting from recent earthquakes, Japanese manufacturers reported a fourth successive

monthly export-led decline in manufacturing activity, according to the Nikkei PMI. Exports were falling at the fastest rates for three years over the second quarter.

Asia ex-Japan also remained in decline, with the rate of contraction accelerating marginally in June, dragged down by the Caixin PMI recording the steepest deterioration in China since February.

Other Nikkei PMIs showed varying trends across Asia: Malaysia saw one of the steepest downturns seen in recent years, but growth accelerated in India, Indonesia and South Korea, while Taiwan saw a return to modest growth after two months of decline. However, in all cases growth rates were modest at best, leaving Vietnam as the strongest growing Asian manufacturing economy for the third month in a row.

### Brazil remains at foot of PMI rankings

In all, only six of the 24 countries for which June manufacturing PMIs are available reported a downturn (Canada PMI data are published on July 4th). The steepest decline was again seen in Brazil where, although the rate of contraction eased, the survey continued to signal one of the steepest downturns ever recorded.

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