

Global economy

Worldwide manufacturing remains stuck at near stalling speed

- **Global Manufacturing PMI holds steady at 50.6, signalling ongoing near-stagnation**
- **UK leads manufacturing growth rankings, as developed-world dominates head of table**

The JPMorgan Global Manufacturing PMI, produced by Markit from its worldwide business surveys, was unchanged at 50.6 in June. At a level close to the no-change mark of 50, the index signalled a continuation of the near-stagnant trend recorded throughout the first half of the year.

While the near-stagnation is an improvement on the mild rate of decline seen throughout much of the second half of last year, the survey data indicate that the underlying trend in the global manufacturing economy remains well below the trend rate of approximately 5% per annum seen in the years leading up to the financial crisis, growing instead at an annual rate of just 1-2%.

However, the unchanged reading masks diverging manufacturing performances by country, with the top of the manufacturing PMI rankings dominated by developed countries.

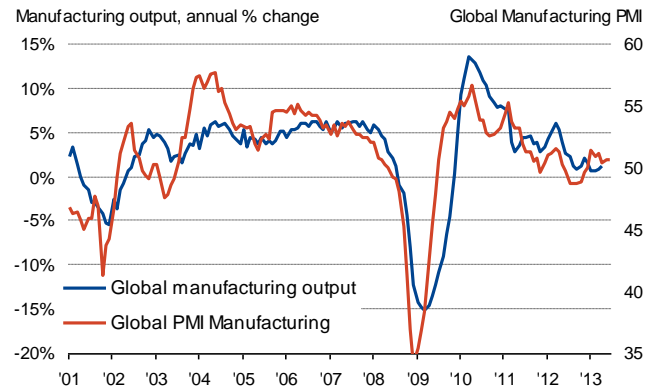
Developed world

Of all developed and emerging countries surveyed by Markit in June, the UK recorded the highest PMI reading, with the index hitting a 25-month high of 52.5. The top of the table was in fact dominated by developed countries, with the UK followed closely by Japan, where the PMI came in at 52.3 and signalled the fastest rate of improvement since February 2011.

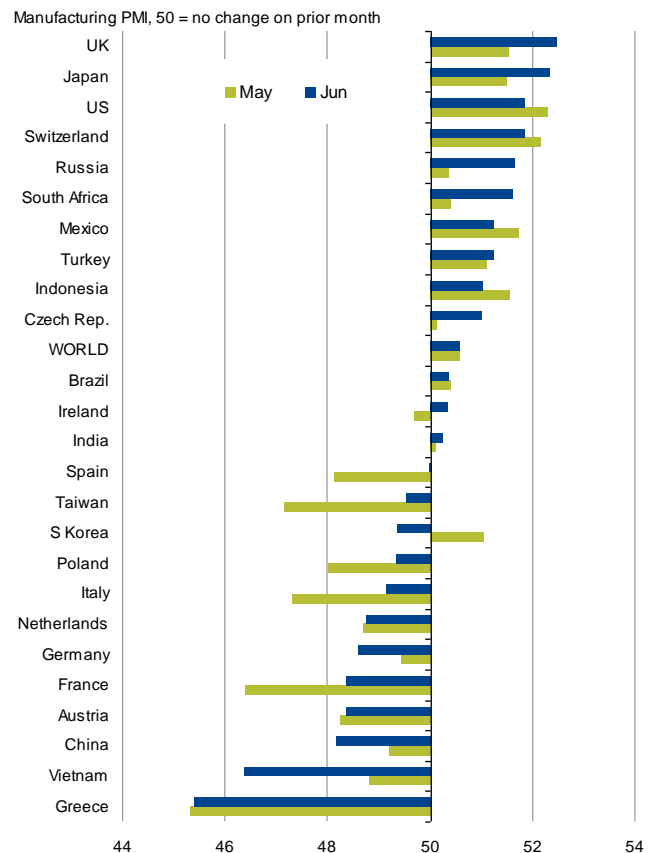
Meanwhile, the Markit US PMI dipped to an eight-month low, which was in turn linked to the steepest drop in export orders for four years. The US nevertheless ranked third in the PMI rankings.

Part of the global export weakness reflected the ongoing recession in the eurozone. However, although

Global manufacturing



Manufacturing PMI rankings



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euro countries continued to dominate the lower end of the PMI rankings, the single-currency area's manufacturing PMI rose to 48.8 in June, indicating that the region is contracting at the slowest rate for 16 months. Output and new orders more or less stabilised, following big improvements in the survey data for Spain, Italy and France in recent months, and offsetting a slight deterioration in the German survey numbers.

Emerging markets

In Asia, the ongoing improvement in the Japanese PMI, linked to rising domestic and export orders, contrasted with the PMI for China hitting a nine-month low of 48.2. The increased rate of decline in China came as the country's manufacturers reported the steepest monthly fall in export orders for four years. China sank to third from the bottom of the PMI ranking table as a result.

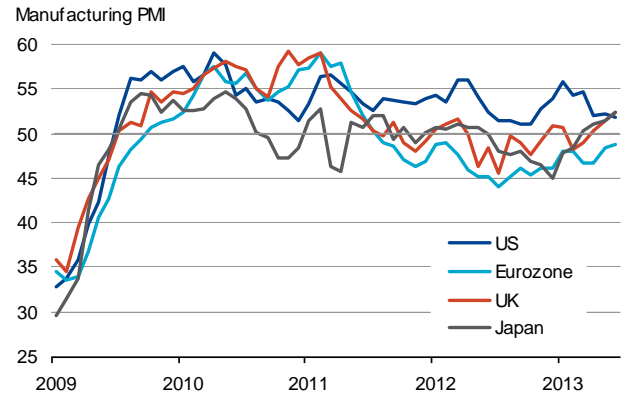
Taiwan's manufacturing sector meanwhile contracted for a second successive month, the PMI at 49.5, while the PMI for South Korea also dipped below the 50-line for the first time in five months with a reading of 49.4. At 46.4, the PMI for Vietnam registered the steepest downturn for almost a year, and at 51.0 the PMI indicated the weakest expansion for four months in Indonesia. Of all the countries surveyed in June, the scale of the downturn seen in Vietnam was only exceeded by that recorded in Greece.

In India, the PMI ticked higher to 50.3, but nevertheless indicated the second-weakest expansion for over four years as orders fell for the first time since March 2009.

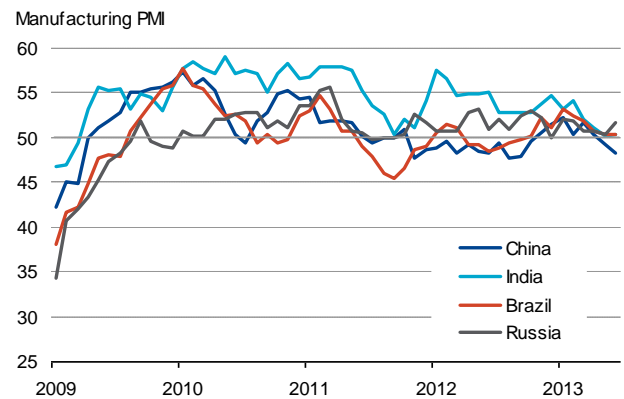
Elsewhere, the PMI for Mexico fell to 51.3, its lowest since data collection began in early-2011, and Brazil's PMI was unchanged on May's seven-month low of 50.4, with weakness fuelled in both bases by increased rates of decline of exports.

Russia bucked the deteriorating trend seen in other emerging markets, with rising domestic orders helping push the PMI to a four-month high of 51.7.

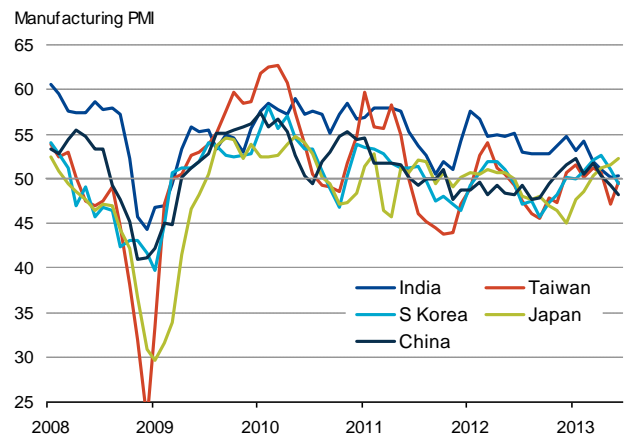
Main developed world PMIs



Main emerging markets PMIs



Diverging Asian trends



Sources: IMarkit, HSBC.

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