

Global manufacturing

PMI hits 29-month low in November

- Worldwide manufacturing shows further marginal contraction
- Upturns in US and Russia contrast with European and Asian downturns

Purchasing surveys signalled a marginal deterioration of worldwide manufacturing conditions for the third month running in November, providing further evidence that the recovery which began in July 2009 has stalled.

The overall rate of decline is far weaker than that seen in 2008-09, although the overall picture concealed marked variations in business trends around the world. Increased rates of decline in the Eurozone and the UK, and a fall back into contraction in Asia contrasted with faster growth in the US and Russia.

The JPMorgan Global Manufacturing PMI fell from 49.9 in October to 49.6, a 29-month low and the third consecutive month that the index has been below the 50.0 no-change level. The index – a composite measure of activity based on five survey questions relating to output, new orders, employment, inventories and supplier performance – has fallen sharply since peaking earlier in the year.

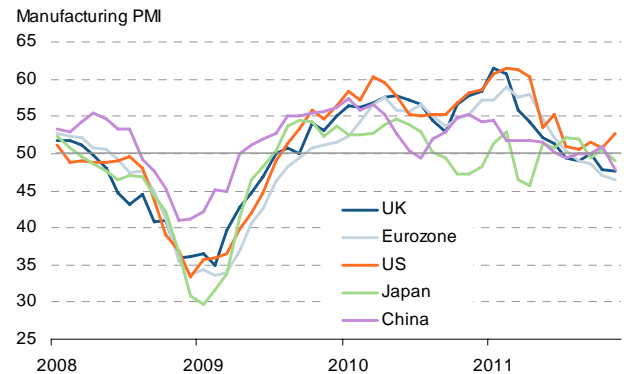
Official data, currently only available up to September, have followed the PMI down, with the annual rate of growth of manufacturing output slowing from a robust 7.9% at the end of last year to just 3.6%.

Global manufacturing growth



Sources: Markit, ISM, JPMorgan.

Manufacturing PMIs for main economies



Sources: Markit, ISM, HSBC, JMMA

Euro woes

Of all the major economies, the euro area, battling with its escalating debt crisis, saw the steepest deterioration. The Eurozone PMI signalled contraction for the fourth month running, with the rate of deterioration the highest since July 2009. The downturn, which started in the periphery, has spread to the core, with German manufacturers reporting the steepest drop in activity since July 2009 as growth of export sales collapsed. All Eurozone countries reported contraction in November.

The UK meanwhile saw manufacturing conditions deteriorate at the fastest rate since June 2009. UK businesses and households grew increasingly worried about the outlook in the face of domestic austerity measures and the Eurozone's crisis.

Eastern Europe also suffered from the euro area's downturn, with manufacturing contracting in both Poland and the Czech Republic for the first time in just over two years.

Asian downturn

Asia (excluding Japan) showed the steepest deterioration in manufacturing conditions since March 2009, with China seeing a reversal of the small improvement seen in October as business conditions worsened at the steepest rate since April 2009.

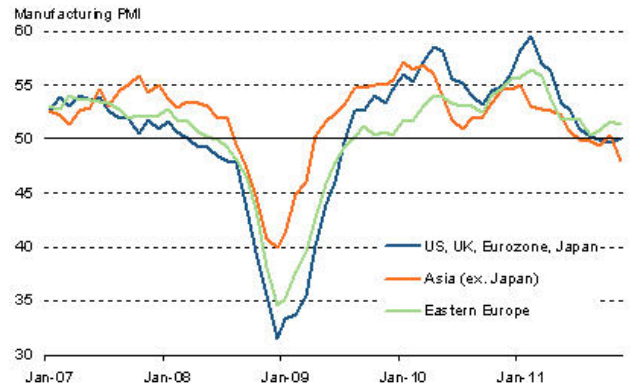
Contraction was also seen in Taiwan and South Korea, while India eked out a modest expansion, though the rate of output growth slowed to a near standstill.

Japan suffered a steep loss of export orders, driving its PMI into contraction territory to signal the steepest deterioration of business conditions since April, when business was disrupted by the country's earthquake.

US and Russia uplift

The manufacturing PMI for the US, which has remained in expansion territory since August 2009, signalled an acceleration of growth to a five month high. It was not the only bright spot, as Russia saw growth accelerate to the fastest since March. Finally, Brazilian manufacturers also offered some glimmer of hope, with activity falling at the slowest rate for five months.

Aggregated Manufacturing PMIs



Sources: Markit, ISM, HSBC, JMMA

Chris Williamson

Chief Economist

Markit

Tel: +44 207 260 2329

Email: chris.williamson@markit.com

For further information, please visit www.markit.com

The intellectual property rights to this report provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.