

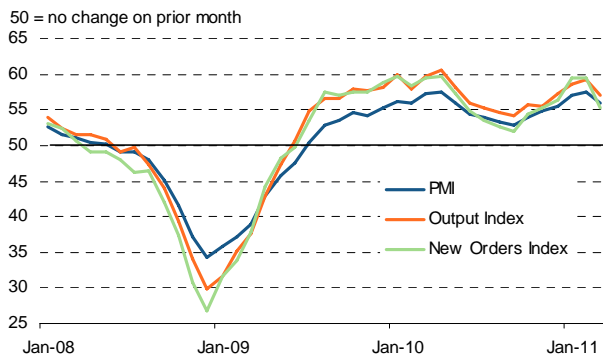
# Global manufacturing

## Global growth slips in March from near-record high

- **Global Manufacturing PMI at three-month low in March.**
- **Slowdown led by Japan, but signs of cooling appear in other countries.**
- **Downturn not linked to delivery delays, but shortages may hit future output.**

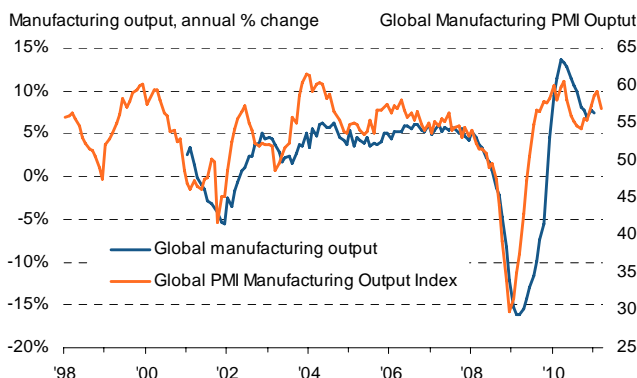
The JPMorgan Global PMI for manufacturing showed the largest points fall for nine months in March, with the index easing to a three-month low of 55.8 from February's near record high of 57.4 (the record is 57.9). The decline was led by deteriorations in the survey's output and new orders indices.

### JPMorgan Global Manufacturing PMI



The survey's Output Index is consistent with global manufacturing production rising at a rate of around 7% per annum in March, though this is down from almost 10% in February.

### Global manufacturing output



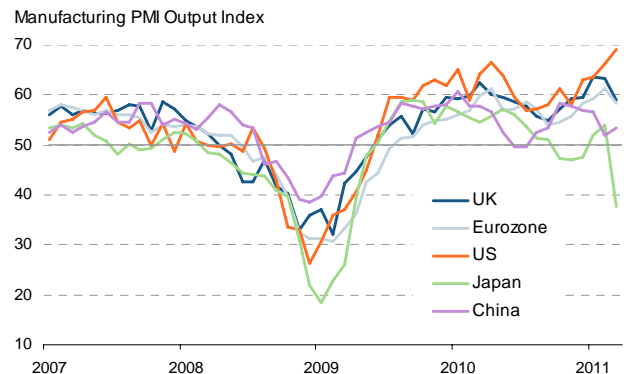
### Slowdown led by Japan

Japan saw by far the largest decline in its PMI, as business was disrupted by the 11 March earthquake and tsunami. The Japanese PMI dropped 6.5 points – the largest in the Japanese survey's ten-year history. But PMIs also fell in many other major economies, including the US (-0.2 points), the Eurozone (-1.5) and the UK (-3.9), while China's PMI rose only marginally (+0.1) from February's seven-month low. Even if the Japanese PMI had been unchanged in February, the PMI would still have slipped to a three-month low of 56.8 in March.

### No signs of production outside of Japan being hit by delivery delays

We do not believe that the declines in the PMIs are attributable to supply chain disruptions emanating from the events in Japan, as there is little evidence that such issues have yet manifested themselves in a hit to production. Although the Suppliers' Delivery Times Index signalled the highest incidence of supply chain delays since June 2004, output growth accelerated in several key manufacturing countries, including the US, China and Taiwan. Excluding Japan, global output growth actually accelerated slightly in March.

### Manufacturing output

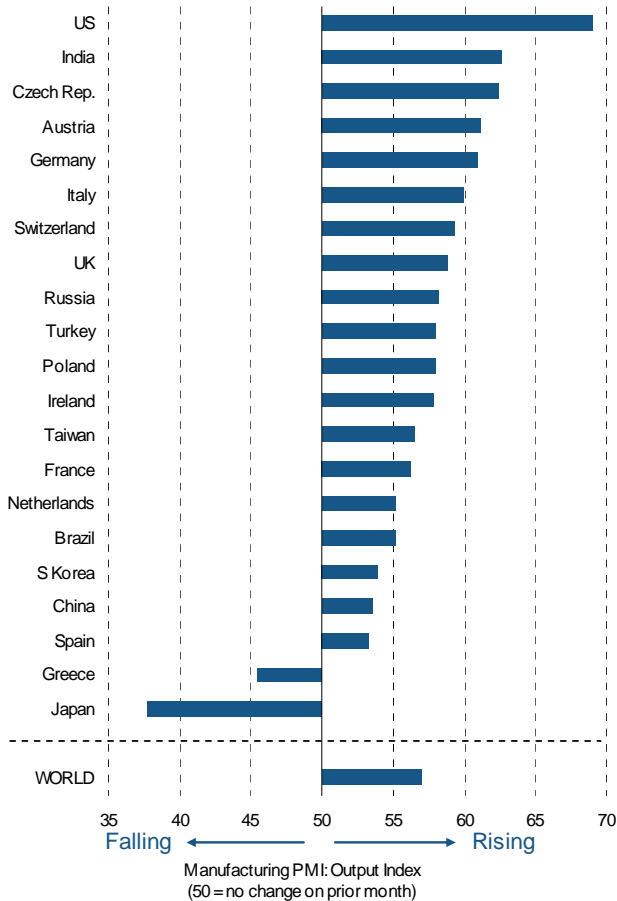


### US leads output rankings

Looking at output growth by country, the US enjoyed the strongest growth in March (the fastest for over seven years), followed by India. Besides Japan,

Greece was the only other country to see output fall during the month.

**PMI Manufacturing Output Indices in March**



**Longer delivery times could cause future output to weaken**

The inclusion of the Suppliers' Delivery Times Index in the calculation of the PMI is also important to bear in mind. The PMI is calculated such that longer lead-times boost the headline number, as delays are normally associated with strengthening demand for raw materials. However, given the events in Japan, longer lead-times are likely to suggest that output may weaken rather than strengthen in coming months. We therefore stress the need to watch the surveys' output and new orders indices closely in coming months for signs of true underlying growth momentum. In this respect, the global manufacturing New Orders Index dropped 4.4 points in March, its largest fall since November 2008 in part linked to weaker export growth. Even after excluding Japan, the Global New Orders Index fell 2.4 points.

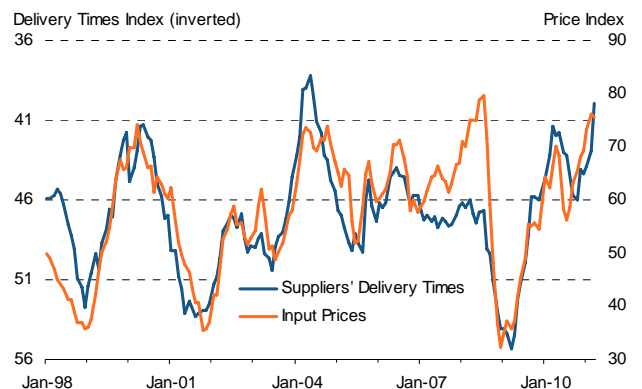
**Export growth slows**

Global manufacturing export growth slowed to the weakest since December, led by the first decline in Japan for three months. However, export growth also slowed sharply in the US, the UK and the Eurozone (although trends varied markedly by member state). The US consequently slid down the export orders rankings, with the top five spots now all held by Eurozone countries, led by the Netherlands. Exports fell in both Japan and Greece, while only modest growth was again seen in China and Brazil.

**Price pressures**

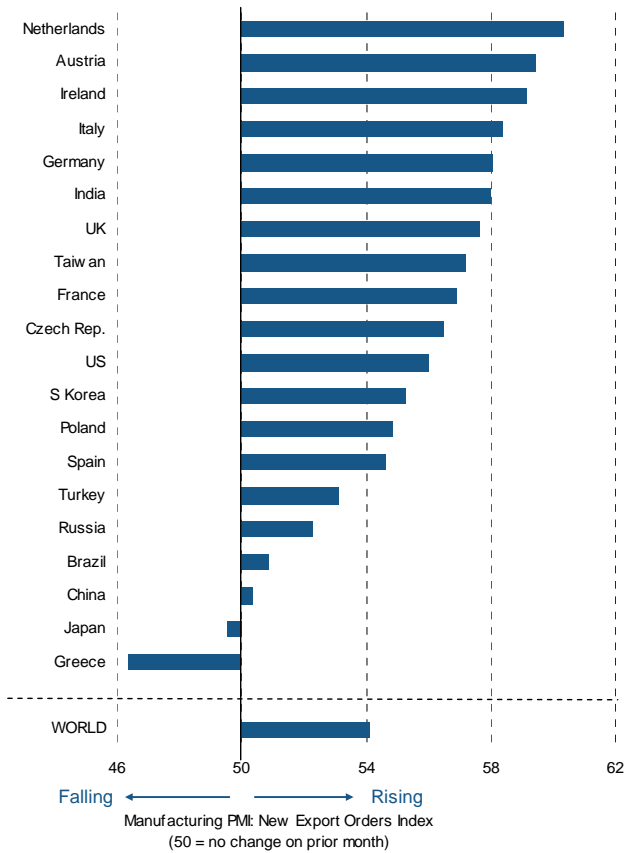
The lengthening of delivery times not only augurs badly for production growth, but also poses further upside risks to inflation, as longer deliveries tend to be associated with increased pricing power at suppliers. Global manufacturing input price inflation eased slightly in March, but remained close to its all-time high.

**Global manufacturing delivery delays and prices**

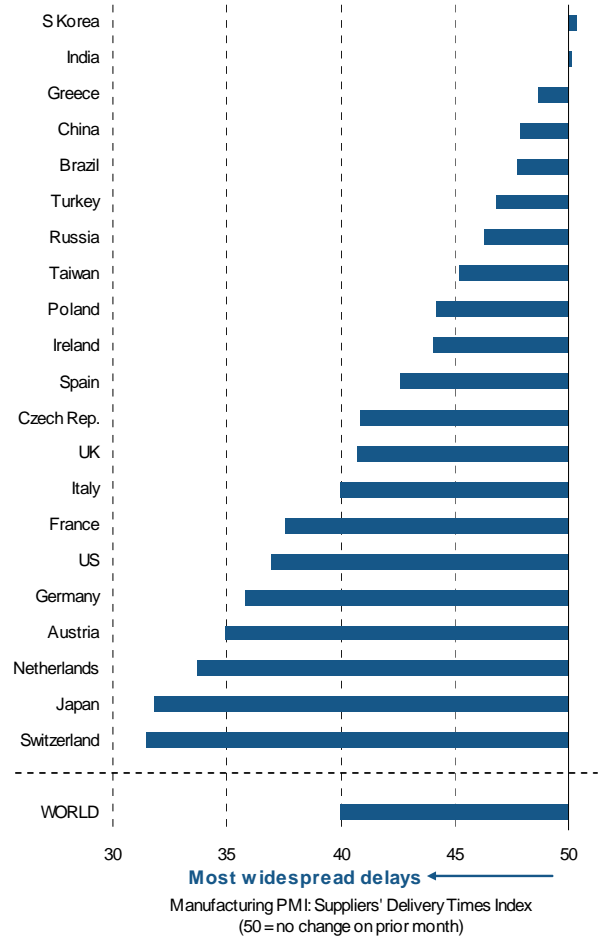


Only South Korea and India saw improved delivery times in March, while Switzerland and Japan saw the highest incidence of delays.

### PMI Manufacturing New Export Orders Indices in March



### PMI Manufacturing Delivery Times Indices in March



Sources for all charts: Markit, JPMorgan, ISM.

## Chris Williamson

Chief Economist

Markit

Tel: +44 20 7260 2329

Email: [chris.williamson@markit.com](mailto:chris.williamson@markit.com)

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