

# Global economy

## World-wide improvements in manufacturing PMIs

### Eurozone lags recovery as China, US, Japan and UK see output increase in June

PMI surveys for the US, China, the UK, the Eurozone and Japan all continued to improve in June. Although the headline PMIs remained below the 50.0 no-change level in all of these countries except China, the rates of deterioration of business conditions eased further in all cases.

Moreover, because the PMI is a composite index intended to illustrate general business conditions, derived from five survey sub-indices, some of which (notably employment) tend to lag improvements in demand and production, the current levels of the PMIs mask the strength of recoveries in manufacturing production.

The global manufacturing economy is being led out of recession by China, which registered a third consecutive monthly rise in output and the largest increase for a year. A return to growth was meanwhile seen in the US, the UK and Japan in June. In contrast, manufacturing output continued to fall in the Eurozone, although the drop in production was the smallest for ten months.

Within the euro area, all main national economies continued to contract, though rates of decline varied considerably from only modest declines in France and the Netherlands to still severe rates of decline in Germany, Italy and Spain.

### Rates of job losses ease

While output has returned to growth for many countries, the same cannot yet be said for employment. Even in China, output growth has yet to stimulate any meaningful rise in employment, with headcounts remaining largely unchanged in June. Companies report the need to continue to downsize in the face of lower sales and weak demand. However, rates of job losses have slowed in the US, Japan, the UK and the Eurozone, but remain strong by historical standards, especially in the Eurozone.

Chart 1: Manufacturing PMIs\*

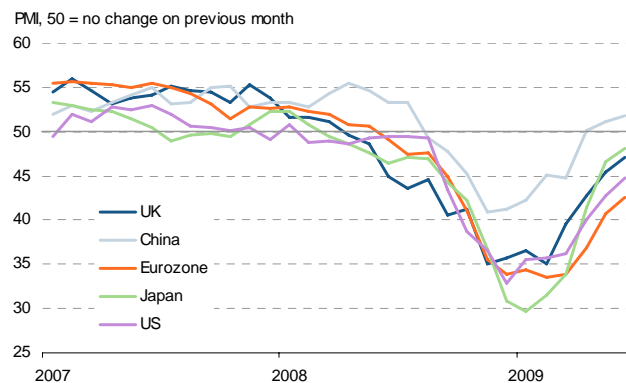


Chart 2: Manufacturing output

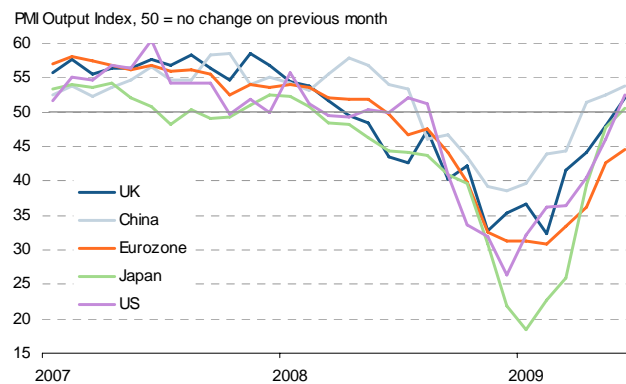
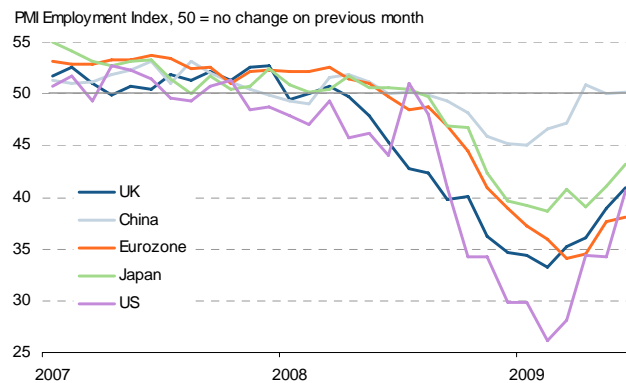


Chart 3: Manufacturing employment



\* PMIs are composite indices based on output, new orders, employment, suppliers' delivery times and stocks of purchases sub-indices.

Sources: Markit, ISM.

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## At a glance summary of manufacturing PMI data in the World's major economies

### UK (CIPS/Markit):

**PMI:** 47.0, 13-month high, 15<sup>th</sup> decline but weakest rate of contraction since May 2008.

**Output:** first increase for 15 months.

**Employment:** lowest rate of job losses for 10 months.

### China (CLSA/Markit):

**PMI:** 51.8, 11-month high, 3<sup>rd</sup> rise in production and strongest increase since July 2008.

**Output:** largest rise for 12 months.

**Employment:** second (marginal) rise in past three months.

### US (ISM):

**PMI:** 44.8, 10-month high, 17<sup>th</sup> decline but weakest rate of contraction since August 2008.

**Output:** first increase for 10 months.

**Employment:** lowest rate of job losses for 9 months.

### Japan (Nomura/JMMA/Markit):

**PMI:** 48.2, 14-month high, 16<sup>th</sup> decline but weakest rate of contraction since April 2008.

**Output:** first increase for 16 months.

**Employment:** lowest rate of job losses for 8 months.

### Eurozone (Markit):

**PMI:** 42.6, 9-month high, 13<sup>th</sup> decline but weakest rate of contraction since September 2008.

**Output:** smallest fall for 10 months.

**Employment:** lowest rate of job losses for 6 months.

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