



GLOBAL ECONOMICS UPDATE

Manufacturing PMIs: weaker activity and inflation

- **The latest manufacturing PMIs suggest that global industrial activity was broadly flat in Q1, and confirm that the post-COVID rebound in China was concentrated in the service sector. The upside is that with product shortages largely a thing of the past, price pressures are easing significantly.**
- The output component of the global manufacturing PMI fell slightly from 50.8 in February to 50.6 in March, which suggests that industrial activity grew slightly last month and was broadly flat over Q1 as a whole. **India's** PMI rose further, as the manufacturing sector there continued to outperform its regional peers. Elsewhere, the PMIs rose in some countries including Russia, but fell in others such as the UK and several **Emerging Asian economies**. Overall though, most output indices were broadly at or below the 50 no-change mark in March, suggesting that industrial activity fell in several economies. (See Chart 1.)
- In **China**, both the official and the Caixin manufacturing PMIs fell in March, with the average output PMI falling to 52.6 from 55.0 in February. (See Chart 2.) The fall was partly driven by a large decline in the new export orders PMIs, which fell back into contractionary territory amid weak global demand. **Overall, the PMIs point to only a modest rebound in industrial activity in Q1, which contrasts with the very sharp rebound in the services sector following the exit from zero-COVID.**
- **One thing that has become increasingly clear, though, is that the easing of COVID restrictions in China against a backdrop of weaker global demand has allowed supply conditions to improve markedly.** Suppliers' delivery times shortened for the largest share of firms since May 2009, while backlogs of work also eased. (See Chart 3.) And stocks of both intermediate and final goods were run down at slower paces.
- All this has helped to ease global price pressures for manufactured goods. Indeed, the input and output price components of the PMI fell further in March. (See Chart 4.) **And although both indices still point to prices rising, the rates at which prices are increasing seem to be back around 2018-19 levels.**

Chart 1: Manufacturing PMIs: Output

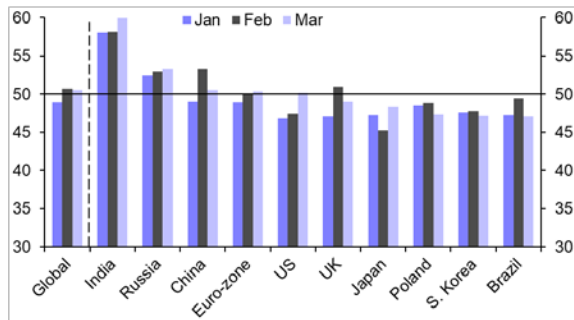


Chart 2: China Manufacturing PMI Components (Ave of Official & Caixin)

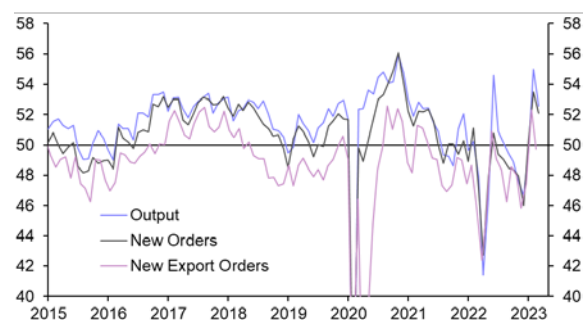


Chart 3: Global Mfg. PMI: Suppliers' Delivery Times & Backlogs of Work

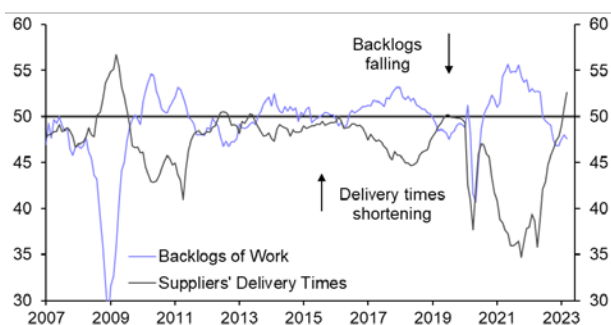
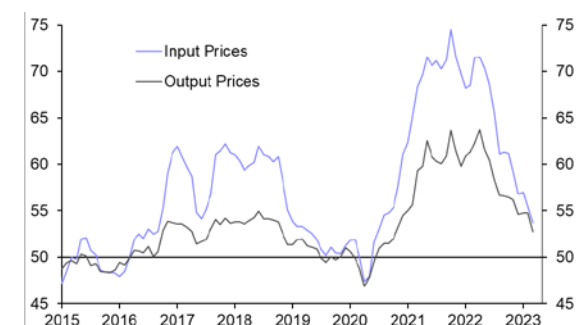


Chart 4: Global Manufacturing PMI: Prices



Sources: S&P Global, Refinitiv, Capital Economics





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