

World Manufacturing Production

Statistics for Quarter 4, 2012



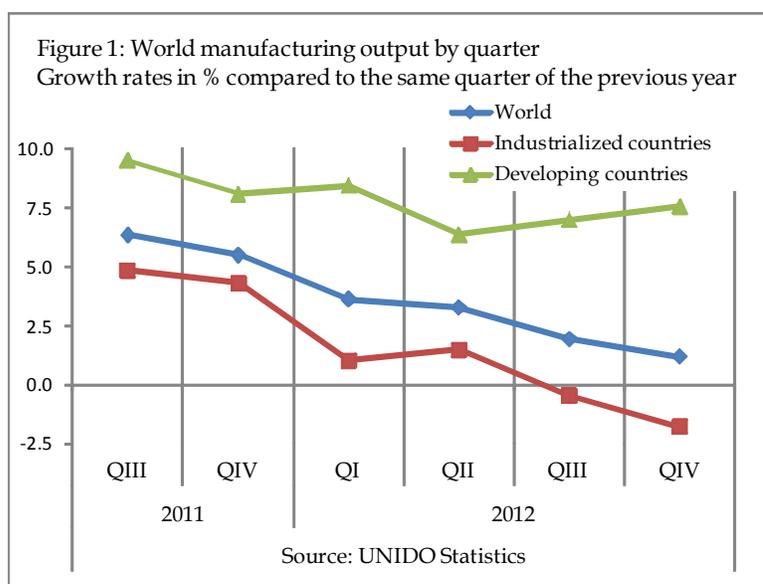
Report on world manufacturing production, Quarter IV, 2012

UNIDO Statistics presents this report on world manufacturing production in the last quarter of 2012 to international data users. The report provides estimates based on the observed growth of manufacturing output obtained from quarterly production indices. Reports for earlier quarters are available on the statistics pages of UNIDO's website. Users can also access methodological documents on the compilation of quarterly indices and the estimation procedure of growth rates. This report presents the latest figures and revised estimates of previous quarters supplemented by a brief data analysis.

Major findings

World industrial production registered a further slowdown in the fourth quarter of 2012 amid deepening economic recession in Europe and weakened growth in other industrialized countries. By the end of 2012, industrialized economies had in general already experienced a 5-year long period of stagnation, which has severely diminished consumer confidence worldwide and prospects of economic upturn in the near future. Industrial growth of developing economies has also been considerably affected by negative spillovers from prolonged recession in industrialized countries, especially due to a reduction in demand for their goods in external markets.

According to latest UNIDO estimates, world manufacturing output grew by merely 1.2 percent in the fourth quarter of 2012. This is the lowest growth rate since the last quarter of 2009. As depicted in Figure 1, world industrial growth persistently slowed down in 2012 and fell for two consecutive quarters in the second half of 2012. On a quarter to quarter basis, manufacturing output dropped by more than 1.1 percent compared to the previous quarter, indicating that economic recovery has weakened further. Manufacturing



output of industrialized countries fell by 1.8 percent compared to the last quarter of 2011.

At the same time, developing countries have sustained relatively higher growth rates (see Figure 1), and averted the further slowdown observed during the first half of 2012, as a result, in particular, of some improvement in China's growth figures at the end of 2012. According to the latest UNIDO estimates, the manufacturing output of developing economies grew by 7.6 percent in the fourth quarter of 2012 compared to the same period of the previous year. Despite these improvements, the risk of another slowdown looms over developing economies as long as the economic recession in industrialized countries persists. While China has developed a strong domestic market, other economies are still fairly dependent on export of their products to industrialized countries. The decrease in external demand for consumer goods and lower capital inflow still pose a major problem for the reacceleration of industrial growth in developing countries and full recovery from recession.

The financial crisis that has kept a hold on the economic activities in Europe remained unresolved in 2012 and prevented a reacceleration of industrial growth in major economies. The sustained recession in production activities and the deepening financial instability prompted Europe's political leadership to adopt a new industrial policy for the European Union¹, which aims to boost both growth and well-paid jobs jobs by maintaining and supporting a strong, diversified and competitive industrial base in Europe. However, this policy declaration in favour of industrial growth still lacks adequate support through real progress on fiscal and structural reforms required to boost demand. Currently, financial sectors account for higher shares in total GDP than manufacturing sectors, which highlights the seriously weakened industrial base of the European economy over the years. Consequently, the modest instability in financial sectors resulted in deeper economic recession in Europe. Industrial production slowdown further intensified throughout 2012, causing adverse effects on the business environment and consumer confidence.

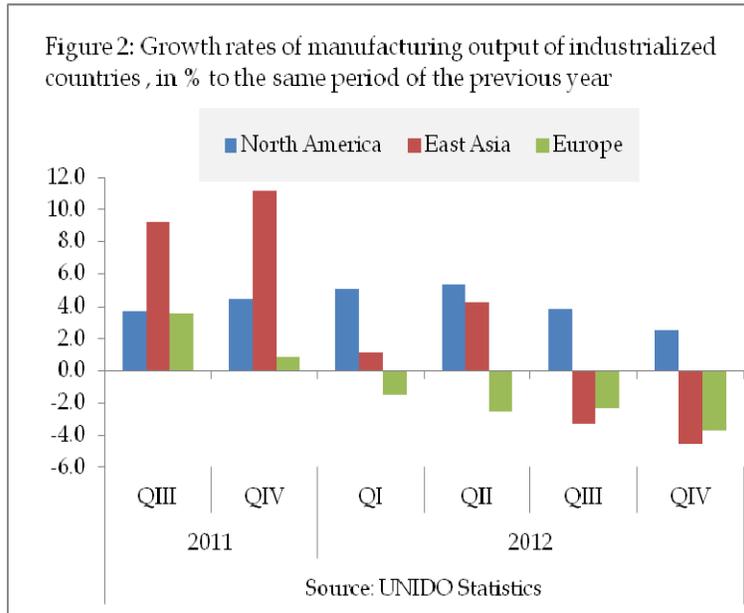
By country group

Industrialized countries

The industrial growth of industrialized countries at the beginning of 2012 was a mixture of dynamism in North America and East Asia and sustained

¹ http://ec.europa.eu/enterprise/policies/industrial-competitiveness/industrial-policy/index_en.htm

uncertainty in Europe. In contrast to earlier expectations that growing regions would help troubled economies achieve intensified production growth, the prospect of recovery in industrialized countries suffered further setbacks in the following quarters. In the last quarter of 2012, industrial production in Europe and East Asia further declined, while the growth rate in North America reduced. The manufacturing output of North America increased by 2.5 percent in the fourth quarter, which was down from 3.9 percent in the third



quarter of 2012. Manufacturing output growth in the United States slowed in the second half of 2012 and decreased to 2.8 percent in the fourth quarter.

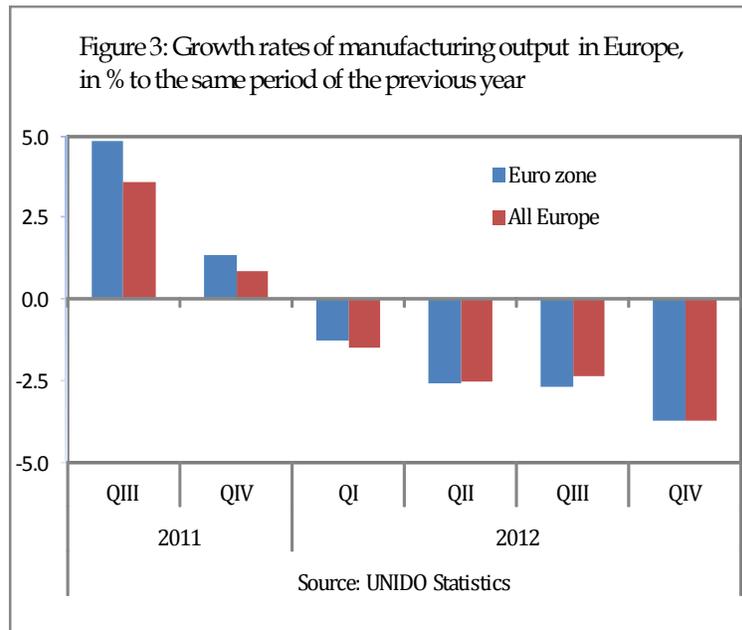
The year 2012 also ended with a further decline of industrial production in East Asia, which demonstrated a strong recovery from the 2009 crisis. The manufacturing output of East Asian industrialized countries fell by 4.6 percent compared to the same quarter of the previous year, mainly due to production downturn and a soaring trade deficit. Japan’s manufacturing output further shrank in the last quarter of 2012 due to the continuous decline of manufactured exports, especially of capital goods. While a drop in domestic demand occurred in the face of overall economic recession, external demand for manufactured goods fell as the Japanese yen remained stronger against major world currencies. It is important to note that the Japanese yen continually gained in strength throughout the period of its economic vulnerability.

Among other East Asian industrialized countries, the manufacturing output of Republic Korea maintained a modest growth of 1.5 percent in the last quarter of 2012. However, Singapore’s output fell by 1.0 percent.

In Europe, the industrial production systematically dropped in all four consecutive quarters of 2012. The decline in industrial production previously observed in a few countries of the European Union further spread across the continent and beyond due to the deepening and widening of the recession in the

euro zone and the rest of the European Union. The fiscal reforms and other policy interventions intended to resolve the financial instability has not yet produced the expected results. The manufacturing output of euro zone countries fell by 3.7 percent in the fourth quarter of 2012, lower than the 2.7 percent decline in the third quarter of 2012.

In 2012, industrial production continuously decreased in all of Europe's major economies. In the fourth quarter, manufacturing output fell by 3.9 percent in France, 2.9 percent in Germany, 6.9 percent in Italy and 1.8 percent in the United Kingdom. The severity of the crisis has slightly eased in Greece and Portugal, with a much lower declining rate of manufacturing output. However, manufacturing output in Spain dropped significantly by 6.0 percent in the fourth quarter. Positive growth was only observed in a few economies with relatively smaller size such as Austria, Estonia and Slovakia. Growth prospects remained sluggish in the majority of Eastern European countries. In the fourth quarter, manufacturing output fell in several countries of Eastern Europe including Croatia, Hungary, Poland, Romania and the Russian Federation.



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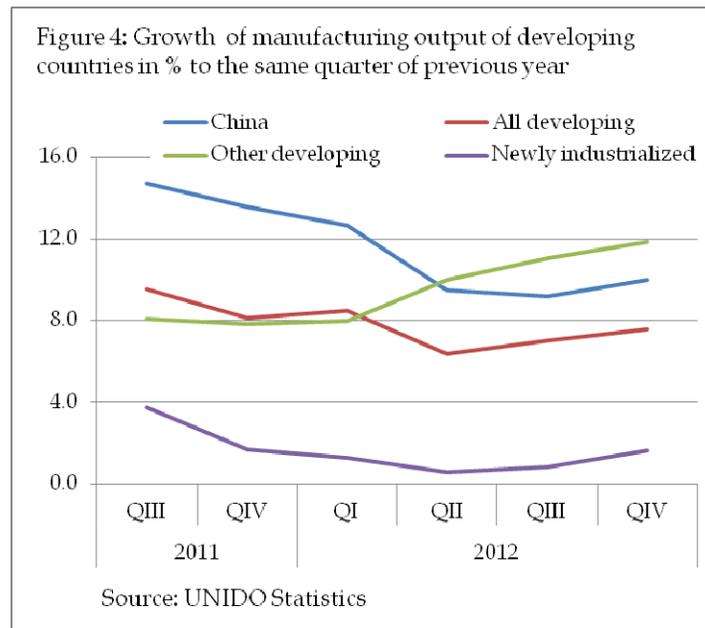
A look at recent growth trends once again confirms the conclusion drawn earlier by UNIDO that the recovery prospects from the current recession look very dim for industrialized countries across the globe until the first half of 2013. At the moment, policy interventions in structural reform appear weak and inadequate to raise consumer confidence and boost demand. More effective policy measures would be necessary to reaccelerate growth in industrialized countries.

Developing countries

In general, developing countries were able to sustain a relatively higher growth rate of manufacturing output in the fourth quarter of 2012. As shown in

Figure 4, the downward trend of developing countries' industrial production observed since the second half of 2011 has been contained and overall growth by the end of 2012 remained relatively high. In the fourth quarter of 2012, manufacturing output of developing economies rose by 7.6 percent compared to the same period of the previous year.

The manufacturing output of China, the largest developing economy, increased by 10.0 percent in the fourth quarter of 2012, up from 9.2 percent in the third quarter. Newly industrialized countries averted the further decline observed earlier in 2012 and witnessed increased growth of 1.6 percent in the last quarter. Other developing countries posted strong gains in industrial growth from their low level growth in the beginning of 2012.



Despite the overall positive scenario of developing countries, the impact of global contraction on the industrial growth of developing countries is evident. Since the beginning of 2012, manufacturing growth in developing countries, including China, continuously decelerated. Brazil, one of the major developing economies, has not yet recovered from its industrial slowdown and its manufacturing output fell by 1.1 percent in the last quarter of 2012. India's growth figures have improved with the rise in manufacturing output by 2.6 percent in the fourth quarter of 2012. Industrial production also grew in other major developing economies such as Indonesia, Mexico and Turkey. Developing economies still face some risk of downturn until the external factors become more favourable. Some internal factors may also contribute to the risk of downturn. At the height of the global recession, developing countries adopted some policy measures to address country-specific problems, such as tightening credit facilities, controlling inflation and speeding up structural reforms. These measures have not always been favourable to short-term growth prospects.

The European recession as well as the political instability in a number of countries of North Africa has caused a slowdown in African manufacturing. Many African countries are highly dependent on the export of primary processed commodities to Europe. A severe decline of manufacturing in Europe has reduced the demand for African goods and forced a slowdown of manufacturing in many countries. According to UNIDO estimates, Egypt's manufacturing output fell by 9.6 percent and Morocco's by 2.6 percent in the fourth quarter of 2012. South Africa maintained a positive growth rate throughout 2012. The country's manufacturing output grew by 3.2 percent in the fourth quarter.

Among other developing countries, manufacturing output dropped in Argentina, but rose significantly in Chile and Peru, while Columbia regained modest growth in the fourth quarter. In Asia, manufacturing output rose in Bangladesh and Malaysia, but slightly declined in Mongolia and Viet Nam.

The manufacturing sector of developing economies has shown strong growth performance in the fourth quarter of 2012, however, as mentioned earlier, its growth prospects for 2013 greatly depend on the recovery trends in industrialized countries and policy measures adopted by developing countries themselves.

By industry groups

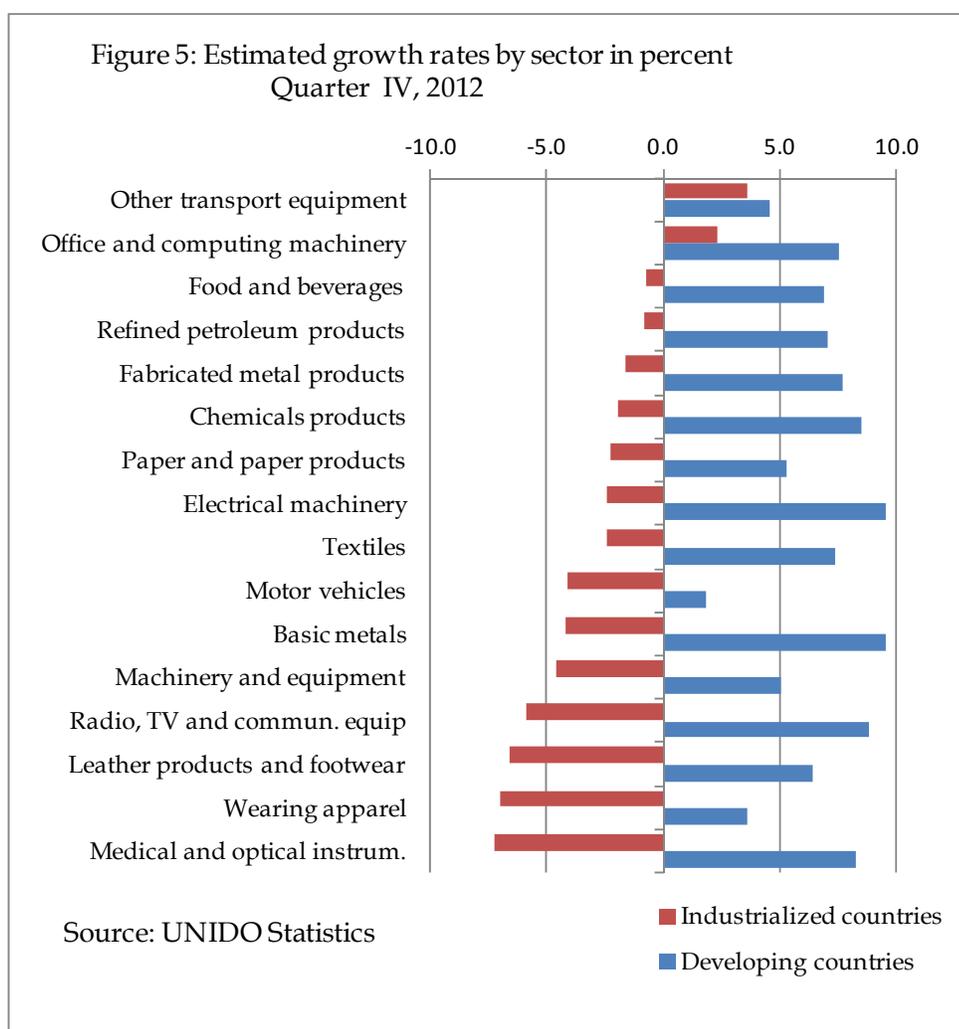
The growth estimates for both industrialized and developing countries are presented by manufacturing sectors.

Industrialized countries suffered significant setbacks across all manufacturing sectors. The manufacturing output of industrialized countries dropped in such major sectors as production of general purpose machinery and equipment, electrical and electronic goods and motor vehicles. In these sectors, industrialized countries have traditionally maintained a comparative advantage on account of their orientation towards innovation and technology.

As the capital inflow to developing countries has fallen due to recession, the production of capital goods has witnessed significant decline in industrialized countries and exports have subsequently decreased. The production of general purpose machinery fell by 2.2 percent in Germany in the fourth quarter of 2012, by 6.1 percent in Italy and 13.7 percent in Japan. Thanks to the policy of retaining manufacturing activities at home, the production of machinery and equipment grew in the United States to meet the increasing domestic demand.

The United States also maintained the strong growth of motor vehicles in the last quarter of 2012. However, other major automotive producers experienced a severe decline in production. Output from the manufacture of motor vehicles fell by 14.3 percent in France, 12.8 percent in Italy, 13.5 percent in Japan and 19.3 percent in Sweden. The production of motor vehicles also dropped in Germany by a much lower rate of 3.4 percent.

The estimated growth rates of selected manufacturing sectors for the fourth quarter are presented separately for industrialized and developing countries in Figure 5.



The manufacturing output of developing countries grew across all sectors. Their growth was not limited to the primary processing industry as has been the case in the past, but also covered high and medium technology sectors, such as

chemicals, machinery and equipment, electrical and electronic goods and production of medical and optical instruments.

Developing countries maintained a higher growth of basic consumer goods in the fourth quarter. The production of food and beverages rose by 6.9 percent, textiles by 7.4 percent and wearing apparel by 3.6 percent compared to the same quarter in the previous year. However, due to the impact of recession and decreasing demand from industrialized countries, growth rates for products mainly intended for export were relatively low. The production of wearing apparel dropped in Brazil, India and Malaysia. Likewise, the production of paper products fell in Argentina, Indonesia and South Africa.

Despite the relatively high growth rates in developing countries, a slowdown in manufacturing was observed across all sectors. Table 3 in the Statistical Annex compares the growth figures with those of the previous quarter. The production of general consumer goods, particularly those intended for household and office use, are among those that have been significantly affected by the recession due to the drop in demand from industrialized countries.

Additional statistics on the growth rates in the fourth quarter of 2012 are presented in the Statistical Annex.

Statistical tables

Table 1:

Estimated growth rates of world manufacturing output

Quarter IV, 2012

	Share in world MVA (2010)	Growth rates compared to:	
		previous quarter	same period of the previous year
World	100.0	-1.2	1.2
Industrialized Countries	67.9	-0.9	-1.8
North America	24.8	0.1	2.5
Europe	23.5	-2.3	-3.7
East Asia	18.1	0.4	-4.6
Developing Countries (by development group)	32.1	-1.5	7.6
China	15.4	-3.4	10.0
Newly Industrialized Countries	12.8	2.0	1.6
Other Developing Countries	3.5	4.0	11.8
Developing Countries ² (by region)	32.1	-1.5	7.6
Asia	24.1	-2.3	9.7
Latin America	5.7	1.8	1.2
Others	1.2	0.5	0.3

² Africa is not reported separately due to limited data availability.

Table 2:

Estimated growth rates of output by manufacturing sector,
 Quarter IV, 2012
 (in % compared to the same period of the previous year)

	Developing Countries	Industrialized Countries	World
Food and beverages	6.9	-0.8	2.2
Tobacco products	8.5	-6.8	7.2
Textiles	7.4	-2.4	4.3
Wearing apparel, fur	3.6	-7.0	-0.1
Leather, leather products and footwear	6.4	-6.6	1.8
Wood products (excl. furniture)	8.5	-1.5	1.7
Paper and paper products	5.3	-2.3	0.0
Printing and publishing	-0.3	-4.5	-3.9
Coke, refined petroleum products	7.1	-0.8	3.3
Chemicals and chemical products	8.5	-2.0	1.6
Rubber and plastics products	7.5	-3.3	0.4
Non-metallic mineral products	6.7	-4.6	1.1
Basic metals	9.6	-4.2	3.7
Fabricated metal products	7.7	-1.6	0.3
Machinery and equipment n.e.c.	5.0	-4.6	-1.5
Office and computing machinery	7.5	2.3	2.8
Electrical machinery and apparatus	9.6	-2.4	3.2
Radio, TV and communication equipment	8.9	-5.8	3.5
Medical, precision and optical instruments	8.2	-7.2	-5.3
Motor vehicles, trailers, semi-trailers	1.8	-4.1	-3.0
Other transport equipment	4.6	3.6	4.1
Furniture; manufacturing n.e.c.	8.9	-2.2	3.1
Total Manufacturing	7.6	-1.8	1.2

Table 3:**Estimated growth rates of output by manufacturing sector,**

Quarter IV, 2012

(in % compared to Quarter III of 2012)

	Developing Countries	Industrialized Countries	World
Food and beverages	3.9	-0.3	1.3
Tobacco products	-4.6	0.3	-3.9
Textiles	-2.9	-1.6	-2.6
Wearing apparel, fur	-2.2	-1.2	-1.9
Leather, leather products and footwear	-0.2	-3.1	-1.2
Wood products (excl. furniture)	-4.6	0.6	-0.9
Paper and paper products	-0.6	-0.6	-0.6
Printing and publishing	-1.2	-2.1	-1.9
Coke, refined petroleum products	3.5	-1.0	1.4
Chemicals and chemical products	-2.1	-0.5	-1.1
Rubber and plastics products	-0.8	-1.8	-1.4
Non-metallic mineral products	-0.8	-1.8	-1.3
Basic metals	-2.9	-2.7	-2.8
Fabricated metal products	-5.9	-1.5	-2.5
Machinery and equipment n.e.c.	-3.9	-3.5	-3.6
Office and computing machinery	-4.9	-0.1	-0.6
Electrical machinery and apparatus	-3.1	-2.4	-2.8
Radio, TV and communication equipment	-6.4	0.4	-4.2
Medical, precision and optical instruments	-3.4	-4.2	-4.1
Motor vehicles, trailers, semi-trailers	1.2	-4.5	-3.4
Other transport equipment	-0.8	0.6	-0.1
Furniture; manufacturing n.e.c.	-1.3	-2.5	-1.9
Total Manufacturing	-1.5	-0.9	-1.2

Table 4:**Estimated growth rates of world manufacturing output**

Quarter III, 2012 (Revised)

	Share in world MVA (2010)	Growth rates compared to:	
		previous quarter	same period of the previous year
World	100.0	-1.3	2.0
Industrialized Countries	67.9	-0.8	-0.5
North America	24.8	-0.2	3.9
Europe	23.5	0.5	-2.3
East Asia	18.1	-4.4	-3.3
Developing Countries (by development group)	32.1	-1.8	7.0
China	15.4	-3.6	9.2
Newly Industrialized Countries	12.8	0.0	0.8
Other Developing Countries	3.5	10.1	12.0
Developing Countries (by region)	32.1	-1.8	7.0
Asia	24.1	-2.1	8.8
Latin America	5.7	1.4	0.5
Others	1.2	-0.5	2.6

Table 5:

Estimated growth rates of output by manufacturing sector,
 Quarter III, 2012 (revised)
 (in % compared to the same period of the previous year)

	Developing Countries	Industrialized Countries	World
Food and beverages	7.3	-0.5	2.4
Tobacco products	5.6	-6.9	5.1
Textiles	6.0	-3.6	2.9
Wearing apparel, fur	4.0	-6.0	0.5
Leather, leather products and footwear	5.5	-4.6	1.9
Wood products (excl. furniture)	10.0	-2.3	1.6
Printing and publishing	5.6	-2.0	0.3
Coke, refined petroleum products	4.2	-3.7	-2.7
Chemicals and chemical products	4.9	0.1	2.5
Rubber and plastics products	9.1	-2.1	1.7
Non-metallic mineral products	6.8	-1.5	1.4
Basic metals	7.2	-3.9	1.6
Fabricated metal products	8.3	-1.4	4.3
Machinery and equipment n.e.c.	10.1	-0.5	1.8
Office and computing machinery	5.0	-0.7	1.3
Electrical machinery and apparatus	6.3	2.1	2.5
Radio, TV and communication equipment	6.4	-0.9	2.6
Medical, precision and optical instruments	9.7	-13.7	1.0
Motor vehicles, trailers, semi-trailers	9.6	-2.9	-1.3
Other transport equipment	0.2	3.1	2.5
Furniture; manufacturing n.e.c.	3.0	5.9	4.4
Total Manufacturing	7.8	-1.9	2.8