



World Manufacturing Production

Statistics for Quarter 3, 2012



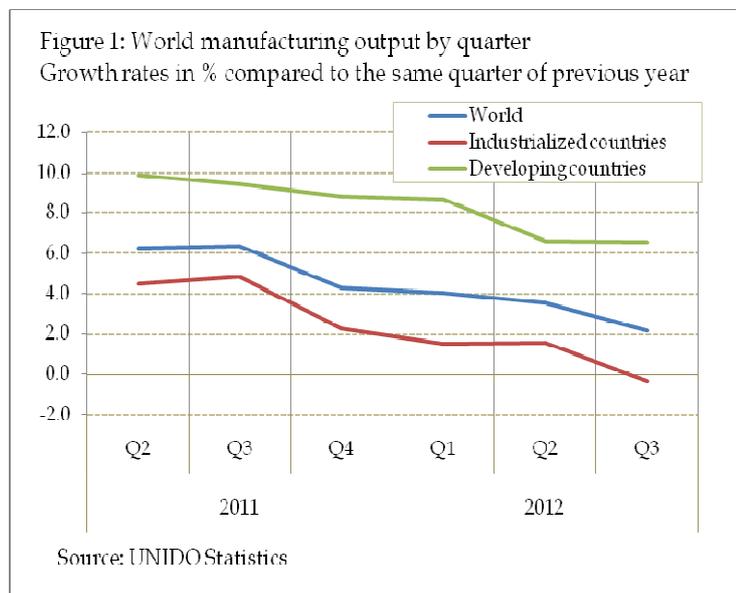
UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

Report on world manufacturing production, Quarter III, 2012

UNIDO Statistics presents this report on world manufacturing production in the third 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

Global industrial growth remained sluggish in the third quarter of 2012 due to the ongoing economic recession in Europe and its growing impact on emerging industrial and developing economies. According to the latest UNIDO estimates, world manufacturing output grew by a mere 2.2 percent in the third quarter of 2012 compared to the same period last year. This is the lowest growth rate since the last quarter of 2009. On a quarter to quarter basis, manufacturing output has dropped by 1.3 percent compared to the previous quarter, indicating that the economic recovery is further weakening. While developing countries have sustained relatively higher growth rates (see Figure 1), global manufacturing output growth has decelerated and fell in industrialized countries.



The major slowdown of global industrial production has been attributed to the prolonged financial instability in the eurozone countries. The economic recession in Europe further intensified throughout 2012, causing adverse effects on the business environment and consumer confidence. Although several policy measures have been taken in recent months, the financial instability continues to deepen in eurozone countries. The decline in production previously observed in only a few member states of the European Union has further spread across the

continent, affecting major economies such as France, Germany and the United Kingdom.

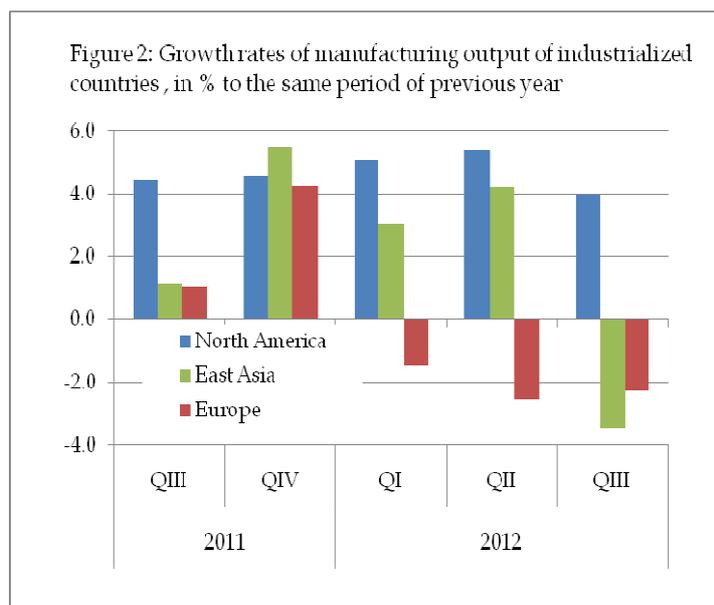
Industrial production also fell in East Asia due to the continuous decline of manufactured exports from Japan, especially to some Asian countries after the recent incident over a territorial dispute. In North America, the overall growth of manufacturing output was sustained in the third quarter at a moderate level, however, the pace has been rather slow due to the weaker rise in employment and consumption.

The recession has adversely affected the growth prospects of developing economies which are highly dependent on the export of their products to industrialized countries. The decrease in external demand for consumer goods and lower capital inflow has emerging industrial and developing economies' recovery from recession.

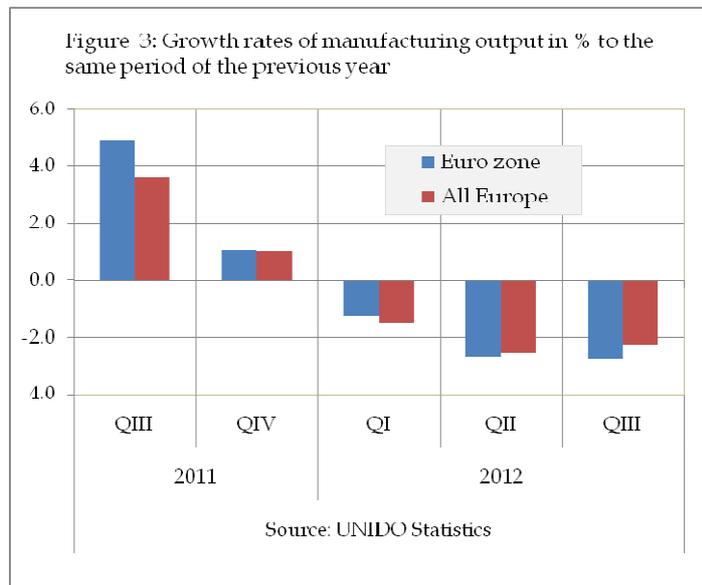
By country group
Industrialized countries

The prospect of recovery in industrialized countries suffered new setbacks since UNIDO released its second quarter report in August. Trends for the first half of 2012 showed a mixture of dynamic growth in North America and East Asia and sustained uncertainty in Europe. However, third quarter production data reveal the strong hold of recession in Europe, weakened recovery in North America and production decline in East Asia (see Figure 2). As a result, industrialized countries' total manufacturing output has dropped by 0.3 percent compared to the same period of the previous year. This is the first time since the last quarter of 2009 that the average growth of all industrialized countries has been negative.

The current trends show the deepening and broadening of recession in all industrialized regions, although the reasons behind these trends may differ from case to case.



In Europe, the policy interventions to stabilize the euro currency have thus far not yet produced the expected results. At the onset, the crisis only affected a few countries, while the eurozone's major economies and the transitional economies in Eastern Europe enjoyed relatively high growth. Contrary to the expectation that the major economies would swiftly close the gap, the crisis has spread across all eurozone countries and beyond. As UNIDO predicted in its earlier reports, spillovers from the eurozone have affected the rest of Europe. Manufacturing output has been declining in all of Europe since the beginning of 2012 (see Figure 3). In the third quarter, manufacturing output in Europe fell by 2.3 percent. During the same period, the eurozone's manufacturing output dropped at an even higher rate of 2.7 percent.



During 2012, all of Europe's major economies contracted. Industrial production began declining in France, Italy and the United Kingdom in the first quarter, and in Germany in the second quarter. In the third quarter, manufacturing output dropped by 1.9 percent in France, 1.7 percent in Germany, 6.2 percent in Italy and 0.9 percent in the United Kingdom. The crisis remained strong in Greece, Portugal and Spain, where manufacturing output fell by 7.6 percent, 2.8 percent and 5.6 percent, respectively. Among the few countries in the eurozone with a positive growth rate, manufacturing output grew by 1.3 percent in Austria and by 3.2 percent in Denmark. Outside the eurozone, industrial production remained sluggish in the majority of Eastern European countries. In the third quarter, manufacturing output fell in Bulgaria, Croatia, Czech Republic and Hungary.

Some positive signs in manufacturing were observed in the Russian Federation. After two quarters of consecutive decline, manufacturing output in the Russian Federation achieved a moderate growth rate of 3.6 percent compared to the second quarter, which is attributable to increased internal demand induced by the low growth of consumer prices.

The East Asian countries, which demonstrated a strong recovery from the 2009 crisis, plunged into another downturn in the third quarter of 2012, with

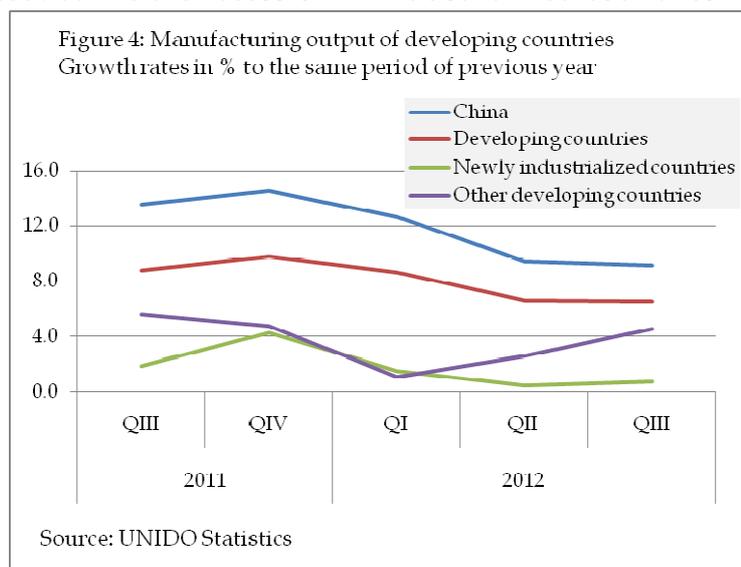
declining production and a soaring trade deficit. In the third quarter, Japan's manufacturing output dropped by 4.6 percent, due primarily to the significant loss in external demand for its manufactured products. Japan's exports, especially to neighbouring Asian countries, were also affected by the incidents related to territorial disputes. Manufacturing output also dropped in the Republic of Korea by 0.3 percent and in Singapore by 0.9 percent.

Amid the contraction in industrialized countries across Asia and Europe, North America maintained a positive growth rate in the third quarter. Manufacturing output grew by 4.1 percent in the United States and by 3.1 percent in Canada compared to the same period of the previous year. However, on a quarter to quarter basis, manufacturing output dropped in the United States, indicating further deceleration of industrial growth. As uncertainty over fiscal consolidation continues to loom and business as well as consumer confidence remain low, the growth prospects observed previously in 2012 have lost momentum.

The recovery prospects from the current recession for industrialized countries look very thin across the globe until the first half of 2013.

Developing countries

Relative to industrialized countries, industrial growth in developing countries remained high in the third quarter, however, the impact of global contraction on the industrial growth of developing countries is evident. Since the beginning of the year, manufacturing growth in developing countries, including China, has continuously decelerated. While the recession in industrialized countries has expanded as a result of internal imbalances between the financial sectors and production activities, the current slowdown in developing countries has mainly been caused by external factors. As mentioned in previous UNIDO reports, the first recession had little impact on developing countries. However, the loss of demand from industrialized countries due to prolonged financial



instability, especially in Europe, and limited inflow of capital to developing economies has steadily slowed their growth (see Figure 4). The manufacturing output of developing countries grew by 6.6 percent in the third quarter compared to the same period of the previous year. However, compared to the previous quarter, it fell by 2.3 percent, indicating an intensification of the deceleration.

Several internal reasons for the current slowdown exist as well. 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. As a result of these changes in combination with more influential external factors, manufacturing growth has decelerated in major developing and emerging industrial economies. In the third quarter, China's manufacturing output rose by 9.2 percent compared to the same period of the previous year. However, manufacturing output in China fell by 3.6 percent compared to the previous quarter. Manufacturing output rose by 2.0 percent in Indonesia, by 3.4 percent in Malaysia and 5.8 percent in Pakistan. India's industrial production improved slightly and attained a positive growth rate of 0.2 percent in the third quarter. However, recovery remains weak and high interest rates are limiting the borrowing possibilities of small and medium enterprises, the backbone of India's manufacturing sector.

The crisis in the eurozone countries 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 based on limited data, manufacturing output of Africa rose at a moderate rate of 1.2 percent. In North Africa, manufacturing output dropped by 5.9 percent in Egypt, but increased in Tunisia by 1.4 percent. South Africa maintained a positive growth rate throughout 2012. The country's manufacturing output grew by 2.9 percent in the third quarter.

In Latin America, Brazil's manufacturing output dropped for the third consecutive quarter in 2012. Despite the measures adopted by the government to control the price rise, the production of machinery and equipment and motor vehicles declined sharply in the third quarter. Manufacturing output also fell in Argentina and Columbia. However, Chile, Mexico and Peru had a relatively higher growth rate of manufacturing output by more than 4.0 percent.

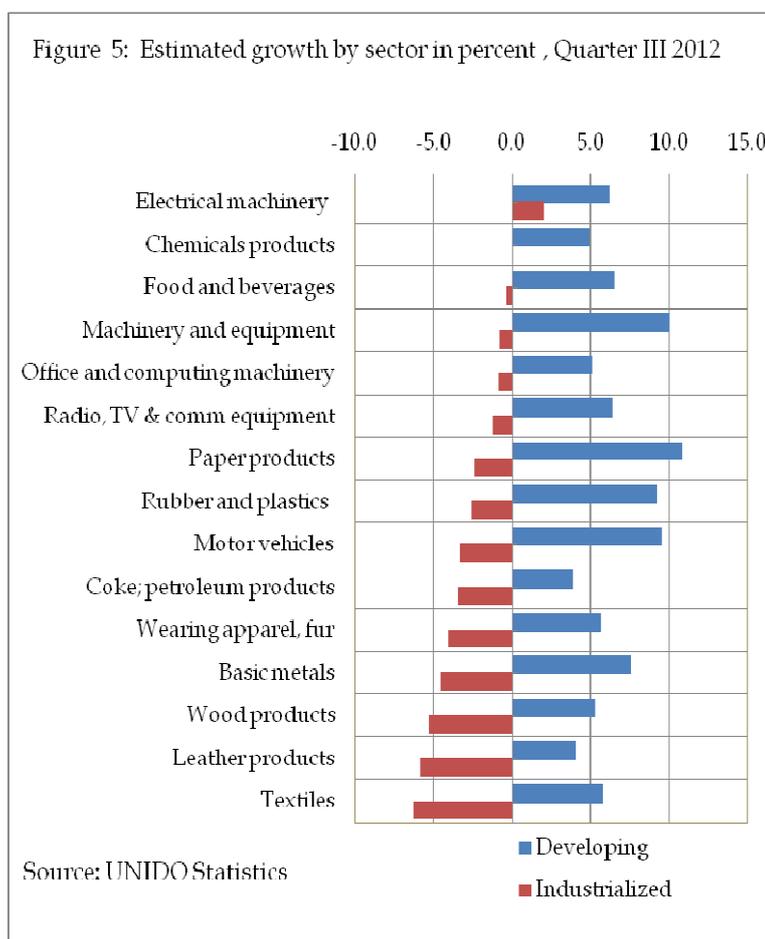
The manufacturing sector of developing economies is generally affected by the impact of the slowdown of industrialized countries and the country-specific growth prospects depend on the scope of these challenges.

By industry groups

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

Previous UNIDO reports cite the competitive advantage of industrialized countries in high-technology sectors, which dominated those countries' manufacturing growth. However, this advantage has diminished under the effects of the ongoing recession. Decline in industrial production was observed across the manufacturing sectors in industrialized countries. Sectors such as production of chemical goods, machinery and equipment, electronic goods and motor vehicles have also been affected.

The production of general machinery and equipment rose by 7.2 percent in the United States and by 9.2 percent in Canada, but fell in France, Germany, Italy and the United Kingdom. The manufacture of electronic goods and communication equipment dropped by 17.0 percent in France, 15.2 percent in Germany and 14.9 percent in Japan.



The United States maintained its strong growth in the production of motor vehicles, which was attributable to the government's stimulus bailout package to support major car producers. The production of motor vehicles also rose in Canada

and the United Kingdom, however, Japan's car manufacturing experienced a sharp decline in the third quarter compared to the second one due to the decline in exports, especially to China. The production of motor vehicles also dropped in France, Germany and the Russian Federation. Output from the primary processing industry such as textiles, wood products and basic metals decreased significantly in industrialized countries in general.

Developing countries outperformed industrialized countries in 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 and motor vehicles. These trends indicate the growing productive capacity of emerging industrial economies and developing countries in all industrial sectors.

Among basic consumer goods, the production of food and beverages rose by 7.0 percent in developing countries, textiles by 5.7 percent and wearing apparel by 4.1 percent compared to the previous year. However, due to the impact of recession and decreasing demand from industrialized countries, the production of wearing apparel and leather products dropped in developing countries compared to the previous quarter. The production of garments fell in Brazil, China, Egypt and Malaysia. Developing countries maintained high growth rates in various sectors. The manufacture of chemical products rose by 7.8 percent in Brazil and 5.8 percent in India, the production of machinery and equipment grew by 7.6 percent in China and 9.6 percent in Malaysia, and the production of motor vehicles rose by 12.2 percent in Mexico. However, due to the closure or suspension of operation of Japanese car manufacturers, the production of motor vehicles also dropped in China.

Despite the relatively high growth in developing countries, a slowdown in manufacturing was observed across all sectors. Table 3 in the Statistical Annex presents the growth figures compared to the previous quarter. The production of general consumer goods, particularly those intended for household and office use, are among those that are highly affected by the recession due to the drop in demand from industrialized countries. Compared to the previous quarter, the production of radio, television and communication equipment has decreased by 1.0 percent in developing countries, printing and publishing by 2.3 percent, and office, accounting and computing machines by 6.2 percent.

Further statistics on the growth rates in the third quarter of 2012 are presented in the Statistical Annex.

Statistical tables

Table 1:

Estimated growth rates of world manufacturing output

Quarter III, 2012

| | Share in world MVA (2010) | Growth rates compared to: | |
|---|---------------------------|---------------------------|----------------------------------|
| | | previous quarter | same period of the previous year |
| World | 100.0 | -1.3 | 2.2 |
| Industrialized Countries | 67.9 | -0.7 | -0.3 |
| North America | 24.8 | -0.1 | 4.0 |
| Europe | 23.5 | 0.6 | -2.3 |
| East Asia | 18.1 | -4.6 | -3.5 |
| Developing Countries (by development group) | 32.1 | -2.3 | 6.6 |
| China | 15.4 | -3.6 | 9.2 |
| Newly Industrialized Countries | 12.8 | 0.2 | 0.8 |
| Other Developing Countries | 3.5 | 0.6 | 4.6 |
| Developing Countries (by region) | 32.1 | -2.3 | 6.6 |
| Africa | 1.0 | -8.6 | 1.2 |
| Asia | 24.1 | -3.0 | 7.8 |
| Latin America | 5.7 | 1.3 | 0.3 |
| Others | 1.2 | 0.8 | 2.8 |

Table 2: Estimated growth rates of output by manufacturing sector,
Quarter III, 2012
(in % compared to the same period of the previous year)

| | Developing Countries | Industrialized Countries | World |
|--|----------------------|--------------------------|------------|
| Food and beverages | 6.6 | -0.3 | 2.2 |
| Tobacco products | 7.2 | 0.3 | 3.2 |
| Textiles | 5.9 | -6.3 | 5.8 |
| Wearing apparel, fur | 5.7 | -4.0 | 2.9 |
| Leather, leather products and footwear | 4.0 | -5.8 | 0.9 |
| Wood products (excl. furniture) | 5.3 | -5.3 | 1.7 |
| Paper and paper products | 10.8 | -2.3 | 2.2 |
| Printing and publishing | 5.4 | -1.2 | 1.5 |
| Coke, refined petroleum products | 3.9 | -3.4 | -2.4 |
| Chemicals and chemical products | 5.0 | 0.1 | 2.7 |
| Rubber and plastics products | 9.2 | -2.6 | 1.7 |
| Non-metallic mineral products | 7.0 | -1.9 | 1.2 |
| Basic metals | 7.6 | -4.5 | 2.1 |
| Fabricated metal products | 8.3 | -1.5 | 4.9 |
| Machinery and equipment n.e.c. | 10.1 | -0.8 | 1.7 |
| Office and computing machinery | 5.1 | -0.8 | 1.3 |
| Electrical machinery and apparatus | 6.2 | 2.0 | 2.4 |
| Radio, TV and communication equipment | 6.4 | -1.2 | 2.5 |
| Medical, precision and optical instruments | 9.7 | -14.0 | 0.9 |
| Motor vehicles, trailers, semi-trailers | 9.6 | -3.3 | -1.7 |
| Other transport equipment | 0.4 | 3.0 | 2.5 |
| Furniture; manufacturing n.e.c. | 3.0 | 7.3 | 5.1 |
| Total Manufacturing | 7.8 | -2.0 | 2.8 |

Table 4: Estimated growth rates of output by manufacturing sector,
Quarter III, 2012
(in % compared to Quarter II of 2012)

| | Developing Countries | Industrialized Countries | World |
|--|-------------------------|-----------------------------|-------------|
| Food and beverages | -2.3 | -0.7 | -1.3 |
| Tobacco products | -5.1 | 0.5 | -1.8 |
| Textiles | 3.1 | 1.1 | 2.8 |
| Wearing apparel, fur | -2.4 | -0.1 | -1.8 |
| Leather, leather products and footwear | -2.4 | -3.3 | -2.7 |
| Wood products (excl. furniture) | -4.0 | -0.6 | -2.9 |
| Paper and paper products | 0.3 | -0.5 | -0.3 |
| Printing and publishing | -5.5 | -1.0 | -2.5 |
| Coke, refined petroleum products | -2.3 | -0.3 | -0.5 |
| Chemicals and chemical products | 0.3 | 1.1 | 0.7 |
| Rubber and plastics products | 0.1 | -1.0 | -0.6 |
| Non-metallic mineral products | -1.4 | -0.7 | -1.0 |
| Basic metals | -5.2 | -0.4 | -2.9 |
| Fabricated metal products | -2.8 | -1.4 | -2.2 |
| Machinery and equipment n.e.c. | -0.1 | -0.3 | -0.3 |
| Office and computing machinery | -5.3 | -1.4 | -2.7 |
| Electrical machinery and apparatus | -6.2 | -0.7 | -1.3 |
| Radio, TV and communication equipment | -6.5 | -0.5 | -3.6 |
| Medical, precision and optical instruments | -1.0 | -4.0 | -2.0 |
| Motor vehicles, trailers, semi-trailers | -5.3 | -1.6 | -2.1 |
| Other transport equipment | 2.9 | -2.4 | -1.4 |
| Furniture; manufacturing n.e.c. | -2.3 | 2.4 | -0.1 |
| Total Manufacturing | -1.7 | -0.1 | -0.9 |

Table 5:
Estimated growth rates of world manufacturing output
Quarter II, 2012 (Revised)

| | Share in world MVA (2010) | Growth rates compared to: | |
|---|---------------------------|---------------------------|----------------------------------|
| | | previous quarter | same period of the previous year |
| World | 100.0 | 0.4 | 3.5 |
| Industrialized Countries | 67.9 | -0.1 | 1.6 |
| North America | 24.8 | 0.4 | 5.4 |
| Europe | 23.5 | -0.5 | -2.6 |
| East Asia | 18.1 | -0.4 | 4.2 |
| Developing Countries (by development group) | 32.1 | 0.9 | 6.6 |
| China | 15.4 | 1.4 | 9.5 |
| Newly Industrialized Countries | 12.8 | -0.9 | 0.5 |
| Other Developing Countries | 3.5 | -0.1 | 2.6 |
| Developing Countries (by region) | 32.1 | 0.9 | 6.6 |
| Africa | 1.0 | 1.9 | -3.1 |
| Asia | 24.1 | 0.6 | 8.0 |
| Latin America | 5.7 | 0.6 | -0.3 |
| Others | 1.2 | 1.9 | 3.2 |

Table 6: Estimated growth rates of output by manufacturing sector,
Quarter II, 2012 (revised)
(in % compared to the same period of the previous year)

| | Developing Countries | Industrialized Countries | World |
|--|-------------------------|-----------------------------|------------|
| Food and beverages | 8.9 | 1.5 | 3.3 |
| Tobacco products | 9.1 | -3.4 | 0.2 |
| Textiles | 2.3 | -2.3 | -1.4 |
| Wearing apparel, fur | 9.9 | -4.9 | 3.6 |
| Leather, leather products and footwear | 6.3 | -7.2 | 0.0 |
| Wood products (excl. furniture) | 7.6 | -8.2 | 0.1 |
| Printing and publishing | 15.6 | -1.3 | 1.1 |
| Coke, refined petroleum products | 2.5 | -4.2 | -3.3 |
| Chemicals and chemical products | 2.7 | 0.0 | 1.4 |
| Rubber and plastics products | 6.4 | -0.9 | 0.7 |
| Non-metallic mineral products | 12.3 | -1.3 | 1.9 |
| Basic metals | 11.4 | -4.1 | 1.7 |
| Fabricated metal products | 9.3 | 1.2 | 5.6 |
| Machinery and equipment n.e.c. | 10.2 | 0.7 | 2.3 |
| Office and computing machinery | 7.1 | 2.4 | 3.6 |
| Electrical machinery and apparatus | 6.9 | 4.5 | 4.7 |
| Radio, TV and communication equipment | 6.6 | -0.7 | 2.3 |
| Medical, precision and optical instruments | 8.7 | -8.7 | 1.4 |
| Motor vehicles, trailers, semi-trailers | 11.0 | 2.3 | 3.5 |
| Other transport equipment | 6.8 | 17.6 | 14.4 |
| Furniture; manufacturing n.e.c. | 7.9 | 5.2 | 5.6 |
| Total Manufacturing | 11.2 | -1.8 | 3.4 |