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US economy contrasts with eurozone

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By Sarah O'Connor in London, Shannon Bond in New York and Ralph Atkins in Frankfurt



Manufacturing activity in the US is picking up as its domestic economy recovers, underlining the diverging fates of the world's biggest economy and the eurozone.

American factory output expanded at an accelerating rate in March, according to the Institute for Supply Management's purchasing managers' index. Similar PMI surveys for the eurozone confirmed an earlier estimate that manufacturing activity contracted in the region, with French manufacturing proving

exceptionally weak.

UK manufacturers, however, surprised economists by expanding a little quicker in March spite of the woes of Britain's eurozone trading partners.

"The world is polarised by the strength in the US domestic economy, which is providing a source of demand for companies worldwide, but against that you've got the eurozone," said Chris Williamson, chief economist at Markit, the company that runs most of the PMI surveys. "We're left in a position where overall global manufacturing growth isn't what it was before the crisis."

The US ISM index rose to 53.4 in March from 52.4 in February, a stronger reading than economists expected. Readings above 50 indicate expansion.

"The US economy still appears to be ticking along nicely," said Paul Dales, senior US economist at Capital Economics.

Overall, the world's manufacturing sector continued to expand, though at a slow rate, for the fourth month running, according to an aggregation of the surveys. The JPMorgan Global Manufacturing PMI was 51.1 in March, little changed from 51.2 in February.

New orders continued to increase gradually, after they fell towards the end of last year when the escalating eurozone crisis sent a chilling effect through the global economy.

Interactive PMI tracker



Interactive tool tracking Markit's Purchasing Managers' Indices and ISM's purchasing managers' and non-manufacturers' survey indices

One source of worry for manufacturers in all countries was the sharp rise in oil and transport prices. Globally, input price inflation in March was the highest in eight months, Markit said, though it remained much less dramatic than in the first quarter of last year.

There were pockets of manufacturing strength in Brazil, Japan and South Korea, but India's output growth slowed sharply.

China's official PMI survey, released a day earlier, also defied expectations of a slowdown by notching up its strongest reading for a year. However, a separate China PMI released by HSBC showed a fifth monthly decline.

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