

World Manufacturing Production

Statistics for Quarter II, 2015

Statistics Unit

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UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

Report on world manufacturing production Quarter II, 2015

UNIDO Statistics presents this report on growth estimates based on the indices of industrial production for the second quarter of 2015. The report also contains the expected annual growth estimates of manufacturing value added in 2015. Reports on earlier quarters are available on UNIDO's website. Users are advised to take note that MVA refers to output net of intermediate consumption, whereas quarterly indices are based on gross output. Interested users can access methodological documents on the estimation procedure of annual growth rates and a compilation of quarterly indices on the statistical web pages of UNIDO's website.

UNIDO's quarterly reports on world manufacturing have been regularly published since the first quarter of 2011. Earlier reports included index figures for some countries that were not seasonally adjusted or for which no information was available where seasonal adjustments were made at the national level. Since 2013, growth figures have been published based on seasonally adjusted index numbers. The seasonal adjustment of index numbers is achieved using the TRAMO/SEATS method¹ in Demetra+ software. The purpose of seasonal adjustment is to filter out any fluctuations or calendar effects within the shifts of time series.

Data on index numbers are obtained from national statistical sources. The sample covers around 95.0 per cent of the world MVA. In case of missing data, UNIDO performs imputations or projections where appropriate. UNIDO estimates are generally replaced as soon as the officially reported values become available in national statistical publications. This report presents estimates for the second quarter of 2015 as well as revised estimates for the first quarter of 2015. Growth rates are calculated from the national index numbers which are aggregated to the country groups or world regions using weights based on the country's contribution to world manufacturing value added. Details on the country groups are provided in the 2013 edition of the International Yearbook of Industrial Statistics. The country grouping is based on economic territories rather than on political boundaries. This report

¹ TRAMO stands for Time series Regression with ARIMA noise, Missing values and Outliers, and SEATS for Signal Extraction in ARIMA Time Series. ARIMA is the abbreviation of Autoregressive Integrated Moving Average, a widely applied statistical method for time series analysis.

presents the growth figures for country groups by stage of industrial development and by geographic region.

Major findings

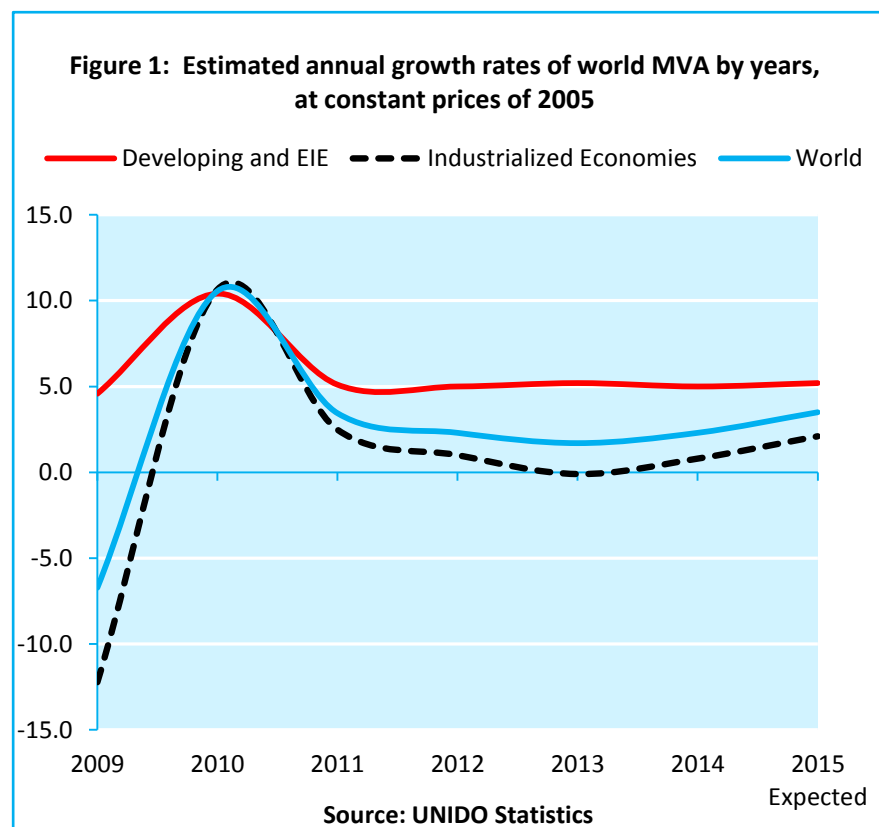
1. Prospects of global MVA growth in 2015

Global manufacturing production is expected to maintain a steady rise in 2015, although the prospects of growth vary by region and country. According to mid-year estimates produced by UNIDO, the annual growth of world manufacturing value added (MVA) is likely to be around 3.5 per cent in 2015.

The estimates for industrialized economies are showing signs of improvement.

Manufacturing

output in these economies is likely to grow at a rate of 2.1 per cent in 2015, attributable mainly to higher growth in the North American region. Lower oil prices helped reduce the costs of production in the United States and make products more competitive. In the



industrialized economies of Europe, the substantial depreciation of the euro is expected to boost economic gains in price competitiveness against non-euro area trading partners. According to UNIDO estimates, Europe's MVA growth rate in 2015 is expected to be 1.0 per cent, an increase of 0.4 per cent from the 0.6 per cent growth recorded in 2014.

In developing and emerging industrial economies, the growth rate is projected to slightly accelerate to 5.2 per cent in 2015. Despite the falling growth trend observed in China, MVA is likely to increase at a comparably higher rate of 7.4 per cent in 2015. However, the growth rates of other emerging industrial economies are expected to be relatively lower at 2.1 per cent.

Following the global financial crisis, developing countries have been the main engine of global manufacturing growth, but the pace of growth in this country group has decelerated over the past few years. Developing countries continue to face difficulties as the U.S. dollar appreciation significantly increases these countries' borrowing costs, at a time when external financial conditions are becoming tighter. In such an environment, structural reform within the manufacturing sector is essential for developing countries to become resilient towards both changes in demand and price variations.

The overall growth trend in Latin America, which is highly influenced by Brazil's economy, also shows a negative trend for 2015 with an expected rate of decline of 1.7.

Globally, manufacturing output is expected to rise in 2015. However, regional conflicts especially in the Middle East and North Africa, as well as financial instability in Europe may adversely affect the growth figures.

2. World manufacturing growth in the second quarter of 2015

The world manufacturing sector is still struggling to gain momentum following the immediate response in 2009 to the global financial crisis. Global manufacturing output growth further slowed in the second quarter of 2015 as the global economy faced a number of challenges, including significant changes in the value of major currencies, a decline in oil prices, a continued slowdown in China and geopolitical instabilities. Deceleration occurred in both the industrialized and developing and emerging industrial markets. In the industrialized world, North American and

European manufacturers registered modest growth rates, while negative growth was observed in East Asia. Developing and emerging industrial economies also registered a lower growth rate as manufacturing output in China continued to slow down and the major Latin American economies struggled with severe economic challenges.

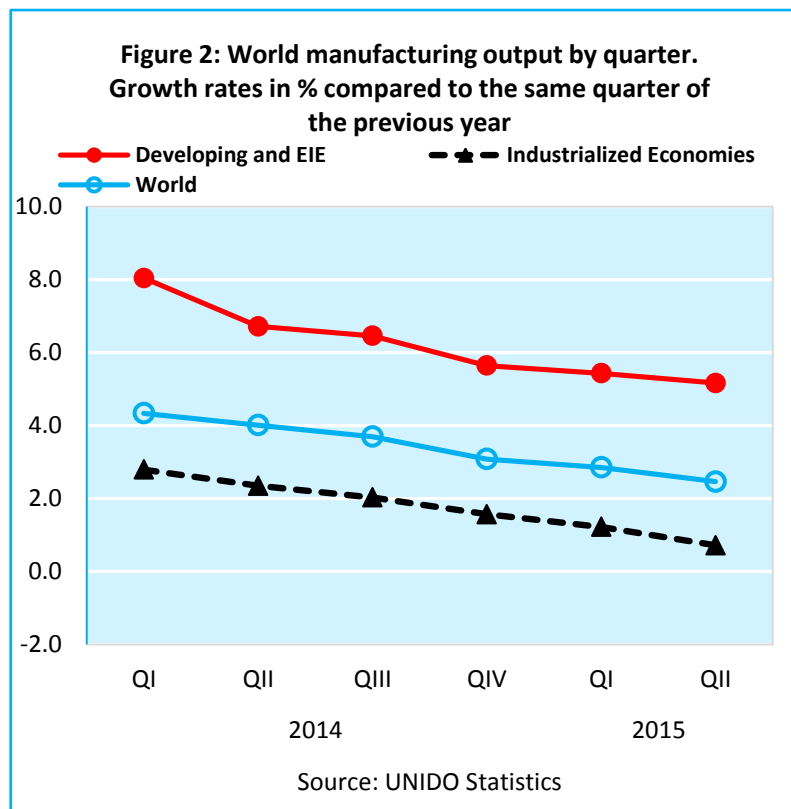
Global manufacturing output rose by a mere 2.5 per cent in the second quarter of 2015, falling from 2.9 per cent growth in the previous quarter.

Manufacturing output growth of industrialized countries fell from 1.2 per cent in the first quarter of 2015 to 0.7 per cent in the second quarter of 2015. The United States has been a major force, registering a

small, yet positive growth rate. However, the weak growth and low inflation in both the eurozone and Japan are curbing the positive impact of the increasingly healthy U.S. economy on the industrialized market.

Developing and emerging industrial economies maintained a relatively higher growth of manufacturing production at 5.2 per cent. However, these figures are still lower than those for this country group in recent years. A steady decline in China's growth, along with the recession in the Latin American market, has resulted in a further slowdown in the developing world.

China's growth remained at around 7.1 per cent in the second quarter, the lowest in over a decade. Soft demand in both the domestic and external markets, as

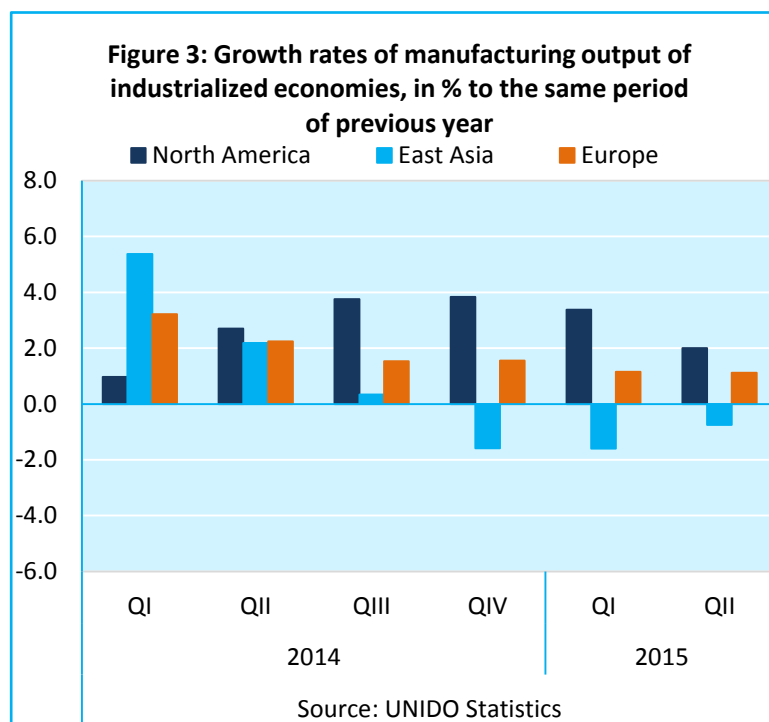


well as a decline in investment, has had a strong negative impact on China’s manufacturing sector. The reported growth figure for China in the second quarter of 2015, albeit sizable, is comparably lower in comparison to past years despite the government’s attempts of a policy intervention. The growth figures for the second quarter of 2015 are the lowest ones recorded for the county in a decade, while the monetary reforms implemented by the Chinese government may have had the opposite of the desired effect by disrupting China’s growth and unwinding investment. Meanwhile, in Latin America, the substantial recession across Brazil’s industrial economy has negatively affected MVA growth rate, and offset an expansion of manufacturing within the region.

3. By country group

Industrialized economies

Industrialized countries maintained an overall positive growth of manufacturing output in the second quarter of 2015. The main contributors of this growth were the economies of North America and Europe. In East Asia, however, the growth trend has remained negative since the fourth quarter of 2014. The industrial production index in North America rose by 2.0 per cent in the second quarter 2015 due to the sustained growth of the manufacturing output of the Unites States.

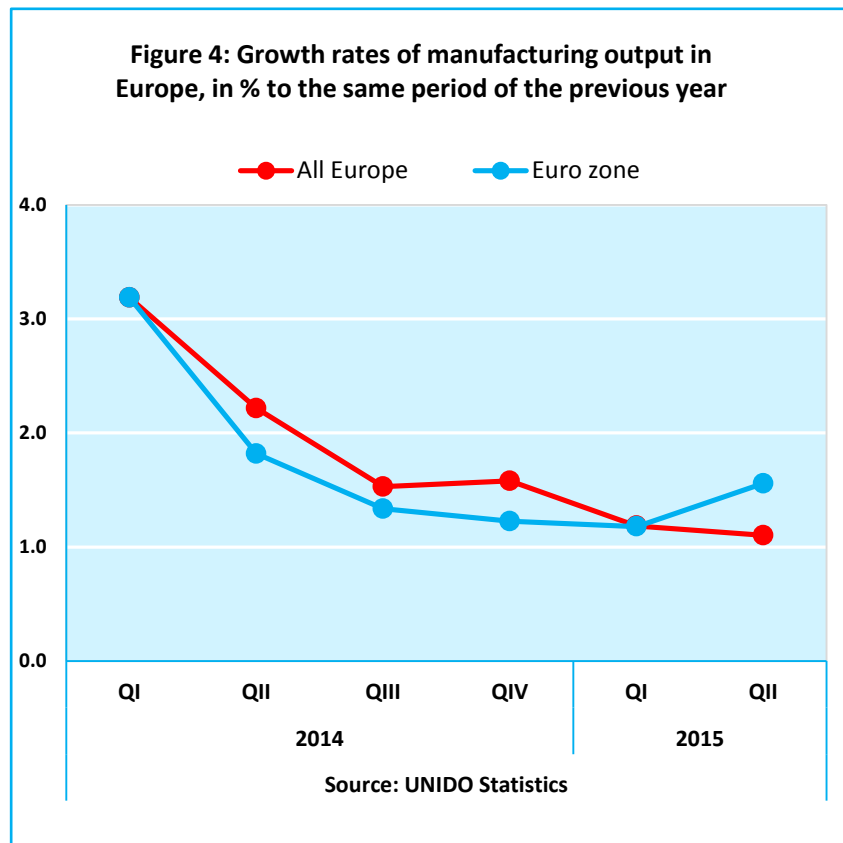


According to UNIDO estimates, the manufacturing output of the United States rose by 2.3 per cent. The growth is primarily a result of an increase in demand and the production of durable products, especially motor vehicle assemblies. However, Canada's manufacturing output did not grow at the same rate as that of the United States.

The second quarter in Europe was marred by uncertainty in the eurozone over the Greek bailout talks. Despite this, the manufacturing sector in Europe has improved to some extent, with the growth rate continuing at a stable rate of around 1.1 per cent in comparison to Q2 2014.

The eurozone industrial production is recovering, albeit modestly, and recorded a growth rate of 1.6 per cent higher than that of the rest of Europe. Ireland and Malta were the fastest growing economies in the eurozone in the second quarter of 2015, by 10.5 per cent and 8.5 per cent, respectively. In Europe, remarkable growth has been observed in the Czech Republic, which grew by 6.0 per cent, while Switzerland witnessed a tremendous decline of 10.7 per cent due to the strong value of the Swiss Franc, which is holding back entrepreneurs, while the country is losing market share to neighbouring countries.

Despite relatively stronger figures for Europe, there is concern about the possibility of short-termism of the recovery. This will be tested as oil prices begin to rise. Also, continuing concerns



about Greece's continued participation in the eurozone has decreased confidence, and consequently, the region's growth potentials.

Industrial production in East Asia declined by 0.7 per cent overall, however, the decline is lower than in previous years. Manufacturing production declined in Singapore and the Republic of Korea with output falling 4.9 per cent and 2.2 per cent, respectively. Weak external demand has been a major cause of the decline in Singapore and in the Republic of Korea. Indeed, the continued drop in manufacturing production reflected an overall decline in operating conditions.

Japan's trend of decline has slowed. Manufacturing production fell by 0.5 per cent in Japan in the second quarter of 2015, a visible improvement from a rate of decline of 2.1 per cent in the previous quarter. The Bank of Japan implemented quantitative easing policies that have substantially suppressed the value of the Japanese yen, however, exports have not yet surged as expected. The slowdown in the Chinese market could be partially responsible for the country's decline in exports. At the same time, overall demand remained weak as consumer purchasing power stagnated. This could suggest that relying on a weaker yen to boost the economy may not be an appropriate solution. With regard to other countries in East Asia, manufacturing expanded in Malaysia by 4.1 per cent.

The contraction of Russia's manufacturing sector has accelerated, with output declining by 7.4 per cent in the second quarter 2015. This is the largest year-to-year decline Russia has witnessed over the past five years, as the effects of low oil prices and geopolitical tensions continued to harm the economy. A continued decline in investments may further curtail the Russian manufacturing sector.

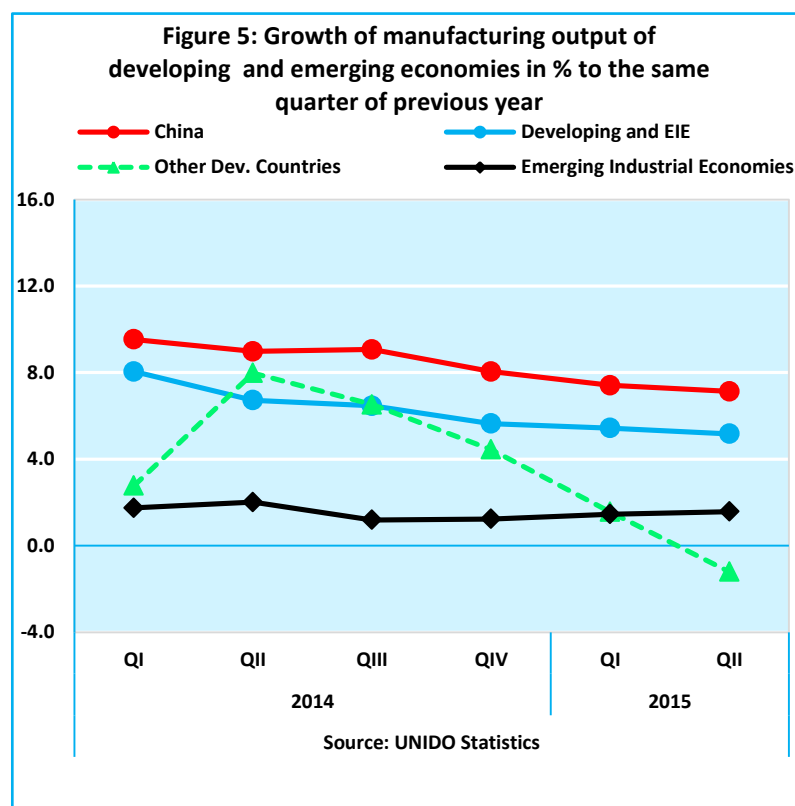
Developing and emerging industrial economies

Developing and emerging industrial economies have been experiencing a slower pace of manufacturing expansion since the first quarter of 2014. Manufacturing output growth decelerated further in the second quarter of 2015, although there

were notable variations among the developing markets; China’s growth has slowed, Latin America is suffering from recession, some major African economies such as Egypt and South Africa are experiencing a decline in manufacturing, though the Asia Pacific economies are registering robust manufacturing growth.

China’s manufacturing output grew by 7.1 per cent in the second quarter, China’s lowest growth rate since 2005. The slowing of China’s manufacturing market is affecting all developing and emerging markets, as manufactured exports to China have also dropped significantly over the past year.

In Latin America, countries showed divergent growth trends. The severe downturn in Brazil’s manufacturing sector has continued for six quarters straight. Indeed, Brazil’s overall manufacturing fell by 8.5 per cent on a year-to-year basis. Decline was observed in all manufacturing sub-sectors, especially in the production of motor vehicles, which



suffered a steep decline of 20.0 per cent, as demand tumbled. Manufacturing output also dropped in Argentina and Chile by 0.8 per cent and 0.7 per cent, respectively. The worldwide decrease in oil prices has affected Argentina’s economy, and Chile witnessed a considerable decline in the manufacture of basic metals as its exports to China dropped. Mexico and Peru registered an increase in manufacturing production by 2.9 per cent and 5.1 per cent, respectively. The growing U.S. economy and a decline in production costs are reasons for the growing manufacturing sector in Mexico.

The negative growth observed by major African manufacturers has affected the region's overall performance with a 5.3 per cent decline in the second quarter. Egypt registered a significant downturn in manufacturing output (by 17.5 per cent), as investments focused more on the construction sector than the manufacturing sector, mainly due to the new Suez Canal project. Elsewhere in the region, manufacturing output dropped slightly in South Africa by 0.3 per cent. On the other hand, manufacturing production grew by 11.5 per cent and 0.7 per cent in Senegal and Morocco, respectively.

Among the Asian developing countries, Viet Nam, Indonesia and India reported a positive growth trend in manufacturing output by 9.9 per cent, 5.4 per cent and 3.6 per cent, respectively. Growth in Indonesia was mainly attributed to an increase in the production of metal goods and the manufacture of food and beverages, while India benefited from an expansion in textiles production. Viet Nam has successfully been attracting foreign direct investments due to its geographical position and lower production costs, which has resulted in an overall boost in Viet Nam's economy.

Manufacturing growth in the developing and emerging industrial economies paints a decidedly mixed picture. While Asian economies are performing well, countries in Africa and Latin America are struggling to establish the levels of manufacturing growth they have witnessed in the past.

4. Findings by industry group

This section presents growth estimates in manufacturing by industry for both industrialized and developing and emerging industrial countries in the second quarter of 2015.

Despite moderate growth only, manufacturing production output in developing and emerging industrial economies grew in almost all industries, and the growth performance of developing and emerging industrial economies was far better in

nearly all manufacturing industries, with the manufacture of communication equipment being the only exception.

The production of wearing apparel grew by 4.3 per cent in the developing and emerging industrial market, but registered a decline of 0.8 per cent in the industrialized country group. High growth in industrial manufacturing was registered by the two main producers, namely Egypt and India. Among industrialized manufacturers, the Czech Republic, Italy, and Malaysia also registered positive growth. The production of other basic consumer goods also rose at a higher rate in developing and emerging industrial economies due to stronger domestic demand. As such, the production of food and beverages rose by 4.9 per cent and textiles production by 4.4 per cent compared to the same quarter in the previous year. The production of textiles dropped in Brazil, South Africa and Turkey, but increased in Egypt, Mexico and Poland.

Printing and publishing declined in both country groups, with notable slumps in both Russia and Egypt.

Industrialized economies showed higher growth in the manufacture of radio, television and communication equipment, with France and Spain being the leading producers. Among emerging producers, China's production of communication equipment rose by 9.8 per cent.

Among other high-technology sectors, the production of motor vehicles grew by 3.6 per cent in the developing market and by 1.4 per cent in industrialized countries. In the developing and emerging market, the output of the automotive industry grew for most major producers, with the exceptions of Argentina, Brazil and Egypt. Among the leading industrialized car manufacturers, output rose by 26.1 per cent in Italy, by 6.1 per cent in Sweden, by 4.1 per cent in France and by 2.1 per cent in Germany, the European car manufacturing industry thus showing signs of recovery. In Russia, falling consumer confidence reduced demand of durable items, which was particularly evident in the manufacturing of motor vehicles, with a sharp fall in production by 20.1 per cent in the second quarter of 2015.

Detailed data by industry and country group are presented in the annexed tables.

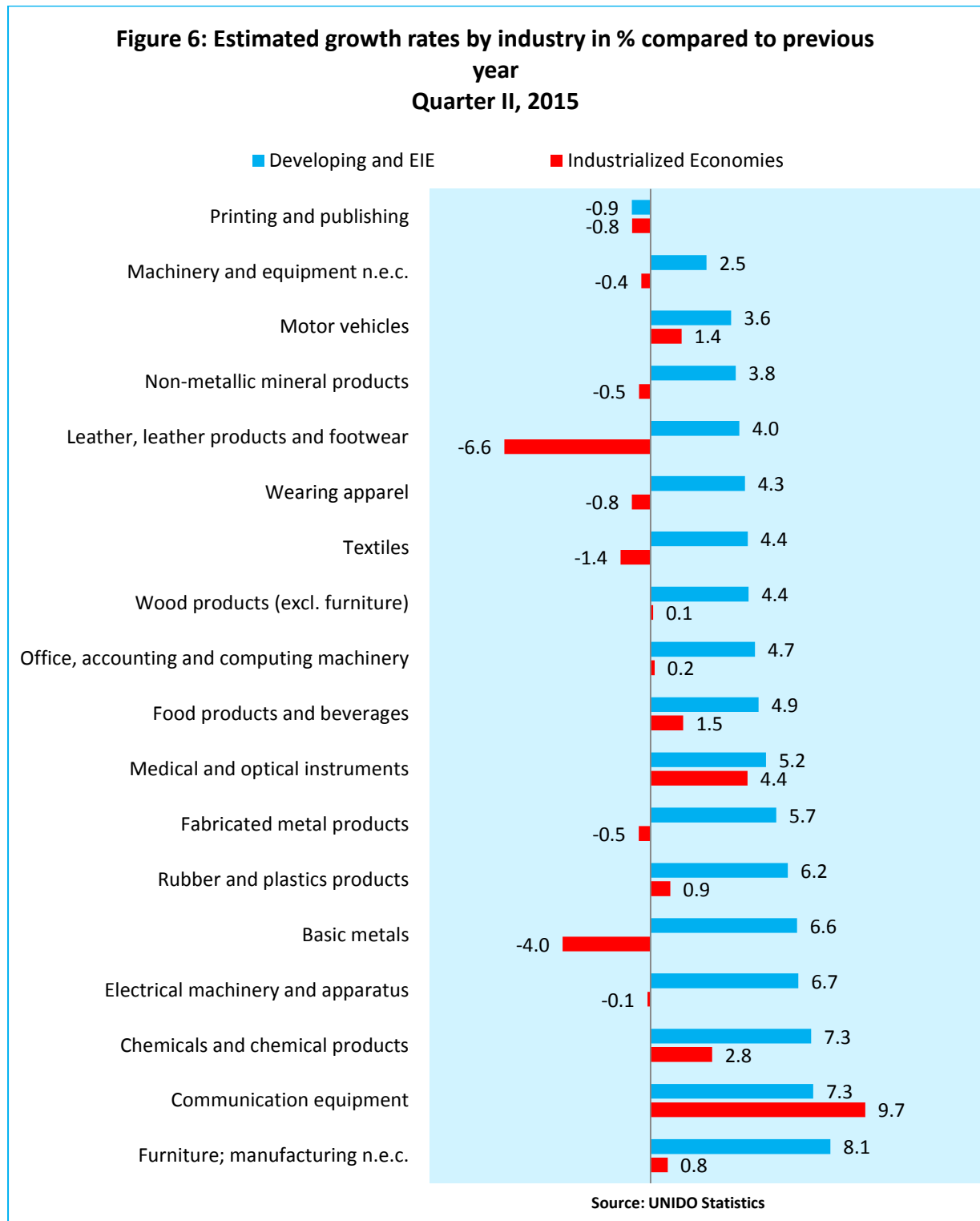


Table 1:**Estimated growth rates of world manufacturing output in %**
Quarter II, 2015

	Share in world MVA (2010)	Compared to the previous quarter	Compared to the same period of the previous year
World	100	-0.2	2.5
Industrialized Economies	67.7	-0.2	0.7
North America	22.4	0.2	2.0
Europe	24.7	0.2	1.1
East Asia	17.2	-0.6	-0.7
Developing and EIE (by development group)	32.3	-0.2	5.2
China	15.3	-0.4	7.1
Emerging Industrial Economies	13.8	0.1	1.6
Other Developing Countries	2.7	-0.5	-1.2
Developing and EIE (by region)	32.3	-0.2	5.2
Africa	1.5	-2.7	-5.3
Asia & Pacific	21.7	-0.2	6.7
Latin-America	5.8	0.0	-2.3
Others	3.3	-0.2	4.0

Source: UNIDO Statistics.

Notes: Not all subgroups in this group are presented; seasonally adjusted data.

Table 2:**Estimated growth rates of output by manufacturing sector**

In % compared to the same period of the previous year

Quarter II, 2015.

	Developing and Emerging Industrial Economies	Industrialized Economies	World
Food and beverages	4.9	1.5	3.0
Tobacco products	5.0	-8.1	3.5
Textiles	4.4	-1.4	3.0
Wearing apparel, fur	4.3	-0.8	3.0
Leather, leather products and footwear	4.0	-6.6	1.0
Wood products (excl. furniture)	4.4	0.1	1.6
Paper and paper products	4.0	-0.4	1.2
Printing and publishing	-0.9	-0.8	-0.8
Coke ,refined petroleum products, nuclear fuel	4.2	1.7	3.1
Chemicals and chemical products	7.3	2.8	4.4
Rubber and plastics products	6.2	0.9	2.9
Non-metallic mineral products	3.8	-0.5	1.9
Basic metals	6.6	-4.0	2.9
Fabricated metal products	5.7	-0.5	1.2
Machinery and equipment n.e.c.	2.5	-0.4	0.7
Office, accounting and computing machinery	4.7	0.2	0.6
Electrical machinery and apparatus	6.7	-0.1	3.8
Radio, television and communication equipment	7.3	9.7	8.1
Medical, precision and optical instruments	5.2	4.4	4.5
Motor vehicles, trailers, semi-trailers	3.6	1.4	1.8
Other transport equipment	6.6	1.9	4.4
Furniture; manufacturing n.e.c.	8.1	0.8	4.5
Total Manufacturing	5.2	0.7	2.5

Source: UNIDO Statistics.

Note: Seasonally adjusted data.

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

In % compared to the previous quarter

Quarter II, 2015

	Developing and Emerging Industrial Economies	Industrialized Economies	World
Food and beverages	0.6	0.4	0.5
Tobacco products	14.9	0.6	13.3
Textiles	-2.0	-0.9	-1.7
Wearing apparel, fur	-4.0	0.4	-2.9
Leather, leather products and footwear	-1.7	-2.5	-1.9
Wood products (excl. furniture)	-2.5	-1.0	-1.6
Paper and paper products	0.2	-0.1	0.0
Printing and publishing	-0.7	-0.9	-0.9
Coke, refined petroleum products, nuclear fuel	0.7	-0.1	0.4
Chemicals and chemical products	1.9	-1.1	0.0
Rubber and plastics products	-0.2	-1.4	-0.9
Non-metallic mineral products	-2.9	-1.1	-2.1
Basic metals	-1.2	-3.7	-2.0
Fabricated metal products	-9.2	-0.6	-3.2
Machinery and equipment n.e.c.	-2.0	-1.7	-1.8
Office, accounting and computing machinery	3.9	-0.7	-0.2
Electrical machinery and apparatus	4.0	-0.3	2.2
Radio, television and communication equipment	4.1	1.5	3.2
Medical, precision and optical instruments	4.1	2.4	2.7
Motor vehicles, trailers, semi-trailers	-0.8	-0.7	-0.7
Other transport equipment	-5.4	-0.5	-3.2
Furniture; manufacturing n.e.c.	-0.1	-2.2	-1.1
Total Manufacturing	-0.2	-0.2	-0.2

Source: UNIDO Statistics.

Note: Seasonally adjusted data.

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

Quarter I, 2015 (revised)

	Share in world MVA (2010)	Compared to the previous quarter	Compared to the same period of the previous year
World	100	3.2	2.9
Industrialized Economies	67.7	0.1	1.2
North America	22.4	-0.2	3.4
Europe	24.7	0.3	1.2
East Asia	17.2	0.0	-1.6
Developing and EIE (by development group)	32.3	8.4	5.4
China	15.3	12.1	7.4
Emerging Industrial Economies	13.8	1.4	1.5
Other Developing Countries	2.7	-1.3	1.6
Developing and EIE (by region)	32.3	8.4	5.4
Africa	1.5	-1.7	1.4
Asia & Pacific	21.7	10.7	6.9
Latin-America	5.8	-1.5	-2.4
Others	3.3	2.4	3.7

Source: UNIDO Statistics.

Note: Not all subgroups in this group are presented; seasonally adjusted data.

Table 5:**Estimated growth rates of output by manufacturing industry**

In % compared to the same period of the previous year

Quarter I, 2015 (revised)

	Developing and Emerging Industrial Economies	Industrialized Economies	World
Food and beverages	5.2	0.7	2.7
Tobacco products	2.7	-11.3	0.9
Textiles	4.2	-1.3	2.8
Wearing apparel, fur	5.5	-5.4	2.7
Leather, leather products and footwear	2.5	-2.5	1.1
Wood products (excl. furniture)	3.3	1.2	1.9
Paper and paper products	2.6	-0.5	0.5
Printing and publishing	2.4	-1.1	-0.4
Coke, refined petroleum products, nuclear fuel	3.8	1.7	3.0
Chemicals and chemical products	7.0	4.0	5.0
Rubber and plastics products	5.4	1.4	2.9
Non-metallic mineral products	1.5	0.0	0.9
Basic metals	6.7	-1.4	3.8
Fabricated metal products	6.1	-0.9	1.1
Machinery and equipment n.e.c.	0.9	-0.1	0.3
Office, accounting and computing machinery	6.3	2.3	2.7
Electrical machinery and apparatus	7.8	-0.4	4.2
Radio, television and communication equipment	9.4	6.5	8.4
Medical, precision and optical instruments	7.4	2.9	3.6
Motor vehicles, trailers, semi-trailers	6.4	2.1	3.0
Other transport equipment	13.8	2.4	8.5
Furniture; manufacturing n.e.c.	6.9	1.9	4.4
Total Manufacturing	5.4	1.2	2.9

Source: UNIDO Statistics.

Note: Seasonally adjusted data.

Table 6:**Estimates of annual MVA growth in %**

	2014 (at 2005 constant prices)	2015 (at 2010 constant prices)
World	2.3	3.5
Industrialized Economies	0.8	2.1
North America	1.8	3.5
Europe	0.6	1.0
East Asia	2.1	2.2
Developing and EIE (by development group)	5.0	5.2
China	7.3	7.4
Emerging Industrial Economies	2.1	2.1
Other Developing Economies	4.2	4.6
Developing and EIE (by region)	5.0	5.2
Africa	2.5	3.7
Asia & Pacific (excl. China)	5.2	6.3
Latin America	-0.5	-1.7
Developing and Emerging Industrial Economies (by region)	5.0	5.2

Source: UNIDO Statistics.

Notes: Not all subgroups in this group are presented; seasonally adjusted data.