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Global Manufacturing Economic Update



Essential Takes on Leading Economic Indicators

By [Chad Moutray](#) – December 10, 2020 – [SHARE](#)

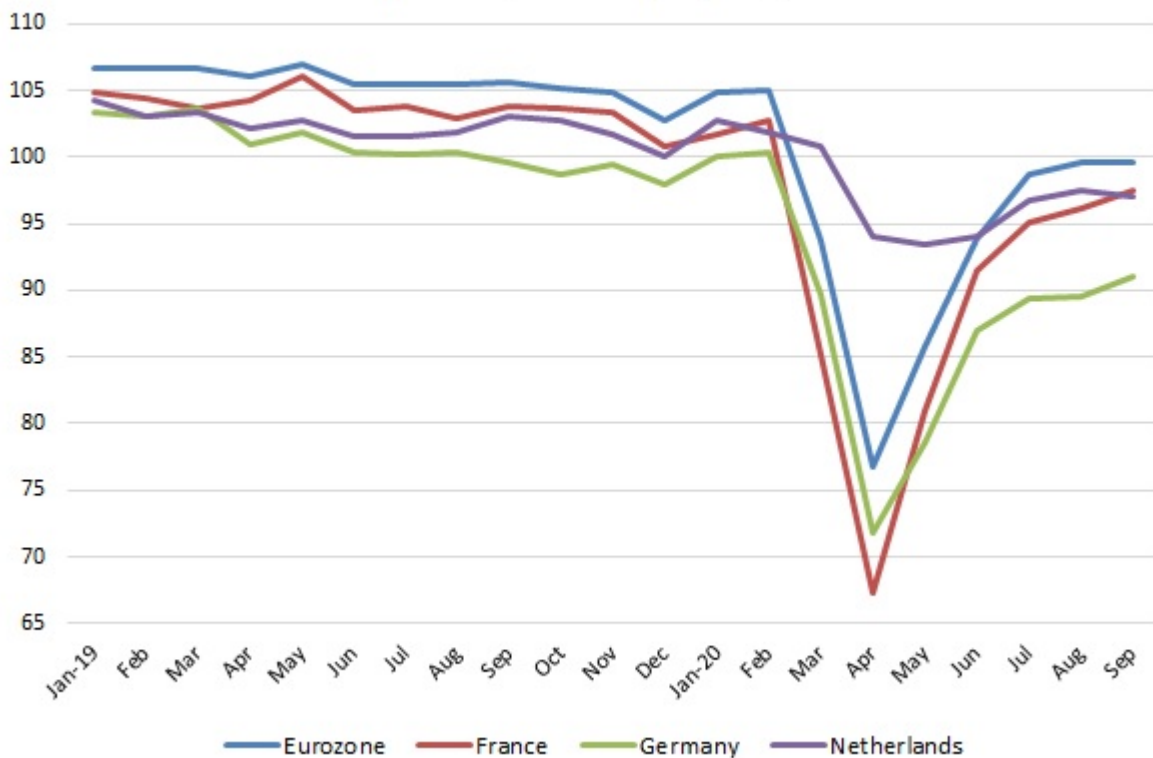
Chinese Manufacturing Activity Expanded at Best Pace in 10 Years

The Monthly Toplines

- Increased orders and production helped buoy the [Caixin China General Manufacturing PMI](#) to the strongest reading since November 2010, as China's economy continued to recover from the negative impacts of COVID-19 earlier in the year. Employment growth was the best since 2011, and respondents were upbeat in their outlook, despite rising costs. [Industrial production](#), [retail sales](#) and [fixed-asset investment](#) have also improved notably this year. However, retail spending and business investment remain markedly lower than before the pandemic.
- The [J.P. Morgan Global Manufacturing PMI](#) expanded in November at the fastest pace since February 2018, buoyed by strength in demand and production and expanding for the fifth straight month. Employment expanded marginally in November, rising for the first time in 12 months. In addition, the index for future output reached a level not seen since February 2015, pointing to optimism for higher production over the next six months. Meanwhile, input prices rose at the fastest pace in two years.
- In November, seven of the top 10 markets for U.S.-manufactured goods had expanding manufacturing sectors, down from eight in October, with [France](#) slipping back into contraction. With that said, the data also point to renewed weaknesses in the services sector in some areas, particularly in Europe, where COVID-19 cases are once again on the rise.
- The [IHS Markit Eurozone Manufacturing PMI](#) pulled back from October, which had posted the highest reading since July 2018. However, activity in November still represented an expansion for five consecutive months. Despite some progress since the spring, Eurozone industrial production was off by 0.4% in September and down 6.8% year-over-year (see accompanying chart). October data will be released on Dec. 14.

- Since April 24, the U.S. dollar **has fallen** 10.0% against a broad-based index of currencies for goods and services to the lowest level since June 7, 2018, according to the Federal Reserve. The index reflects currency rates per U.S. dollar, suggesting the dollar can purchase less today than it could just a few months ago. The weaker U.S. dollar could help boost exports, but it would also increase the cost of imported raw materials and other inputs.
- The U.S. trade deficit **rose** from \$62.08 billion in September to \$63.12 billion in October, with growth in goods imports outpacing gains in goods exports. Volumes for goods exports and service-sector trade have both fallen significantly year to date.
- U.S.-manufactured goods exports have fallen roughly 16% year to date in 2020 relative to the same 10-month period in 2019, using non-seasonally adjusted data.
 - Manufacturers continue to advance efforts with the administration and Congress to open markets, ensure trade certainty and address challenges overseas, including the following:
 - Continuing to monitor the U.S.–China security, trade and economic relationship
 - Urging legislative action against counterfeit imports sold online
 - Leading industry advocacy in support of congressional passage of a comprehensive Miscellaneous Tariff Bill

Eurozone Industrial Production, 2019–2020
(2015=100, Seasonally Adjusted)



Global Economic Trends

- **Worldwide Manufacturing Activity:** The [J.P. Morgan Global Manufacturing PMI](#) expanded in November at the fastest pace since February 2018, buoyed by strength in demand and production. The headline index rose from 53.0 in October to 53.7 in November, growing for the fifth straight month after sharp declines in the spring from the COVID-19 pandemic. New orders (up from 54.9 to 55.0) and output (up from 54.3 to 55.2) accelerated at the best rates since January 2018, and exports (up from 51.2 to 51.7) expanded for the third consecutive month. Employment (up from 49.5 to 50.1) expanded marginally in November, rising for the first time in 12 months. In addition, the index for future output (up from 63.3 to 65.3) reached a level not seen since February 2015, pointing to optimism for higher production over the next six months. Meanwhile, input prices (up from 55.2 to 57.4) rose at the fastest pace in two years.
- **Sentiment in Major Markets:** In November, seven of the top 10 markets for U.S.-manufactured goods had expanding manufacturing sectors, down from eight in October, with France slipping back into contraction. Overall, the data continue to reflect significant progress since the spring, when each of these major markets experienced declines that were either the worst since the Great Recession or at record lows. With that said, the data also point to renewed weaknesses in the services sector in some areas, particularly in Europe, where COVID-19 cases are once again on the rise.

Here are more details on each of these major markets (in order of their ranking for U.S.-manufactured goods exports in 2019):

- [Canada](#) (up from 55.5 to 55.8): The headline index inched higher, despite slower growth in new orders, exports and output. In contrast, employment picked up somewhat, with hiring expanding for five straight months. The index for future output also accelerated in November, continuing to signal an upbeat output for production.
- [Mexico](#) (up from 43.6 to 43.7, declining at the slowest pace since March): Mexico once again reported the weakest PMI among the top 10 markets, with activity continuing to deteriorate sharply. Amid data that were mostly weaker in November, employment was one of the few measures to improve, declining at a slower rate.
- [China](#) (up from 53.6 to 54.9, the strongest reading since November 2010): Increased orders and production helped buoy manufacturing activity in China, expanding at their best paces in 10 years. Employment also rose at a rate not seen since 2011. Manufacturers continued to be upbeat in their outlook, and raw material costs accelerated on strengthening in economic conditions.
- [Japan](#) (up from 48.7 to 49.0, the highest reading since August 2019): Despite progress in orders, production and employment, Japanese manufacturing activity remained severely challenged, contracting for the

19th straight month. Yet, despite some easing in November, the index for future output suggests cautious optimism.

- [United Kingdom](#) (up from 53.7 to 55.6, the strongest figure since December 2017): Output growth slowed marginally, but new orders, exports and future output accelerated in November. Hiring fell for the 10th straight month, but at a slower pace. Input prices rose at the fastest pace in two years.
 - [Germany](#) (down from 58.2, the best reading since March 2018, to 57.8): New orders pulled back after growing at the fastest pace in the survey's history, but they continued to expand very solidly. Output and exports grew strongly, despite some easing. The index for future output rose to a level not seen since January 2014, continuing to signal optimism. Hiring stabilized, despite falling for the 21st consecutive month.
 - [Netherlands](#) (up from 50.4 to 54.4, the best reading since January 2019): The underlying measures rose across the board, including gains for new orders, exports, output and employment. Hiring expanded for the first time since February, and the index for future output jumped to the strongest level since November 2018.
 - [South Korea](#) (up from 51.2 to 52.9, the highest reading since February 2011): New orders, output and exports accelerated in November, and the index for future output rose at the fastest pace since February 2015, signaling expectations for modest growth in production over the next six months. Hiring stabilized to neutral in November after contracting in every month since November 2018.
 - [Brazil](#) (down from 66.7, a record high, to 64.0): New orders, output and employment slowed somewhat in November, despite expanding solidly for the month. Exports grew at the fastest pace in the survey's history, dating to 2006. Brazil had the highest PMI among the top 10 markets for U.S.-manufactured goods, and survey respondents were very optimistic in their outlook.
 - [France](#) (down from 51.3 to 49.6): After expanding in September and October, French manufacturing activity slipped back into contraction territory in November, pulled lower by deteriorating new orders, exports, output and employment. Demand shrank at the fastest rate since May, with new COVID-19 restrictions negatively impacting economic growth. The index for future output eased from 52.9 to 51.9, signaling cautious optimism for very modest growth in production moving forward.
- **Regional and National Trends:** Here are some other economic trends worth noting.
 - [China](#): In October, [industrial production](#) increased 6.9% year-over-year, the same pace as in September but continuing to reflect sizable progress since the spring. November production data will be released on Dec. 15, along with updates on retail spending and investment. In the October releases, [retail sales](#) (up 4.3% year-over-year) and [fixed-asset investment](#) (up 1.8% year-over-year) both strengthened, notching their

best readings year to date. Nonetheless, retail spending and business investment remain markedly lower than before the pandemic.

- Europe: [Eurozone real GDP](#) jumped 12.5% in the third quarter, bouncing back after falling by 3.7% and 11.7% in the first and second quarters, respectively. In September, [industrial production](#) shrank 0.4% after expanding in the previous four months, pulled lower by weaker output for consumer durable goods and energy. On a year-over-year basis, industrial production has fallen 6.8%. October data will be released on Dec. 14. Retail sales bounced back in October, rising 1.5% after declining by 1.7% in September. Retail spending has increased 4.3% over the past 12 months. It is important to note that the November figures are likely to be weaker, with new COVID-19 restrictions dampening spending, particularly away from the home. Meanwhile, the [unemployment rate](#) was 8.4% in October, down from 8.5% in September.
- United Kingdom: The U.K. economy [grew](#) 15.5% in the third quarter at the annual rate, rebounding from 2.5% and 19.8% declines seen in the first and second quarters, respectively. With that said, real GDP was 9.6% lower year-over-year. [Industrial production](#) rose 0.5% in September, increasing for the fifth straight month. However, output remained 5.6% below where it was in February, illustrating the sharp declines in manufacturing activity seen during the COVID-19 pandemic. An update on U.K. industrial production will be released on Dec. 10. Meanwhile, [retail sales](#) increased 1.2% in October, rising for the sixth consecutive month. Encouragingly, retail spending has risen by 7.9% from February's pre-pandemic levels.
- Canada: [Real GDP](#) rose by 8.9% in the third quarter, following declines of 1.9% and 11.3% in the first and second quarters, respectively. Yet, the Canadian economy was 5.2% weaker on a year-over-year basis. [Manufacturing sales](#) were up 1.5% in September after dropping by 1.4% in August, but new orders remain 6.8% below the pace seen in February. New data for October will be released on Dec. 15. Meanwhile, [retail sales](#) were up 1.1% in September, rising for the fifth straight month. Despite tremendous volatility since the spring, retail spending has risen 3.1% since February. In November, the [unemployment rate](#) was 8.5%, down from 8.9% in October. [The number of manufacturing workers](#) rose by 3,800 in November, with employment in the sector up 23,600 year-over-year.
- Mexico: [Industrial production](#) was flat in September, slowing after rising in the previous three months. It has fallen 7.5% over the past 12 months. Manufacturing production increased 2.4% in September in real terms, but it declined 5.0% year-over-year. October industrial production data will be released on Dec. 11. [Note: The link is in Spanish.]
- Japan: [Real GDP](#) rose by 5.3% in the third quarter, or 22.9% at the annual rate, following three consecutive quarters of declines. On a year-over-year basis, the Japanese economy has shrunk 5.8% since the third

quarter of 2019. [Industrial production](#) rose 3.8% in October, increasing for the fifth straight month, but with a decrease of 2.3% over the past 12 months. On the retail front, [consumer spending](#) increased by 0.4% in October after edging down by 0.1% in September. On a year-over-year basis, retail sales have risen 6.4%. [Note: These links are in Japanese.]

- [Emerging Markets](#): The IHS Markit Emerging Markets Manufacturing PMI rose from 53.4 to 53.9, expanding for the fifth straight month and at its fastest pace since January 2011. New orders, exports, output and employment accelerated, buoying the headline index. The hiring index was positive for the first time since March 2019. The index for future output signaled optimism about production over the next six months, despite pulling back somewhat from the strongest pace since October 2014. [Note: There is no link for this release.]
- **Trade-Weighted U.S. Dollar Index:** Since April 24, the U.S. dollar [has fallen](#) 10.0% against a broad-based index of currencies for goods and services to the lowest level since June 7, 2018, according to the Federal Reserve. The index reflects currency rates per U.S. dollar, suggesting the dollar can purchase less today than it could just a few months ago. The weaker U.S. dollar could help boost exports, but it would also increase the cost of imported raw materials and other inputs. Despite recent declines, the U.S. dollar remains elevated over the longer term, up 20.3% since July 1, 2014.
- **International Trade:** The [U.S. trade deficit](#) rose from \$62.08 billion in September to \$63.12 billion in October. The increase in goods imports (up from \$203.43 billion to \$207.76 billion—strongest reading since September 2019) outstripped the gain in goods exports (up from \$122.65 billion to \$126.35 billion—the best since March). Overall, volumes for goods exports and service-sector trade remain well below the pace seen at the end of last year. For example, goods exports were \$137.65 billion in December 2019, and the service-sector trade surplus has weakened from \$24.30 billion to \$18.29 billion year to date, with the most recent figure being the lowest since August 2012.

In October, goods exports were mostly higher across the board, including strong gains for industrial supplies and materials (up \$1.62 billion), non-automotive capital goods (up \$1.47 billion) and consumer goods (up \$904 million). Reduced soybean exports (down \$724 million) pulled foods, feeds and beverages lower. At the same time, goods imports also experienced solid gains for the month, including consumer goods (up \$1.41 billion), non-automotive capital goods (up \$1.38 billion), industrial supplies and materials (up \$1.33 billion) and automotive vehicles and parts (up \$1.01 billion).

- **U.S.-Manufactured Goods Exports:** According to the latest data, U.S.-manufactured goods exports totaled \$789.87 billion through the first 10 months of 2020, using non-seasonally adjusted data, dropping 16.10% from \$941.47 billion year to date in 2019.

International Trade Policy Trends

- ***President-elect Joseph Biden to hold on quick changes to China policy, set strategy to remain tough:*** With the presidential transition fully underway, President-elect Biden sent clear signals in recent weeks about his plans related to China trade policy. Early indications suggest that he will make few immediate changes amid efforts to craft a broader strategy that remains tough on China, not only on trade issues but also on issues beyond trade, such as national security and human rights:
 - In [public statements](#), Biden has said that he is “not going to make any immediate moves” on the Trump administration’s China trade policies, including Section 301 tariffs or the U.S.–China Phase One trade deal. Biden instead pledged to review these policies and work with allies to craft a common China trade policy that will address problematic Chinese behaviors in areas such as intellectual property and technology transfer. In addition, Biden’s statements indicated that he will place a stronger focus on domestic investment in areas such as infrastructure, workforce development and education as part of the plan to better compete against China.
 - In the meantime, the Trump administration has continued strong actions to address Chinese national security and human rights issues, including the Dec. 2 [announcement](#) of a new human rights enforcement action on cotton shipments by U.S. Customs and Border Protection and the Dec. 3 Department of Defense [designation](#) of four large Chinese companies as “Communist Chinese military companies,” subjecting them to investment restrictions under a [Nov. 12 White House executive order](#).
 - The NAM [has called on the U.S. government](#) to restructure the U.S.–China economic relationship and strategically tackle persistent, structural trade barriers that prevent manufacturers from competing freely and fairly in the United States. The NAM called for a “comprehensive and strategic approach to drive concrete, lasting and enforceable policy changes while minimizing collateral damage to the U.S. economy” that includes strategic use of domestic, bilateral, and multilateral structures and close work with allies.

[Learn more.](#)
- ***NAM President and CEO Jay Timmons urges legislative action against counterfeit imports sold online.*** On Nov. 20, NAM President and CEO Jay Timmons [urged](#) Acting Secretary of Homeland Security Chad Wolf and Attorney General William Barr to aid manufacturers in the fight against global counterfeits by supporting direct legislative action.
 - In an Oct. 13 [presidential memorandum](#) from President Donald Trump, both officials were tapped to draft a specific set of legislative proposals to elevate the fight against counterfeit products sold on e-commerce platforms. The memorandum set a 120-day deadline for those proposals, suggesting active work through early February.

- The NAM's letter called for specific steps related to contributory liability for trademark infringement, updates to current laws to fill statutory gaps in effective enforcement, increased resources available for enforcement and full implementation of existing authorities under legislation such as the Trade Facilitation and Trade Enforcement Act of 2015 and the Synthetic Trafficking and Overdose Prevention Act of 2018.
- The memorandum reflects key recommendations from the NAM's [white paper](#) released in July on counterfeits, part of the NAM's elevated efforts to tackle the threat that counterfeit and unregulated goods pose to U.S. businesses and consumers.

[Learn more.](#)

- ***Manufacturers continue campaign in support of congressional passage of the MTB.*** On Dec. 4, the NAM, along with 215 companies, associations and other business groups, sent a [letter](#) signed by 216 to House and Senate leadership, urging the inclusion of the MTB in the upcoming U.S. omnibus spending package.
 - The letter underscores that the MTB would eliminate import tariffs of more than \$1.5 billion over the next three years, bolstering manufacturers and other businesses in the United States, especially the many small and medium-sized manufacturers that signed the letter.
 - Starting in January, if the MTB is not passed this year, manufacturers and other businesses will pay more than \$1.3 million per day in out-of-date, distortive and anticompetitive import tariffs on products not made in the United States or not available in domestic markets.

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- ***Regional Comprehensive Economic Partnership trade agreement signed by 15 Asia-Pacific Countries:*** On Nov. 15, a group of 15 Asia-Pacific countries [signed](#) the RCEP trade agreement at a summit in Hanoi.
 - Though not as broad in scope as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the RCEP is nonetheless significant as Japan's first trade agreement with China and South Korea, as well as an agreement that ties together other countries that had previous trade agreements with one another through the Association of Southeast Asian Nations and bilateral agreements.
 - Signatories to the new agreement are Australia, Brunei, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, South Korea, Thailand and Vietnam.

[Learn more.](#)

- ***The European Union imposes tariffs on U.S. exports in ongoing civil aircraft dispute:*** On Nov. 10, the EU [imposed tariffs of \\$4 billion](#) on U.S. exports, following authorization by the World Trade Organization that the EU

could implement such measures against the United States amid a long-standing U.S.–EU dispute over alleged civil aircraft subsidies.

- A [European Commission implementing regulation](#) details the imposition of tariffs of 15% on U.S. exports of aircraft-related goods to the EU and tariffs of 25% on a range of goods that include food products, certain chemicals, handbags and tractors.
- In a Nov. 9 [statement](#), United States Trade Representative Robert Lighthizer said that “the United States is disappointed by the action taken by the EU” and underscored that “the alleged subsidy to Boeing was repealed seven months ago.”
- On July 24, the NAM submitted [comments](#) in response to USTR’s recent [announcement](#) of a review of U.S. enforcement in the U.S.–EU civil aircraft dispute. On Aug. 12, USTR [announced](#) a modification to the list of products subject to WTO-authorized additional duties in the U.S. challenge at the WTO over subsidies for large civil aircraft provided by the EU, France, Germany, Spain and the United Kingdom.

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- ***United States and Ecuador update bilateral Trade and Investment Council Agreement:*** On Dec. 8, the United States and Ecuador signed a [new protocol](#) on trade rules and transparency, updating the U.S.–Ecuador Trade and Investment Council Agreement with four new annexes on customs administration and trade facilitation, good regulatory practices, anticorruption and small and medium-sized enterprises. In announcing the deal, Ambassador Lighthizer [said](#) that the protocol “is an important step in establishing closer economic ties between our countries.”

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Take Action

- ***For a listing of upcoming U.S. Trade and Development Agency missions, [click here.](#)***
- ***For a listing of upcoming Commerce Department trade missions, [click here](#)***

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