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Global Manufacturing Economic Update



Global Manufacturing Jumps Most in 11 Years Despite Supply, Price Concerns

By Chad Moutray and Ken Monahan – June 10, 2021

The Monthly Toplines

- The [J.P. Morgan Global Manufacturing PMI](#) edged up from 55.9 in April to 56.0 in May, the fastest pace since April 2010. New orders and exports expanded at the strongest rates in 11 years, and manufacturers remained very upbeat in their outlook for production. Survey respondents also cited significant supply chain disruptions, with input prices rising the most since March 2011 and output prices soaring at a record pace.
- For the fourth consecutive month, eight of the top nine markets for U.S.-manufactured goods had expanding manufacturing sectors. Manufacturing activity in Mexico remained challenged, but the Netherlands and the United Kingdom set new records for PMIs in May.
- Encouragingly, the overall data—while mixed in May—continued to reflect significant progress in the economy over the past year, as the world begins to emerge from COVID-19-related weaknesses and even with lingering hot spots for the virus in some key markets.
- After hitting an all-time high in March, the [U.S. trade deficit](#) pulled back somewhat in April, with goods exports rising to a new record. Growth in goods exports has outpaced the increase in goods imports year to date, reversing the trend seen since February 2020, where imports have recovered faster than exports.
- In a sign that export trade is recovering after a rough 2020, U.S.-manufactured goods exports have risen 6.77% through the first four months of 2021 relative to the same period last year.
- Manufacturers are working robustly with the Biden administration and Congress to open markets, ensure trade certainty and competitiveness and address challenges overseas, taking actions that include the following:
 - Raising concerns regarding the implementation of commercial commitments by Mexico and Canada under the United States–Mexico–Canada Agreement
 - Continuing to urge the Biden administration to rapidly develop and implement a strong, comprehensive China strategy
 - Sending a letter to Secretary of Health and Human Services Xavier Becerra that lays out priorities in advance of the World Health Assembly

- o Continuing to lead industry advocacy in support of expeditious congressional passage of a comprehensive Miscellaneous Tariff Bill

Trade-Weighted U.S. Dollar Index Against Broad Index of Currencies, Goods and Services, 2018–2021

(Currency Units per U.S. Dollar, January 2006=100)



Global Economic Trends

- **Worldwide Manufacturing Activity:** The [J.P. Morgan Global Manufacturing PMI](#) edged up from 55.9 in April to 56.0 in May, the fastest pace since April 2010. New orders (up from 56.8 to 57.3) and exports (up from 54.7 to 54.9) expanded at the strongest rates in 11 years. However, output (down from 55.8 to 55.6) and employment (down from 52.6 to 52.5) slowed slightly in the month. Overall, manufacturers remain very upbeat in their outlook for production over the next six months, despite some slippage in the index for future output (down from 66.6 to 65.1). Survey respondents also cited significant supply chain disruptions, pushing input prices (up from 69.7 to 71.6) higher, rising at the swiftest pace since March 2011. In addition, the index for output prices (up from 59.8 to 62.6) soared to a new record high (for a series dating to October 2009).

In April, the increase in goods exports was led by growth in non-automotive capital goods (up \$2.07 billion, including \$1.43 billion for civilian aircraft), industrial supplies and materials (up \$831 million) and foods, feeds and beverages (up \$268 million). In contrast, automotive vehicles and parts (down \$1.03 billion) and consumer goods (down \$252 million) exports were lower in April. At the same time, goods imports were lower largely from sharp reductions for consumer goods (down \$2.61 billion), automotive vehicles and parts (down \$1.06 billion) and industrial supplies and materials (down \$814 million).

According to the latest data, U.S.-manufactured goods exports totaled \$354.56 billion through the first four months in 2021, using non-seasonally adjusted data, increasing 6.77% from \$332.07 billion year to date in 2020.

- **International Trade:** After hitting an all-time high in March at \$75.03 billion, the [U.S. trade deficit](#) pulled back somewhat and decreased to \$68.90 billion in April. Goods exports rose from \$143.66 billion to \$145.29 billion, a new record. At the same time, goods imports dropped from a record \$236.52 billion to \$231.97 billion. Growth in goods exports (up 9.26%) has outpaced the increase in goods imports (up 5.33%) year to date. These figures reverse the trend that began in February 2020 with the onset of the COVID-19 pandemic, with goods exports and imports rising 10.35% and 26.63% since then, respectively. Meanwhile, the service-sector trade surplus decreased from \$17.83 billion in March to \$17.78 billion in April, the lowest level since August 2012.
- **Trade-Weighted U.S. Dollar Index:** Since March 30, the U.S. dollar [has fallen](#) 3.1% against a broad-based index of currencies for goods and services, according to the Federal Reserve. The recent depreciation in the dollar coincides with some easing in interest rates. It continues a longer-term trend of currency depreciation seen since last spring, with the U.S. dollar 10.8% lower today than it was on April 24, 2020. The index reflects currency rates per U.S. dollar, suggesting the dollar can purchase less today than it could at this time last year. Despite recent trends, the trade-weighted dollar index has risen 19.2% since July 1, 2014.
 - [Emerging Markets:](#) The IHS Markit Emerging Market Index edged down from 52.2 in April to 52.0 in May. New orders and exports strengthened in the month, but output and employment softened. Respondents remained positive about the next six months, even though the index for future output eased for the third consecutive month from 63.2 to 62.1. Input costs jumped at the fastest pace since March 2011. [Note: There is no link for this release.]
 - [Japan:](#) [Industrial production](#) fell 4.5% in April, extending the 1.7% gain seen in March. Output has increased in three of the past four months, and industrial production has soared 15.4% year-over-year, keeping in mind that activity plummeted in April 2020 (the comparison month). Meanwhile, [retail sales](#) declined by 4.5% in April, falling for the first time since January. On a year-over-year basis, retail spending has risen 12.0% since April 2020. [Note: These links are in Japanese.]
 - [Mexico:](#) [Industrial production](#) was up 0.7% in real terms in March, boosted by 3.0% growth in manufacturing output. On a year-over-year basis, industrial production has increased by 1.5% in real terms, but with manufacturing output jumping 5.5% since March 2020. New data for April will be released on June 11. [Note: The link is in Spanish.]
 - [Canada:](#) [Manufacturing sales](#) fell 1.6% in February, pulling back after rising by 3.4% in January, largely on reduced transportation equipment orders. Over the past 12 months, new orders for manufactured goods have declined by 0.8% but have largely recovered from steep declines seen last spring. Meanwhile, [retail sales](#) rose 4.8% in February following decreases in the prior two months. Despite tremendous volatility over the course of the year, retail spending has jumped 6.0% year-over-year, buoyed by pent-up demand. With that said, the [unemployment rate](#) increased from 7.5% in March to 8.1% in April, largely on higher COVID-19 cases in some provinces. [The number of manufacturing workers](#) increased by 400 in April, with employment in the sector up 308,000 year-over-year.
 - [United Kingdom:](#) [Industrial production](#) rose 1.8% in March, with manufacturing output up 2.1% for the month. For the first quarter overall, industrial production

fell by 0.4%, and since February 2020, output has declined by 2.2%. New data for April will be released on June 11. Meanwhile, [retail sales](#) jumped 9.2% in April, building on the sizable 5.4% gain seen in March. Since the pandemic began in February 2020, retail spending has risen 10.6%, with consumer activity rebounding from sharp pullbacks last year as the United Kingdom reopens from COVID-19 restrictions.

- [Europe](#): [Eurozone GDP](#) fell by 0.3% in the first quarter, extending the 0.6% decline seen in the fourth quarter. On a year-over-year basis, the Eurozone economy has fallen by 1.3% since the first quarter of 2020. [Industrial production](#) in the Eurozone edged up 0.1% in March, rebounding slightly after falling by 1.2% in February. Output on capital and consumer durable goods remained challenged. On a year-over-year basis, industrial production rose 10.9%. April industrial production data will be released on June 14. Meanwhile, [retail sales](#) fell 3.1% in April, with declines in every segment except for automotive fuel. The [unemployment rate](#) inched down from 8.1% in March to 8.0% in April, the lowest level since June 2020.
- [China](#): [Industrial production](#) rose 9.8% year-over-year in April, down from 14.1% in March. These data have settled down from the 35.1% year-over-year reading in January/February, largely on a more-favorable comparison month. More importantly, they reflect strength in the manufacturing rebound in China. The [fixed-asset investment](#) (up 19.9% year-over-year) and [retail sales](#) (up 17.7% year-over-year) data in April were also encouraging. New data on economic activity in May will be released on June 16.
- **Regional and National Trends:** Here are some other economic trends worth noting.
 - [Canada](#) (down from 57.2 to 57.0): New orders and output eased somewhat in May but continued to signal expanding activity overall. Employment and exports strengthened, and respondents remained upbeat in their outlook for the next six months, despite easing for the second straight month. At the same time, supply chain challenges pushed raw material costs up at the fastest pace since August 2018.
 - [Mexico](#) (down from 48.4 to 47.6): Mexico once again reported the weakest PMI among the top nine markets. New orders, output and employment deteriorated further in May, but exports declined at a slower rate. Yet, the index for future output rose to its best reading since January 2020, signaling optimism in the outlook.
 - [China](#) (up from 51.9 to 52.0, a five-month high): Demand strengthened in May, but output and hiring slowed somewhat. Chinese manufacturers were optimistic about production growth moving forward, albeit with some easing for the third consecutive month, and raw material costs rose at the fastest rate since December 2016.
 - [Germany](#) (down from 66.2 to 64.4): New orders, output and exports eased in May but continued to expand very robustly. Respondents were upbeat in their outlook for future production, with that measure remaining at an all-time high (for a series dating to July 2012). Input costs soared at the fastest pace on record.
 - [Japan](#) (down from 53.6 to 53.0): New orders, exports and output pulled back from their best growth rates in three years but continued to expand modestly. Employment rose for the second straight month, and the outlook for future production rose to the highest reading since July 2017. Input prices grew at the fastest pace since October 2018.
 - [United Kingdom](#) (up from 60.9 to 65.6, a new record high, for a series dating to January 1992): Activity was higher across the board, with indices for production and future output both expanding at the fastest paces on record. Input and

output prices also set new records, and delivery times have widening to the most since April 2020.

- [South Korea](#) (down from 54.6 to 53.7): New orders, exports and output decelerated in May, but hiring strengthened. Manufacturers remained very upbeat in their outlook, despite the forward-looking production index easing somewhat for the month. Input costs expanded at the fastest rate since January 2008, with the index of output prices soaring to a new record (for a series dating to April 2004).
 - [Netherlands](#) (up from 67.2 to 69.4, a new record for a series dating to March 2000): The Netherlands had the highest PMI among the top nine markets for U.S.-manufactured goods. New orders, exports and output jumped at the fastest rates on record, with employment growth rising at the best pace since April 2018. The outlook for future production slipped a bit but continued to signal optimism, despite ongoing supply chain challenges. Input and output prices soared at the fastest rates in the survey's history.
 - [Brazil](#) (up from 52.3 to 53.7): New orders, exports, output and employment improved in May, and the index for future output remained very encouraging as a sign moving forward. Raw material costs pulled back for the second straight month.
- **Sentiment in Major Markets:** For the fourth consecutive month, eight of the top nine markets for U.S.-manufactured goods had expanding manufacturing sectors in May. Manufacturing activity in Mexico remained challenged, contracting for the 14th straight month (or for 22 of the past 24 months). In contrast, the Netherlands and the United Kingdom set new records for PMIs. Encouragingly, the overall data—while mixed in May—continued to reflect significant progress in the economy over the past year, as the world begins to emerge from COVID-19-related weaknesses and even with lingering hot spots for the virus in some key markets. Here are more details on each of these major markets (in order of their ranking for U.S.-manufactured goods exports in 2020).

International Trade Policy Trends

- ***The NAM sends letters to Ambassador Katherine Tai on USMCA commercial concerns.*** On May 14, the NAM sent two letters in advance of a May 17–18 Free Trade Commission minister-level meeting between the United States, Mexico and Canada.
 - In a [May 14 letter](#) sent by NAM President and CEO Jay Timmons to Ambassador Tai, the NAM underscored that “manufacturers have substantial concerns about recent steps by Mexico and Canada that violate—or threaten to violate—the letter and spirit of the USMCA and risk undermining the livelihoods of manufacturing workers and communities across America.”
 - A separate [letter](#) sent on May 14 by the NAM, the Canadian Manufacturers & Exporters, the U.S. Chamber of Commerce and Business Council Canada to Ambassador Tai and Canadian Minister of Small Business, Export Promotion and International Trade Mary Ng raised concerns about Canada’s May 12 designation of broad “plastic manufactured items” as toxic under Schedule 1 of the Canadian Environmental Protection Act.

[Learn more.](#)

- **The heads of the Office of the U.S. Trade Representative and Treasury hold first calls on trade and the economy with Chinese counterpart.** The past two weeks saw the first engagements between Ambassador Tai, Treasury Secretary Janet Yellen and senior Chinese economic official Vice Premier Liu He. These calls represent small steps toward bilateral dialogue between the two countries.
 - During a May 26 phone call that served as an introductory meeting, as opposed to a meeting under the U.S.–China Phase One trade deal consultative mechanism, Ambassador Tai and Vice Premier Liu focused on high-level U.S.–China trade issues. USTR’s [readout](#) stressed Ambassador Tai’s ongoing review of the U.S.–China trade relationship as well as the administration’s “worker-centered trade policy.” A [Chinese release](#) stressed that the “candid, pragmatic, and constructive” dialogue included joint recognition of the importance of bilateral trade.
 - On June 1, Secretary Yellen held a similar introductory meeting with Vice Premier Liu, with both readouts ([United States](#), [China](#)) focused on broad messaging about the global economic recovery efforts and areas for both collaboration and concern.

In the wake of both meetings, the Chinese Ministry of Commerce noted that the two sides “have resumed normal discussions on economics and trade” ([English](#), [Chinese](#)). In Washington, [White House Coordinator for Indo-Pacific Affairs Kurt Campbell](#) said that “the period that was broadly described as engagement has come to an end,” with a new “dominant paradigm” of competition. More broadly, Ambassador Tai has continued to stress that the Biden administration was still engaged in a “top-to-bottom review of China,” and that the broader administration was still working on its China strategy.

The NAM has continued to [urge the Biden administration](#) to rapidly develop and implement a strong, comprehensive China strategy that addresses issues such as trade, national security, human rights and climate change.

[Learn more.](#)

- **Biden administration releases supply chain report:** On June 8, the White House issued a [report](#) and [fact sheet](#) on the 100-day review of supply chains for key products required by [Executive Order 14017](#).
 - The report addresses supply chain issues with respect to four sectors: semiconductors and advanced packaging, large capacity batteries, critical minerals and materials and pharmaceuticals and active pharmaceutical ingredients.
 - On June 8, NAM President and CEO Jay Timmons issued a [statement](#) after the release of the report, saying that “our industry is grateful for the administration’s continued focus on investments in manufacturing in America” and that “ramping up production in the United States is one of the key ways we alleviate the supply chain challenges that have been affecting our industry and all American families.” Timmons added that “succeeding in a global economy also requires the ability to manufacture where customers are; after all, 95% of customers live outside of the United States.”

[Learn more.](#)

- **NAM-led coalition lays out priorities for WHA in letter to Health and Human Services Secretary Becerra.** Ahead of the World Health Organization’s May 24–June 1 WHA, the NAM sent a direct letter on behalf of the cross-industry coalition [Engaging America’s Global Leadership](#) to U.S. Secretary of Health and Human Services Becerra, stressing key priorities at the WHA.

- In the letter, EAGL urged the U.S. government to lead robustly at the WHO to promote American economic, health and foreign policy goals in ways that build the competitiveness of American businesses and workers.
- EAGL urged the administration to ensure that WHO activities are grounded in the organization's core strength and that they are inclusive and transparent, reflective of science- and evidence-based approaches and in alignment with U.S. approaches.
- EAGL also stressed specific priorities related to strengthening and reforming the WHO , private sector inclusion, intellectual property, food safety and regulatory approaches to tackling health issues.

[Learn more.](#)

- ***Asia-Pacific Economic Cooperation trade ministers stress vaccine supply chains, support for rules-based multilateral system in joint statement.*** On June 5, Ambassador Tai joined other APEC trade ministers for a meeting and issued a [broad statement](#) listing key joint commitments on trade, including the following:
 - Expediting the flow of COVID-19 vaccines and related goods; for example, expedited customs processing, voluntary actions to reduce costs through border levies and “restraint” in using export restrictions
 - Implementing “pragmatic and effective solutions” to respond to COVID-19, including a commitment that APEC members will work “proactively and urgently ... to support text-based discussions, including for a temporary waiver of certain intellectual property protections on COVID-19 vaccines, as soon as possible and no later than MC12” (This U.S. government-led advocacy push has raised [significant concerns for manufacturers.](#))
 - Implementing a rules-based multilateral system, including a joint pledge of support for World Trade Organization modernization and reform
 - Supporting future economic growth, including references to the digital economy, the WTO Trade Facilitation Agreement and work toward a future Free Trade Area of the Asia-Pacific

The statement also covered trade's role in supporting environment protection, food systems, women's economic empowerment and small business development and in addressing industrial subsidies and sector-specific protectionism. Ministers also released a separate annex on [services supporting the movement of essential goods.](#)

[Learn more.](#)

- ***G-7 trade ministers commit to modernize, reform global trade; tackle industrial subsidies, tech transfer, forced labor.*** On May 27, G-7 trade ministers committed to a rules-based multilateral trading system, modernization of the WTO and international trade rules and a free and fair trading system. Following virtual meetings on May 27–28, trade ministers from the G-7 issued a [formal communiqué](#) on a range of priorities, including the following:
 - Expressing concern and the need for stronger international rules and greater transparency on market-distorting practices such as “industrial subsidies, including those that lead to severe excess capacity, a lack of transparency regarding the state's role in the economy and the role of state enterprises in unfair subsidization, and forced technology transfer”
 - Affirming obligations under international human rights laws to address issues of forced labor and a joint commitment to mitigate the risk of forced labor in global supply chains
 - Stressing a shared vision to “ensure that the multilateral trading system is reformed to be free and fair for all,” including support for WTO modernization

and continued “frank and constructive discussions” on the reform of the WTO dispute settlement process

- o Underscoring the importance of trade in addressing climate change, including highlighting discussions at the WTO on trade and environmental sustainability
- o Supporting work at the WTO to identify “solutions to expand global vaccine production and distribution” and “open, diversified, secure, and resilient supply chains in the manufacture of Covid-19 critical goods and vaccines and their components”

The G-7 Trade Ministers meeting is a prelude to the broader G-7 Leaders’ Summit, which will take place June 11–13 in the United Kingdom.

- ***USTR announces, and immediately suspends, tariffs in Section 301 digital services taxes investigations.*** On June 2, Ambassador Tai [announced](#) the conclusion of the Section 301 investigations of digital services taxes adopted by Austria, India, Italy, Spain, Turkey and the United Kingdom.
 - o The final determination is to impose additional tariffs on certain goods from these six countries, while suspending the tariffs for up to 180 days to provide additional time to complete the ongoing multinational negotiations on international taxation at the Organisation for Economic Co-operation and Development and in the G-20 process.
 - o For the final notices of action for each investigation, including the goods on which tariffs would be imposed, please click on the following links: [Austria](#), [India](#), [Italy](#), [Spain](#), [Turkey](#) and the [United Kingdom](#).
 - o The NAM submitted [these comments](#) on July 15 in response to the launch of the USTR Section 301 digital services tax investigations.

[Learn more.](#)

- ***The U.S. Senate takes action on the MTB, and NAM advocacy efforts continue.*** The Senate has taken action on the MTB, adding the temporary tariff relief package to the U.S. Innovation and Competition Act.
 - o Senate Finance Committee Chairman Ron Wyden (D-OR) and Ranking Member Mike Crapo (R-ID) reached a bipartisan agreement on a broad trade title in the USICA that includes the MTB and numerous other trade priorities. The Senate voted on the trade title as an [amendment](#) and agreed to attach it to the USICA by a strong, bipartisan vote of 91–4.
 - o The amendment includes the vast majority of MTB petitions recommended by the International Trade Commission for the 2021 cycle, provides 120 days of retroactivity and extends the American Manufacturing and Competitiveness Act for two additional MTB cycles beginning in 2022 and 2025.
 - o This action represents positive momentum in the Senate, but the House must also act on the MTB, which expired on Dec. 31, 2020.

The NAM continues to advocate in support of congressional passage of the legislation as soon as possible in 2021. In doing so, manufacturers are underscoring the direct impact of the tariffs that would be removed under the MTB on U.S. manufacturing operations, American workers and their communities.

[Learn more.](#)

Take Action

Bahrain Oil & Gas Upstream Business Opportunities

June 16

Virtual

Chargé d’Affaires Maggie Nardi and Bahrain’s Minister of Oil H.E. Shaikh Mohammed bin Khalifa Al Khalifa, as well as senior Tatweer Petroleum and Bahrain Economic Development Board representatives, will discuss select upstream development opportunities and related services available for immediate American investment. They will also elaborate on Bahrain’s business-friendly environment and the opportunities for enhanced U.S. private sector involvement to develop Bahrain’s offshore oil and gas finds. [Learn more.](#)

Congo Connectivity and Digital Infrastructure Standards Workshop

June 16

Virtual

Under the Access Africa initiative, the American National Standards Institute, on behalf of the U.S. Trade and Development Agency, is hosting a two-day workshop to advance industry best practices that can improve digital infrastructure and mobile digital technologies in the Democratic Republic of the Congo. Participants will engage with key U.S. and Congolese experts to promote increased connectivity and an enabling regulatory environment. [Learn more.](#)

- **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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