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World Manufacturing Production

Statistics for Quarter III, 2014

Statistics Unit

www.unido.org/statistics



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

Report on world manufacturing production Quarter III, 2014

UNIDO Statistics presents this report on growth estimates based on the indices of industrial production for the third quarter of 2014. 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. 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 third quarter as well as revised estimates for the second quarter of 2014. 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 presents the growth figures for country groups by stage of industrial development and by geographic region.

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.

Major findings

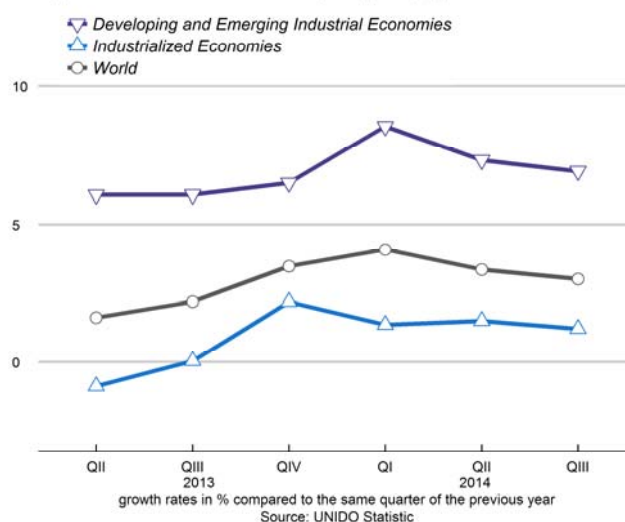
World manufacturing growth in the third quarter of 2014

World manufacturing is caught in a low growth trap and the data for the third quarter of 2014 indicate a further decrease in growth rates. The positive dynamics observed in 2013 were short-lived and only lasted until the first quarter of 2014 and deteriorated due to the adverse conditions that emerged in the second quarter of 2014. European economies lost their momentum of growth amid weak consumer demand, the threat of deflation and geopolitical tensions, while East Asia was negatively affected by tax hikes in Japan. Most of the growth of industrialized economies was attributable to US manufacturing. The pace of growth of developing and emerging industrial economies was relatively slow, primarily due to the falling growth rate of Chinese manufacturing and the slowdown in Latin America.

Global manufacturing output rose at a moderate rate of 3.0 percent in the third quarter of 2014 compared to the same period of the previous year. The growth rate was slightly lower than the 3.4 percent growth rate in the second quarter. As illustrated in Figure 1, the growth trend for industrialized as well as for developing and emerging industrial economies was downward. For both country groups, the end of 2013 and the beginning of 2014 appeared to be a time of peak recovery in the aftermath of the financial crisis. The manufacturing output of industrialized countries grew by merely 1.2 percent in the third quarter, down from 1.5 percent in the second quarter of 2014. The growth in developing and emerging industrial economies was much higher at 6.9 percent compared to the same period of the previous year. However, it still represented a downward trend as the growth rate decreased from 7.3 percent in the second quarter of 2014.

Lower growth rates are becoming more common worldwide, apparently because the period of accelerated growth of emerging industrial economies is increasingly difficult to sustain. For more than a decade (including the period of economic recession), China significantly contributed to global growth with a double-digit growth rate for consecutive years. But today emerging industrial economies are

Figure 1: World manufacturing output by quarter



facing a drop in demand in the global market as well as in their domestic economies. Prolonged recessions in industrialized economies and weaker than expected recovery in the aftermath of the financial crisis has limited the prospects of further increases in the manufacturing exports of developing economies. Falling oil prices as a result of the drop in demand for energy goods worldwide indicates that low growth may prevail for some time to come.

Slowing growth rates in the manufacturing production of developing countries was mentioned in earlier UNIDO reports. The slowdown has been further affected in the aftermath of the financial crisis, by the lagged effect of reduced capital flows and lower commodity exchanges. At the same time, high inflation and climbing interest rates were domestic factors contributing to the slowdown. With the rise in wages and input prices and the fall in both demand and commodity prices in external markets, manufacturing production has become less profitable. These developments will have a long-term impact on the pace of manufacturing growth potentials of developing and emerging industrial economies.

By country group

Industrialized economies

The manufacturing growth trends of industrialized economies were characterized by small progress in North America, stagnation in Europe and sharp decline in East Asia.

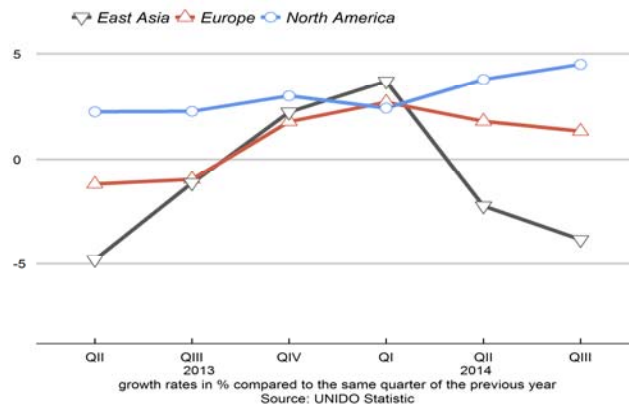
Manufacturing output of the U.S. rose by 4.4 percent in the third quarter compared to the same period of the previous year. Machinery and equipment, electrical appliances and above all, the production of motor vehicles were the main contributors to growth. A steady rise in the sale of household equipment and cars denoted increased consumer confidence in investing in durable goods. Similarly, increased production of machinery indicated a rise in capital investment in manufacturing. For the first time since the financial crisis, manufacturing output rose in Canada at an impressive rate of 6.1 percent with a major contribution by non-metallic mineral products, the production of office and computing machinery and of motor vehicles. On average, manufacturing output of North America grew by 4.5 percent, the highest rate among the industrialized regions.

The manufacturing output of the industrialized economies of Europe increased at 1.3 percent in the third quarter of 2014. The major industrialized economies of Europe reported low or negative growth in the third quarter, except for the United Kingdom, where manufacturing output rose by 3.4 percent. The manufacturing output of Italy fell by 1.1 percent, whereas a nominal growth of 0.1 percent and 1.0 percent was observed in France and Germany, respectively. Relatively low growth was reported in other economies of the

eurozone. Manufacturing output rose by 1.7 percent in Belgium, 0.6 percent in the Netherlands and 1.3 percent in Spain. Manufacturing growth was relatively higher among the European economies outside the eurozone where manufacturing output rose by 4.2 percent in the Czech Republic, by 7.0 percent in Hungary and by 3.3 percent in Norway. However, negative growth was observed in Finland, Sweden and Switzerland.

In most European economies, consumer confidence is weak due to the fragile labour market conditions. Higher unemployment rates and low income have resulted in low demand for consumer goods, which at the given rate of supply has given rise to deflation. Policy measures applied to break this cycle have to date not been effective due to the tight financial regulatory measures. Additionally, geopolitical tensions and reciprocal economic sanctions among European economies have adversely affected consumer confidence.

Figure 2: Manufacturing output of industrialized economies by quarter



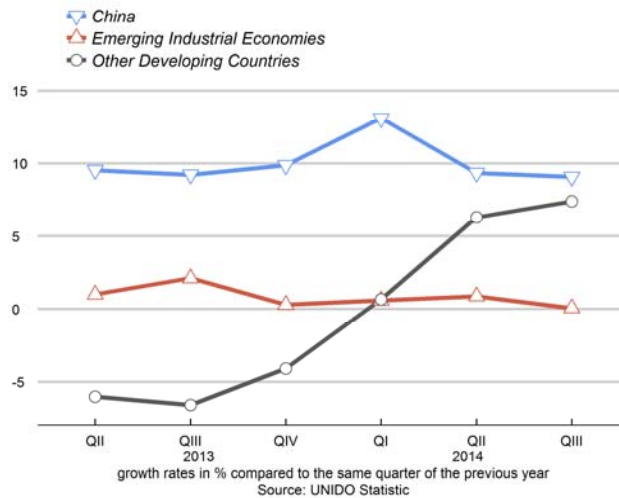
In East Asia, manufacturing output fell by 3.8 percent due to economic contraction in two of the region’s major economies – Japan and the Republic of Korea. Manufacturing output growth in Japan was affected by the government’s decision to increase taxes in order to reduce debt. However, the repercussion of this decision was stronger than expected. A major setback was observed in the manufacturing of food products, in the chemical industry and in the production of motor vehicles. Manufacturing output also fell in the Republic of Korea in two consecutive quarters. By contrast, manufacturing witnessed very positive growth in South East Asia. Manufacturing output rose by 5.3 percent in Malaysia and by 1.8 percent in Singapore.

Developing and emerging industrial economies

As mentioned earlier, the overall economic growth pace of developing and emerging industrial economies has begun to slow down. In the third quarter of 2014, these countries’ manufacturing output rose by 6.9 percent, with China being the main contributor with a growth of 9.1 percent. However, China’s growth has also slowed after reaching 9.3 percent in the second quarter. Other emerging industrial economies have been facing consistently declining growth of manufacturing output. As depicted in Figure 3, in terms of growth performance, there is a huge gap between China and other emerging industrial economies.

The major decline in emerging industrial economies is attributable to the economic recession in Latin American countries, where an economic downturn has been observed in a number of economies, including Argentina, Brazil and Chile. The Latin American region continued to maintain a relatively higher growth in the years of financial crisis, attracting capital investment from a number of industrialized economies and China. However, the drop in demand for Latin American goods in their own countries caused a slowdown in capital inflow to Latin America from abroad. At the same time, both inflation and interest rates increased, resulting in a rise of input cost. As a combined effect of all these factors, manufacturing output slowed down in the entire region. In the third quarter of 2014, manufacturing output dropped by 1.2 percent in Argentina, 5.3 percent in Brazil, 1.4 percent in Chile, 11.1 percent in Columbia and 3.8 percent in Peru.

Figure 3: Manufacturing output of developing and emerging industrial economies by quarter



The growth performance of Asian economies was relatively better. Indonesia's manufacturing output rose by 6.2 percent due to a regional expansion of the production of agro-industrial and wood-based products. In India, the return of capital flows to manufacturing and lower inflation created better growth prospect, although India's current growth performance is low. Manufacturing output rose in Bangladesh by 4.6 percent and in Pakistan by 4.1 percent.

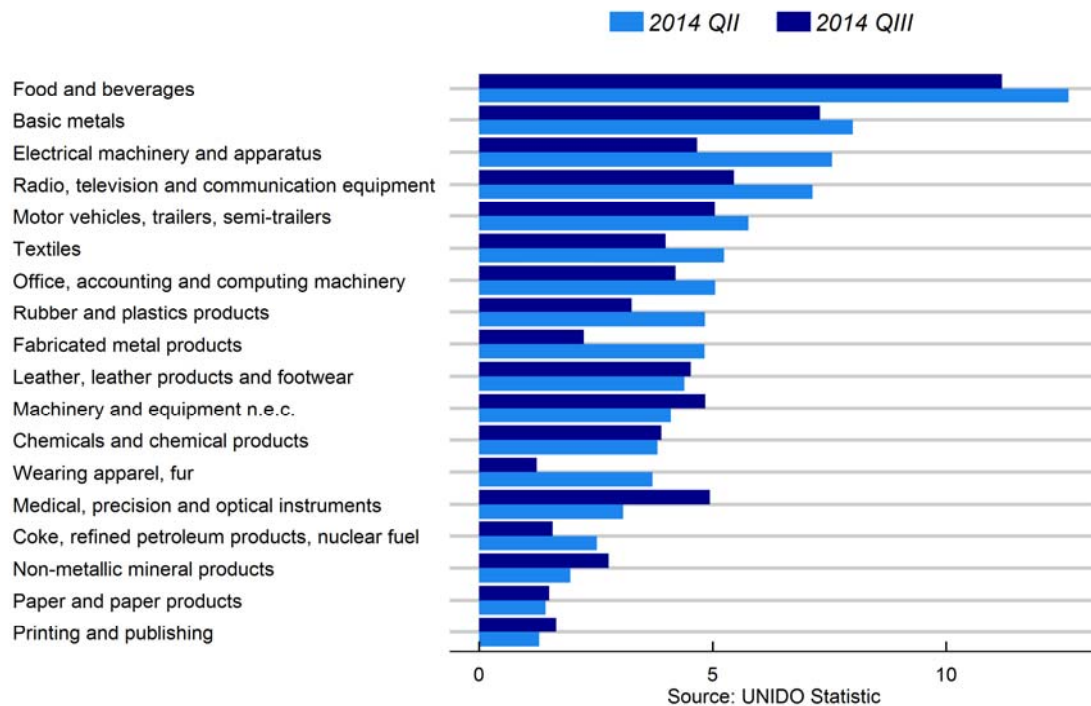
The North African countries, Tunisia and Egypt, witnessed very high growth while trying to fill the gap created by the earlier political turmoil. The manufacturing output of Morocco rose by 2.5 percent in the third quarter. However, manufacturing growth performance was not particularly impressive in other parts of Africa. Manufacturing output dropped by 1.1 percent in Cameroon, by 15.7 percent in Senegal and by 0.9 percent in South Africa.

Findings by industry groups

On the global scale, positive growth rates of output were recorded for all manufacturing industries in the third quarter of 2014 compared to the same period of the previous year. Nonetheless, in comparison to the figures for the previous quarter, a deceleration in growth trend is evident in most industries.

The detailed figures of worldwide manufacturing production growth rates for all industries on a year-to-year basis are presented in Figure 4.

Figure 4: World estimated growth rates by sector in percent compared to previous year



In developing and emerging industrial economies, the growth rate was positive for all manufacturing industries in the third quarter of 2014. However, compared to the previous quarter, sector-wise growth has slightly slowed down.

In industrialized economies, manufacturing output rose in 14 industries while a decline was only observed in six industries, namely in the manufacturing of wearing apparel (-5.8 percent), of radio, television and communication products (-2.9 percent), and of non-metallic mineral products (-2.4 percent). The ongoing decline in manufacturing output in East Asia and in Japan in particular, has had a significant impact on the decrease in the growth rates of manufacturing industries in other countries.

In Japan, the production of radio, television and communication equipment dropped from a moderate rate of 3.1 percent in the second quarter of 2014 to a negative rate of 1.3 percent in the third quarter. The monetary policy of the past year temporarily boosted Japan's economic growth.

The overall output of the manufacturing of textiles grew by 3.8 percent in the third quarter. It increased by 0.9 percent and 4.9 in industrialized and in developing and emerging industrial economies, respectively. At the country level, the manufacturing of textiles rose

significantly in Malaysia, South Africa and Tunisia by 10.9 percent, 15.1 percent and 18.5 percent, respectively. The production of textiles declined by 3.9 percent in Brazil, 3.3 percent in Japan, 4.5 percent in Peru, 6.8 percent in the Russian Federation and 11.1 percent in Singapore.

At the global scale, the production of wearing apparel slowed down to a lower growth rate of 1.2 percent. The production growth of wearing apparel grew moderately by 3.9 percent in developing and emerging industrial economies, which have been major suppliers of garments to markets of industrialized countries. The drop in production of wearing apparel has primarily been attributable to low demand by consumers of industrialized countries. The production of wearing apparel has also dropped in a number of industrialized countries. A notable decline has been observed in European markets such as Italy, Finland, Norway and Spain.

Strong growth was observed in the manufacturing of medical instruments, machinery and non-metallic mineral products in developing and emerging industrial economies. This indicates an increasing shift towards high-tech industry by these countries. An impressive growth in this sector was observed in Egypt, where the overall economic conditions are improving.

The production of motor vehicles rose by 2.7 percent compared to the same quarter of 2013, while industrialized countries were slightly ahead of developing and emerging industrial economies. Growth in the industry varied widely across the major economies. The overall positive growth is mainly attributable to the high output in the United States; while the automotive industry in Europe has not yet demonstrated real recovery. Economic measures are necessary to boost consumption. Among the main producers, the production of motor vehicles rose by 2.6 percent in Italy, 7.3 percent in the Russian Federation, 6.4 percent in the United Kingdom and 11.9 in the U.S., while Germany, Japan and Sweden experienced a decline by 1.2 percent, 3.0 percent and 9.6 percent, respectively

On the whole, world manufacturing production output appears to be settling into a new normal of modest growth. The growth trend has slowed down in developing and emerging industrial economies while among industrialized countries, the U.S. economy appears to be the greatest driver, and which may finally be on a sustainable and healthy growth path. The unstable growth figures make it unrealistic to expect a substantial rebound in the eurozone economies in the near future.

Detailed data per industry and country group are featured in the annexed tables.

Table 1:**Estimated growth rates of world manufacturing output in %**

Quarter III, 2014

	Share in world MVA (2010)	Compared to the previous quarter	Compared to the same period of the previous year
World	100	-1.1	3.0
Industrialized Economies	67.7	-0.1	1.2
North America	22.4	1.1	4.5
Europe	24.7	-0.5	1.3
East Asia	17.2	-1.9	-3.8
Developing and EIE (by development group)	32.3	-2.5	6.9
China	15.3	-3.8	9.1
Emerging Industrial Economies	13.8	0.0	0.1
Least Developed Countries	0.5	-0.1	3.9
Other Developing Economies	2.7	0.0	7.4
Developing and EIE (by region)	32.3	-2.5	6.9
Africa	1.5	-0.2	7.4
Asia & Pacific	21.7	-3.2	9.3
Latin America	5.8	-0.3	-2.1
Others	3.3	0.5	3.0

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 III, 2014.

	Developing and Emerging Industrial Economies	Industrialized Economies	World
Food and beverages	4.8	1.3	2.8
Tobacco products	8.4	-2.1	7.3
Textiles	4.9	0.9	3.8
Wearing apparel, fur	3.9	-5.8	1.2
Leather, leather products and footwear	5.1	1.7	4.2
Wood products (excl. furniture)	6.3	1.8	3.3
Paper and paper products	4.0	0.0	1.4
Printing and publishing	10.4	-0.3	1.6
Coke, refined petroleum products, nuclear fuel	3.5	-0.3	1.9
Chemicals and chemical products	6.2	1.7	3.3
Rubber and plastics products	3.3	2.6	2.9
Non-metallic mineral products	6.5	-2.4	2.4
Basic metals	9.1	2.6	6.8
Fabricated metal products	5.6	0.6	2.0
Machinery and equipment n.e.c.	6.8	3.3	4.6
Office, accounting and computing machinery	3.8	4.2	4.2
Electrical machinery and apparatus	7.9	-0.3	4.2
Radio, television and communication equipment	6.9	-2.9	5.5
Medical, precision and optical instruments	5.6	3.6	4.0
Motor vehicles, trailers, semi-trailers	2.5	2.7	2.7
Other transport equipment	13.2	1.5	7.5
Furniture; manufacturing n.e.c.	9.0	2.9	6.1
Total Manufacturing	6.9	1.2	3.0

Source: UNIDO Statistics.

Note: Seasonally adjusted data.

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

In % compared to the previous quarter

Quarter III, 2014

	Developing and Emerging Industrial Economies	Industrialized Economies	World
Food and beverages	-7.3	-0.4	-3.6
Tobacco products	5.4	-1.4	4.7
Textiles	-5.0	-0.9	-4.0
Wearing apparel, fur	-4.8	-3.6	-4.5
Leather, leather products and footwear	-2.2	-2.1	-2.1
Wood products (excl. furniture)	-4.1	0.6	-1.1
Paper and paper products	-4.0	-0.7	-1.9
Printing and publishing	-0.8	0.4	0.2
Coke, refined petroleum products, nuclear fuel	-0.7	-1.0	-0.9
Chemicals and chemical products	0.1	-0.8	-0.5
Rubber and plastics products	-4.5	0.2	-1.6
Non-metallic mineral products	-1.0	-0.8	-0.9
Basic metals	-3.4	-1.8	-2.8
Fabricated metal products	-1.5	-1.1	-1.2
Machinery and equipment n.e.c.	-3.0	0.6	-0.8
Office, accounting and computing machinery	-9.5	0.4	-0.4
Electrical machinery and apparatus	-6.7	-0.9	-4.3
Radio, television and communication equipment	-2.8	0.9	-1.7
Medical, precision and optical instruments	-8.2	1.2	-0.4
Motor vehicles, trailers, semi-trailers	0.3	-1.6	-1.2
Other transport equipment	-1.6	0.0	-0.9
Furniture; manufacturing n.e.c.	9.4	-0.7	4.5
Total Manufacturing	-2.5	-0.1	-1.1

Source: UNIDO Statistics.

Note: Seasonally adjusted data.

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

Quarter II, 2014 (revised)

	Share in world MVA (2010)	Compared to the previous quarter	Compared to the same period of the previous year
World	100	0.2	3.4
Industrialized Economies	67.7	1.2	1.5
North America	22.4	1.7	3.8
Europe	24.7	0.3	1.8
East Asia	17.2	-3.4	-2.2
Developing and EIE (by development group)	32.3	-0.5	7.3
China	15.3	-2.1	9.3
Emerging Industrial Economies	13.8	0.1	0.9
Least Developed Countries	0.5	2.3	-13.7
Other Developing Economies	2.7	3.0	6.3
Developing and EIE (by region)	32.3	-0.5	7.3
Africa	1.5	3.3	6.0
Asia & Pacific	21.7	-0.2	9.7
Latin America	5.8	-0.2	-1.7
Others	3.3	-0.2	4.2

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 II, 2014 (revised)

	Developing and Emerging Industrial Economies	Industrialized Economies	World
Food and beverages	6.4	2.0	4.0
Tobacco products	10.8	-1.4	9.4
Textiles	6.2	1.8	5.1
Wearing apparel, fur	4.5	0.8	3.5
Leather, leather products and footwear	3.9	4.4	4.1
Wood products (excl. furniture)	8.0	2.2	4.2
Paper and paper products	4.1	0.0	1.4
Printing and publishing	11.8	-1.0	1.3
Coke, refined petroleum products, nuclear fuel	4.4	0.2	2.6
Chemicals and chemical products	6.9	2.1	3.7
Rubber and plastics products	5.9	3.9	4.7
Non-metallic mineral products	3.5	-0.3	1.8
Basic metals	9.9	3.4	7.6
Fabricated metal products	9.7	2.9	4.7
Machinery and equipment n.e.c.	4.5	3.4	3.8
Office, accounting and computing machinery	9.7	4.6	5.0
Electrical machinery and apparatus	11.5	2.6	7.6
Radio, television and communication equipment	7.7	-0.2	7.2
Medical, precision and optical instruments	11.4	1.4	3.1
Motor vehicles, trailers, semi-trailers	0.9	5.9	4.8
Other transport equipment	12.8	0.9	7.1
Furniture; manufacturing n.e.c.	7.7	3.2	5.5
Total Manufacturing	7.3	1.5	3.4

Source: UNIDO Statistics.

Note: Seasonally adjusted data.