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World Manufacturing Production

Statistics for Quarter I, 2015

Statistics Unit

www.unido.org/statistics



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

Report on world manufacturing production Quarter I, 2015

UNIDO Statistics presents this report on growth estimates based on the indices of industrial production for the first quarter of 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. 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 first quarter of 2015 as well as revised estimates for the fourth 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

1. World manufacturing growth in the first quarter of 2015

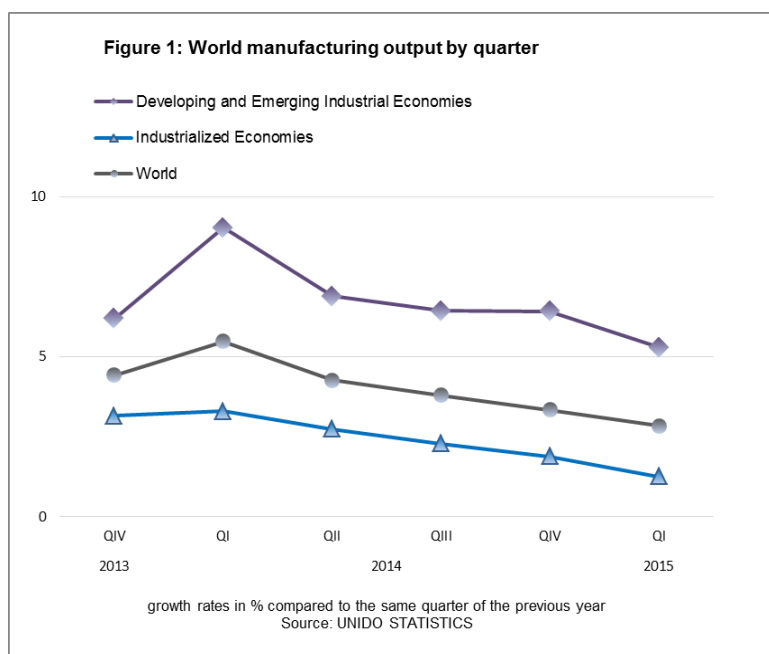
The low growth trend of world manufacturing output continued in the first quarter of 2015. The recent trends in world manufacturing have been characterized by a mixture of strengthening and weakening factors such as a sharp decline in oil prices, a significant decrease in the value of the euro, a dramatic increase in the value of the US dollar, continued slowdown in China, and geopolitical and European market uncertainty. Countries' growth rates diverged depending on the nature of the impact of the abovementioned factors on the national economy. While manufacturing output growth slowed down in North America and Japan, European countries maintained a modest growth rate. Developing and emerging industrial economies also witnessed relatively lower growth rates as China's manufacturing output slowed down considerably.

Global manufacturing output increased by a moderate rate of 2.8 per cent in the first quarter of 2015 from 3.3 per cent in the previous quarter.

The manufacturing output growth of industrialized countries fell from 1.9 per cent in the fourth quarter of 2014 to 1.3 per cent in the first quarter of 2015. This slowdown was caused in part by the declining growth in manufacturing in the United States as well as in the

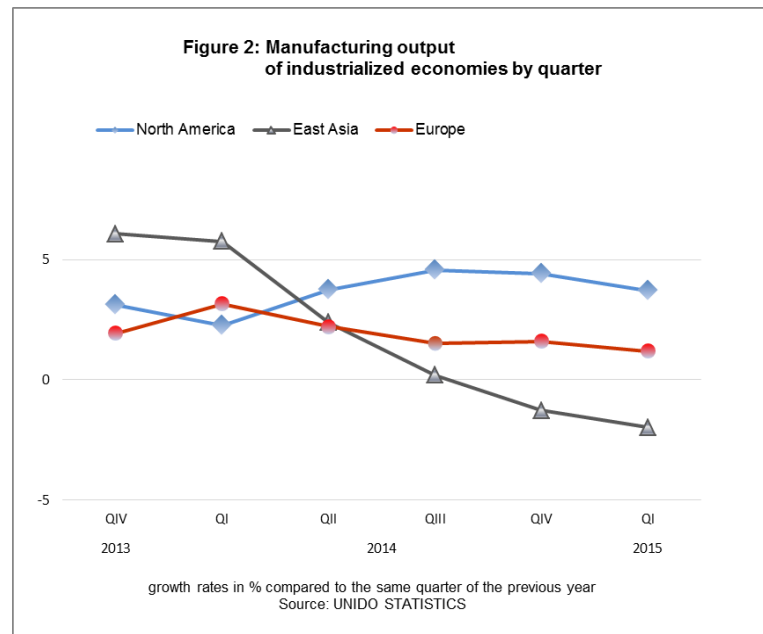
East Asian economies, particularly Japan and the Republic of Korea.

The manufacturing output in developing and emerging industrial economies increased by a significantly lower rate of 5.3 per cent compared to that observed throughout 2014. A prolonged stagnation in the Chinese market and the continuous deceleration of growth in many emerging industrial economies, particularly in Latin America, have resulted in overall lower growth rates in developing and emerging industrial economies.



The reported growth figure for China in the first quarter of 2015, albeit sizable, is relatively low compared to the trends observed in previous years. The growth figure for the first quarter of 2015 is the lowest China has recorded in a decade. Despite the monetary policies introduced by the Chinese government aimed at stabilizing growth, domestic demand has remained sluggish and investments from manufacturers have decreased. Manufacturing output dropped from 8.1 per cent in the previous quarter to 7.2 per cent in the first quarter of 2015. These figures will likely compel the Chinese government to pursue new initiatives to boost growth.

In the context of a sustained low growth period, world manufacturing continues to face challenges of



diverging patterns across major economies and regions. The manufacturing sector faces higher risks due to short-term financial stability, lower oil prices in oil-exporting countries, geopolitical tensions and a more expensive US dollar. Indeed, the unexpected decline in oil prices is leaving exporters with a fiscal gap, and advanced economies generally benefit from lower-cost energy. Persistent geopolitical tensions have affected the overall performance in some regions, especially CIS economies and several Middle Eastern markets.

Considering the persistent challenges and risks, governments are pursuing effective industrial policies to sustain the short-term growth trend while taking a long-term prospective.

By country group

Industrialized economies

The manufacturing growth trend of industrialized economies at the beginning of 2015 differed considerably from those observed in early 2014. While Europe has maintained a modest level of growth, the industrialized economies of North America and East Asia experienced declining trends. On average, the manufacturing

output of industrialized economies rose by 1.3 per cent in the first quarter of 2015 compared to the same period of the previous year.

The manufacturing output of the United States grew by 3.8 per cent in the first quarter of 2015 compared to the same period of the previous year. This growth is consistently lower than earlier quarters of 2014. The current growth was primarily driven by domestic rather than external demand. Due to the increasing appreciation of the dollar and the economic recession in the main export markets, such as Latin America, the US has experienced a decline in exports. Despite this falling trend, the United States is still the largest contributor to the growth of industrialized economies. The contribution of other major industrialized economies such as Germany, Japan and the United Kingdom was relatively low.

European economies have sustained their overall modest growth in manufacturing output, benefitting from lower oil prices and higher demand of their products in external markets on account of the lower value of the euro relative to the US dollar and other currencies. However, the region continues to struggle with financial instability, notably in establishing the necessary stability required for a comprehensive economic agreement. Manufacturing output in Europe's industrialized economies rose by 1.2 per cent compared to the previous year. Manufacturers in the Czech Republic, Hungary and Slovenia recorded impressive growth rates of 5.2 per cent, 7.8 per cent and 6.1 per cent, respectively. In the United Kingdom, manufacturers registered a moderate growth rate of 1.3 per cent compared to the previous year. The manufacturing industries of Belgium, Finland, Italy, Netherlands, and Sweden fell by 1.1 per cent, 2.8 per cent, 0.7 per cent, 0.5 per cent, and 2.6 per cent, respectively.

While falling oil prices benefitted European manufacturers, the effect on the Russian Federation's economy was detrimental. The manufacturing output of the Russian Federation, which is heavily based on the petro-chemical industry, dropped by 1.7 per cent in the first quarter of 2015. Additionally, depreciation of the Russian rouble increased the cost of imported materials and adversely affected the growth of manufacturing.

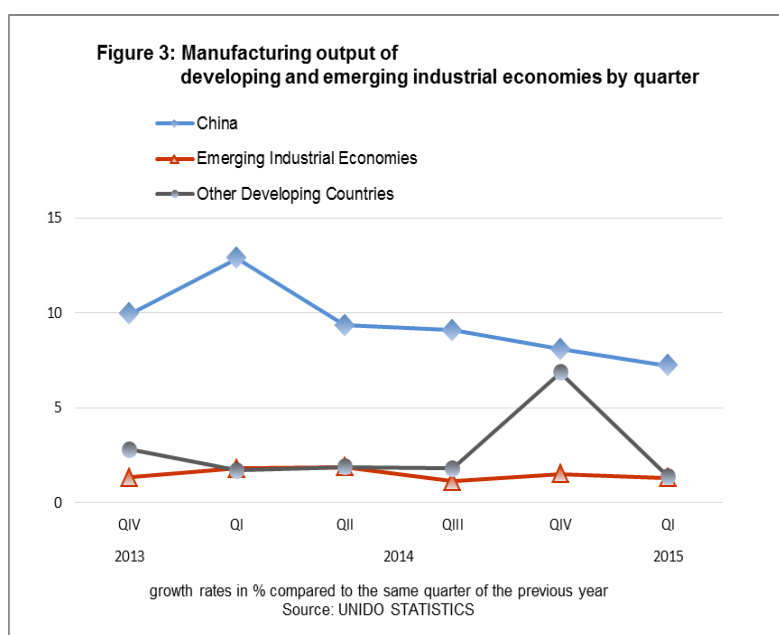
Manufacturing production fell in all major industrialized economies in East Asia, namely Japan, the Republic of Korea and Singapore. The economic recession in Japan continues, while the Republic of Korea's manufacturing sector is shrinking due to the loss of demand in external markets. Singapore, too, as an export-dependent country, continues to struggle due to sluggish external demand.

Manufacturing output declined by 1.9 per cent in Japan, by 4.2 per cent in the Republic of Korea and by 3.0 per cent in Singapore.

In general, manufacturing growth in industrialized economies has not yet gained the strength to break the spiral of recession that began in 2008-2009 with the outbreak of the financial crisis. After nearly six years, manufacturing growth still looks sporadic and fragile.

Developing and emerging industrial economies

The manufacturing output of developing and emerging industrial economies rose by 5.3 per cent in the first quarter of 2015 compared to the previous year. Although the growth rate is much higher in comparison to that of industrialized economies, this trend has consistently declined for several quarters. The major reason for this trend is China's decelerating



growth performance, which accounts for the largest part of the manufacturing output of developing and emerging industrial economies. In the first quarter of 2015, China's manufacturing output rose by 7.2 per cent, which is relatively high but represents the lowest rate since 2005. Sustained low growth in industrialized economies has reduced demand for Chinese products abroad. China has made attempts to direct production to the domestic market, but this has not yet produced the expected results. China's manufacturing growth slowed down in most industries, especially in the manufacturing of tanning and dressing of leather, manufacturing of wood and products of wood and cork, manufacturing of other non-metallic mineral products and manufacturing of machinery and equipment. As China is a main contributor to the production of developing and emerging industrial economies, its decelerating growth negatively affects other emerging economies.

In other emerging and industrial economies, manufacturing output grew by a modest rate of 1.3 per cent. This has mainly been caused by a downturn of

manufacturing production in Latin America. The manufacturing output of Latin America fell by 2.1 per cent in the first quarter of 2015 compared to the same period of the previous year. Among the countries of the region, Brazil's manufacturing output dropped by 8.0 per cent in the first quarter of 2015. Brazil is facing high inflation, a decline in domestic private consumption and a loss in the international market attributable in particular to the slowed growth in China, which has been a key destination of Brazil's exports. Within the region, manufacturing output also fell by 1.5 per cent in Argentina and by 4.2 per cent in Peru.

The outlook for Asia's developing and emerging economies looks much better. In contrast to the decelerating trends of other emerging industrial economies, India's manufacturing growth has increased significantly. It rose by 3.6 per cent due to improvements in investment conditions and growing demand. Among the ASEAN economies, the manufacturing output of Indonesia rose by 5.0 per cent and Viet Nam's by 9.0 per cent.

The low growth has also affected the African continent. Africa's manufacturing output increased by merely 2.1 per cent. The countries adjacent to Europe benefitted from improving growth conditions in Europe. Egypt's manufacturing output rose by 3.9 per cent and Morocco's by 2.3 per cent. However, the growth rates in sub-Saharan Africa were less impressive. South Africa's manufacturing output increased by only 0.8 per cent and Senegal's by 1.3 per cent.

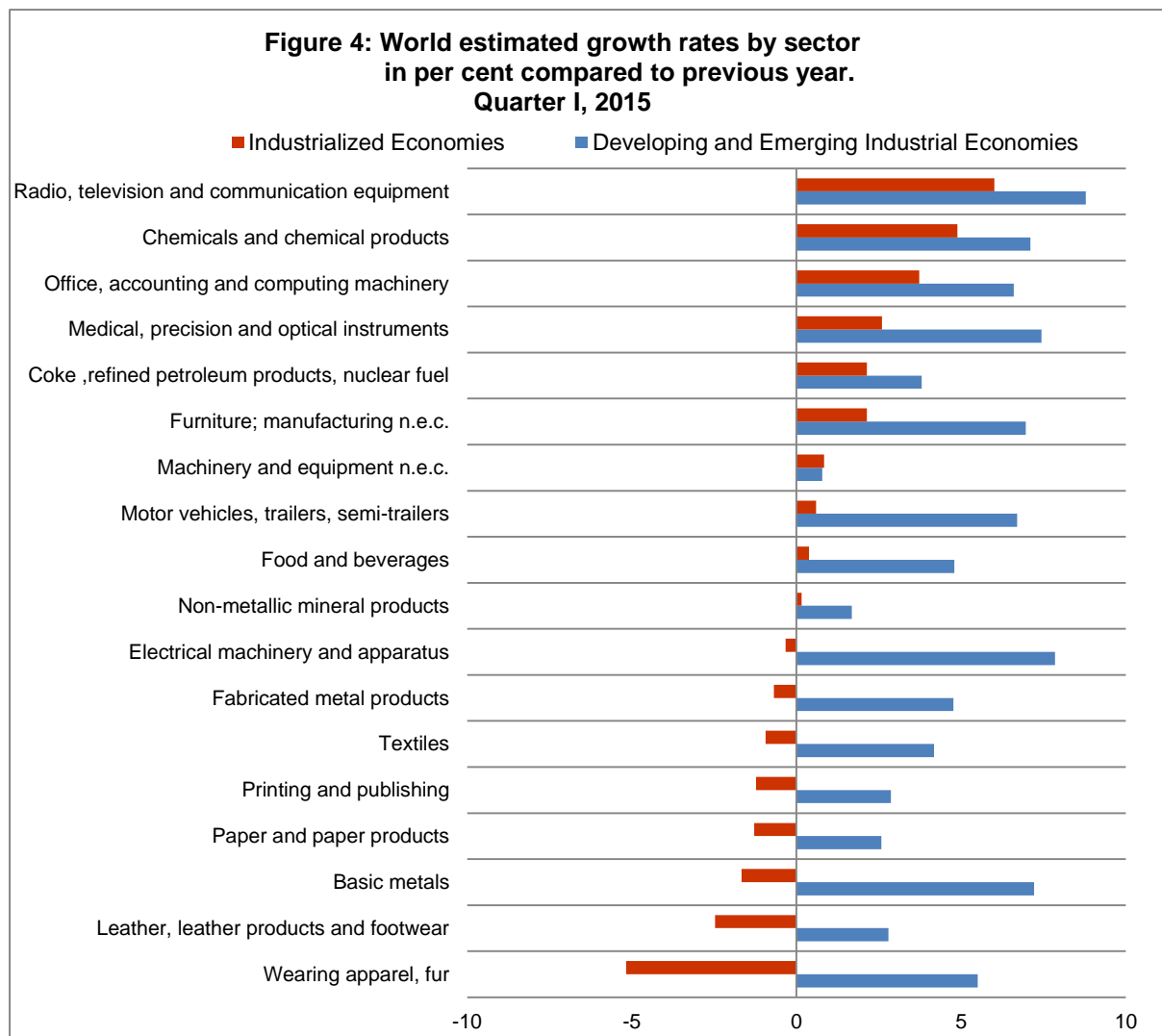
By industry group

The developing and emerging industrial economies maintained a positive growth of manufacturing output in all industries. In industrialized countries, relatively higher growth was observed, as usual, in high technology industries such as the chemical industry, production of medical and optical instruments and the manufacture of motor vehicles. Developing and emerging industrial economies dominated in industries such as the production of food and beverages, wearing apparel and leather products. Detailed information on all industry groups is presented in Figure 4.

The production of food, beverages and wearing apparel witnessed higher growth in developing and emerging industrial economies than in industrialized economies. In the first quarter of 2015, the production of food products in developing and emerging industrial economies rose by 4.8 per cent and wearing

apparel by 5.5 per cent. The growth performance of industrialized economies in these industries was relatively low.

The manufacture of chemical products increased by 5.7 per cent worldwide. The production of chemical goods rose by 7.1 per cent in developing and emerging industrial economies, indicating an increased use of chemical products in household and industrial consumption. The production of chemical goods rose by 10.7 per cent in China, by 5.2 per cent in India and by 9.8 per cent in Indonesia.



Industrialized countries performed well in the production of communication equipment, machinery and in medical and optical instruments. The production of accounting and computing machinery rose by 4.6 per cent in the United States and by 8.9 per cent in Canada. The production of machinery and equipment increased by 3.8 per cent in the Netherlands and by 5.9 per cent in Norway. Germany's

performance was notable with an 8.6 per cent growth in the production of medical and optical instruments.

Developing and emerging industrial economies outpaced industrialized countries in the production of motor vehicles. Among industrialized economies, the manufacture of motor vehicles rose by 6.8 per cent in the United States, however, motor vehicle production dropped in Germany and Japan. Among emerging industrial economies, the production of motor vehicles climbed in China, India and Mexico.

Mexico's industrial output increased by 3.7 per cent compared to the same quarter in the previous year, in contrast to other Latin American countries like Argentina and Brazil. Mexico has continued to witness solid growth due to its strong links to the United States. The key drivers are found in high-tech industries, namely manufacturing of medical, precision and optical instruments and manufacturing of motor vehicles, trailers and semi-trailers, which grew by 11.3 per cent and 12 per cent, respectively, compared to the same period in the previous year.

Further statistics on the growth rates in the first quarter of 2015 are presented in the Statistical Annex.

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

| | Share in world MVA (2010) | Compared to the previous quarter | Compared to the same period of the previous year |
|---|---------------------------|----------------------------------|--|
| World | 100 | 4.4 | 2.8 |
| Industrialized Economies | 67.7 | 0.0 | 1.3 |
| North America | 22.4 | -0.3 | 3.7 |
| Europe | 24.7 | 0.4 | 1.2 |
| East Asia | 17.2 | -0.3 | -2.0 |
| Developing and EIE (by development group) | 32.3 | 11.2 | 5.3 |
| China | 15.3 | 17.8 | 7.2 |
| Emerging Industrial Economies | 13.8 | 1.0 | 1.3 |
| Other Developing Countries | 2.7 | -4.8 | 1.4 |
| Developing and EIE (by region) | 32.3 | 11.2 | 5.3 |
| Africa | 1.5 | 0.9 | 2.1 |
| Asia & Pacific | 21.7 | 14.0 | 6.6 |
| Latin-America | 5.8 | -1.4 | -2.1 |
| Others | 3.3 | 2.5 | 3.7 |

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 I, 2015.

| | Developing and Emerging Industrial Economies | Industrialized Economies | World |
|--|---|-----------------------------|------------|
| Food and beverages | 4.8 | 0.4 | 2.4 |
| Tobacco products | 2.7 | -10.4 | 1.0 |
| Textiles | 4.2 | -0.9 | 2.9 |
| Wearing apparel, fur | 5.5 | -5.2 | 2.7 |
| Leather, leather products and footwear | 2.8 | -2.5 | 1.4 |
| Wood products (excl. furniture) | 3.3 | 1.1 | 1.9 |
| Paper and paper products | 2.6 | -1.3 | 0.1 |
| Printing and publishing | 2.9 | -1.2 | -0.5 |
| Coke ,refined petroleum products, nuclear fuel | 3.8 | 2.1 | 3.1 |
| Chemicals and chemical products | 7.1 | 4.9 | 5.7 |
| Rubber and plastics products | 5.4 | 1.2 | 2.8 |
| Non-metallic mineral products | 1.7 | 0.2 | 1.0 |
| Basic metals | 7.2 | -1.7 | 4.1 |
| Fabricated metal products | 4.8 | -0.7 | 0.9 |
| Machinery and equipment n.e.c. | 0.8 | 0.8 | 0.8 |
| Office, accounting and computing machinery | 6.6 | 3.7 | 4.0 |
| Electrical machinery and apparatus | 7.9 | -0.3 | 4.3 |
| Radio, television and communication equipment | 8.8 | 6.0 | 7.9 |
| Medical, precision and optical instruments | 7.4 | 2.6 | 3.4 |
| Motor vehicles, trailers, semi-trailers | 6.7 | 0.6 | 1.8 |
| Other transport equipment | 13.8 | 2.0 | 8.4 |
| Furniture; manufacturing n.e.c. | 7.0 | 2.1 | 4.6 |
| Total Manufacturing | 5.3 | 1.3 | 2.8 |

Source: UNIDO Statistics.

Note: Seasonally adjusted data.

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

In % compared to the previous quarter

Quarter I, 2015

| | Developing and Emerging Industrial Economies | Industrialized Economies | World |
|--|---|-----------------------------|------------|
| Food and beverages | 9.9 | 0.5 | 4.7 |
| Tobacco products | -9.5 | -0.3 | -8.5 |
| Textiles | 15.1 | 1.8 | 11.7 |
| Wearing apparel, fur | 16.4 | 3.1 | 12.9 |
| Leather, leather products and footwear | 10.4 | 1.2 | 7.8 |
| Wood products (excl. furniture) | 15.6 | 0.0 | 5.2 |
| Paper and paper products | 9.0 | 0.5 | 3.4 |
| Printing and publishing | 1.8 | -0.6 | -0.1 |
| Coke, refined petroleum products, nuclear fuel | 1.6 | 1.0 | 1.3 |
| Chemicals and chemical products | 9.1 | 3.0 | 5.1 |
| Rubber and plastics products | 13.1 | 1.4 | 5.7 |
| Non-metallic mineral products | 10.2 | 0.9 | 5.9 |
| Basic metals | 14.4 | 3.1 | 10.4 |
| Fabricated metal products | 20.2 | 1.3 | 6.3 |
| Machinery and equipment n.e.c. | 12.2 | 1.9 | 5.6 |
| Office, accounting and computing machinery | 18.8 | 0.1 | 1.5 |
| Electrical machinery and apparatus | 16.6 | 0.0 | 9.1 |
| Radio, television and communication equipment | 11.0 | 1.2 | 7.8 |
| Medical, precision and optical instruments | 17.2 | -0.7 | 1.9 |
| Motor vehicles, trailers, semi-trailers | 2.0 | 1.3 | 1.5 |
| Other transport equipment | 10.1 | 0.7 | 5.8 |
| Furniture; manufacturing n.e.c. | -2.3 | 3.4 | 0.4 |
| Total Manufacturing | 11.2 | 0.0 | 4.4 |

Source: UNIDO Statistics.

Note: Seasonally adjusted data.

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

Quarter IV, 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 | 3.3 |
| Industrialized Economies | 67.7 | 1.0 | 1.9 |
| North America | 22.4 | 1.0 | 4.4 |
| Europe | 24.7 | 1.0 | 1.6 |
| East Asia | 17.2 | 1.6 | -1.3 |
| Developing and EIE (by development group) | 32.3 | -1.6 | 6.4 |
| China | 15.3 | -3.5 | 8.1 |
| Emerging Industrial Economies | 13.8 | 0.3 | 1.5 |
| Other Developing Countries | 2.7 | 9.8 | 6.9 |
| Developing and EIE (by region) | 32.3 | -1.6 | 6.4 |
| Africa | 1.5 | 3.3 | 1.4 |
| Asia & Pacific | 21.7 | -1.8 | 8.5 |
| Latin-America | 5.8 | -0.5 | -1.2 |
| Others | 3.3 | 0.9 | 2.9 |

Source: UNIDO Statistics.

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

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

In % compared to the same period of the previous year

Quarter IV, 2014 (revised)

| | Developing and Emerging Industrial Economies | Industrialized Economies | World |
|--|---|-----------------------------|------------|
| Food and beverages | 3.6 | 1.5 | 2.4 |
| Tobacco products | 7.2 | -10.3 | 5.0 |
| Textiles | 4.7 | -0.3 | 3.3 |
| Wearing apparel, fur | 5.1 | 0.5 | 3.9 |
| Leather, leather products and footwear | 3.9 | -2.3 | 2.2 |
| Wood products (excl. furniture) | 5.6 | 0.9 | 2.4 |
| Paper and paper products | 4.6 | -0.5 | 1.2 |
| Printing and publishing | 4.4 | -0.4 | 0.4 |
| Coke, refined petroleum products, nuclear fuel | 2.9 | 2.0 | 2.5 |
| Chemicals and chemical products | 4.7 | 3.2 | 3.7 |
| Rubber and plastics products | 3.7 | 1.9 | 2.5 |
| Non-metallic mineral products | 5.8 | 1.5 | 3.8 |
| Basic metals | 6.3 | -0.3 | 3.9 |
| Fabricated metal products | 6.0 | -0.1 | 1.4 |
| Machinery and equipment n.e.c. | 3.8 | 2.7 | 3.1 |
| Office, accounting and computing machinery | 6.5 | 4.5 | 4.7 |
| Electrical machinery and apparatus | 7.8 | -0.3 | 4.0 |
| Radio, television and communication equipment | 6.7 | 3.3 | 7.3 |
| Medical, precision and optical instruments | 7.0 | 2.0 | 2.7 |
| Motor vehicles, trailers, semi-trailers | 5.0 | 1.3 | 2.0 |
| Other transport equipment | 11.8 | 2.6 | 7.4 |
| Furniture; manufacturing n.e.c. | 10.9 | 3.1 | 7.2 |
| Total Manufacturing | 6.4 | 1.9 | 3.3 |

Source: UNIDO Statistics.

Note: Seasonally adjusted data.