
Rays of recovery - Stronger signs of global come back

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FT reported that signs of recovery after a torrid year reverberated around the world as manufacturers reported rising output and improved employment prospects in the US, Europe and Asia.

From Seoul to San Francisco, manufacturing sentiment has recovered quickly from the sudden shock of the global recession last year, when world trade stopped dead and unsold stock piled up in warehouses across the world.

A year on, manufacturers reported that in October, output around the world was rising at the fastest rate for 5 years. The JPMorgan global composite purchasing managers' index rose to 54.4, up from 53 in September, the highest value since July 2004.

The biggest surprise came in the US, where the Institute for Supply Management's factory index rose to 55.7 from 52.6 in September. The figure, well above market expectations, sent stocks in the US and Europe surging as it was seen as evidence that the recovery was more durable and entrenched than previously thought.

At the close of trading in Europe, the Eurofirst 300 index of European shares was 0.39% higher at 980.28, while the FTSE 100 index rose 1.2% to 5,105. The S&P 500 was up 0.7%. More encouraging than the stock market reaction for the US was that the employment component of the ISM figures jumped from 46.2 in September to 53.1 in October, the highest reading since early 2006.

Mr Paul Ashworth of Capital Economics said that "At that level, the index suggests that factory sector payroll employment may have stabilized."

The US has seen job shedding at a rate not experienced elsewhere and this boost to the labor market comes a few days before crucial figures on Friday will show whether US unemployment has risen from its current 9.8% rate to hit the symbolically important 10% level.

Speaking at a White House meeting of his Economic Recovery Advisory Board, Mr Barack Obama, the US president, said that the US economy had recovered a lot of ground since January, but still cautioned that there was still more pain ahead for US employees. He added that "We anticipate that we are going to continue to see some job losses in the weeks and months to come."

Around the world, manufacturers reported rising output, falling stocks of finished goods and encouraging new orders as the recovery gained momentum. They were strongest in Asia, where economists said the PMI figures were consistent with pre crisis growth rates, but also reached multi year highs in France, the UK and the US.

(Sourced from Financial Times)

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