

# Boost for global recovery

**Manufacturing output rises across the world**

**US increase outstrips market expectations**

**By Chris Giles in London**

Signs of recovery after a torrid year spread around the world yesterday 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 five 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 per cent higher at 980.28, while the FTSE 100 index rose 1.2 per cent to 5,105. The S&P 500 was also up 0.44 per cent at 1,041.

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.

Paul Ashworth of Capital Economics said: "At that level, the

index suggests that factory sector payroll employment may have stabilised."

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

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

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.

Tomorrow, equivalent surveys of service sector companies will indicate whether the renewed optimism in manufacturing has spread to this larger sector of modern economies. If the figures show the world's economies are entering a strong recovery, it will ease pressure on the finance ministers of the Group of 20 who meet this weekend in Scotland.

But signs of recovery will also add to the urgency facing the G20 to come up with more detail on how it intends to enforce its plans for more balanced global growth as the outlook improves.

The figures come as central bankers weigh up the strength of recovery ahead of interest rate decisions in the eurozone and the UK on Thursday.

