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Dynamic Wealth Management Headlines: Europe,China Manufacturing Drops on Impact of Crisis Economy by Dynamic Wealth

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Dec. 1 (Bloomberg) â€” Manufacturing weakened from China to Europe last month as the euro regionâ€™s debt crisis darkened the outlook for the global economy.

Chinaâ€™s manufacturing contracted in November for the first time since February 2009 as the property market cooled and Europeâ€™s turmoil cut export demand. In Britain and the 17-nation euro area, manufacturing shrank at the fastest pace in about 2 1/2 years as the region edged toward recession.

This is â€œmore evidence that the global economic recovery is running out of steam,â€• said Jonathan Loynes, chief European economist at Capital Economics Ltd. in London. â€œItâ€™s clear that manufactur across a range of countries is being affected by a renewed slowdown in global trade.â€•

Manufacturers are suffering as the global economy cools. The Organization for Economic Cooperation and Development said yesterday that trade in merchandise stalled in most major economies in the third quarter. The Paris-based OECD cut growth forecasts for its 34 member states this week to reflect doubts that European monetary union will survive the debt crisis.

While production slows in Asia and Europe, it probably grew in the U.S. in November at the fastest pace in five months, showing factories will keep supporting the economic expansion through the end of the year, economists said before a report today from the Institute for Supply Management.

â€˜Bumbling Alongâ€™

The ISMâ€™s factory index rose to 51.8 last month from 50.8 in October, economists surveyed by Bloomberg News forecast the Tempe, Arizona-based groupâ€™s data to show today. Fifty is the dividing line between growth and contraction. Jobless claims fell last week and construction spending increased in October, other data may show.

â€œThe U.S. seems to be bumbling along OK,â€• Loynes said. â€œBut clearly PMIs and other indicators pointing to a recession in the euro zone,â€• he said. â€œWe think it will be much more severe than a near-term technical recession. If the debt crisis escalates over next year or two and we see some form of breakupâ€• of the single-currency area, â€œthe economic effects associated with that will be pretty severe

Manufacturing declined across Europe, according to todayâ€™s reports. In the U.K., a gauge of factory output, based on a survey by Markit Economics and the Chartered Institute of Purchasing and Supply, fell to 47.6 from 47.8 in October. New orders fell for a fifth month.

â€˜Mild Recessionâ€™

A manufacturing gauge based on a survey of purchasing managers in the euro region fell to 46.4, the lowest since July 2009, according to Markit.

European companies are under increasing pressure to cut costs to protect earnings as faltering global demand erodes exports just as euro-region governments toughen spending cuts. Unemployment rose to 10.3 percent in October, the highest in more than 13 years and manufacturers were the most pessimistic in almost two years last month.

â€œWe now expect a mild recession in first half of 2012 in the euro zone, ahead of a modest pickup in the second part of the year,â€• Standard & Poorâ€™s chief economist in Europe Jean- Michel Six said today in an e-mailed statement.

â€œBut we stress that the downside risk remains very significant,â€• he said. â€œWe estimate that our ba forecast of a mild recession has a 60 percent probability, while a more severe recession has a 40 percent probability.â€•

Reserve Requirements

Norwayâ€™s manufacturing contracted for the first time in almost two years, while Swedenâ€™s slumped a fourth consecutive month as the export-dependent Nordic countries suffer from falling demand for their products.

In Asia, the Purchasing Managersâ€™ Index for China fell to 49.0 in November from 50.4 in October, according to the China Federation of Logistics and Purchasing. A level above 50 indicates expansion.

Chinaâ€™s central bank last night announced the first cut in banksâ€™ reserve requirements since 2008, moving two hours before the U.S. Federal Reserve led a global effort to ease Europeâ€™s debt crisis. The move will add about 370 billion yuan ($58 billion) to the financial system and more reductions may follow as the government seeks to boost growth, Citigroup Inc. said.

South Korean manufacturing output also contracted last month, according to Markit.

In the Philippines, the central bank kept its benchmark interest rate unchanged at 4.5 percent for a fifth meeting today as persistent inflation prevented the country from joining Indonesia and Thailand in cutting borrowing costs to bolster growth.

â€œThe global outlook has worsened,â€• said Christoph Weil, a senior economist at Commerzbank AG in Frankfurt. â€œWe donâ€™t see a global recession at the moment, however. Risks have increased with the escalating debt crisis.â€•

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