Global total orders and export orders have fallen for the past 13 and 17 months, respectively, indicating persistent demand weakness for manufactured goods. In July, a sharp decline in export orders from China contributed to the fastest contraction in new export orders of the year. With pent-up demand from the pandemic largely met and tepid demand trends, manufacturing PMIs are expected to remain in contraction territory going forward.

In July, the S&P Global Manufacturing PMI contracted for the 11th month in a row, with only 7 of the 29 measured economies in expansionary territory. Manufacturing production in the Eurozone contracted at the fastest pace since the height of the global pandemic in 2020. China and much of developing Asia also exhibited signs of weakness with China contracting in 8 of the past 12 months. Weak new orders, deteriorating international trade flows and inventory de-stocking all indicate the contraction is likely to persist through the back half of 2023.

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