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Global factory growth eased in May, with the slowdown in activity more pronounced in the United States, feeding fears the world's main economic engines are cooling fast as richer countries cut orders.

Purchasing managers indexes (PMI), which measure the activities of thousands of factories across the world, dropped to multi-month lows in the United States, China and Europe, reports showed on Wednesday. In the euro zone, even regional pacesetters France and Germany showed fresh signs of sagging. The pace of factory activity in South Korea, India and Taiwan also eased, the surveys showed.

'The global economic recovery has down-shifted, it has now entered into a much slower pace,' said **Bernard Baumohl,** chief global economist at The Economic Outlook Group in Princeton, New Jersey. 'Much depends on what happens with China, fuel prices and certainly food prices.'

Though some slackening had been expected as quake-and tsunami-damaged Japan struggled to churn out parts for the automotive and high-tech industries, economists said the slowdown also reflected anemic growth and consumption in the United States and Europe.

Government data showing a decline in China's new export orders suggested demand was weakening as the country's biggest export destinations -- Europe and the United States -- grapple with slowing economic growth.

Global manufacturing eased sharply in May to its lowest level since last September, according to the JPMorgan Global Manufacturing PMI. The index fell to 52.9 in May from 55.0 in April, though it held above the 50 mark that divides growth from contraction.

FACTORY ACTIVITY SLOWS

While data out of China suggested only a slowdown in growth there, U.S. data raised deeper concerns about the pace of recovery in the world's largest economy.

The Institute for Supply Management's U.S. index of national factory activity fell to 53.5 -- the lowest since September 2009 -- from 60.4 in April. Still, factory activity has expanded for 22 months.

New orders slowed and inventories were drawn down, with deliveries also slipping. However, prices paid by manufacturers eased last month.

'Pressures from rising commodity costs, plus supply-chain disruptions from Japan's natural disaster, and extreme weather domestically have combined to slow manufacturing's momentum,' said Nigel Gault, chief U.S. economist at IHS Global Insight in Lexington, Massachusetts.

'This is particularly worrying since manufacturing has been the economy's shining star.'

Adding to the gloom, U.S. private payroll growth slowed sharply in May, according to a private sector report, coming in far below expectations and falling to the lowest level in eight months. The report raised concerns about a broader reading of U.S. payrolls figures due on Friday.

In Europe, the Markit Eurozone Manufacturing PMI for May slipped to 54.6 from 58.0 in April, the 20th month above the 50 mark that signifies growth but showing a sharp pull-back on fresh signs of decline in the currency bloc's debt-laden periphery.

Spanish manufacturers contracted for the first time in eight months, while Italian and Irish factories saw a marked slowdown in growth. Supply-chain pressures dented the French and German PMIs, which had been hovering near all-time highs. British manufacturing PMI hit a 20-month low in May of 52.1 from 54.6 in April, blamed on a weaker domestic market -- especially for consumer goods.

Survey compiler Markit called the declines in peripheral countries worrying, suggesting they could face growing difficulty in cutting their enormous public deficits.
'In the case of the euro zone, some of the volatility you're seeing in government bond markets doesn't help, which is clearly a threat to growth via potentially higher longer-term interest rates,' said Mark Miller, global macroeconomist at Lloyds Bank Corporate Markets.

Higher interest rates have already had a marked effect on growth in emerging Asia, where investors are nervously watching for any evidence that the slowdown there is worsening as central bankers tighten credit conditions to combat inflation.
That was most evident than in China, where the official PMI touched a nine-month low, below economists' forecasts as new orders fell sharply. A private survey hit its lowest mark in 10 months, held back by power shortages and a clampdown on credit.

SILVER LINING
If there was a silver lining, it was that factory cost inflation declined in most of the surveys -- both in Asia and Europe -- which will ease pressure on central bankers to ratchet up inflation-fighting measures.

In the euro zone, there were clear signs that inflation pressures had started to ease.

'The brighter news was that recent falls in commodity prices helped drive the greatest easing in input cost inflation since November 2008,' said Chris Williamson, Markit's chief economist.

'The combination of weaker inflationary pressures and the steep easing in the pace of growth may encourage policymakers to hold off on interest rate hikes until a clearer picture of the health of the recovery appears.'

India was a key exception as price pressures showed no sign of easing, leading economists to predict the central bank will continue on its tightening course. India's PMI dipped to 57.5 in May from 58.0 in April.

In China, where authorities have already taken measures to curb inflation, economists drew a distinction between the current slowdown suggested by the PMIs and the 2008 slump, when the financial crisis decimated global trade.

'It is important to point out that China is experiencing an economic slowdown, not a collapse like in the aftermath of Lehman's bankruptcy,' said Dong Tao, a Credit Suisse economist.

HSBC's China PMI dipped to 51.6 in May from April's 51.8, holding above the 50-point level which is the dividing line between growth and contraction.

Government data showed new export orders dipped to 51.1.