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**Markit Economics**

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# Markit economic overview

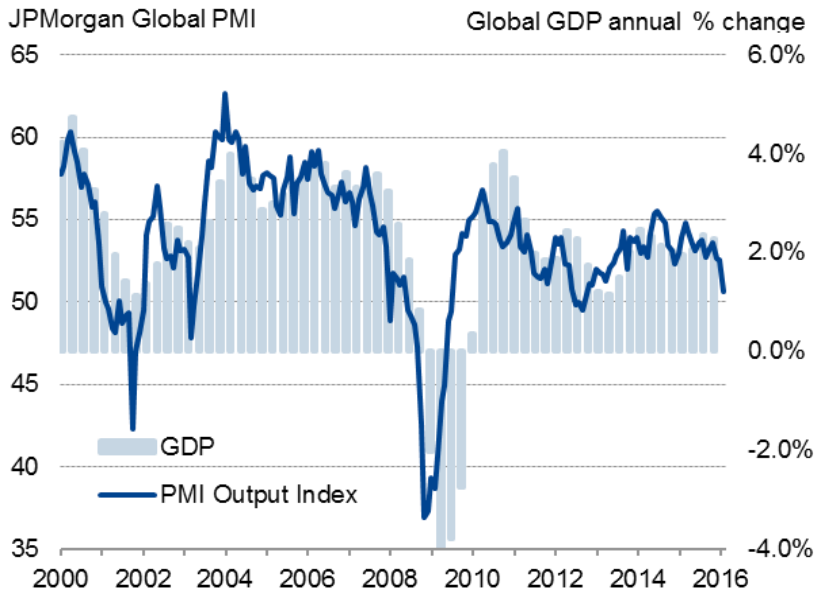
Faltering US economy leads global slowdown

March 9<sup>th</sup> 2016

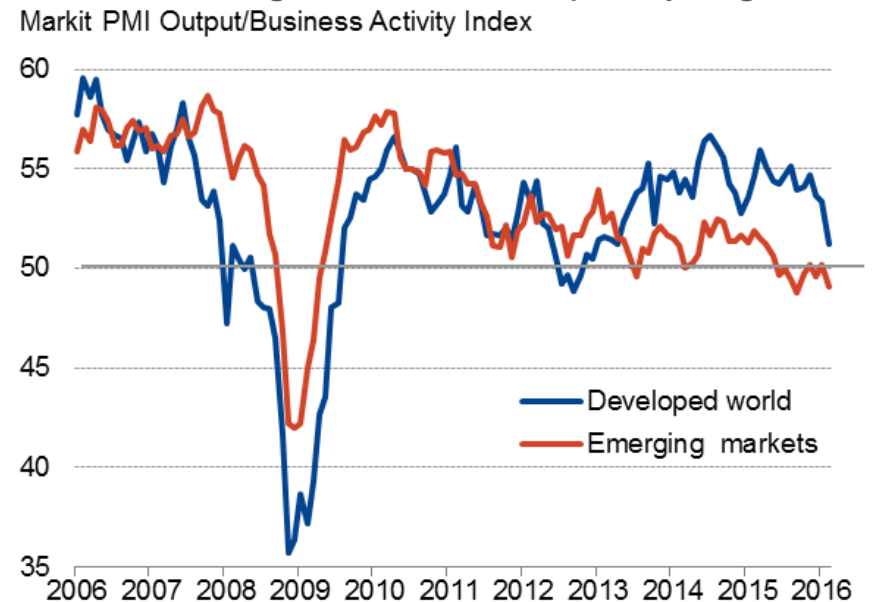
## Global economic growth slides to weakest for nearly 3 ½ years

Global economic growth slowed to near-stagnation in February, according to PMI data. The JPMorgan Global PMI™, compiled by Markit from its worldwide business surveys, sank to its lowest since October 2012. The headline PMI is broadly consistent with annual global GDP growth of just over 1% (compared to a long-run average of 2.3%). Weakness was broad-based across both the developed and emerging markets.

### Global economic growth (GDP v PMI)



### Manufacturing & services output by region



Charts show GDP-weighted PMI output indices covering both manufacturing and services.

Sources: JPMorgan, Markit, Thomson Reuters Datastream \ 2

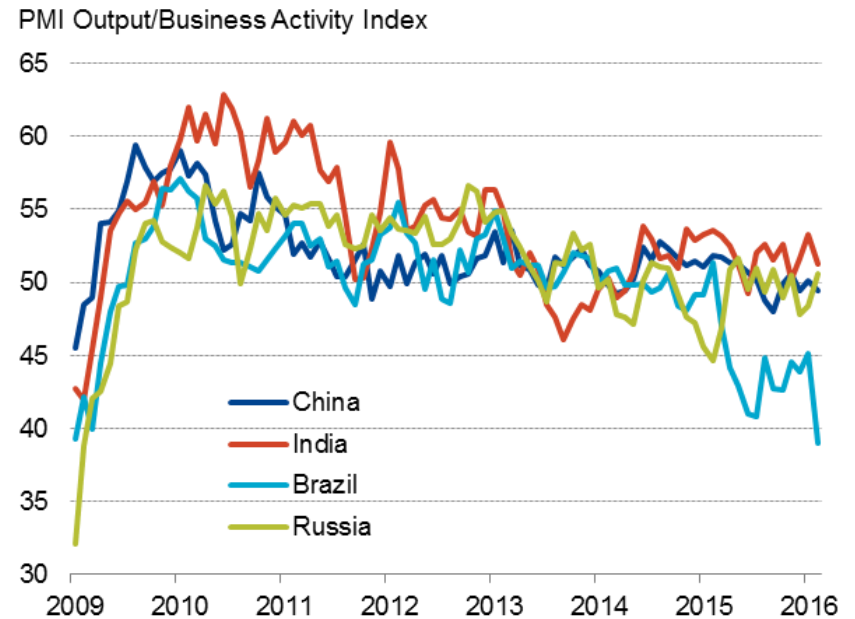
## Emerging market drag intensifies

The emerging market PMI Output Index (covering both manufacturing and services) hit its second lowest reading since March 2009. Emerging markets have acted as a drag on the global economy by historical standards over the past three years, with the emerging market PMI indicative of only 3.5% annual GDP growth in February. Of the BRIC nations, India is seeing the strongest expansion but only Russia saw faster growth in February.

### Emerging markets growth (GDP v PMI)



### Four largest EM economies



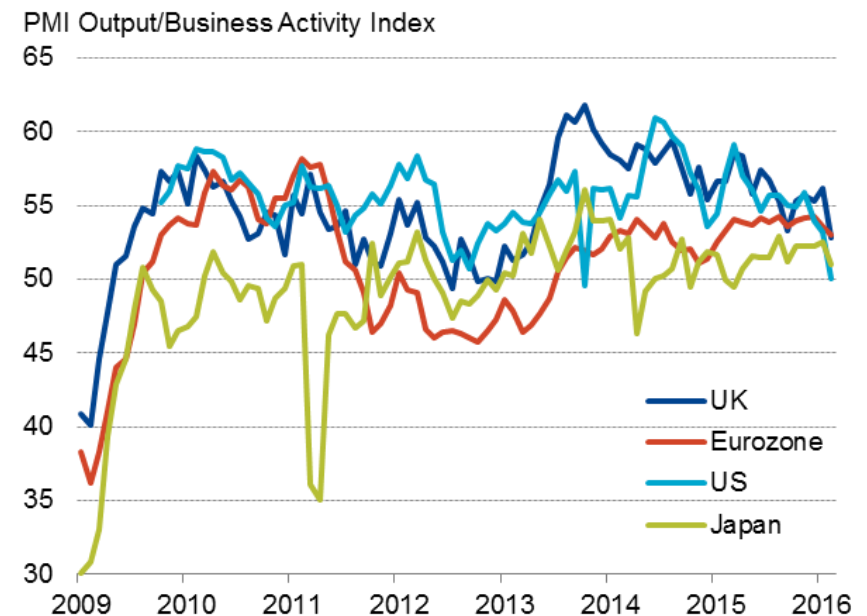
## Broad-based developed world slowdown, led by faltering US economy

The developed world PMI fell to its lowest since April 2013, signalling just 0.5% annual GDP growth. Rates of expansion slowed in all four largest developed economies, with a steep slowdown in the US the most worrying, pushing the US down to stagnation and below the equivalent index for Japan. Slower growth was also seen in the UK, which is now seeing the same modest pace of expansion as the Eurozone.

### Developed markets growth (GDP v PMI)



### Four largest DM economies



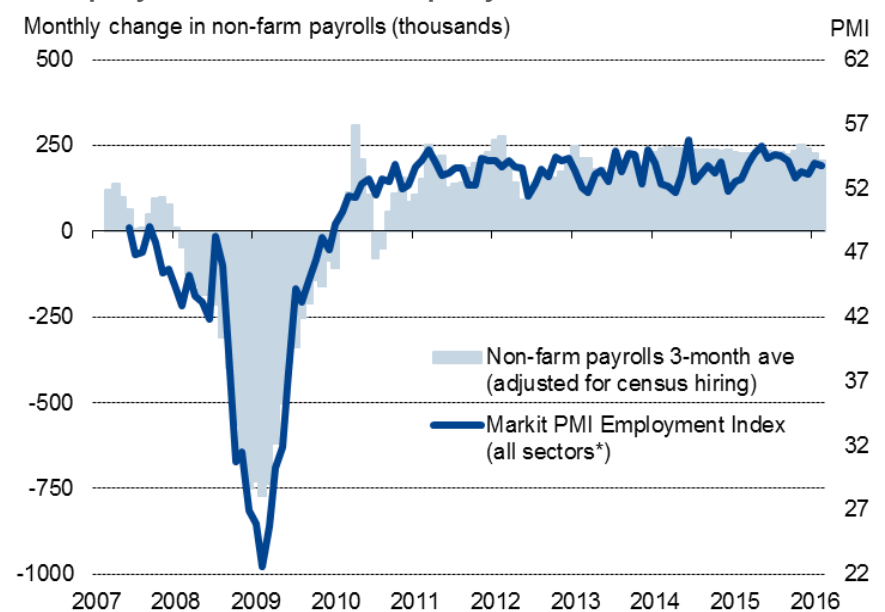
## Slower US economic growth raises question marks over resilience of hiring trend

[Markit's US PMI series](#) for both manufacturing and services fell sharply again in February. Bad weather was partly to blame, but weaker underlying demand meant February was the second-worst month since the global financial crisis. Although both the surveys and official data showed [job creation remaining robust](#), and keeping further rate hikes on the table, slower economic growth may soon feed through to weaker hiring.

### US economic growth (GDP v PMI output)\*



### US payrolls v PMI employment

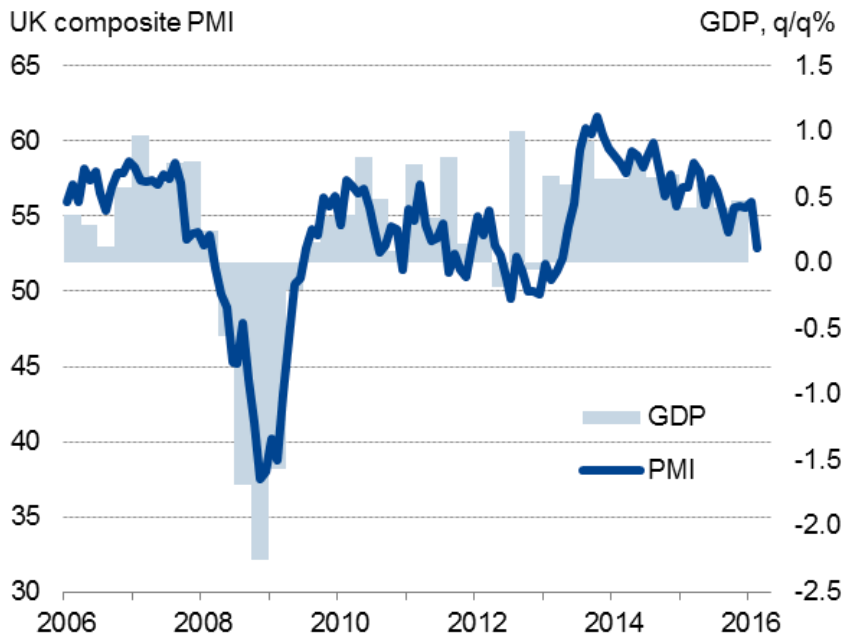


- pre-crisis PMI uses manufacturing data only.
- GDP data smoothed using 7-month moving average.

## UK PMI surveys move down into 'rate cut territory'

The United Kingdom 'all-sector' PMI suffered the largest fall for 4½ years in February, consistent with a mere 0.2% quarterly GDP growth rate. The decline also pushes the PMI into territory which has typically seen the central bank inject more stimulus into the economy. Growth slowed in manufacturing, construction and, most worryingly, also in the all-important service sector, which has been a key growth driver in recent years.

### UK economic growth (GDP v PMI)\*



### PMI and Bank of England policy



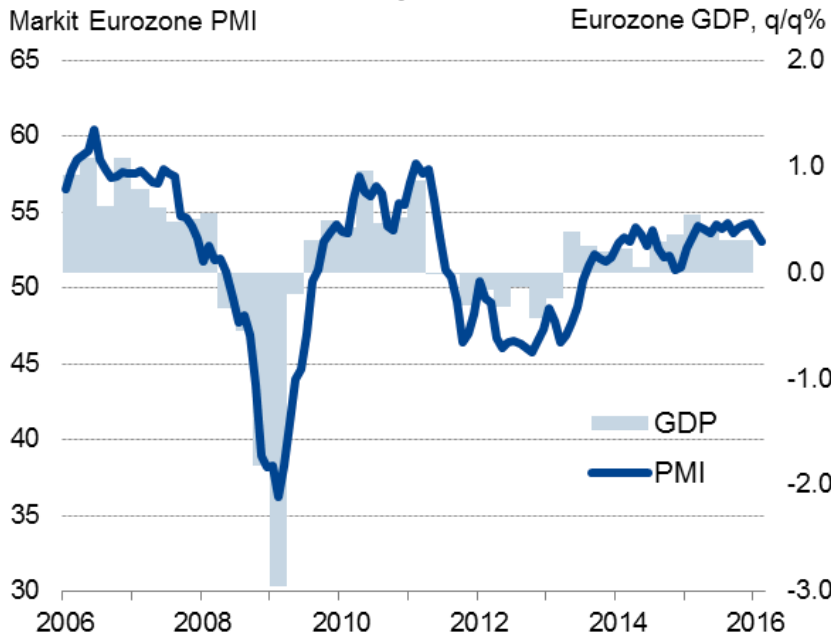
\* PMI shown above is a GDP weighted average of the survey output indices. Sources: CIPS, Markit, ONS



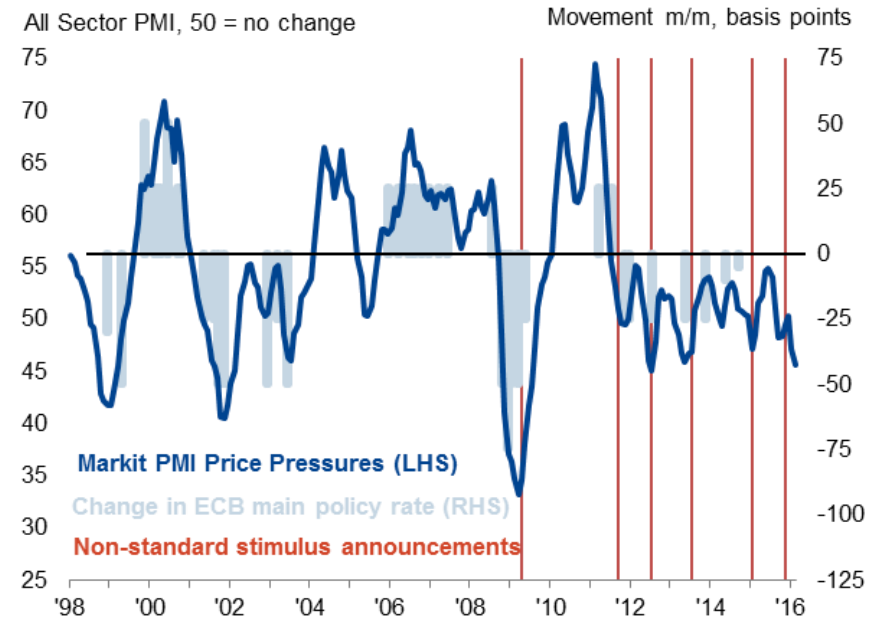
## Eurozone PMI fall adds pressure for further ECB action

Markit's Eurozone PMI dropped to its [lowest since January 2015](#) as growth waned in both manufacturing and services. The data suggest GDP growth could slow to 0.2% in the first quarter. Price pressures also fell further, amid signs of weak demand and excess capacity, down to one of the lowest since the global financial crisis, adding to calls for the ECB to implement further aggressive stimulus in early March.

### Eurozone economic growth (GDP v PMI)



### Euro area PMI prices and ECB policy

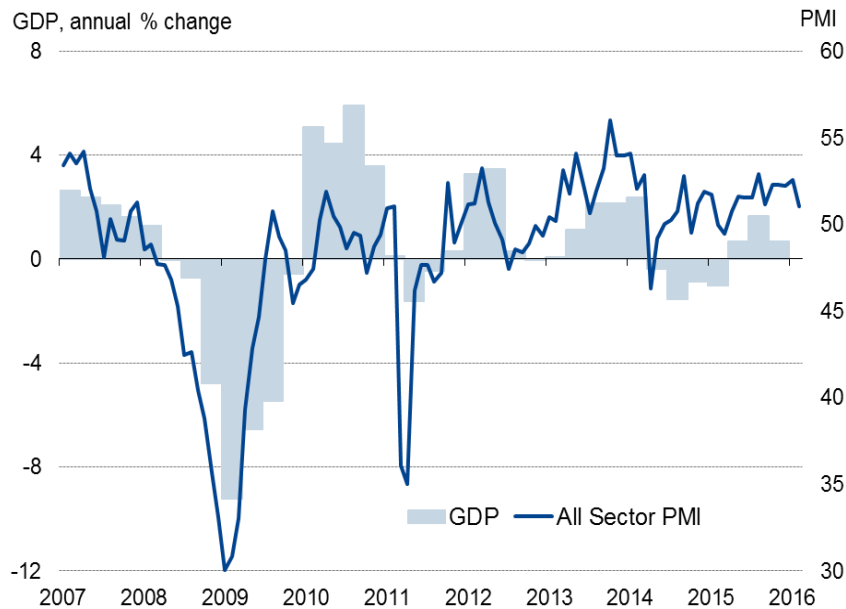


\* PMI shown above is a GDP weighted average of the survey output indices.

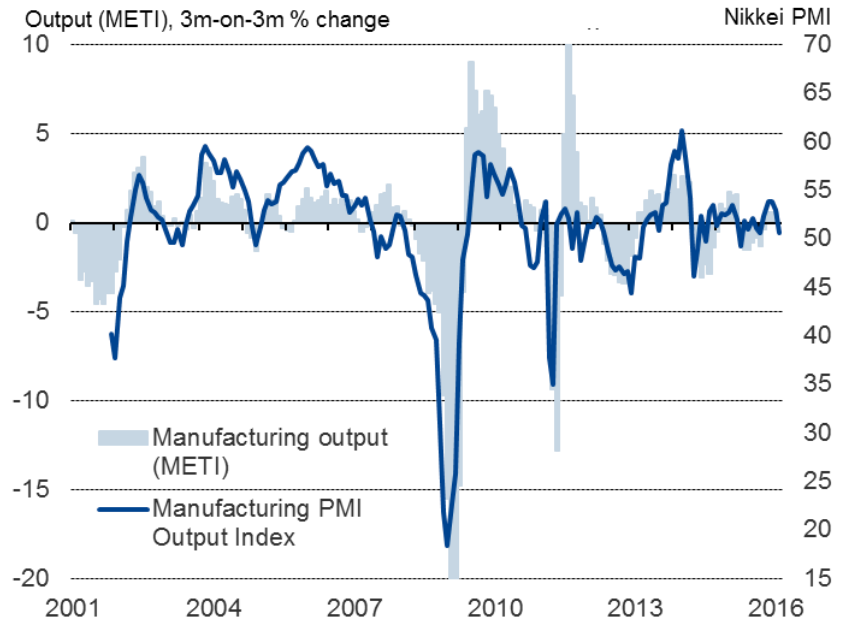
## Japan's economic woes persist amid manufacturing-led slowdown

Japan's Nikkei Composite Output PMI slipped to a ten-month low amid [a near-stalling of manufacturing](#) output growth and a [weaker trend in the service sector](#). Manufacturing orders fell for the first time since last June. Job creation eased and prices charged fell slightly, halting the upward trend in prices seen over the prior four months and raising renewed fears of an intensification of deflationary pressures.

### Japan economic growth (GDP v PMI)\*



### Japan manufacturing output



\* PMI shown above is a GDP weighted average of the survey output indices.  
Sources: Bank of Japan, Markit, Nikkei, Thomson Reuters Datastream



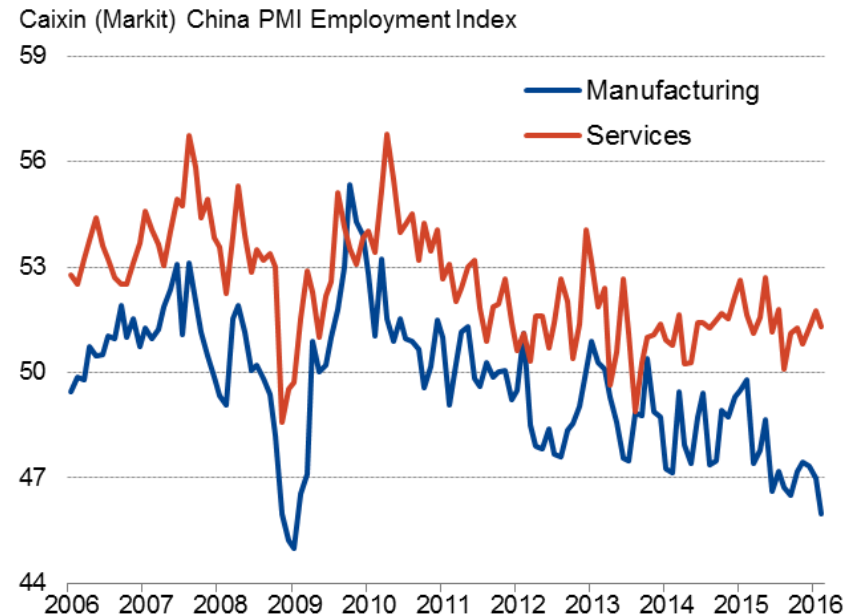
## China sets lower growth target as economic data disappoint

China slipped back into decline after returning to growth in January. A [drop in output from China's factories](#) was accompanied by weaker growth of services activity. Perhaps of greatest concern was a further acceleration of job losses in China, led by the largest drop in factory headcounts since January 2009. The authorities set a lower 6.5-7.0% growth target for 2016 and look likely to take additional steps to shore-up the slowing economy.

### China economic growth (GDP v PMI)\*



### China employment

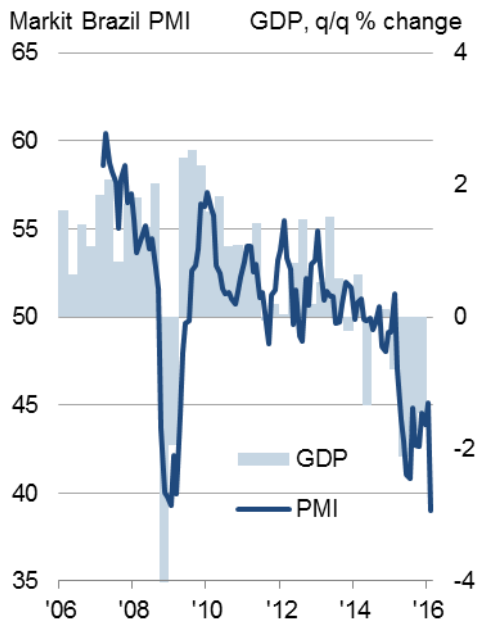


\* PMI shown is a GDP weighted average of the survey output indices. Sources: Caixin, Markit, Thomson Reuters Datastream. 9

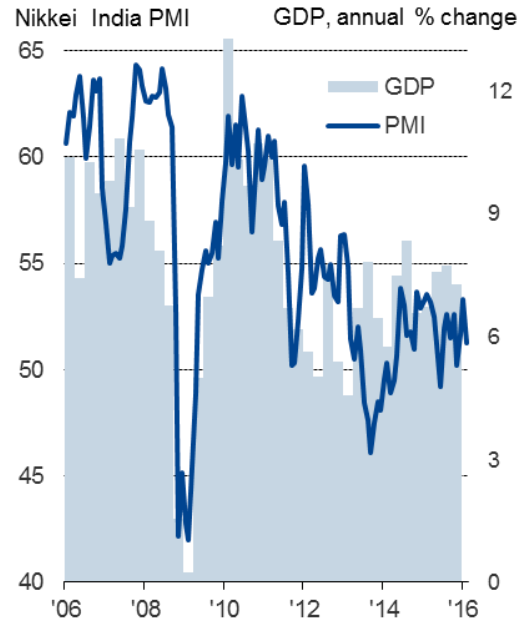
## India leads the BRIC nations as Brazil's downturn reaches record pace

Among the four largest emerging markets, [India](#) notched up the best performance despite growth slowing while only [Russia](#) saw an improvement in the PMI surveys, expanding for the first time in three months. [Brazil](#) once again suffered the steepest decline in output, with the PMI plunging to a new record low to signal an ongoing deepening of the country's economic crisis exceeding even that seen during the global financial crisis.

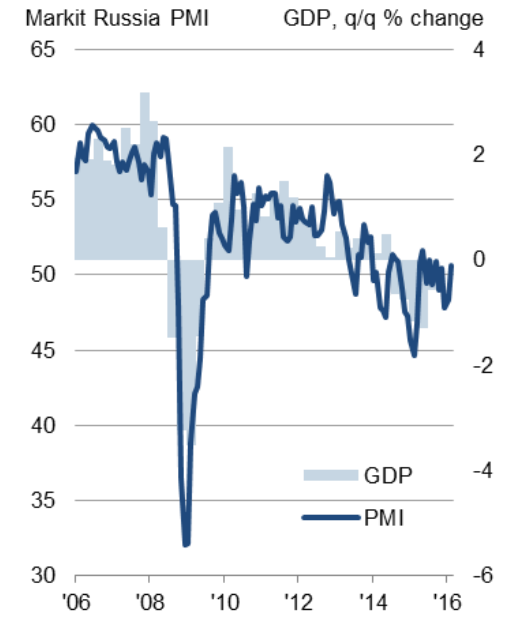
### Brazil



### India

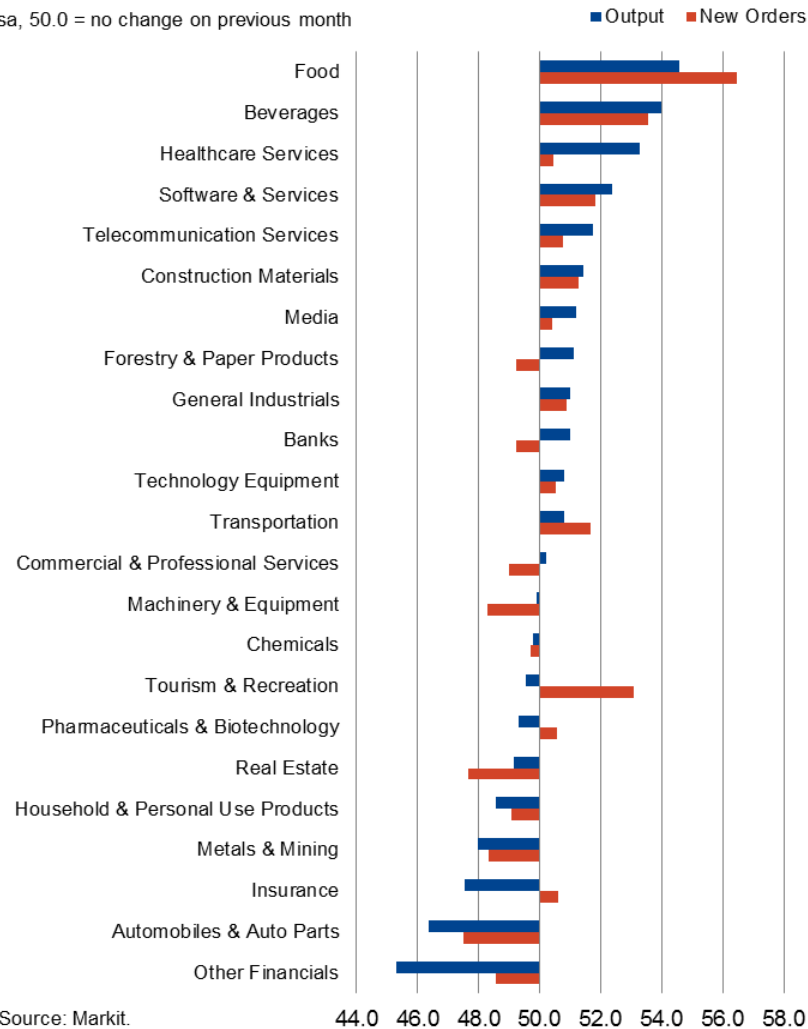


### Russia



## Global PMI output and new orders, February 2016

sa, 50.0 = no change on previous month

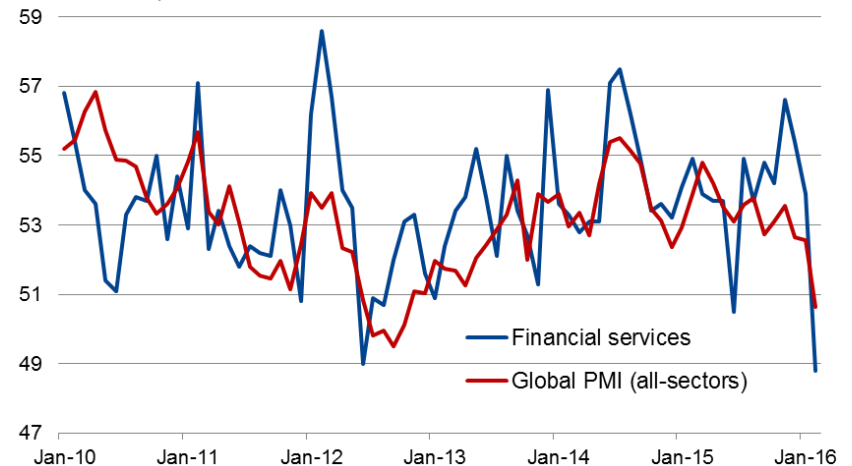


## Financial services see biggest drop in activity since global financial crisis

Markit's [detailed global PMI data](#) further highlighted the broad-based nature of the slowdown, showing output falling in 10 out of 23 sectors in February, the highest number in three years. A further eight sectors registered slower growth.

Among the sectors to suffer contractions were real estate, insurance and other non-banking financials, resulting in an overall drop in financial services activity for the first time since June 2012, with the PMI hitting a new post-crisis low.

Markit PMI Output Index

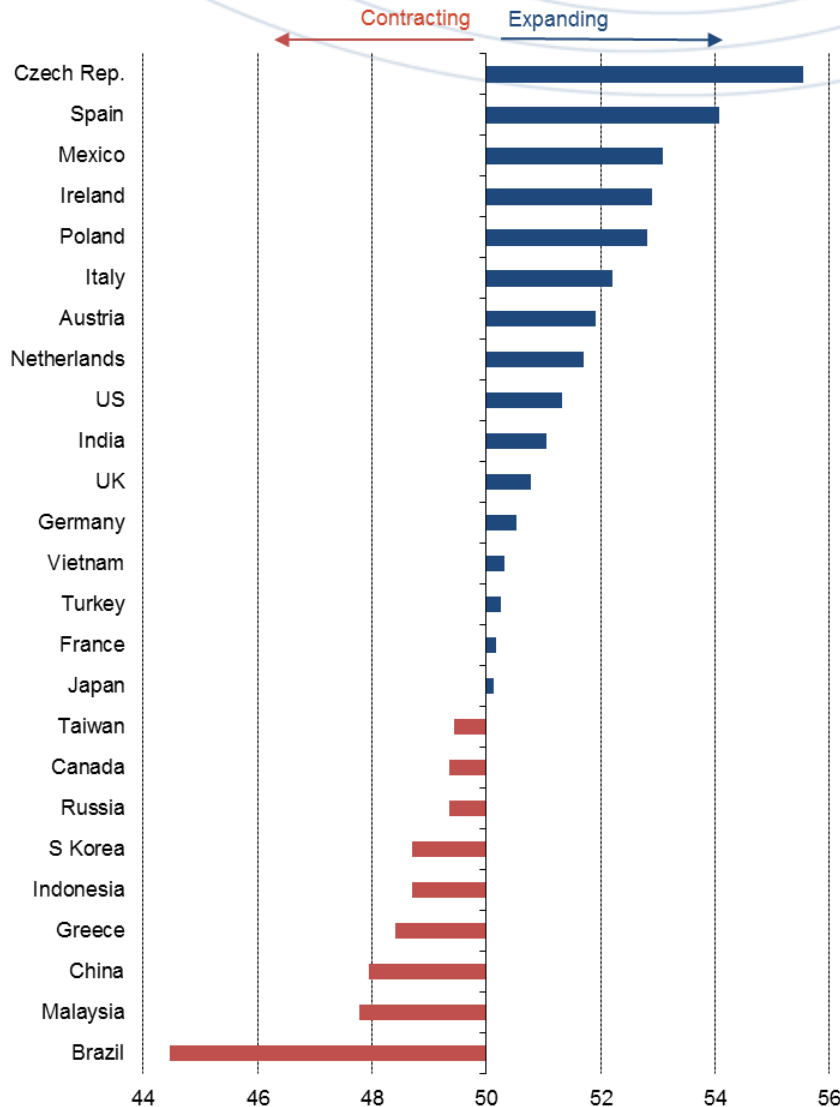


Source: Markit.

## Monthly economic overview

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Manufacturing PMI, 50 = no change on prior month



### Czech Republic holds top spot in manufacturing PMI ranking

Looking at just manufacturing, [global activity failed to improve in February](#) for the first time since November 2012. Global exports fell back into decline for the first time in five months as the brief rally in trade seen late last year lost momentum.

Sub-50 PMI readings – signalling outright contractions – were seen in nine countries, with [Brazil](#) recording the steepest decline by a clear margin as its downturn intensified once again.

Although manufacturing expanded in 16 countries, roughly one-third of these – including Japan, France, Germany and the UK – only saw modest growth. Only four of the 16 saw faster rates of expansion.

The [Czech Republic](#) once again led the growth rankings, topping the table for the seventh time in the past nine months.

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