
Markit Economics

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Markit economic overview

Fed rate hike draws closer as global growth ticks higher

10 November 2015

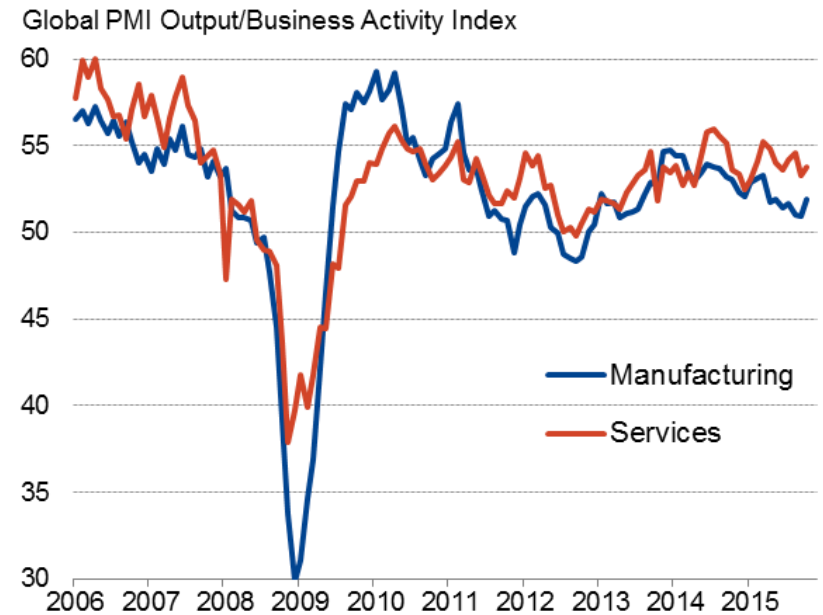
Manufacturers help lift global economic growth at start of fourth quarter

The [JPMorgan Global PMI™](#), compiled by Markit, regained some poise after slipping to a nine-month low in September, rising to 53.4. However, the survey merely signals a rate of worldwide GDP growth of just around 2% per annum. Services continued to drive the upturn, as has been the case throughout the past year-and-a-half, though an upturn in the [goods producing sector](#) meant the divergence narrowed.

Global PMI and economic growth



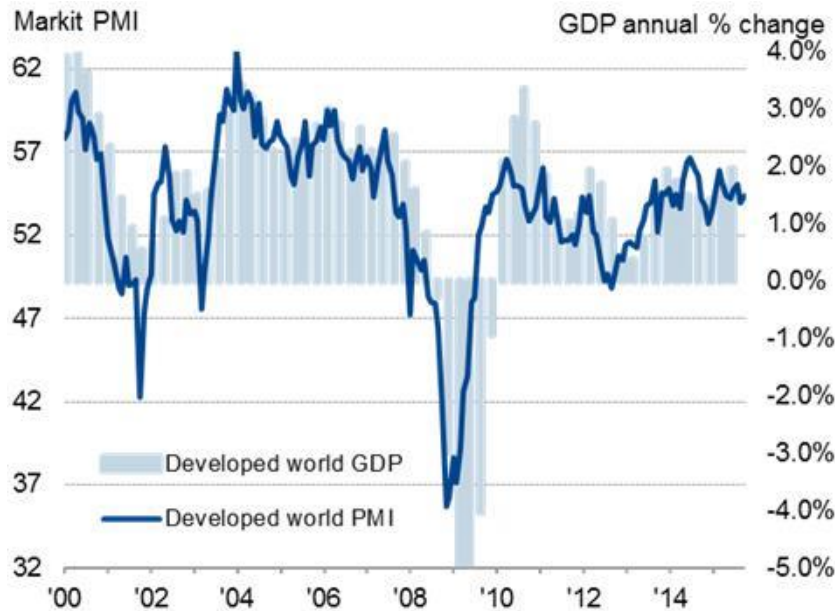
Global goods and services



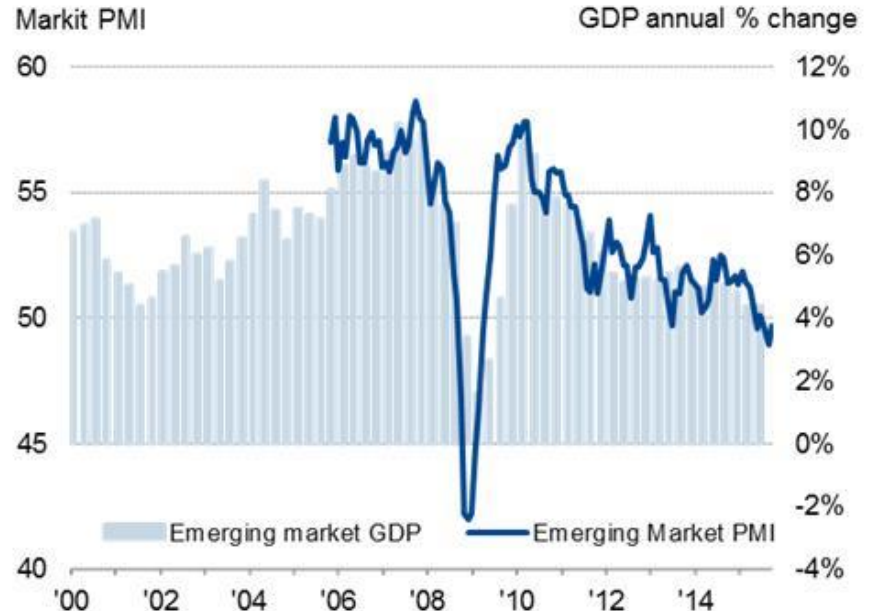
Emerging markets act as ongoing brake on global economy

At 49.7, the emerging market PMI remained below the 50.0 neutral level for the fourth time in the past five months. Although the data point to an easing in what has been the worst performance since 2009, the emerging market index is still signalling GDP growth of less than 4%. In the developed world, the PMI also ticked higher but indicated modest GDP growth of just less than 2%.

Developed world

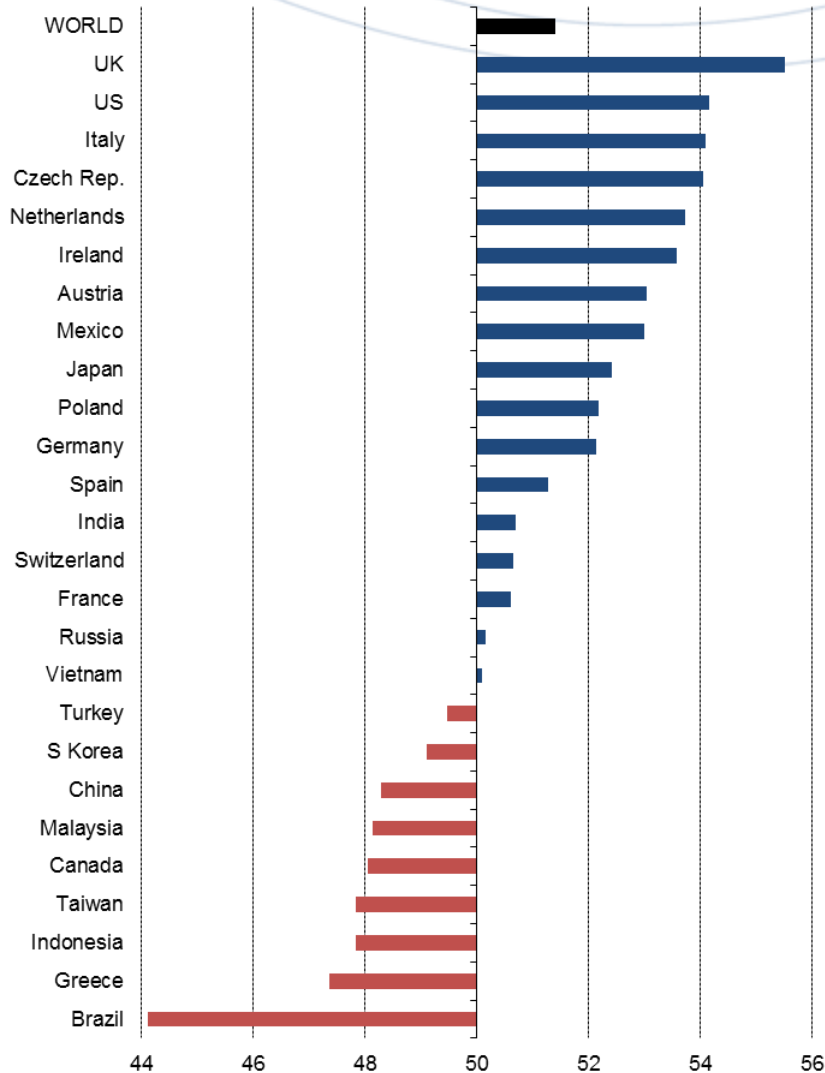


Emerging markets



Monthly economic overview

Manufacturing PMI, 50 = no change on prior month, October 2015



UK and US top manufacturing PMI leader board

The UK leapt to the top of the [manufacturing PMI rankings](#) in October, followed by the US and then a clutch of continental European countries. The UK saw an unusually marked improvement in its rate of growth to a 16-month high, lurching out of the malaise seen over the summer months. US growth also accelerated, reaching a six-month peak.

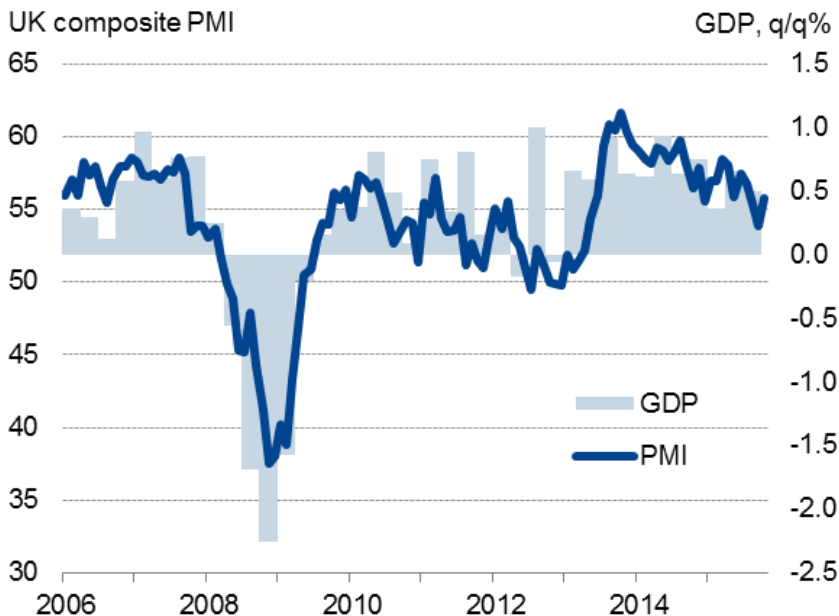
Of the 17 countries that recorded expansions, 11 were from the developed world. Of the nine countries, in decline, all bar two – Greece and Canada – were emerging markets, the latter suffering in its role as key supplier of raw materials to emerging market producers.

The steepest downturn was seen in Brazil, which endured its steepest decline since March 2009, followed by Greece, where the downturn continued to moderate.

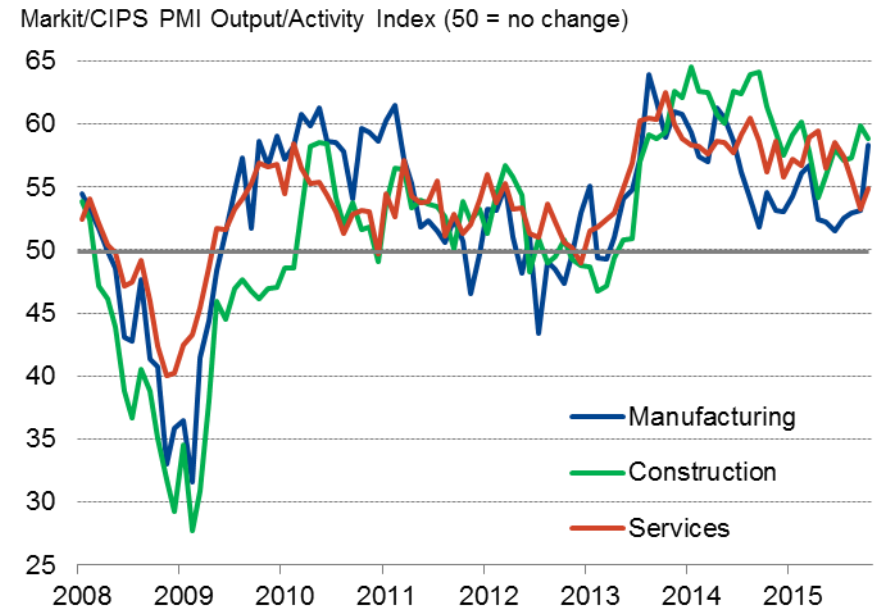
UK surprises with signs of stronger growth at start of Q4

The rate of UK economic growth slowed to 0.5% in Q3, in line with the PMI surveys which, alongside worries about the global economy, prompted the Bank of England to downgrade its forecasts and indicate that interest rates are likely to remain on hold until 2017. However, with the three PMI surveys collectively pointing to solid 0.6% GDP growth at the start of Q4, an earlier hike cannot be ruled out.

UK PMI and economic growth



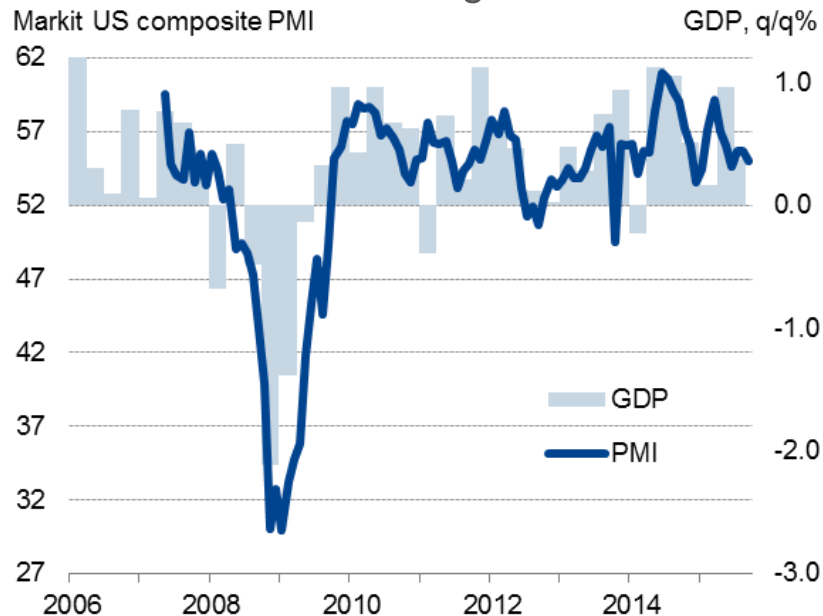
UK sector output



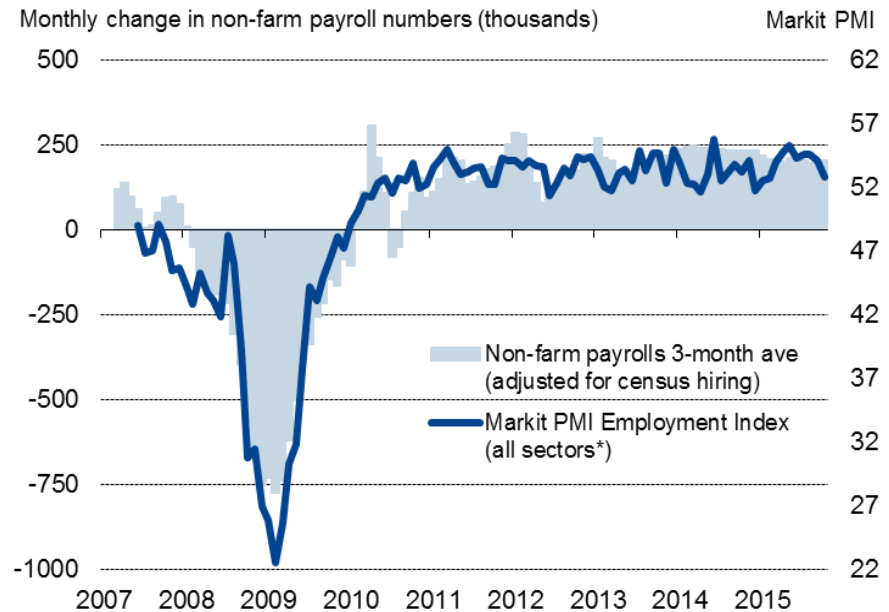
Robust US growth and labour market upturn add to odds of December rate hike

Growth also [slowed in the US in Q3](#) (down to 0.4%, or 1.5% annualised), as [flagged ahead by Markit's US PMI](#) series. The surveys signalled a continuation of the modest, but still solid, growth at the start of Q4. An upturn in exports helped allay global growth worries and services growth remained robust. Non-farm payrolls also impressed and wage growth accelerated, fuelling expectations of the Fed hiking interest rates in December.

US PMI* and economic growth



US labour market

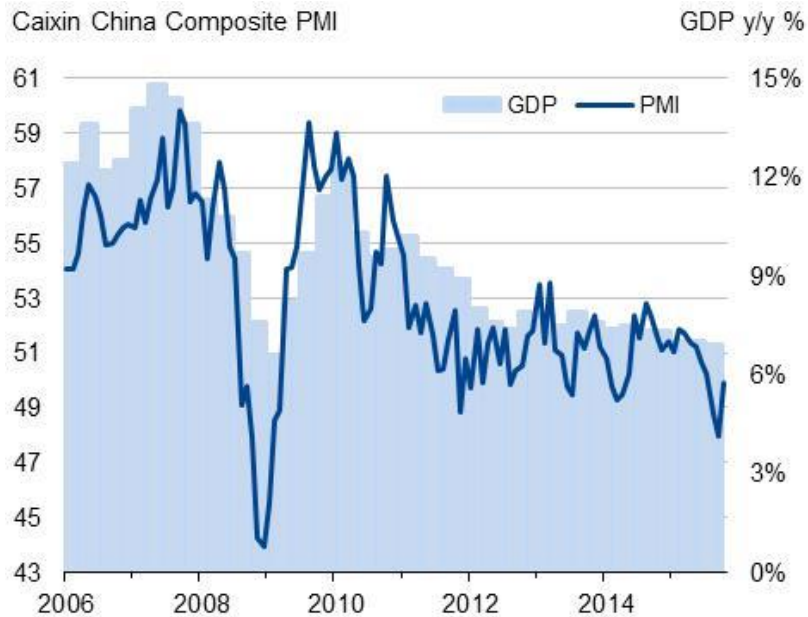


* pre-crisis PMI uses manufacturing data only.

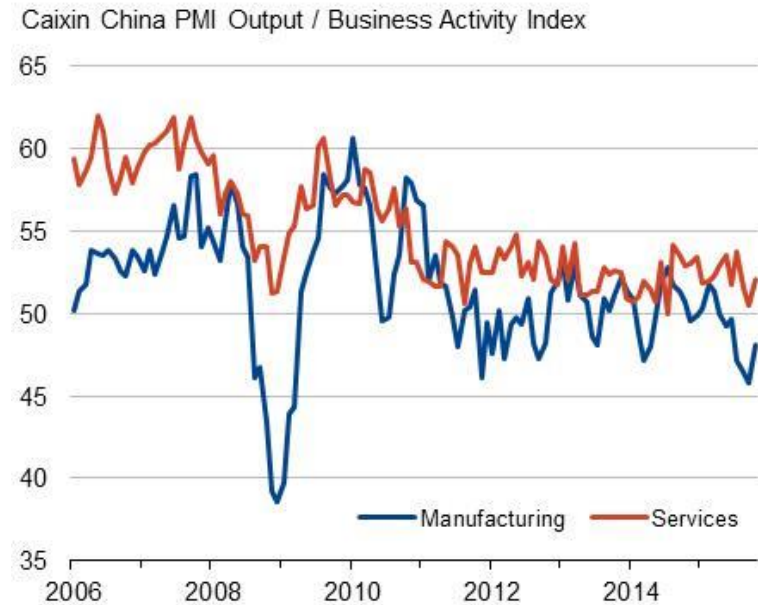
China slowdown moderates amid better exports and faster services growth

The [Caixin China PMI](#), compiled by Markit, rose in October, though the survey data clearly indicate a risk that GDP growth could slow further from the 6.9% pace seen in Q3. The [manufacturing downturn eased](#), with the rate of decline having been the most severe for six-years in September, amid better export demand. Growth meanwhile picked up slightly in the service sector following a muted performance in September.

China PMI and economic growth



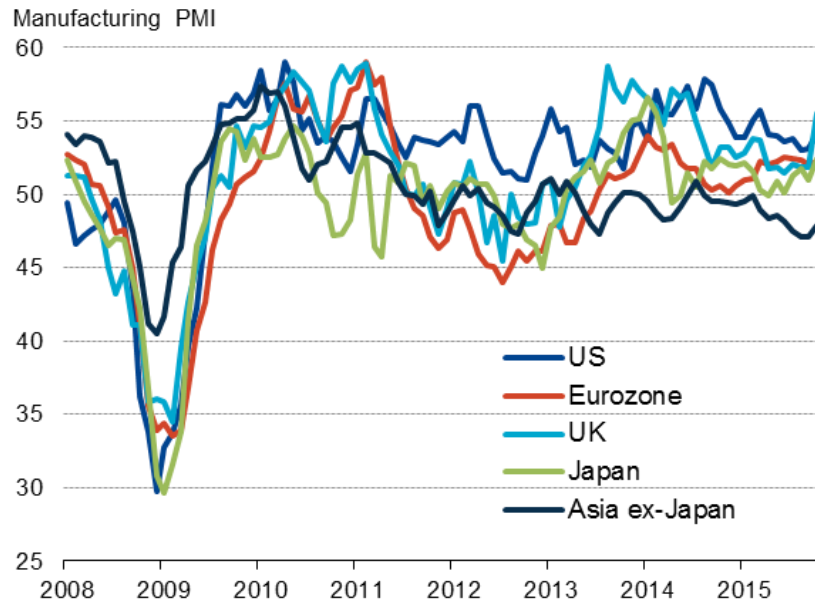
China sectors



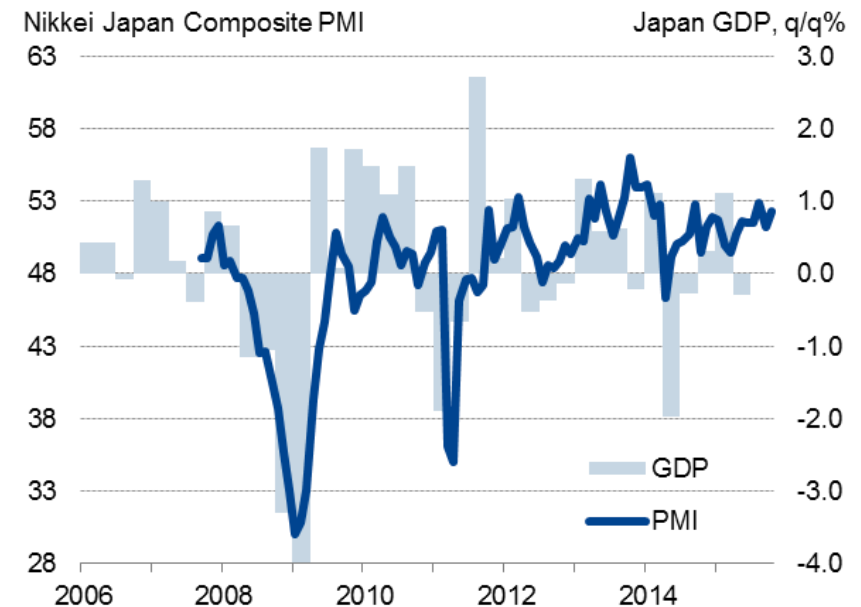
Japan shines brighter amid Asian gloom

While Asia ex-Japan remained mired in a manufacturing downturn that continued to act as a major brake on global economic growth, Japan's goods producers reported [renewed signs](#) of life as exports picked up. Together with an [upturn in services growth](#), the improvements in the Nikkei PMI surveys indicate that Japan enjoyed a growth upturn in Q3 which has gathered pace at the start of Q4.

Manufacturing PMI surveys



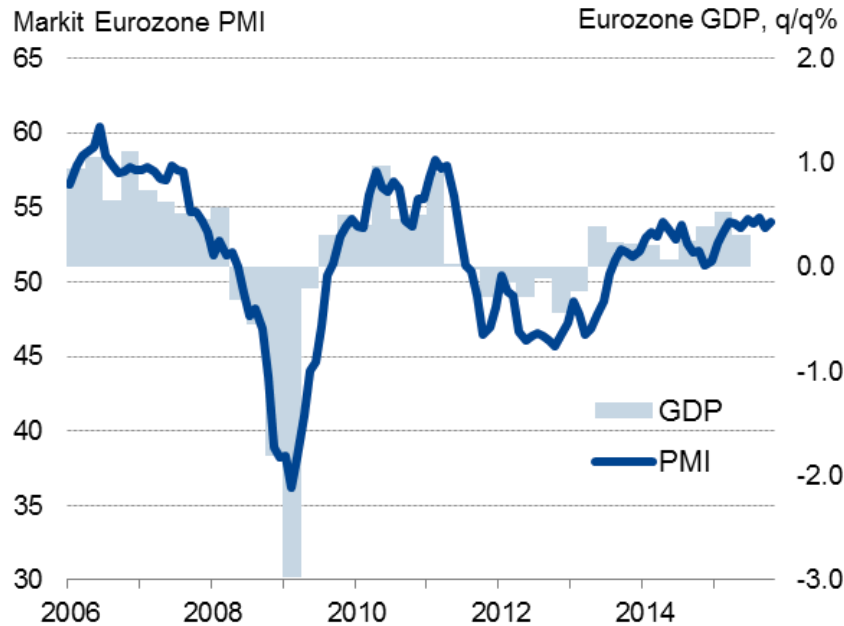
Japan PMI and economic growth



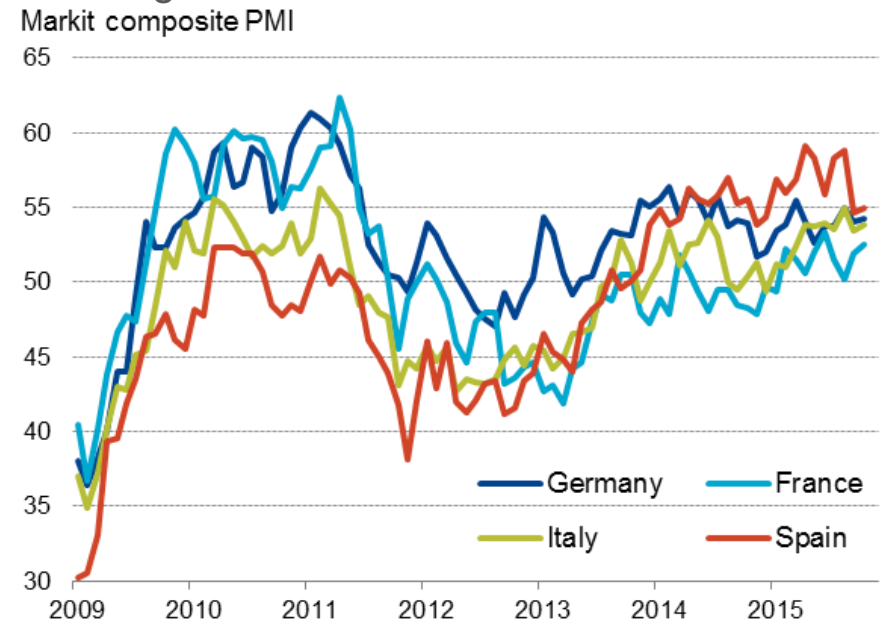
Eurozone sees ongoing modest growth but ECB lines up further stimulus

The [Eurozone PMI edged higher in October](#) though merely signalled a 0.4% rate of GDP growth at the start of Q4, matching the pace indicated for Q3. Spain continued to lead the upturn, followed by Italy and Germany, with France once again trailing but nevertheless showing renewed signs of life. However, with inflation remaining absent, the ECB talked up the possibility of further QE by the end of the year.

Eurozone PMI and economic growth



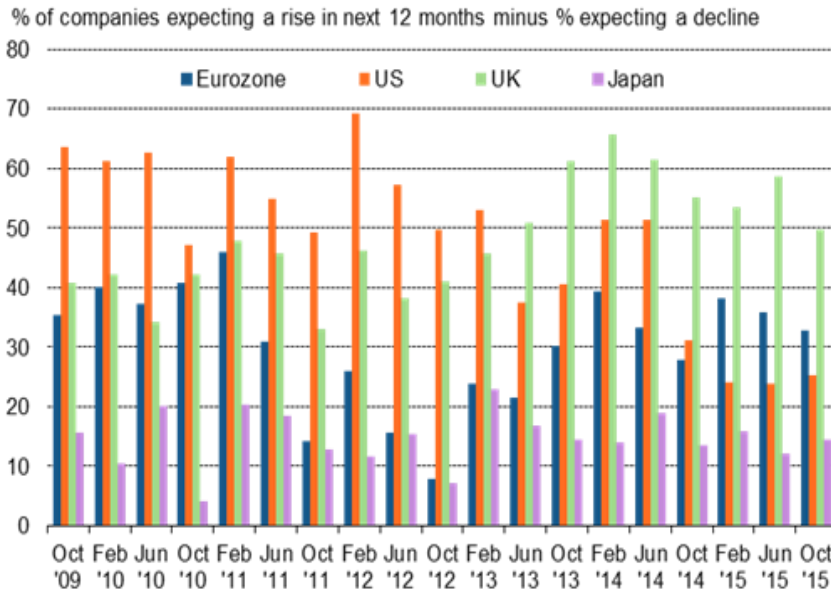
Euro big-four



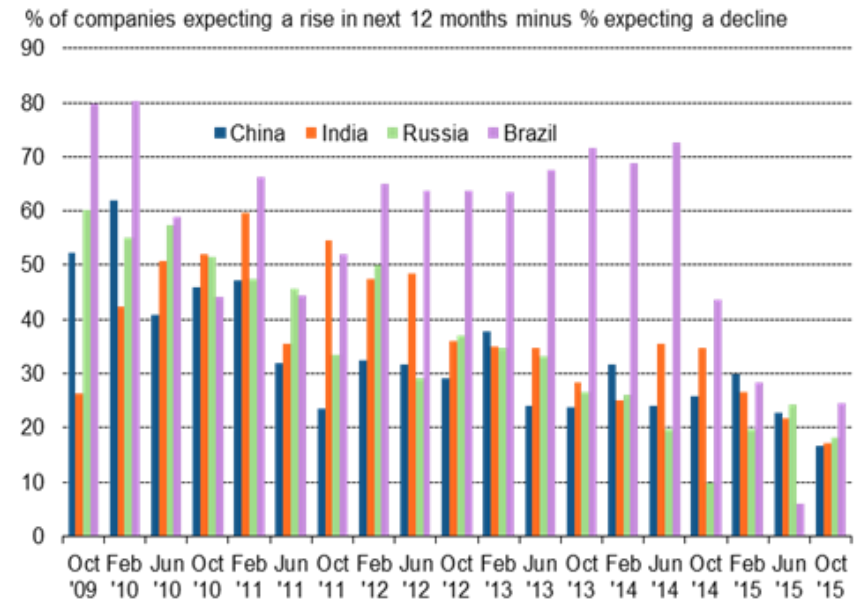
Global business outlook darkest since 2009

It remains to be seen whether the upturn in the PMI data for October is the start of a global growth revival or a blip in an easing trend, but [Markit's Global Outlook survey](#) points to the latter. The data showed PMI survey respondents were more downbeat about the next 12-months than at any time since 2009. The survey was accompanied by the OECD revising down its global growth forecasts. Post-crisis lows were seen in both China and India, and confidence also waned in the eurozone and the UK. Meanwhile, optimism remained relatively weak in the US.

Developed world outlook



Emerging market outlook



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