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Markit Economic Research

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Global economy

Global PMI sinks to lowest since October 2012

- **Global PMI falls to 50.6 in February**
- **Emerging markets back in decline, led by downturns in China and Brazil**
- **Developed world growth slowest for almost three years as expansions weaken in all major economies**

Global economic growth slowed to near-stagnation in February, according to PMI survey data. The JPMorgan Global PMI, compiled by Markit from its worldwide business surveys, sank to 50.6 from 52.6 in January, its lowest level since October 2012.

The current PMI reading is broadly consistent with global GDP rising at a modest annual rate of just over 1% (at market prices), which is well below the long-run average (an average of 2.3% has been achieved over the past 18 years).

Weakness was again most pronounced in the emerging markets, where the PMI hit its second-lowest since March 2009, dropping below the 50.0 neutral level from 50.2 in January to 49.1.

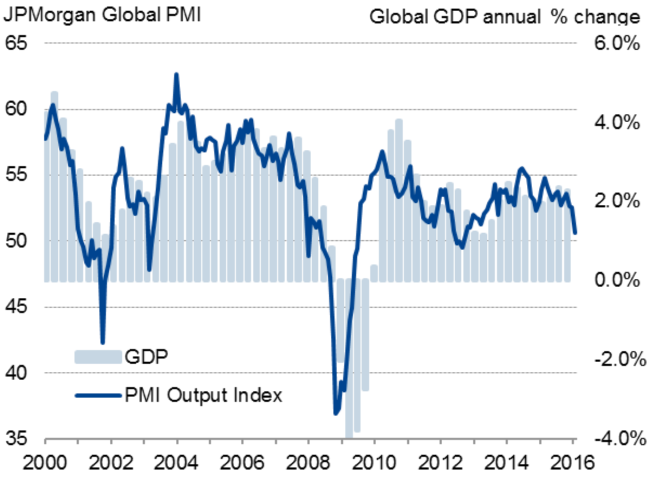
Developed world economies meanwhile reported the weakest growth since April 2013, with the PMI sliding from 53.3 in January to 51.2.

Emerging markets have acted as a drag on the global economy by historical standards since early 2013, when the emerging market PMI fell below the equivalent developed world index. This underperformance has been seen consistently over the past three years, with the PMI for the emerging markets indicative of only 3.5% annual GDP growth in February.

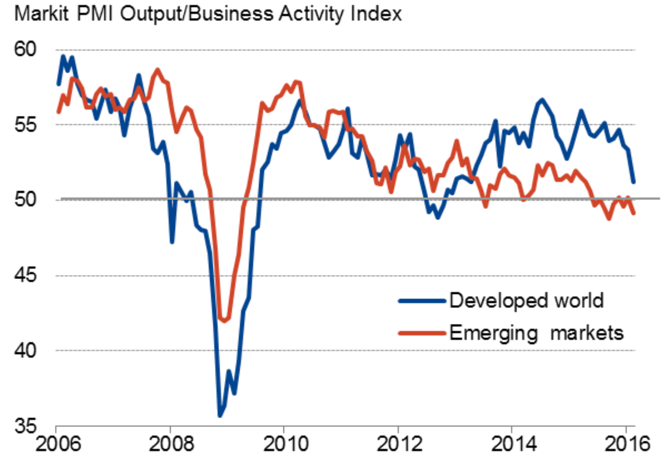
In the developed world, the PMI is signalling just 0.5% annual GDP growth in February.

The slowdown was also broad-based by sector, with near-stalling growth seen in both global manufacturing and services, where PMI output readings of 50.2 and 50.7 respectively were recorded, the lowest since late-2012 in both cases.

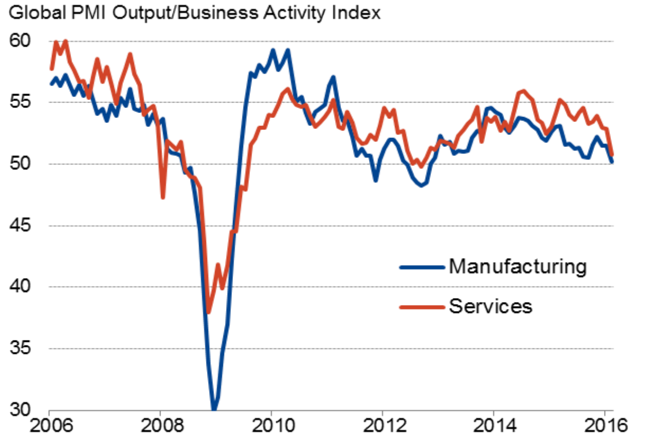
Global economic growth



Developed v emerging markets



Manufacturing v services



Sources for charts: JPMorgan, Nikkei, Caixin, Markit.

It wasn't just output that stumbled. Global order books showed the smallest increase for almost three years and employment growth also waned, though net job creation continued to be recorded in the service sector, offsetting job losses in manufacturing.

The weakening of demand growth led to a further intensification of deflationary pressures, with average prices charged for goods and services falling slightly, down for the first time in five months.

Worse may be to come, as companies' expectations about future business activity in the global services sector fell to the lowest in over four-and-a-half years.

Emerging markets back in decline

Among the four largest emerging markets, only **Russia** saw an improvement in the PMI surveys, with the economy expanding modestly and 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.

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, suggesting the authorities will be looking to take additional steps to shore-up the slowing economy.

India notched up the best performance of the BRIC economies. That said, growth weakened in both manufacturing and services to remain well below pre-financial crisis rates.

Across-the-board DM slowdown

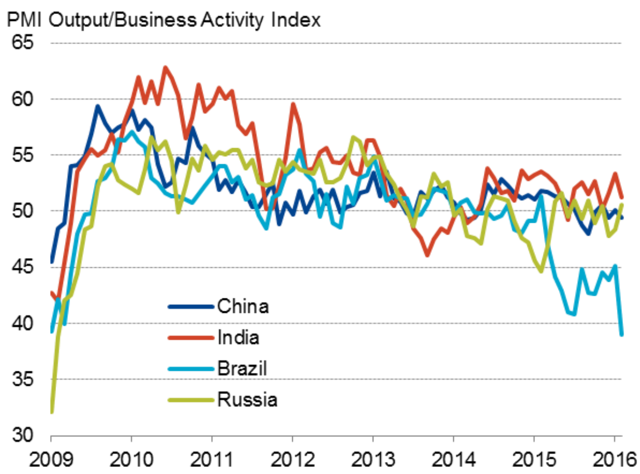
Growth meanwhile slowed across the board in the world's largest developed economies.

Most worrying was a stagnation of business activity in the **United States**, as slower manufacturing growth coincided with a slight drop in services activity. With the exception of the government shutdown of October 2013, February was the worst month the US has seen since the global financial crisis. Although job creation remained robust, the slowing economy suggests US policymakers may refrain from further rate hikes until growth revives.

Developed world

Emerging markets

Major emerging markets



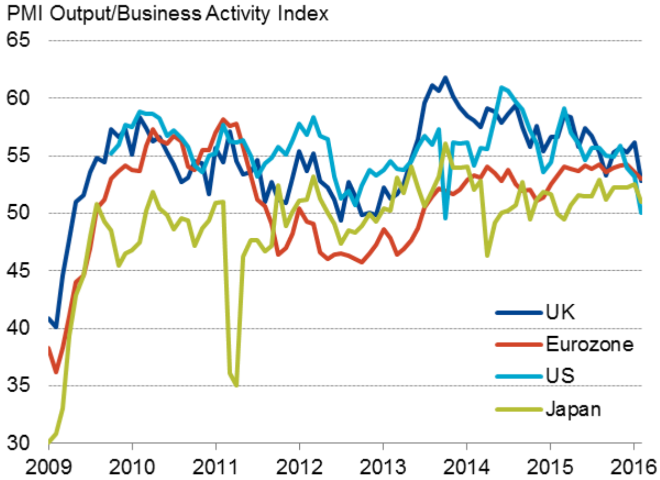
Sources for all charts: Markit, JPMorgan, Caixin, Nikkei

The **United Kingdom** 'all-sector' PMI meanwhile suffered the largest fall for four-and-a-half years, down to a level consistent with a mere 0.2% quarterly GDP growth rate, and into territory which has typically seen the central bank inject more stimulus into the economy.

Markit's **Eurozone** PMI also lost ground, dropping 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, adding to calls for the ECB to take further aggressive steps to boost their stimulus in early March.

Finally, **Japan**'s Nikkei Composite PMI slipped to a ten-month low amid a near-stalling of manufacturing output growth and a weaker trend in the service sector. Job creation eased and prices charged fell slightly, halting the upward trend in prices seen over the prior four months.

Major developed markets



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