

Global economy

Global economic growth slows amid renewed emerging market downturn

- **Global growth slows for third month running**
- **Manufacturing leads slowdown with weakest growth for almost two years**
- **Emerging markets see steepest downturn for six years**

Global economic growth slowed for a third month running in June, according to worldwide PMI survey data. The JPMorgan Global PMI, compiled by Markit, sank to 53.1 from 53.6 in May, its lowest since January, to signal a rate of global GDP growth of approximately 2% per annum.

With global factories reporting the smallest rise in production for 23 months, the June surveys finished off the worst quarter for two years for manufacturing.

Service sector growth also slowed, dropping to the lowest since January, but the rate of expansion was unchanged on average compared to the first quarter.

Services have now outperformed manufacturing throughout the past 14 months, reflecting that developed world service sectors, and the US in particular, continue to drive global expansion. However, even this growth engine is showing signs of slowing.

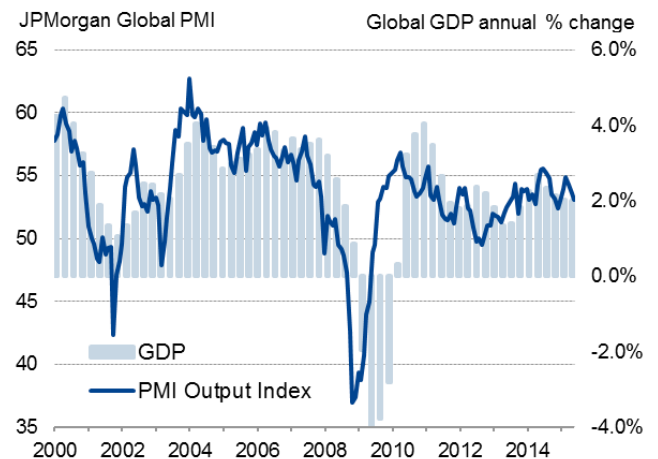
Developed world growth slowed to the weakest since January, though remains solid. The same cannot be said for emerging markets, where the PMI data signalled the steepest downturn for just over six years.

Waning developed world expansion

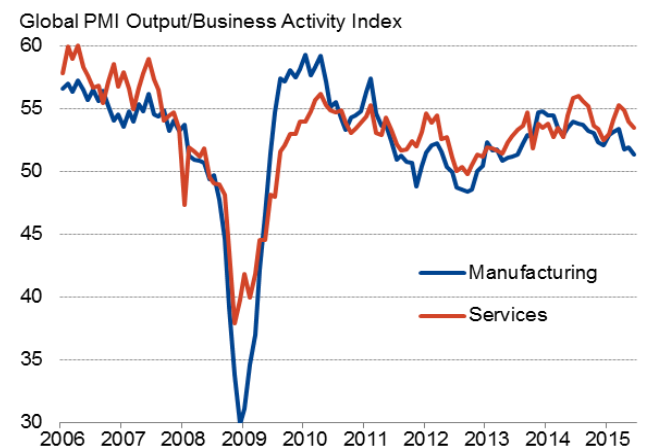
A slowing in both manufacturing and services took the composite US PMI down to 54.6, registering one of the weakest expansions seen over the past two years. US GDP looks set to have rebounded in the second quarter, growing at a 2.5% annualised rate, but the economy is losing momentum again as it heads into the third quarter. As well as services growth waning, manufacturing has been hit by the strong dollar.

Japan continued to show modest growth. The Nikkei PMI survey composite index slipped to 51.5 but signals a 0.5% (2% annualised) expansion in the second quarter. Growth was in part fuelled by a rise in exports resulting from the weakened yen.

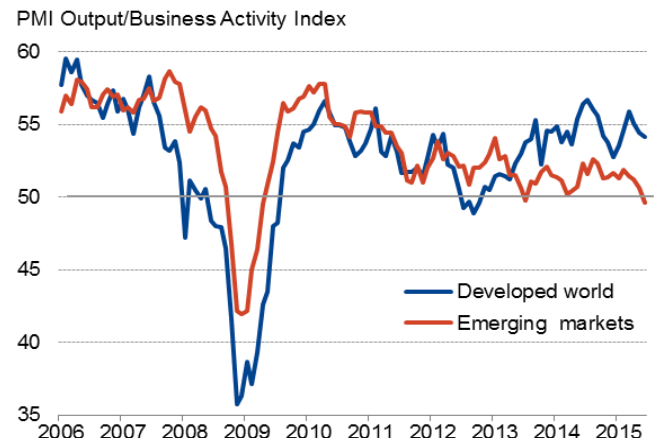
Global economic growth



Global manufacturing and services



Developed and emerging markets PMI



A similar rate of increase was signalled by the UK PMI surveys. Although pace of expansion in manufacturing slowed, largely in response to the stronger pound, services and construction saw post-election rebounds. The UK surveys point to GDP growth picking up from 0.4% in the first quarter to 0.5%.

Growth also quickened in the eurozone, with the composite PMI rising to 54.2 to end the strongest quarter for four years. The PMI is consistent with the region's GDP growing 0.4% in the three months to June. All countries grew, with the notable exception of [Greece](#), where the debt crisis led to a further drop in activity¹. ECB stimulus, low prices and a competitive exchange rate are all boosting the region's economy.

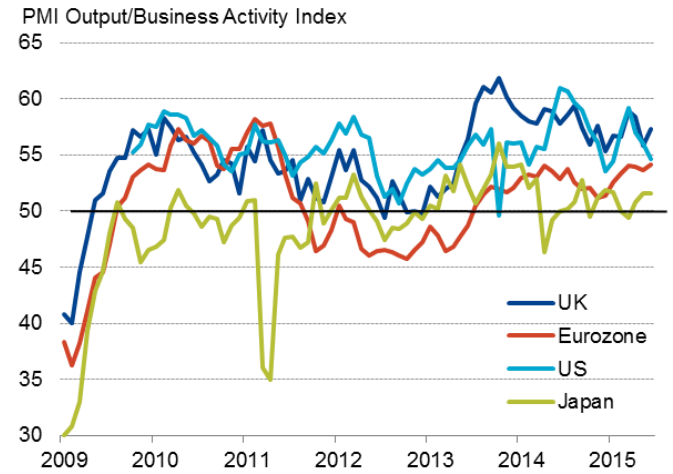
Emerging markets see steepest downturn since April 2009

The main source of global economic weakness was once again the emerging markets, which saw business conditions deteriorate at the fastest rate since April 2009, their collective PMI dropping below 50 for the first time in almost two years.

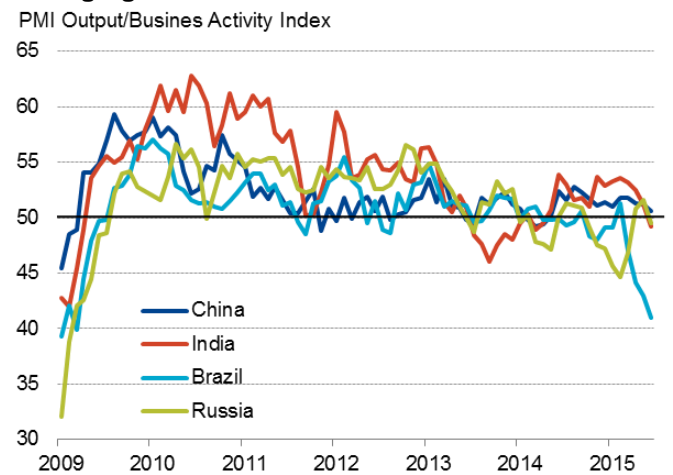
China's composite PMI, covering both manufacturing and services, fell to 50.6, signalling a near-stagnation of the economy and the worst performance since May of last year. All three other BRIC economies saw deteriorating business conditions. Brazil saw the steepest contraction, with a PMI reading of 41.0 registering the steepest drop in activity since March 2009. India meanwhile slid into contraction for the first time since April of last year and Russia dipped back into decline for the first time in three months, albeit with the rate of contraction far less severe than seen earlier in the year.

Other emerging markets, especially in Asia, also saw worsening conditions. To highlight the intensifying malaise affecting the region, South Korea and Taiwan sank to the bottom of the worldwide [manufacturing PMI rankings](#) in June.

Developed world



Emerging markets



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For further information, please visit www.markit.com

¹ based on manufacturing PMI data only