
Markit Economics

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Markit economic overview

Global economic growth weakest since late-2012

April 13th 2016

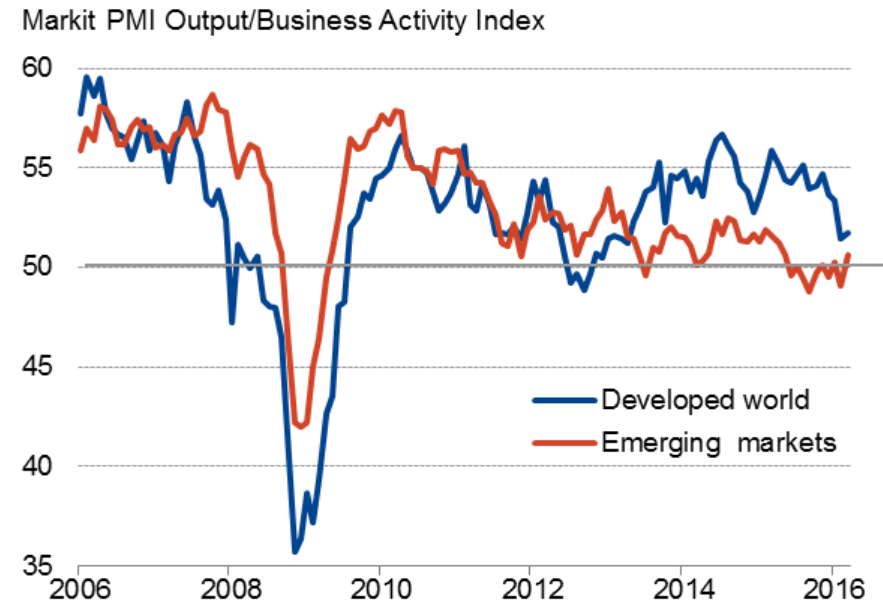
Global economic growth weakest since late-2012

Global economic growth was running at its weakest for over three years in Q1, according to the JPMorgan Global PMI™, compiled by Markit. Despite rising slightly in March, the PMI is broadly consistent with global GDP growing at an annual rate of just over 1% (at market prices) compared with a long-run average of 2.3%. Subdued developed world growth was, however, accompanied by tentative signs of renewed life in emerging markets. The weak global PMI data were promptly followed by a downward revision to the IMF’s global outlook.

Global economic growth (GDP v PMI)



Developed v emerging markets



Charts show GDP-weighted PMI output indices covering both manufacturing and services
Sources: JPMorgan, Markit, Thomson Reuters Datastream

Monthly economic overview

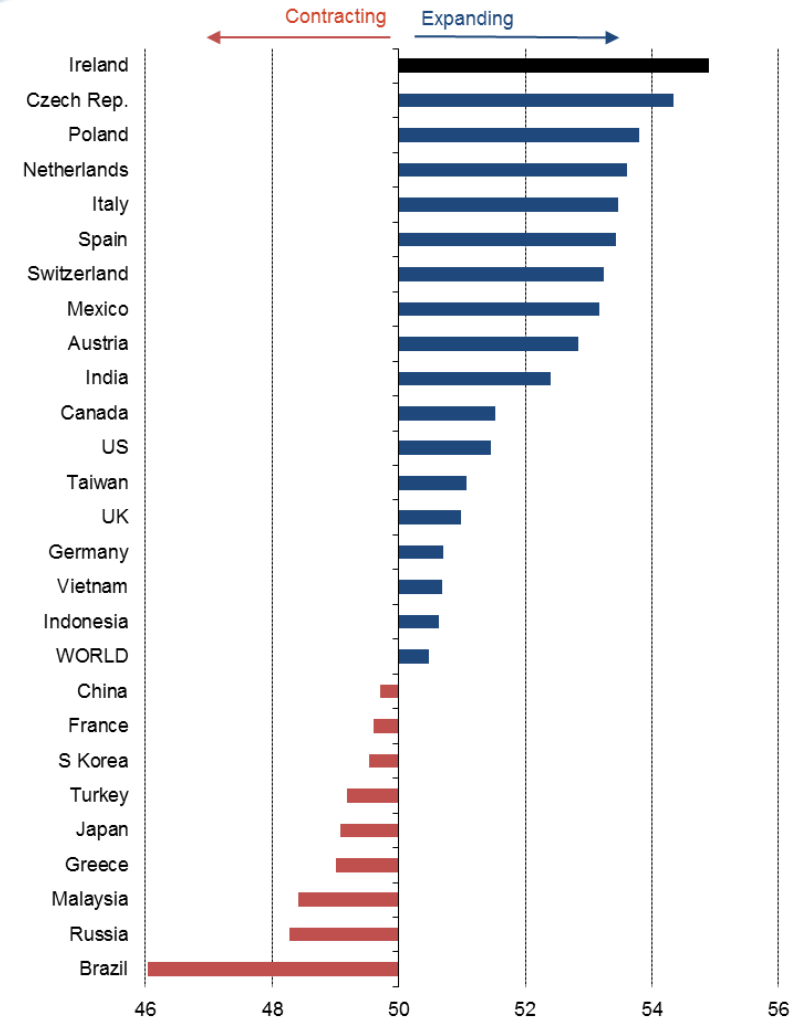
Global manufacturing PMI rankings

A principal area of concern in the global economy has been the weakness of manufacturing and trade. The March PMI signalled just 1.5% annual global manufacturing output growth along with a decline in worldwide trade volumes for a second month.

Nine countries saw manufacturing downturns, six of which were emerging markets, led again by Brazil and followed by Russia. Ireland took over at the head of the growth rankings, followed by six other European nations.



Manufacturing PMI, 50 = no change on prior month



Sources: Markit, CIPS, NEVI, Nikkei, BME, Bank Austria, Investec, RBC, AERCE, ADACI, Caixin, HPI

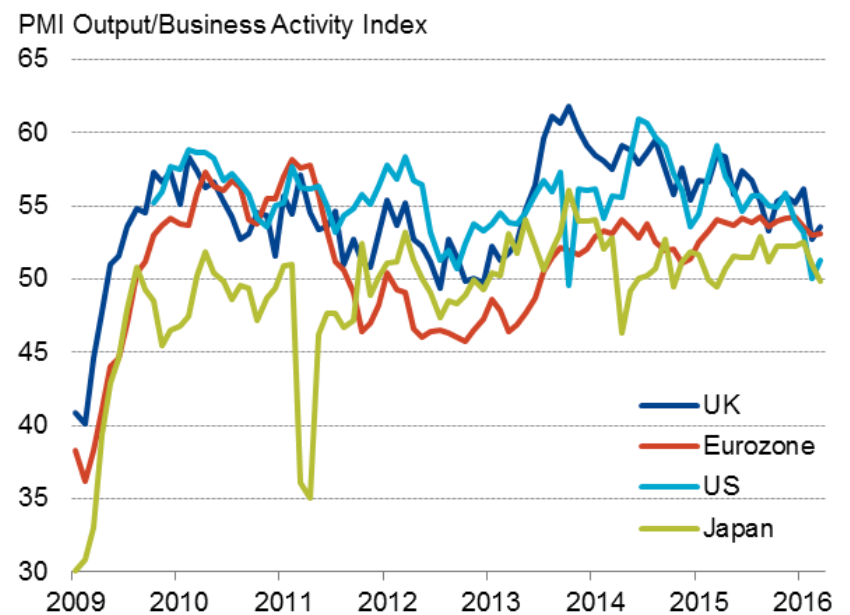
Developed world growth fails to rebound from February's 34-month low

A key development over the past two months has been the extent to which developed-world growth has fallen well below rates seen throughout much of the past three years, acting as an additional drag on global growth. A marked slowdown in the US has been accompanied by signs of similar weakness in the UK as well as a renewed downturn (albeit modest) in Japan. Overall, the PMI surveys are signalling just over 0.5% annual developed world GDP growth in Q1, having failed to show any significant improvement on February's near three-year low.

Developed markets growth (GDP v PMI)



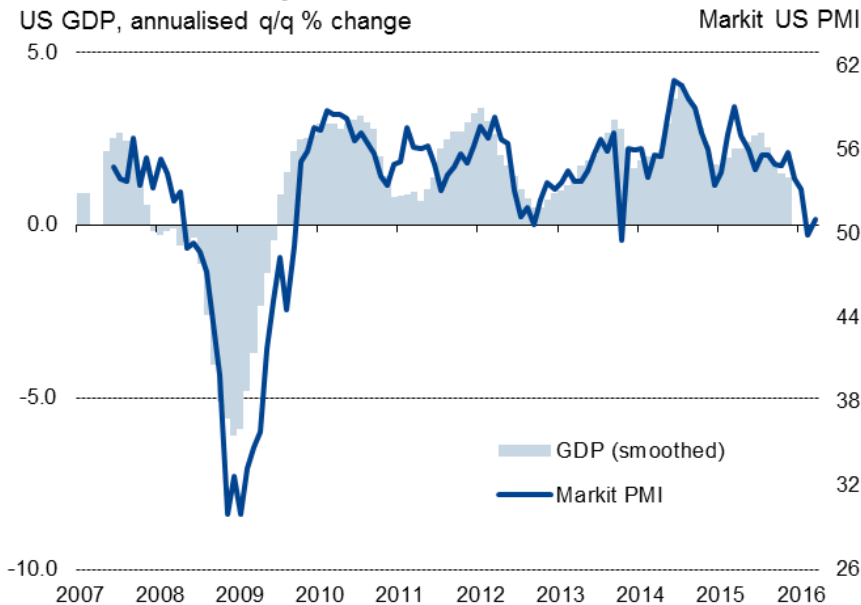
Four largest DM economies



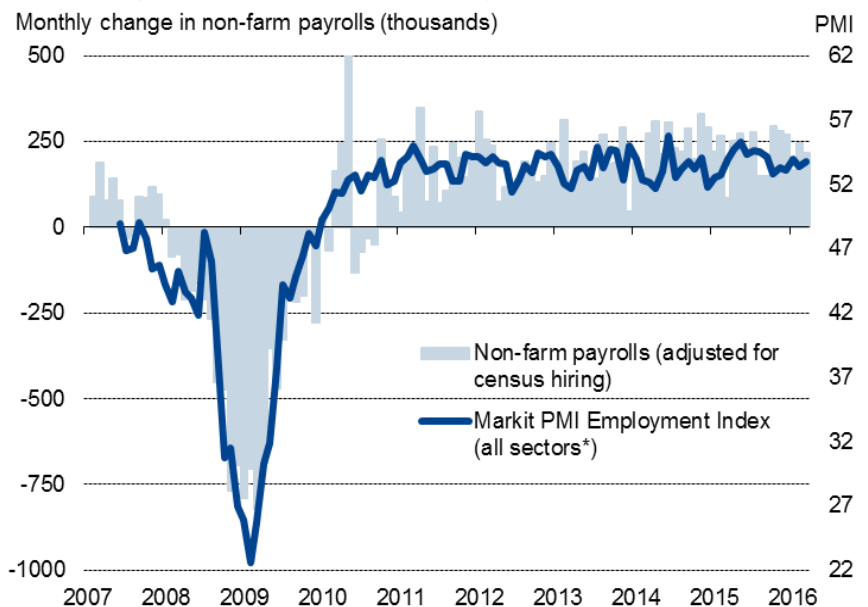
US growth warning as new business inflows hit post-crisis low

Markit's PMI data show the US economy having endured its worst spell for 3½ years in Q1. The [surveys](#) covering manufacturing and services suggest the economy grew at a 0.7% annualised rate, down from 1.0% in Q4. Worse may be to come, after a near-stalling of new business growth in March to the slowest this side of the recession, suggesting the [robust job creation signalled by the survey](#) is unlikely to persist. [New sector data](#) meanwhile showed consumers driving growth in Q1, albeit with consumer services being hit by bad weather at the start of the year.

US economic growth (GDP v PMI output)*



US payrolls v PMI employment



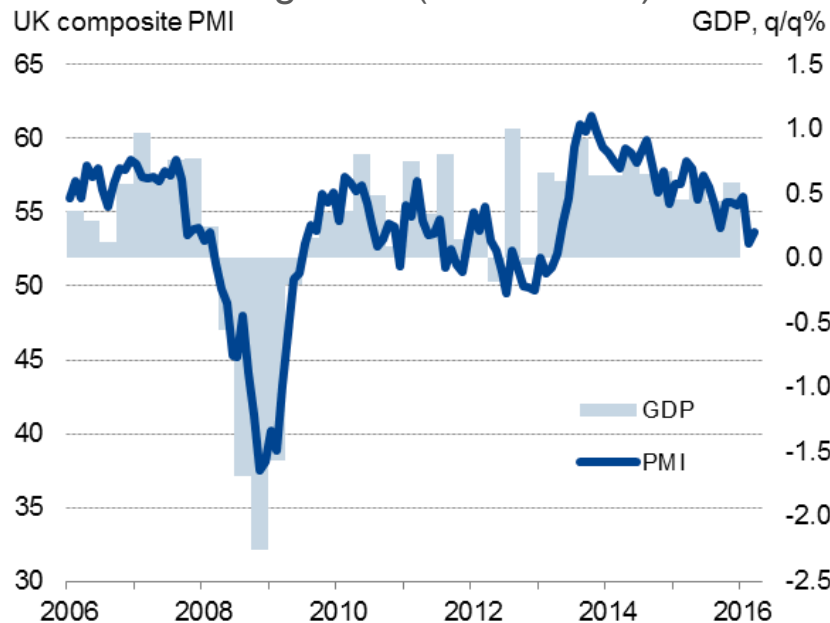
- pre-crisis PMI uses manufacturing data only.
- GDP data smoothed using 7-month moving average.

* PMI shown above is a GDP weighted average of the survey output indices
 Sources: Markit, U.S. Department of Commerce, U.S. Bureau of Labor Statistics

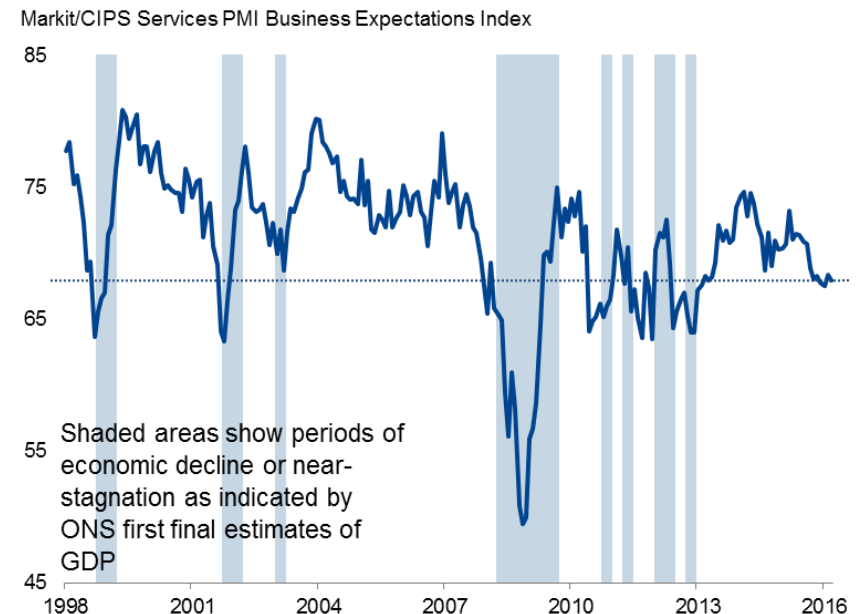
UK PMI surveys point to Q1 growth slowdown amid heightened uncertainty

Despite a minor uptick in March, the UK 'all sector' PMI signalled just 0.4% GDP growth in Q1, down from 0.6% in Q4. Firms reported the smallest increase in new business for just over three years, which in turn led to the slowest rate of job creation for over 2½ years. Business optimism meanwhile remained at a 3-year low as concerns about the global economy continue to be exacerbated by domestic issues such as 'Brexit' and further government spending cuts. The data suggest any interest rate hikes continue to look a long way off.

UK economic growth (GDP v PMI)*



Business expectations

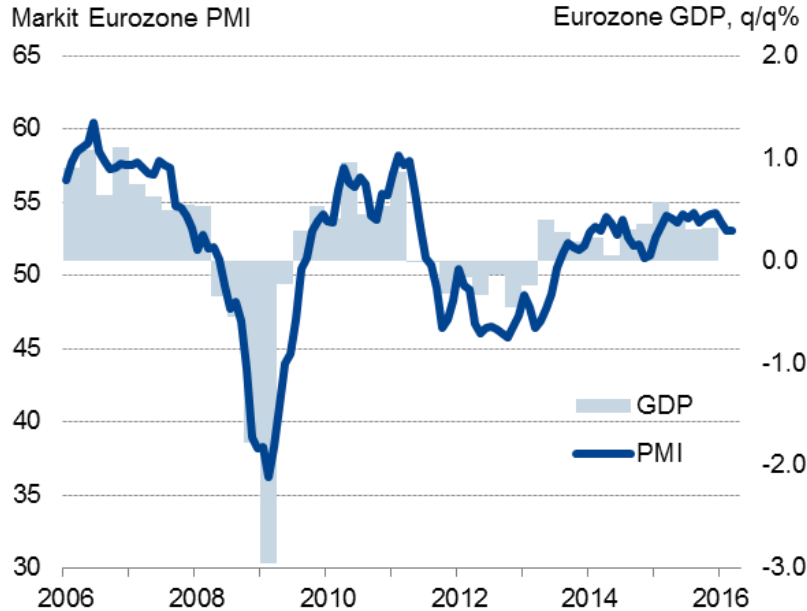


* PMI shown above is a GDP weighted average of the survey output indices
Sources: CIPS, Markit, ONS

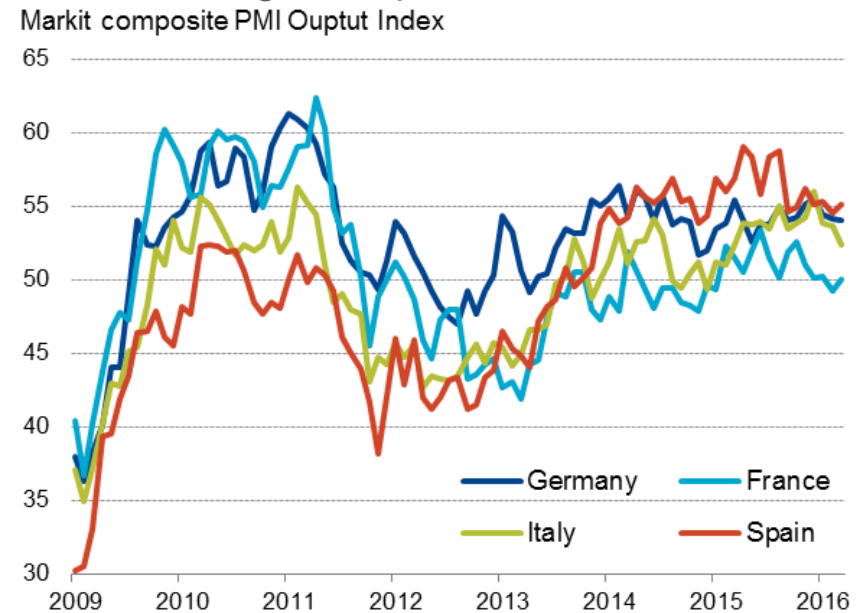
Sluggish Q1 growth signalled as ECB steps up stimulus

Another weak Eurozone PMI for March, a month in which the central bank unleashed further stimulus, suggests GDP continued to grow at a sluggish 0.3% pace in Q1. Spain's rate of expansion remains impressive, with the PMI signalling a 0.6% GDP rise, joined by a 0.4% expansion in Germany (though this masks a worrying slowdown in the manufacturing sector). Italy saw a substantial loss of pace in March, suggesting the economy eked out just 0.3% growth in Q1. But the worst performance – stagnation - was again seen in France.

Eurozone economic growth (GDP v PMI)*



Euro area 'big-4' output

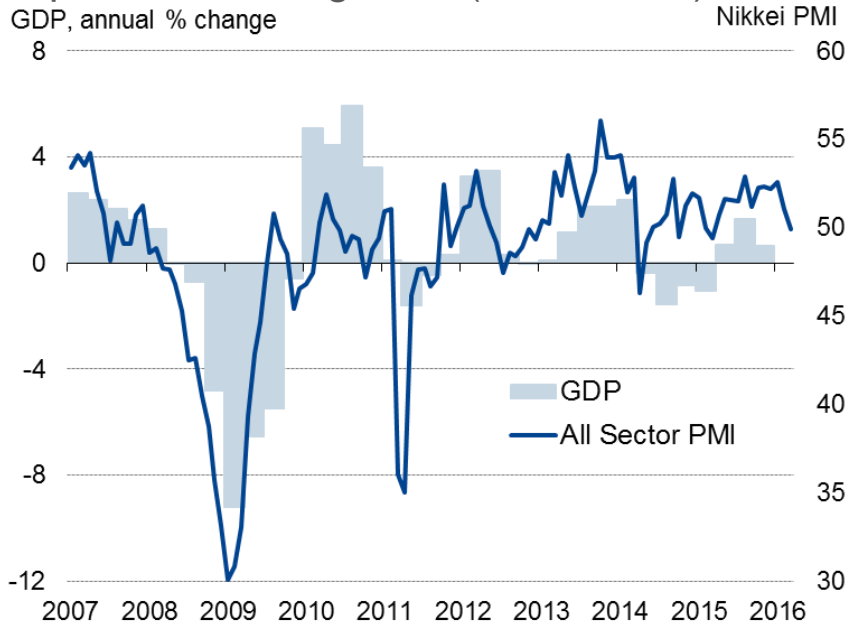


* PMI shown above is a GDP weighted average of the survey output indices \ 7
Sources: Eurostat, Markit

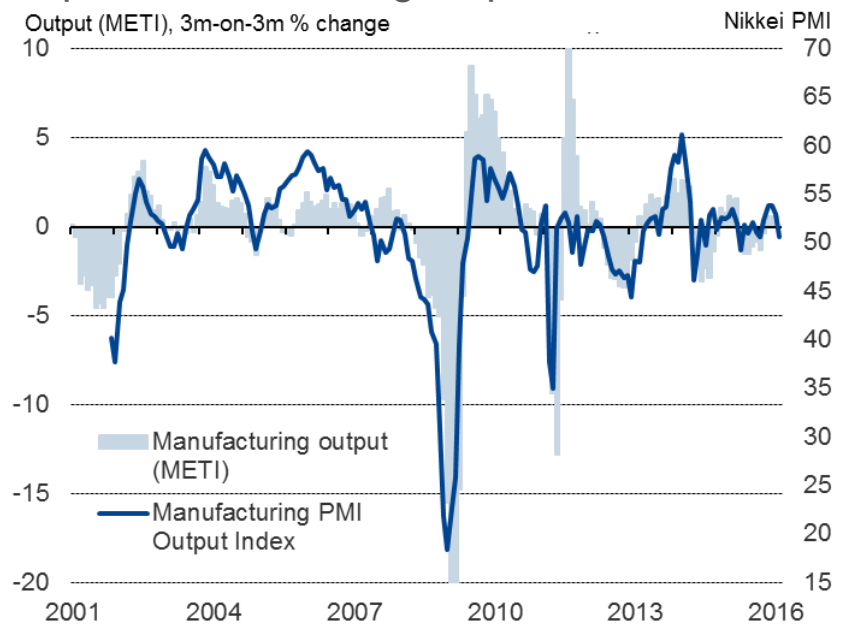
Japan sees renewed recession risk

The worst performance among the major developed economies was seen in Japan, where the Nikkei PMI surveys showed business activity slipping back into decline – albeit only marginally – for the first time in a year. The data clearly indicate a risk of Japan moving back into recession after GDP data showed a contraction of 0.3% in Q4. Service sector activity stagnated and [business conditions in manufacturing](#) deteriorated at the fastest rate for over three years as output, new orders and exports all fell. The Bank of Japan appears ready to sanction more stimulus.

Japan economic growth (GDP v PMI)*



Japan manufacturing output

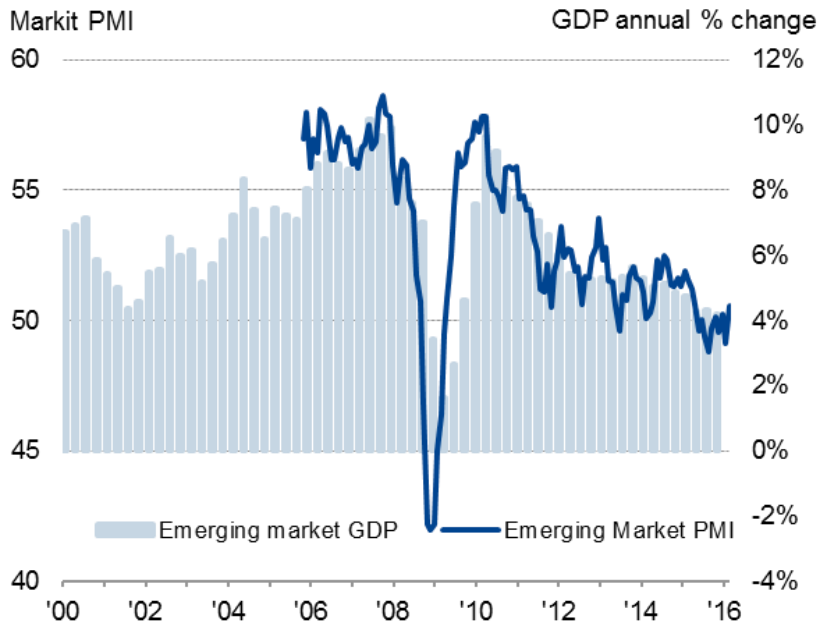


* PMI shown above is a GDP weighted average of the survey output indices
Sources: Bank of Japan, Markit, Nikkei, Thomson Reuters Datastream

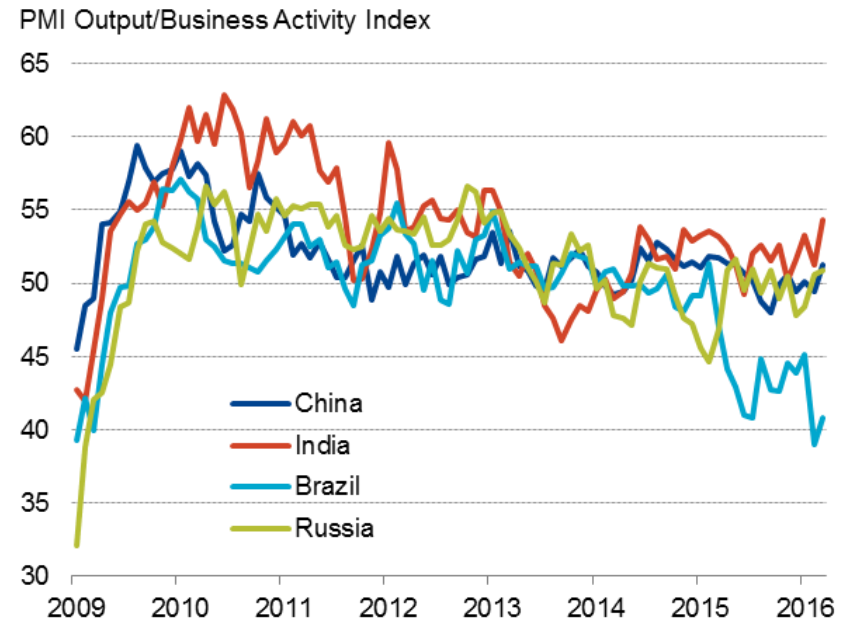
Emerging market drag eases as PMI hits 10-month high

Emerging market PMI surveys continued to highlight key risks to the global economy. There was some good news as, across both manufacturing and services, the headline index measuring output hit a 10-month high in March. But the surveys clearly remain disappointingly weak by historical standards, pointing to GDP growth of just over 4% per annum. Surveys lifted higher in all four largest (BRIC) economies, but only in India – where the index hit a three-year high – was there any sign of robust growth. Brazil's severe downturn remains a major concern.

Emerging markets growth (GDP v PMI)



Four largest EM economies



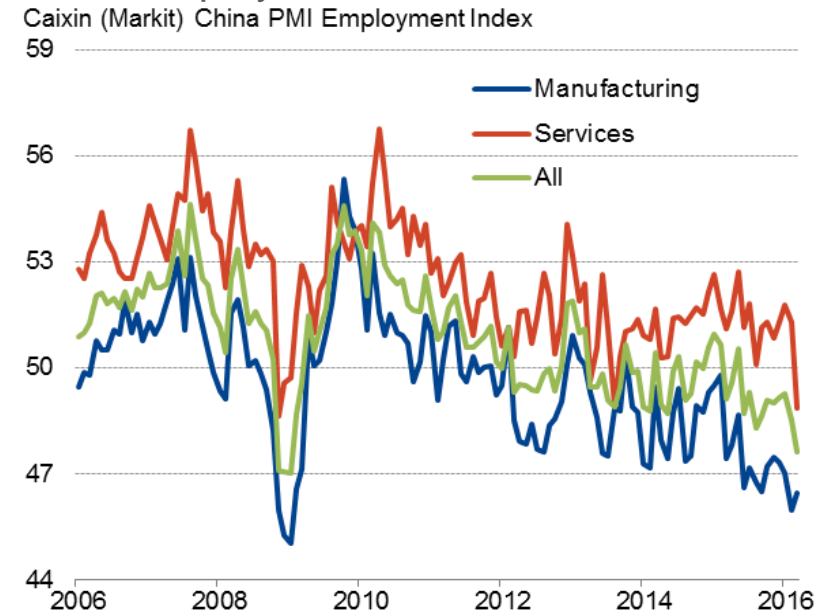
China sees growth revive, but also suffers largest job losses since 2009

In China, the Caixin PMI surveys signalled the best performance for 11 months. Although only signalling modest growth, the improvement represents a welcome sign of renewed life after the declines seen in five of the past seven months. However, more worryingly, the surveys show job losses running at the highest since 2009, with the downturn spreading from manufacturing to services. The jobs data suggest the worst may not be over for China in terms of the growth slowdown, but also raises the prospect of further stimulus from the authorities.

China economic growth (GDP v PMI)*



China employment

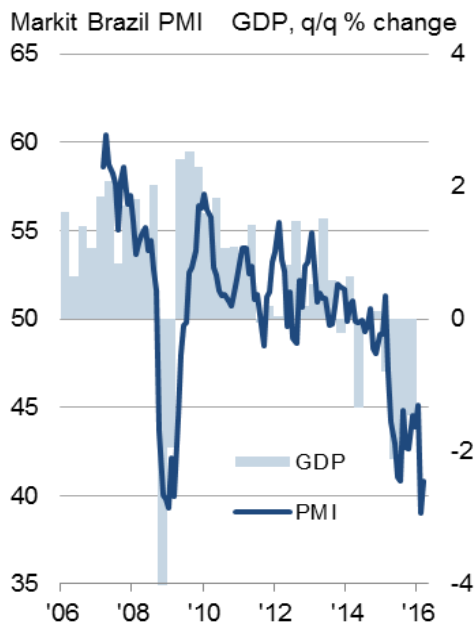


* PMI shown is a GDP weighted average of the survey output indices
Sources: Caixin, Markit, Thomson Reuters Datastream | 10

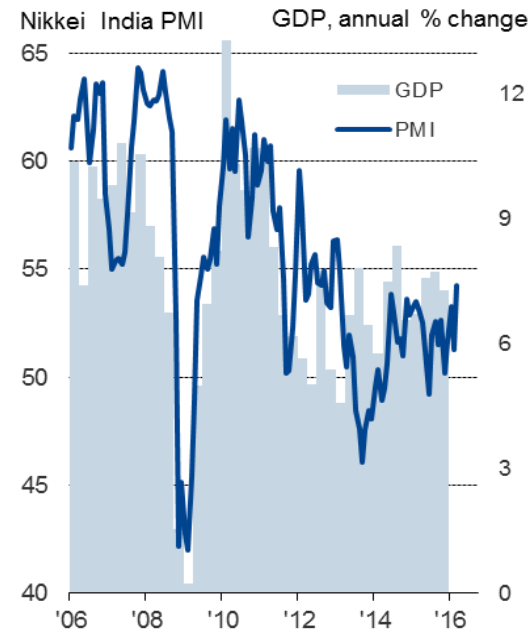
Signs of malaise lifting in emerging markets

Marginal growth was seen in Russia for a second successive month, suggesting the economy could be stabilising and that forecasts of another year of recession could be too pessimistic. Even Brazil saw an easing in the record pace of decline experienced in February, although at over 2%, the quarterly rate of contraction remained one of the most severe ever recorded. India saw the best improvement with the two Nikkei PMI surveys collectively indicating the strongest expansion for three years and a GDP growth rate of c7.5%.

Brazil



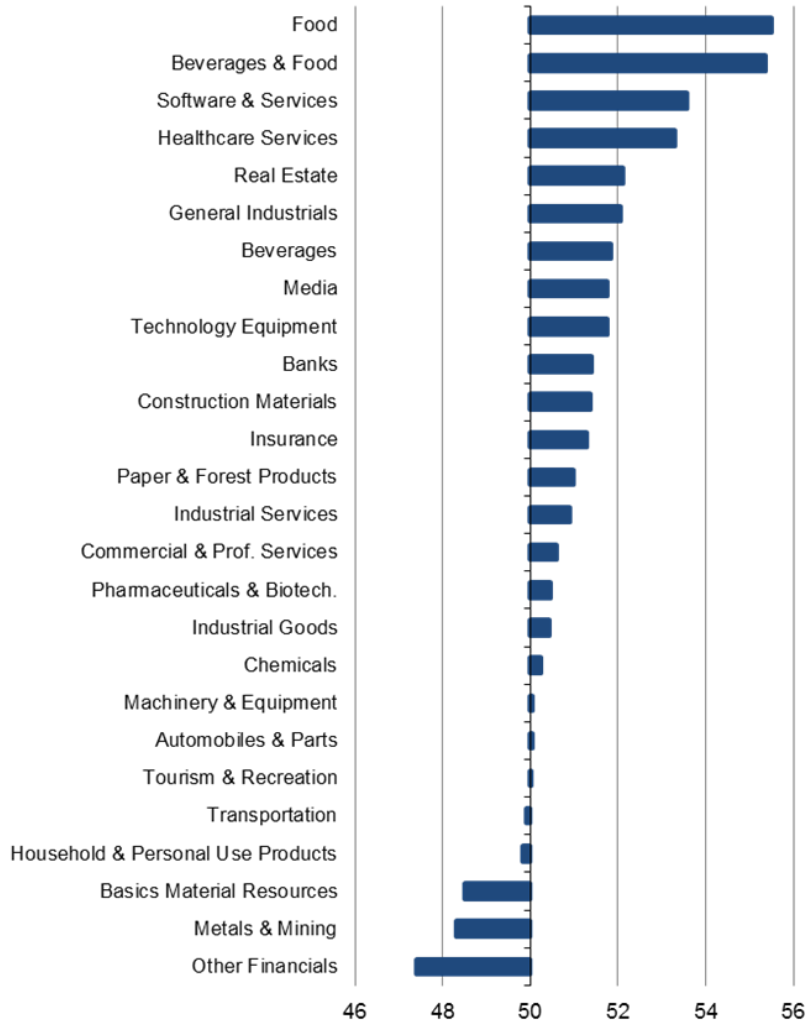
India



Russia



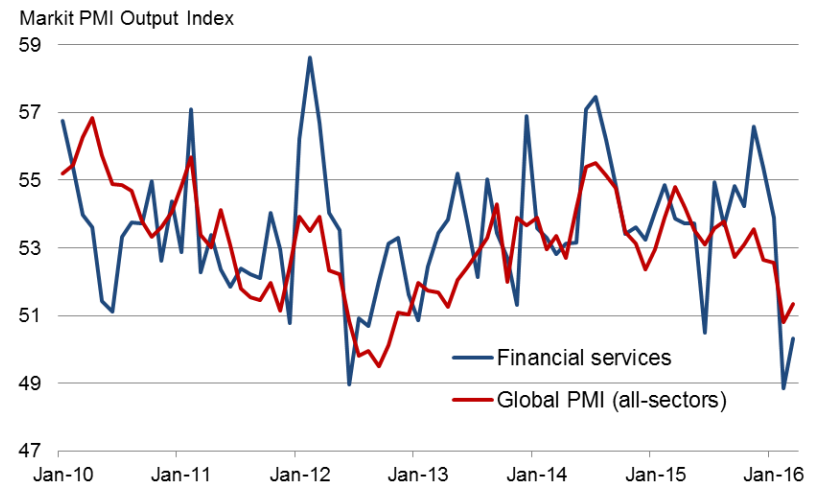
Global PMI output , 2016 Q1 averages



Financial services suffer worst quarter since global financial crisis

Markit's [detailed global PMI data](#) showed a broad-based rebound in March but also reveal how many 'defensive' sectors continuing to fare better than more cyclical parts of the economy during Q1, led by food and drink manufacturers.

Metals, mining and other basic resource sectors again saw marked downturns, but the steepest decline was seen for 'other financials', dragging the whole financial services down to record the worst quarterly performance seen since the financial crisis.



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