

Global economy

Global economy buoyed as trade grows at fastest rate since early-2011

- **Global PMI rebounds but remains below September's peak**
- **Manufacturing output and goods trade grow at fastest rates since early-2011**
- **UK leads upturn**

The Global PMI™ (now including the new Markit US services PMI) rebounded after the US-related dip seen in October, tracking a pace of global GDP growth approaching 3% per annum. The survey data suggest that the pace of global expansion has risen markedly over the past year, led largely by an upturn in manufacturing and global trade: the Global PMI's New Export Orders Index hit its highest since February 2011.

However, while the headline Global PMI rose from 52.1 in October to 54.3 in November, it remained marginally below the 31-month high seen in September. Although manufacturing output grew worldwide at the steepest rate since early-2011, helped by the rise in exports, growth of the world's service sector companies remained below September's peak.

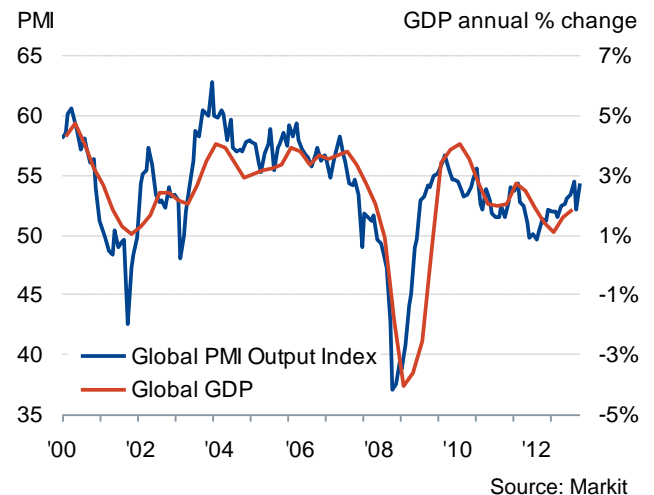
Developed world growth continued to be led by the UK, followed by the US and then Japan. The eurozone continued to lag well behind.

Looking at the emerging markets, modest expansions were meanwhile seen in China, Russia and Brazil (though only China saw faster growth), while India's downturn eased.

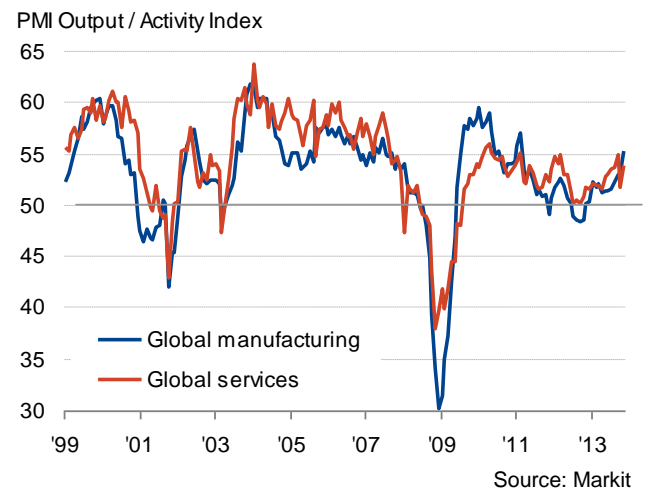
UK-led upturn

The UK all-sector PMI fell from October's record high but remained elevated, suggesting economic growth could surpass 1% in Q4. The survey's employment index also slipped from a record high but likewise signalled ongoing strong job creation, suggesting unemployment should continue to fall. The upturn is also broad-based, with PMIs for manufacturing, services and construction all signalling surging growth rates.

Global gross domestic product



Global manufacturing and services



Global exports



Eurozone recovery stutters

A slight dip in the Eurozone PMI for a second successive month in November suggests that economic growth in Q4 may fail to improve much on the meagre 0.1% expansion seen in Q3. Although Germany is faring well, set to see 0.5% growth in Q4, PMI surveys indicated renewed declines in Italy and France while Spain is seeing only very modest growth, all three hindered by weak domestic demand.

US rebound

Markit's new services PMI and the manufacturing PMI both showed that business bounced back from temporary disruptions arising from the government shutdown, but growth (notably in services) nevertheless seems to be on a weaker trend. The surveys also indicated employment growth eased to its lowest since March. Any such easing in non-farm payroll growth would cast doubt on a December Fed taper.

Japan's PMI slips from record high

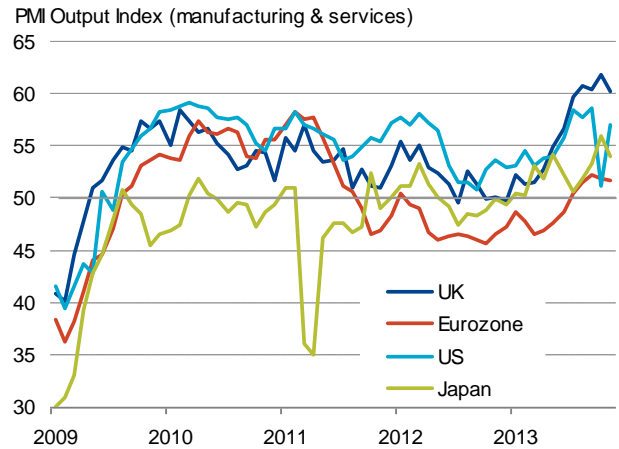
Economic growth looks to have strengthened again in Japan in Q4, with the PMI holding close to October's all-time high in November. GDP growth had slowed to 0.5% in Q3, confirming the slowdown signalled by the PMI. However, looking further ahead, the outlook is darkening. 'Abenomics' fuelled optimism in the domestic focused service sector has withered away, leaving growth all-too dependent on exports and the weak yen.

Asia buoyed by manufacturing upturn

Markit's all-sector PMI for China hit an eight-month high in November, suggesting annual GDP growth will pick up in Q4 from 7.8% in Q3.

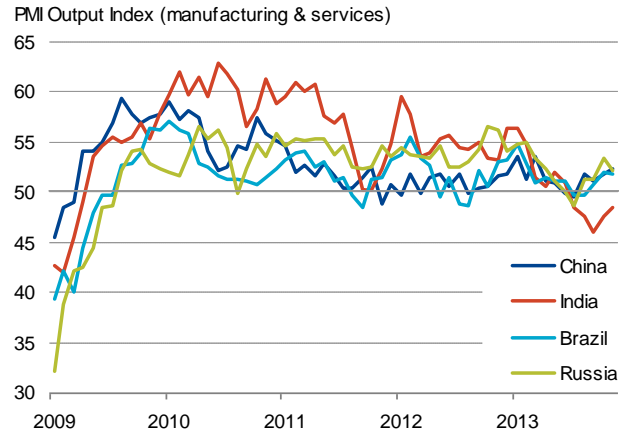
The upturn in China has benefitted exporters in other Asian countries. While Japan leads the manufacturing upturn in Asia, helped by the weaker yen, PMIs hit 20- and six-month highs in Taiwan and South Korea respectively, and above-50 readings continued to be seen in Vietnam and Indonesia.

Developed world



Sources: Markit, CIPS.

Emerging markets



Sources: Markit, HSBC.

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