

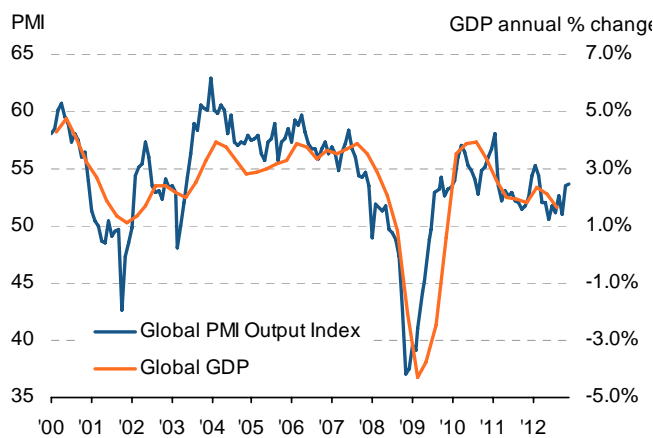
Global economy

Global economy ends 2012 on nine-month high

- Global PMI rises from 53.6 to 53.7, led by services
- US leads growth ranking
- Emerging markets show stronger fourth quarter growth

Global economic growth edged up to a nine-month high in December, according to the global PMI surveys, rounding off the best quarter since the first three months of the year. Ongoing robust growth in the US was accompanied by faster growth in most key emerging markets, as well as an easing in the rate of contraction in the Eurozone.

Global PMI and GDP



The JPMorgan Global PMI¹, a survey based barometer of business conditions produced by Markit, edged up from 53.6 in November to reach a nine-month peak of 53.7 in December. At 52.8, the average reading over the fourth quarter is broadly consistent with the global economy expanding at an annual pace of approximately 2.0%. By comparison, the PMI averaged 51.8 in the third quarter, when the pace of economic growth slumped to a two-and-a-half year low of 1.7%.

¹ Note that the global PMI now uses the Markit survey of US manufacturing from February 2010 onwards. Data prior to that date are still based on data obtained from the ISM US manufacturing survey.

Solid pace of expansion in services joined by marginal upturn in manufacturing

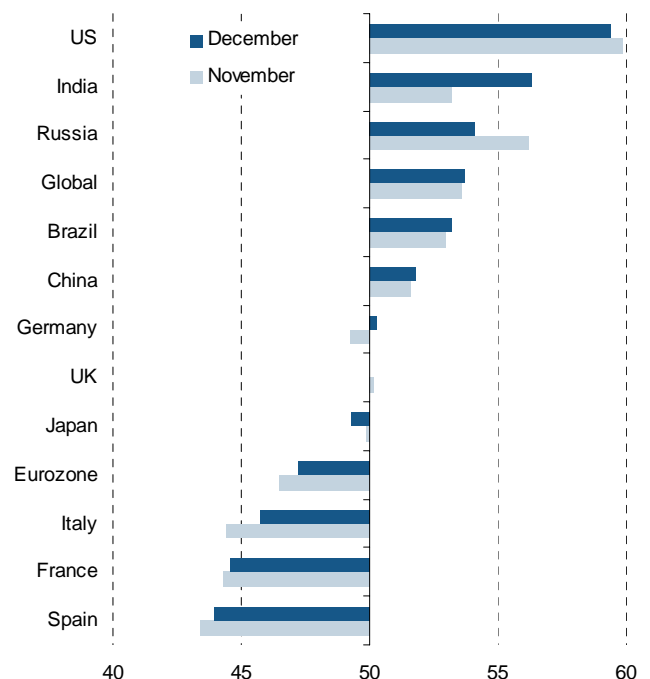
The upturn continued to be driven by the service sector, where the rate of increase held steady on November's robust eight-month peak. The global manufacturing PMI Output Index meanwhile rose to a seven-month high, though signalled only a marginal increase for the second month running.

Global Manufacturing v Services PMI



Countries ranked by composite PMI in December

Composite PMI, 50 = no change on prior month



The US again led the developed world's major economies in terms of the pace of growth signalled by the PMIs, contrasting with a further steep fall in output in the Eurozone and a more modest decline in Japan. Growth meanwhile accelerated in India, Brazil and China, as well as other Asian emerging manufacturing economies such as Taiwan and South Korea, though an easing was seen in Russia.

Ongoing – but slower? – US upturn

US GDP growth in the third quarter was revised up to 0.8% (3.1% annualised) and a composite PMI average of 58.0 in the fourth quarter suggests that the economy continued to expand towards the end of the year. Manufacturing has shown a welcome revival, with Markit's PMI Output Index hitting a seven-month peak in December, though still lags non-manufacturing, where the ISM data point to a surprisingly solid pace of expansion. The latter may exaggerate the fourth quarter performance, as non-farm payrolls grew at a monthly rate of 151k in Q4, down from 168k in Q3, consistent with annualised GDP growth slowing to around 2.0%.

UK facing increased risk of slide back into contraction

Although the UK PMIs showed manufacturing growth accelerating in December, the service sector suffered the largest fall in activity for three-and-a-half years. The large size of the services economy means that the economy is at risk of sliding back into contraction after the Olympics related 0.9% upturn in GDP seen in the third quarter. The PMI are historically consistent with UK GDP falling 0.2% in the fourth quarter.

Eurozone recession eases

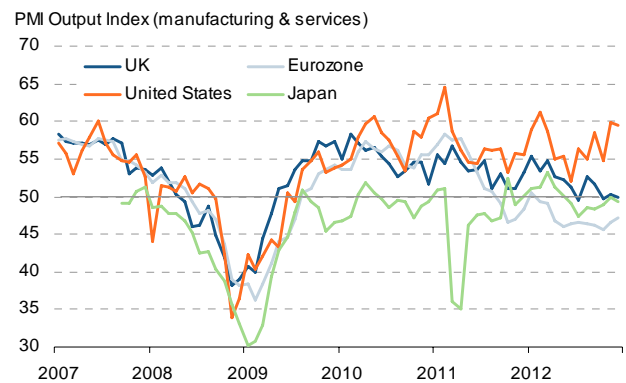
The composite Eurozone PMI rose to a nine-month high of 47.2 in December, but still signalled a marked downturn. The PMI is consistent with GDP falling by approximately 0.5% in the fourth quarter, a far steeper pace than the surprisingly modest 0.1% decline seen in the third quarter. However, the upturn in the PMI brings hope that the recession has started to ease, with PMI data showing rates of decline slowing in Spain, Italy and, to a lesser extent, France, while Germany stabilised.

Japan close to stagnation

At 49.3, the composite PMI for Japan dipped further below the 50.0 no change level to signal contraction for

the seventh month running. Contrasting trends were seen by sector, with services growing at the strongest pace since March, while manufacturing suffered the steepest contraction since the earthquake-related downturn in April 2011. The weakness of the PMIs suggests that Japanese GDP will have stabilised at best in the fourth quarter, though that would represent an improvement on the 0.9% decline seen in the third quarter.

Composite PMIs for the main developed economies



Emerging markets strengthen in Q4

The composite PMI for China rose to a five-month high of 51.8 in December, and posted one of the strongest readings seen in the past year-and-a-half. With an average reading of 51.3 in the fourth quarter compared to 50.7 in the three months to September, the PMI suggests that the pace of economic growth will have picked up from the three-and-a-half year low of 7.4% seen in the third quarter, with good momentum for the manufacturing sector in particular heading into 2013.

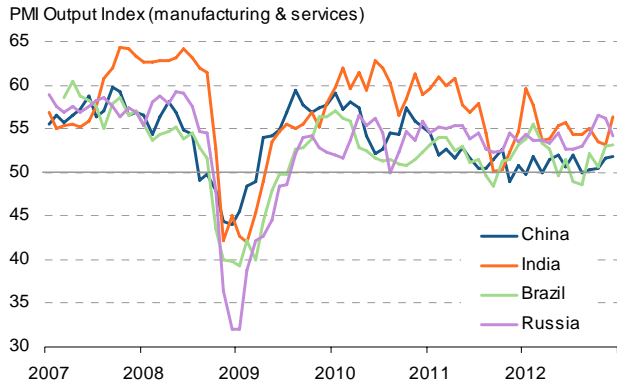
Brazil's composite PMI also rose, up to a nine-month high of 53.2 in December, suggesting that economic growth will pick up from the surprisingly weak 0.6% quarterly rate seen in the third quarter.

India's composite PMI likewise improved in December, surging to its highest for ten months. However, despite the increase, the average PMI reading for the fourth quarter remained marginally lower than that seen in the three months to September, suggesting annual GDP growth may stay stuck at around the disappointing 5.3% seen in the third quarter.

Finally, the composite Russian PMI fell to a four-month low in December, but nevertheless rounded off the best quarter since the second quarter of 2010, suggesting that annual GDP growth will have

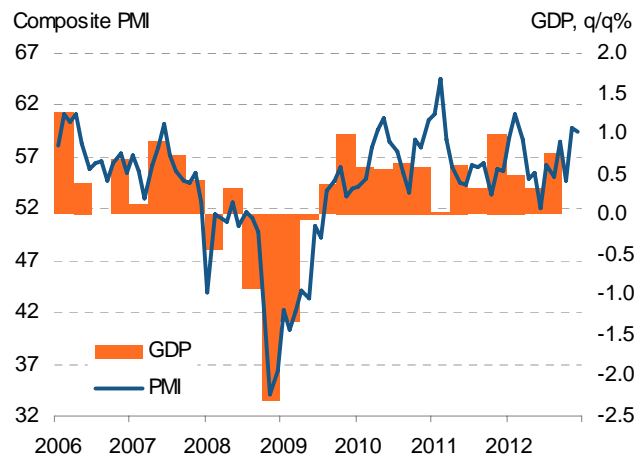
accelerated in the fourth quarter after slowing to a near-three year low of 2.9% in the third quarter.

Composite PMIs for the main emerging economies

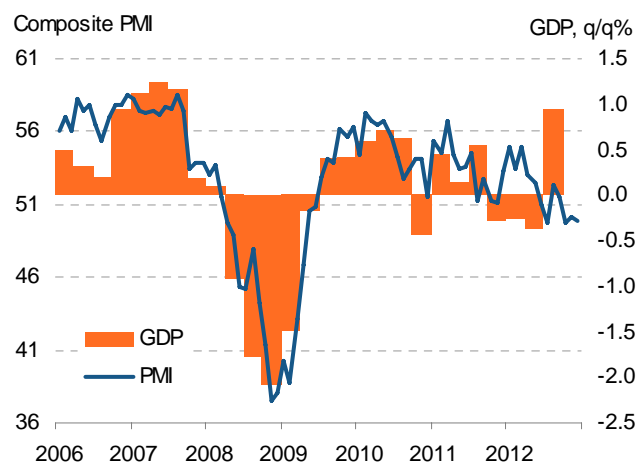


PMI and GDP comparisons

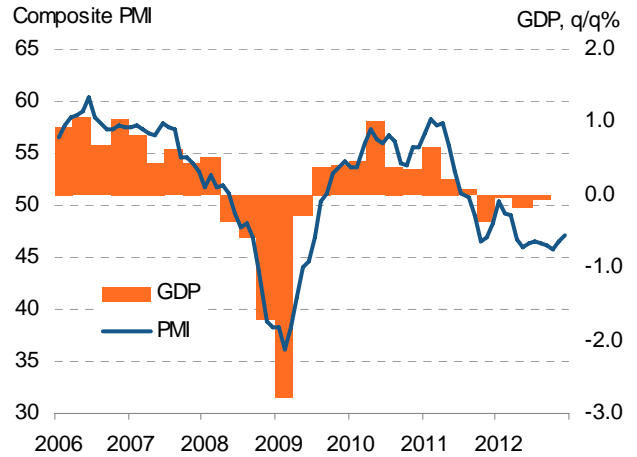
United States



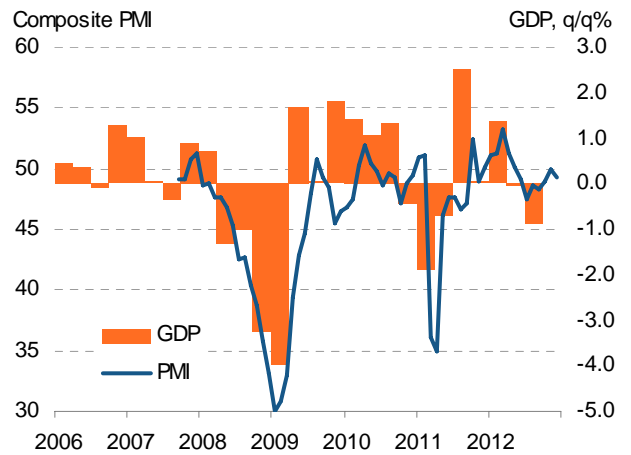
United Kingdom



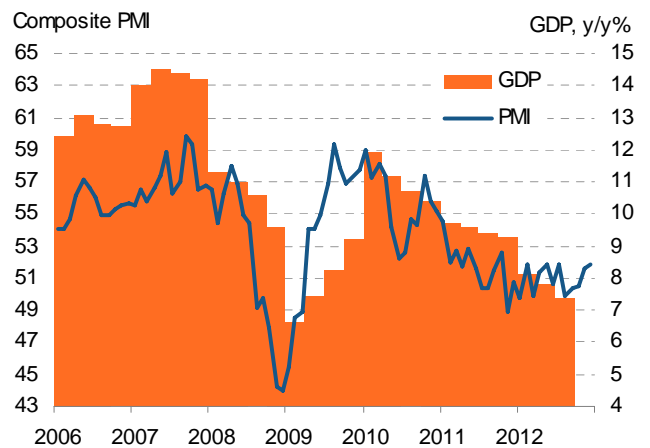
Eurozone



Japan



China



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For further information, please visit www.markit.com