
Markit Economics

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Markit economic overview

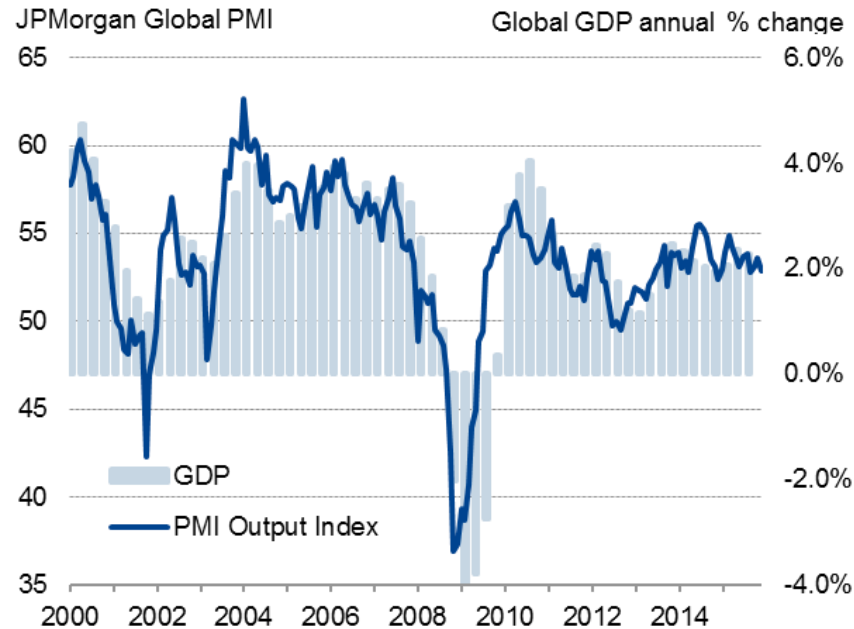
Global economy ends 2015 on soft note amid emerging market gloom

January 11th 2016

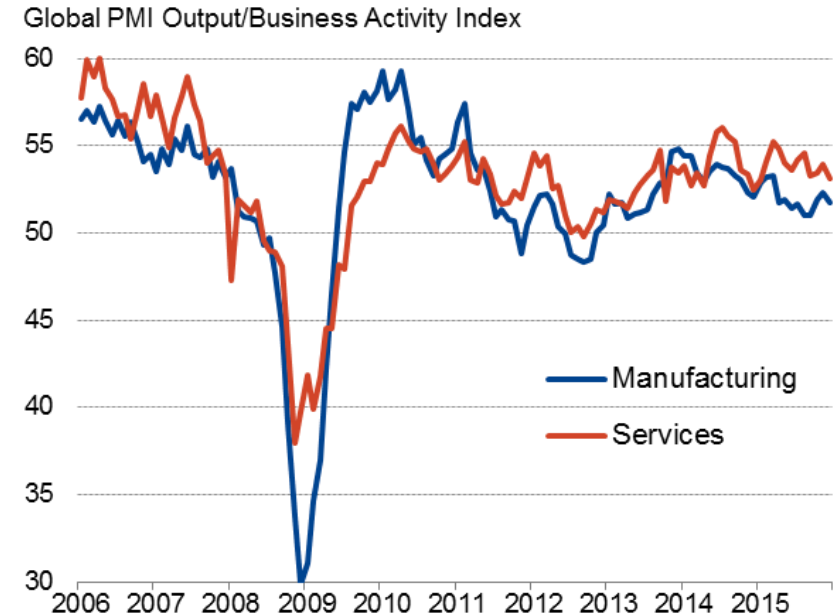
Weaker December Global PMI rounds off worst quarter for a year

The global economy lost some growth momentum in December, according to the [JPMorgan Global PMI™](#), compiled by Markit from its national business survey data. Rates of expansion slowed in both manufacturing and services. The weak end to 2015 rounded off the worst quarter, albeit by a narrow margin, seen for a year. The Q4 survey data are broadly consistent with global GDP rising at an annual rate of 2%.

Global PMI and economic growth



Manufacturing and services



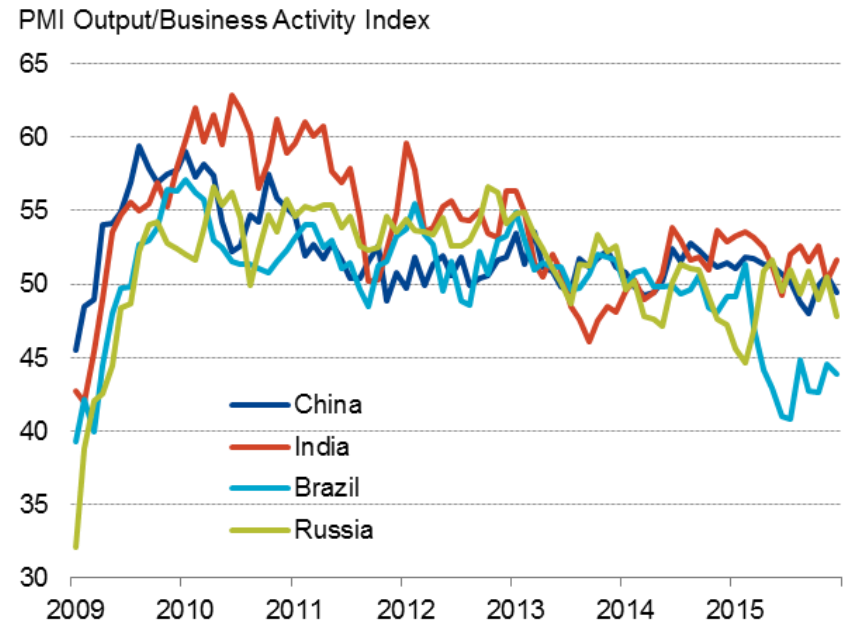
Renewed downturn seen in emerging markets

Emerging markets remained a major drag on the global economy, slipping back into decline for the fifth time in the past seven months. At 49.5, the Emerging Market PMI indicated less than 4% annual GDP growth, less than half the average seen in the five years prior to the global financial crisis. Of the BRICs, only India saw faster growth, with renewed downturns evident in Russia and China alongside Brazil's deepening crisis.

Emerging markets



Four largest EM economies



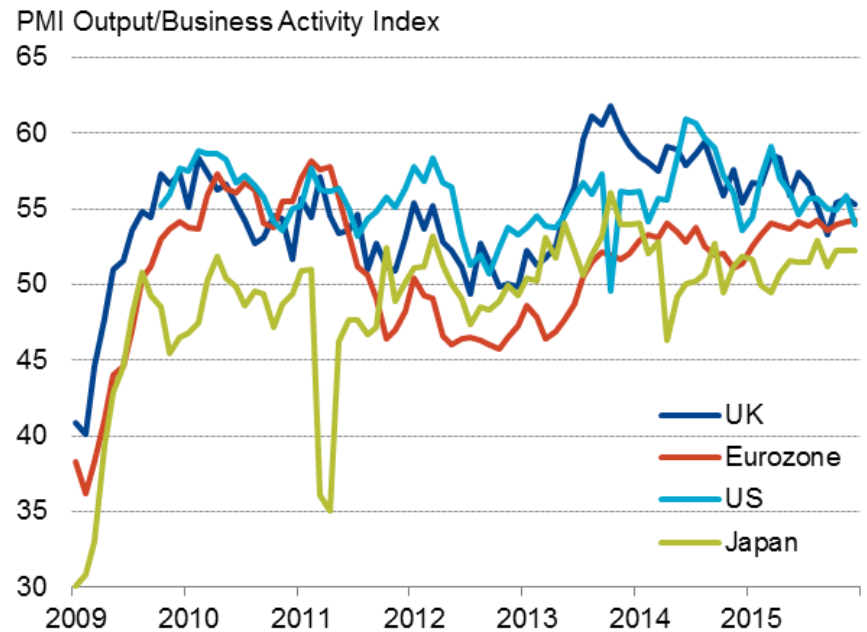
Developed world growth slowest for nearly a year

Growth meanwhile eased to an 11-month low in the developed world, with the PMI dropping from 54.6 to 53.8 in December, pointing to annual GDP growth of around just 1.5%. While the overall rate of expansion signalled is only modest, the surveys at least point to broad-based growth, with all four largest developed economies firmly in expansion territory, led by the UK with Japan once again lagging behind its peers.

Developed markets

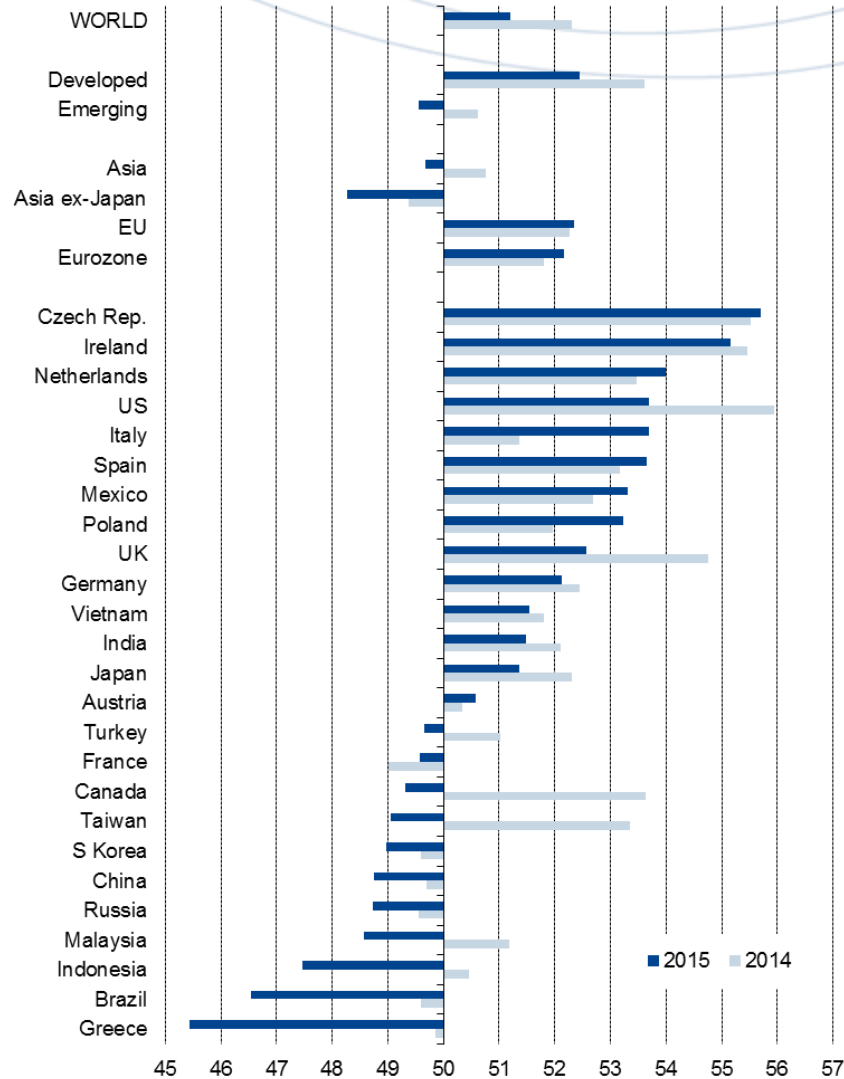


Four largest DM economies



Monthly economic overview

Manufacturing PMI, 50 = no change on prior month (annual averages)



Czech Republic led manufacturing PMI rankings in 2015

The [slowdown in global manufacturing growth](#) at the end of 2015 rounded off the worst year since 2012, though the year saw clear winners and losers.

European countries led the growth rankings over the year as a whole, as emerging Asia suffered its worst downturn since 2008.

The Czech Republic enjoyed the strongest manufacturing expansion over the year as a whole, taking over from the US's dominance in 2014.

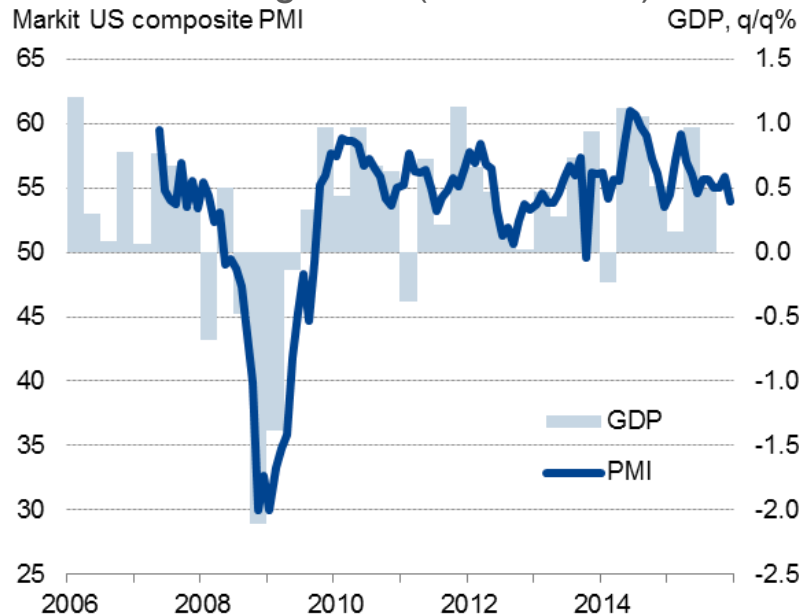
Four of the top six manufacturing economies in 2015 were notable in being euro members, led by Ireland.

Of the 11 countries that saw a worsening of their manufacturing economies in 2015, nine were emerging market economies, many in Asia.

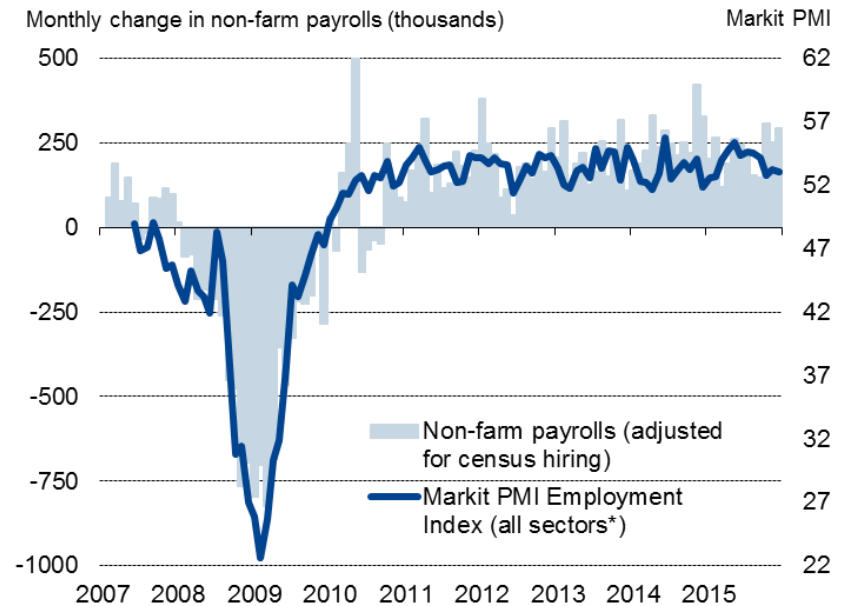
Robust US data pave ground for further rate hikes

Growth eased in both US manufacturing and services, with the [Markit PMI surveys](#) pointing to the weakest monthly expansion for a year. The surveys nevertheless point to a 1.9% annualised GDP expansion in Q4 as well as ongoing robust job creation. News of a 292k non-farm payroll increase in December followed the surveys, vindicating the Fed's decision to hike interest rates and laying the ground for more hikes in 2016.

US economic growth (GDP v PMI)*



US labour market*

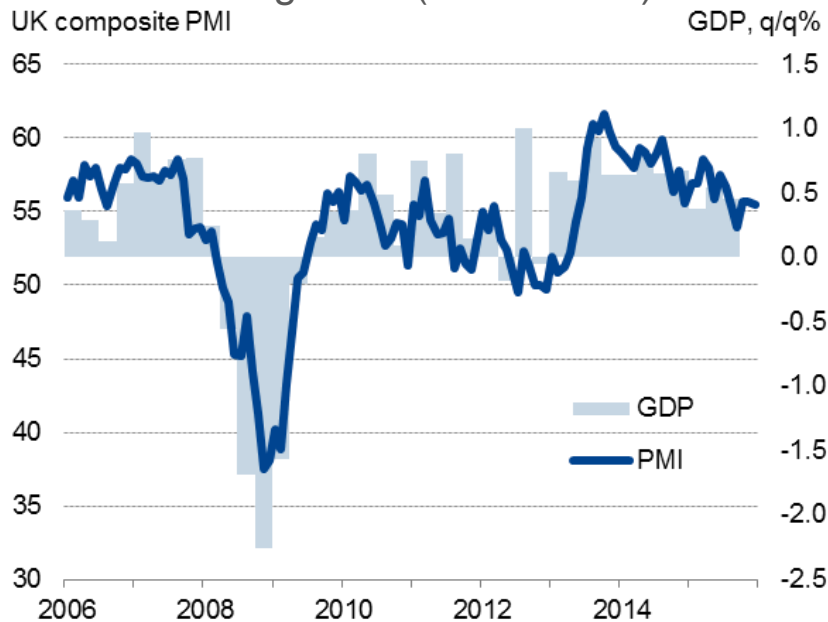


* pre-crisis PMI uses manufacturing data only.

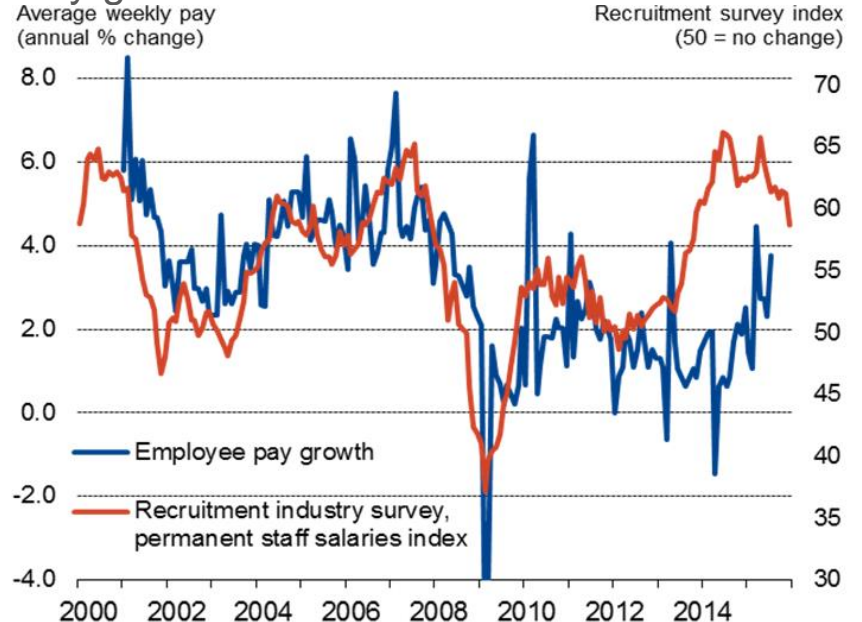
Bank of England to stay on hold despite signs of robust Q4 growth

The UK 'all-sector' PMI fell slightly in December but still points to solid 0.5% GDP growth in Q4. However, a worrying dip in business expectations to a near three-year low suggests the pace of expansion may continue to wane as we move into 2016. As such, the Bank of England looks unlikely to start hiking interest rates any time soon, especially given weaker pay growth, including a renewed softening of survey pay data.

UK economic growth (GDP v PMI)*



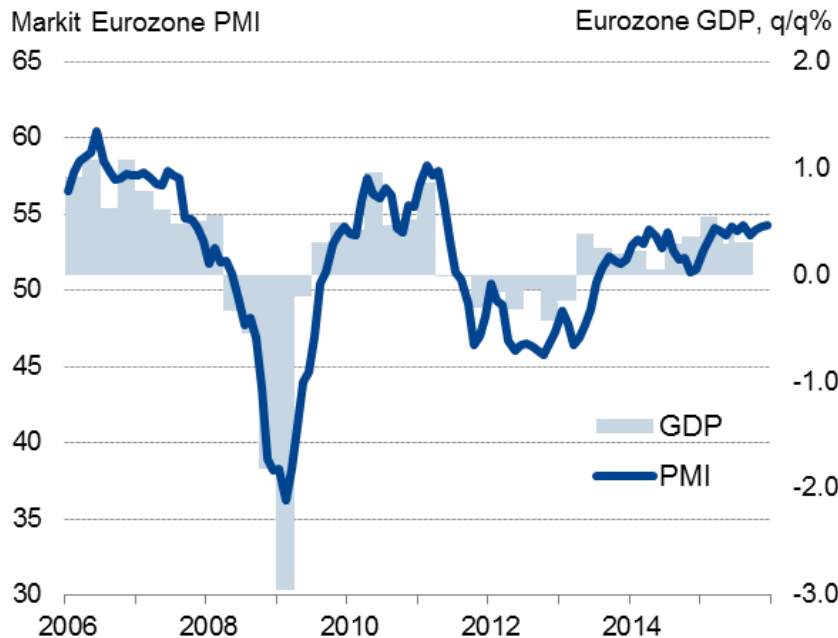
Pay growth



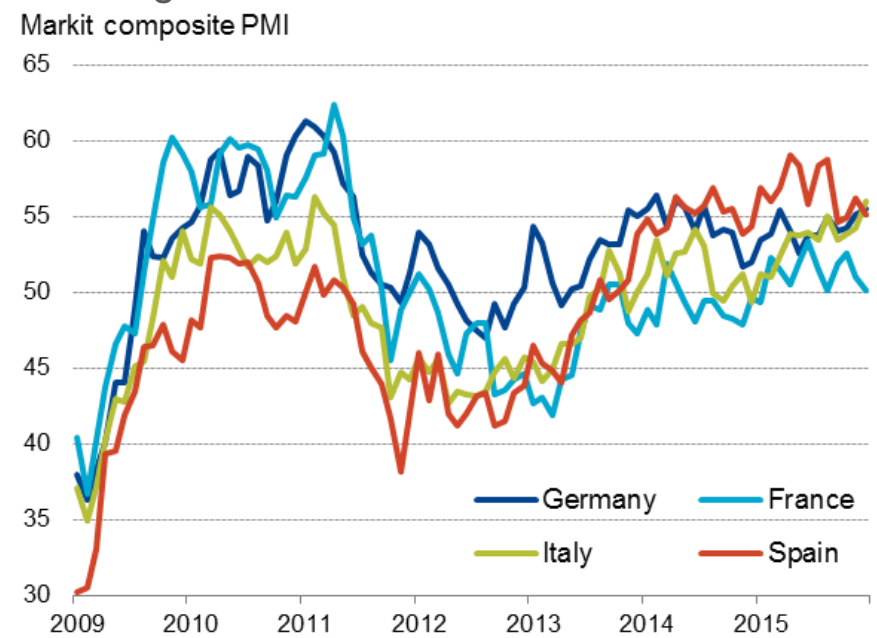
Eurozone PMI shows recovery gaining traction despite stagnation in France

The [Markit Eurozone PMI](#) rose to the joint-highest since May 2011, though the survey signals a modest 0.4% increase in GDP in Q4. [Spain](#), [Italy](#) and [Germany](#) all enjoyed strong economic expansions, but [France](#) showed signs of stalling once again. The improvement in the data will be of only minor encouragement to the ECB, with the central bank looking ready to inject more stimulus if growth fails to accelerate appreciably.

Eurozone GDP and the PMI



Euro big-four



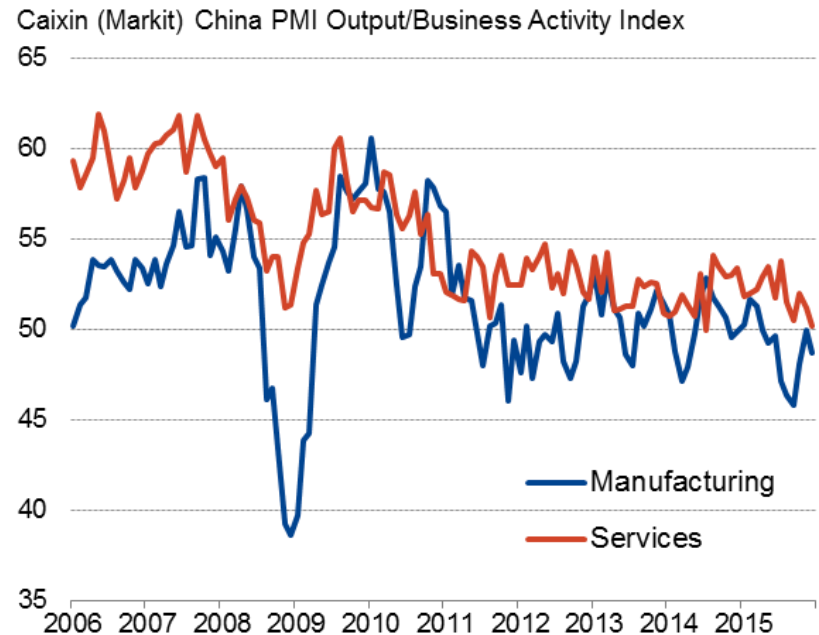
China worries intensify as growth weakens again in December

The Caixin PMI surveys showed China slipping back into decline after returning to growth for the first time in four months in November, playing a key role in constraining growth in other parts of Asia. [Asia ex-Japan manufacturing saw the worst performance for over a decade](#) in 2015, according to PMI data. The survey data showed manufacturing falling further into decline and the service sector stagnating.

China economic growth (GDP v PMI)



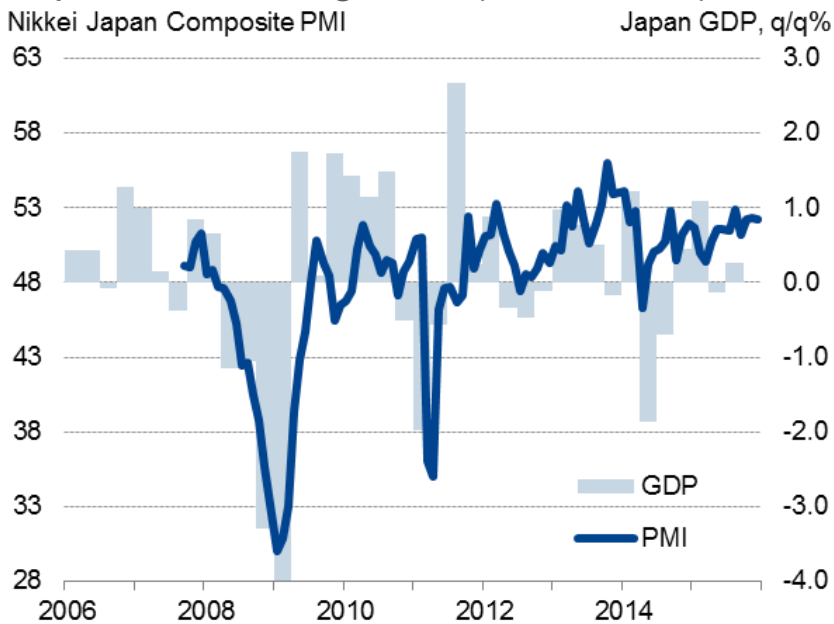
China sectors



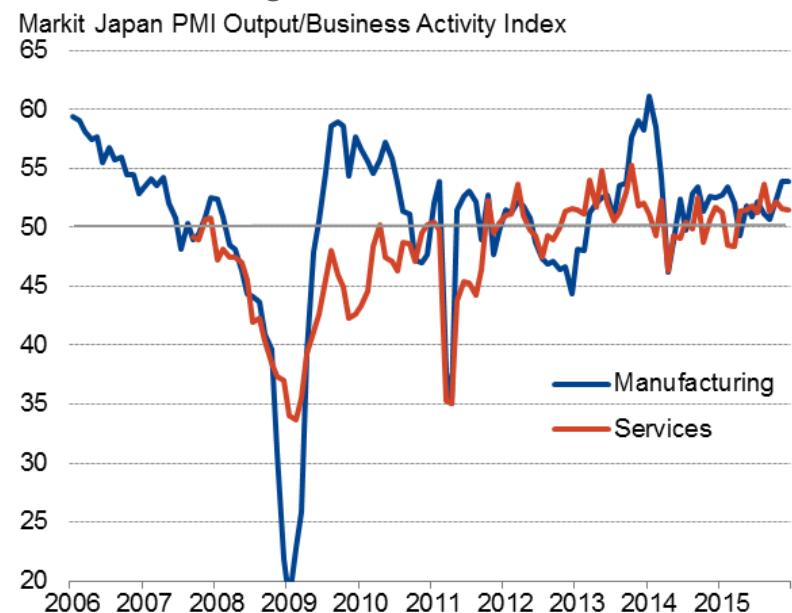
Japan official data revised to join PMI in signalling growth revival

Japan's [Nikkei 'all-sector' PMI](#) edged down only slightly to finish the best quarter since the start of 2014, aided by export-led growth. The data point to another expansion of the economy following the news that the [recent recession has been revised away](#) after a better than previously thought Q3, in line with the more upbeat PMI. The improved outlook reduces scope for further stimulus from the Bank of Japan.

Japan economic growth (GDP v PMI)



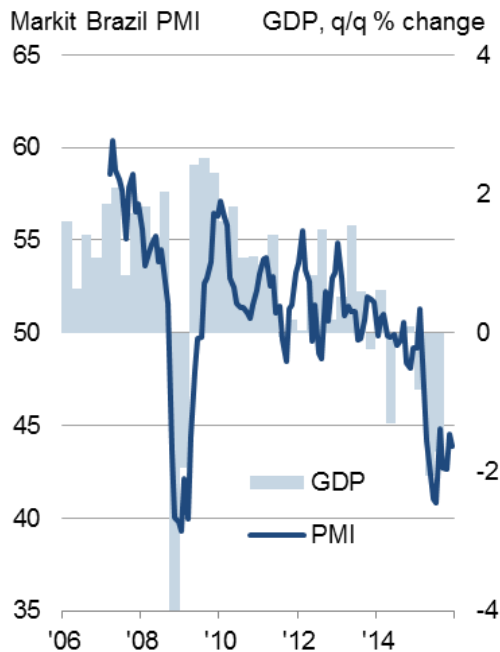
Manufacturing in Asia



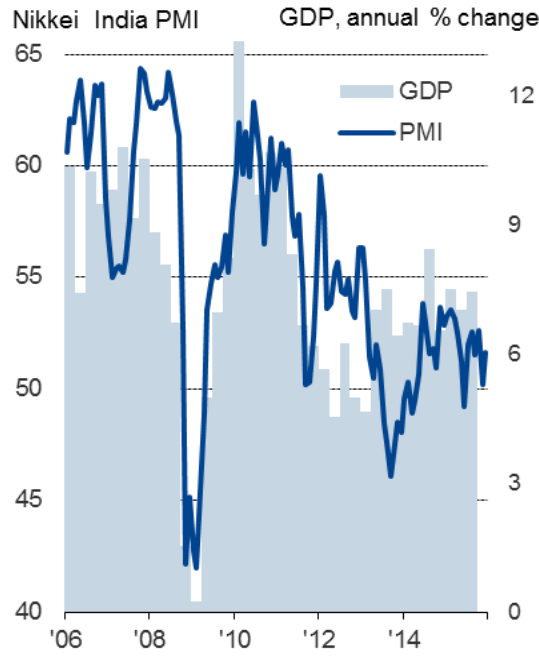
Brazil and Russia see December downturns, India's service sector bucks trend

December downturns were recorded in Russia and Brazil, the former registering the largest drop in activity since March, though it was the latter that continued to see the steepest downturn of all major economies covered by the PMI surveys. India bucked the downturn trend, as a jump in service sector activity offset the most severe drop in manufacturing output since the height of the global financial crisis.

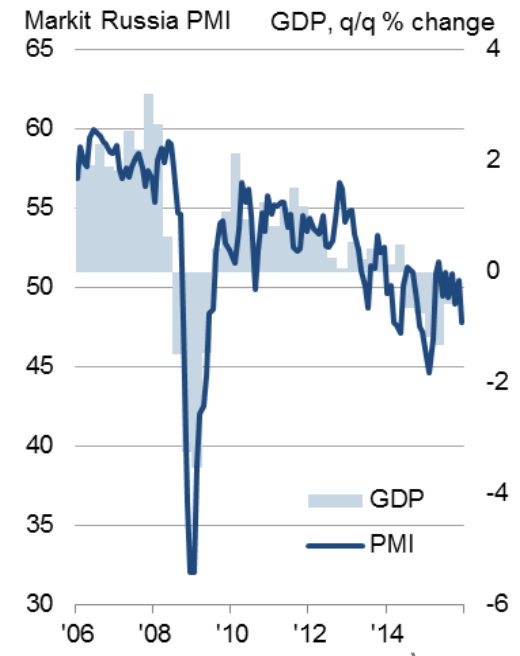
Brazil



India



Russia



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