
Markit Economics

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PMI economic overview

Global economy sees worst quarter since 2012

July 8th 2016

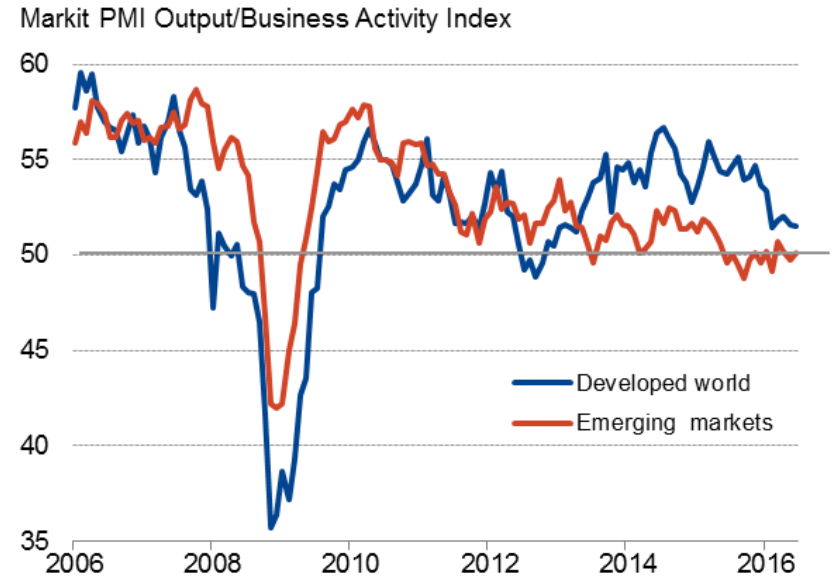
Global economic growth lowest since 2012 in second quarter

The [JPMorgan Global PMI™](#), compiled by Markit from its worldwide business surveys, held steady at 51.1 in June, rounding off the weakest quarter since the fourth quarter of 2012. The data point to global GDP rising at market prices at an annual rate of just 1.5%, below the long-run average of 2.3%. Emerging markets remained in an overall state of stagnation, continuing the trend seen over much of the past year. Developed world growth meanwhile slipped to the second-lowest in just over three years, maintaining the sluggish growth profile seen since February.

Global economic growth (GDP v PMI)



Developed v emerging markets



Charts show GDP-weighted PMI output indices covering both manufacturing and services.

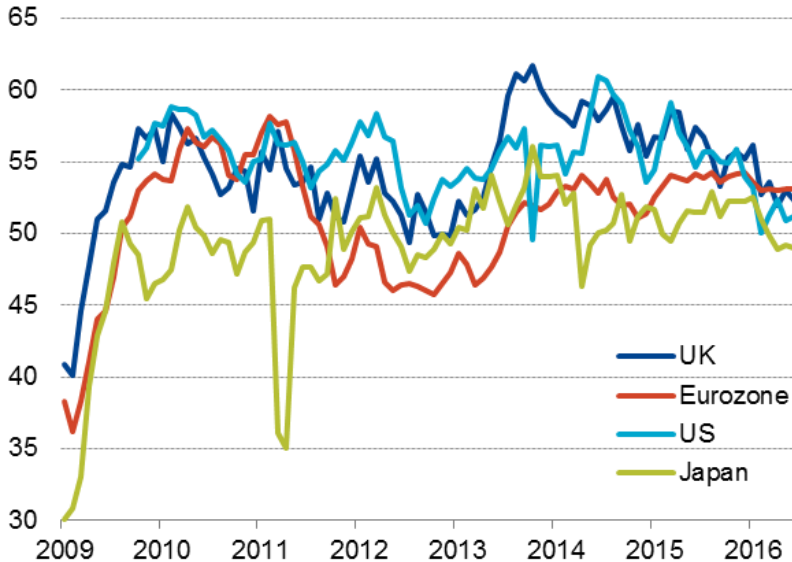
Sources: JPMorgan, Markit, Thomson Reuters Datastream. | 2

Global economy lacking growth drivers

The PMI surveys again showed the lack of any global growth drivers in June. Rising political uncertainty has played a key role in subduing rates of expansion in the US and UK compared to earlier in the year, the latter hit in particular by uncertainty regarding the country's EU referendum. A struggling recovery in the eurozone and renewed downturn in Japan meanwhile coincided with an ongoing near-stagnation of the emerging markets. Brighter news came out of Russia and Brazil, however, where stronger growth and a slower rate of decline were seen respectively.

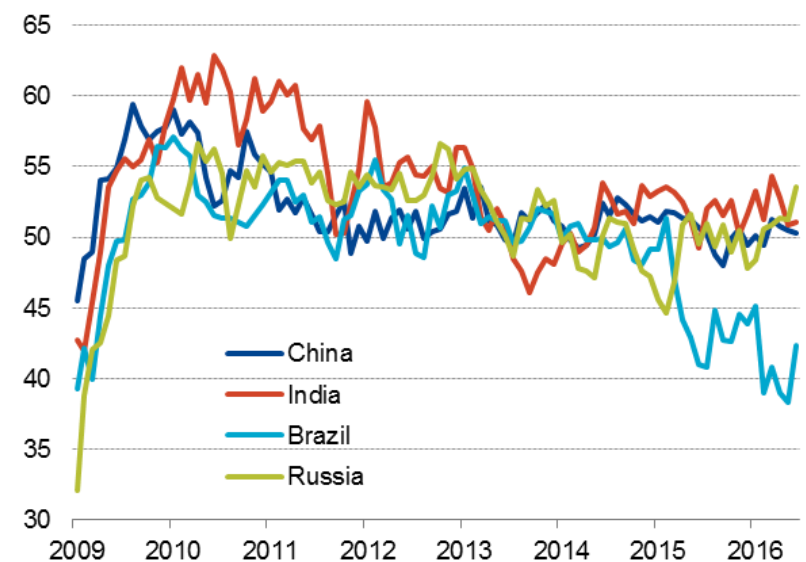
Developed world

PMI Output/Business Activity Index



Emerging markets

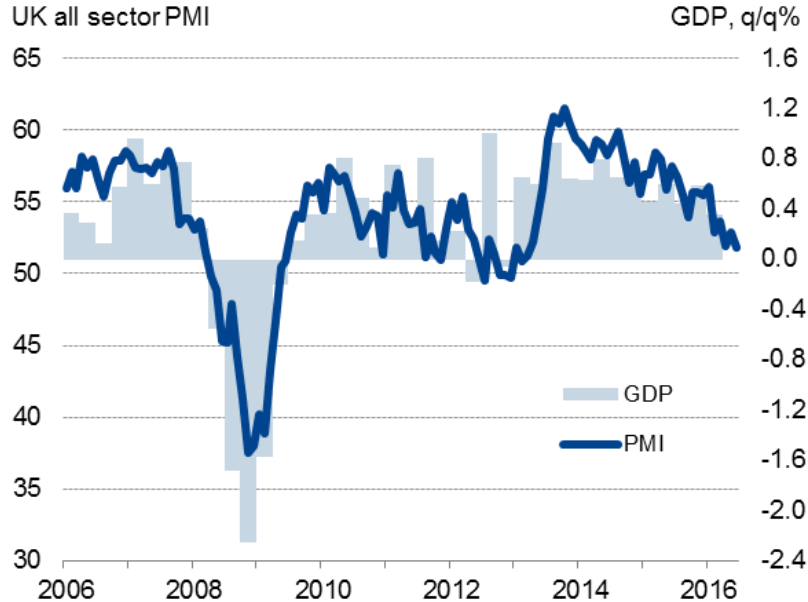
PMI Output/Business Activity Index



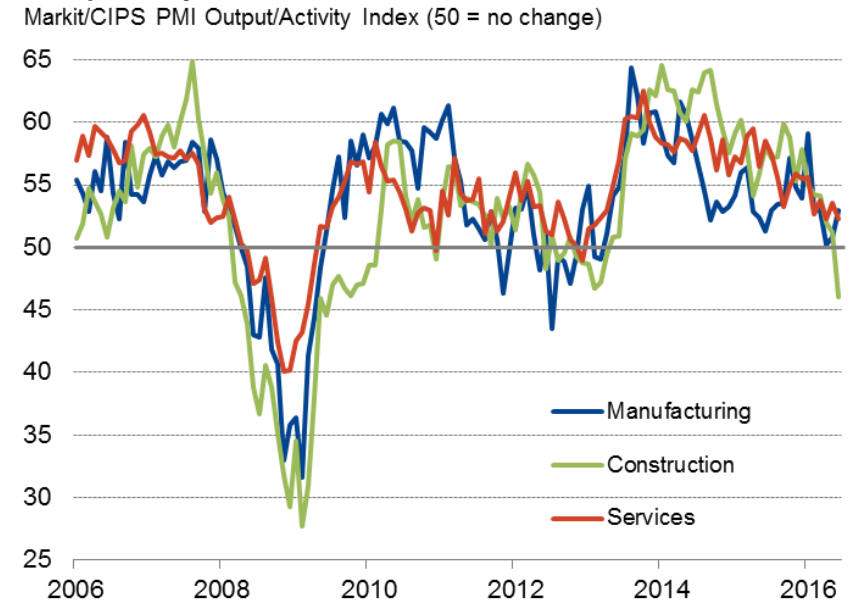
UK surveys signal growth slowdown and pull-back in hiring as Brexit worries intensify

The UK PMI data for June, mainly collected prior to the vote to leave the EU, showed that uncertainty regarding the referendum has been a major factor bringing the PMI series down to a level that signal just 0.2% GDP growth in Q2. Growth in June was the weakest since March 2013, led by construction output falling at the fastest rate for seven years. The PMI surveys also showed employment growth slipping to the lowest for three years. A separate recruitment industry survey registered the first drop in permanent staff placements since September 2012.

UK economic growth (GDP v PMI)



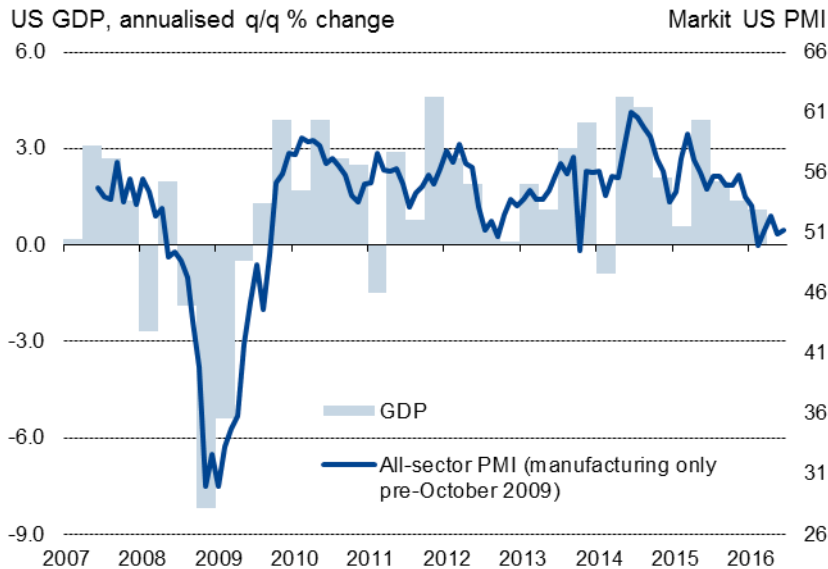
Output by sector



US PMI surveys signal extended malaise into June

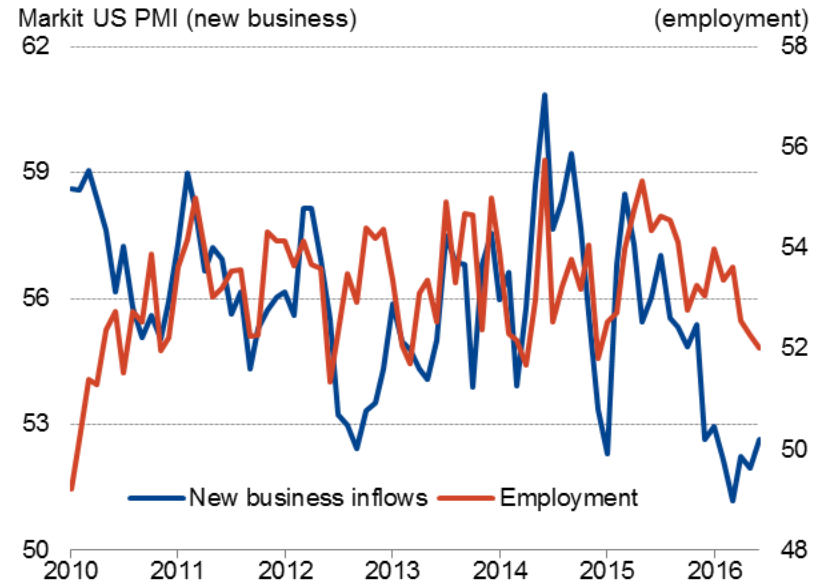
Growth remained weak in the US compared to that seen at the turn of the year, with [Markit's PMI surveys](#) suggesting that the US economy continued to grow at an annualised pace of just less than 1% again in Q2. This represents the weakest period of growth since the 2009 financial crisis. Businesses reported that they were struggling amid weak global demand, the energy sector downturn, the strong dollar and uncertainty caused by the upcoming presidential elections. Employment growth also softened as firms adjusted to slower growth of new business.

US economic growth (GDP v PMI output)*



* pre-crisis PMI uses manufacturing data only.

US employment and new orders



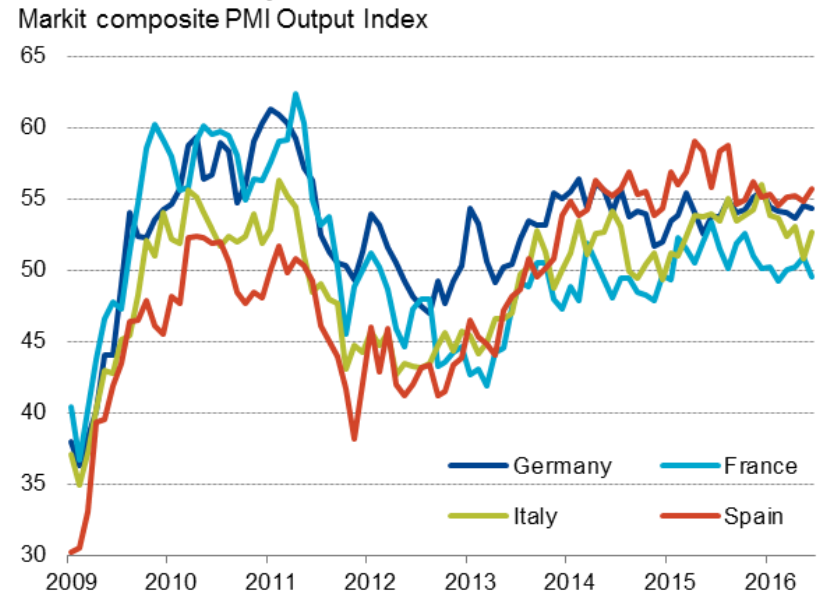
Eurozone recovery loses momentum amid signs of weakness in France and Italy

Of the four largest developed world economies, the eurozone held on to the top spot in the PMI growth rankings for a second successive month, albeit by a slim margin, fuelled in particular by faster manufacturing growth. Producers continued to benefit from the weak euro as well as ongoing, albeit sluggish, improvements in domestic demand. The latter also helping drive further service sector growth. The euro area surveys are [signalling just 0.3% GDP growth](#), however, as France saw a renewed downturn and Italy saw only a modest expansion, contrasting with robust growth in Germany and Spain.

Eurozone economic growth (GDP v PMI)



Euro area 'big-4' output

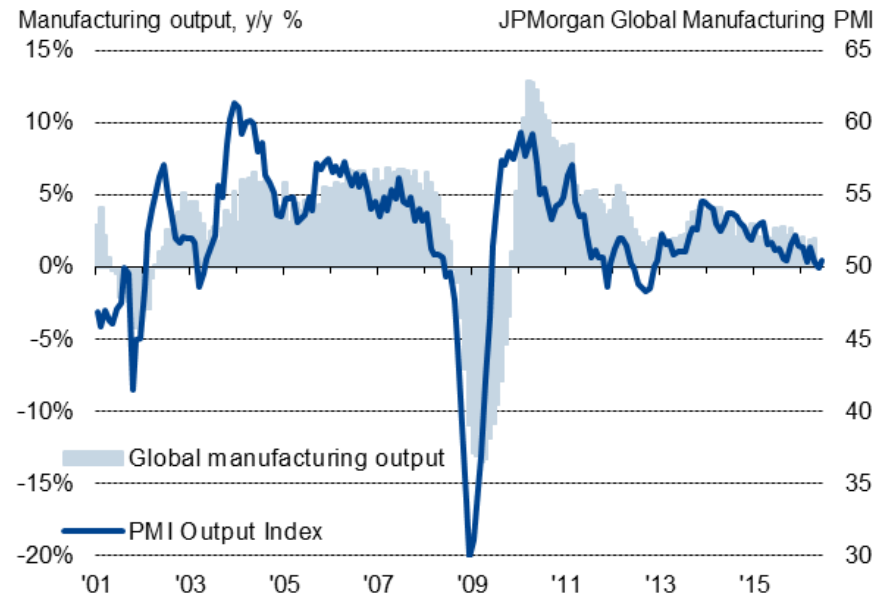
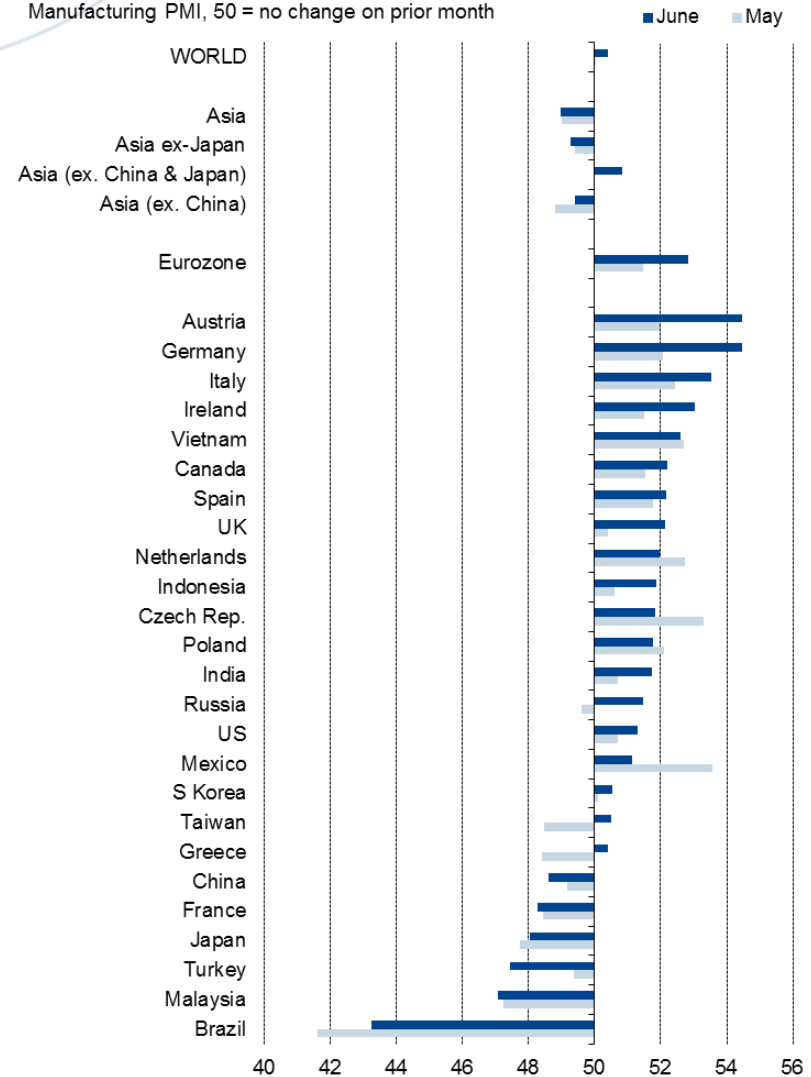


Monthly economic overview

Europe dominates manufacturing rankings

Global manufacturing remained mired in near-stagnation in June, the [PMI recording one of the weakest expansions seen since late-2012](#). Expansions in the US and Europe contrasted with an ongoing downturn across Asia, where [Vietnam was one of the few bright spots](#). However, six of the 25 countries reported a downturn, with the steepest decline again seen in Brazil. Notably, six of the top eight manufacturing economies were European, led by Austria and Germany.

Manufacturing PMI, 50 = no change on prior month

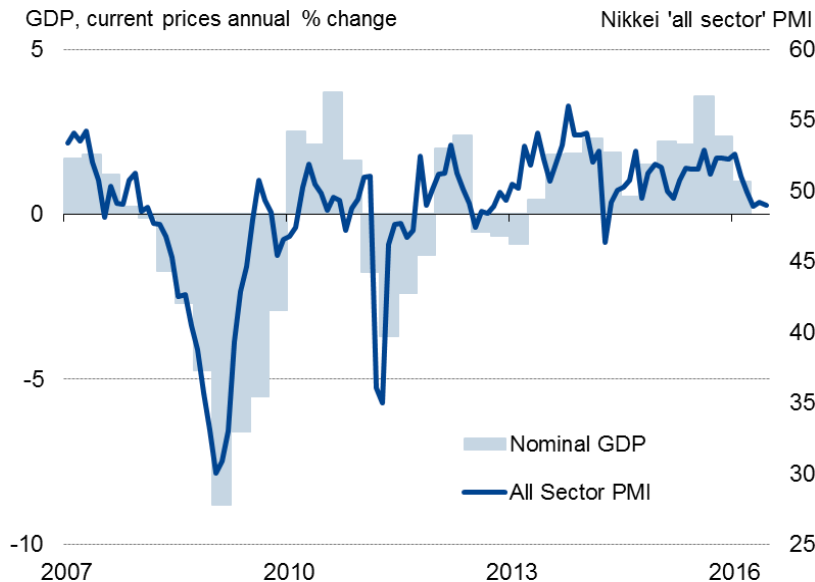


Sources: Markit, CIPS, NEVI, Nikkei, BME, Bank Austria, Investec, RBC, AERCE, Caixin, HPI.

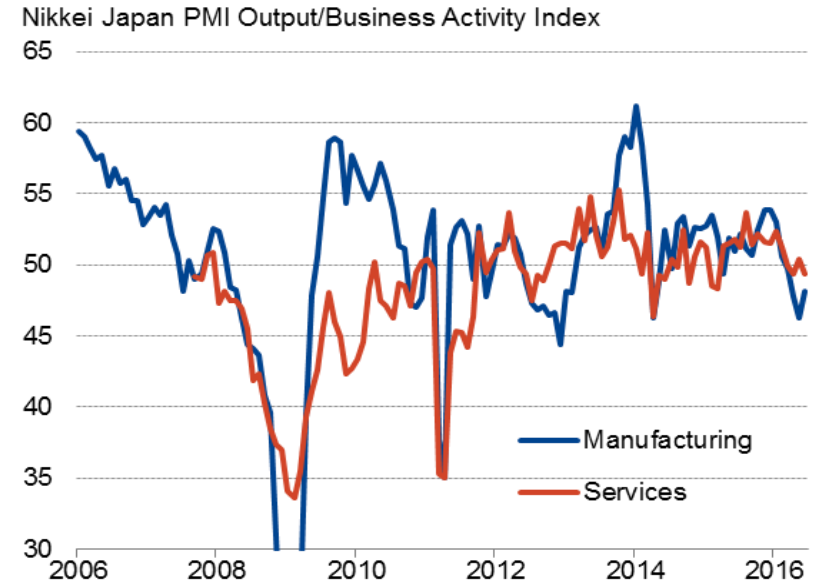
Japan suffers worst quarter for three years

Japan remained the worst-performing of the major developed economies, with the Nikkei PMI surveys indicating the worst quarterly performance for three years. The surveys point to a strong risk that the economy has slipped back into contraction. [Manufacturing](#) has been hamstrung by earthquake-related supply chain disruptions and the appreciation of the yen. Worryingly, [services](#) growth has also failed to gain momentum, suffering the sharpest decline in new orders since September 2011. However, the recent decision to delay a planned sales tax hike may boost demand.

Japan economic growth (GDP v PMI)



Japan manufacturing and services



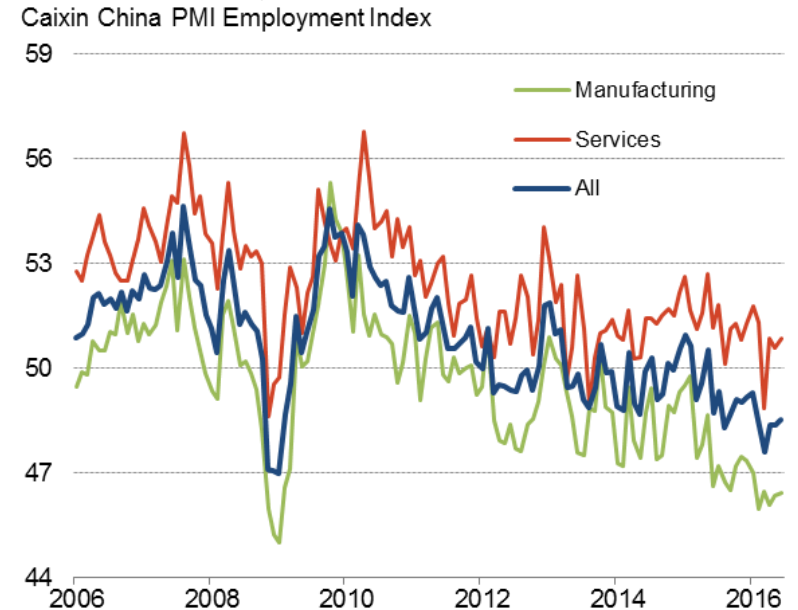
China PMI shows signs of rebalancing but further steep job losses

In China, the Caixin PMI pointed to overall ongoing malaise in June. The bright spot was services, which reported the strongest upturn for 11 months, offset by the steepest fall in manufacturing output since February. While the divergence in the two sectors points to a rebalancing of the economy towards services, the headline rate of growth signalled the weakest performance for four months and a near-stagnation of overall business activity. Employment also continued to fall at one of the fastest rates seen over the past seven years, led by widespread factory job cuts.

China economic growth (GDP v PMI)



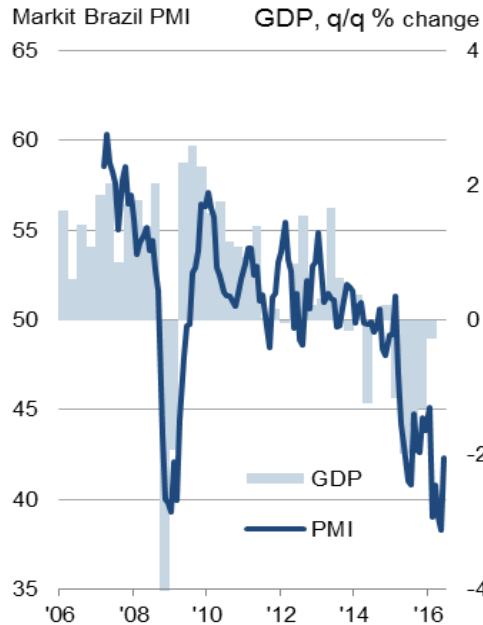
China employment



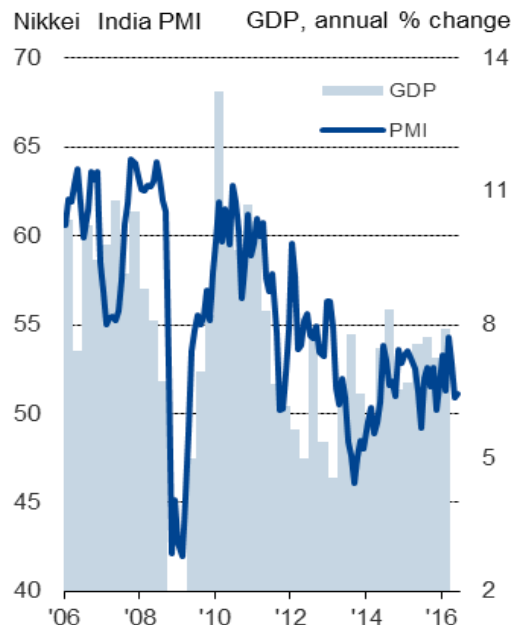
Russian economy rebounds, Brazil's downturn eases, India sees sluggish growth

The best emerging market news was seen in Russia, where the PMI surveys signalled the fastest rate of economic growth since February 2013, suggesting that Russia is pulling out of the energy-related slowdown. There was also better news out of Brazil, where the PMI series signalled an easing in the rate of decline to the lowest since January, though Brazil clearly remains the worst performing of the four 'BRIC' economies. The Nikkei PMI surveys for India meanwhile picked up signs of faster growth in manufacturing, but also showed one of the worst performances for service sector growth seen over the past year, leaving the overall pace of economic expansion stubbornly subdued in June.

Brazil



India



Russia



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