
Markit Economics

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Markit economic overview

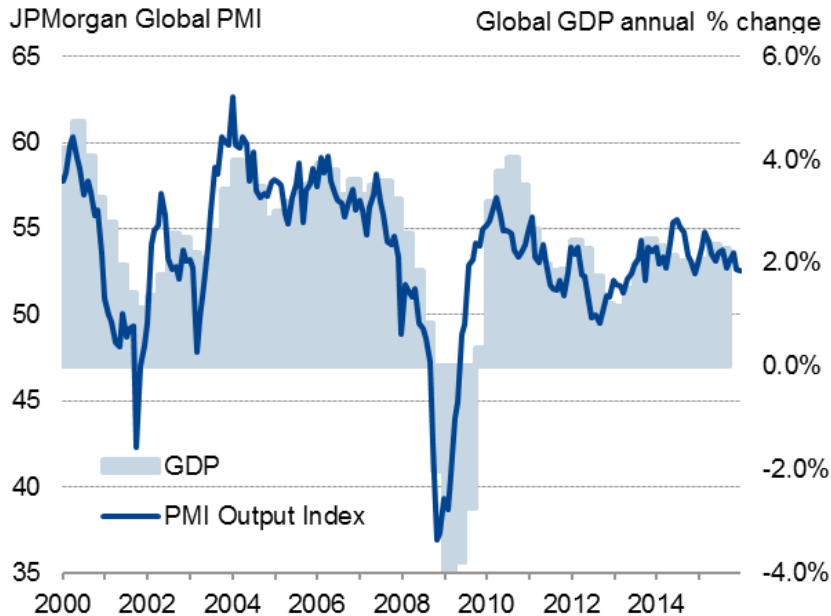
Global economy starts 2016 on unsure footing

February 9th 2016

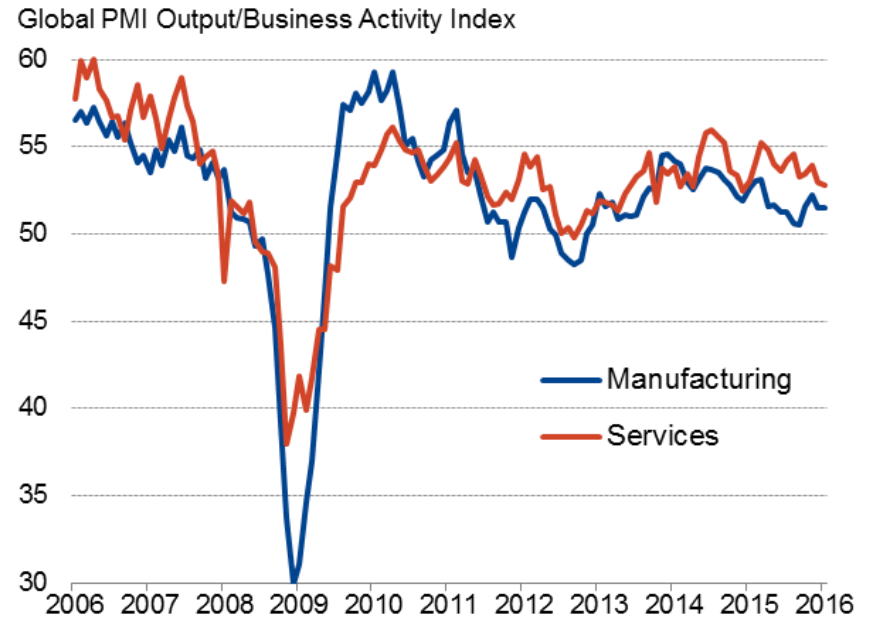
PMI surveys point to softening of global economic growth at start of 2016

The global economy had a disappointing start to the year, seeing the weakest monthly expansion for 13 months in January according to PMI data compiled by Markit. The PMI data are consistent with global GDP growing at an annualised rate of just under 2%. Services saw one of the weakest expansions recorded over the past three years, while [manufacturing](#) growth held at December's lacklustre pace.

Global PMI and economic growth



Manufacturing and services



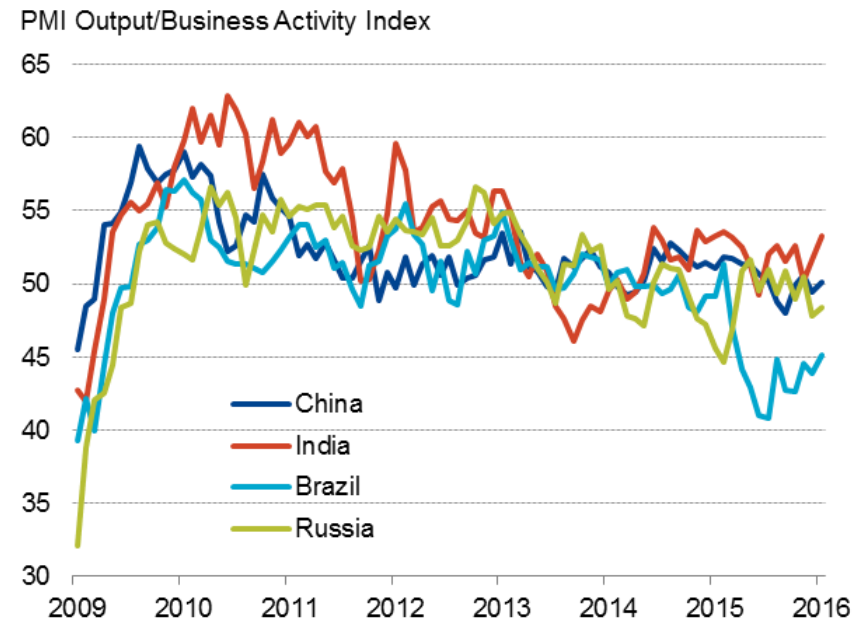
Emerging market drag shows modest sign of lifting

The PMI surveys for the emerging markets collectively improved slightly on the decline seen in December, but remaining indicative of just 4% annual GDP growth, highlighting how the emerging markets continue to act as a drag on global growth. All of the BRIC nations saw higher PMI readings, but India remained the only shining light. Ongoing downturns were again evident in Brazil and Russia, alongside a stagnant Chinese economy.

Emerging markets



Four largest EM economies



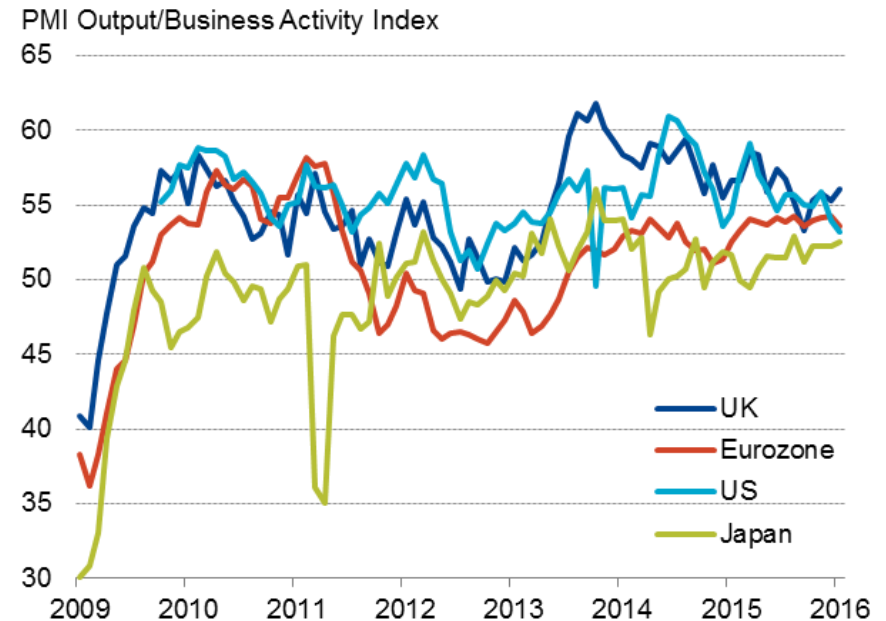
Developed world growth rate dips to one of the slowest seen in 2½ years

Developed world growth eased to one of the lowest seen over the past 2½ years in January, pointing to a further easing of annual GDP growth to just over 1%. Slowdowns were seen in both the US and eurozone, contrasting with faster expansions in the UK and Japan. While some comfort can be gained from the fact that all four-largest developed world economies are still expanding, only the UK showed impressive growth.

Developed markets

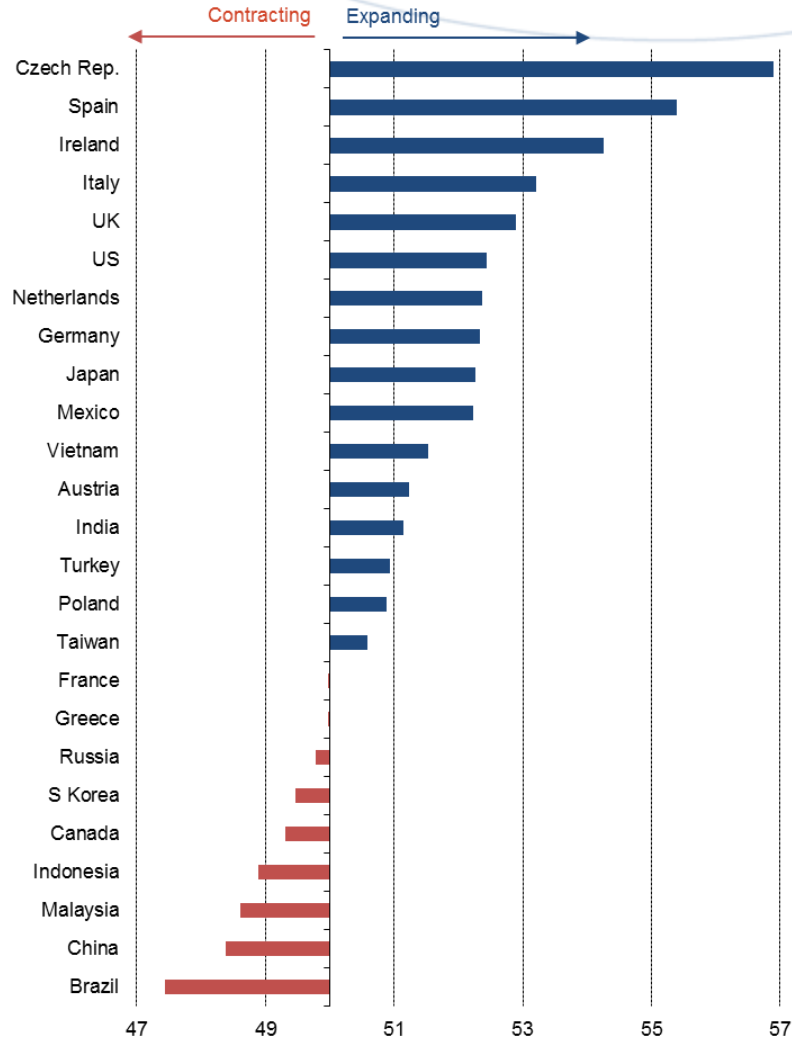


Four largest DM economies



Monthly economic overview

Manufacturing PMI, 50 = no change on prior month



Manufacturing PMI rankings highlight DM v EM growth divergences

The [global manufacturing PMI rankings](#) once again highlighted the divergent fortunes of emerging and developed world economies.

Brazil and China sat at the foot of the PMI league table in January, followed by a clutch of other smaller emerging nations.

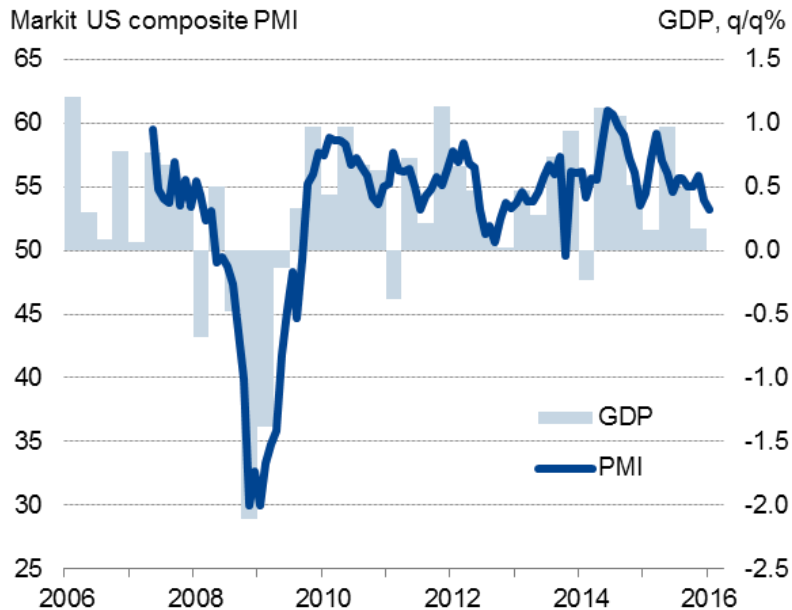
The notable exception among the emerging markets was the Czech Republic, which has dominated the rankings in recent months and led the table once again in January, benefiting from a reviving euro area. The next three fastest-growing manufacturing economies were all euro members, followed by the UK and US.

The only developed world economy to see a deterioration of business conditions was Canada, where reduced global demand for commodities continued to hit the economy.

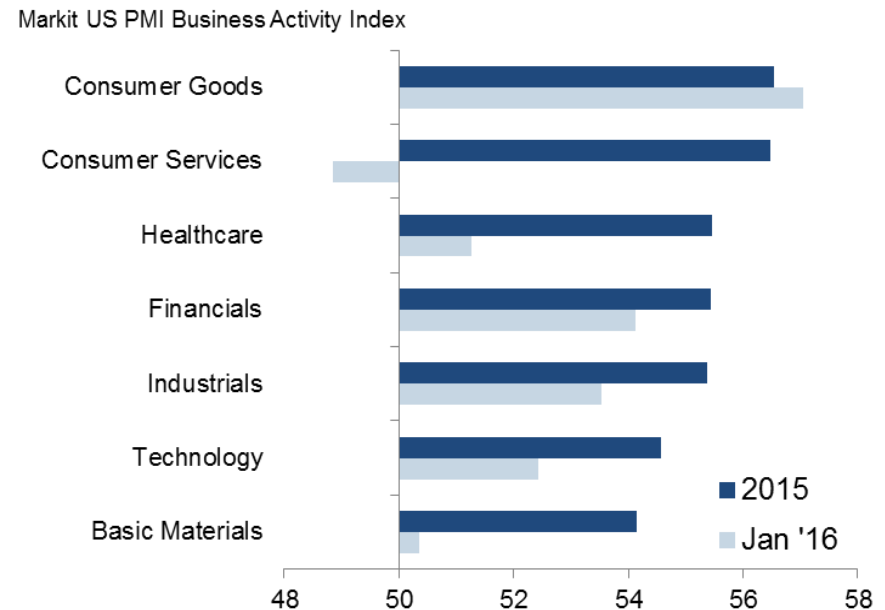
US sees one of weakest expansions for over three years

[Markit's US PMI surveys](#) fell at the start of 2016 to signal one of the weakest expansions since October 2012. [New sector data](#) showed manufacturers, notably of basic materials, being hurt by the strong dollar and weak global demand, but the exchange rate is also hitting services such as tourism. However, demand for consumer goods remained buoyant, meaning the PMI series point to a quarterly GDP growth rate of 0.3%.

US economic growth (GDP v PMI)*



US sector growth

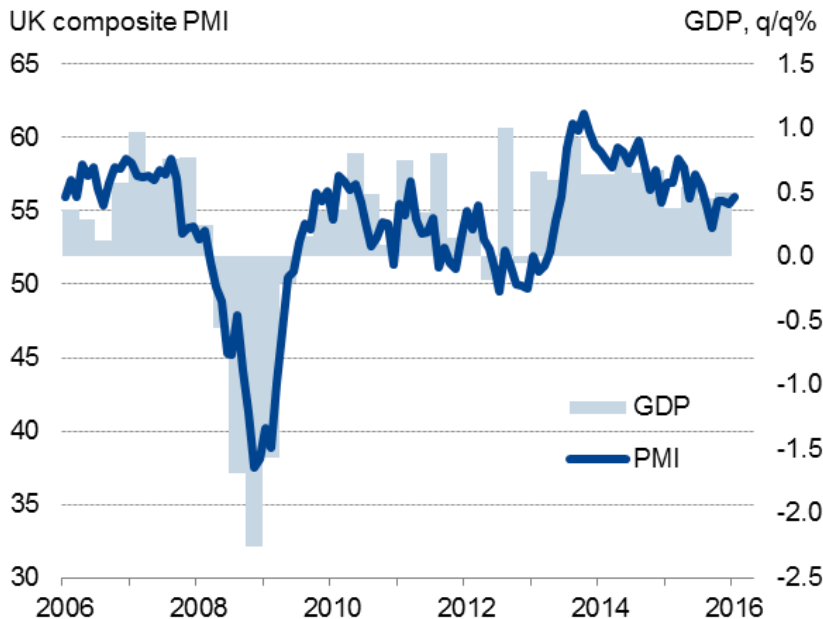


* pre-crisis PMI uses manufacturing data only.

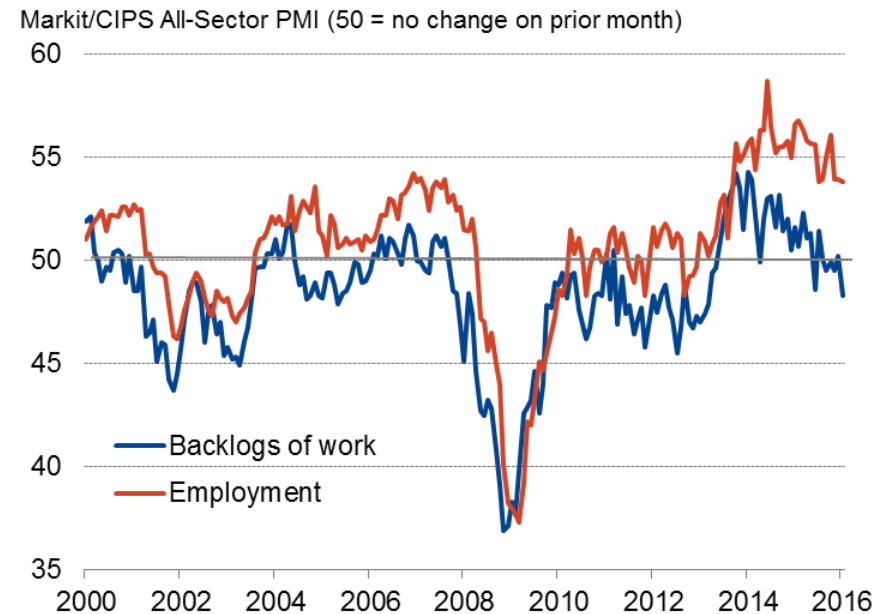
UK PMI surveys signal upturn in January, but also find causes for concern

The UK 'all-sector' PMI turned up at the start of the year, suggesting GDP growth could accelerate to 0.6% in Q1. But cracks appeared in the economy's resilience to recent headwinds. The survey also found intensifying uncertainty about the business outlook, accompanied by a slowdown in hiring, waning order books and a persistent lack of inflationary pressures, which all raise doubts about the sustainability of such solid growth.

UK economic growth (GDP v PMI)*



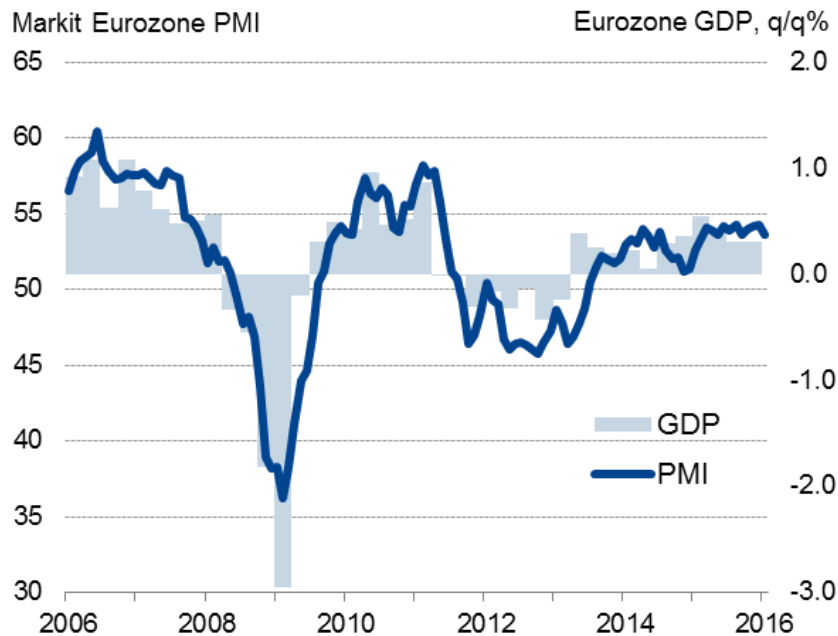
Employment and order books



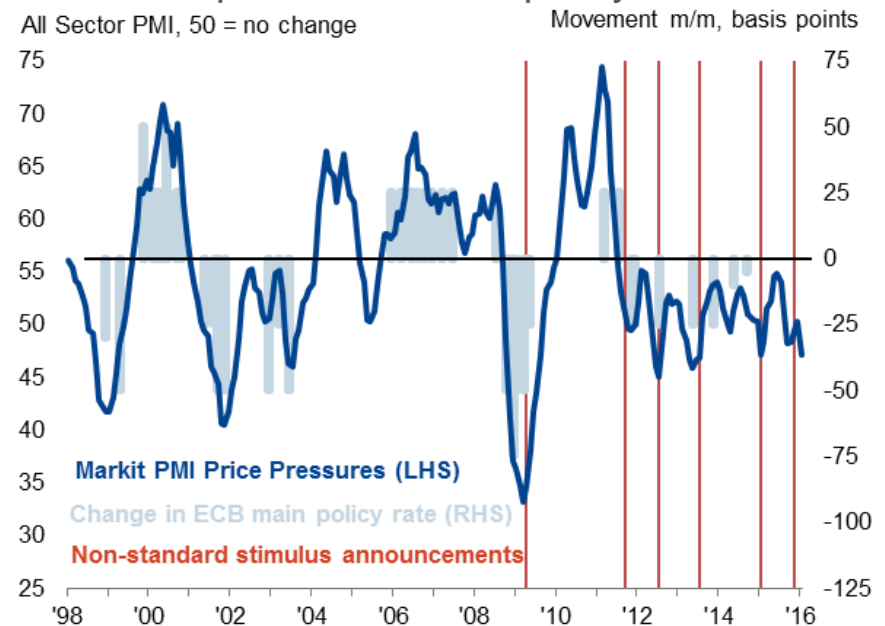
Eurozone PMI plots waning recovery and intensifying price deflation

January's [Markit Eurozone PMI](#) found business activity, order book and employment growth to have all lost momentum, but perhaps most worrying of all was an intensification of deflationary pressures. Prices charged for goods and services showed one of the largest falls since the global financial crisis. Although Spain and Germany led the expansion, Italy's growth slowed and France saw renewed stagnation.

Eurozone GDP and the PMI



Euro area prices and ECB policy



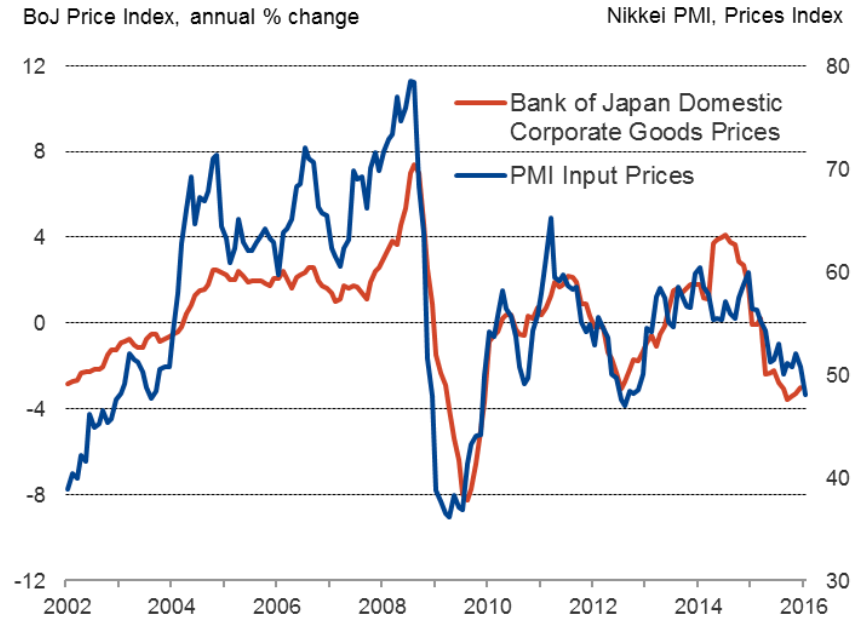
Bank of Japan introduces negative interest rates as price fall intensifies

The [Nikkei Manufacturing PMI](#) summed up Japan's plight. Although signalling growth, the rate of expansion slowed and input prices continued to fall, dropping in January at the fastest rate for over three years. The Bank of Japan, worried by a renewed threat of deflation, introduced negative interest rates. However, the [services PMI](#) showed an upturn in the pace of expansion in January, suggesting past policy stimulus may be working.

Japan manufacturing PMI v GDP



Japan industrial prices



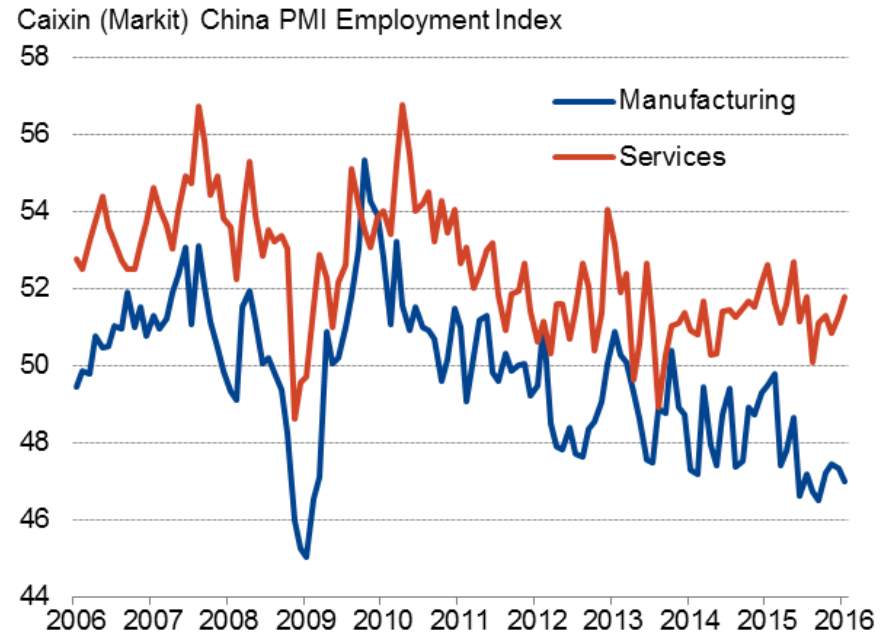
Faster service sector growth offsets manufacturing malaise in China

The [Caixin PMI surveys](#) indicated that China's economic growth rate stabilised at the start of the year as stronger service sector growth offset a deepening manufacturing malaise. The employment indices also provided further evidence of the economy transitioning away from exports and industry, with increased services job creation contrasting with factory job cuts, leading to the smallest overall drop in employment for six months.

China economic growth (GDP v PMI)



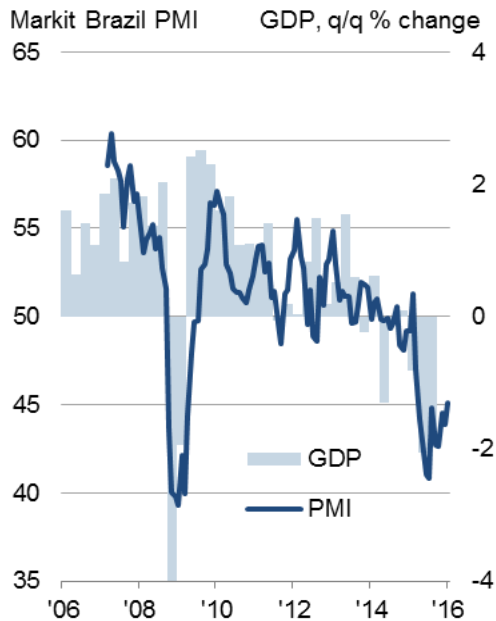
China employment



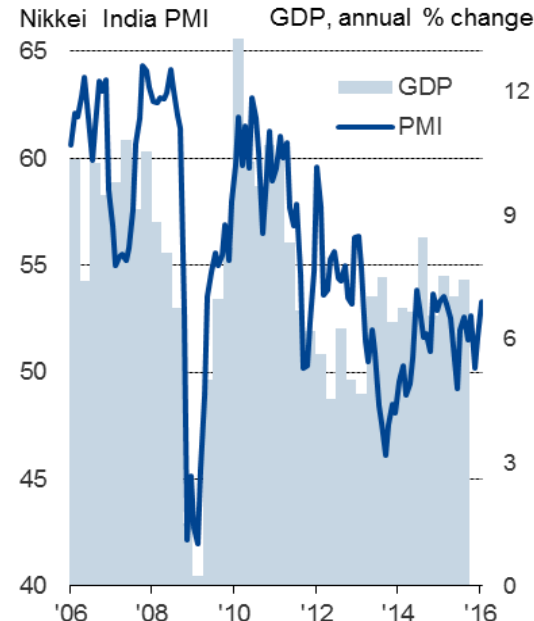
Indian rebound contrasts with ongoing downturns in Brazil and Russia

[Brazil](#) suffered the steepest downturn of all countries monitored by the PMI surveys, albeit with the rate of decline easing to suggest the worst may be over. India remained a bright light, seeing growth rebound after being hit by flooding in December, with the [Nikkei India Composite Output PMI](#) reaching an 11-month high. Russia meanwhile suffered a marked downturn for a second month running, led by [falling service sector activity](#).

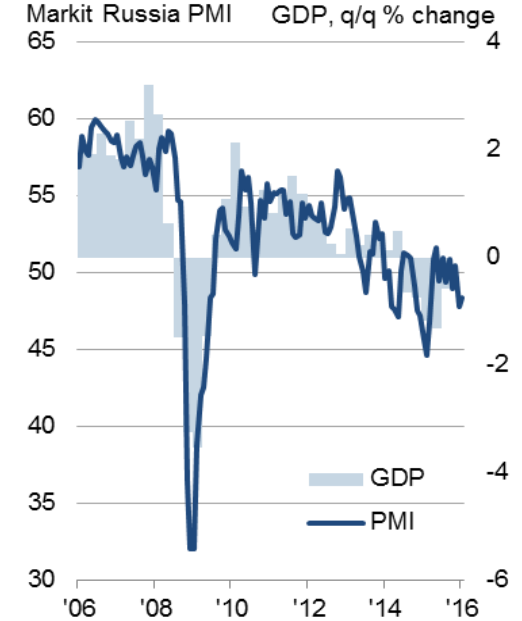
Brazil



India



Russia



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