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**Markit Economics**

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# Markit economic overview

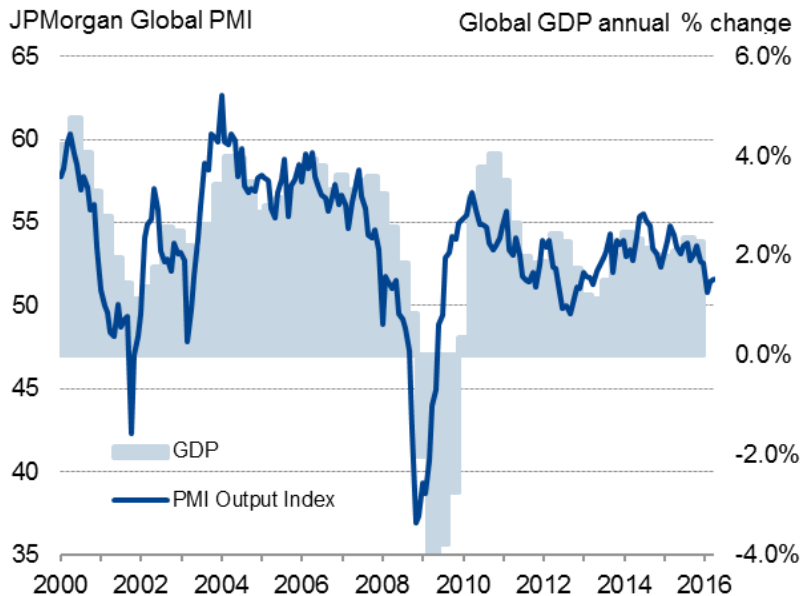
Global economy stuck in low gear at start of Q2

May 11<sup>th</sup> 2016

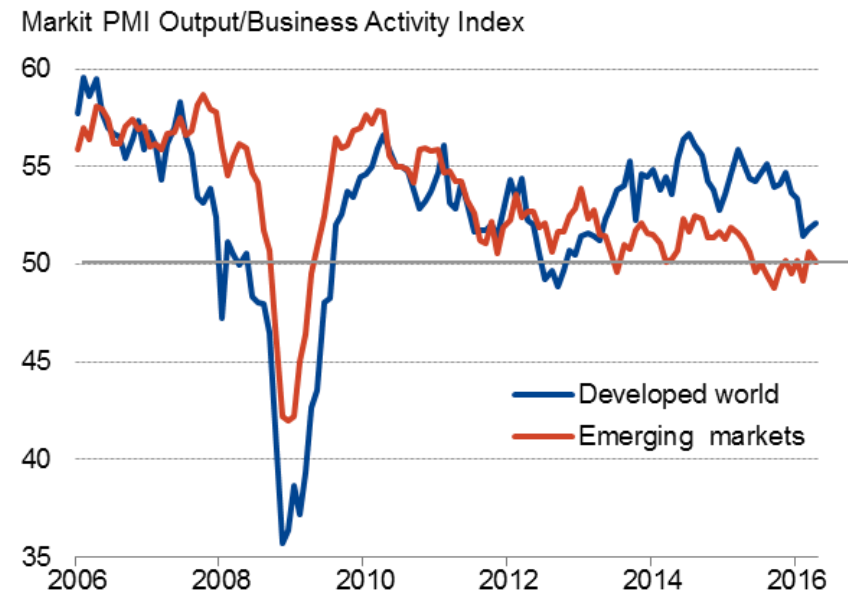
## Global economic growth edges higher but still close to three-year low

Global economic growth ticked higher for a second successive month in April, according to the [JPMorgan Global PMI™](#), compiled by Markit, but was still one of the weakest rates seen for over three years. The PMI is broadly consistent with global GDP growing at an annual rate of just 1.5% (at market prices) compared with a long-run average of 2.3%. Developed world growth continued to edge higher from February's recent low, though remained weaker than at any time seen since early-2013, while emerging markets returned to stagnation.

### 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

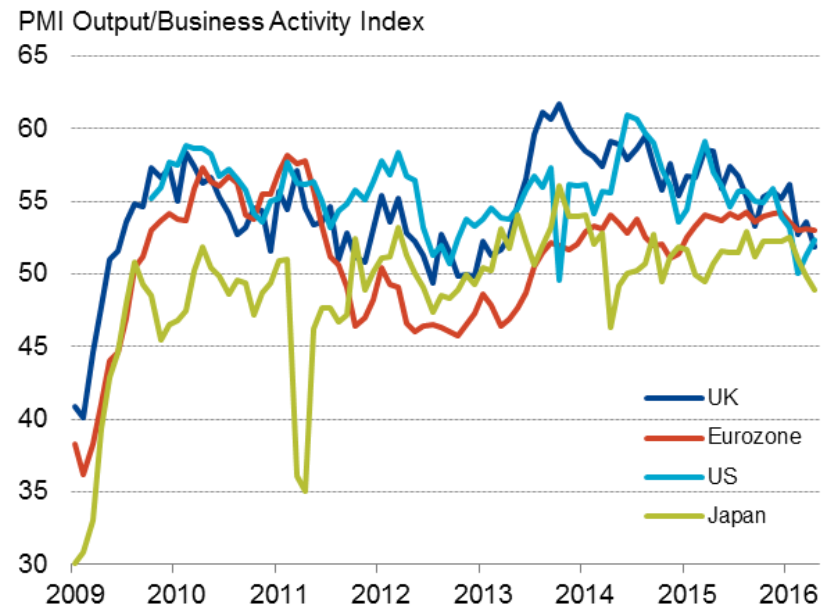
## Developed world growth stuck in low gear at start of Q2

Despite lifting higher in April on the back of a stronger US performance, the PMI surveys are signalling sub-1% annual developed world GDP growth at the start of Q2, remaining little higher than February's near three-year low. Both US and UK growth rates remained considerably weaker than seen throughout last year, hit in part by political worries, and Japan slid deeper into decline. Subdued eurozone growth rounded off the disappointing picture, but again masked winners and losers within the region.

### Developed markets growth (GDP v PMI)



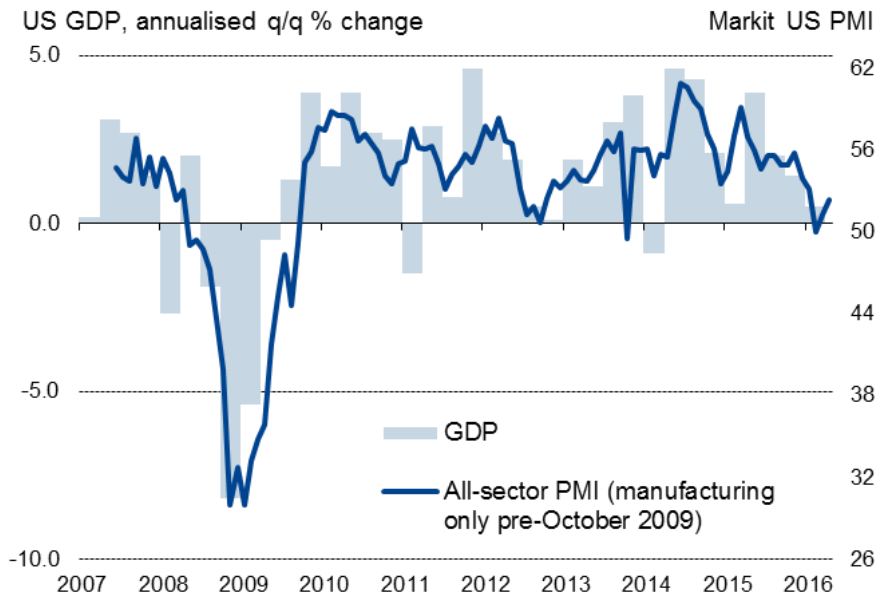
### Four largest DM economies



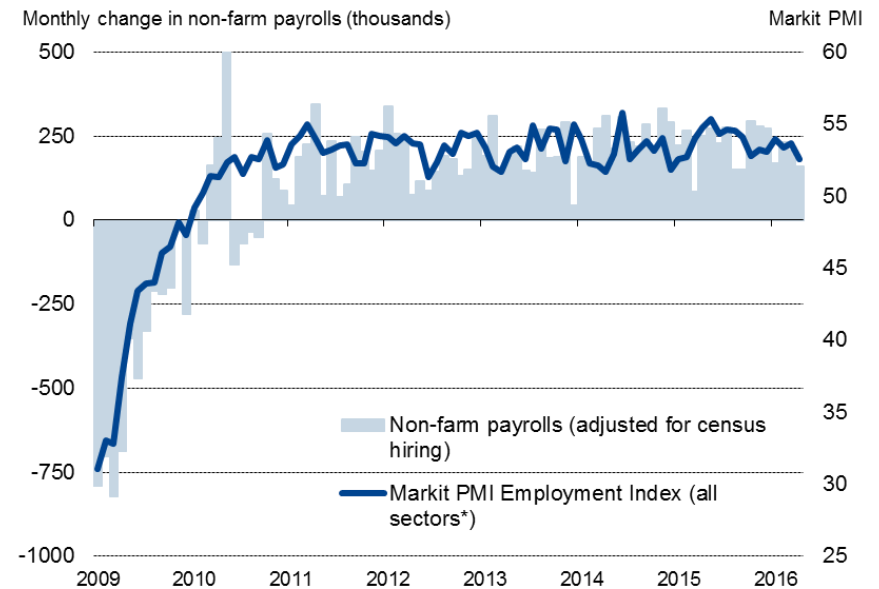
## US growth and hiring weaken in line with PMI signals

US economic growth slowed to an annualised rate of just 0.5% in Q1, corroborating Markit PMI surveys which have been signalling a near-stagnation since February. Hiring also slowed, with non-farm payrolls up 160k in April, defying expectations of a continuation of the c.200k gains seen in recent months but exactly in line with the PMI. The PMI series show hiring having waned amid elevated levels of business uncertainty compared to last year, in many cases linked to election worries. However, April PMI data signal a slight upturn in the pace of service sector growth.

### US economic growth (GDP v PMI output)\*



### US payrolls v PMI employment



- pre-crisis PMI uses manufacturing data only.
- GDP data smoothed using 7-month moving average.

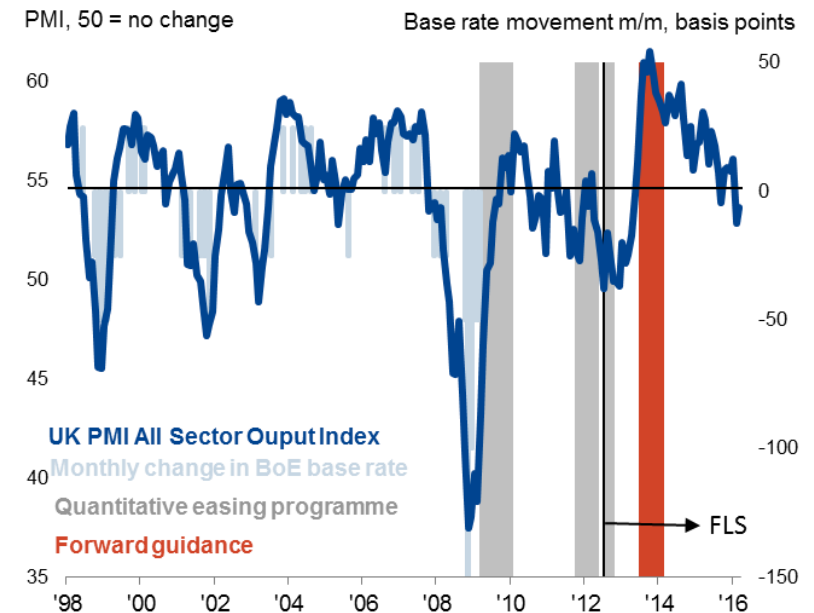
## UK PMI surveys signal near-stalling of economy as Brexit worries mount

The UK PMI surveys recorded the weakest growth for over three years in April, in part as companies reported hesitant or delayed spending decisions amid growing Brexit uncertainty and weak global demand. Having correctly signalled a slowing in the pace of economic growth to 0.4% in Q1, the PMI points to a mere 0.1% growth rate at the start of Q2. Manufacturing and construction growth stalled and services growth has slumped. The survey data have moved down into territory typically associated with the Bank of England considering the need for more stimulus.

### UK economic growth (GDP v PMI)\*



### Bank of England policymaking

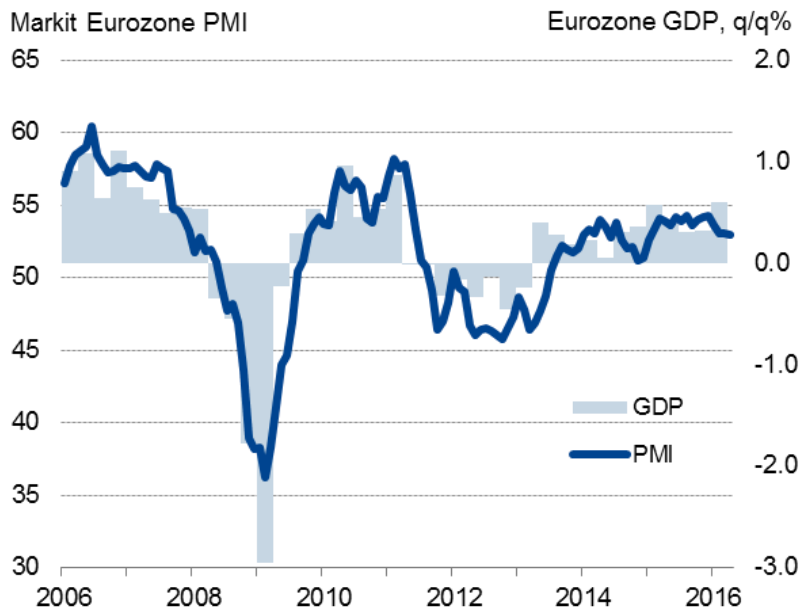


\* PMI shown above is a GDP weighted average of the survey output indices. Sources: CIPS, Markit, ONS

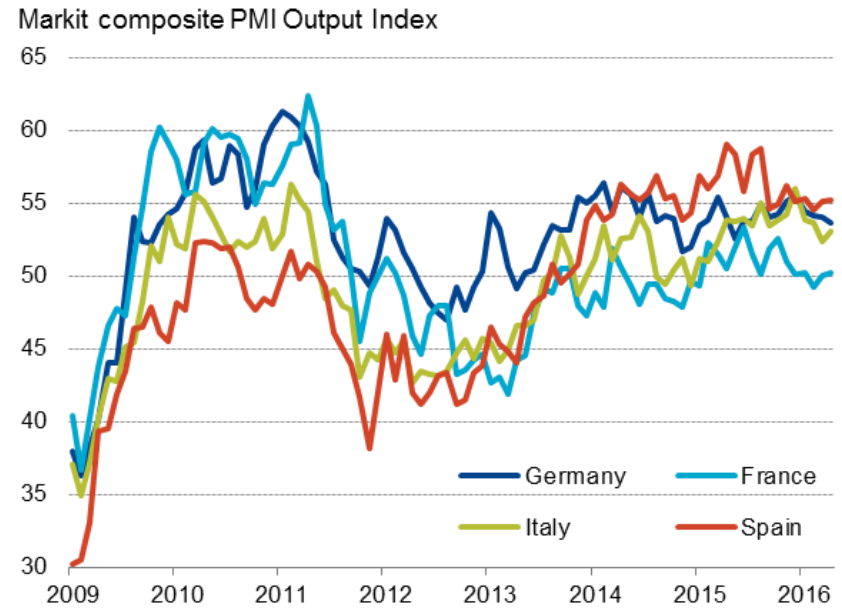
## Eurozone remains in slow lane but confidence improves

The [Eurozone PMI held steady at 53.0 in April](#), signalling ongoing modest economic growth of just 0.3%. While official data signalled an upturn to 0.6% in Q1, the PMI suggests this impressive pace will prove temporary, buoyed by a payback after a weaker than expected end to last year. However, [Spain](#) in particular continued to record a robust pace of growth of approximately 0.8% in April with solid expansions of 0.4% signalled for both Germany and Italy, all of which also saw business confidence improve, though [France once again disappointed](#) with stagnation.

### Eurozone economic growth (GDP v PMI)\*



### Euro area 'big-4' output



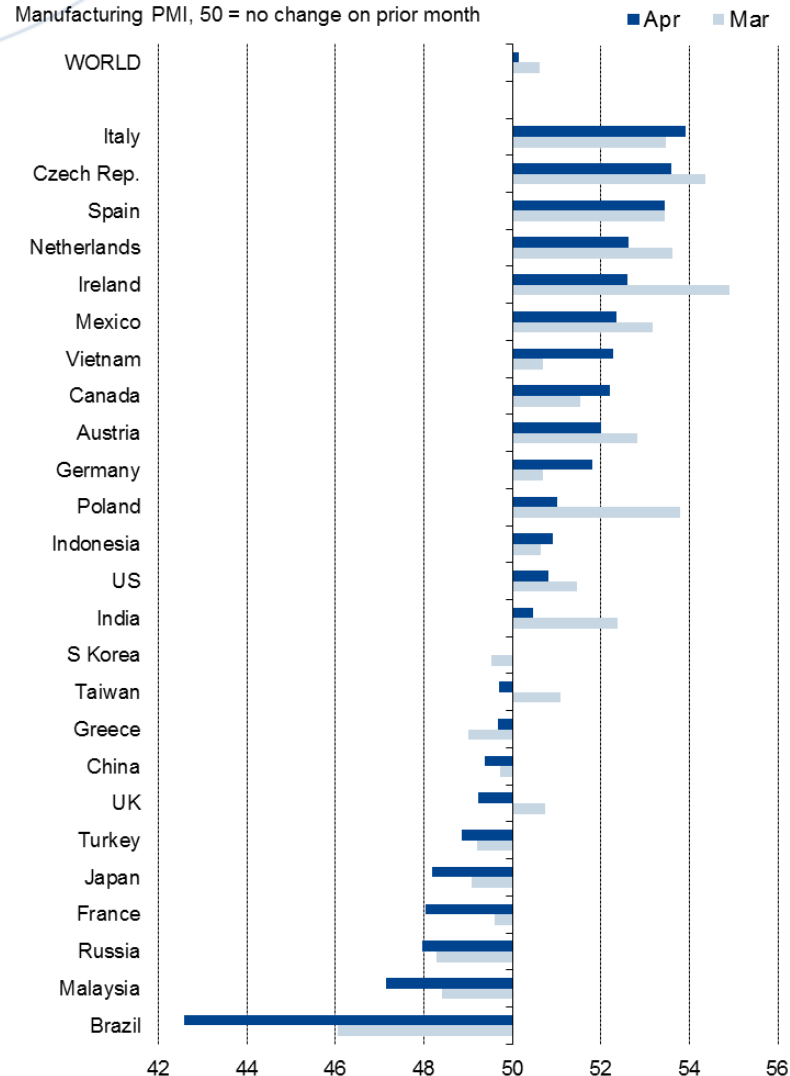
\* PMI shown above is a GDP weighted average of the survey output indices. Sources: Eurostat, Markit

## Monthly economic overview

### Italy tops manufacturing PMI rankings

The relative strength of parts of the euro area was highlighted by the [global manufacturing PMI](#) rankings. Four of the five fastest-growing manufacturing economies were eurozone members, led by Italy. The exception was the Czech Republic, a eurozone neighbour. The rankings also illustrate the weakness of the emerging markets. Of the four BRIC nations, only India saw an expansion with Brazil recording the steepest downturn of all countries surveyed.

Manufacturing PMI, 50 = no change on prior month

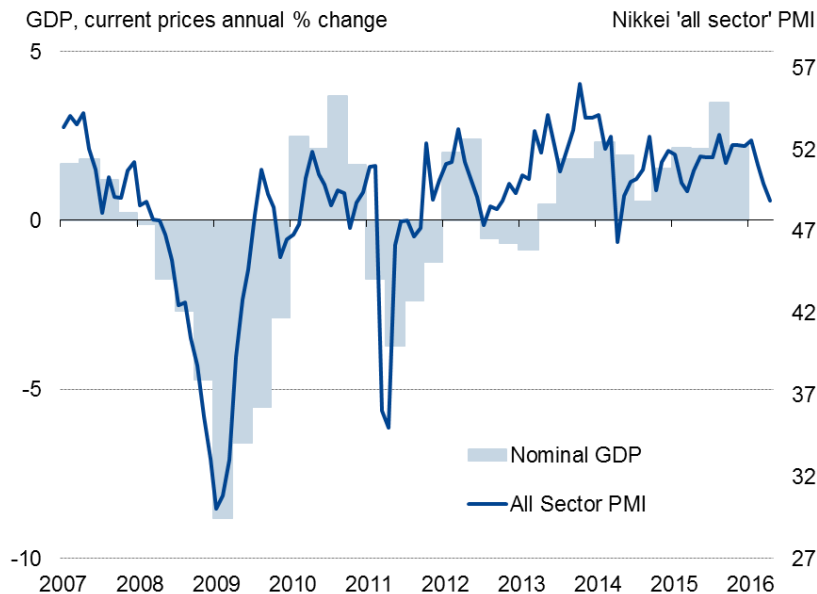


Sources: Markit, CIPS, NEVI, Nikkei, BME, Bank Austria, Investec, RBC, AERCE, ADACI, Caixin, HPI

## Japan's woes deepen as downturn gathers pace in April

Japan's economic woes deepened at the start of Q2. The Nikkei PMI surveys signalled the steepest decline since the sales tax hike of May 2014. Problems can be traced to the exchange rate, which has appreciated sharply despite stimulus measures from the Bank of Japan, which included the surprise move to negative interest rates. The appreciating yen has hit exports (the [flash PMI showed the largest drop in export volumes since 2012](#)), but [service sector activity](#) also contracted for the first time in over a year in April.

### Japan economic growth (GDP v PMI)\*



### Japan exports



\* PMI shown above is a GDP weighted average of the survey output indices.  
Sources: Bank of Japan, Markit, Nikkei, Thomson Reuters Datastream



## China sees growth momentum soften at start of Q2

The [Caixin China PMI surveys](#) signalled a weaker rate of growth than March's 11-month high as a stagnating manufacturing sector was accompanied by slower service sector expansion. Growth nevertheless remains well above last year's lows and inflows of new business rose for a second successive month. Employment remained the biggest concern. Although the service sector saw a return to employment growth, factory job losses remained close to an all-time high as firms scaled back excess capacity.

### China economic growth (GDP v PMI)\*



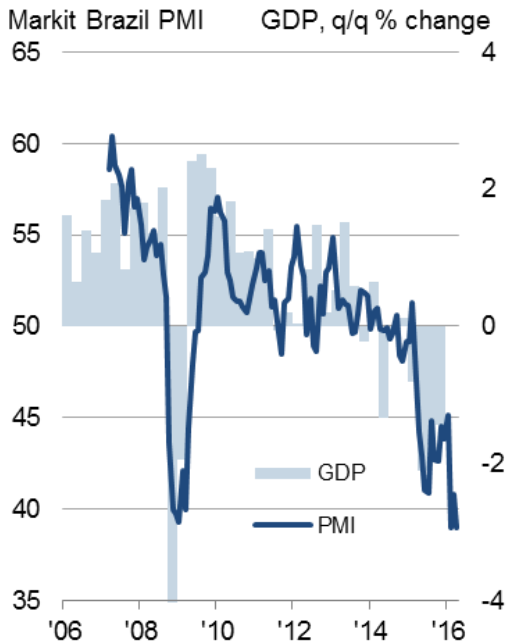
### China employment



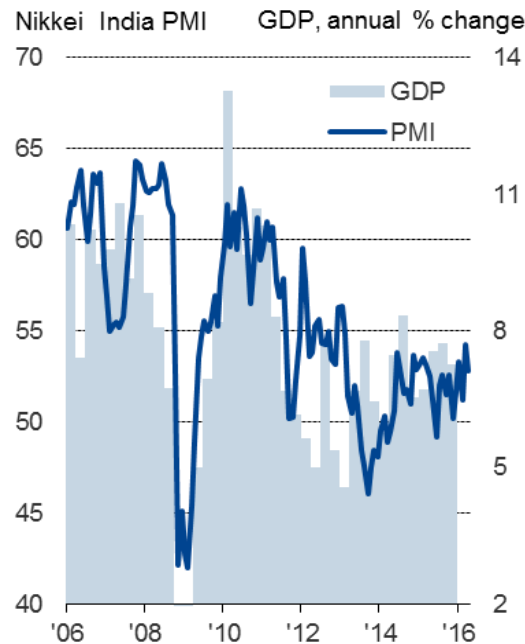
## Tentative signs of improvement in emerging markets

Russia's economy expanded at the quickest rate for 11 months in April, suggesting the country may be on course to return to growth in Q2. Although Russian manufacturers reported the steepest downturn since 2009, [service sector growth hit a three-year high](#). India also continued to expand, albeit with the rate of growth in the [Nikkei PMI surveys](#) easing compared to March's three-year peak. Brazil, in contrast, saw one of the sharpest downturns yet recorded. The central bank nevertheless [held interest rates steady](#) in its fight against inflation.

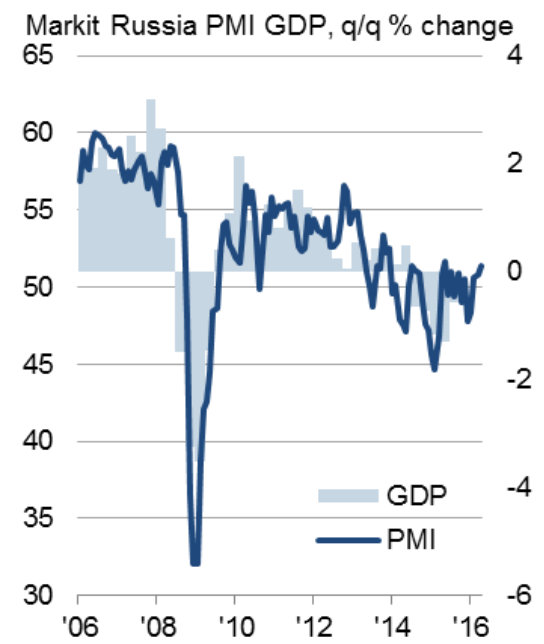
### Brazil



### India



### Russia



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