
Markit Economics

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Markit economic overview

Global growth strengthens as emerging markets stabilise

December 9th 2015

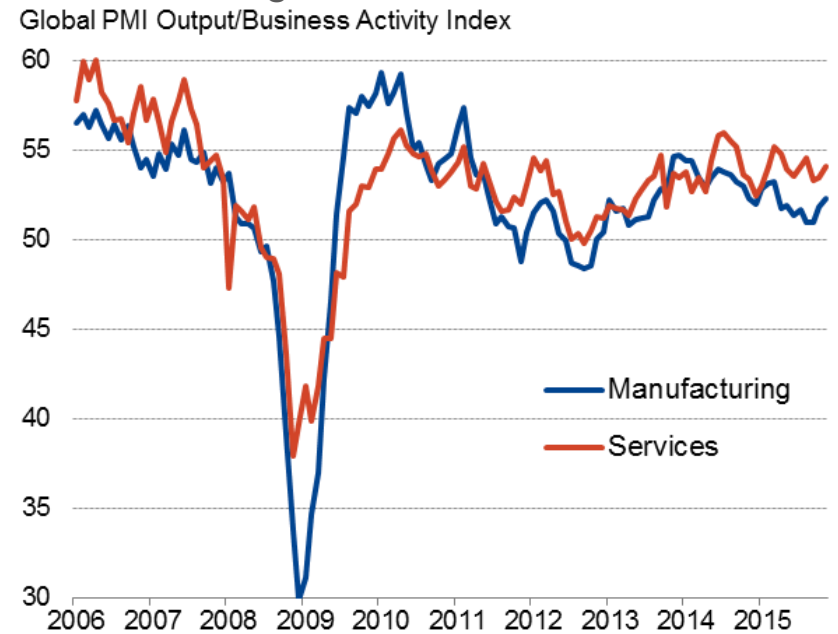
Global growth worries allayed by faster expansion in November

The [JPMorgan Global PMI](#) rose for a second month in November to a level just above the average seen in the year to date. The survey is broadly consistent with annual global GDP growth of just over 2%. The global upturn continued to be led by services, but perhaps the most welcome news was a further revival in manufacturing growth from the near-stalling seen in September and pointing to recovering trade flows.

Global PMI and economic growth



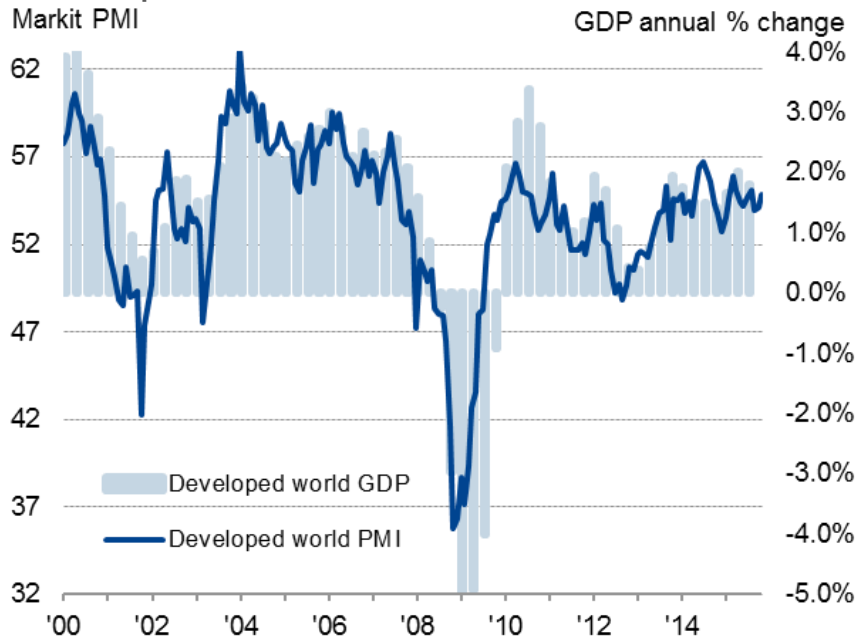
Manufacturing v services



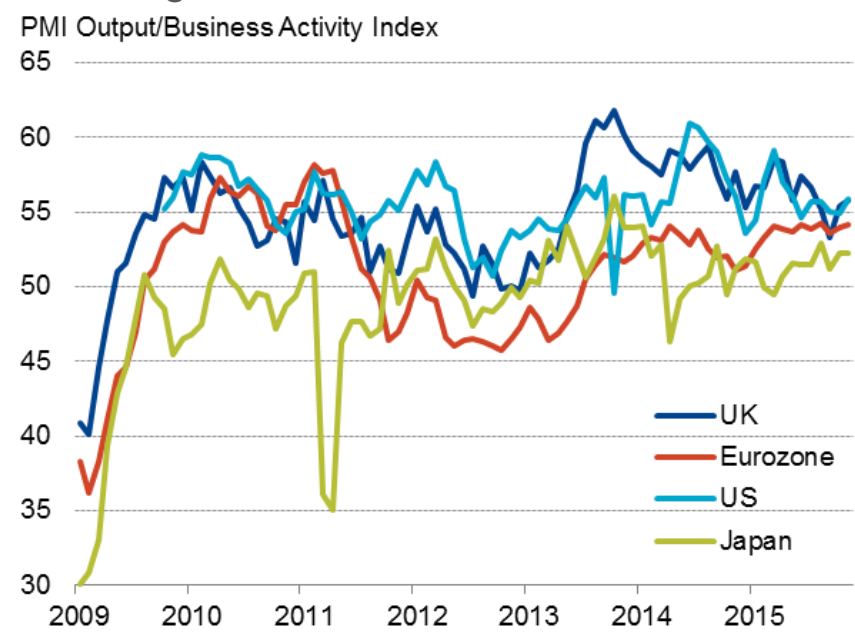
Broad-based developed world growth

Growth accelerated to a three-month high in the developed world. The rise in the PMI brought the surveys in line with GDP growth of just under 2%, so remaining below the 2-2.5% annual growth rate that is widely considered to be a sustainable long term trend for developed economies. However, all four largest developed world economies enjoyed sustained solid or accelerating growth in November.

Developed markets



Four largest DM economies



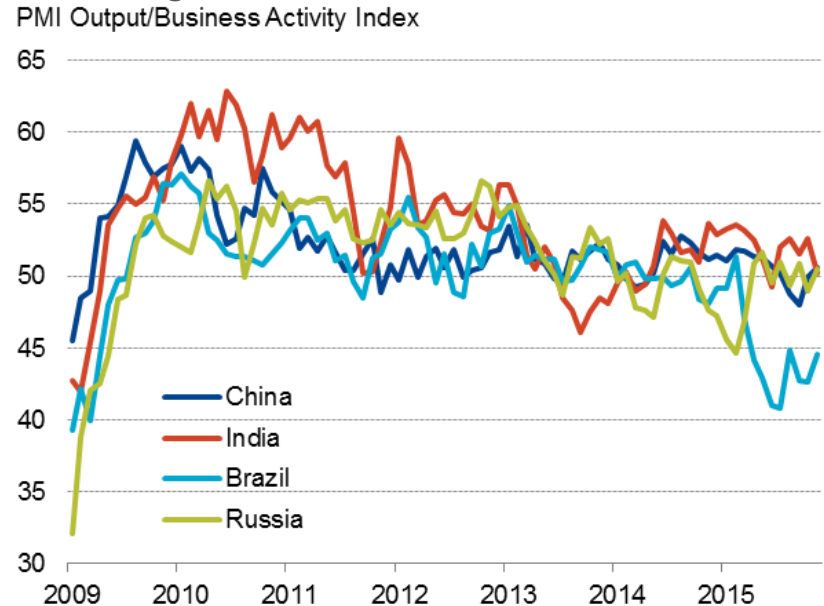
Emerging markets see first expansion since July

The emerging market PMI edged above 50 to register the first expansion of business activity since July. However, the survey data remain indicative of only 4% annual GDP growth, therefore remaining well below (more than half) the rate of expansion seen prior to the global financial crisis. Signs of stabilisation in China and Russia contrasted with a near stalling of growth in India and an ongoing steep decline in [Brazil](#).

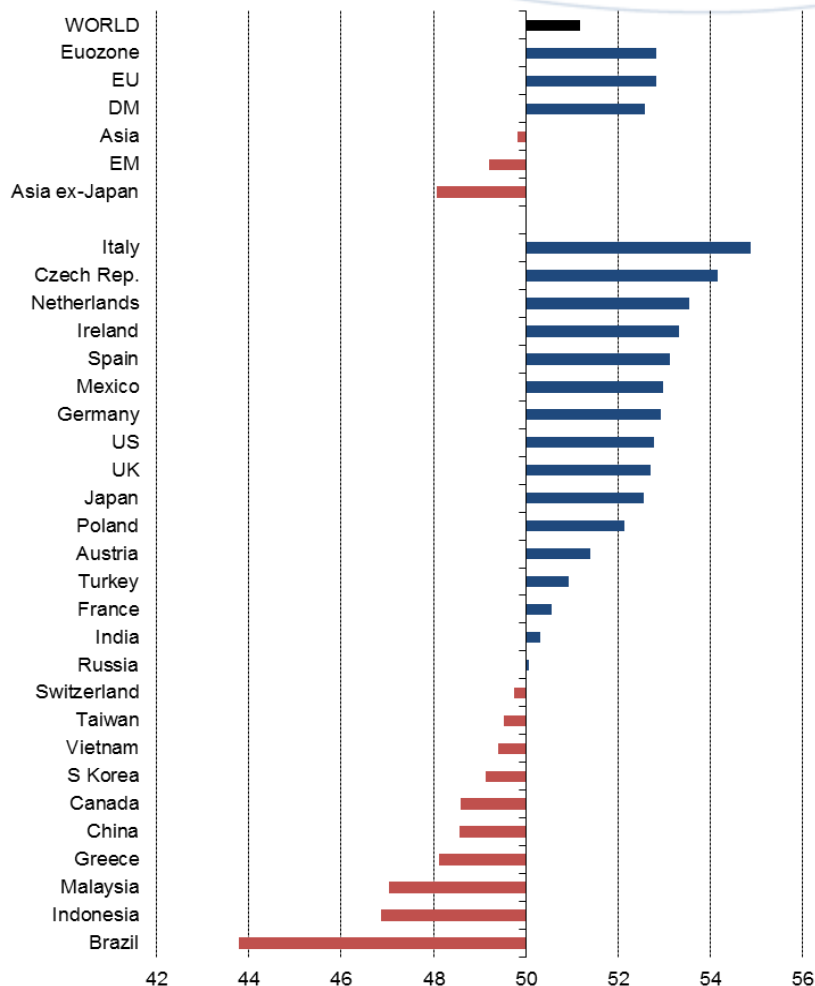
Emerging markets



Four largest EM economies



Manufacturing PMI, 50 = no change on prior month, November 2015



Euro counties dominate manufacturing PMI rankings

The intensity of [Brazil's downturn](#) was highlighted by the crisis-struck country remaining firmly at the foot of the global manufacturing PMI rankings in November.

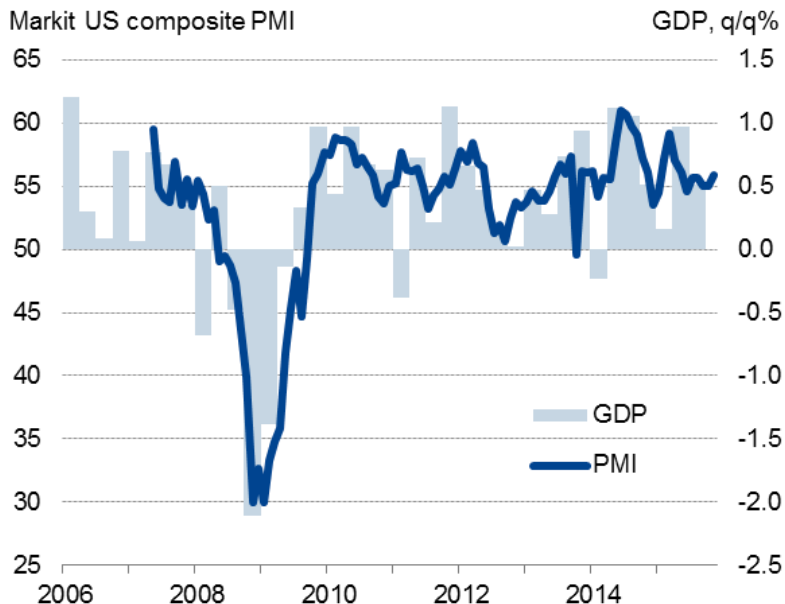
Although China's downturn eased, the weakness of demand from the World's largest manufacturing economy continued to be widely cited as a cause of falling production across [much of Asia](#), notably Indonesia and Malaysia, hence Asia ex-Japan seeing another downturn, albeit with the rate of decline showing welcome signs of moderating.

Euro area manufacturing meanwhile [dominated the top of the PMI rankings](#), led by Italy for the first time in the history of the surveys. Four of the top five fastest growing manufacturing economies were euro members, with neighbouring countries also benefitting from the region's recovery.

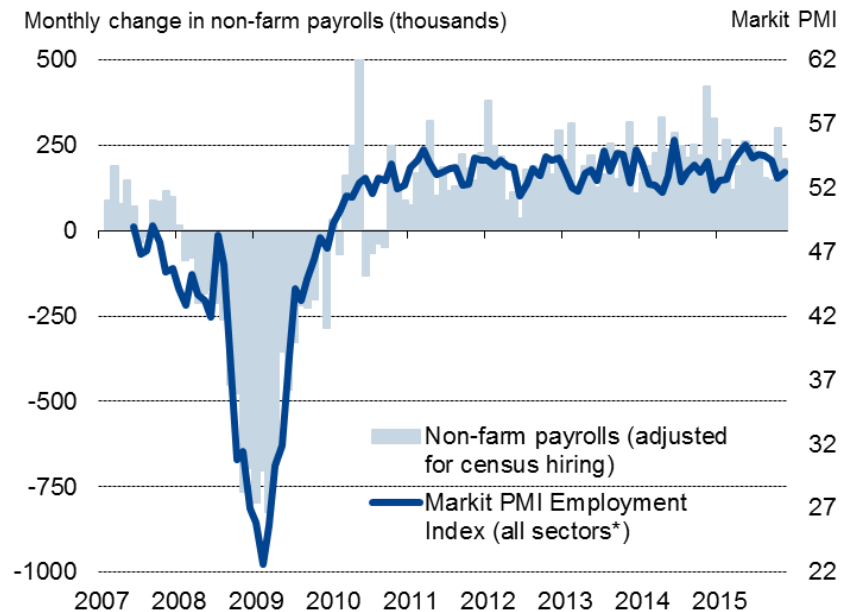
US set to see higher interest rates as growth and hiring prove resilient

Global growth continued to be powered by the US. [Markit's all-sector US PMI](#) rose to a nine-month high, indicating 0.5% (2% annualised) GDP growth so far in Q4, building on an upwardly-revised 2.1% expansion in Q3. [Non-farm payrolls](#) also showed another bumper increase in November, seemingly cementing the case for the Fed to start hiking interest rates for the first time since 2006 at its December FOMC meeting.

US economic growth (GDP v PMI)*



US labour market*

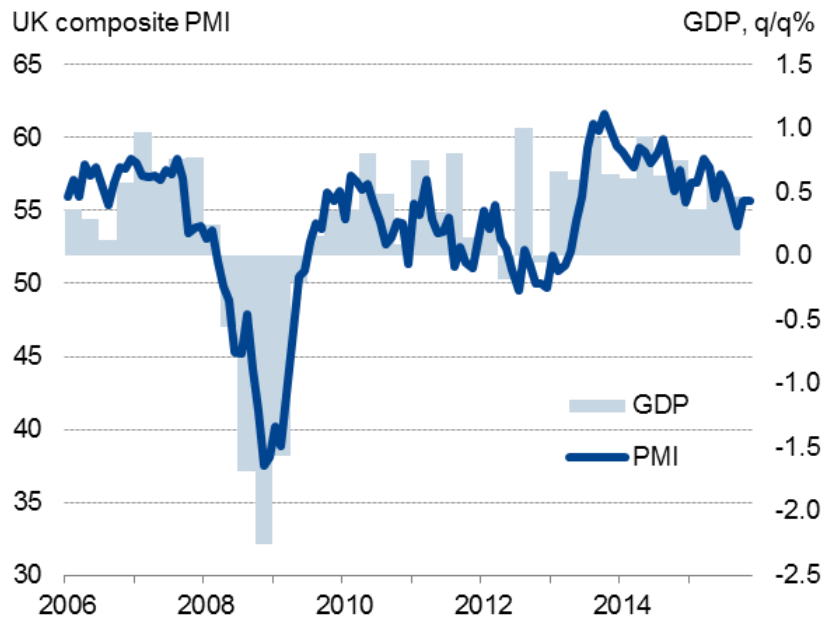


* pre-crisis PMI uses manufacturing data only.

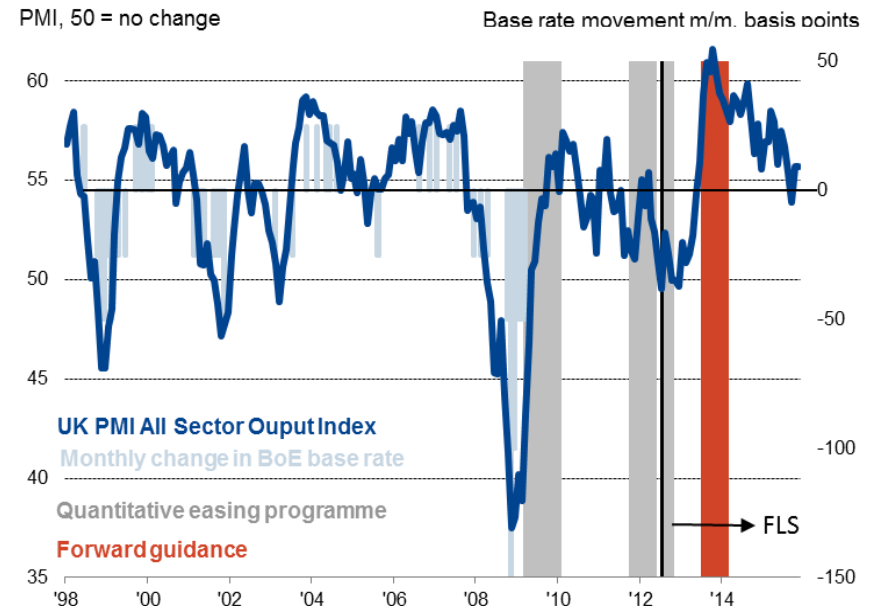
Bank of England to stay on hold despite signs of robust Q4 growth

The [three UK PMI surveys](#) signalled sustained solid growth in November, suggesting GDP will rise 0.6% in Q4 after a [0.5% rise in Q3](#). Faster services growth offset weaker expansions in manufacturing and construction. But with prices remaining unchanged and the PMI only just into levels that would normally be associated with tighter policy, the Bank of England looks in no rush to start hiking interest rates.

UK economic growth (GDP v PMI)*



Bank of England policy and the PMI



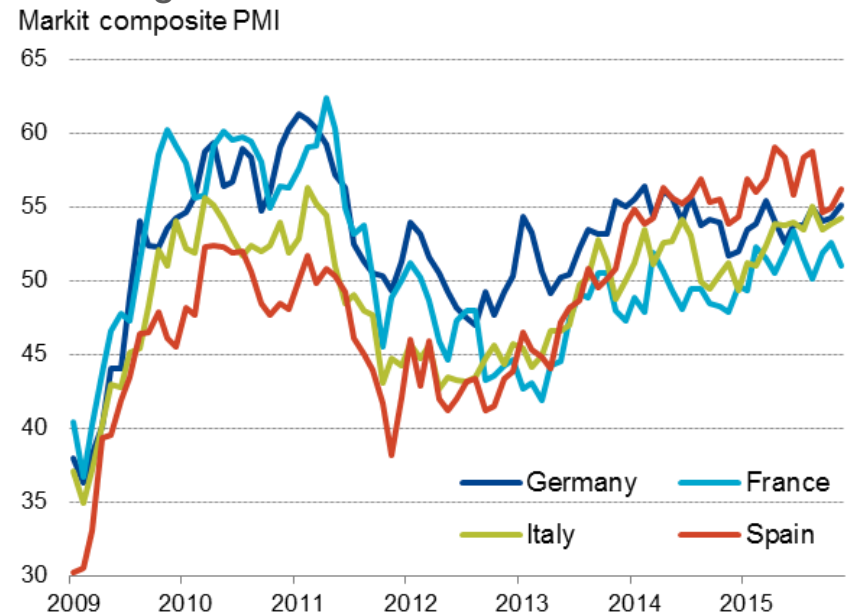
ECB adds further stimulus, but extent of easing limited by brightening outlook

The ECB added extra QE and pushed the deposit rate further into negative territory at its December meeting, but disappointed many who had anticipated more. The lack of more aggressive action may in part lie with the ECB being less worried about downside risks to the outlook: the [Eurozone PMI](#) rose to one of the highest levels seen in the past 4 ½ years in November, despite a renewed slowing in France.

Eurozone GDP and the PMI



Euro big-four



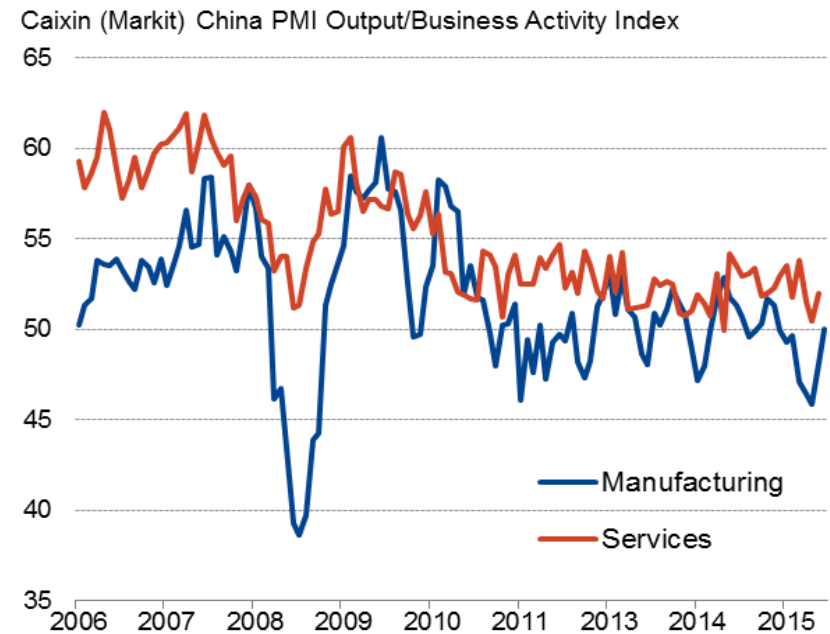
China slowdown moderates amid better exports and faster services growth

The Caixin PMI surveys showed [China's economy returning to growth](#) after three months of decline. A [stabilisation of manufacturing](#) output after six months of falling production accompanied steady services growth. The latter found strong variation in sub-sector trends, with strong growth of IT & Computing and financial services contrasting with weakness in some industrial-related businesses, notably transport.

China economic growth (GDP v PMI)



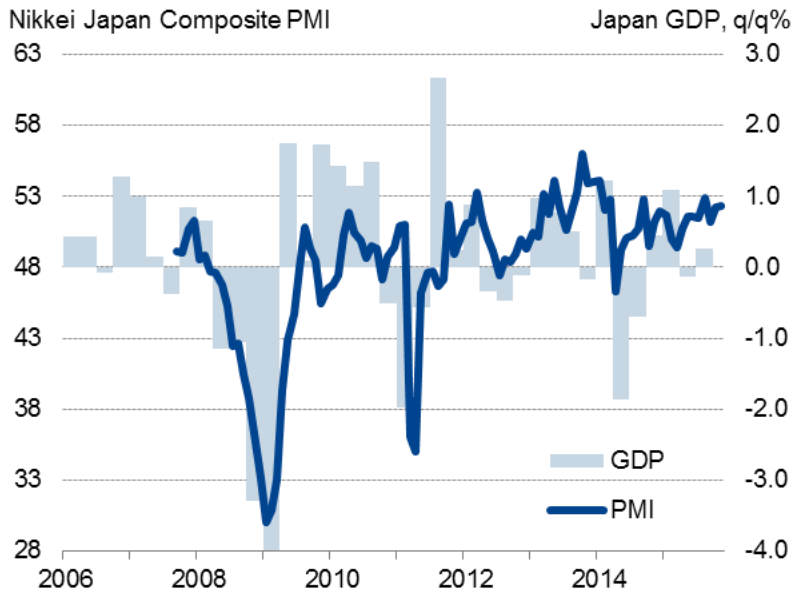
China sectors



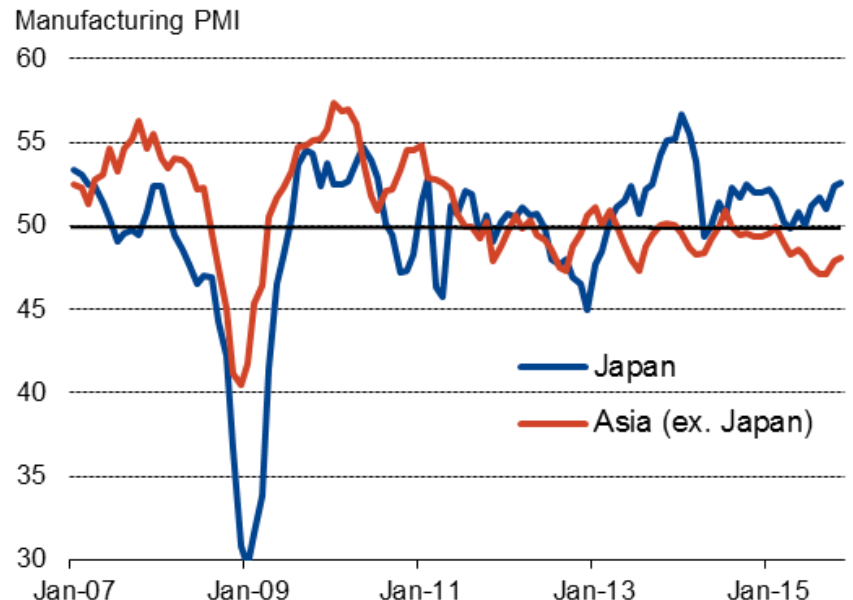
Japan rebounds amid fastest manufacturing growth for 20 months

Japan's recent [recession](#) evaporated as GDP revisions showed the economy growing 0.3% in Q3 rather than contracting 0.2%, as had been originally stated. The improvement brings the data more into line with the Nikkei PMI, which also suggests the upturn continues to build in Q4, led by [manufacturing growth hitting the highest for 20 months](#). The upturn vindicates the Bank of Japans' decision to hold fire on further stimulus.

Japan economic growth (GDP v PMI)



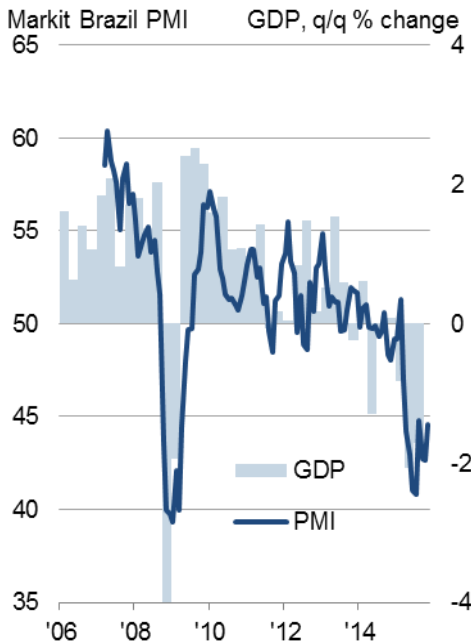
Manufacturing in Asia



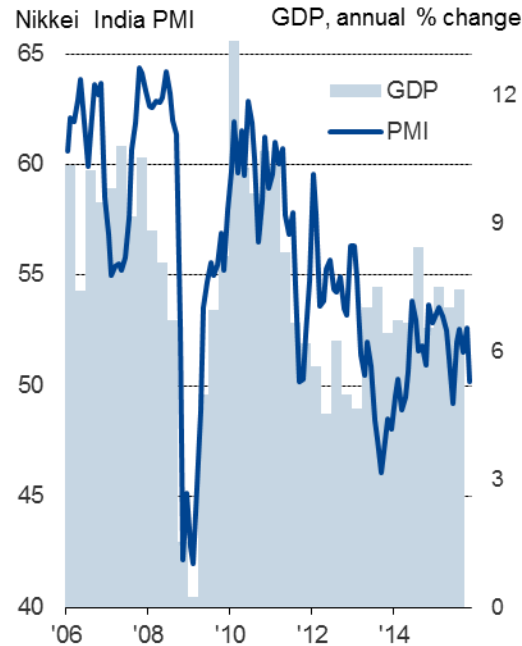
Emerging market malaise extends beyond China

[Brazil's downturn](#) remained a major concern. The PMI indicated a moderation in the rate of decline, but suggests GDP will fall by 1% or more in Q4. The [Nikkei India PMI](#) meanwhile fell to suggest that GDP growth will deteriorate again after the Q3 acceleration. There was better news in [Russia](#), where the PMI heralded a return to modest growth, led by an upturn in manufacturing and slowing decline in services.

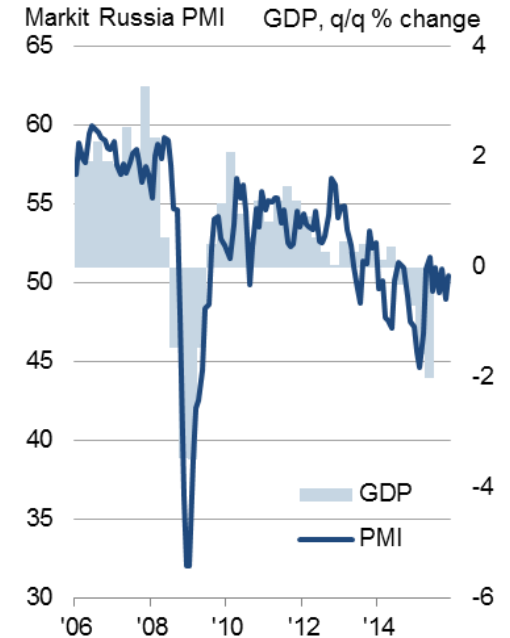
Brazil



India



Russia



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