

Global economy

Global growth stymied by stagnation in emerging markets and Japan's tax hike

- **Global PMI hits six-month low as sales tax hits Japan and emerging markets stagnate**
- **Robust growth seen in US, UK and Eurozone**

The global economy continued to expand in April, but the rate of growth was the slowest since last October, when the US was hit by the government shutdown.

The [JPMorgan Global PMI™](#), compiled by Markit from its worldwide surveys, fell from 53.5 to a six-month low of 52.8, suggesting a modest 2.5% annual GDP growth rate. Developed world growth nudged lower but the main weakness continued to rest in emerging markets, where the PMI again signalled a near-stagnation of private sector economic activity.

Emerging markets stagnate

At 50.4, the [emerging market PMI](#) signalled almost no change in output for a second month running. The data are consistent with emerging market GDP growing at a sub-5% annual rate.

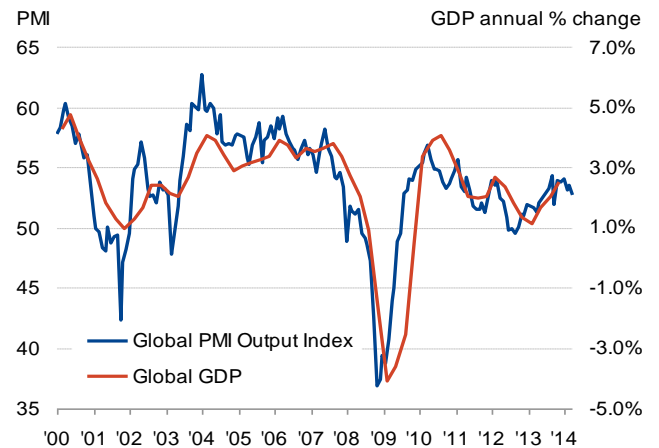
A major focus of the emerging market malaise is Asia, where the manufacturing PMI for the region fell below 50.0 for the first time since last July. Exports from the region's manufacturers likewise fell, albeit marginally, dropping for the first time since last August.

A modest rise in [China's services activity](#) failed to outweigh a further drop in [manufacturing](#) output, leaving the all-sector PMI for China in contraction territory for a third month running in April. The survey data suggest GDP growth could weaken further in Q2 from the already weak 7.4% rate seen in Q1.

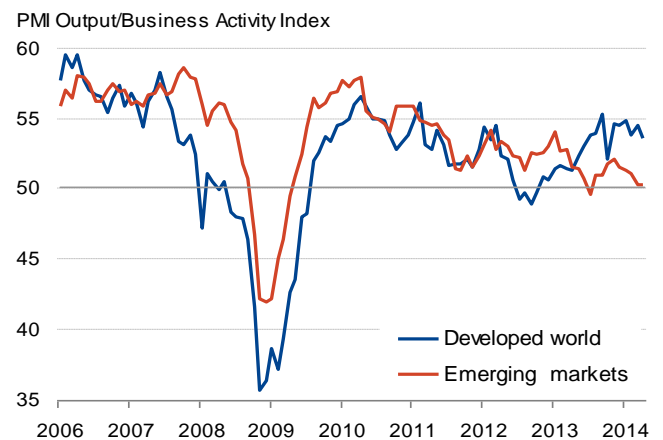
The emerging market languor spread beyond Asia, however, with sub-50 PMIs recorded in all four BRICs, albeit only slightly in contraction territory in the cases of China, India and Brazil. [Russia](#) saw a more marked downturn, with the PMI down to its lowest since May 2009.

There were some bright spots, however, with ongoing robust growth seen in the Middle East and central and eastern Europe (excluding Russia), where the region is benefitting from resurgent growth in the eurozone.

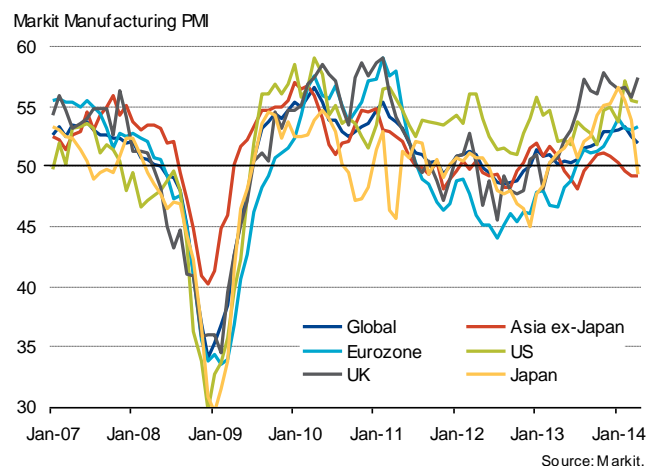
Global gross domestic product



Developed world v emerging markets



Manufacturing PMIs



Japan hit by tax hike, but ongoing robust growth seen in US, UK and Eurozone

With the exception of October's US shutdown, the developed world PMIs meanwhile collectively signalled the weakest growth since last June; The GDP-weighted PMI for the developed world fell from 54.5 in March to a six-month low of 53.6 in April, consistent with a sub-2.0% annual GDP growth rate.

However, the developed world growth easing was due to a downturn in Japan, linked to the country's sales tax hike. Growth accelerated in the UK and Eurozone and held at a robust pace in the US.

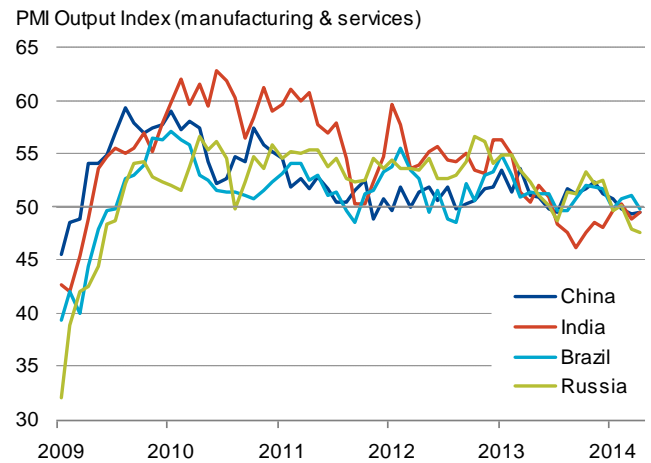
[Japan's all-sector PMI suffered one of the largest falls ever in April](#), with [manufacturing](#) and service sector companies blaming the sales rate hike of 1 April for reduced demand. The fall represented payback after strong growth in prior months, which had often been attributed to purchases being pulled forward ahead of the tax rise. Survey sub-indices showing ongoing robust demand for investment goods and continued hiring suggest the downturn will be temporary.

Markit's [April US PMIs](#) were more encouraging, signalling robust services activity growth and the fastest rise in manufacturing output for three years. The data mean the economy should rebound after a weather-related [stagnation in the first quarter](#).

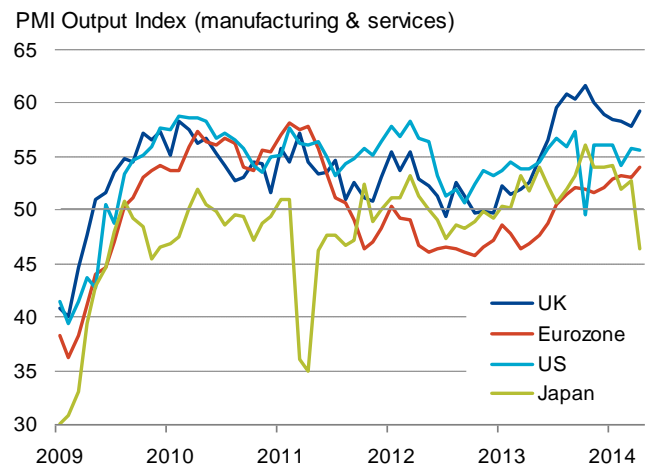
The [eurozone PMI](#) meanwhile rose to a three-year high in April, with the recovery broadening out further across the region. All big-4 euro members saw rising output. [Germany](#) saw another month of robust growth, with [Spain's PMI hitting a seven-year high](#) and an eight-year high seen in Ireland, though growth was more lacklustre in France and Italy.

It was the UK, however, which continued to lead the pack in terms of economic growth in the major economies. The [all-sector PMI](#) indicated that the record growth spell continued into the second quarter after a 0.8% GDP rise in the first three months of the year. Of particular note was the PMI Employment Index, which hit a record high.

Emerging markets (manufacturing & services)



Developed world (manufacturing & services)



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