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Markit Economic Research

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Global trade

PMIs signal global economic slowdown at start of second quarter

- **Global PMI slips to six-month low in April**
- **US leads global upturn, but growth weakens**
- **Emerging markets suffer stalling or weak growth**

The JPMorgan Global PMI, compiled by Markit, fell from 53.0 in March to 51.9 in April, indicating the weakest pace of worldwide economic growth for six months. Rates of expansion deteriorated in both the manufacturing and service sectors, hitting four- and ten-month lows respectively.

A second month of slowing growth in the US and an ongoing deep recession in the eurozone has been accompanied by stalling or weakening growth in the world's largest emerging markets. Growth also eased in Japan, leaving the UK as the only major economy in the world to enjoy a modest upturn in its pace of economic expansion in April.

The downturn in the PMI suggest that the annual rate of global GDP growth will have slowed from around 2.5% in the first quarter to approximately 2.0% in April. However, even this slower rate of expansion is a big improvement on the three-year low of 1.4% seen in the final quarter of last year.

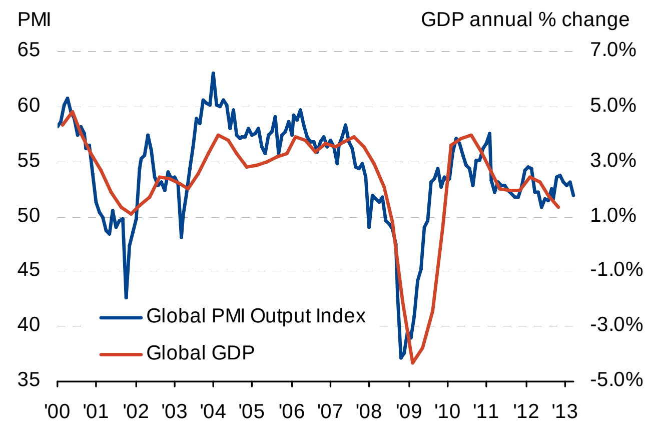
The surveys also showed employment growth slowing globally to indicate barely any job creation in April; the weakest increase in hiring seen since November.

However, inflationary pressures continued to subside. The rate of increase in input costs across both sectors has fallen sharply, down to a ten-month low in April, resulting in lower charges for goods and services in many countries.

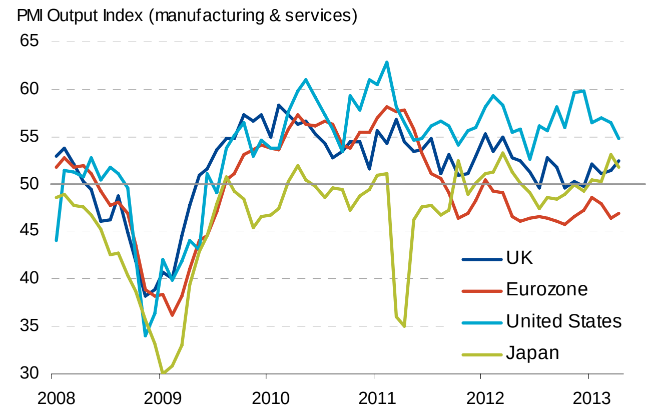
Divergent growth rates in the developed world

The largest developed economies continued to show strongly divergent growth trends at the start of the second quarter. The US continued to see the strongest pace of expansion, though growth weakened for a second month running to the slowest since last June.

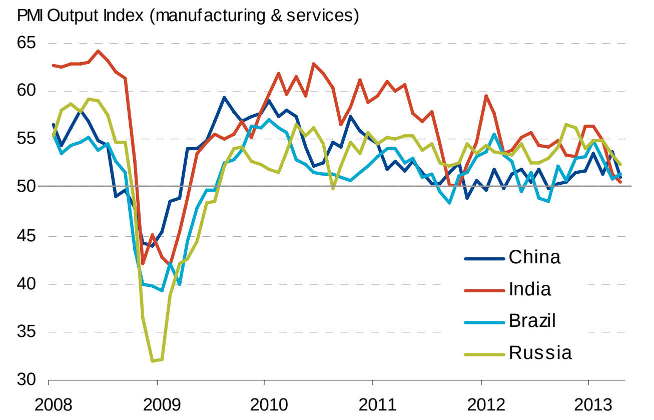
Global economic growth



Developed world all-sector PMIs



Emerging market all-sector PMIs



The eurozone meanwhile continued to see the weakest performance. Although the all-sector PMI rose slightly, the surveys continue to indicate a strong pace of economic contraction in the euro area, with weakness spreading across the region. Steep downturns in France, Italy and Spain are now accompanied by a renewed downturn in Germany, where output fell in April for the first time since last November.

Growth eased slightly in Japan but, given the all-sector PMI had reached a joint-record high in March, the pace of expansion remains stronger than a year ago. The surveys suggest that faster growth due to improved confidence arising from recent stimulus packages and export gains from the weaker yen have helped revive growth in Japan.

A weaker currency was also linked to export gains in the UK manufacturing sector which, alongside faster service sector growth, helped push the rate of expansion of the two sectors to its fastest since the Olympics-related growth spurt seen last August.

Emerging market slowdown

Signs of stalling growth were evident across the largest emerging markets in April. Emerging market output rose at the slowest rate since September 2011, registering the second-weakest performance seen since the recovery from the 2008-09 crisis.

Growth slowed markedly to hit a six-month low in China, while rates of expansion were the weakest for a year-and-a-half in both India and Russia. Brazil was the only BRIC economy to see its all-sector PMI rise in April, but even there the pace of expansion remained very weak, having hit a five-month low of near-stagnation in March.

The slight rise in manufacturing output across the BRICs was mainly linked to slowing global trade. However, at the same time, stalling or weakened service sector growth points to a lack of domestic demand growth in the world's biggest emerging markets.

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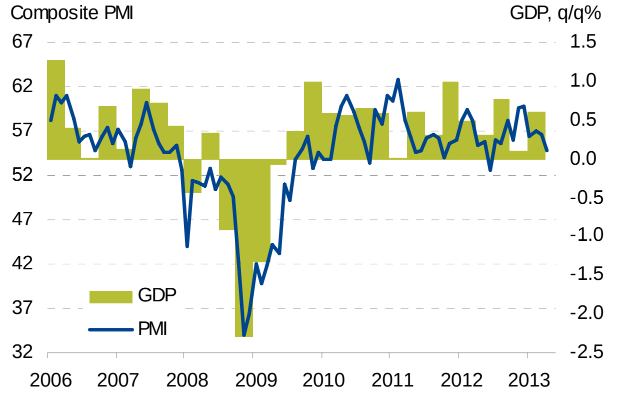
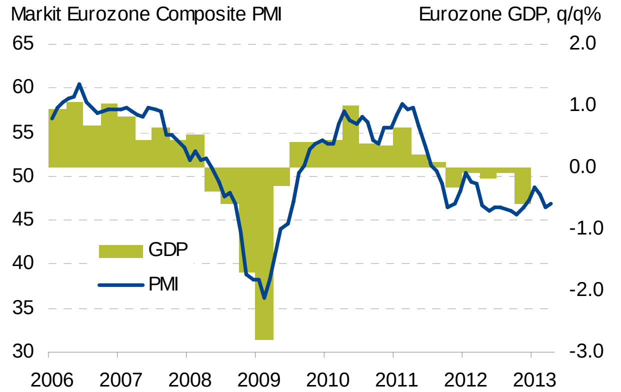
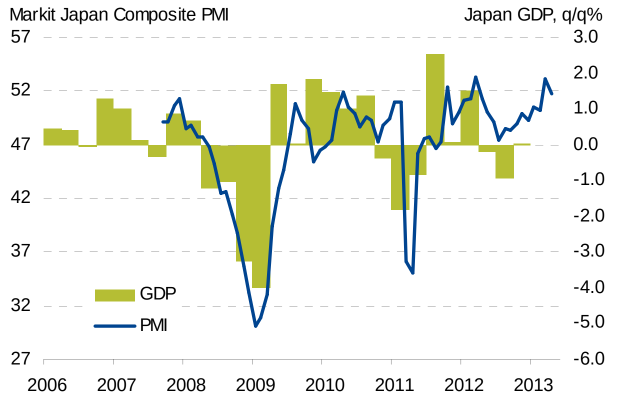


Eurozone



Japan



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