

Global economy

Slower US expansion acts as drag on wider global economic upturn

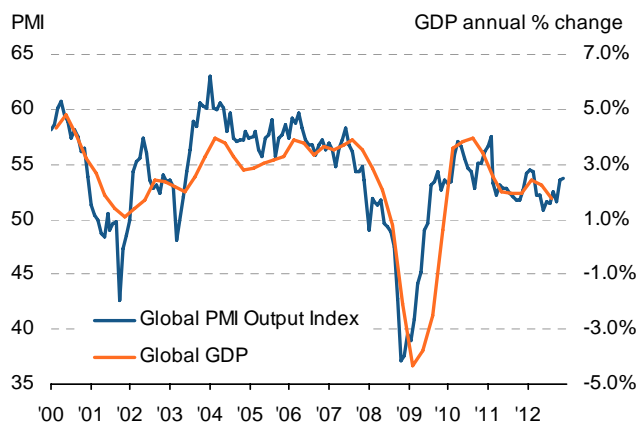
- **Global PMI™ suffers slight fall in January, but weaker growth limited to US**
- **Emerging markets see faster growth**
- **Japan and UK return to growth, eurozone downturn eases**

Global economic growth slowed slightly in January compared to December's nine-month high, according to purchasing managers' surveys, but remained well above the lows seen last summer. The lower pace of expansion was also limited to the US, with the UK and Japan returning to growth, upturns seen in almost all major emerging markets and the eurozone downturn easing again.

Firms also reported that hiring and inflows of new business both picked up, pointing to improved growth momentum in coming months.

The JPMorgan Global PMI™, a survey based barometer of worldwide business activity produced by Markit, fell from 53.7 in December to 53.3 in January. Although signalling a slight easing in the rate of growth for the first time in three months, the current reading is marginally higher than the average of 53.0 seen in the final quarter of last year.

Global PMI and GDP

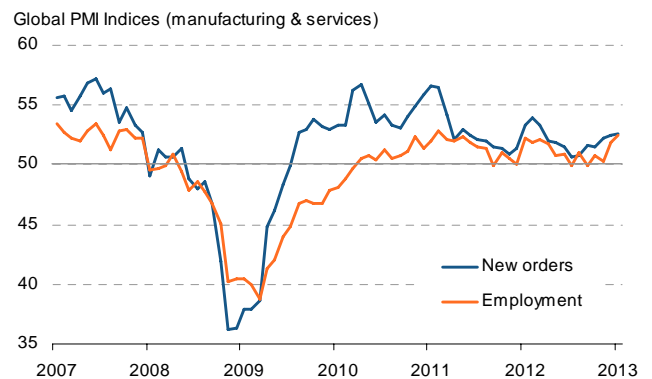


The current reading is indicative of global GDP growing at a steady annual rate of approximately 2.5% at the start of the first quarter. That is similar to the rate signalled by the PMIs for the fourth quarter, and above

the near three-year low of 1.8% signalled by the official data for the third quarter of last year.

The equivalent global new orders index meanwhile edged up from 52.5 in December to a ten-month high of 52.6, buoyed by the fastest growth of manufacturing new orders since May 2011. The upturn in demand signalled by the new orders index prompted companies to take on staff, resulting in the largest increase in employment for just under two years.

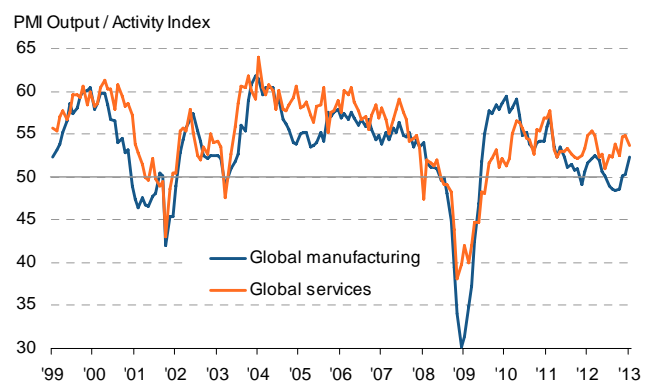
Global new orders and employment



Manufacturing closes gap on services

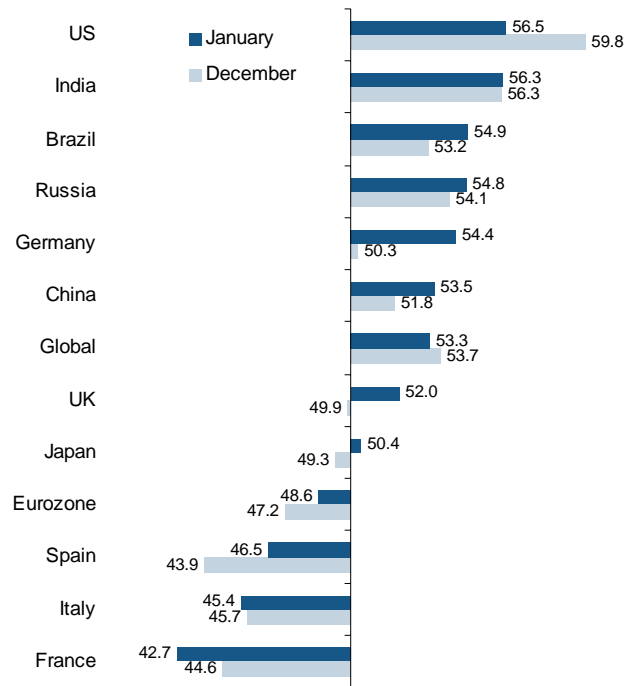
Manufacturing grew at the fastest rate for ten months, and posted one of the strongest rises seen over the past two years, recovering further from the downturn seen in Q3 last year. However, the rate of growth in the goods-producing sector continued to lag behind that seen in services, despite the latter seeing growth moderate to a three-month low.

Global Manufacturing v Services PMI



Countries ranked by all-sector PMI in January

Composite PMI, 50 = no change on prior month



US remains at head of growth rankings

The US continued to lead the growth rankings for the world's major developed and emerging markets, despite being the only country to see its rate of expansion fall. The markedly slacker pace was due to sharply weaker growth in the non-manufacturing sector, as measured by the ISM survey. Reassuringly, Markit's index of US manufacturing output growth hit a ten-month high.

Despite the fall, the all-sector PMI for the US remained at a level broadly consistent with US GDP rising at a quarterly rate of 0.6% in January, or an annualized rate of 2.5%. The data add to evidence that the US will rebound from the 0.1% annualized rate of GDP contraction seen in the final quarter of last year, a downturn which was largely the result of destocking, falling government spending and disruption due to Hurricane Sandy.

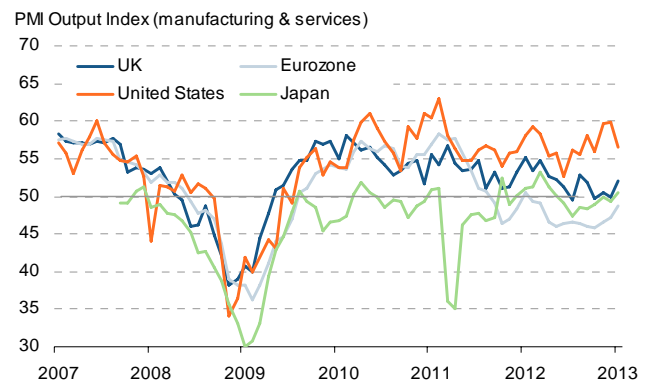
While the US all-sector PMI fell to a three-month low, equivalent indices rose in the other main developed countries. An upturn in the UK added to the likelihood of the country recovering from the 0.3% GDP downturn seen in the fourth quarter, buoyed by stronger growth of manufacturing and a return to growth for services.

An upturn in the business cycle is also signalled for Japan, with the PMI covering both manufacturing and services rising in January to its highest since last April.

The rate of decline in manufacturing eased while the service sector reported a third successive month of modest expansion.

The eurozone meanwhile showed signs of healing, with the rate of decline easing for the third month running to the weakest since last March. However, the picture within the region is very uneven: while growth picked up sharply in Germany, contractions were again registered in France, Italy and Spain.

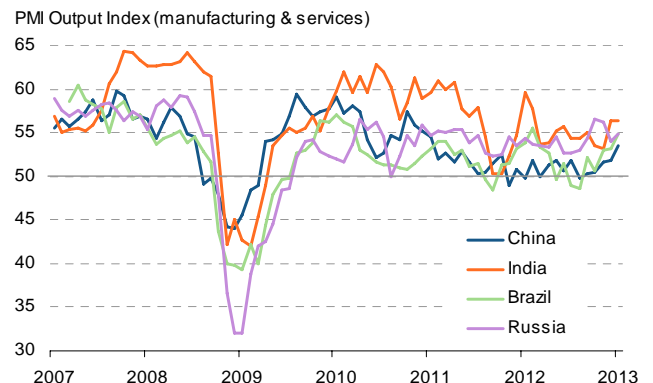
Composite PMIs for the developed economies



Emerging markets see good start to 2013

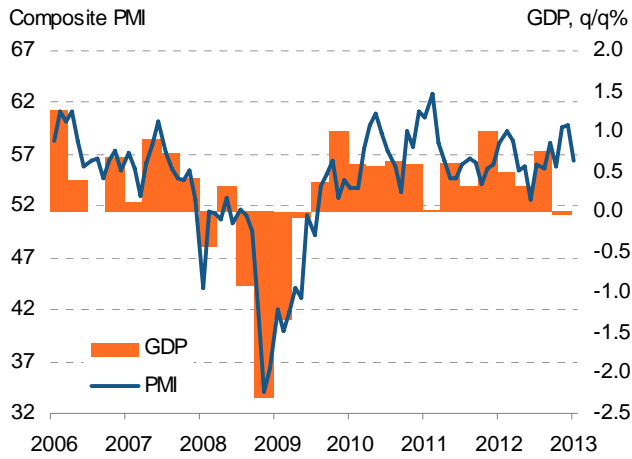
January's PMIs also brought good news on emerging markets. Growth in China picked up to its fastest for two years, and growth rates also accelerated in both Russia and Brazil. It was India, however, that continued to lead the four BRIC economies, with the rate of growth unchanged on December's ten-month high.

Composite PMIs for the main emerging economies

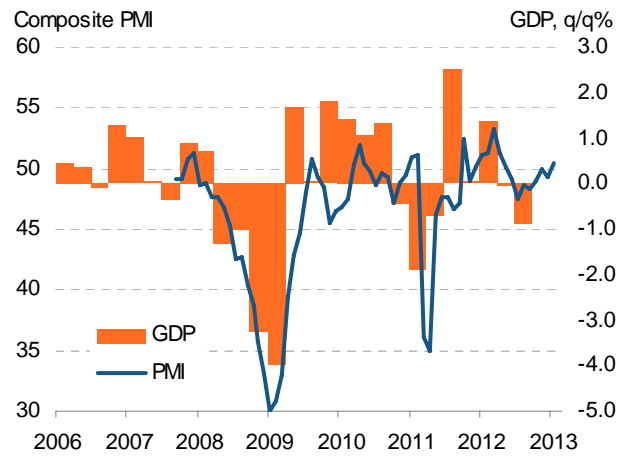


PMI and GDP comparisons

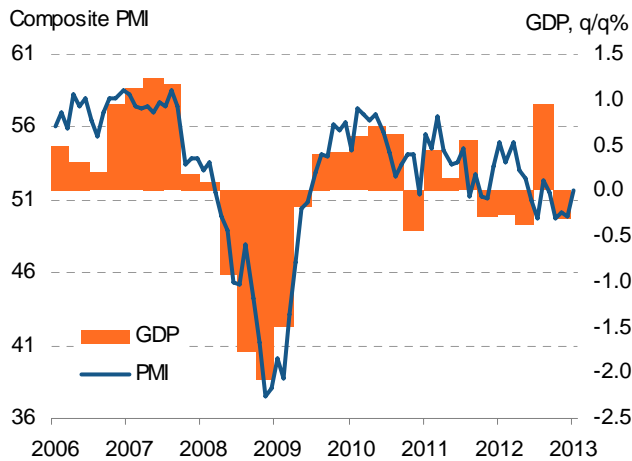
United States



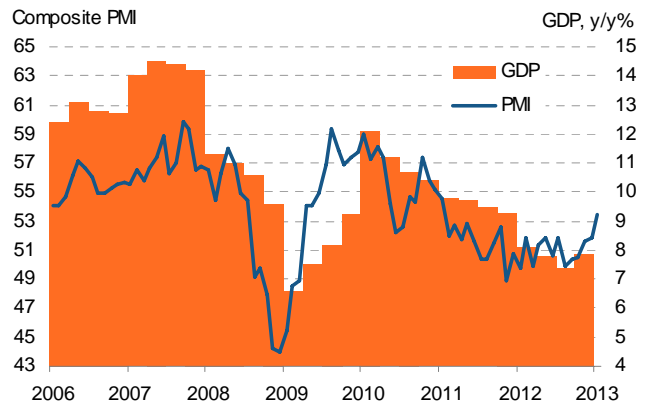
Japan



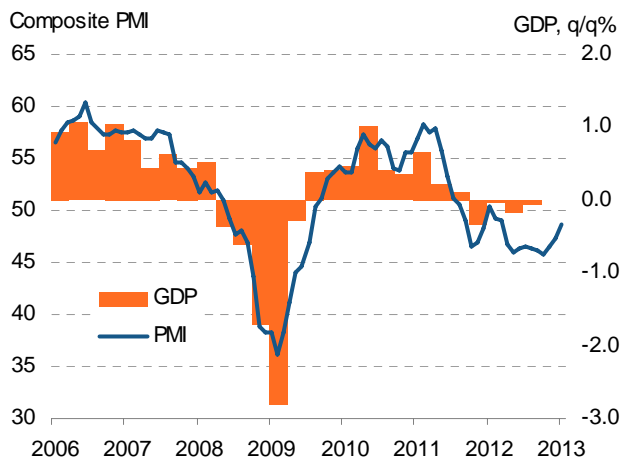
United Kingdom



China



Eurozone



Chris Williamson

Chief Economist

Markit

Tel: +44 207 260 2329

Email: chris.williamson@markit.com

For further information, please visit www.markit.com