

Global economy

Strength of first quarter growth under scrutiny as global PMI hits four-month low

- **Global PMI suffers slight fall in January, but weaker growth limited to US**
- **New orders rises at increased rate, stimulating further employment growth**
- **US expansion contrasts with near-stagnation in UK and Japan ,slower growth in China and Eurozone downturn**

Global economic growth slowed to a four-month low in February, according to the [JPMorgan Global PMI](#), a survey-based leading indicator of worldwide business activity produced by Markit. The index remains elevated compared to the lows seen late last year, suggesting that global GDP growth is still likely to have picked up in the first quarter (the annual rate of growth of worldwide GDP slowed to an estimated three-year low of 1.3% in the final quarter of 2012), but the drop in the PMI from 53.2 in January to 53.0 in February raises question marks over growth momentum and the sustainability of the improvement moving into the second quarter.

Business activity growth slowed in both manufacturing and services, though in both cases remains much improved on the lows seen late last year.

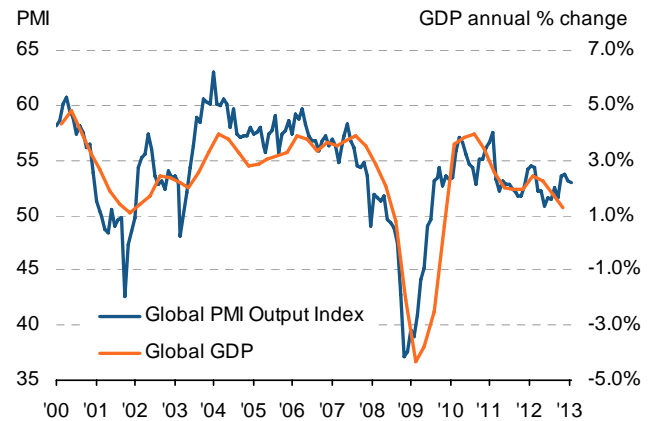
Some encouragement came from firms also reporting that inflows of new business grew at the fastest rate for 11 months, and that companies continued to take on new staff at a rate unchanged on that seen in January, suggesting that overall business activity growth may pick up again in March.

US-led global upturn

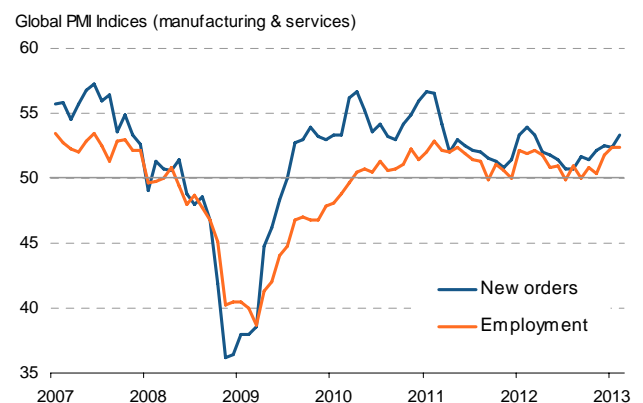
Among developed economies, the US continued to lead the pack in February, contrasting with only very modest growth in the UK, near-stagnation in Japan and ongoing contraction in the Eurozone.

In the emerging markets, growth was led by India and Russia, though only Russia saw faster growth in February. Both China and Brazil also saw weaker rates of expansion.

Global PMI and GDP



Global new orders and employment

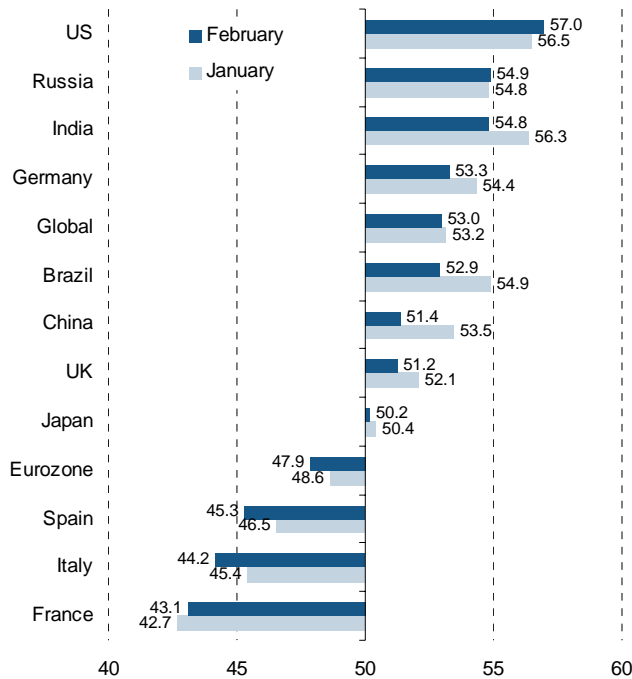


Global Manufacturing v Services PMI



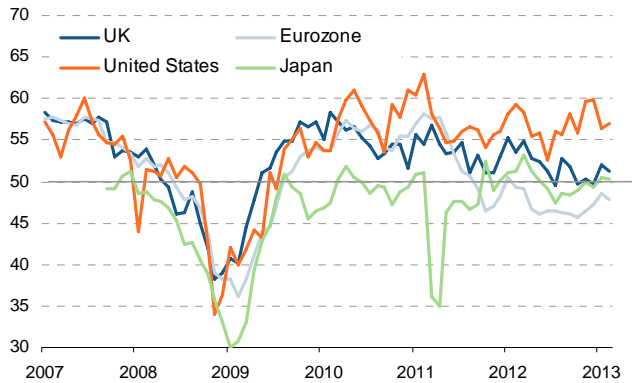
Countries ranked by all-sector PMI in February

Composite PMI, 50 = no change on prior month



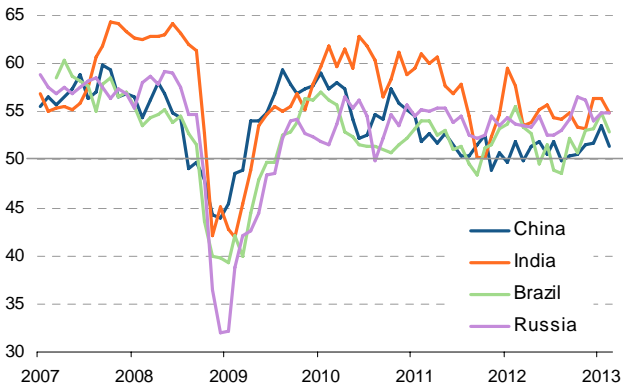
Composite PMIs for the developed economies

PMI Output Index (manufacturing & services)



Composite PMIs for the main emerging economies

PMI Output Index (manufacturing & services)



Official data showing the **US** economy contracting at an annualised rate of 0.1% in Q4 were [revised to show a 0.1% expansion](#), but even that better figure is likely to have understated growth at a time of positive PMI business surveys and a rate of job creation running at an average of 201k per month. The [manufacturing PMI](#) signal of 2.0% quarterly growth in February points to a healthy GDP rebound in Q1.

The [Eurozone PMI](#) disappointed by signalling a steepening decline in February, calling into question the belief that the region could stabilise by mid-year. Worryingly, the divergence between Germany and France this year is the widest since data were first collected in 1998. Germany is enjoying the best quarter since mid-2011 but France is set for the steepest downturn since 2009. Italy and Spain also contracted again.

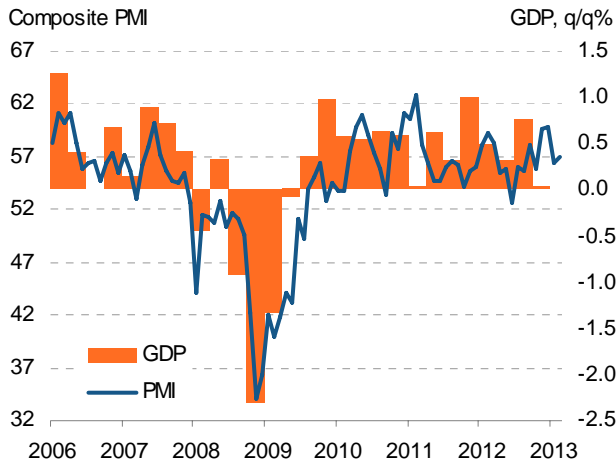
With the **UK** seeing GDP fall 0.3% in Q4 and the loss of its AA credit rating by Moody's, attention is on the PMIs to glean whether the economy contracted again in Q1, meaning a 'triple-dip' recession. [The PMIs so far point to just 0.1% growth in Q1](#), as faster service sector growth offset worrying – though possibly partially weather-related – downturns in [manufacturing](#) and construction. March's data will likely prove decisive in terms of the health of the economy in the first quarter.

[Markit's all-sector HSBC PMI for China](#) fell back sharply from January's two-year high, though some caution is warranted as the data are volatile at this time of year due to the New Year holidays. The PMIs still show GDP growth accelerating in Q1 from the 7.9% annual rate seen in Q4. But news of government controls dampening bank lending underscored fears raised by the PMI that growth could weaken again.

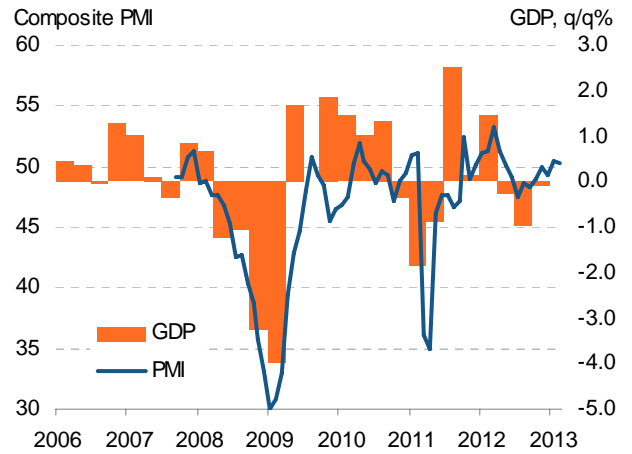
In [Japan](#), [Markit's composite PMI](#) dipped slightly in February but remained high enough to suggest the economy could rise from its recession in Q1 (GDP fell for the third quarter running in Q4, albeit dropping just 0.1%). Business confidence hit a 5½-year high, partly driven by the weaker yen and the belief that the new Bank of Japan governor will be more forceful in seeking an end to deflation via more stimulus.

PMI and GDP comparisons

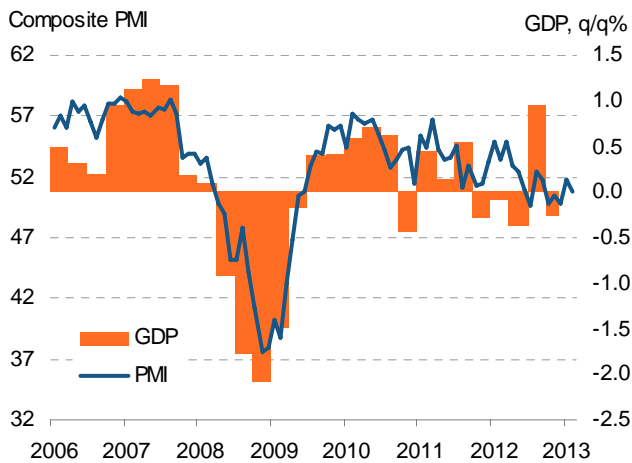
United States



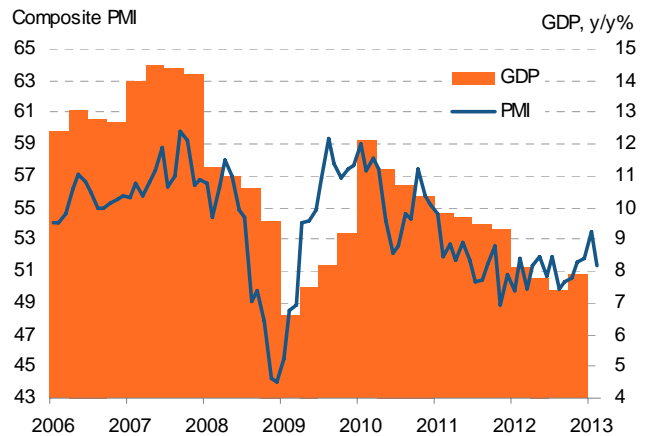
Japan



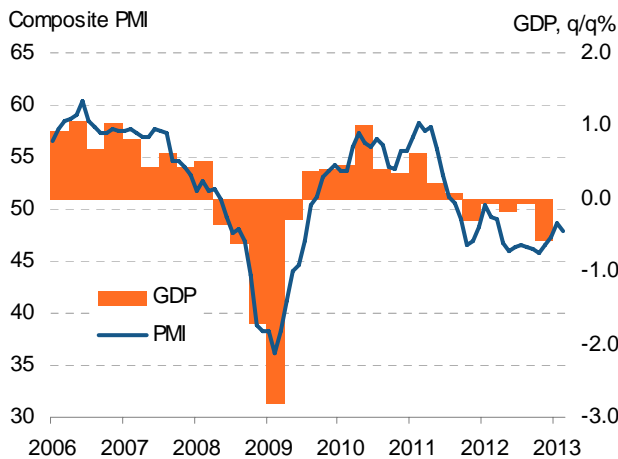
United Kingdom



China



Eurozone



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