4th floor
Ropemaker Place
25 Ropemaker Street
London
EC2Y 9LY
United Kingdom

tel +44 20 7260 2000
fax +44 20 7260 2001
www.markit.com

Markit Economic Research

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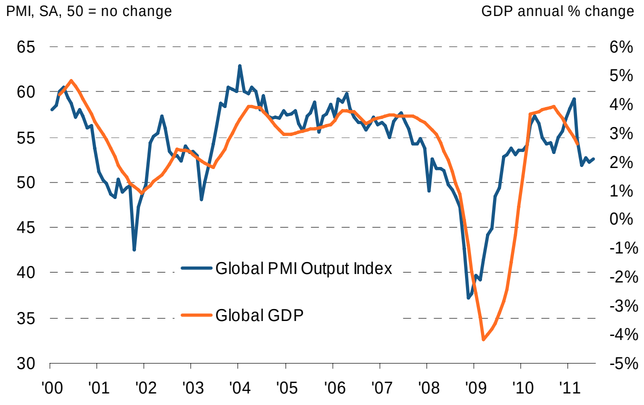
Global economy

Global economy remains in the doldrums, but price pressures ease

- **Global PMI™ shows only slight lift since June**
- **Order books and employment hint at ongoing weakness in coming months**
- **But supply chain delays and price pressures both ease**

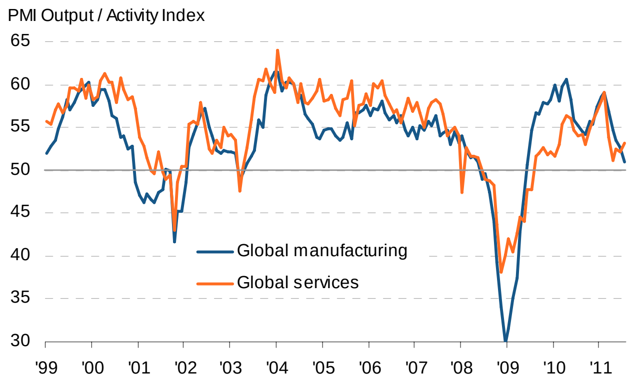
The global economy remained stuck in the slow lane during July, although a modest improvement in the rate of growth was evident as a faster rate of expansion in the service sector offset a further slowdown in manufacturing. The JPMorgan Global PMI™, compiled by Markit, rose from 52.3 in June to 52.6 in July. However, in spite of the increase, the index was the third-lowest since the recovery began in August 2009 and remains consistent with worldwide gross domestic product (GDP) growth of just 2% per annum.

JPMorgan Global Manufacturing PMI™



Weak growth was again evident in both manufacturing and services, although a deterioration in the rate of manufacturing output growth to the weakest since June 2009 was offset by a modest improvement in service sector activity growth to the highest for four months.

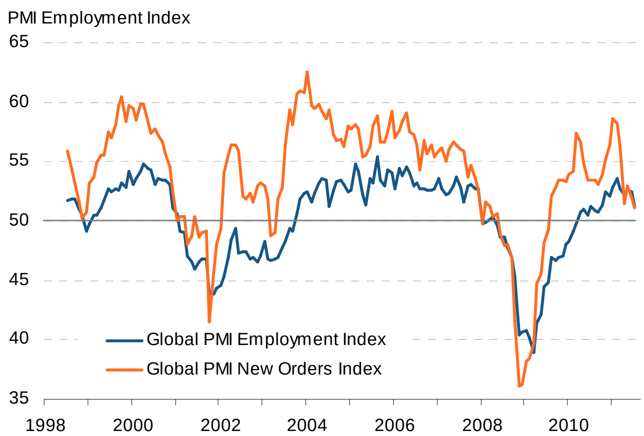
Global manufacturing and services



Order book and employment trends point to ongoing weakness

The uptick in the rate of growth may prove to be short-lived, however, as the July PMI™ surveys also showed that growth of incoming new business slipped to near-stagnation, signalling the weakest increase in demand for goods and services since the recovery started. Slower growth of new business in the service sector was accompanied by a marginal fall in manufacturing new orders – the first decline since June 2009.

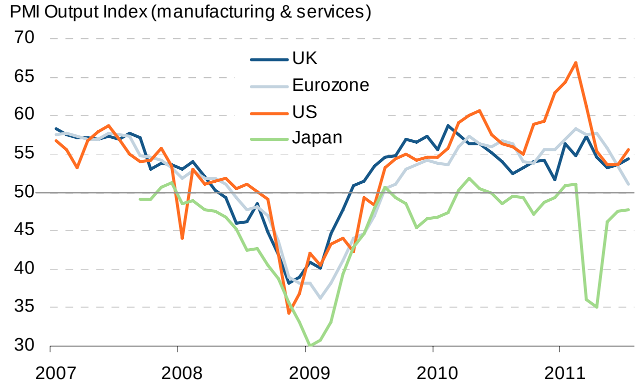
Global new orders and employment



Companies also scaled back their hiring, with global employment rising at the weakest rate since September of last year. Only very modest growth was seen in both manufacturing and services, the former having reported an especially steep easing in the rate of job creation since February's peak.

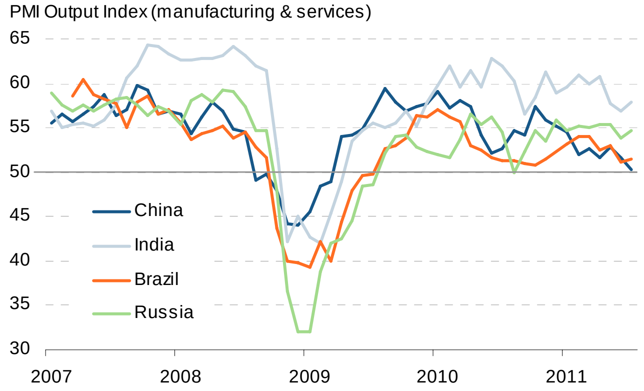
In the developed world, Japan continued to contract as the v-shaped recovery of the country's manufacturing sector was held back by ongoing decline in the services sector. Meanwhile, growth slowed to the weakest for almost two years in the Eurozone as falling output in the periphery was accompanied by much reduced growth rates in core nations. The UK and US both saw slight improvements in growth rates, but in both cases the improvements were confined to services.

Developed countries



In the largest emerging markets, China's rate of activity growth continued to moderate in July, registering the weakest pace of expansion since the country's recovery began in April 2009 as manufacturing contracted for the second month running. In contrast, PMIs moved up in India, Russia and – to a lesser extent – Brazil.

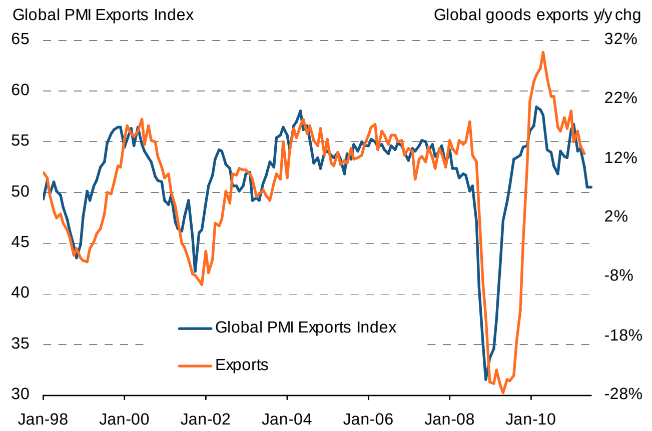
Emerging markets



Global exports stagnate – again

Much of the slowdown, especially in manufacturing, can be traced back to a near-stagnation of worldwide trade. The Global PMI™ Manufacturing New Export Orders Index held close to the 50.0 neutral level in July, with exports falling in key countries such as China, Japan and Germany.

Global manufacturing exports



Supply chain and price pressures ease

Brighter news came with the inflation and supply chain data. The incidence of supply chain delays was the lowest globally since July 2009, raising hopes that fewer bottlenecks will help revive any production lines that had been constrained by the Japanese earthquake back in March. Furthermore, with supply coming into line with demand, suppliers are less able to hike prices. Manufacturers' input prices showed the smallest monthly increase globally since July 2010, helped also by lower oil prices.

Sources for charts: Markit, JPMorgan, ISM, HSBC, Ecowin.

To find out how to receive PMI data, please contact **economics@markit.com**

Chris Williamson
Chief Economist
Markit
Tel: +44 20 7260 2329
Email: chris.williamson@markit.com
http://twitter.com/WilliamsonChris

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