

# Global economy

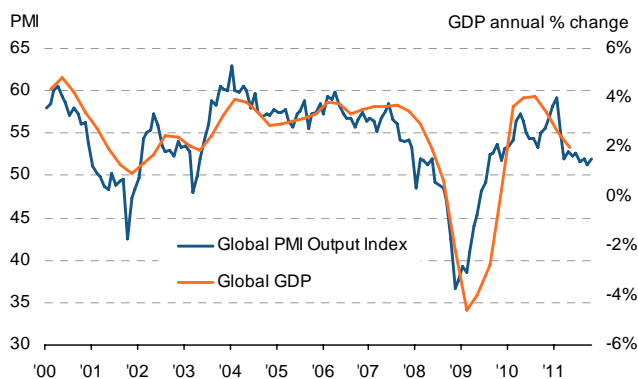
## Global economy limps along in November

- **Global PMI rises but signals lacklustre GDP growth**
- **Surprise upturn in US expansion contrasts with downturns in China and Eurozone**

November's PMI surveys signalled a slight upturn in the pace of global economic growth. However, the data still indicate that the annual rate of increase remained lacklustre as the Eurozone continued to contract and many other developed and emerging countries saw only weak growth.

The JPMorgan Global PMI rose to 52.0 from the post-recession low of 51.3 seen in October. The survey-based indicator is roughly consistent with worldwide gross domestic product expanding at an annual rate of 1.5%, down from 2.0% in the second and third quarters and well below the peak of 4.1% seen in the third quarter of last year (according to official GDP data). By comparison, the average rate of global economic growth seen in the six years prior to the recession was 3.3%.

### Global economic growth



Manufacturing is showing particular weakness and the PMI surveys suggest that goods production has more or less stagnated since July.

Services have meanwhile shown ongoing – though subdued – growth. With the exception of the financial

crisis, the recent performance of the goods producing sector is the worst since the Iraq War in 2003.

### Global manufacturing and services

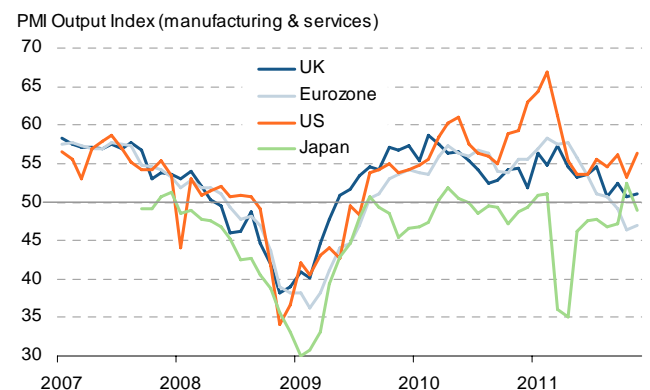


### US growth picks up but euro area continues to contract at steep pace

The big surprise in November was an upturn in the rate of growth signalled by the US (ISM) PMIs. On the downside, Japan also surprised with a slide back into contraction. However, the PMIs for both countries suggest that rates of growth may be 0.5% or more in the fourth quarter (approximately 2-2.5% annualised).

Less surprising was a further steep contraction of the Eurozone and sluggish UK growth. The Eurozone looks to be contracting at a rate of around 0.5% in the fourth quarter, with double that rate of decline seen in Italy. Even Germany is showing signs of stagnating as the region's debt crisis affects the real economy.

### Developed world

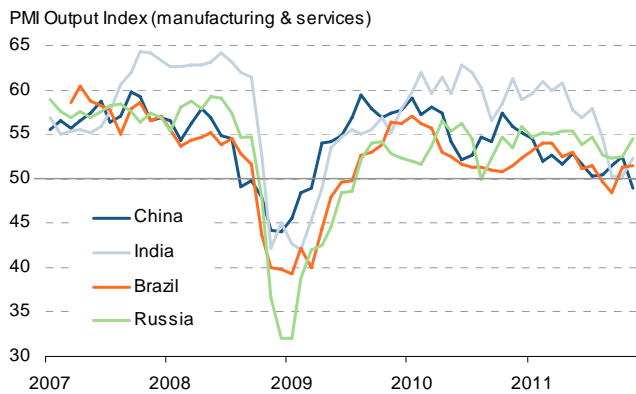


UK companies also often blamed weak demand on the euro crisis, as well as domestic austerity measures. A stagnation of UK GDP in the fourth quarter looks likely, with the risk of a renewed downturn in the New Year a distinct and growing possibility if the euro area continues to contract at such a steep pace in coming months.

### Emerging market divergences

Marked contrasts were also seen in emerging markets: China's all-sector PMI fell to its lowest since March 2009, reflecting a drop in manufacturing production and weaker service sector expansion. However, growth in Brazil, Russia and India continued to revive from weakness seen in the third quarter.

#### Emerging markets



China's PMI is broadly consistent with the annual rate of economic growth easing closer to 8% in the fourth quarter. A stagnation of the Brazilian economy in the fourth quarter may meanwhile prove to be short-lived, with growth returning in the fourth quarter but nevertheless remaining very modest. India's growth rate has meanwhile slumped sharply since earlier in the year, and looks to have expanded at an annual rate of less than 8% in the fourth quarter.

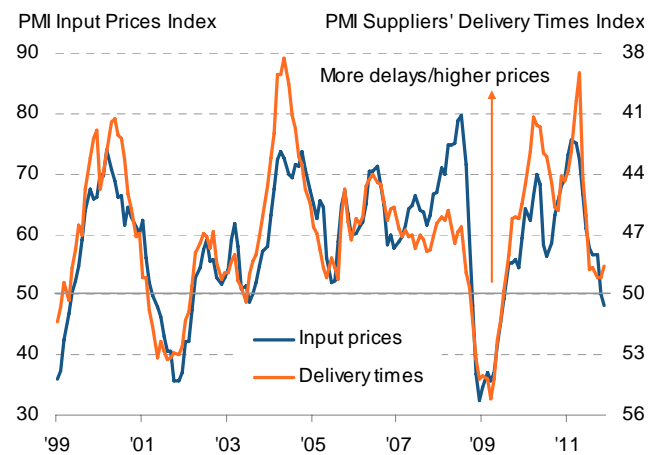
### Price pressures ease

Weaker growth in emerging markets reflects a combination of sluggish demand in the developed world, a spreading of uncertainty around the globe due to the Eurozone's financial crisis and a tightening of policy in many developing nations earlier in the year, which is now being reversed in many cases, most notably China.

Scope to loosen monetary policy has been enhanced as manufacturing downturns have been accompanied by a marked easing of supply shortages and price pressures. Earlier in the year, shortages led to a steep

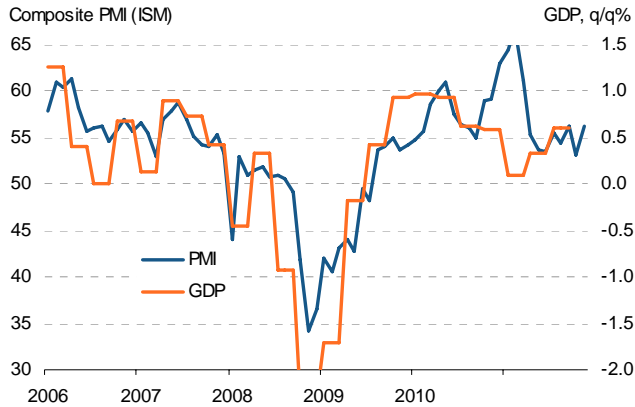
rise in producers' input costs. But global prices are now falling - a rare occurrence, which highlights just how weak demand is at present. However, the data bode well for a welcome easing of consumer price inflation in many countries, notably China.

### Global manufacturing prices and delivery times

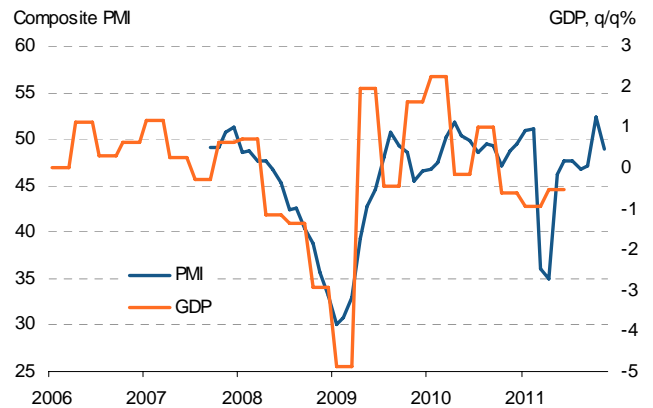


All sources: Markit, ISM, JPMorgan, HSBC, Ecwin.

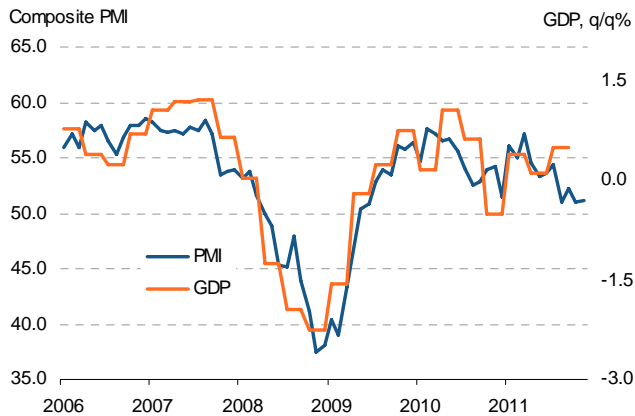
### US economic growth



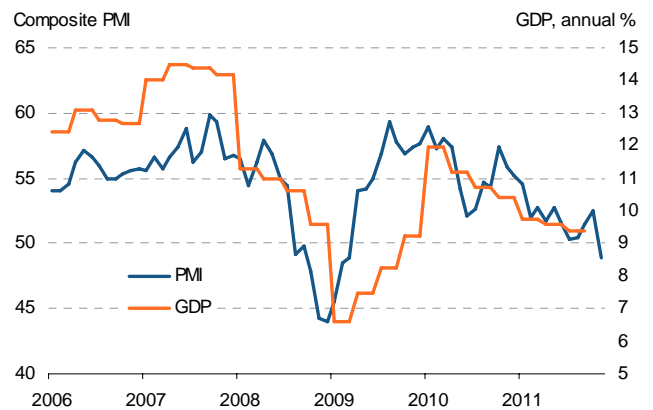
### Japan economic growth



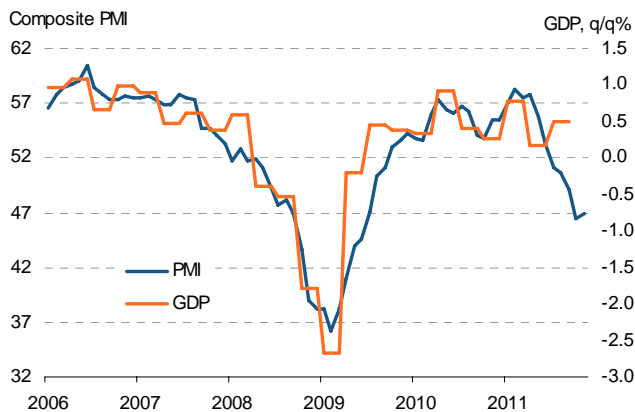
### UK economic growth



### China economic growth



### Eurozone economic growth



## Chris Williamson

### Chief Economist

Markit

Tel: +44 207 260 2329

Email: [chris.williamson@markit.com](mailto:chris.williamson@markit.com)

For further information, please visit [www.markit.com](http://www.markit.com)

The intellectual property rights to this report provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.