

Global economy

Global economic growth falters in May

- **Global PMI falls to second-lowest since end of 2012**
- **Emerging market economies back in decline**
- **Developed world stuck in lower gear as US growth shows signs of faltering in Q2**

Global economic growth stumbled in May, according to PMI data, suggesting the weak start to the year has persisted into the second quarter. While emerging markets continue to languish, the developed world remains stuck in the lower gear it downshifted into back in February. The survey data highlight slowing second quarter growth in the US and UK, a still-sluggish Eurozone expansion and a renewed downturn in Japan.

Second-weakest expansion in 3½ years

The JPMorgan Global PMI, compiled by Markit from its worldwide business surveys, fell from 51.6 in April to 51.1 in May, its second-lowest reading since the end of 2012 (a low of 50.8 having been seen in February).

The data point to global GDP (at market prices) rising at an annual rate of just 1.5% in the second quarter, assuming no material change is seen in June, below the long run average of 2.3%. That's almost unchanged on the rate of growth signalled in the first quarter.

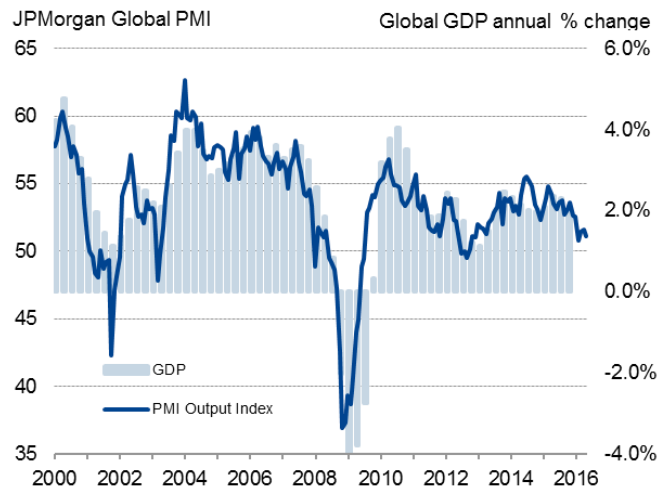
Emerging markets once again led the slowdown, with the PMI signalling a return to slight contraction after two months of marginal growth. Developed world growth also remained firmly in the doldrums in May, having slowed to the second-lowest in just over three years.

A deeper dive into the data highlights the absence of any noteworthy growth driver in the global economy.

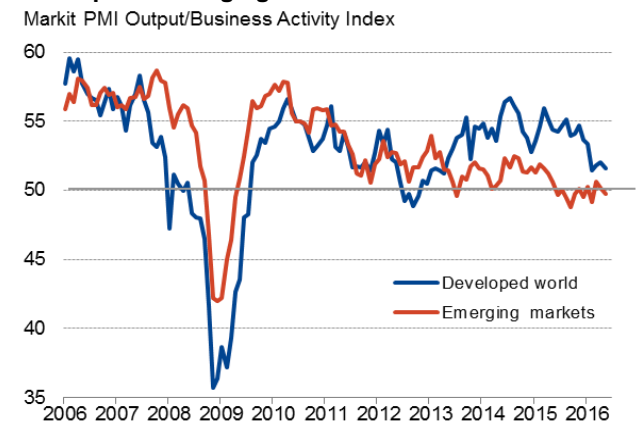
Emerging market languor persists

Emerging markets provided a major stimulus to world growth prior to the 2008 financial crisis and in the immediate aftermath, but growth decoupled from the

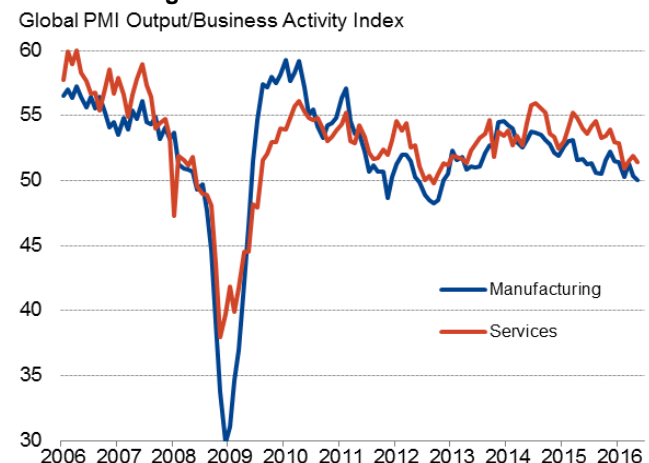
Global economic growth



Developed v emerging markets



Manufacturing v services



developed world upswing in 2013 and has since disappointed relative to rich world performance.

The weak PMI reading of 49.7 in May, down from 50.2 in April, is historically consistent with GDP across the emerging markets rising at an annual rate of just 4%; well below the double-digit rates seen prior to the financial crisis.

Among the emerging market economies, a further slowing to near-stagnation signalled by the Caixin [PMIs for China](#) acted as an ongoing dampener on demand across the rest of emerging Asia. Manufacturing in Asia excluding China and Japan, for example, [stagnated in May](#). Growth across manufacturing and services in India meanwhile slowed to one of the weakest rates seen over the past two years, according to the Nikkei PMIs. Russia likewise only managed to eke out modest growth, though the sluggish expansion represents a surprising sign of stability after the downturn seen at the start of the year.

By far the worst performance was again seen in Brazil, where the PMIs fell to a record low, highlighting how the country's recession looks to have deepened in the second quarter.

Developed world stuck in lower gear

Among the developed world economies, the big change so far this year has been a slowing in the US economy, which [Markit's PMIs indicate persisted into May](#), forewarning of a shock slowdown in the official measure of hiring. The PMIs point to US GDP rising in the second quarter at a similar meagre rate to the annualised 0.8% seen in the first quarter. Amongst other factors, uncertainty over the presidential election was found to have been cooling demand.

Uncertainty over Brexit was at the same time found to have been a key factor holding back the pace of UK economic growth. A weak PMI reading for May suggests that the pace of UK economic growth has slowed from 0.4% in the first quarter [to just 0.2% in the second quarter](#).

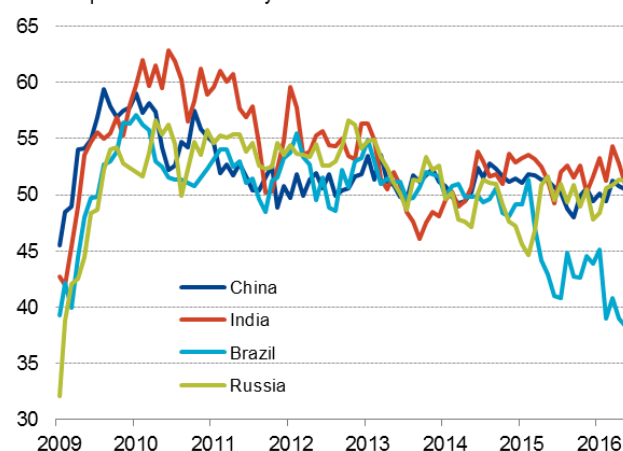
The [Nikkei PMI data for Japan](#) added to the developed world gloom, casting doubt on Japan's ability to continue growing after a surprisingly buoyant start to the year. The economy grew 0.4% during the first quarter, according to official estimates. But the PMI surveys, which also signalled growth in the first three

months of the year, have since lost ground, suggesting GDP has returned to contraction in the second quarter.

The sluggish growth in the US and UK and renewed downturn in Japan meant the Eurozone enjoyed the strongest expansion of the major developed world economies in May. However, even [euro area PMI surveys](#) signalled a slight easing in the pace of expansion since Q1, suggesting GDP growth will weaken from the 0.5% expansion seen at the start of the year to 0.3% in the second quarter.

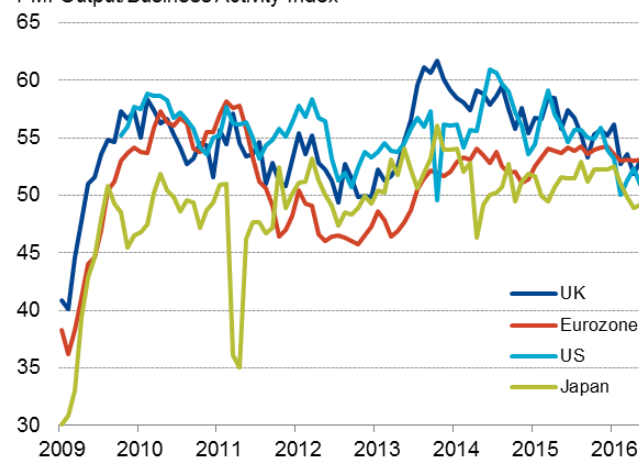
Major emerging markets

PMI Output/Business Activity Index



Major developed markets

PMI Output/Business Activity Index



Sources for all charts: Markit, JPMorgan, Caixin, Nikkei

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[Click here](#) for more PMI and economic commentary.

For further information, please visit www.markit.com