

**Markit Economics**

---

markit™

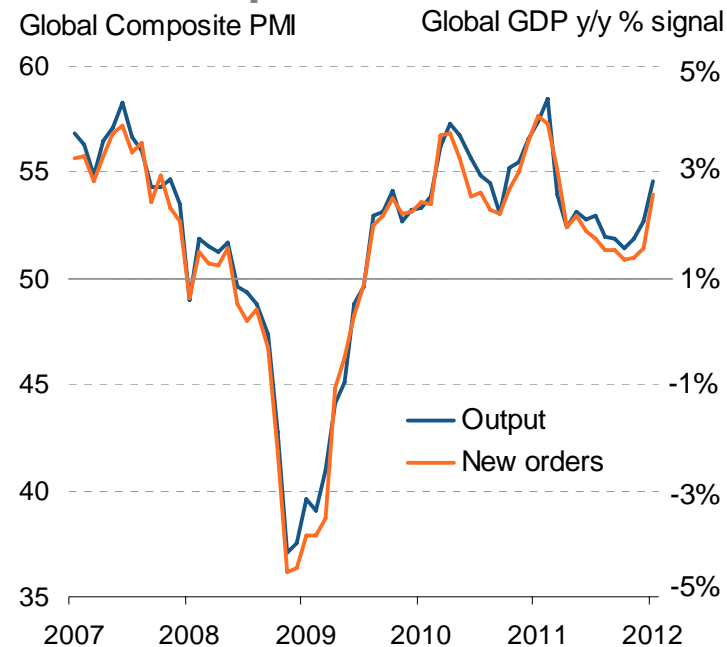
# Monthly economic overview

7 February 2012

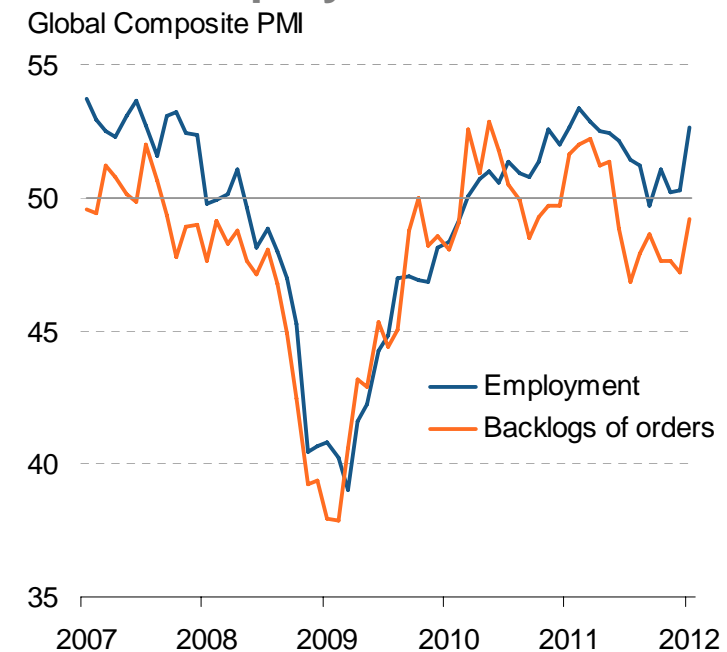
## Global economic growth hits 11-month high, generates jobs

The worldwide manufacturing and services PMI surveys collectively signalled the fastest rate of global economic growth for 11 months in January. The Output Index rose for the third month running to a level consistent with annual global GDP growth approaching 3%. Encouraging news about the sustainability of the upturn was provided by new orders and employment both rising at the fastest rates for ten months.

### Global output and orders

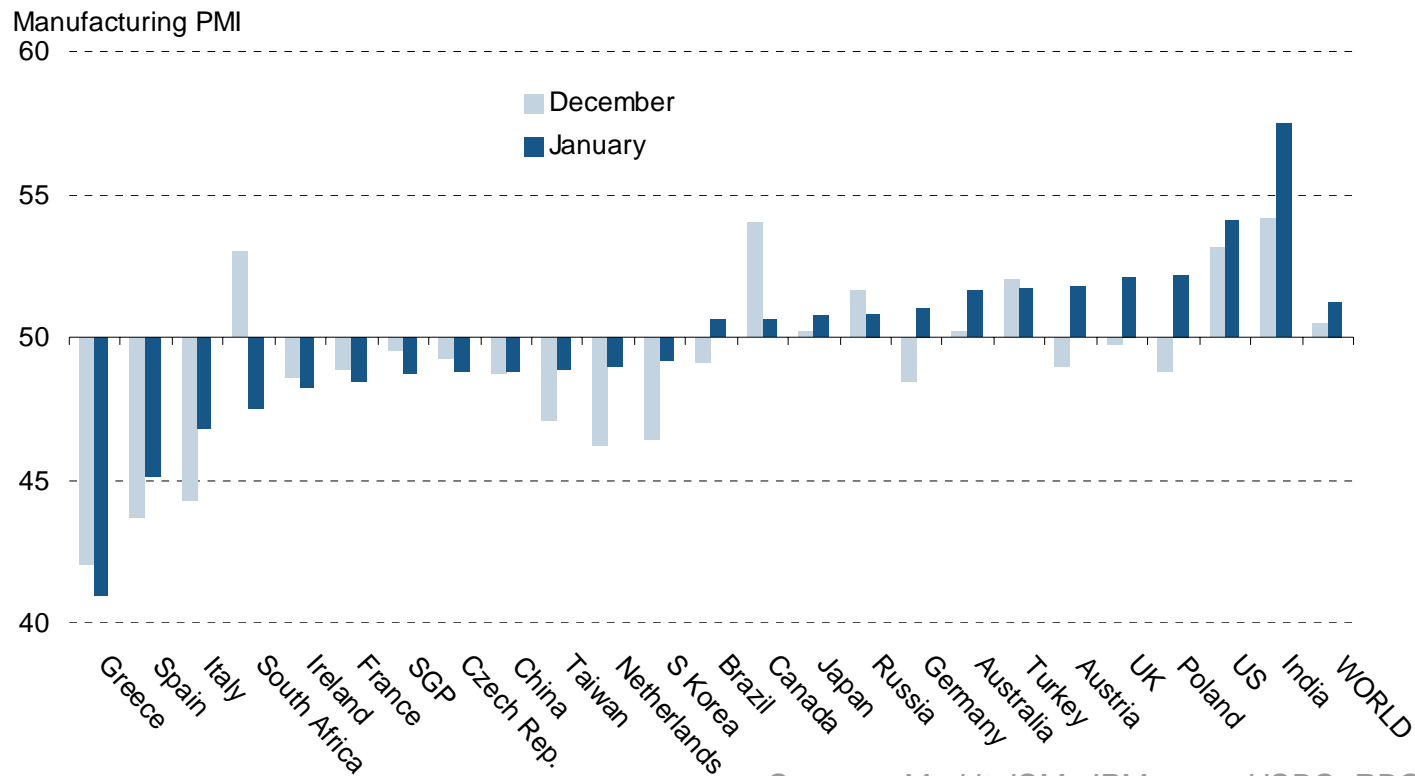


### Global employment



## Manufacturing PMIs highlight national growth variations

PMIs showed a wide range of manufacturing performances by country at the start of the year. India saw the fastest growth, followed by the US, Poland and the UK. All Eurozone countries with the exceptions of Germany and Austria saw sub-50 PMIs, signalling contraction. Greece recorded the steepest rate of decline of all countries surveyed in January, followed by Spain and then Italy.



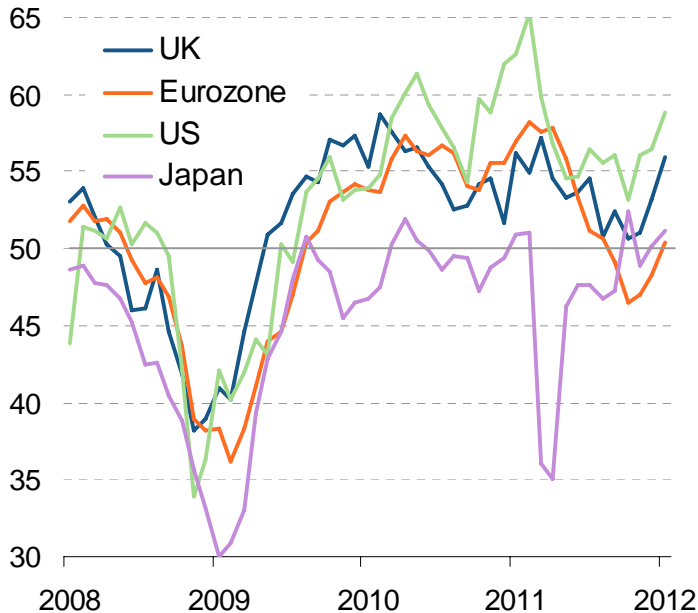
Sources: Markit, ISM, JPMorgan, HSBC, RBC, CIPS, JMMA.

## Reduced risk of recession in the UK and Eurozone

The Eurozone and UK PMIs were closely watched as any further weakening would signal a strong likelihood of a fallback into technical recession in Q1. However, the PMIs rallied strongly to five- and 10-month highs respectively. Growth picked up in Japan and soared in the US. Upturns were also seen in Brazil, Russia and India. A steadying of the Chinese index was also seen as a positive outcome.

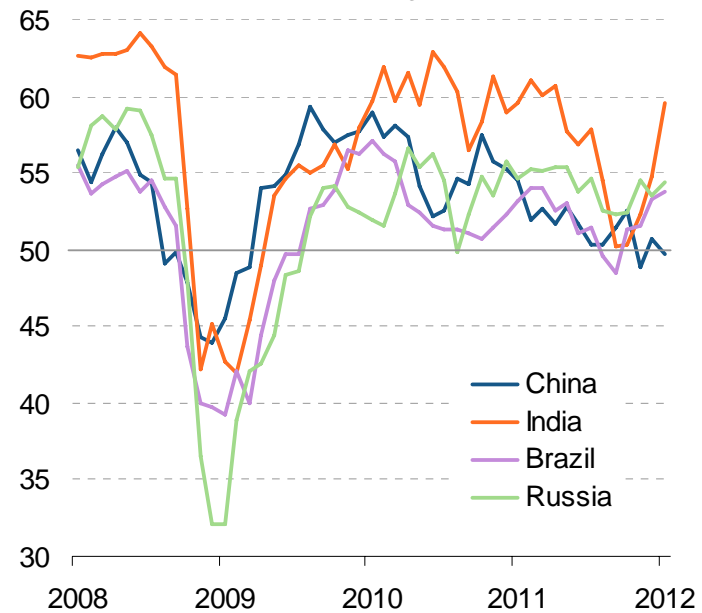
### Developed world output

PMI Output Index (manufacturing & services)



### 'BRIC' output

PMI Output Index (manufacturing & services)

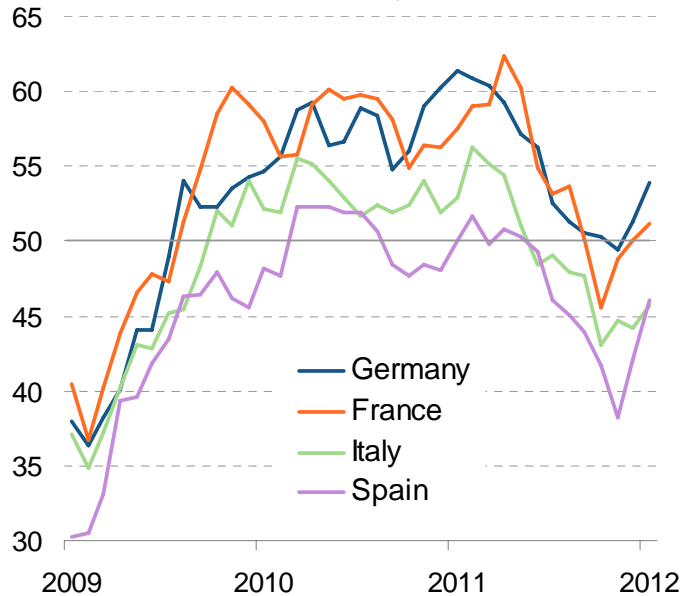


## German resurgence accompanied by better news for euro periphery

Although Greece saw manufacturing output fall at the fastest rate in its 12-year PMI history, PMIs signalled moderating rates of decline in both Spain and Italy. Rising services activity in France meanwhile offset manufacturing decline and meant that the two largest Euro nations returned to growth. Overall, the PMIs indicated that the Eurozone economy stabilised, having contracted in the final four months of 2011.

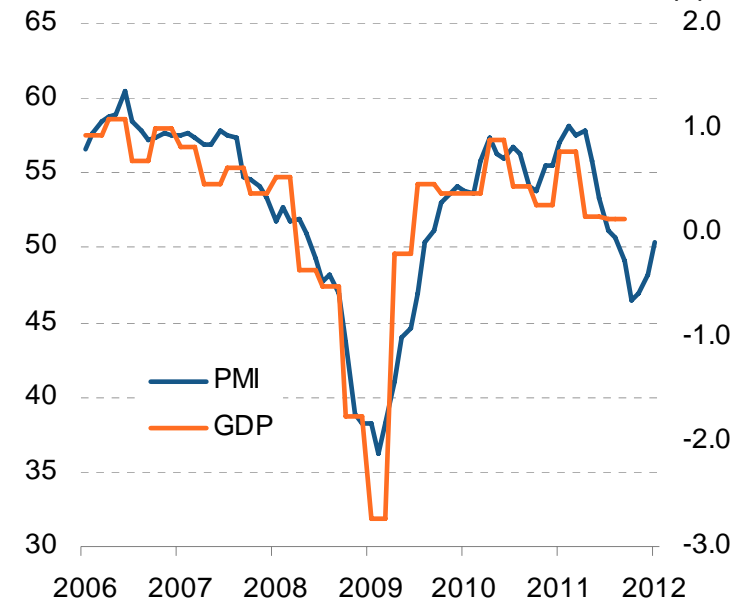
### Eurozone output indicators

PMI Output Index (manufacturing & services)



### Eurozone GDP

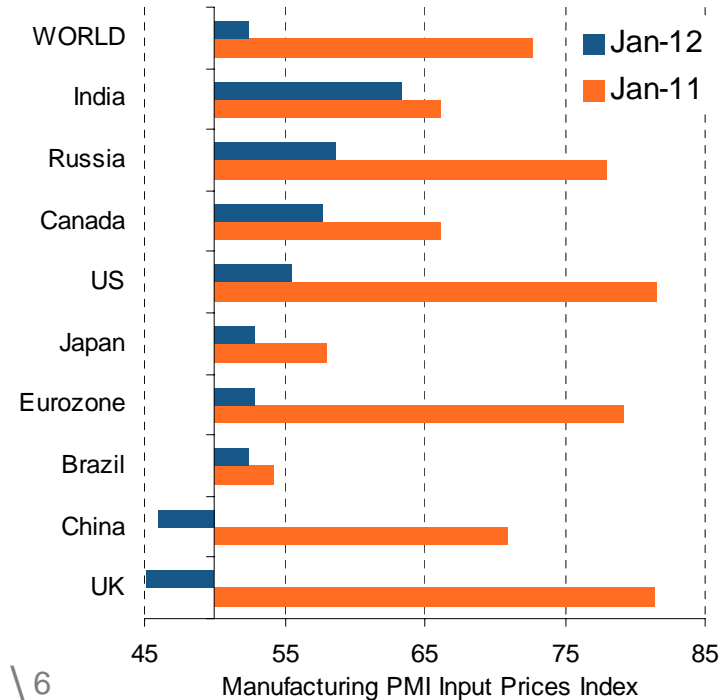
Composite PMI      GDP, q/q%



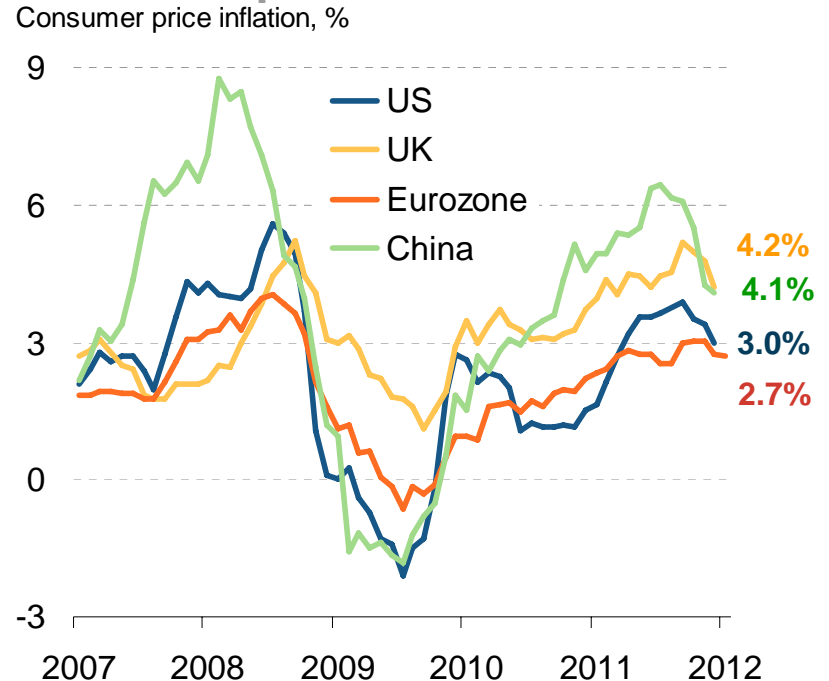
## Inflation rates tumble

Measured globally, manufacturers' input prices rose only modestly in January, in sharp contrast to the steep increase seen this time last year. Falling prices were even evident in China and the UK. Reduced industrial price pressures have helped to bring down consumer inflation rates in all major economies, with slower rates in the UK and China particularly welcomed by households and policymakers alike.

### Global industrial prices



### Consumer price inflation

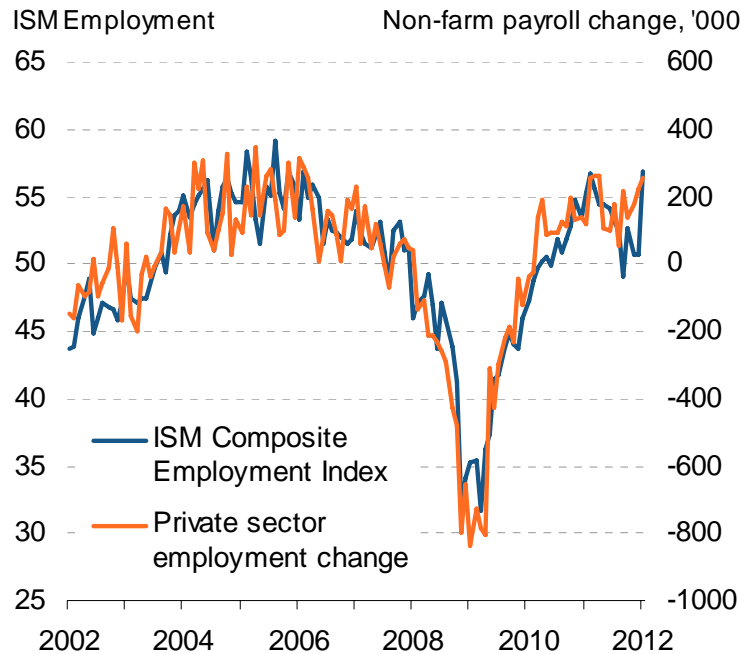


Sources: Markit, ISM, JPMorgan, HSBC, Ecwin, RBC, JMMA, CIPS.

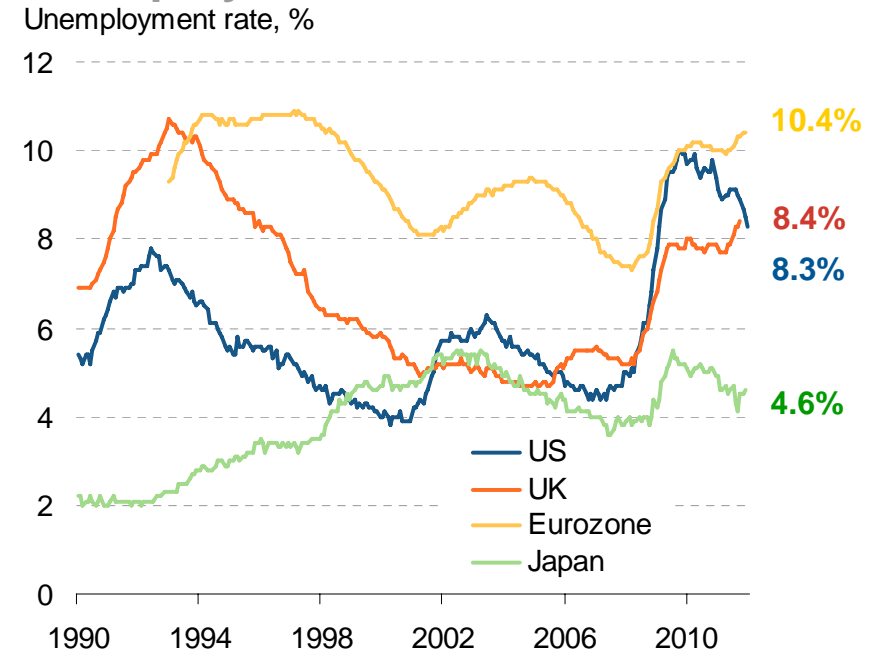
## Employment jumps in the US but jobless rates rise elsewhere

More good news came from US labour market data, with a jump in the PMI Employment Index followed by a 243k gain in US non-farm payrolls. Sustained rises have helped bring down the US unemployment rate to 8.3%. In contrast, jobless rates rose in many Eurozone nations (though notably not Germany), the UK and Japan, highlighting the likelihood of weak pay growth and consumer spending for some time to come.

### US labour market



### Unemployment

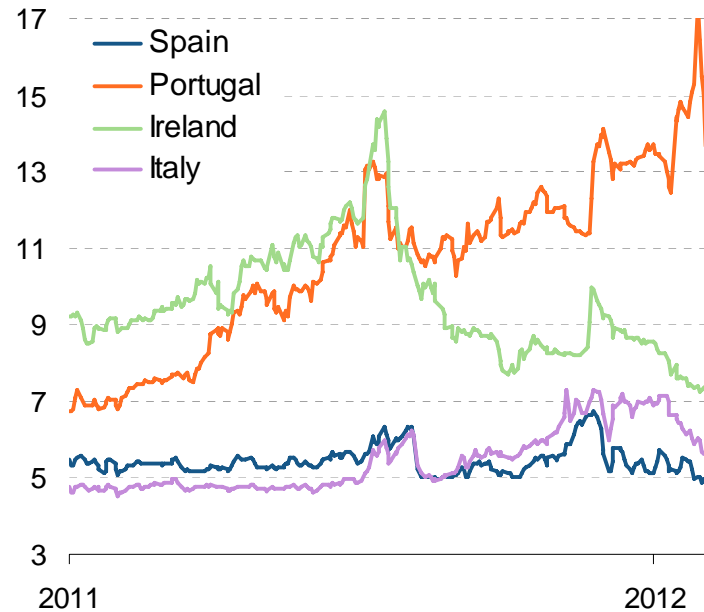


## Sovereign bond yields fall in euro periphery

The better than anticipated economic data was accompanied by higher US, UK and German bond yields, as money moved out of these 'safe havens'. Government bond yields fell sharply for Portugal after a successful auction, and the cost of borrowing also continued to fall for Spain and Italy. But all eyes remain firmly on Greece and the possibility of default, putting pressure on the euro in recent months.

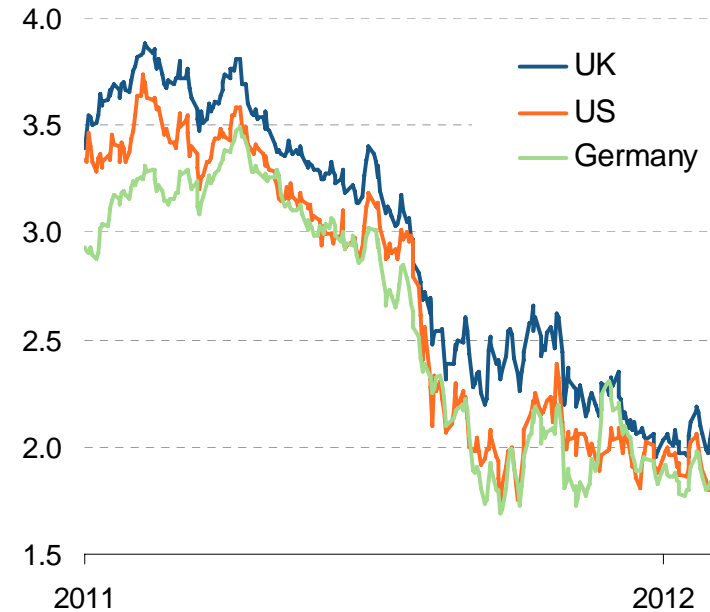
### Eurozone periphery

10-year government bond yield



### 'Safe havens'

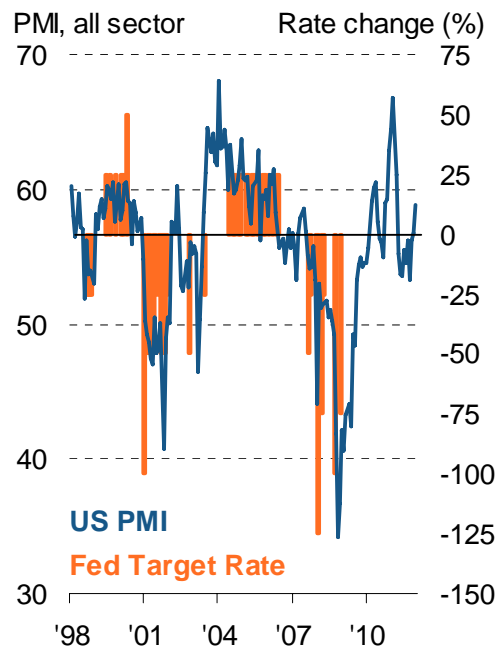
10-year government bond yield



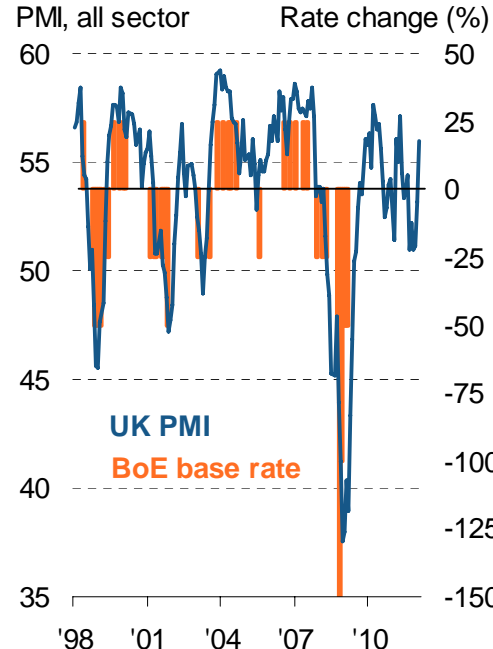
## Central banks still in stimulus mode, stressing fragility of recoveries

The US Fed remained focused on the fragility of the recovery, anticipating interest rates to remain close to zero until at least late-2014. The Bank of England meanwhile looks set to expand its asset purchases in light of the gloomy outlook. Much rests on the ECB, whose 3-year cheap finance 'LTRO' deal for banks, to be repeated in February, has been hailed as a great success in averting another credit crunch.

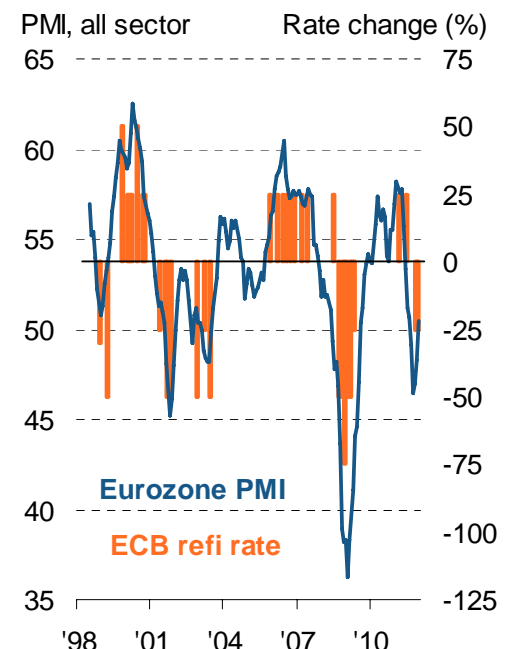
### US



### UK



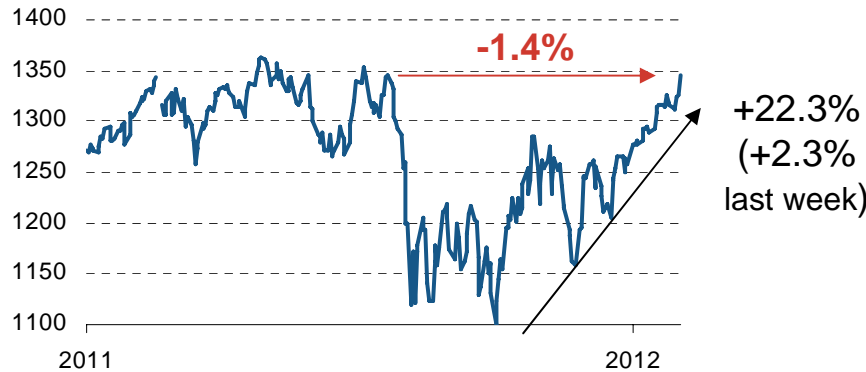
### Eurozone



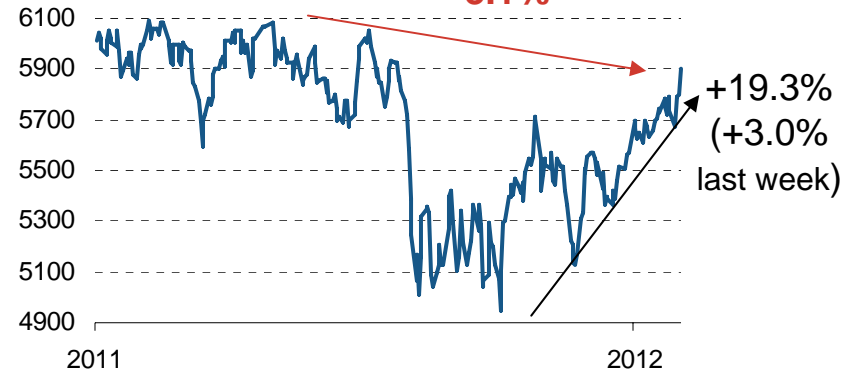
## Equities rally on renewed risk appetite

Stock markets rallied on the better-than-expected economic data, up 2.3% and 3.0% in the US and UK respectively. Eurozone equities rose 3.5%, though concerns about the region's debt crisis meant stocks remained 17% cheaper than their peak in early-2011 compared to a fall of just 1.4% in the US.

### S&P 500



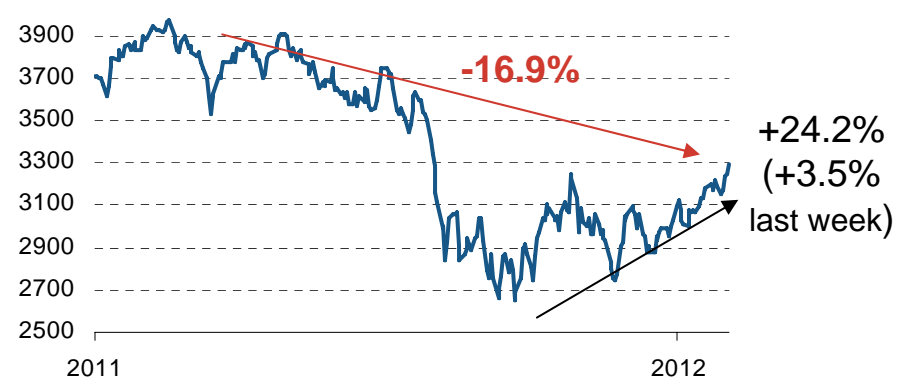
### FTSE 100



### Nikkei



### FTSE Eurofirst



---

## Disclaimer

**Opinions, statements, estimates and projections in this presentation (including other media) are solely those of the individual author(s) at the time of writing. They do not necessarily reflect the opinions of Markit Group Holdings Limited or any of its affiliates ("Markit"). Neither Markit nor the author(s) has any obligation to update, modify or amend this presentation, or to otherwise notify a recipient thereof, in the event that any content, information, materials, opinion, statement, estimate or projection (collectively, "Information") changes or subsequently becomes inaccurate.**

**Any information provided in this presentation is on an "as is" basis. Markit makes no warranty, expressed or implied, as to its accuracy, completeness or timeliness, or as to the results to be obtained by recipients, and shall not in any way be liable to any recipient for any inaccuracies, errors or omissions. Without limiting the foregoing, Markit shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with any information provided, or any course of action determined, by it or any third party, whether or not based on any information provided.**

**The inclusion of a link to an external website by Markit should not be understood to be an endorsement of that website or the site's owners (or their products/services). Markit is not responsible for either the content or output of external websites.**

**Copyright ©2011, Markit Group Limited. All rights reserved and all intellectual property rights are retained by Markit. Any unauthorised use, disclosure, reproduction or dissemination, in full or in part, in any media or by any means, without the prior written permission of Markit Group Limited, is strictly prohibited.**