

Global GDP

Global recession intensified in Q1

Key findings

- **Global GDP contraction accelerated to 3.5% year-on-year in Q1.**
- **But PMIs point to broad-based slowing in rates of contraction.**

The global recession intensified in Q1, with Markit calculating that global GDP contracted at an annual rate of around 3.5%. This indicates a sharp acceleration in the year-on-year rate of decline from 1% in Q4.

The calculation of the Q1 estimate reflects annual rates of decline of 4.6%, 4.1% and 2.6 in the Eurozone, UK and US respectively, and a slowdown in Chinese GDP growth to 6.1%. It assumes an 8.5% contraction in Japanese GDP.

Consensus polls (see table below) for GDP in many of the world's major economic regions have generally been revised down since the start of the year, reflecting the surprising severity of the downturn in the final quarter of last year and the first quarter of 2009.

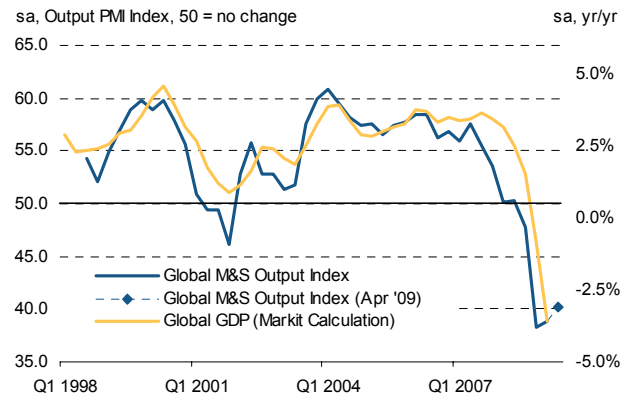
However, looking beyond Q1, April's PMI data provided further evidence of a broad-based easing in the rates of contraction of the worldwide manufacturing and service sectors. The JPMorgan Global PMI Business Activity Index – which is compiled by Markit – rose to a seven-month high of 43.2, its highest post-Lehmans level (see top right chart).

The vast majority of the 36 PMI national surveys covering manufacturing and services included in the April global PMI saw synchronised easings in their rates of decline for both output and new orders, with many beating market expectations.

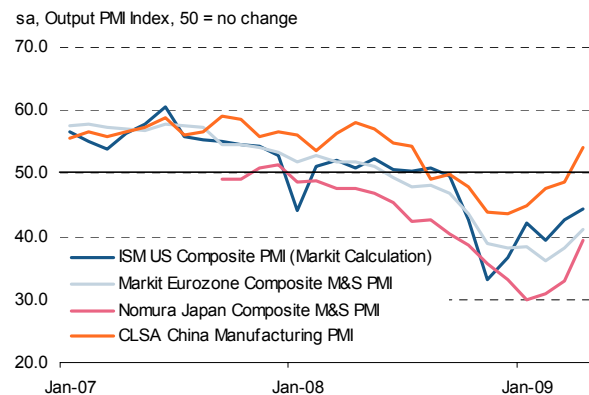
Reuters polls of economists: GDP

Forecast made:	2009					2010				
	Jan	Feb	Mar	Apr	May	Jan	Feb	Mar	Apr	May
US	-0.6	-1.0	-1.4	-1.3	-1.6	2.7	2.7	2.6	2.5	2.5
UK	-2.2	-2.9	-3.0	-3.6	-4.0	0.8	0.6	0.4	0.4	0.3
Eurozone	-1.6	-2.0	-2.6	-3.2	-3.7	0.8	0.8	0.5	0.4	0.4
Japan*	-1.1	-4.0	-4.0	-4.5	-4.0	1.5	0.9	1.1	1.3	0.9

Global GDP vs. Global PMI



PMI Output Data



Synchronised slowing of the global downturn across the G4 nations

The 'improvement' signalled by PMI data was most obvious in East-Asian manufacturing. China and India both reported increases in output during April, making them the first surveys to report growth since the start of the year. Despite remaining at an historically low level, the month-on-month gain in the Japan Manufacturing Output Index was one of the greatest ever recorded by any PMI survey. The rates at which output contracted in the US and the Eurozone eased to seven and six-month lows respectively.

The gains in the global PMI during the past two months suggest that the downturn slowed noticeably around the start of Q2. Based on the historical relationships between PMI data and official GDP for these regions, this would be consistent with rates of contraction approaching 0.5% year-on-year in the US, between 2%-3% in both Japan and the Eurozone at the start of Q2.

If the current trend were continued in the coming months, a PMI level consistent with broad stabilisation – or even recovery – could indeed be reached before the end of 2009.

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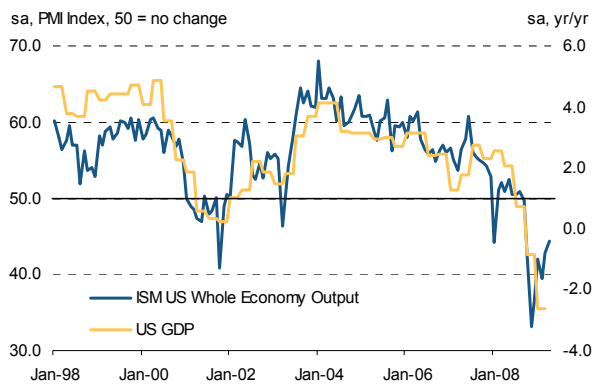
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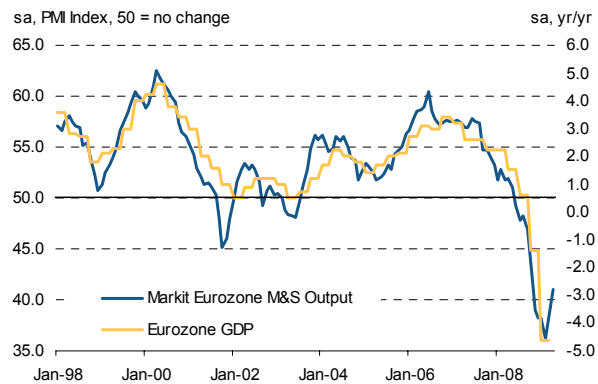
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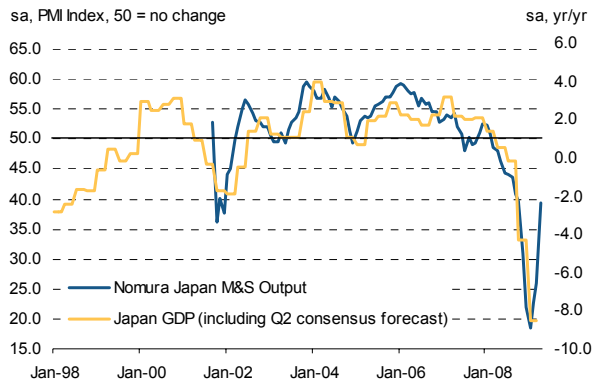
US GDP vs ISM US PMI



Eurozone GDP vs. Markit Eurozone PMI



Japan GDP vs Nomura Japan PMI



China IP vs. CLSA PMI Manufacturing

