



Green shoots for the global economy this Spring?

A stock-take of the major economies suggest no major step change in economic growth so far in 2024, but growth may be becoming more broad-based, and recent macro data are beating pessimistic expectations across many markets, reflected in rising economic surprise indices. The latest flash PMIs for March provide the first full snapshot of private sector activity in Q1 2024. The surveys point to improving global economic conditions throughout the quarter, with the manufacturing sector, in particular, moving back into expansionary territory in many regions following a prolonged contraction in global surveys throughout 2023. In the US, the composite PMI, which combines manufacturing and services, eased to 52.2 in March from 52.5 in February, reflecting a slowdown in growth in the services sector, but remains above the key no change level of 50. Despite the March dip, the US composite PMI averaged 52.2 throughout Q1 2024 compared to 50.8 in Q4 2023, suggesting growth has remained robust in the US economy.

In the Eurozone, macroeconomic data have also improved but still point to relatively weak economic conditions at present. The Composite PMI moved close to expansionary territory in March, rising to a 9-month high of 49.9 from 49.2. While the services sector continued to grow at a modest pace, the manufacturing sector remained in contraction during the quarter, albeit the pace of decline eased somewhat. Overall, the Eurozone composite PMI averaged 48.6 in Q1 2024, compared to 47.2 in Q4 2023, still a significant underperformance compared to the US.

In the UK, macroeconomic data have also been outperforming pessimistic forecasts, and this is reflected in improving PMI surveys. Activity growth in the UK manufacturing and services sectors was little changed in March, with the Composite PMI easing slightly to 52.9 from 53.0 in February, but this level suggests growth was strongest in the UK compared to the US and Eurozone in the first quarter. Indeed, the Composite PMI averaged 52.9 in Q1 2024 compared to 50.5 in Q4 2023. Growth was supported by an upturn in the manufacturing sector, with the survey signalling growth in that sector in March for the first time since May 2022.



Plenty of green shoots for macro watchers then, and the prospect of lower central bank rates and normalised inflation should underpin economies further this year. However, growth remains subdued in Europe and the risk of a downturn is still possible, given prevailing geo-political risks and still restrictive monetary policy.

Turning to the week ahead, the main release of note will be the US labour market report for March. Conditions in the labour market remain tight, although they are starting to ease. In the Eurozone, the focus will be on the flash reading of inflation for March. The headline rate fell sharply throughout last year, although, more recently it has proven to be somewhat sticky, and will be a key data point for the ECB ahead of its next meeting in April.

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