



IHS Markit™

Global PMI

Global economy slumps at steepest rate since 2009
as COVID-19 virus hits

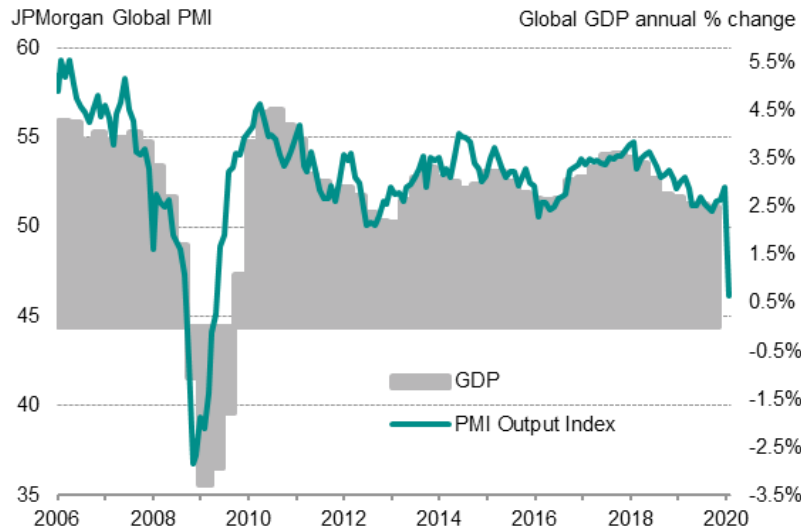
March 6th 2020

Record fall pushes global PMI to lowest since May 2009

Worldwide growth plunged by a record extent in February, the pace of expansion slowing to the weakest since May 2009, according to the [latest PMI surveys](#). The JPMorgan Global PMI™ (compiled by IHS Markit) fell by a record 6.1 points in February, down from 52.2 in January to 46.1. The latest reading is comparable with global GDP rising at an annual rate of just over 0.5% (at market prices), down from almost 3% back in January. Manufacturing output fell globally at the fastest rate since April 2009, while service sector activity slumped to a degree not seen since May 2009.

The deterioration was predominantly linked to the COVID-19 outbreak and led by a survey-record slump in activity across both manufacturing and services in China. Growth across the rest of the world meanwhile came close to stalling, registering the weakest expansion since September 2012.

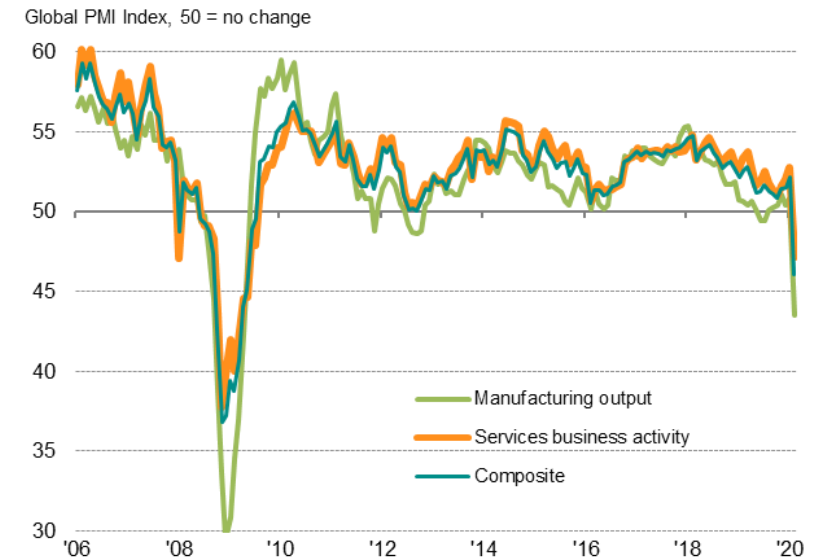
Global PMI* output & economic growth



Sources: IHS Markit, JPMorgan.

* PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

Global PMI indices



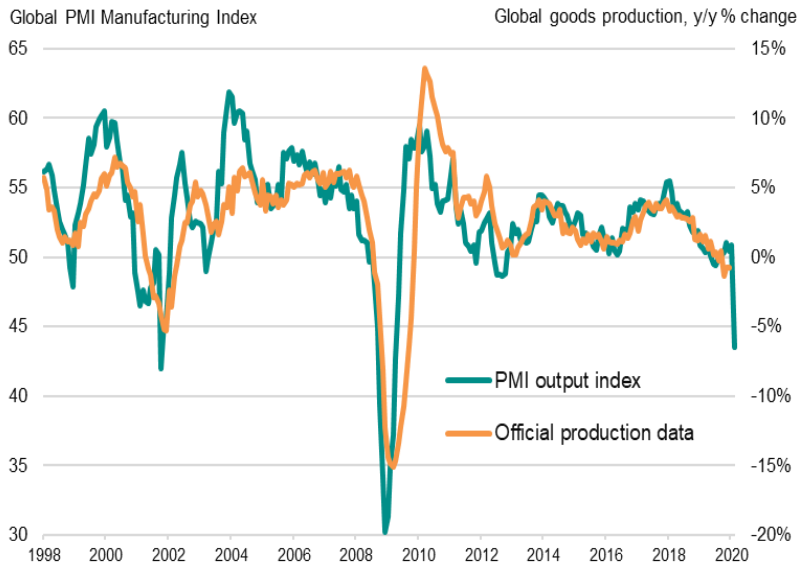
Sources: IHS Markit, JPMorgan.

Global manufacturing hit by near-record supply chain delays

Worldwide factory production dropped at the [steepest rate since April 2009](#), led by the new orders index slumping to its lowest since 2009, in part reflecting the largest slide in global goods exports for over ten years. Companies reported falling demand and a reduced supply of inputs: February saw the second-longest lengthening of suppliers' delivery times since global production growth boomed in 2004. The current lengthening was exceeded only by the delays seen in April 2011 after the earthquakes in Japan.

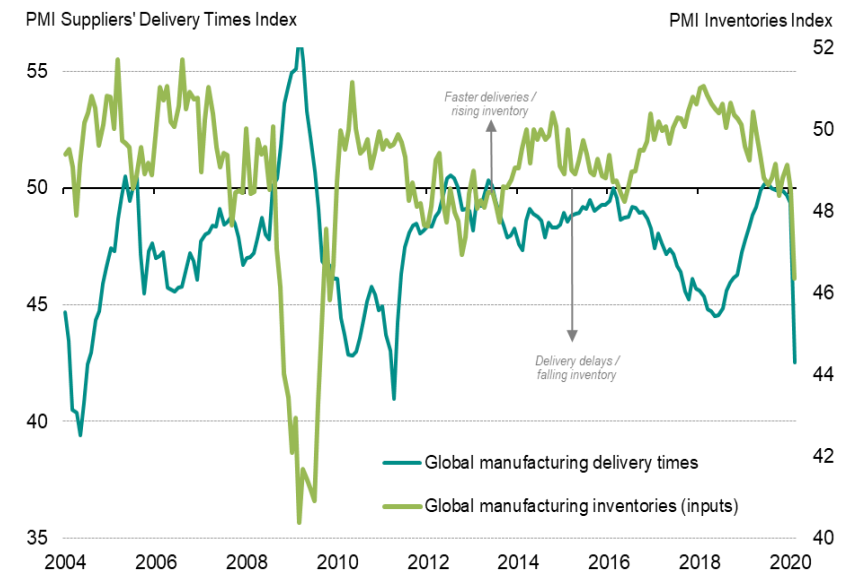
Like in 2011, the latest increase in delivery times was due to a supply shock (rather than strong demand, as in 2004), linked by many companies to delays in the provision of inputs due to extended factory shutdowns in China. Global inventory holdings of inputs fell to the greatest extent since November 2009 largely as a result of the supply limitations. Similarly, stock of finished goods fell to the sharpest degree for almost four years, reflecting constrained production in many companies.

Global manufacturing PMI output



Sources: IHS Markit, JPMorgan, national statistical offices.

Global supply and inventory shortages



Sources: IHS Markit, JPMorgan.

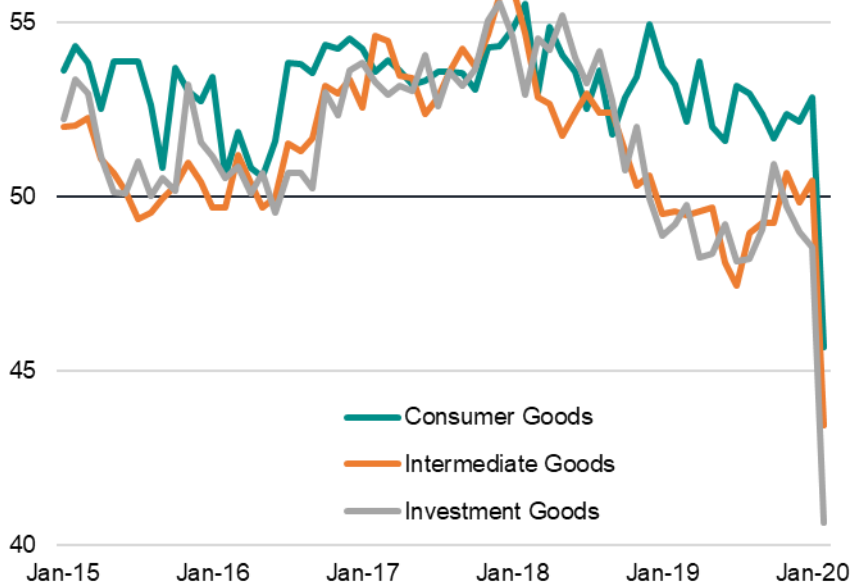
Global investment spending in steep downturn

The global survey data also revealed a broad-based drop in factory output by main product groups. Worldwide output fell at the sharpest rates seen since comparable data were first available in late-2009 for consumer goods, intermediate goods (inputs supplied to other companies) and investment goods.

The drop in investment goods output is especially noteworthy, reflecting in turn a marked drop in new orders from businesses worldwide for plant, machinery and other capital equipment. As such, the deterioration in orders for new investment goods points to a renewed downturn in global capex arising from the heightened uncertainty surrounding the impact of the COVID-19 epidemic. The recent slump indicates a disappointing set-back after signs of capex spending recovering at the start of the year amid an easing of US-China trade tensions.

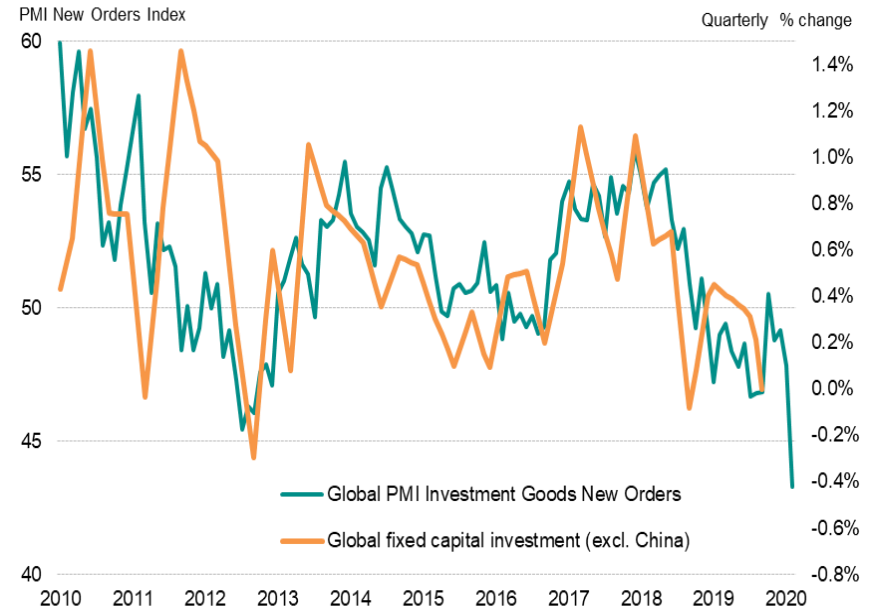
Global PMI, output indices

JPMorgan Global PMI, output



Sources: IHS Markit, JPMorgan.

Global PMI, investment goods orders



Sources: IHS Markit, JPMorgan, World Bank.

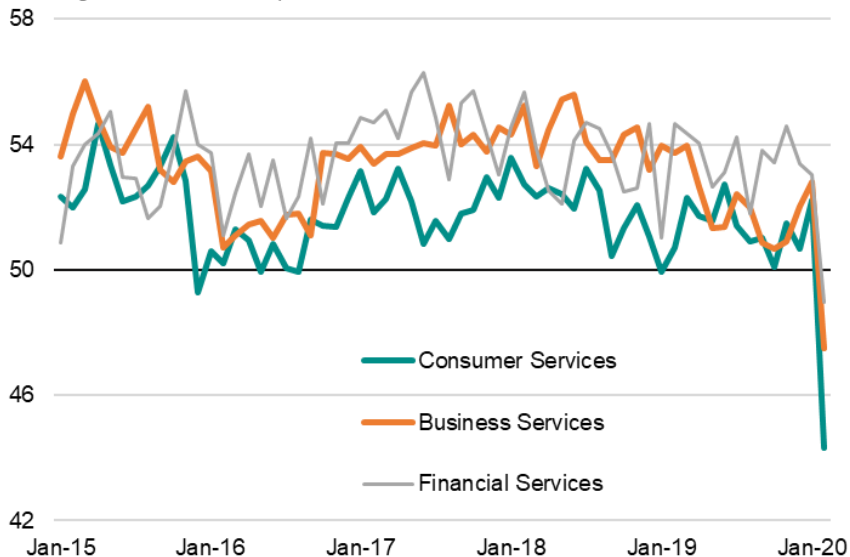
Global slump in demand for consumer services

In addition to supply-side disruptions to business activity from supply shortages, the PMI surveys also indicated weakened demand for many consumer services. This was often blamed on travel and tourism in particular being affected by the coronavirus outbreak. Consumer services saw the highest incidence of companies reporting some negative impact from the COVID-19 outbreak with the exception of basic materials manufacturing, where the supply disruptions were among the greatest recorded during the month.

Measured overall, global consumer services activity fell at a survey record pace in February (data were first collected in late-2009). However, other services sectors also saw sharply reduced activity, with financial services and business services output likewise falling at the steepest rates since 2009.

Global PMI, output indices

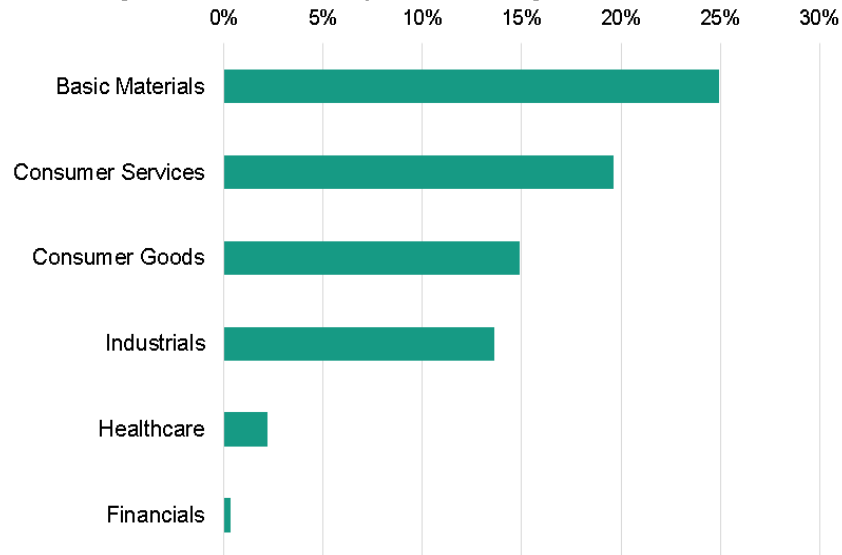
JPMorgan Global PMI, output



Source: IHS Markit.

COVID-19 impact by sector

% of all negative worldwide PMI survey comments relating to coronavirus



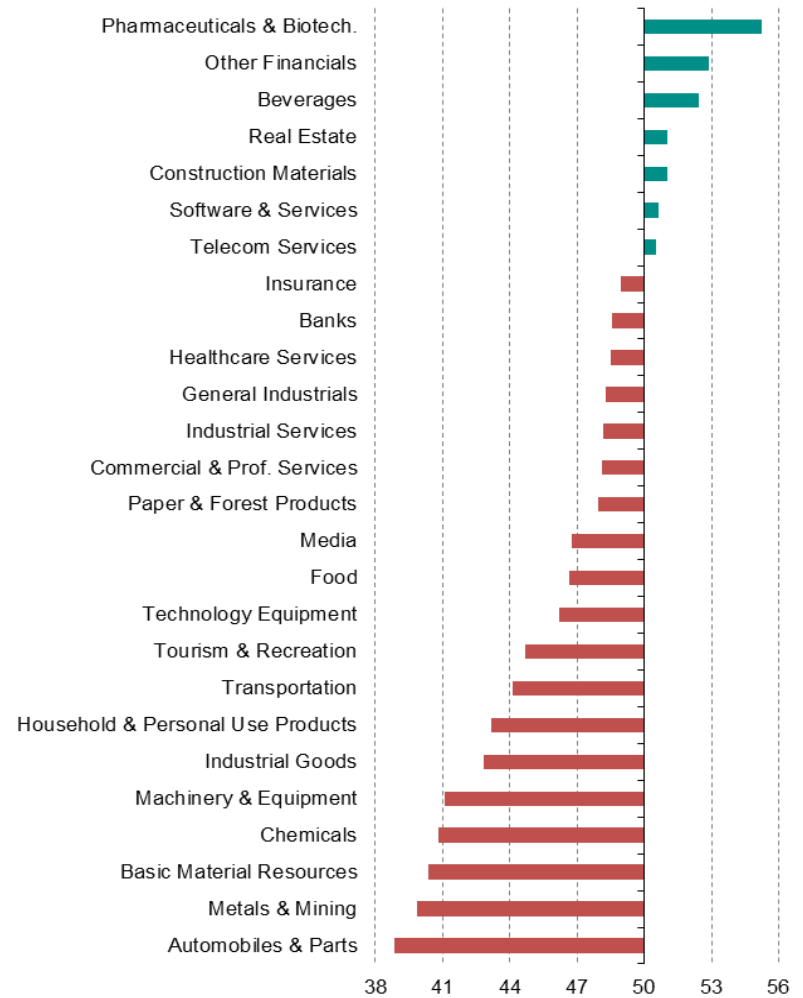
Source: IHS Markit.

Autos lead jump in number of sectors seeing record declines

IHS Markit's [detailed PMI](#) data neatly encapsulated the impact of the COVID-19 outbreak in February. Only seven of the 26 sectors reported growth globally, led by pharmaceuticals and biotech, reflecting efforts to deal with the epidemic.

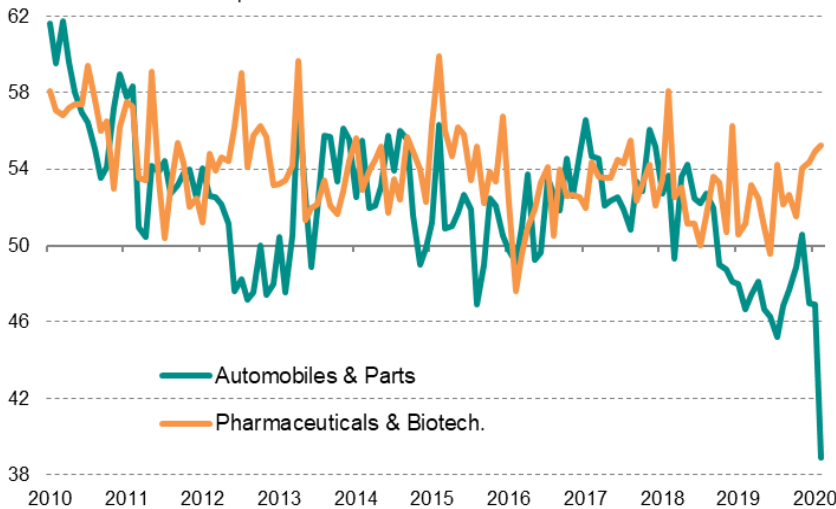
Some 11 of the 26 sectors saw record falls in output. The steepest decline was reported in the auto industry, which saw by far the steepest drop in production on record. Existing malaise due to weak car demand was exacerbated by the impact of factory closures and supply chain disruptions from China. Other sectors seeing record declines included food production, transportation, industrial services, commercial & professional services, chemicals, metals & mining, machinery & equipment, household products, industrial goods and basic materials.

Global Sector PMI Output Index (Feb 2020)



Source: IHS Markit.

IHS Markit Global PMI Output Index



Source: IHS Markit

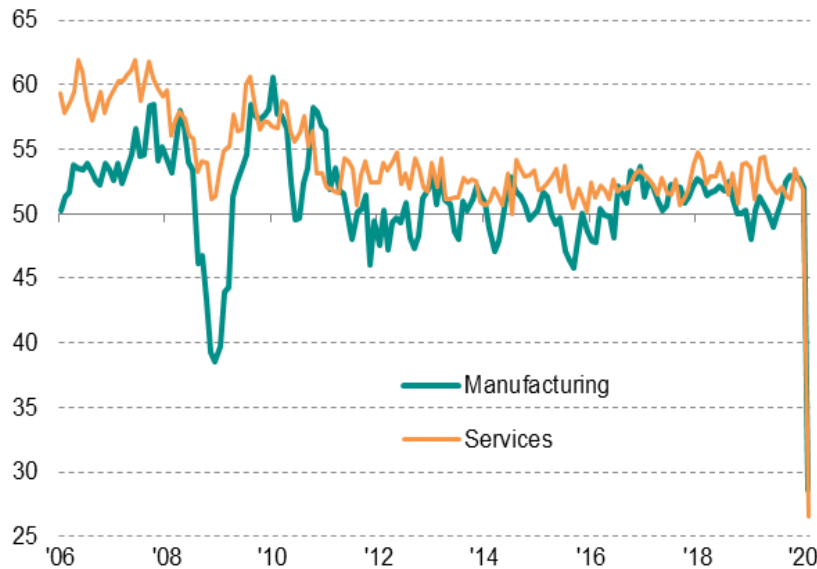
China suffers record slowdown amid virus-related disruptions

China led the global downturn with the [composite PMI](#), produced by IHS Markit for Caixin, falling from 51.9 in January to an all-time low of 27.5 in February, with the rate of decline far exceeding that seen even during the height of the global financial crisis in 2008-9. Record declines were seen for both manufacturing and service sector output amid extended factory closures and travel restrictions designed to impede the spread of the coronavirus. Survey-record falls were also seen for new business, exports and employment.

More encouragingly, backlogs of work rose at a record rate to suggest some pent-up activity, but firms output expectations for the year ahead revealed stark divergences. While manufacturers grew optimistic that output could rebound relatively quickly once supply disruptions and factory closures eased, service sector providers' optimism sank to a record low amid worries about falling demand for travel, tourism and other recreational services in particular.

China PMI current output

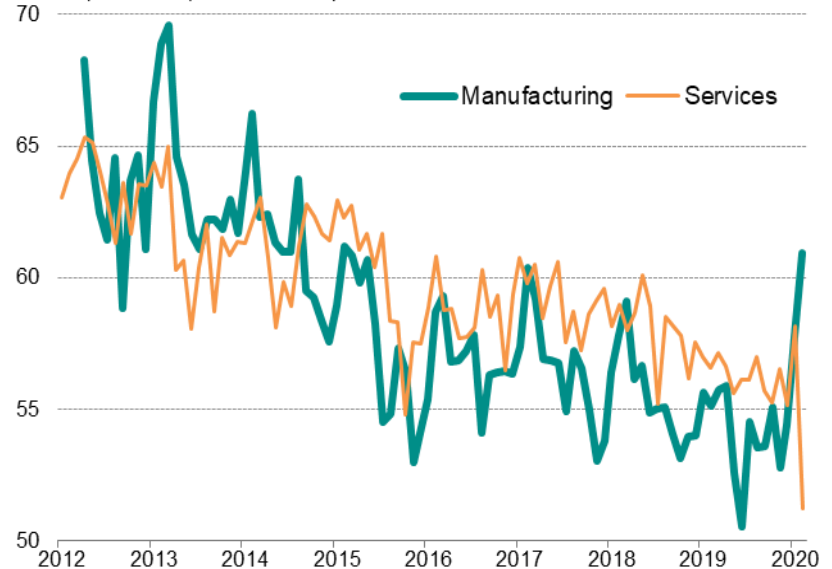
Caixin (IHS Markit) China PMI Output



* Index uses only services pre-April 2012, combined manufacturing and services thereafter.
Source: IHS Markit, Caixin.

China PMI future output expectations

Caixin (IHS Markit) China PMI Expectations

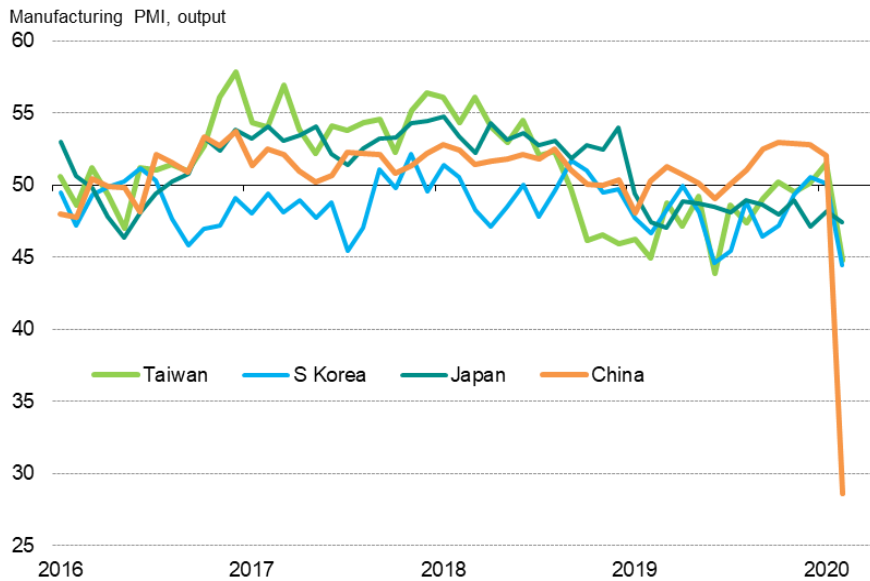


Sources: IHS Markit, Caixin.

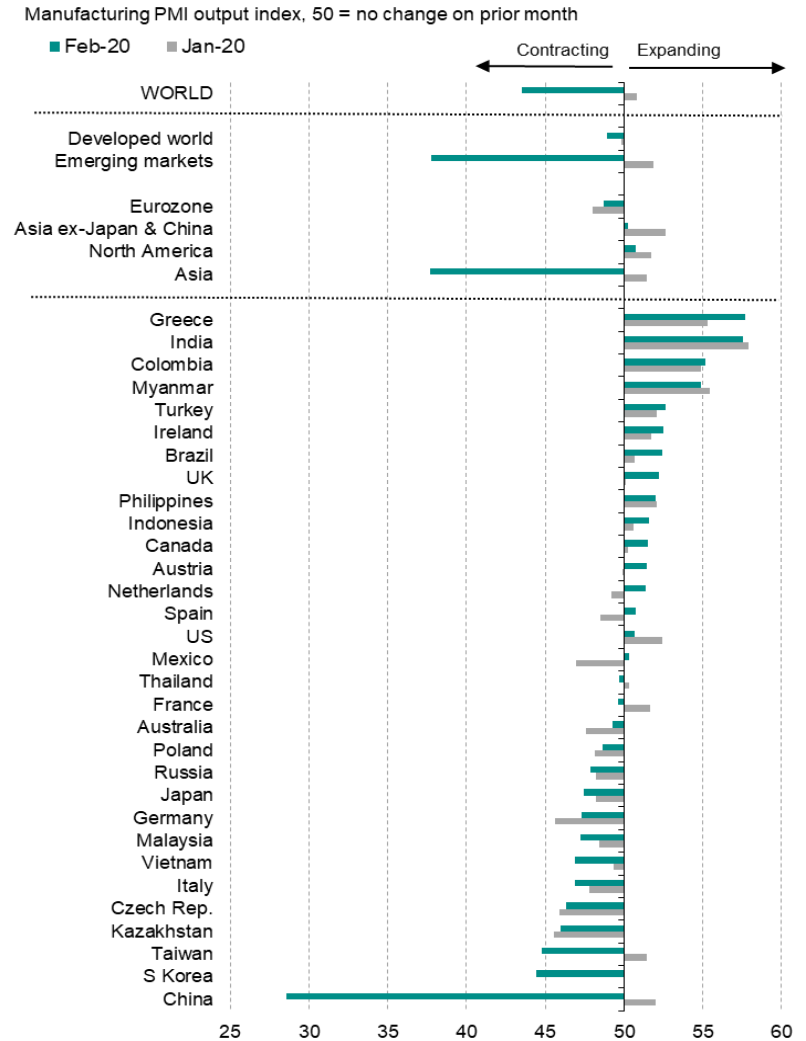
China manufacturing downturn impact emanates across Asia

Some 15 [out of 31 economies](#) reported falling factory output. Besides China, notably steep declines were evident in South Korea and Taiwan, both of which saw output contract at rates rarely exceeded since 2009, as well as Japan, Vietnam, Malaysia and Thailand. Asia ex-China saw output fall back into decline as a result, having risen in January.

Some 16 countries reported higher production, led by Greece and India. Other notable countries reporting higher production included the UK, where businesses have reported an ongoing post-election rebound so far this year, while Canada and Mexico enjoyed the largest output gains for a year.



Sources: IHS Markit, Caixin, Jibun Bank.

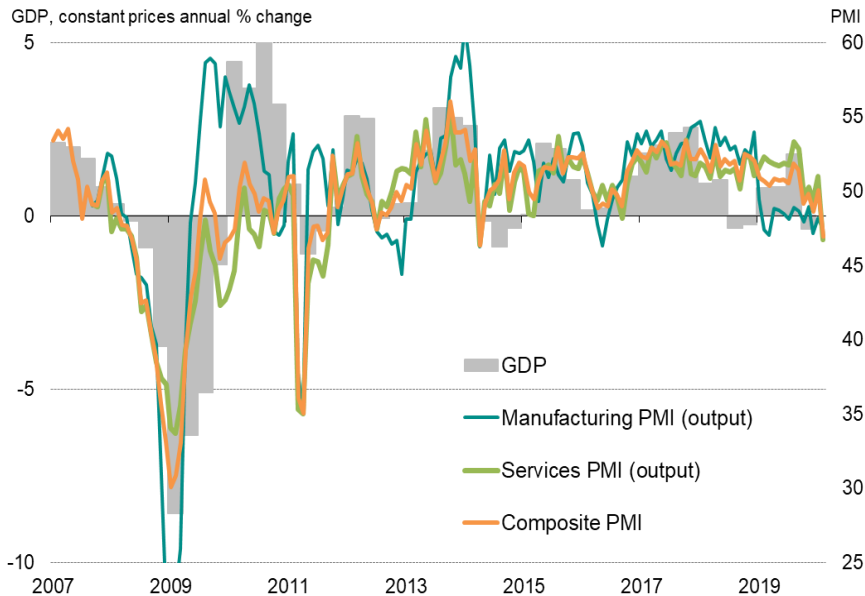


Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, NEVI, BME, Bank Austria, Investec, AERCE, Caixin, HPI, CBA, Davivienda, Jibun Bank, Tengri Partners.

Japan recession risk rises

Business activity in Japan contracted at the sharpest rate since the prior sales tax hike in 2014, with orders not only dampened by the ongoing effect of last year's tax rise but also impacted by the coronavirus. The Jibun Bank composite PMI fell to 47.0, adding to the risk of a second quarterly GDP decline. A deepening manufacturing downturn was joined by one of the sharpest slumps in service sector activity since the global financial crisis as travel and tourism in particular were affected by concerns over the virus outbreak.

Japan PMI* and GDP

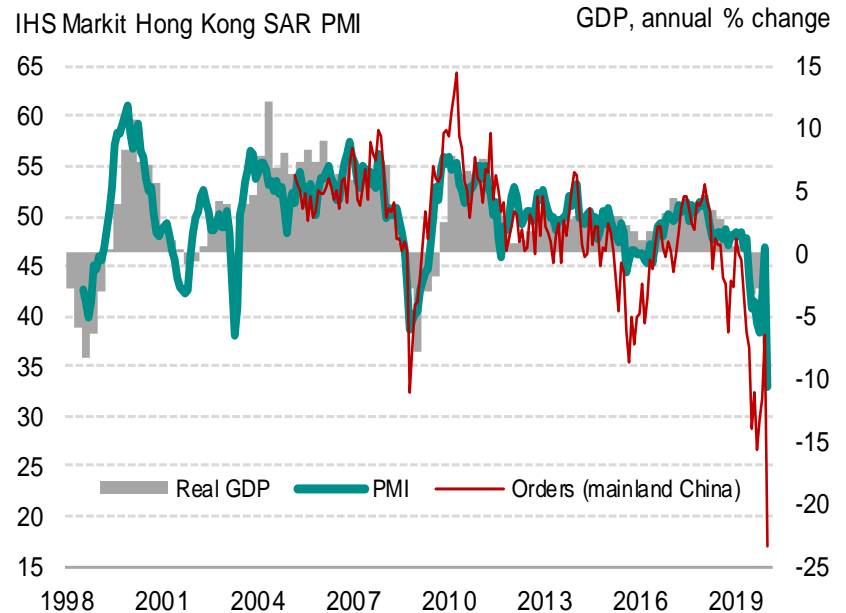


Sources: IHS Markit, Jibun Bank, Japan Cabinet Office.
*PMI shown above is a GDP weighted average of the manufacturing and services indices.

Hong Kong SAR in record downturn

The [IHS Markit Hong Kong SAR PMI](#) sank to 33.1 in February, signalling the steepest decline since the survey started in 1998. Latest data are broadly indicative of GDP contracting at an annual rate of nearly 5.0%. Measures taken in response to the COVID-19 outbreak, and general fear of being infected, saw business activity and new sales sinking at a record pace. Notably, orders from mainland China for Hong Kong SAR goods and services plunged by the greatest extent since data for this variable were first available in March 2005.

Hong Kong SAR PMI survey



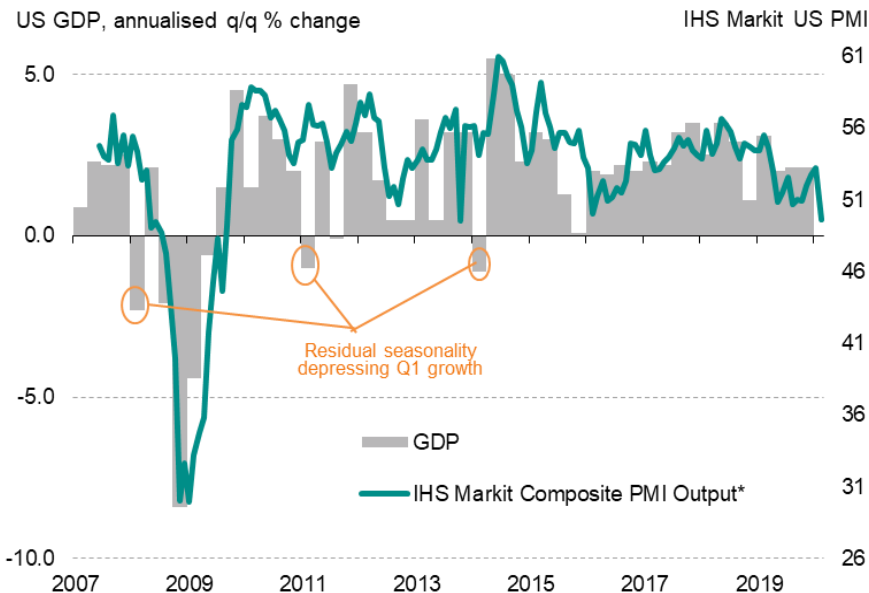
Sources: IHS Markit, C&SD

US companies report first fall in activity since 2013

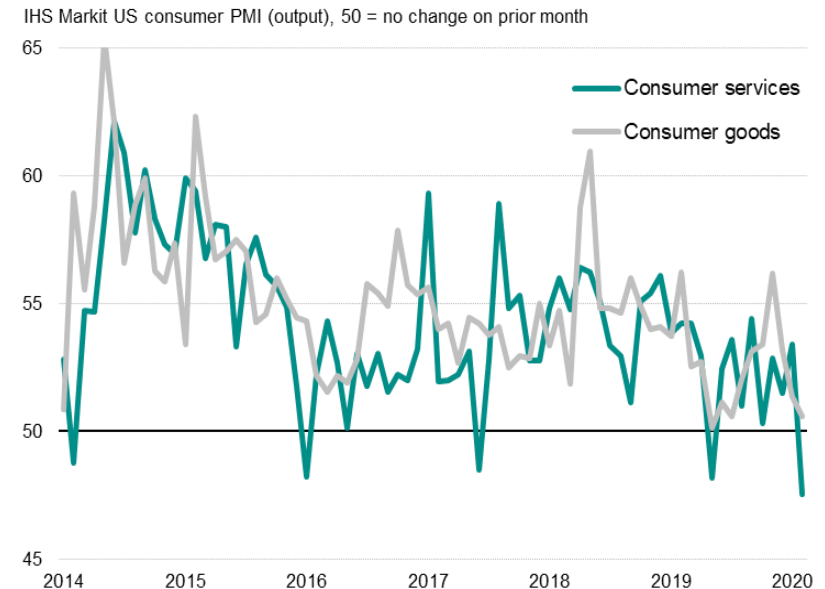
The impact of the COVID-19 outbreak was also felt further afield than Asia. In the US, the [IHS Markit PMI surveys](#) signalled the first (albeit mild) drop in business activity since the 2013 government shutdown, representing the second-worst month since the global financial crisis. Manufacturing output was close to stalling, while service sector activity slipped into decline. In addition to the coronavirus affecting some companies, firms also reported growing uncertainty regarding the upcoming presidential election and the prospect of weaker economic growth in general as having dampened activity. The steepest decline was seen for consumer services, reflecting reduced activity in areas such as travel, tourism, restaurants and recreation, according to IHS Markit's [detailed US sector PMI data](#).

The US PMI data are consistent with annualised GDP growth slumping from around 2% at the start of the year to just 0.7% (or 0.1-0.2% on a quarterly basis) midway through the first quarter.

US economic growth and the PMI**



US consumer activity



Sources: IHS Markit, BEA.

*Manufacturing PMI only pre October 2009

** PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

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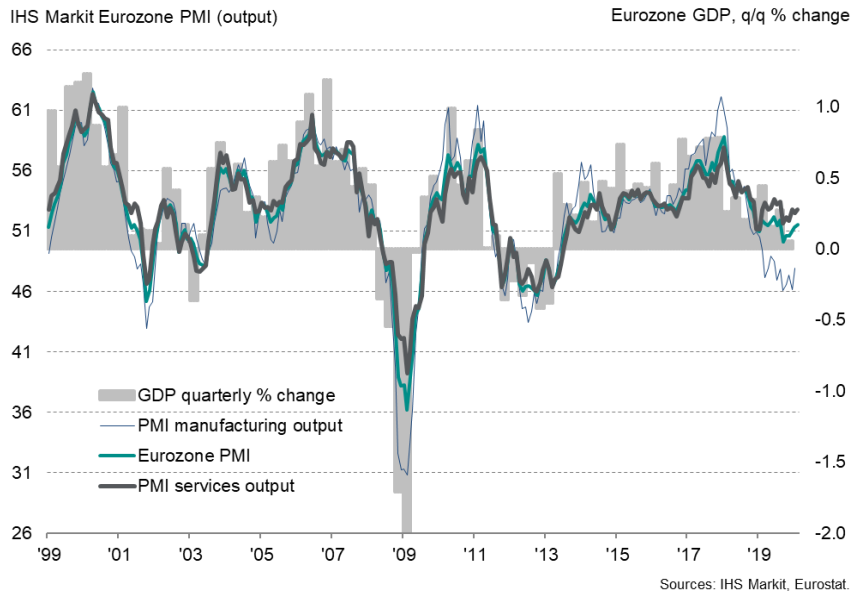
Source: IHS Markit.

Eurozone growth at six-month high but outlook darkens

Sustained growth was seen in the eurozone, with the overall rate of expansion picking up slightly to a six-month high, largely on the back of rising domestic demand. The [IHS Markit Eurozone PMI](#) rose to 51.6. Growth picked up in France, Italy and Spain but weakened in Germany. By sector, increased services activity was accompanied by signs of an easing manufacturing downturn.

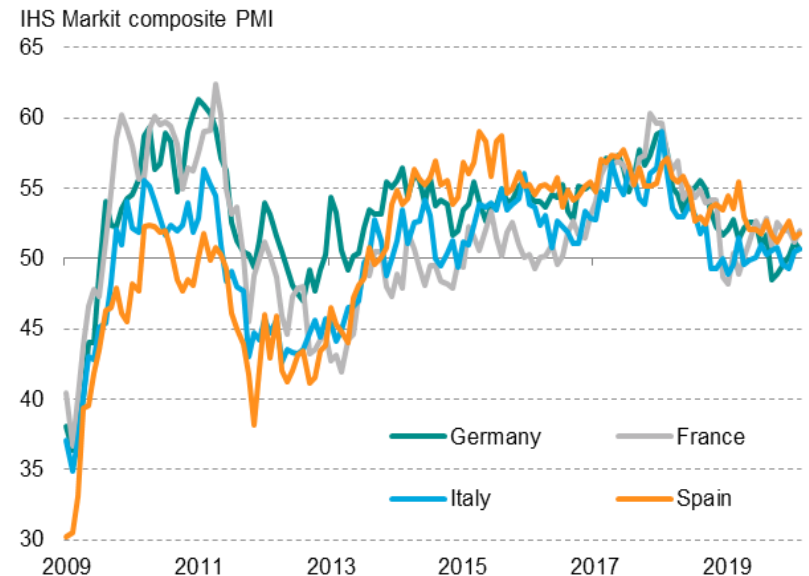
However, while the PMI data so far for the first quarter are signalling a 0.1-0.2% increase in eurozone GDP, there are clear downside risks which point to a likely weakening of the economy in March. In particular, exports of both goods and services fell at increased rates due to virus-related downturns in demand, and increasingly widespread delivery delays threaten future production. [Italy appears especially vulnerable](#) to recession amid the COVID-19 outbreak, but weaker growth is expected across the region as efforts to contain the virus and supply disruptions continue.

Eurozone PMI* and GDP



*PMI shown above is a GDP weighted average of the manufacturing and services indices.

Euro big-four composite PMI *(output)



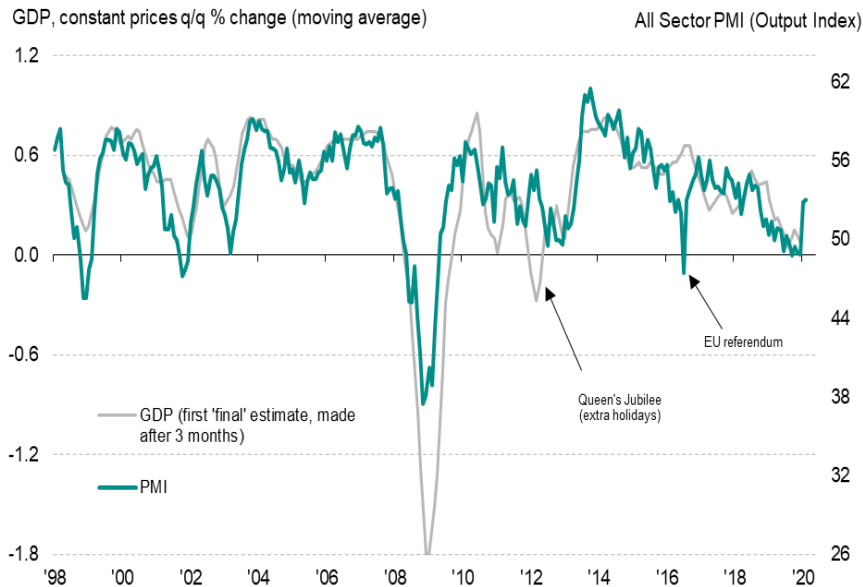
Source: IHS Markit, Eurostat.

UK PMI signals ongoing rebound in February

The UK enjoyed the strongest expansion of the largest 'G4' developed economies, seeing a [sustained post-election rebound](#) in growth. The survey data indicated the quickest increase in business activity for almost one-and-a-half years in February, consistent with quarterly GDP growth of just over 0.2%, up from stagnation in the fourth quarter of last year.

February saw manufacturing output grow at the fastest rate since last April and the construction sector also return to growth for the first time since last April. However, it was the service sector that once again led the expansion. The service sector upswing lost some of its bounce, however, in part due to coronavirus related disruptions and supply shortages. Jobs growth meanwhile remained muted, with companies also cautious in respect to investment spending. While Brexit worries have moderated since late last year, firms remain concerned by the uncertainty of future EU trade and the coronavirus outbreak.

UK PMI* and economic performance

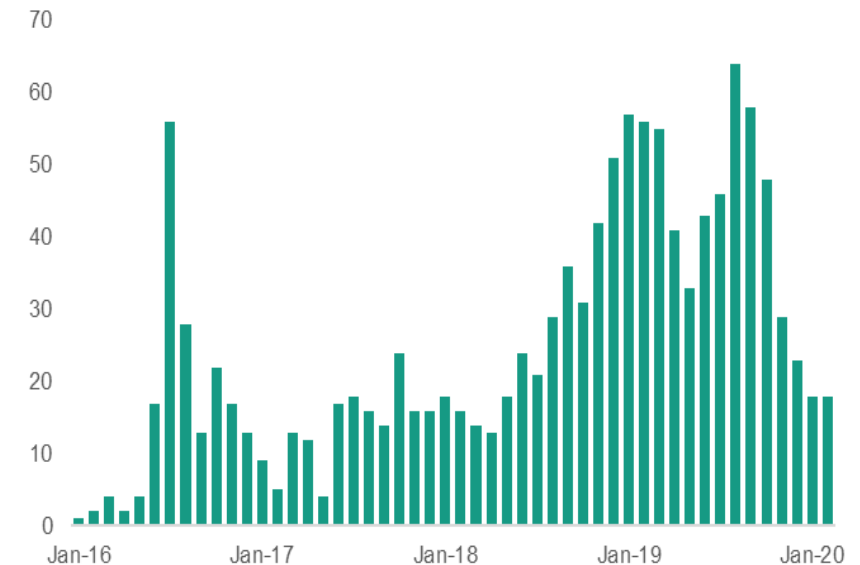


Sources: IHS Markit, CIPS, ONS.

*PMI shown above is a GDP weighted average of the manufacturing, services and construction indices.

UK Brexit worries have moderated

Frequency of comments incl. "Brexit" for negative future output



Sources: IHS Markit.

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