

Week Ahead Economic Preview

Global overview

- Final PMIs covering over 40 economies eyed for broader economic impact of COVID-19
- China PMI surveys
- US nonfarm payrolls
- Eurozone confidence surveys
- Singapore and India monetary policy

Final PMI data will be keenly anticipated for the extent of the broader economic impact of the coronavirus disease 2019 (COVID-19) outbreak around the world after flash PMI data showed business activity in major economies slumped in March. China PMI updates in particular will be scrutinised for signs of recovery amid reports of an accelerated increase in the number of industrial firms resuming work. Meanwhile, the focus on the recent US dollar strength will remain due to US liquidity concerns as well as the impact on emerging markets that hold excessive dollar-denominated debt.

In the US, with the flash IHS Markit [US PMI](#) reporting the steepest downturn since the global financial crisis during March, markets will look to forthcoming data, including non-farm payrolls, regional Fed surveys and the ISM PMI results for virus impact in March, even as they eye fresh developments on the massive fiscal stimulus plan that has now moved to a vote in the lower house on Friday 27 March, after being unanimously approved by the Senate ([page 3](#)).

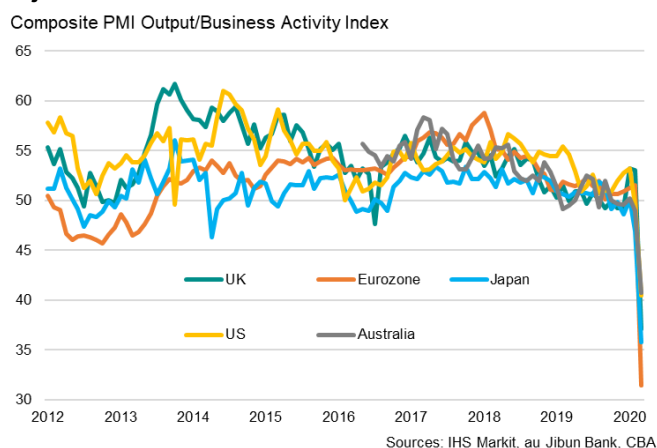
The flash [Eurozone](#) and [UK](#) PMIs had meanwhile shown business activity crumbling across Europe, as expanding lockdowns and stricter anti-virus measures were implemented in response to a widening spread of COVID-19. Analysts will closely monitor upcoming data that include Euro area surveys on consumer and business confidence, while also eyeing any fresh policy responses to stem the negative COVID-19 impact on economic activity ([page 4](#)).

In Asia, the March PMI updates will come on the heels of February numbers which had indicated a much sharper contraction in Asian manufacturing output, primarily led by China. Singapore and India will decide on monetary policy, with the former bringing forward its semi-annual meeting from the usual April date. Both central banks are widely expected to ease policy, joining the increasing number of countries launching significant monetary measures ([page 5](#)).

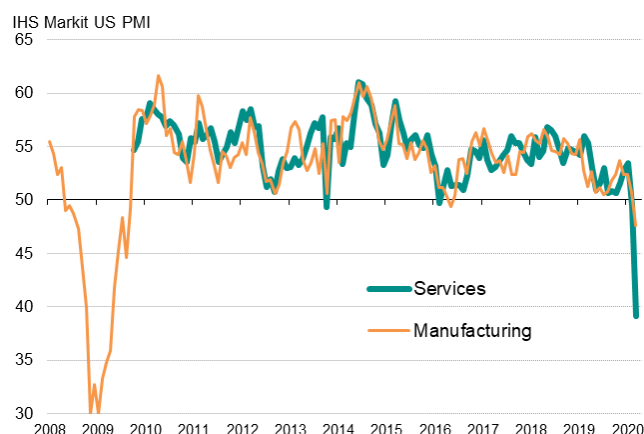
Special reports

APAC: We investigate the economic impact of COVID-19 and its financial consequences for the commercial aviation industry across Asia-Pacific. ([page 6](#)).

IHS Markit's flash PMI surveys for March highlight the extent of the economic damage caused by COVID-19 on major economies



Widespread falls in activity were reported across the US manufacturing and service sectors, though the service sector has been especially badly affected



Bernard Aw

Principal Economist, IHS Markit

Email: bernard.aw@ihsmarkit.com

Key diary events (UTC)

Monday 30 March

Singapore monetary policy decision
Spain inflation (Prelim, Mar)
UK mortgage lending and approvals (Feb), consumer confidence (Mar)
Euro area business confidence, consumer confidence, economic sentiment (Mar)
Spain business confidence (Mar)
Brazil consumer confidence (Q1)
US pending home sales (Feb), Dallas Fed manufacturing index (Mar)
South Korea business confidence (Mar), retail sales, industrial production (Feb)
Japan retail sales (Feb), industrial output (Prelim, Feb)

Tuesday 31 March

Australia new home sales, private sector credit (Feb)
China NBS manufacturing PMI (Mar)
Japan housing starts (Feb)
France and Italy inflation (Prelim, Mar)
Spain GDP (Final, Q4)
UK GDP, business investment (Final, Q4)
Euro area inflation (Flash, Mar)
Brazil jobless rate (Feb)
US Chicago PMI (Mar)
Australia manufacturing PMI (Final, Mar) 22:00 UTC
Japan Tankan surveys (Q1)

Wednesday 1 April

Worldwide release of manufacturing PMI surveys (Mar)
South Korea trade, inflation (Mar)
Australia building permits (Feb), RBA meeting minutes
Indonesia and Thailand inflation (Mar)
Germany retail sales (Feb)
Euro area and Italy jobless rate (Feb)
US ADP job report, ISM manufacturing PMI (Mar)
ECB non-monetary policy meeting

Thursday 2 April

UK construction PMI (Mar)
US trade, factory orders (Feb)
ECB general council meeting
Australia services PMI (Final, Mar) 22:00 UTC

For further information:

If you would like to receive this report on a regular basis, please email economics@ihsmarkit.com to be placed on the distribution list.

For more information on our products, including economic forecasting and industry research, please visit the Solutions section of www.ihsmarkit.com

For more information on our PMI business surveys, please visit www.ihsmarkit.com/products/PMI

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

For all further information, please visit www.ihsmarkit.com

The intellectual property rights to the report are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data.

Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd.

Friday 3 April

Worldwide release of services PMI surveys (Mar)
Singapore and Hong Kong PMI (Mar)
Malaysia trade (Feb)
India monetary policy decision
Euro area retail sales (Feb)
US nonfarm payrolls, jobless rate, earnings (Mar)
US ISM non-manufacturing PMI (Mar)

United States Week Ahead

Non-farm payrolls and Final PMIs

By Siân Jones

Economist, IHS Markit, London

Email: sian.jones@ihsmarkit.com

Although markets have calmed slightly following great volatility since the outbreak of COVID-19, uncertainty remains as the pandemic intensifies across Europe and North America. Hopes of a robust stimulus package remain, which will aid small businesses and support key industries across the US. Key economic data releases include the final update to March PMI surveys. As has become apparent in recent weeks, the escalation of emergency government measures will have a lasting impact on the economy, with the second quarter likely to be hit hard. Giving an insight into labour force conditions, the publication of non-farm payrolls for March may give greater colour to how the effects of shutdowns and lower demand were felt across the wider economy.

Final PMI surveys

The release of 'flash' PMI data signalled the stark impact the outbreak of COVID-19 had already had on the US economy. The service sector was dented further, as the contraction accelerated to a marked rate. Meanwhile, goods producers indicated the fastest fall in output since the depths of the global financial crisis in August 2009.

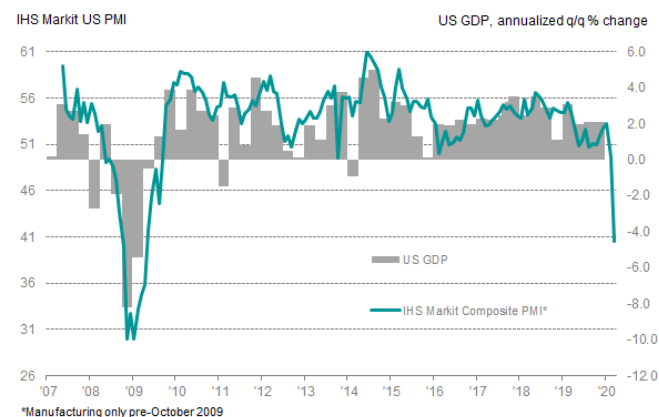
The publication of final PMI data from IHS Markit will give greater insight into the impact of emergency measures in response to the outbreak of COVID-19 on the wider economy in the final month of the first quarter.

Non-farm Payrolls

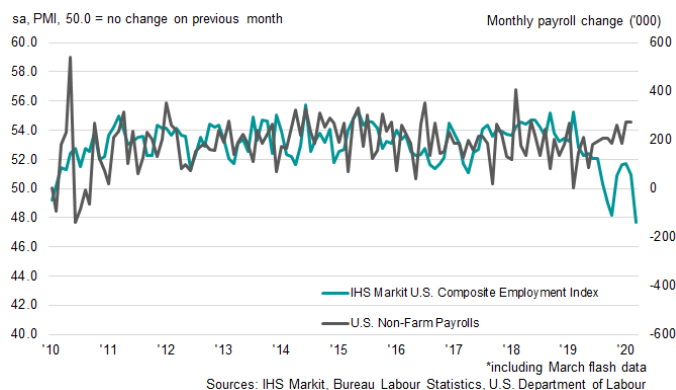
Investors will eye payroll figures after data from the labour department showed a surge in the weekly jobless claims. Nonfarm payrolls are expected to contract in March, as the impact of shutdowns and extremely challenging demand conditions hit the workforce. According to 'flash' PMI data for the final month of the first quarter, staffing levels will fall solidly amid a sharp reduction of private sector demand and business activity.

Other key US data include updates to regional surveys such as the Dallas Fed Manufacturing Index and Chicago PMI, alongside factory orders, ADP employment and ISM PMI data.

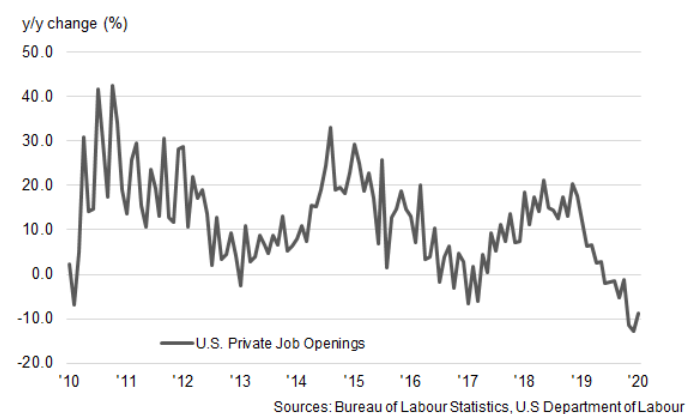
U.S. flash PMI data signals stark impact of the COVID-19 outbreak



Employment set to decline following emergency shutdowns and drop in activity



Private sector job openings contract in the early stages of 2020



Europe Week Ahead

PMI data to reveal breadth of COVID-19 impact across Europe

By Joe Hayes

Economist, IHS Markit, London

Email: joseph.hayes@ihsmarkit.com

Developments in the global COVID-19 pandemic, with the epicentre now in Europe, remain the key focus from an economic perspective in the coming week as the first quarter draws to a close. The continued escalation of the infection rate coupled with extreme public health measures such as lockdowns and border closures suggest that the spillover into the second quarter is going to be significant.

PMI data for Italy and Spain, the two countries which at the time of writing have the largest outbreaks in Europe, will be released for March, as will other parts of Europe, helping to ascertain how widespread the negative economic impact has been across the continent. Most official data releases, being lagging indicators, are unable to provide any meaningful forward-looking insight, although unemployment data for Germany in March and preliminary inflation figures across the eurozone may draw scrutiny.

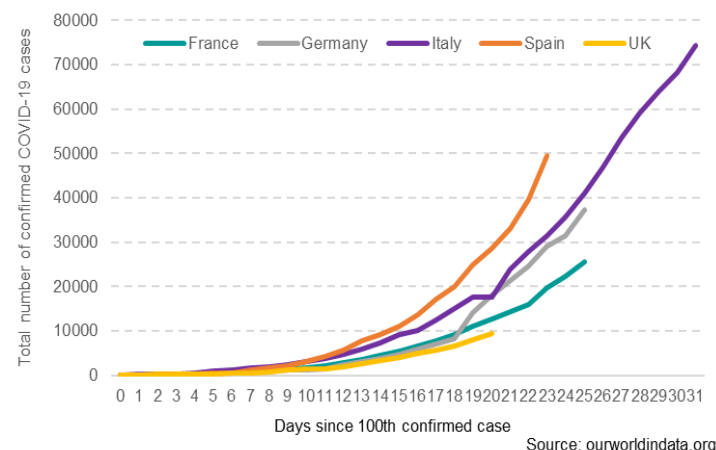
Italy, Spain and other European PMIs

The economic impact of COVID-19 has been particularly devastating for the service sector. Tourism was the first to be hit hard, but now as countries have implemented border closures and public lockdowns to reduce the spread of the disease, flash PMI data for March revealed survey-record rates of contraction in the UK and eurozone, with the Services PMIs falling as much as 20 points in some cases. Italy and Spain are, at the time of writing, the worst-hit countries in Europe. Manufacturing and services figures will garner much attention, as will the numbers for other parts of the continent.

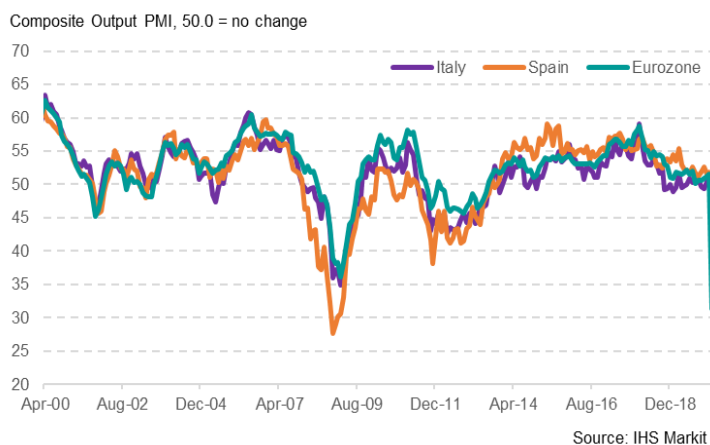
German unemployment

Germany will release unemployment data for March, with expectations of a weak set of results after the flash PMI survey pointed to the sharpest drop in workforce numbers since May 2009. The weak employment data were broad-based, with similarly-sharp drops seen in both manufacturing and services.

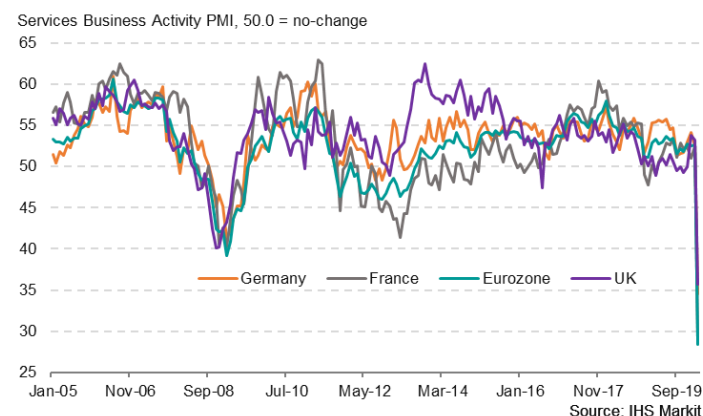
Total confirmed cases of COVID-19 per country since the 100th confirmed case



PMI data for Italy and Spain, the countries with the largest COVID-19 outbreaks in Europe



European service sectors have been the worst-hit by the global pandemic as public lockdowns implemented



Asia Pacific Week Ahead

Focus on final PMI data, Singapore and India monetary policy

By **Bernard Aw**

Principal Economist, IHS Markit, Singapore

Email: bernard.aw@ihsmarkit.com

After flash PMI data indicated deepening economic downturns for major economies in March, the worldwide release of final PMI data for over 40 economies will be keenly eyed for the broader impact of measures taken to control the spread of COVID-19. Both government-sponsored and Caixin China PMI surveys will be scrutinised in particular for signs of manufacturing recovery following reports of an increasing number of industrial firms resuming work. Policy action will come from Singapore and India, in which easing measures are widely expected for both amid a rising number of countries launching significant policy stimulus. Other data highlights in Asia include South Korea's trade performance and business confidence, alongside Japan's Tankan surveys and Malaysia's trade figures.

PMI surveys eyed for recession risks

With the escalation in the spread of the virus pandemic especially in the US and Europe, which contributed to the surge in imported cases in Asia, lockdown orders and stricter movement restrictions had been implemented in the region. PMI data for 14 markets in Asia will be eagerly awaited by analysts for one of the earliest insights into the extent to which COVID-19 measures had impacted the Asian region in March. Flash PMI results for [Japan](#) and [Australia](#) indicate a deepening economic downturn as COVID-19 severely dampened demand and curtailed economic activity particularly in the service sector, raising the likelihood of a recession.

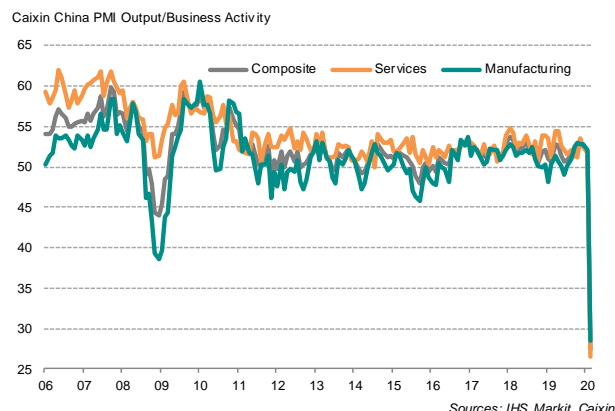
Singapore and India monetary policy

The Monetary Authority of [Singapore](#) and the Reserve Bank of India will convene next week to decide on monetary policy, with the former bringing its policy meeting forward. Recent aggressive easing measures from central banks worldwide led to widespread expectations that Singapore and India will follow suit in loosening monetary policy to support their economies.

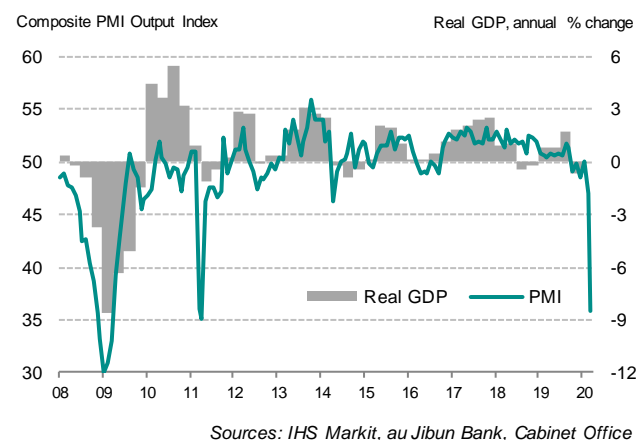
Trade performance

The March update to South Korea's trade figures will be gleaned for insights into the COVID-19 impact on trade. Malaysia will also release trade performance for February.

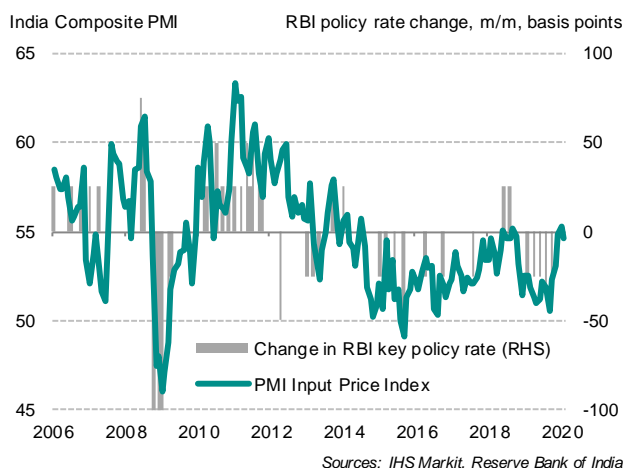
Investors will eye China PMI for any signs of recovery, particularly in manufacturing



Flash Japan PMI points to deeper economic malaise as COVID-19 hits tourism, travel and supply chains



India PMI and monetary policy



Asia Pacific Special Focus

Aviation: COVID-19 devastates APAC aviation industry

By Rajiv Biswas

Asia-Pacific Chief Economist, IHS Markit

Email: Rajiv.Biswas@ihsmarkit.com

After half a century of increasing economic integration of the world economy through international commercial aviation, global air connectivity has suddenly come to a halt. After years of buoyant growth driven by rapidly increasing Asian tourism and business travel, the Asia-Pacific commercial aviation industry is being hit in 2020 by a massive economic shockwave from the escalating COVID-19 crisis sweeping across the Asia-Pacific region.

The escalating COVID-19 pandemic and increasing travel bans by many governments worldwide has brought the Asia-Pacific commercial aviation industry to a virtual standstill with many of the largest Asia-Pacific airlines having grounded almost all of their fleets, including Singapore Airlines, Qantas, Cathay Pacific, AirAsia and Malaysian Airlines. The financial consequences for the commercial aviation industry are expected to be devastating.

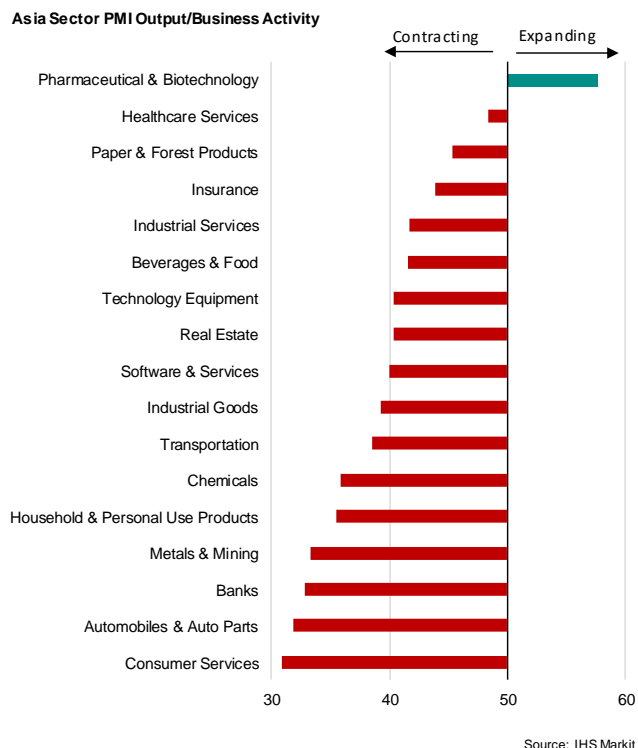
Economic Impact on APAC Commercial Aviation Industry

The novel coronavirus crisis has become a “Black Swan” event for the Asia-Pacific commercial aviation industry, as Asia-Pacific international air travel has collapsed due to travel bans by many governments. Many Asia-Pacific governments have imposed sweeping travel bans restricting international visitors from entering their countries. Escalating travel restrictions in other regions, notably in the European Union, have also disrupted international passenger travel.

Airlines in the Asia-Pacific region are facing an Armageddon scenario due to the collapse in demand for air travel. Asia-Pacific airlines are drastically cutting back their scheduled flights and grounding part of their fleets. Large-scale temporary layoffs of staff in the global and Asia-Pacific airline industry have already been announced and more layoffs will be inevitable in coming weeks.

Although slumping world oil prices normally help the airline industry significantly since aviation fuel accounts for around 25% of airline operating costs, this has become irrelevant when aircraft are no longer flying and incoming revenue for airlines has collapsed.

Detailed sector PMI (February) point to broad decline in output, led by consumer services



Airlines Ground Fleets across APAC

Airlines in China have already been hit hard since early February, with airline passenger traffic down 84% year-on-year in February, although domestic air travel is showing some recovery during March.

With South Korea also having had an escalating Covid-19 epidemic during Q1 2020, international air travel to and from South Korea has slumped, with Korean Air Lines having cut 80% of its capacity on international air routes. In Australia, Qantas and Jetstar have announced that they will cut international capacity by 90% and domestic capacity by 60% until the end of May following the Australian government's announcement of severe restrictions on entry into the country.

Singapore Airlines has cut 96% of its passenger capacity until the end of April, with considerable uncertainty about any restart of additional flights. An estimated 10,000 SIA staff are being impacted by various temporary cost-cutting measures. Singapore's Changi Airport reported a 33% drop in passengers in the month of February as a result of the COVID-19 epidemic. Total passenger movements fell from 5.95

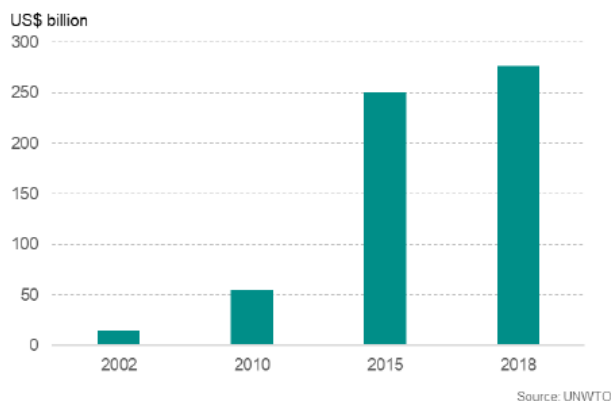
million in January to 3.45 million in February. Further large falls in air passenger traffic are likely in March due to the widespread international travel bans, including strict new restrictions on travel into Singapore.

Cathay Pacific is reported to have asked 33,000 staff to take extended periods of unpaid leave and has cut 96% of its flights during April and May.

In Malaysia, the government's nationwide lockdown includes a ban on entry by foreign nationals and departures by Malaysian nationals, as well as restrictions on interstate movements within Malaysia. Consequently, flights into and out of Malaysia have largely been cancelled.

In India, all Indian commercial airlines have cancelled international flights and the nationwide lockdown that commenced on 24th March also has required the cancellation of all domestic flights. Only flights transporting air cargo are still permitted.

Mainland Chinese International Tourism Spending



Financial Impact on APAC Airlines

The financial impact on Asia-Pacific airlines will be severe for at least the first half of 2020, with the weakest airlines facing mounting financial stress as revenues collapse while fixed costs continue to accrue. Private sector airlines which are already highly leveraged and have accumulated losses will be most vulnerable to financial collapse and entering receivership. State-owned airlines are more likely to be supported by their governments.

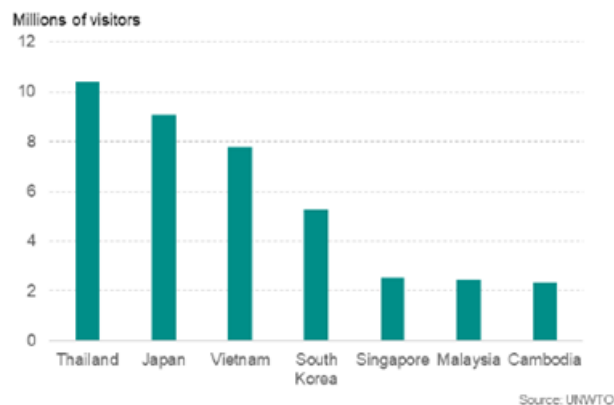
In order to maintain national air transport capacity as a strategic long-term objective. Government support for troubled state-owned airlines through cash injections will be likely in many cases, in order to help the national carriers to survive this black swan global pandemic event. The Australian government has announced an AUD 715 million support package of measures for the Australian aviation industry. New Zealand has announced budget measures providing NZD 270 million as a first tranche of a NZD 600 million package to support the New Zealand aviation industry.

Globally, the airline industry will experience severe financial stress, with some private sector airlines facing bankruptcy, while a wave of consolidation is also likely in the airline industry as larger and financially stronger airlines take over other airlines or acquire their assets when they are in receivership. The longer the COVID-19 epidemic continues the greater will be the financial meltdown facing the global and APAC airline industry.

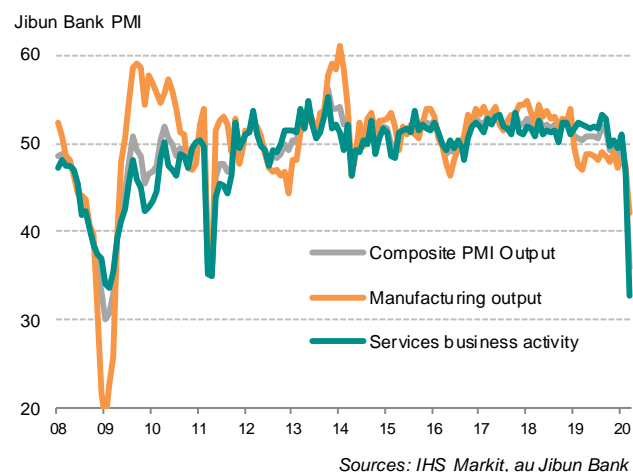
The International Air Travel Association has estimated, in its assessment released on 5th March, that the revenue loss to the Asia-Pacific airline industry in 2020 at between USD 47 billion and USD 57 billion depending on the intensity and geographic spread of the COVID-19 pandemic.

Clearly the immediate constraint on any recovery for the airline industry will be the removal or relaxation of travel bans that are currently in place across the APAC region. The boom in Chinese international tourism has been very important for the rapid growth in international air passenger traffic in the APAC region in recent years, and until flights to this important market can resumed by airlines, this will be a key negative factor for any recovery in international air travel in the APAC region.

Top APAC destinations for Chinese tourism, 2018



Flash PMI shows service sector leads deeper economic downturn in Japan and Australia during March



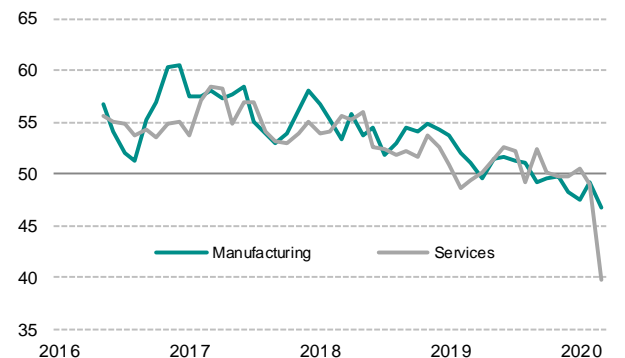
Near-Term Outlook

Considerable uncertainties about the duration and future global spread of the COVID-19 pandemic continue to cloud the near-term outlook for the Asia-Pacific aviation industry. With such a steep collapse in air travel in the Asia-Pacific region, many APAC airlines are likely to face near-term economic difficulties as flight schedules are largely cancelled, fleets are grounded and airlines face a collapse of revenue while the coronavirus epidemic continues to disrupt air travel. Tens of thousands of airline employees across the APAC region face layoffs in coming weeks.

With the tourism sector in many APAC economies also heavily impacted by the collapse in international tourism visits, APAC governments are facing increasing pressure to roll out stimulus measures to support their commercial aviation and tourism industries through this severe economic crisis. Despite such support measures, the commercial aviation industry faces a bleak near-term outlook of rising bankruptcies and sweeping consolidation during 2020.

Flash Australia PMI (March)

CBA Australia PMI Output / Business Activity Index



Sources: IHS Markit, CBA