



IHS Markit™

Global PMI

Global business sees sharpest downturn since 2009 amid
COVID-19 pandemic

April 15th 2020

Global PMI falls by near-record amount for second month running

Global business activity contracted in March at the fastest rate for 11 years as measures to contain the coronavirus disease 2019 (COVID-19) pandemic took an increasing toll on economies around the world. The JPMorgan Global PMI™ (compiled by IHS Markit) fell by [a near record 6.7 points in March](#), building on a prior plunge of 6.1 points in February to drop from 46.1 to 39.4, its lowest since the height of the global financial crisis in February 2009. The latest reading indicates a second successive month of steeply declining business activity, comparable with global GDP falling at an annual rate of approximately 1.5-2.0% (at market prices), down dramatically from a rate of expansion of almost 3% signalled back in January.

The decline in global services activity was the largest ever recorded in the survey's 22-year history, while manufacturing output fell at one of the steepest rates seen since 2009.

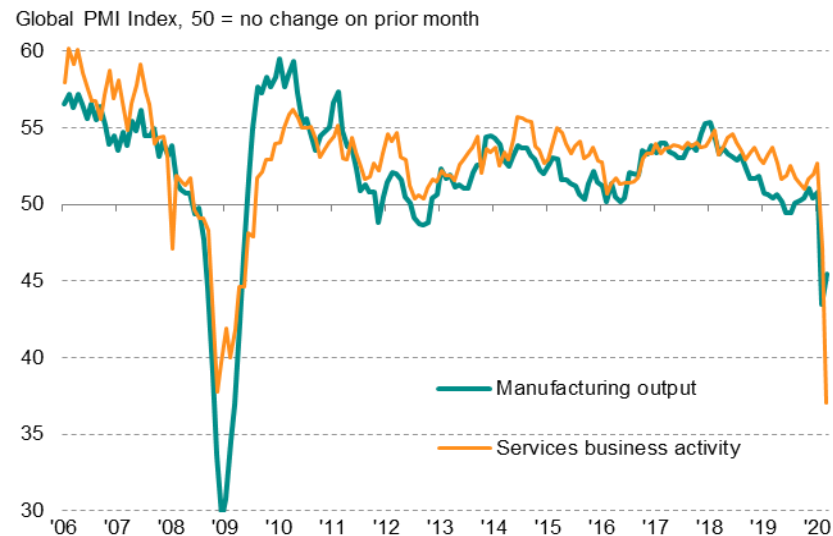
Global PMI* output & economic growth



Sources: IHS Markit, JPMorgan.

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

Global PMI output indices



Sources: IHS Markit, JPMorgan.

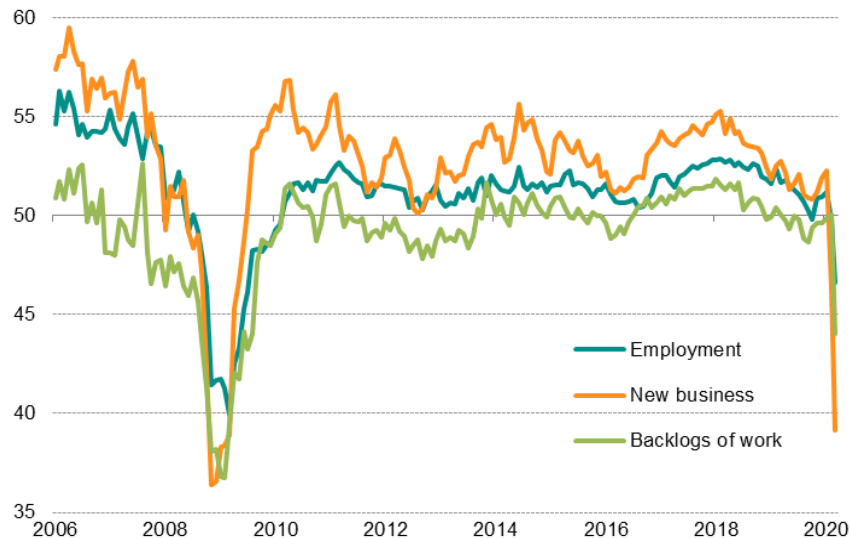
Jobs and prices fall worldwide at steepest rates since 2009

Inflows of new business dropped sharply globally for a second consecutive month, declining at a rate not seen since March 2009. Similarly, backlogs of uncompleted orders fell to a degree not seen since August 2009, hinting strongly that firms are running out of work to keep capacity fully utilised. Companies were quick to respond to the slide in demand by cutting workforce numbers, which fell for a second month in a row, dropping at the steepest rate since July 2009.

Average prices charged for goods and services meanwhile fell globally to an extent not seen since November 2009. Price cuts were commonly reported on the need to offer discounts in the face of sliding sales and dwindling revenues. The ability to cut prices was facilitated by an easing in input cost inflation to the second-lowest since 2009. Although shortages of some goods helped prop up prices, companies reported lower prices for oil and other commodities, as well as reduced staff costs.

Global order books and employment

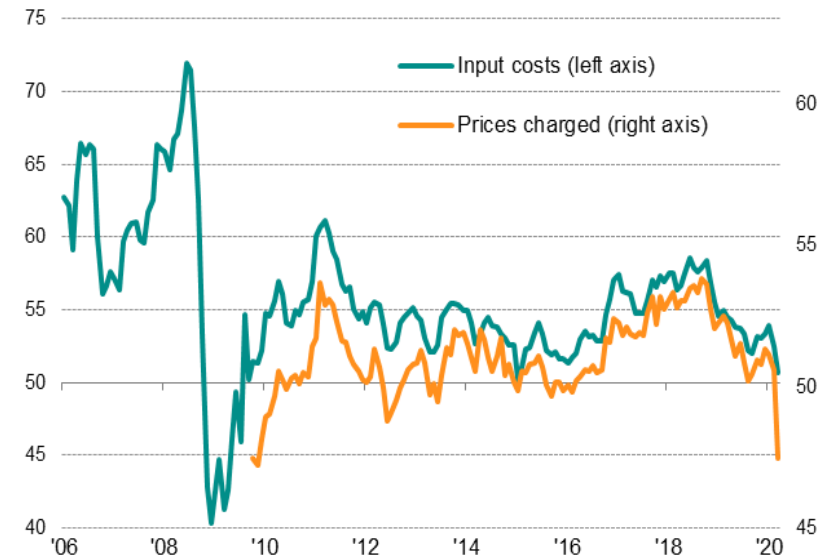
JPMorgan Global PMI



Sources: IHS Markit, JPMorgan.

Global prices

JPMorgan Global Composite PMI

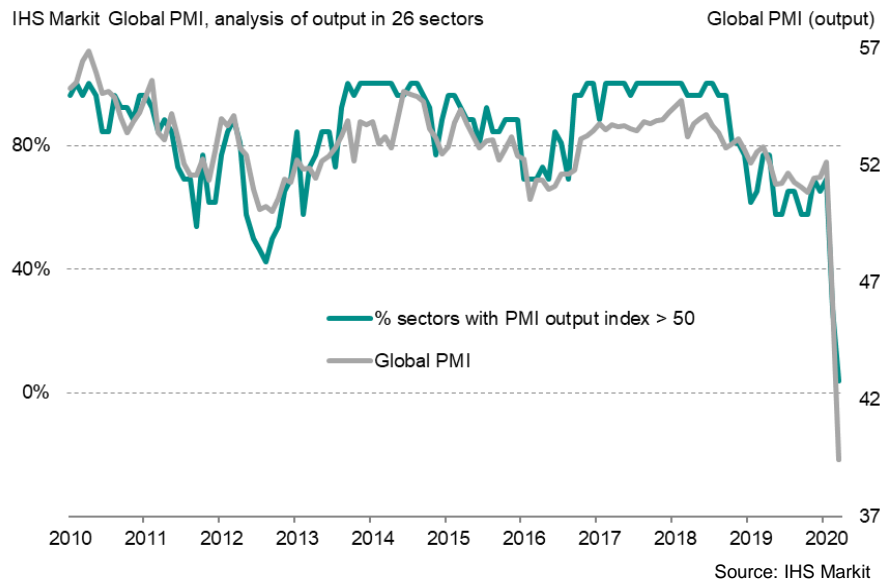


Sources: IHS Markit, JPMorgan.

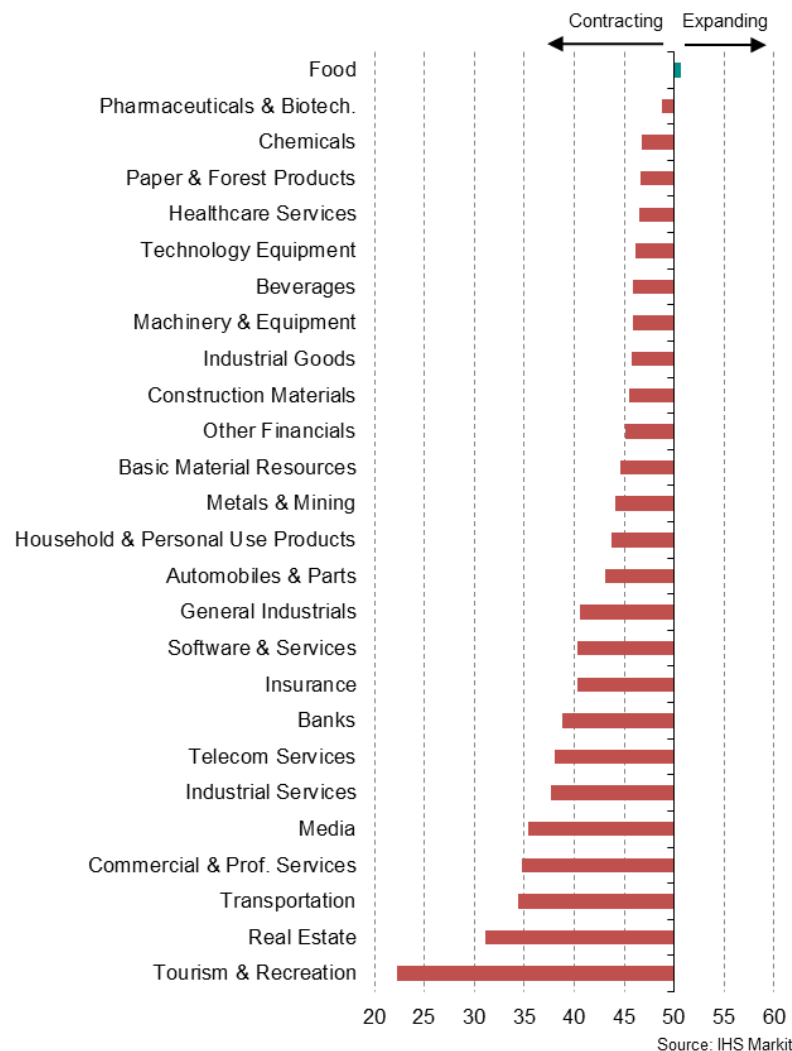
Tourism and recreation takes greatest hit from virus lockdown

Measures to control the pandemic have so far included travel bans, closures of non-essential businesses and strict restrictions on movement by households, hitting global demand from both consumers and businesses for a wide variety of goods and services. IHS Markit's [detailed PMI](#) data highlighted the resulting broad-based impact of the COVID-19 outbreak in March, with output falling globally in 25 of the 26 sectors. Only food producers reported any growth.

The steepest decline was recorded in the tourism and recreation sector, which has been especially hard hit by the COVID-19 measures, followed by real estate, the latter reflecting fewer property transactions.



Global Sector PMI Output Index (Mar 2020)

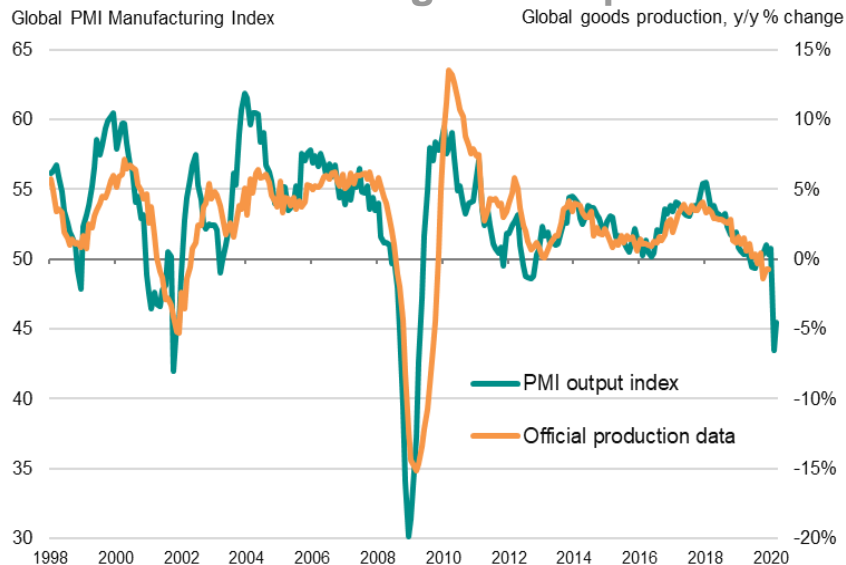


Manufacturing downturn deepens outside of China

The JPMorgan Global PMI showed the monthly drop in [worldwide factory production](#) was the second-steepest since April 2009. The survey data indicate that both output and global trade are falling at annual rates in excess of 5%.

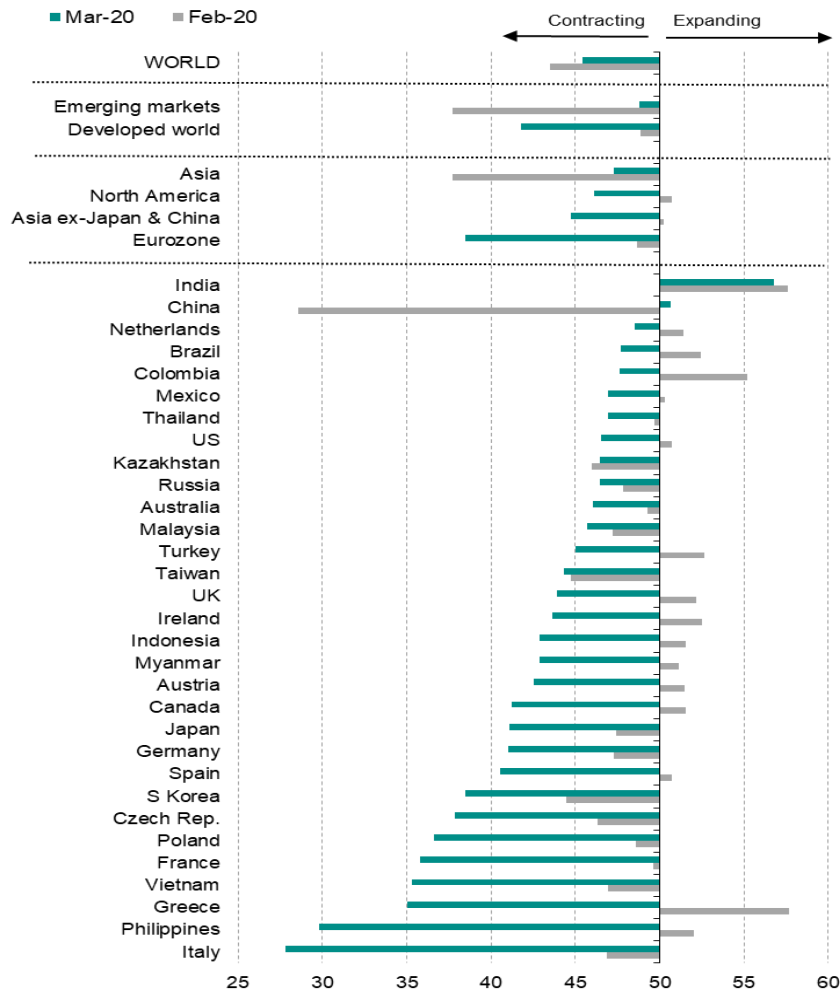
Only China and India reported a PMI output index in excess of 50, signalling a month-on-month increase in production. The steepest rate of contraction was seen in Italy. If we exclude China from the calculations, global output fell at the sharpest rate since April 2009.

Global manufacturing PMI output



Sources: IHS Markit, JPMorgan, national statistical offices.

Manufacturing PMI output index, 50 = no change on prior month



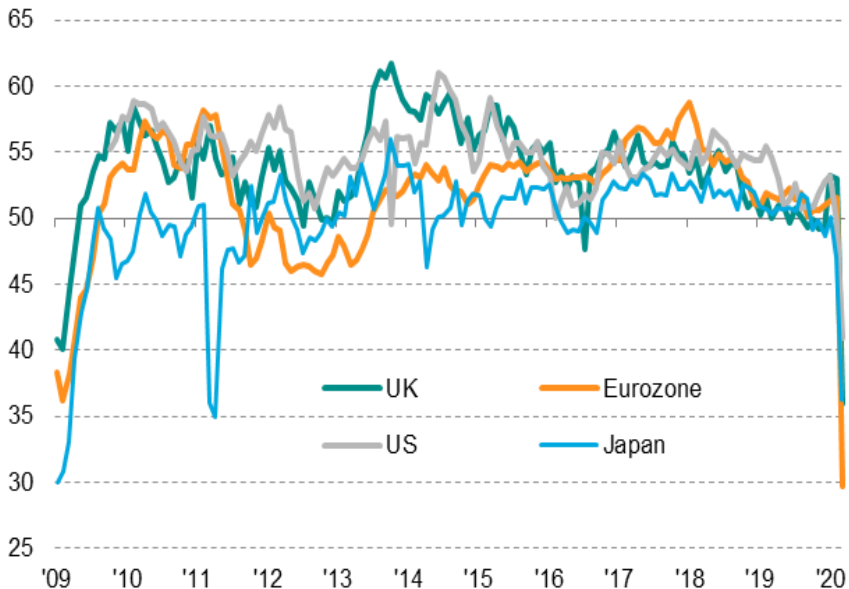
Sources: IHS Markit, JPMorgan.

Broad-based global slump, though China downturn eases

The latest PMI data were collected between 12th and 27th March, encompassing a time when the virus spread further from its origin in China to other Asian countries, Europe and the Americas, leading more governments to introduce increasingly widespread and draconian measures to help prevent healthcare systems from being overwhelmed by the spread of the COVID-19. Looking at the major developed markets, Europe saw especially steep contractions of business activity and demand, with record low PMI readings seen in both the eurozone and UK, though downturns also deepened in both the US and Japan. China's downturn meanwhile eased, though remained among the steepest recorded by the Caixin survey. Brazil and Russia meanwhile suffered the largest monthly falls in activity since 2009. India saw marginal growth, but locked down later than other countries in response to the COVID-19 outbreak.

Developed world key economies

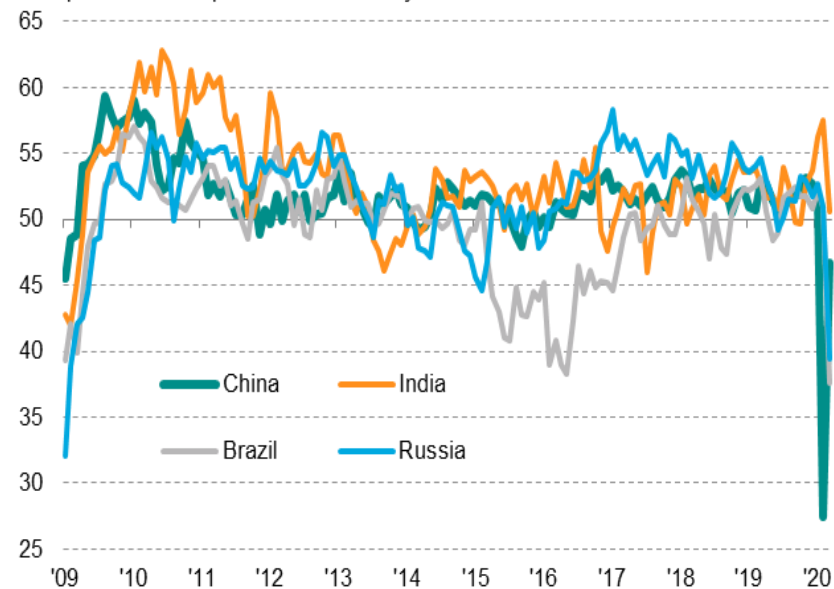
Composite PMI Output/Business Activity Index



Sources: IHS Markit, CIPS, au Jibun Bank.

Major emerging markets

Composite PMI Output/Business Activity Index



Sources: IHS Markit, Caixin.

Mainland China economy continued to contract in March

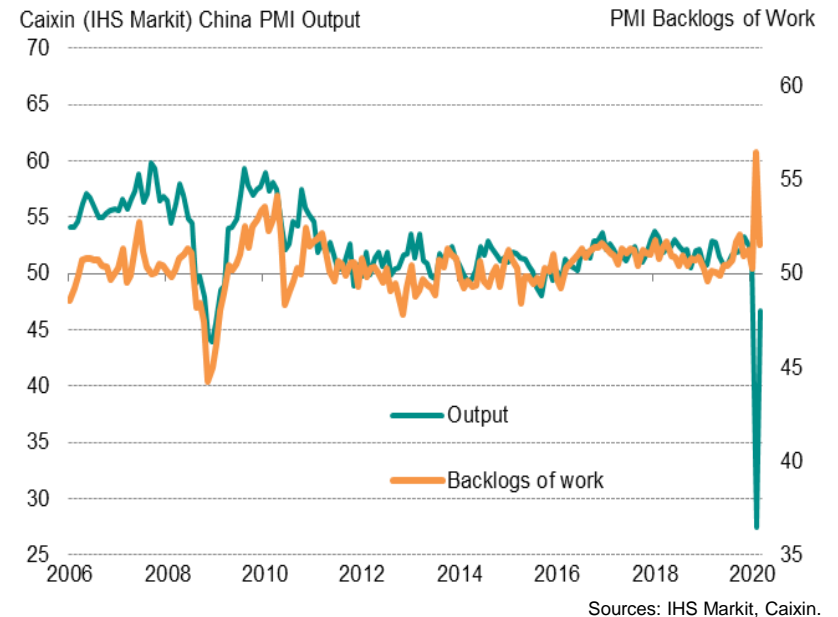
Having led the downturn in February with the biggest slide in output yet recorded by the Caixin survey (which is compiled by IHS Markit), China saw a [marked easing in its rate of contraction](#) across the manufacturing and service sectors in March, as the composite PMI bounced from 27.5 in February to 46.7. The sub-50 reading nevertheless meant output continued to decline at the second-steepest rate since 2009.

Some comfort can be drawn from the March survey showing a further marked rise in backlogs of work, as constraints such as supply chain delays and shortages of workers due to the COVID-19 outbreak continued to limit activity in the short-run, hinting that output could rise when these constraints ease. However, the concern is that global demand will weaken as increasingly draconian methods to limit the pandemic could hit spending in coming months, causing a renewed dip in activity.

China PMI output



China PMI output and backlogs of work

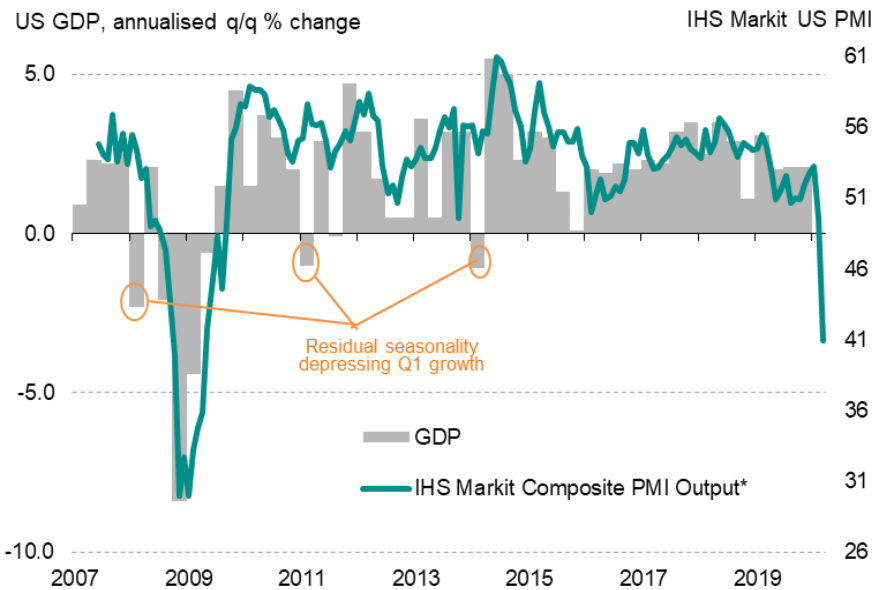


US in steepest downturn since 2009

The United States saw the weakest downturn of the largest developed world economies, but the IHS Markit US PMI surveys still indicated that business activity slumped to the greatest extent since the height of the global financial crisis as efforts to contain the spread of the COVID-19 pandemic intensified. Manufacturing output fell at the fastest rate since 2009 but service sector activity fell to an even greater extent amid increasingly strict and widespread social distancing measures.

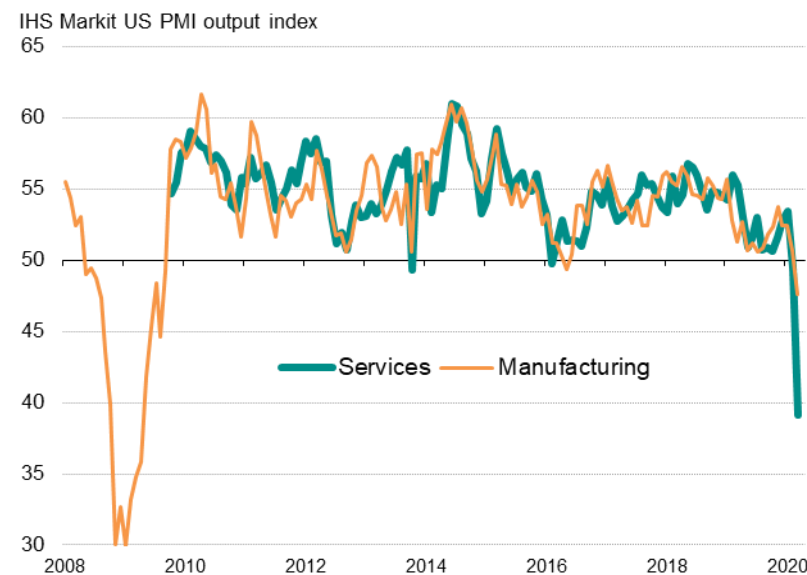
The survey is consistent with the US economy contracting at an annualised rate approaching 5% in March, but with more measures to fight the virus outbreak being taken this decline will likely worsen in the second quarter. The survey also showed employment and prices charged for goods and services already being slashed at rates not seen since 2009 as companies seek to cut costs and discount aggressively in the face of collapsing revenues.

US economic growth and the PMI**



Source: IHS Markit, BEA.

US PMI output indices



Source: IHS Markit.

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

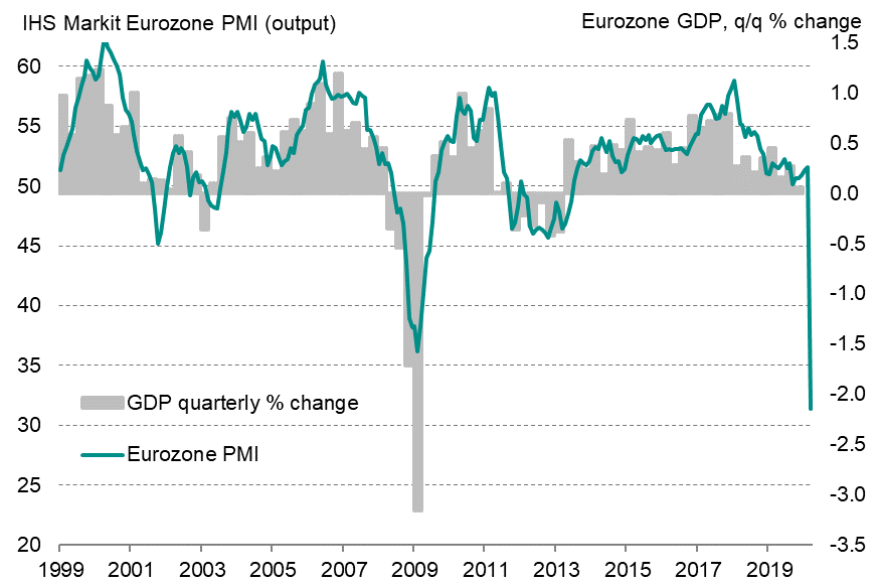
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Eurozone PMI at record low, with Italy in steepest decline

With various eurozone countries stepping up their measures to contain the spread of the coronavirus, the IHS Markit PMI for March indicated the steepest collapse of business activity since data were first available in 1998, plunging from 51.6 to an all-time low of 29.7. The data signal that the eurozone economy is already contracting at an annualised rate approaching 10%, with worse inevitably to come in the near future amid the intensifying virus-fighting measures currently being implemented. The service sector reported an especially severe impact from the COVID-19 outbreak, contracting at the sharpest rate in the survey's history with travel, tourism, restaurants and other leisure activities all hit especially hard by virus containment measures.

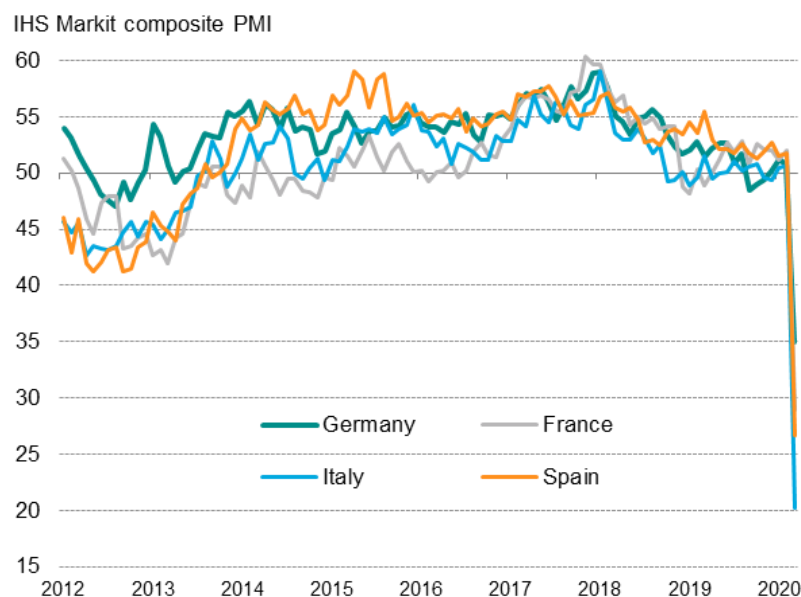
No eurozone countries escaped the severe downturn in business activity, with record low PMI readings seen in Germany, France Italy and Spain, with Italy suffering the sharpest decline.

Eurozone PMI* and GDP



Sources: IHS Markit, Eurostat.
*PMI shown above is a GDP weighted average of the manufacturing and services indices.

Euro big-four composite PMI *(output)



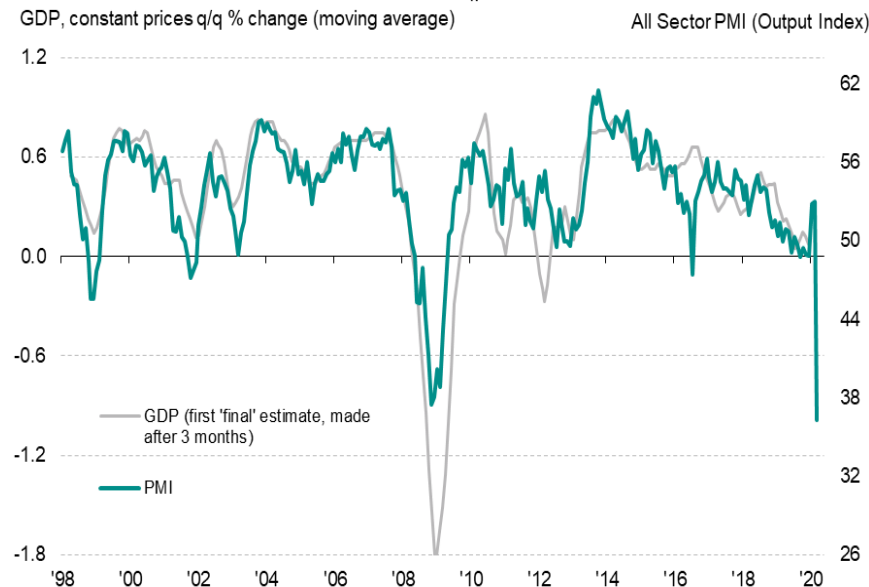
Source: IHS Markit.

UK PMI collapses to all-time low in March

The UK PMI surveys highlighted how the COVID-19 outbreak has already dealt the economy an initial blow even greater than that seen at the height of the global financial crisis. The composite PMI fell from 53.0 to an all-time low of 36.0, surpassing the prior low of 38.1 reached in late-2008. The survey is consistent with GDP falling at a quarterly rate of over 1.2% in March, a decline which is sufficiently large to have pushed the economy into a contraction of at least 0.3% in Q1. However, this decline looks set to merely represent the tip of the iceberg, and will likely be dwarfed by the potential contraction in Q2 as further virus containment measures take their toll.

Any growth in the UK was confined to small pockets of the economy such as food manufacturing, pharmaceuticals and healthcare. Demand elsewhere collapsed, both for goods and services, as increasing numbers of households and businesses at home and abroad close their doors. The service sector downturn was especially marked.

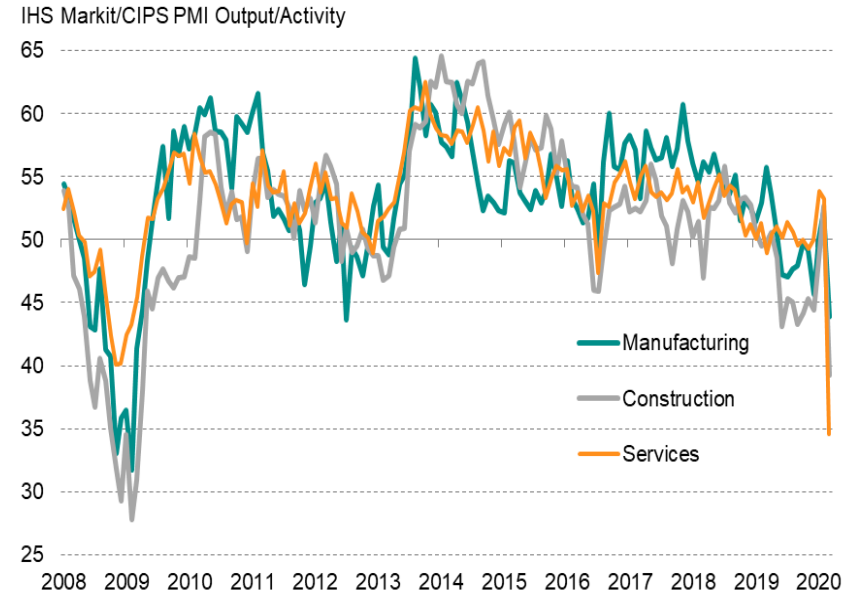
UK PMI* and GDP



Source: IHS Markit, CIPS, ONS.

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

UK PMI output indices

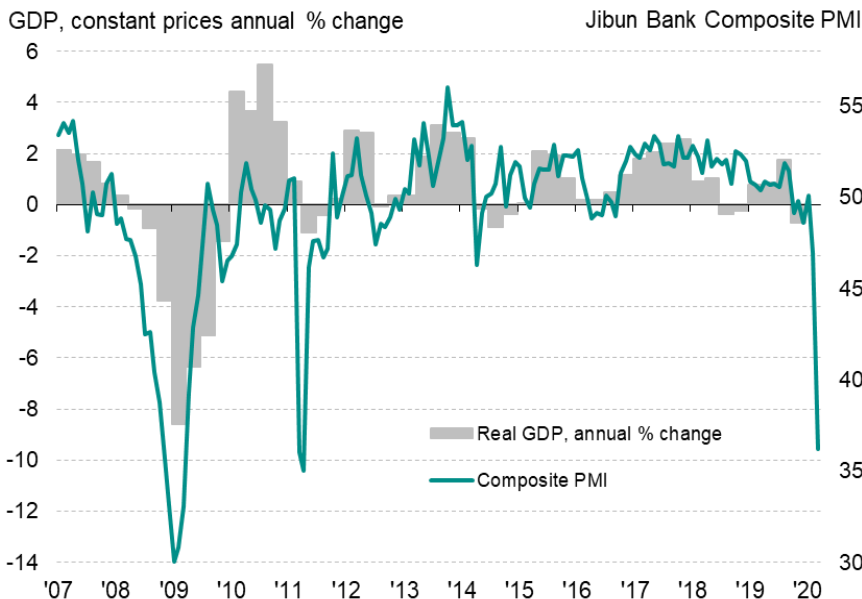


Source: IHS Markit, CIPS.

Japan in recession

Business activity in Japan meanwhile contracted at the sharpest rate since 2009 with the exception of the tsunami and earthquake crisis in 2011. Both manufacturing and services recorded strong deteriorations, though the decline in the latter was particularly marked, pushing the au Jibun Bank composite PMI down to 36.2 from 47.0 in February. The data raise the likelihood that Japan's GDP contracted in the first quarter which, after the contraction seen late last year, means Japan could already be in recession.

Japan PMI* and GDP



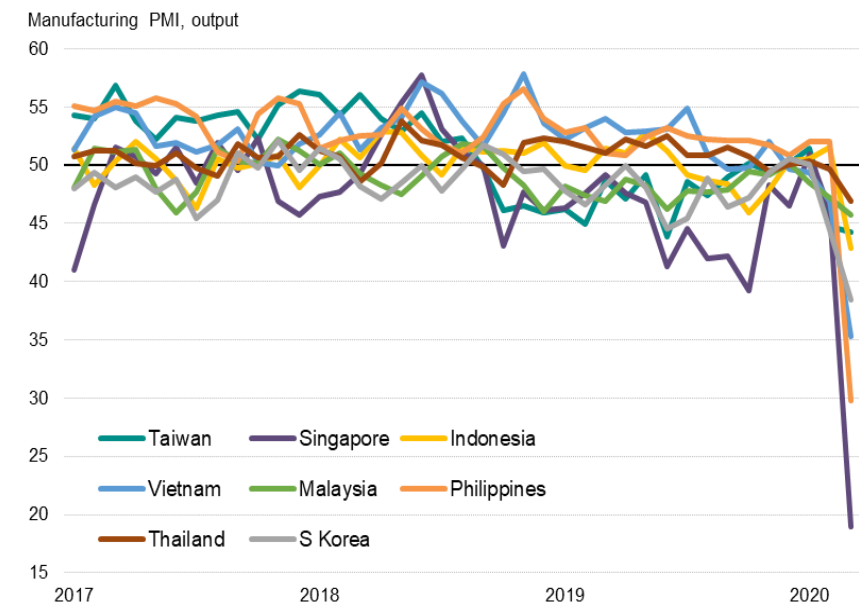
Sources: IHS Markit, au Jibun Bank, Japan Cabinet Office.

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

Broad-based Asian decline

Steep falls in manufacturing output – sometimes unprecedented – were seen in many other key Asian economies in March. Taiwan and South Korea both saw output fall at the steepest rates since December 2009 and January 2009 respectively, while survey lows were seen for PMI output indices in Singapore, Vietnam, Indonesia, Myanmar and the Philippines (though these surveys have shorter histories). Near record lows were also seen in Malaysia and Thailand.

Manufacturing output in Asia



Source: IHS Markit.

Global PMI summary

- Global recession signalled with PMI at lowest since February 2009, led by record drop in services activity.
- Consumer services hardest hit but record number of sectors in decline globally as COVID-19 impact spreads.
- Europe saw biggest virus outbreaks in March and commensurately saw largest PMI falls (record lows in UK and all four largest eurozone members), but US also saw sharpest decline since 2009.
- Japan downturn deepened while Asia ex-Japan/China suffered steepest output fall since January 2009.
- China showed signs of the downturn easing but care needs to be taken in interpreting this – still second steepest fall in output on record.
- Jobs being cut to degree not seen since 2009 (note excludes self employed)
- Selling prices falling at steepest rate since 2009. Supply delays remain most severe since 2004, meaning shortages prevalent but could provide support to prices.
- COVID-19 outbreak means April likely to see worse PMI readings in US and Europe, but could see levels steadying by Q3

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Upcoming data releases

23rd April, next flash PMIs

1st May, final PMIs – staggered release due to public holidays

8th May, sector PMIs

[Link to calendar](#)

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