

Week Ahead Economic Preview

Global overview

- Flash PMI survey data updated for April for manufacturing and services in the US, Eurozone, UK, Japan and Australia
- US earnings season in full flow
- Looking for signs of life in Asia trade numbers

The week ahead sees around 500 US companies report earnings, providing an initial insight into how the COVID-19 outbreak is hitting revenues and profits at some of the world largest firms. The list encompasses tech, consumer products, airlines, telecoms and pharmaceuticals, with analysts especially eager to assess guidance on full-year expectations.

Some of these expectations will be steered by the economic data flow, which in recent weeks is hinting at a global downturn of greater initial ferocity than seen during the global financial crisis. In that respect, flash PMI survey data will provide the first comprehensive picture of how some of the world's major economies have fared in April. [March PMI data](#) showed record rates of collapse in the UK and Eurozone with Japan contracting at the fastest rate in a decade and the US suffering the steepest downturn since the global financial crisis. With business closures and social distancing measures having been stepped up in many countries in April, it is widely expected that the PMIs will have deteriorated further as we head into the second quarter.

Other key components of the flash PMIs to watch will be the survey's price and employment gauges, which also fell sharply across the major developed economies in March.

In the US, the flash PMIs and earnings reports are joined by jobless claims, University of Michigan consumer sentiment, home sales and durable goods orders data ([page 3](#)).

Europe meanwhile sees the PMIs accompanied by sentiment surveys from the European Commission, which also includes the IFO survey for Germany, as well as the April Household Finance Index. Updated labour market numbers from the UK are also likely to show a spike in unemployment benefit claims ([page 4](#)).

In Asia, April trade numbers for Taiwan, Thailand and Japan will also garner attention to gauge the extent to which Asia's exports have suffered, and maybe whether there are any signs of supply chains from China being restored ([page 5](#)).

Special reports

India: India's lockdown extension to contain the COVID-19 outbreak represents a further negative shock to industrial output ([page 6](#)).

Europe: With COVID-19 lockdowns in some EU countries now extending into May, further downward revisions to already-gloomy assessments of economic prospects across Europe are likely ([page 9](#)).

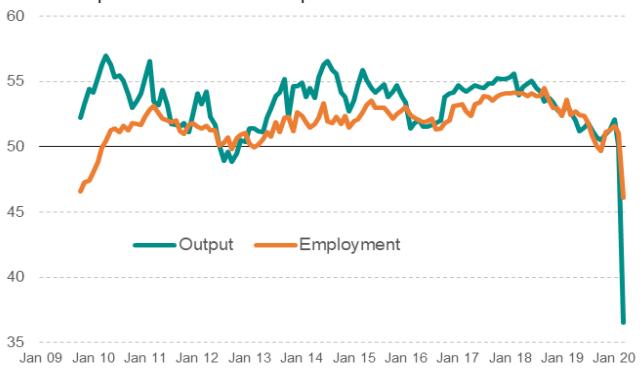
Upcoming PMI releases

23rd Apr: April flash PMI data for the US, UK, Eurozone, Japan and Australia

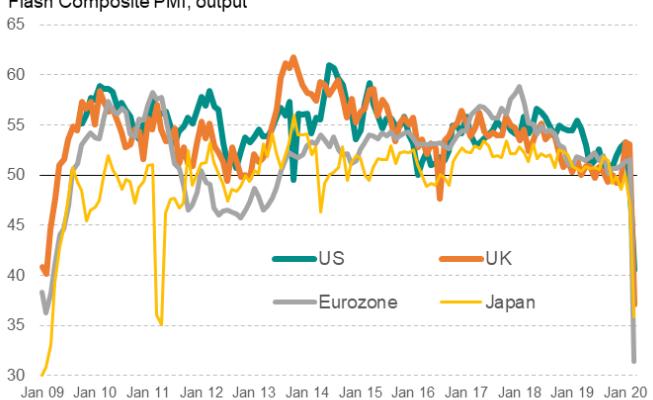
[Click here to download our March worldwide PMI overview](#)

Flash PMI surveys from IHS Markit are updated for April

Flash Composite PMI of 'G4' developed economies



Flash Composite PMI, output



Chris Williamson

Chief Business Economist, IHS Markit

Email: chris.williamson@ihsmarkit.com

Economic Preview: Week of 20 April 2020

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Key diary events (UTC)

Monday 20 April

- China loan prime rate (Apr)
- Taiwan export orders (Mar)
- Hong Kong SAR unemployment rate (Mar)
- UK Household Finance Index (Apr)
- Euro area trade balance (Feb)
- US Chicago Fed national activity index (Mar)

Tuesday 21 April

- RBA meeting minutes (7 Apr)
- UK jobless rate, earnings (Feb), claimant count (Mar)
- Spain trade balance (Feb)
- Euro area and Germany ZEW economic sentiment index (Apr)
- US existing home sales (Mar)

Wednesday 22 April

- Thailand trade (Mar)
- UK and Malaysia inflation (Mar)
- France business confidence (Apr)
- Euro area government budget to GDP (2019)
- Euro area consumer confidence (Flash, Apr)
- US house price index (Feb)
- Commonwealth Bank Australia PMI (Flash, Apr) 23:00
- South Korea GDP (Adv, Q1)

Thursday 23 April

- IHS Markit Flash PMI for US, Eurozone, Germany, France, UK, Japan (Apr)
- Singapore inflation (Mar)
- Germany consumer confidence (May)
- UK retail sales (Mar)
- UK public sector net borrowing (Mar)
- Taiwan industrial output, retail sales (Mar)
- US weekly initial jobless claims (18 Apr)
- US new home sales (Mar), Kansas Fed manufacturing index (Apr)
- Japan inflation (Mar)

Friday 24 April

- Australia trimmed mean CPI (Q1)
- Singapore jobless rate (Q1), industrial output (Mar)
- Germany Ifo survey (Apr)
- Hong Kong SAR business confidence (Q2)

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US durable goods orders (Mar)

Brazil business confidence (Apr)

US Michigan consumer surveys (Final, Apr)

Saturday-Sunday 25-26 April

25/4: Germany CDU congress [leadership election](#)

United States Week Ahead

Jobless claims, flash PMIs for April

By Siân Jones

Economist, IHS Markit, London

Email: sian.jones@ihsmarkit.com

As the global pandemic continues to rage, with the spotlight in terms of new infections turning from Europe to the US, updates regarding the health of the economy hold greater importance. Topping the economic release calendar are updates to initial jobless claims and April data from the 'flash' PMIs, plus consumer sentiment, home sales and durable goods orders. While the jobless claims data are providing a timely understanding of the COVID-19 impact on the labour market, PMI data will reveal early insight into the state of the private sector economy.

Flash PMIs

Highlighting the trends in April across the wider private sector economy, the release of 'flash' manufacturing and services PMI data will give an early signal of output and client demand going into the second quarter of 2020, which we expect to see the worst of the initial impact on economic growth. Unsettling glimpses were seen towards the end of March with the PMI hitting its lowest since 2009 and [industrial production suffering a record post-war slump](#) as the US ramped up its response to the virus outbreak.

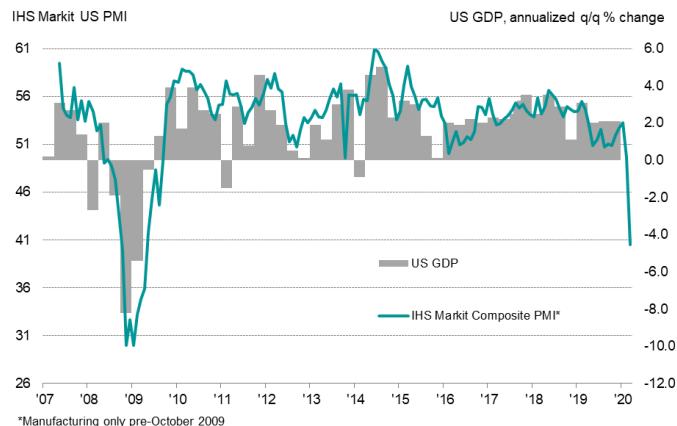
Durable goods data for March are likewise expected to show a marked contraction in demand for manufactured goods.

Initial jobless claims and Michigan survey

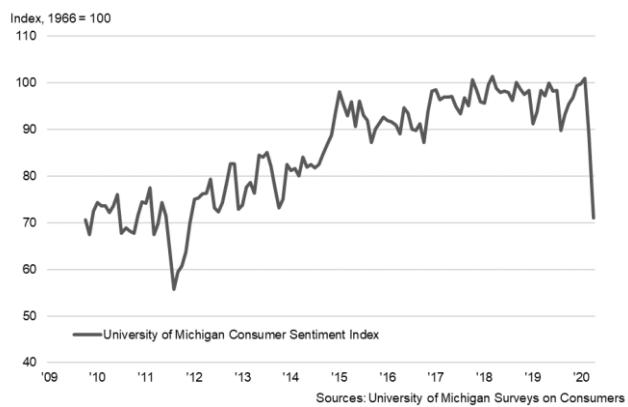
Following staggering, record-breaking initial jobless claims data in recent weeks, updates to the number claiming unemployment benefits is expected to rise further. Alongside ongoing difficulties registering for benefits due to the sheer volume of applicants, the sudden nature of lay-offs has resulted in sharp spikes in claimants. As the lockdown continues and there are no clear signs of the economy returning to full capacity in the near-future, the timespan of the detrimental effect of COVID-19 on the labour market and any recovery is still unknown.

After official data showed retail sales slumping 8.7% in March, final index figures for the University of Michigan consumer sentiment survey for April will be eyed for clues as to whether the downturn will intensify. Initial readings pointed to the lowest consumer confidence since December 2011.

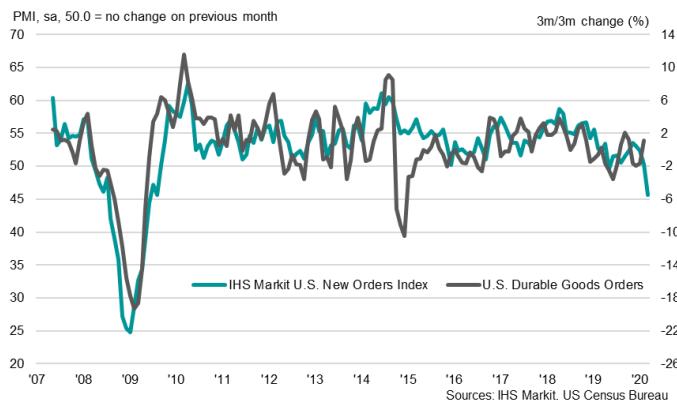
IHS Markit PMI data pointed to slump in business activity in March, April 'flash' data are released on Thursday



Consumer sentiment has dropped to the lowest since December 2011



Durable goods orders likely fell markedly in March, according to IHS Markit PMI data



Europe Week Ahead

Flash PMI data to provide first insight into second quarter

By Joe Hayes

Economist, IHS Markit, London

Email: joseph.hayes@ihsmarkit.com

The first look at economic conditions in April comes from IHS Markit's flash PMI data, which will be crucial as analysts and policymakers assess the impact of the global COVID-19 pandemic. Meanwhile, claimant count figures for the UK are expected to signal a huge rise in unemployment during March, while our April UK Household Finance Index (HFI) will help gauge the financial health of consumer balance sheets. The UK public sector net borrowing for March will also garner interest as debt levels are expected to rise following unprecedented fiscal policy action. Elsewhere, euro area sentiment surveys will be watched as we await lagging official statistics.

Flash PMIs

Flash PMIs are released for the UK and Eurozone, with the latter including detailed data for France and Germany. The unprecedented declines in these PMIs across Europe in March were consistent with GDP falling at quarterly rates in excess of 2% in some cases. Flash PMI data will provide policymakers and analysts with their first insight into economic activity during April. Given that lockdown measures remain in place in the largest European countries, with many countries indicating a commitment to keeping them until May at the earliest, the hit to second quarter GDP is expected to be far worse.

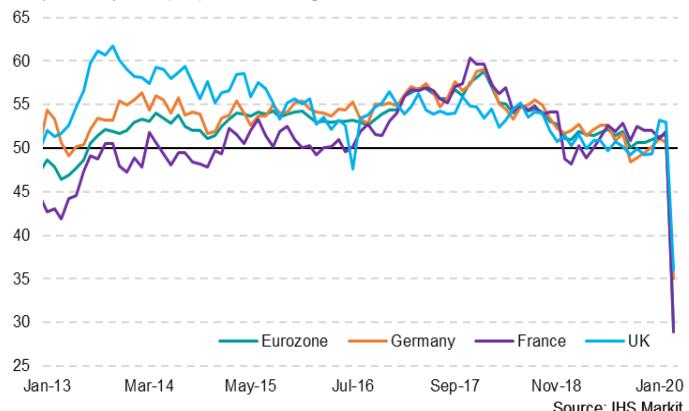
Sentiment surveys across the euro area will also help plug the gap while we await relevant official data. Ifo, ZEW and European Commission surveys are all due.

UK employment, HFI survey and PSNB

UK labour market data will be closely watched next week, with particular focus on the March claimant count, which is expected to soar. [Reports](#) suggest that the number of benefit claimants in the UK has risen to around six-times the normal level. The UK government has been eager to keep claimant numbers down as rising benefit pay-outs and weaker growth prospects add pressure to an already-swollen public balance sheet. The public sector net borrowing for March will help assess the damage that the emergency policy response has had on the government's finances. Meanwhile, our HFI survey for April will also provide a timely insight into the financial wellbeing of UK households.

Flash PMI data for April to provide the timeliest update of economic activity across Europe

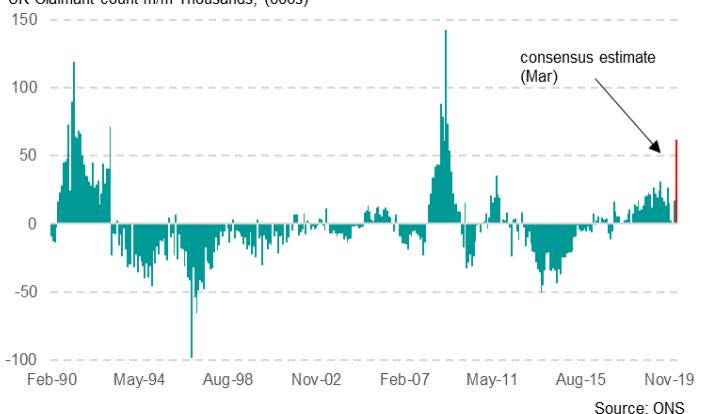
Composite Output PMI, SA, 50.0 = no-change



Source: IHS Markit

March claimant count numbers to show strong deterioration in UK labour market

UK Claimant count m/m Thousands, (000s)



Source: ONS

Sentiment measures across euro area to be watched as we continue to wait for lagging official statistics

Net balance, %



Source: European Commission

Asia Pacific Week Ahead

Flash PMIs, South Korea GDP, Asia trade and inflation

By Bernard Aw

Principal Economist, IHS Markit, Singapore

Email: bernard.aw@ihsmarkit.com

With stricter anti-virus measures implemented between late March and April in many countries, flash April PMI surveys will be under the spotlight, providing early insights into the extent to which social distancing rules have curtailed economic activity. In Asia, flash PMI updates for Japan and Australia will be scrutinised. South Korea will publish the first quarter GDP figures while trade numbers for Taiwan, Thailand and Japan will garner attention for export trends in April. Minutes for the April RBA meeting will meanwhile be gleaned for clues of future policy direction. Other data highlights in Asia include inflation data in Japan, Malaysia and Australia, as well as Hong Kong's business confidence.

Flash PMI

Flash au Jibun Bank PMI data for Japan will be eyed for the impact of measures to contain the COVID-19 outbreak on business activity, in particular in the service sector. This will come on the heels of recent PMI data indicating a [deepening economic downturn](#) at the end of the first quarter. IHS Markit now expects the Japanese economy to contract by 2.5% in 2020.

Australian analysts will be on recession watch, scrutinising the flash CBA PMI results for clues as to the extent of economic damage suffered at the start of the second quarter amid lockdown measures. Services business activity will be in particular closely monitored.

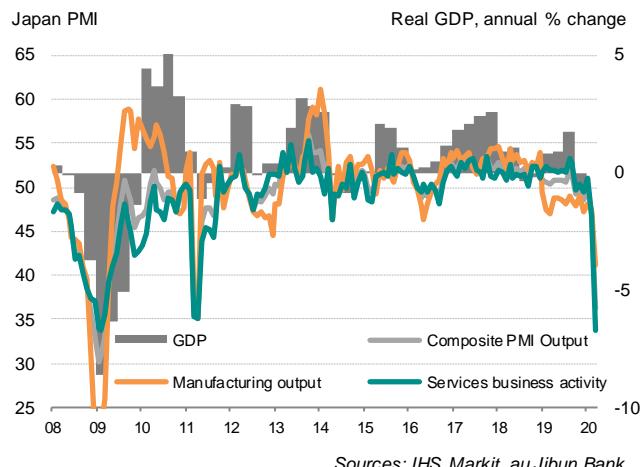
Growth slowdown in South Korea

South Korean economic growth is expected to slow to an annual rate of 1.8% in the first quarter, down from 2.4% in the last quarter of 2019, according to IHS Markit estimates, as the COVID-19 pandemic hit consumer demand and caused supply chain disruptions. Forward-looking PMI survey indicators point to a [deepening downturn](#) in the second quarter: new orders plummeted at the fastest pace since 2009 while business sentiment plunged to a record low.

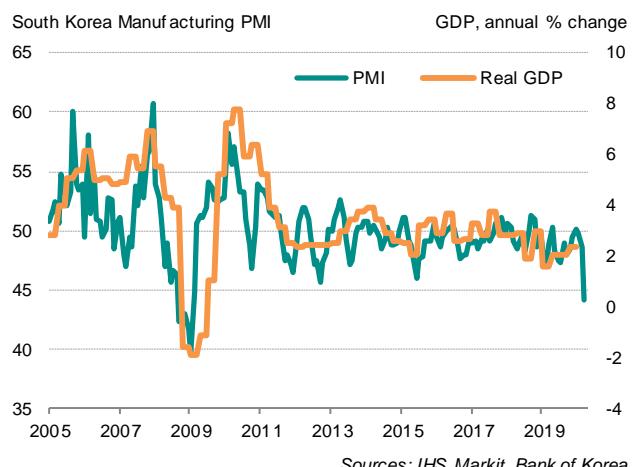
Asia trade

Taiwan's export orders, a barometer for regional trade performance, will be eyed, as would trade figures in Thailand and Japan amid a global trade downturn brought about by the virus pandemic. The fall in [global new export sales](#) during March was the sharpest since the global financial crisis in April 2009.

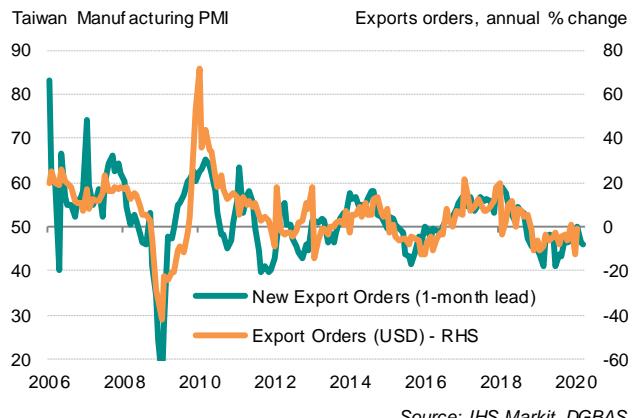
Japan PMI shows economy worst hit since 2011 tsunami during March, with services activity hit especially hard



South Korea PMI points to growth slowdown in first quarter



PMI signals further fall in Taiwanese export orders



Asia Pacific Special Focus

Covid-19: India's lockdown extension creates further negative shock to industrial output

By Rajiv Biswas

Asia-Pacific Chief Economist, IHS Markit

Email: rajiv.biswas@ihsmarkit.com

The announcement by Prime Minister Narendra Modi that India's nationwide lockdown would be extended until 3rd May has created a further large negative shock for the struggling manufacturing sector. India had already been experiencing extremely weak industrial production growth during the second half of 2019, with cumulative industrial production growth for the April 2019–February 2020 financial year to date period over the corresponding period of the previous year having risen by only 0.9% year-on-year.

However, on 15th April, the Indian Ministry of Home Affairs has given approval for limited restarts in some sectors of industry with effect from 20th April, providing some glimmers of light at the end of the tunnel for India's long-suffering industrial economy.

Economic impact of COVID-19 on India escalates in April

Large increases in the daily number of new COVID-19 cases reported in India in mid-April have forced the Indian government to further extend India's nationwide lockdown. This has overshadowed the latest industrial production data released by India's National Statistical Office that showed improving industrial output growth of 4.5% year on year (y/y) in February 2020.

On 14th April, Prime Minister Narendra Modi announced that India's national lockdown to control the coronavirus disease 2019 (COVID-19) pandemic would be extended until 3rd May. The lockdown had initially been implemented on 25th March and was originally planned to run for a period of three weeks.

Owing to the protracted lockdown that has affected industrial production during the last week of March and will now severely disrupt industrial production during the entire month of April, the positive outcome for industrial production growth in February has become a

historical data point and rendered irrelevant in assessing the near-term economic outlook.

India had been experiencing extremely weak industrial production growth during the second half of 2019, with cumulative industrial production growth for the April 2019–February 2020 period over the corresponding period of the previous year rising by only 0.9% y/y. In that context, the 4.5% y/y industrial production growth rate recorded in February marked a significant improvement in industrial production momentum, boosted by a 10% y/y rise in mining output and an 8.1% rise in electricity output in February. However, the shutdown of most business activity since the imposition of the lockdown will result in a severe contraction in industrial output in April.

For example, the Indian automotive industry has largely shut down since the lockdown commenced in late March, with large automakers as well as two-wheeler makers having temporarily closed their plants. Firms manufacturing auto components have also shut down temporarily due to the lockdown. The Society of Indian Automobile Manufacturers (SIAM) have estimated that the daily turnover lost for India's auto manufacturing sector for each day of closure amount to around USD 300 million per day.

The COVID-19 pandemic has intensified the recessionary conditions in India's auto industry, which experienced a 12.7% y/y decline in passenger vehicle sales in 2019, while commercial vehicle sales were down by 15.0% y/y in 2019.

Indian PMI surveys had already weakened in March prior to the lockdown

The headline seasonally adjusted IHS Markit India Manufacturing PMI® fell to 51.8 in March from 54.5 in February. The reading signalled the slowest improvement in business conditions since November 2019 and one that was modest overall.

Softening business conditions in the Indian manufacturing sector in March reflected weaker rises in both output and new orders. Contributing to the downward momentum was a record decline in new export orders, with international demand faltering as the COVID-19 pandemic escalated in the EU and US. There was also evidence that the pandemic negatively impacted the supply-side of the sector, with suppliers' delivery times lengthening for the first time in five months. Looking forward, confidence towards the business outlook plummeted to a record low, with positive sentiment eroded by Covid-19 concerns.

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India Manufacturing PMI
sa, >50 = improvement since previous month

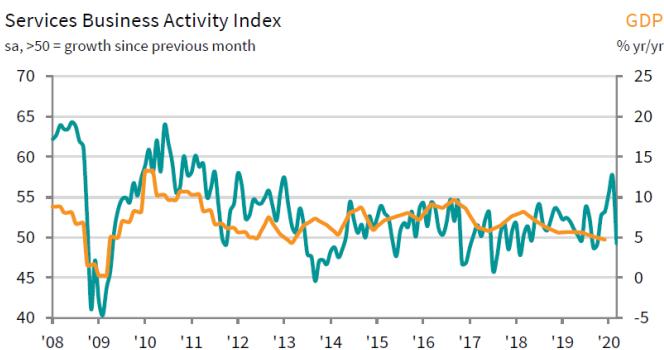


Source: IHS Markit.

Meanwhile India's service sector had already experienced a significant slowdown even prior to the introduction of the lockdown measures within India. The IHS Markit India Services PMI Business Activity Index recorded 49.3 in March, down from February's 85-month high of 57.5. According to industry sector feedback, business activity was reduced in response to weaker demand. The global COVID-19 pandemic reportedly led a fall in new orders from clients, particularly overseas.

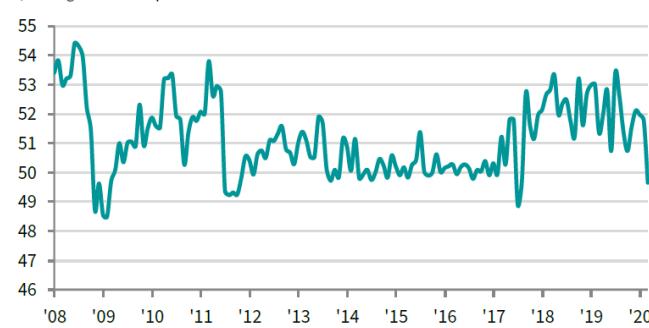
With the March survey having been conducted on 12th-27th March, the survey was largely completed before the lockdown was implemented. In April, nationwide store closures and lockdown of households to their homes will weigh heavily on the services economy.

Services Business Activity Index
sa, >50 = growth since previous month



Sources: IHS Markit, CSO.

Services Employment Index
sa, >50 = growth since previous month



Source: IHS Markit.

Government approves limited restarts in some industry sectors

The Indian Ministry of Home Affairs has on 15th April approved the restart of certain key industries of high national priority, including manufacturing of drugs and medical equipment, as well as industries operating in rural areas, notably farming, fisheries and certain plantations. Farming operations, tea, coffee and rubber plantations, the milk supply chain, livestock farming, and the manufacture, distribution and retail of fertilizers, pesticides and seeds are among the sectors that will be permitted to operate.

The new regulations will also permit the transport of goods, allowing movement of all trucks as well as the operation of railways, airports, seaports for the transport of goods and cargo. However, all air, rail and bus travel by passengers continues to be prohibited.

Important components of the financial sector, such as India's central bank, retail banks, ATMs, capital and debt markets as notified by the Securities and Exchange Board of India, and insurance companies are also allowed to remain functional, with a view to provide enough liquidity and credit support to the industrial sectors.

Food stores, e-commerce firms, courier services, warehousing, cold storage firms and essential hotel and motel operations will also be permitted to operate.

Other industrial operations involving the production of coal, minerals, oil, production of IT hardware, packaging material, jute and brick kilns will also be permitted to operate. Manufacturing and other industrial establishments with access control will be allowed in special economic zones, industrial estates and industrial townships after implementation of regulations for social distancing.

To provide an impetus to the rural economy, industries operating in rural areas, including food processing industries; construction of roads, irrigation projects, buildings and industrial projects in rural areas will be allowed.

Outlook for industrial production in 2020

Although the limited restart of some industries has been permitted from 20th April, India will still suffer severe disruption of its industrial output for the month of April. The pace of recovery in Indian industrial production beyond April will depend on whether the pandemic escalates further within India, which will affect both the timing and extent of relaxation of lockdown measures. Manufacturing sector exports will

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also be hit hard by recessionary conditions in the global economy, with important export markets such as the US, EU, UK and Japan suffering deep recessions in 2020.

Despite the much improved industrial production reading for February, IHS Markit expects the lockdown measures to result in a severe contraction of 4.5% year-on-year for industrial production in 2020. This would be far more severe than India's industrial sector performance during the global financial crisis, when industrial production still managed to show expansion in 2009, albeit just barely recording positive growth.

As is evident from the experience of China after its lockdown period ended, the process of restarting factories and businesses in India is likely to be protracted, with production only gradually ramping up towards operational capacity levels. Furthermore, the staggered timing of plant restarts across different states and cities because of public health considerations relating to COVID-19 cases can also create considerable supply chain disruptions for manufacturing industries, albeit mainly only for a short-term duration of several months.

Europe Special Focus

Europe's huge COVID-19 economic shock

By **Ken Wattret**

Chief European Economist, IHS Markit, London

Email: Kenneth.Wattret@ihsmarkit.com

Our current GDP forecasts for 2020 already embed a very gloomy assessment of economic prospects across Europe due to the drastic restrictions required to try to contain the spread of COVID-19 and their implications for expenditure. But with lockdowns in some countries now extending into May, further downward revisions are likely.

The silver lining in the extremely dark cloud is that the containment measures in the larger, western European economies most affected by COVID-19 to date appear to be working. The dilemma for policy makers from here is whether to roll back the restrictions swiftly to try to limit economic fall-out but running the risk of a renewed spread of the virus. Or alternatively, to hold tight, a less risky approach from a healthcare perspective but increasing the threat of lasting effects on the economy. The recent announcements across Europe highlight divisions on the way forward and potential economic divergence as a consequence.

Collapsing confidence and activity

Survey data for March have already illustrated the exceptional scale and breadth of the shock hitting Europe's economies. IHS Markit's composite PMI output index for the eurozone plunged by around twenty percentage points in March, four times the magnitude of the prior record monthly decline at the height of the Global Financial Crisis (GFC). Upcoming flash data for April are expected to show a continuation of the deterioration, again led by collapsing service sector activity.

Consumer sentiment in the eurozone also collapsed at a record pace in March, with another pronounced fall again expected to follow in April. Declines in consumer expenditure are likely to be exceptionally severe in some areas (including restaurants, cafés and accommodation, recreational and sporting services, etc) due to extreme containment measures. See our Eurozone paper from 26th March 2020: [Collapsing](#)

[eurozone consumer confidence a harbinger of extreme weakness in some areas of consumer spending.](#)

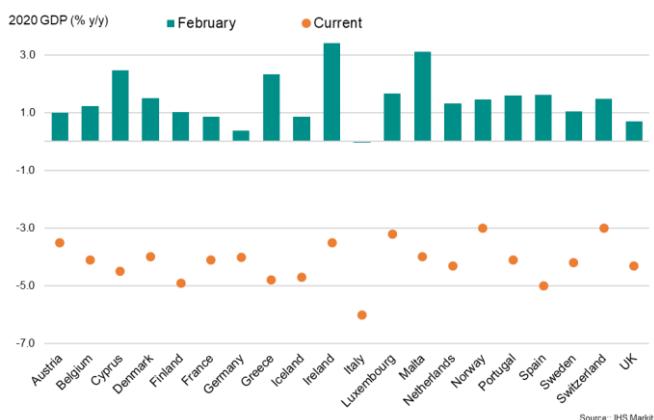
Steeper but shorter recessions

We are currently predicting that the COVID-19 induced recessions this year will be significantly deeper than during the GFC across most of Europe. We expect peak quarter-on-quarter (q/q) rates of contraction to occur in Q2 2020 given the timing of the containment measures and related disruption. As an illustration, our forecast of a q/q decline in eurozone GDP of 5.6% in Q2 2020 would be almost twice the peak rate of contraction during the GFC (-3.2% in Q1 2009), with risks to this forecast skewed to the downside.

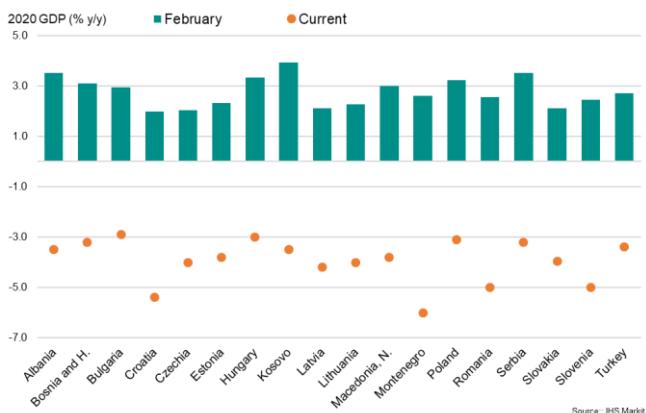
We expect the eurozone recession to be shorter this time, however, given the different nature of the shock. We assume successive q/q contractions in eurozone GDP in Q1 and Q2 2020, followed by a return to positive growth from Q3 onwards. This compares to four quarters of contraction during the Global Financial Crisis and six during the subsequent eurozone crisis.

Though shorter in duration, extremely deep output losses in Q2 will translate into exceptionally large annual GDP contractions in 2020 across western and emerging European economies, plus most of the CIS.

Western Europe: 2020 GDP forecasts



Emerging Europe: 2020 GDP forecasts

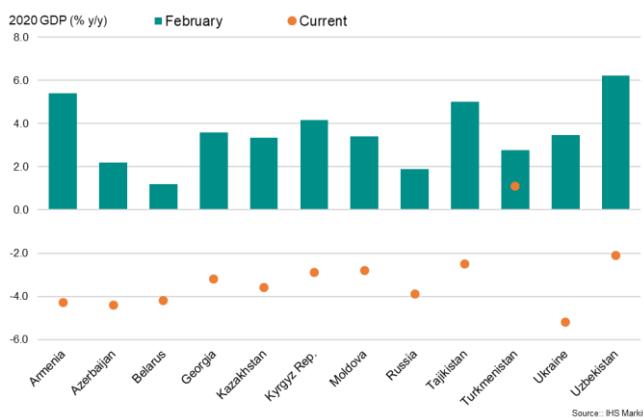


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CIS: 2020 GDP forecasts



National differences

Variations in our forecasts at country level reflect differences in national vulnerabilities (e.g. the spread of COVID-19, the respective importance of services, including tourism, openness to trade, the implications of lower oil prices, etc).

Among the large eurozone member states, Italy (-6.0%) and Spain (-5.0%) are currently forecast to underperform in 2020. However, as different approaches to rolling back the containment measures are starting to emerge, we may have to rethink the relative vulnerabilities across countries.

Spain has been more focused on limiting the economic damage over the last few weeks, mindful of the devastating consequences of the two huge downturns it previously experienced during the GFC and the eurozone crisis. While the national government there has sanctioned a return to work for many parts of the economy, Italy in contrast has extended its lockdowns into early May. France, meanwhile, has extended its restrictions out to 11th May.

Time will tell us what the best approach was at such a delicate stage but an obvious worry for countries like Spain is that prematurely rolling back the restrictions could set back the progress of containing the spread of the virus, ultimately resulting in even larger output losses.

Encouraging signs

We are currently monitoring various metrics which allow us to gauge how the COVID-19 crisis is evolving, along with its economic implications. These include the daily rate of change in the number of confirmed cases and fatalities across European countries. Recent data in the western European countries which have been most badly affected suggest the various containment measures are starting to have the desired effect.

However, the picture varies greatly, and in parts of emerging Europe the picture looks much more worrisome, notably for Turkey and Russia.

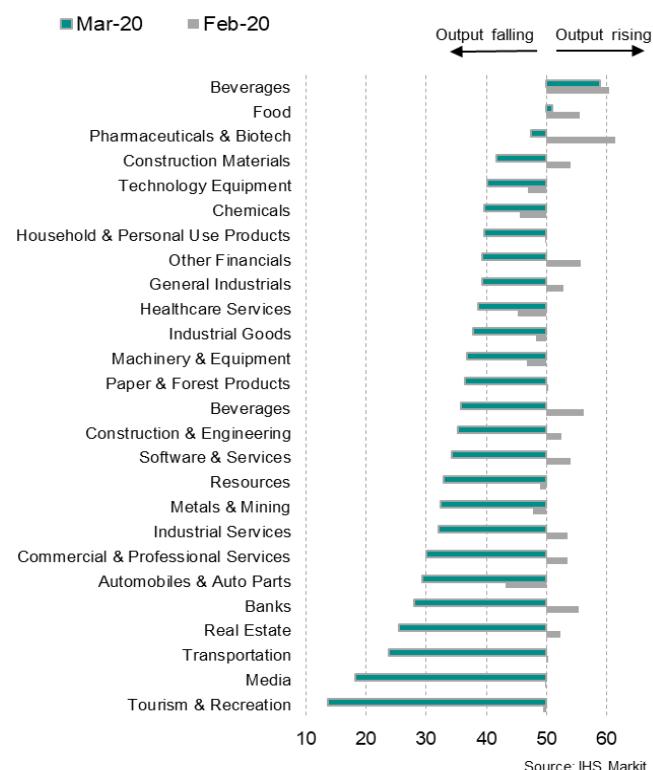
The shape of the recovery across economies and sectors will of course depend on the factors driving the deterioration and the efficacy of the policy responses. The latter have been stepped up on both the fiscal and monetary side and while they will not prevent deep recessions near-term, they should help to mitigate the risk of a prolonged downturn by helping to preserve viable businesses and jobs.

Rebound potential varies by sector

To what extent economies will rebound is unclear, however. For some areas of consumer spending decimated by shutdowns (non-essential retail spending), an easing of restrictions will be followed by sharp rebounds. The pre-crisis level of activity will not return swiftly, as consumer behaviour is likely to have changed, to become more cautious about public gatherings. But given the level of activity is so exceptionally low currently, sharp rises are likely nonetheless as the restrictions are lifted.

The rebounds will be less pronounced in sectors likely to suffer from longer-lasting restrictions, however, such as travel and tourism. The variations in how some of these sectors have been affected in the recent downturn are visible in the sector PMI data, in this case for the EU.

EU sector PMI: output indices



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Travel and recreation, for example, along with consumer services, have collapsed to unprecedented levels, whereas staples such as food and beverages, plus healthcare and pharma, have outperformed for obvious reasons, though they too have lost ground compared to February.

Restrained or rapid recoveries?

Looking beyond this year, we currently forecast eurozone GDP growth in 2021 and 2022 of 1.2% and 1.6% respectively, somewhat higher than we were forecasting prior to the COVID-19 shock but indicative of only a partial recovery of the output lost during the downturn. We expect it will take a number of years for most economies in Europe to return to their pre-COVID-19 levels of output.

Could this prove too cautious a forecast of recovery? That's a risk we are sensitive to and the deeper the downturns in the near-term, the higher the likelihood that the immediate rebound could prove more vigorous in some areas for the reasons already highlighted.

Longer-term, however, the prospects for growth in many European economies will remain challenging, reflecting long-standing constraints including poor demographics and low productivity growth. The adverse impact of the collapse in activity and extensive policy support on public debt burdens in parts of western Europe is also likely to be an additional hindrance to growth potential.
