

## Week Ahead Economic Preview

### Global overview

- Central bank meetings in the US, Eurozone and Japan
- US and Eurozone first quarter GDP
- China manufacturing PMI for April
- US earnings season in full flow

The week ahead sees the US earnings season continue in full flow as well as GDP data for the US and Eurozone, accompanied by central bank policy meetings in the US, Eurozone and Japan. PMI data for China will also be eagerly anticipated.

Policy meetings at the Bank of Japan, the Federal Reserve and the European Central Bank will be scrutinised for their views on the global economy and guidance on potential changes to the policy stance after key indicators showed alarming declines. Flash PMI surveys showed record rates of economic collapse in all major developed economies in April as a result of increasingly drastic measures taken by governments to contain the COVID-19 pandemic.

In the US, the FOMC has already held two unscheduled policy meetings in which emergency stimulus was announced, and analysts will be eager to see the response to the recent further deterioration in the data flow. First quarter GDP data will set the scene and are expected to show the economy already in decline (see [page 3](#)).

Similarly, preliminary first quarter GDP estimates for the euro area, including releases for France, Spain and Italy are released in a week where the ECB policy meeting will be closely watched for signs that further mulled easing measures could be deployed. Several manufacturing PMIs and eurozone inflation data are also released ([page 4](#)).

In Asia, eyes will focus on China and the April updates to manufacturing PMI surveys from Caixin and the NBS, with hopes pinned on better news after initial signs of the sector stabilising in March. Final manufacturing PMI data for Japan will also be closely watched as the central bank meets, albeit with little appetite seen for further stimulus just yet ([page 5](#)).

The week also sees earnings updates from notable names such as Alphabet, Microsoft, Apple, Amazon, Facebook, Spotify, Tesla, Mastercard, Visa, Merck, Pfizer, Pepsi, Starbucks, Mcdonald's, UPS, AMD, Caterpillar, Shell, Exxon Mobil and Chevron.

### Special reports

**Australia:** With PMI data showing a collapsing economy, but the number of new COVID-19 cases having fallen sharply in recent weeks, the public policy debate about balancing economic and public health costs will intensify if new cases remain low ([page 6](#)).

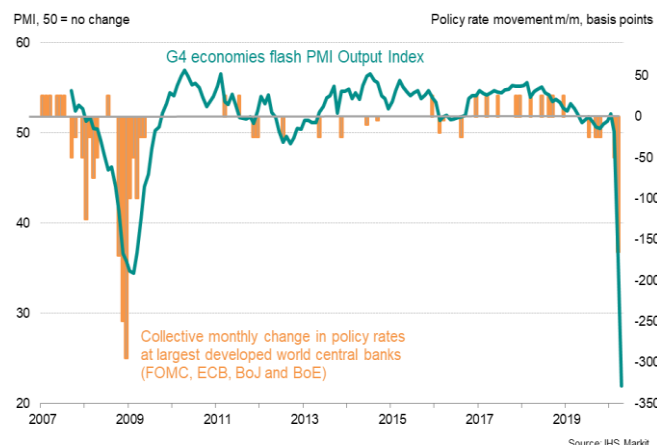
**Developed world:** The escalating economic cost containing the COVID-19 pandemic was highlighted by business survey data in April, as companies in the world's largest developed economies reported a downturn in business activity exceeding that seen even at the height of the global financial crisis. ([page 9](#)).

### Upcoming PMI releases

**30<sup>th</sup> April:** April manufacturing PMI data for China

**1<sup>st</sup> May:** April manufacturing PMI data for Japan, US, UK, Canada, Ireland, Netherlands

### Policymakers in the US, Eurozone and Japan meet after flash PMI surveys for April signalled an economic downturn of initial ferocity greater than the global financial crisis



### Chris Williamson

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## Key diary events (UTC)

### Monday 27 April

China industrial profits (YTD, Mar)  
Hong Kong SAR trade (Mar)  
France jobless benefit claims (Mar)  
US Dallas Fed manufacturing index (Apr)  
South Korea consumer confidence (Apr)  
Japan jobless rate (Mar)

### Tuesday 28 April

BoJ monetary policy meeting, quarterly outlook report  
France consumer confidence (Apr)  
Spain unemployment rate (Q1)  
US wholesale inventories, goods trade balance (Mar)  
US Case-Shiller home price (Feb)  
Richmond Fed manufacturing index (Apr)  
US API crude oil stock change (24/Apr)  
South Korea business confidence (Apr), industrial output, retail sales (Mar)

### Wednesday 29 April

Australia inflation (Q1)  
Thailand unemployment rate, industrial output (Mar)  
Vietnam industrial output, trade balance (Apr)  
Euro area business confidence, economic sentiment (Apr), consumer confidence (Final, Apr)  
Spain business confidence (Apr)  
Germany inflation (Prelim, Apr)  
US GDP (Adv, Q1)  
US pending home sales (Mar)  
US FOMC meeting  
Japan industrial output (Prelim, Mar), retail sales (Mar)

### Thursday 30 April

China Caixin manufacturing PMI (Apr)  
China NBS manufacturing PMI (Apr)  
Australia private sector credit (Mar)  
Japan consumer confidence (Apr)  
Eurozone, France, Spain, Italy GDP (Flash, Q1)  
Eurozone, France, Spain, Italy inflation (Prelim, Apr)  
Eurozone and Germany jobless rate (Mar)  
UK nationwide housing prices (Apr)  
ECB interest rate decision  
US personal income, PCE price index (Mar)  
US initial jobless claims (25/Apr),  
Chicago PMI (Apr)

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US employment cost index (Q1)

Australia manufacturing PMI (Final, Apr) 23:00 UTC

### Friday 1 May

Manufacturing PMI for Japan, US, UK, Canada, Ireland, Netherlands (Apr)  
Australia new home sales (Mar)  
South Korea trade (Apr)  
Thailand inflation (Apr)  
UK mortgage data, consumer credit (Mar)  
US ISM manufacturing PMI (Apr)

### Saturday-Sunday 2-3 May

3/5: South Korea inflation (Apr)

# United States Week Ahead

## FOMC meeting, first quarter GDP and manufacturing PMIs

By Siân Jones

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The debate on the economic cost of containing the COVID-19 outbreak, and policy response, are likely to intensify as the week ahead sees some key economic data releases, including GDP numbers and manufacturing surveys for April, as well as earnings updates. The week also sees the FOMC meet to review its policy stance.

### FOMC meeting

Rate setters at the FOMC meet to review the economic data and their policy stance as indicators continue to alarm. Jobless claims have surged to a record 26 million in the space of just five weeks as the country's lockdown drives unprecedented numbers of Americans out of their jobs, and post-war record falls have been seen in retail sales and industrial production. Oil prices briefly went negative and survey data have indicated a collapsing pace of economic growth, with IHS Markit's flash PMIs at an all-time low in April, signalling a pace of downturn of greater ferocity than the global financial crisis.

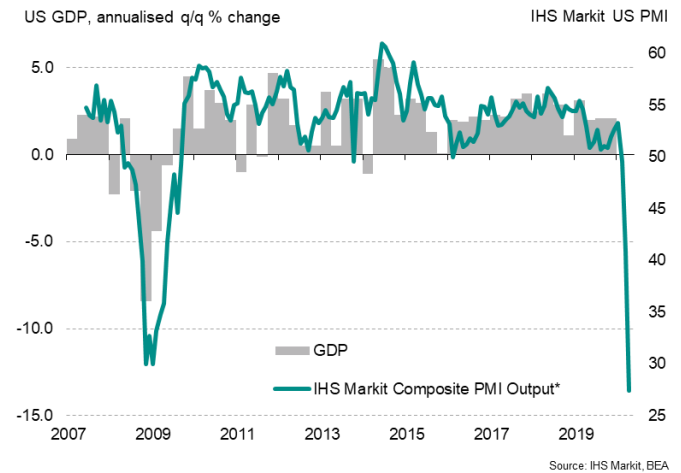
The FOMC gathers after two recent unscheduled meetings. The first of those resulted in a cut in the target funds rate of 50 basis points. The second resulted in the announcement of several policy moves, including large cuts to interest rates, stepped-up securities purchases and various measures to provide support to banks and financial markets, and to promote credit flows to households and businesses.

### Q1 GDP advanced estimate

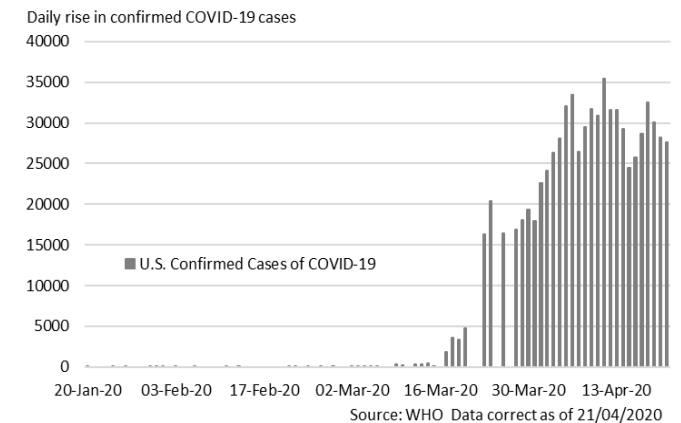
The advanced estimate of US GDP for the first quarter of 2020 will provide some context to the April economic data numbers that are appearing, and are expected to show that the economy is already in a recession – though it will take some time for the data to confirm this. IHS Markit's US economics team is anticipating a 3% annualised drop in GDP, though this is currently forecast to be followed by an eye-watering second quarter fall of just over 27%.

Also released are updates to PCE prices and personal spending, plus home sales and manufacturing surveys from the ISM, IHS Markit, Chicago PMI and the Dallas Fed.

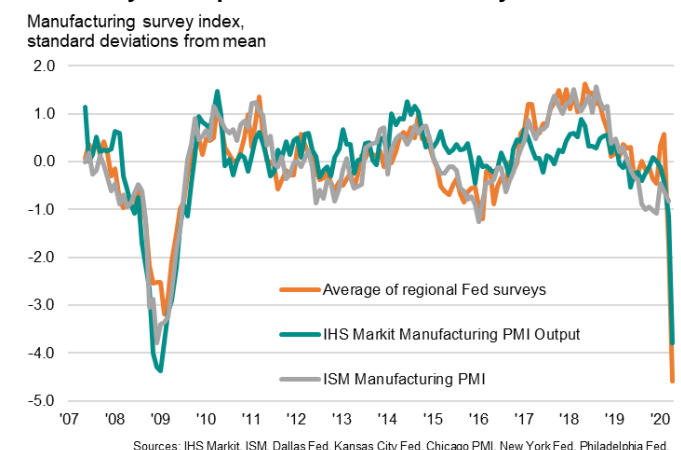
### US GDP data are likely to show a recession started in the first quarter



### Confirmed cases of COVID-19 continue to rise, albeit at a slower pace up to 21<sup>st</sup> April 2020



### US manufacturing surveys will be a key focus of the week after IHS Markit flash PMI and some of the regional Fed surveys for April deteriorated markedly



# Europe Week Ahead

Eurozone GDP, ECB meeting, inflation and labour market data, plus PMIs

By **Joe Hayes**

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Preliminary first quarter GDP estimates for the euro area are arguably the biggest economic data event in the coming week, although the European Central Bank (ECB) policy meeting and the accompanying press conference from president Lagarde will be closely watched for signs that further easing measures could be deployed. A slew of other data are due, including euro area employment figures, inflation, March retail sales and April unemployment statistics from Germany and a handful of April Manufacturing PMIs.

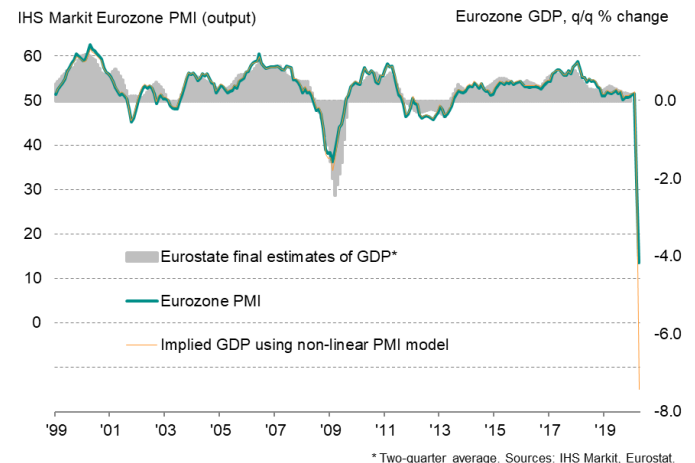
## Euro area first quarter GDP

Preliminary first quarter GDP estimates for the euro area will be scoured for clues as to whether the region had already slipped into a downturn at the start of the year, with the global coronavirus pandemic thereby inevitably leading to recession in the second quarter. That said, the initial estimate will likely underestimate the full extent of the first quarter impact as it will not contain much data from March, when the COVID-19 epicentre moved to Europe. PMI data pointed to a quarterly contraction in excess of 2% in March, with an estimated 7.5% rate of collapse indicated by the flash PMI for April. The forthcoming PMI releases throughout the second quarter will be crucial in guiding expectations and will show the first signs of recovery once lockdown measures begin to ease.

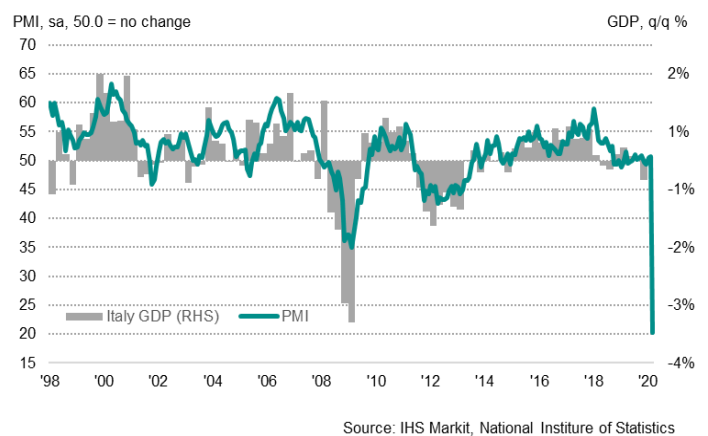
## Monetary policy

Eyes will also be on the ECB policy meeting next week as the potential for additional easing remains. A remark was made in the policy discussion on 18<sup>th</sup> March that consideration could be given to a cut in policy rates, which the Governing Council have so far refrained from. How much support there was for that option is unclear from the meeting account, but given the likelihood of worse news to come on the economy, [we continue to forecast](#) a further 10-basis-point reduction in the deposit facility rate, most likely during the second quarter of 2020, to a new low of -0.60%. The risk to our forecast, however, is that the ECB opts to continue to focus on asset purchases and liquidity provision, fearful of the potentially adverse consequences for the banking sector of even more negative rates.

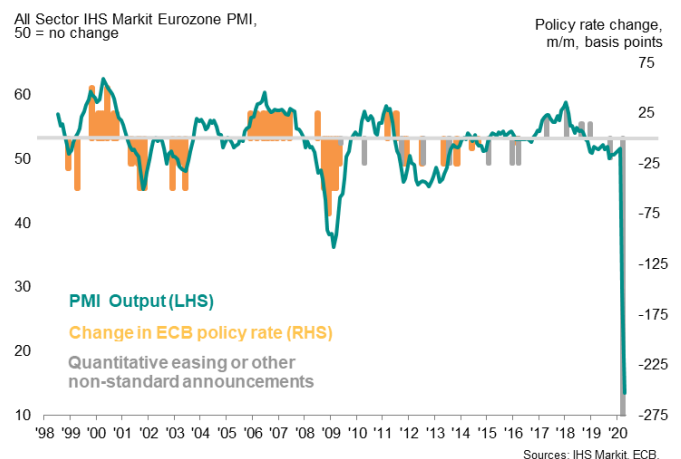
## Euro area paralysed by COVID-19 outbreak in April, with PMI in record downturn



## Italy, the centre of the European outbreak was the worst performer in March according to PMI data



## The ECB meets to set policy after PMI data show dramatic economic collapse



# Asia Pacific Week Ahead

China PMI data and major central bank meetings to dominate markets

By **Bernard Aw**

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Ongoing concerns over the COVID-19 pandemic and global oil glut will bring next week's PMI data for mainland China and key central bank meetings into focus. The April update to both Caixin and government-sponsored PMI numbers will shed light on whether Chinese economic activity has shown greater signs of life at the start of the second quarter.

Final manufacturing PMI for Japan and Australia will be closely watched, alongside confidence surveys in Japan and South Korea for their forward-looking value. Korean and Vietnamese trade figures will be of interest. Other data highlights in Asia include inflation data in Australia and Thailand, plus China's industrial profits.

## China PMI

PMI data for mainland China will be scrutinised for signs of recovery, particularly in the manufacturing sector. March data for both [Caixin](#) and NBS manufacturing surveys indicated only a mild month-on-month rise in production, which came on the heels of a severe fall in February, signalling a stabilisation of mainland factory output at a low base. Analysts will look to the survey's sub-indices (e.g. output, new orders) for a clearer picture of the underlying economic performance beyond the headline numbers. The Suppliers' Delivery Times Index, in particular, will also be assessed for the extent to which pressure on supply chains may have eased.

## Bank of Japan

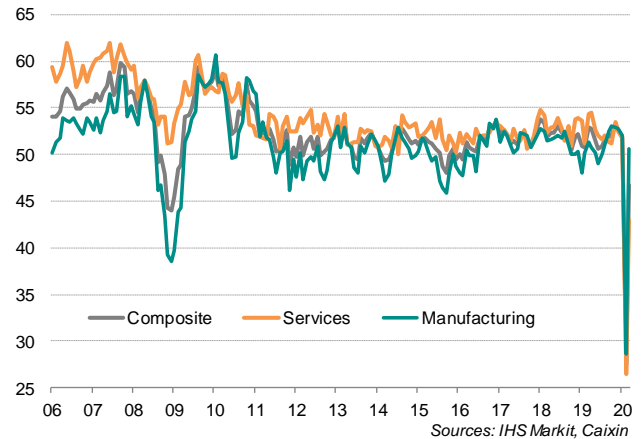
Despite increasing signs of economic distress, the Bank of Japan is expected to hold monetary policy steady at its monthly meeting, preferring to monitor the situation in the wake of the government's announced large-scale stimulus measures, alongside financial loan support programmes. Flash [PMI data](#) showed the private sector downturn gained momentum in April to reach a record rate of contraction, highlighting how the country is in a deepening recession.

## Confidence surveys and inflation data

Surveys of consumer confidence in South Korea and Japan will provide some clues on consumption trends in coming months. Inflation data may also gather interest amid rising concerns of deflation risks.

### Caixin PMI pointed to a stabilisation of Chinese manufacturing conditions in March

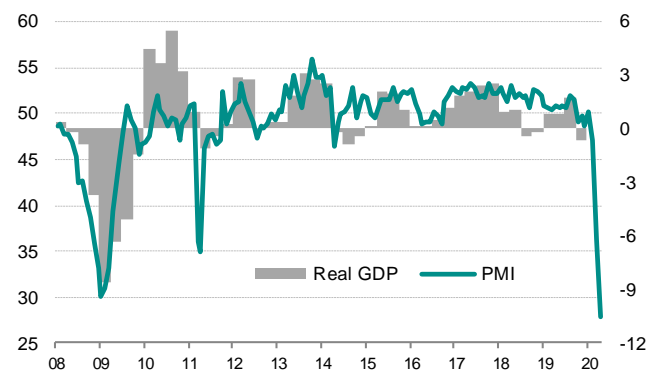
Caixin China PMI Output/Business Activity



### Flash Japan PMI signalled a deepening downturn in April, with services most affected

Composite PMI Output Index

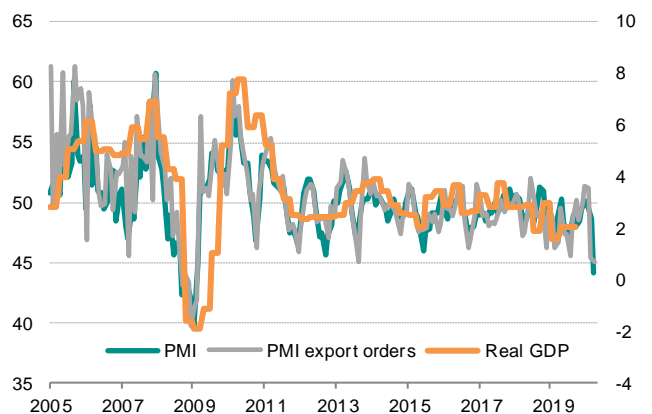
Real GDP, annual % change



### PMI pointed to a near stalling in South Korea's economic growth

South Korea Manufacturing PMI

GDP, annual % change



# Asia Pacific Special Focus

Covid-19: Australian economy hit by rising economic shockwaves

By **Rajiv Biswas**

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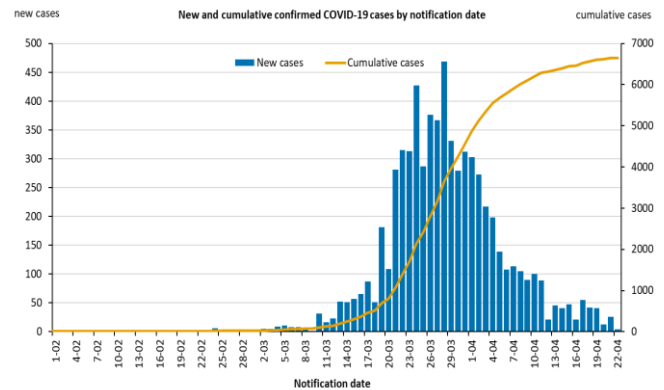
*The economic costs of lockdown measures and travel bans are creating rising economic shockwaves for the Australian economy. Latest Australian government data indicates that 780,000 workers had lost their jobs since mid-March, amounting to around 6% of the total workforce. Industries such as retailing, tourism and airlines have been hard hit by the government lockdown measures, with Virgin Australia, the nation's second largest airline, announcing on 21st April that it had entered into voluntary administration.*

*The Australian government has already announced fiscal and monetary stimulus measures amounting to an estimated 16.4% of GDP to boost the economy, to mitigate the economic impact of lockdown measures. With the number of new Covid-19 cases having fallen sharply in recent weeks, the public policy debate about balancing economic and public health costs will intensify if new cases remain low.*

## New Covid-19 cases in Australia slow sharply

The number of new Covid-19 cases reported daily in Australia has slowed dramatically during April, reflecting the impact of severe restrictions on international and domestic travel, combined with other lockdown measures. On 22<sup>nd</sup> April, the Australian government's Department of Health reported just 4 new Covid-19 cases during the past 24 hours. Out of a total of 6,649 confirmed Covid-19 cases in Australia to date, 4,761 have been reported as recovered. To date, most Australian confirmed cases acquired their infection overseas, including on board cruise ships or associated with recent international travel, particularly to Europe or the US.

## Australia: Covid-19 Cases



Source: Australian Government Department of Health

## Economic Impact of the Covid-19 Pandemic

Due to the severe economic impact of the extensive travel bans for both international travel and domestic travel, with quarantine measures in place not only for international arrivals but also for domestic interstate travellers in many states, the Australian tourism industry has been at the forefront of the economic shockwaves, with sectors such as hotels and airlines very badly impacted. Virgin Australia, the country's second largest airline, announced on 21st April that it had entered into voluntary administration, with most of its fleet having been grounded for weeks.

Lockdown restrictions have also impacted on the retail sector, with consumer expenditure hit by the closure of most shops, restaurants, entertainment and leisure facilities, although essential stores such as supermarkets and pharmacies have been allowed to remain open.

Consequently, the overall negative impact on the economy has already been severe. According to Australian government data from the Australian Bureau of Statistics, an estimated 780,000 workers have lost their jobs since the middle of March, largely attributable to the lockdowns and travel bans imposed. This is estimated to be around 6% of the total workforce.

The impact of the travel bans and lockdowns have been severe for international tourism and international education export industries, which are Australia's fourth and fifth largest export industries.

International education was estimated to have contributed AUD 37.6 billion to the Australian economy in 2018-19, with this revenue having supported many jobs in a wide range of educational institutions, including universities and schools across Australia, as

well as contributing to expenditure in other sectors of the economy. Universities Australia has estimated that the loss of revenue from international students to the university sector alone would be around AUD 3.0 to 4.5 billion in 2020. Universities that are heavily dependent on revenue from international students are expected to make substantial job cuts.

Tourism exports are also an important contributor to the Australian economy, with total international short-term visitor arrivals estimated at 9.3 million in 2018-2019 financial year, and accounted for AUD 39 billion of exports.

In 2018–19, both domestic and international tourism, combined together, contributed AUD 61 billion to Australian GDP and provided employment for 666,000 workers, equivalent to 5.2% of Australia's total workforce. As the impact of travel bans and lockdowns within Australia has restricted both international tourism arrivals as well as travel between most Australian states, the overall negative shock to the entire tourism industry has been devastating. However, as three-quarters of tourism consumption is attributable to domestic tourism, the likelihood of an eventual restart to domestic travel within Australia during coming months offers some light at the end of the tunnel for the tourism sector and hundreds of thousands of impacted workers.

Meanwhile slumping world commodity prices are hitting Australia's resources sector, and resulting in the postponement of capital expenditure plans for various projects notably in the oil and gas sector. Woodside Petroleum has announced that it will postpone a final investment decision for its Scarborough LNG project and its Pluto Train Two LNG expansion project in Western Australia. Meanwhile Santos has announced that it would reduce capital expenditure in 2020 by AUD 550 million and has delayed the final investment decision for its offshore Barossa gas and condensate project in the Northern Territory. However, Australia's iron ore industry has been more resilient, helped by the rebound in China's economy, which has helped to underpin Chinese steel production and support iron ore prices.

## Intensifying Macroeconomic Shocks

Australia's central bank, the Reserve Bank of Australia (RBA), has estimated that H1 2020 GDP could contract by 10% year-on-year, and that calendar year growth in 2020 will fall by 6% y/y, with the unemployment rate rising to 10% by June 2020. This would decisively end Australia's much-vaunted "lucky streak" of 28 years without a recession. 2020 would be

the first year of recession in Australia since 1991, which then Prime Minister Paul Keating famously referred to as "the recession we had to have".

Assessing vulnerabilities to the financial system, the RBA's latest Financial Stability Review of April 2020 states that:

"A key financial stability risk is the extent to which the weakness in economic activity spills over to the housing and commercial property markets. The prospect of large declines in property prices presents significant balance sheet risks for households, businesses and lenders."

These concerns reflect Australia's high level of household debt to disposable income as well as surging residential property prices in major cities, notably Sydney and Melbourne, in recent years. However, government income support measures for those who have lost their jobs, emergency access to pension funds as well as mortgage repayment deferrals offered by retail banks, are expected to mitigate near-term financial stress for those with residential property mortgages.

The easing of monetary policy by the RBA to successive record lows during 2019 and Q12020, with the cash rate reduced to just 0.25% on 19th March, has also helped to reduce financial stress. The RBA Governor, Philip Lowe, stated on 21<sup>st</sup> April that the cash rate would not be increased until the RBA is convinced that sustainable progress is being made towards their goals for full employment and inflation. The RBA also initiated its asset-buying program on 20th March, and has so far purchased an estimated AUD 47 billion of Australian government securities with a target to keep the yield on three-year Australian Government bonds at around 25bps.

Reflecting the severe economic stress to the economy as a result of the widening lockdowns and travel bans, the April Commonwealth Bank Flash Composite PMI<sup>®</sup> compiled by IHS Markit pointed to a sharp contraction of the Australian private sector. Although both manufacturing and services saw output fall sharply, the rate of contraction in the services sector was particularly severe. Company shutdowns, government restrictions and steep falls in customer demand contributed to the overall reduction in activity. New orders also decreased substantially, while the global nature of the pandemic meant that new orders from foreign customers were also down strongly. Employment scaled back markedly as a result. The April Flash PMI survey, which covers both the manufacturing and service sectors, fell by a record 17

# Economic Preview: Week of 24 April 2020

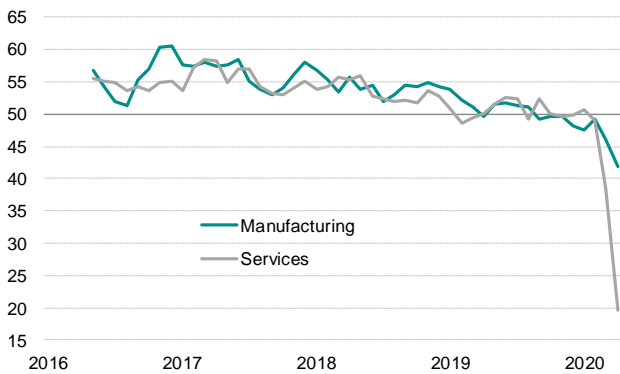
Publication date: 27 April 2020



points from 39.4 to 22.4, its lowest in the four-year survey history. This intensified the previous plunge of 9.6 points recorded in March.

## Flash CBA Australia PMI

CBA Australia PMI Output / Business Activity Index



Sources: IHS Markit, CBA

## Outlook

The Australian government and RBA have announced massive fiscal and monetary policy stimulus measures during recent weeks which amount to an estimated 16.4% of GDP, to pull the Australian economy out of the tailspin currently underway across many industries. As a result, the Liberal-National Coalition government's medium-term fiscal consolidation strategy announced

in the previous 2019-20 Budget has been blown out of the water.

While an economic rebound is eventually expected once lockdown measures are significantly eased, the timing of the removal of restrictions on retailing and easing domestic travel bans remains very uncertain, which will also impact on the pace of economic recovery. The RBA has indicated that in one of its Covid-19 recovery scenarios that it considers to be plausible, commencement of recovery in Q3 2020 and a strengthening rebound into 2021 could result in strong GDP growth of between 6% to 7% in 2021.

However, at present, the Australian economy is sliding into a deep recession and rapidly rising unemployment. Since mid-March, hundreds of thousands of workers have already lost their jobs as lockdowns have been implemented. The queues of unemployed lining up for benefits have continued to lengthen during April, in scenes reminiscent of the Great Depression in the 1930s. With the number of new Covid-19 cases in Australia having fallen to very low levels during late April, balancing the escalating economic costs of the lockdown measures against the public health impact of new Covid-19 cases will increasingly come to the forefront of the public policy debate.



# PMI Special Focus

Flash PMI surveys signal steepest developed world downturn on record as governments fight coronavirus outbreak

By Chris Williamson

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*The escalating economic cost of measures to contain the coronavirus disease 2019 (COVID-19) pandemic was highlighted by business survey data in April, as companies in the world's largest developed economies reported a downturn in business activity exceeding that seen even at the height of the global financial crisis..*

## Collapsing developed world activity

IHS Markit's 'flash' PMI (Purchasing Managers' Index) surveys provide the first internationally comparable insights into business conditions each month, and showed dramatic declines in output, demand and employment in April as countries ramped up their efforts to prevent healthcare systems from being overwhelmed by the coronavirus outbreak.

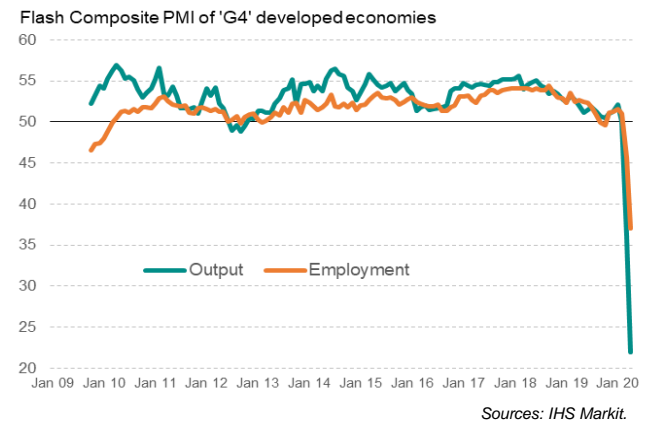
The early flash PMI data are available for the United States, eurozone, Japan and the United Kingdom – collectively representing the 'G4' largest developed world economies – as well as for Australia. Survey record declines in business activity were seen in all of these economies in April, widely blamed by survey contributors on lockdown measures coupled with slumping global demand and shortages of both staff and inputs.

The G4 economies' composite output index, a GDP-weighted average covering both manufacturing and services, fell from a prior record low of 36.2 in March to just 21.9 in April. The new orders index sank to 22.4 and the employment index hit an unprecedented low of 37.1.

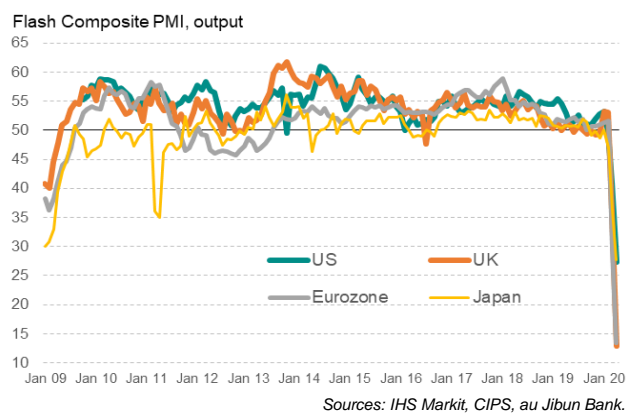
European countries, which became the focus of the virus outbreak in March and April, saw the steepest rates of decline, with business output and employment collapsing at rates far exceeding those suffered at the height of the global financial crisis. However, record rates of contraction were also seen in the US and Japan, as well as in Australia, as social distancing measures and lockdowns took an increasing toll.

Service sectors saw the worst of the impact from lockdown measures, and especially consumer-facing companies in the recreation and travel industries, but the severe downturn in output, demand and jobs was broad-based. While the G4 services output index fell from 34.6 in March to 21.2, the manufacturing output index sank from 42.1 to 26.6.

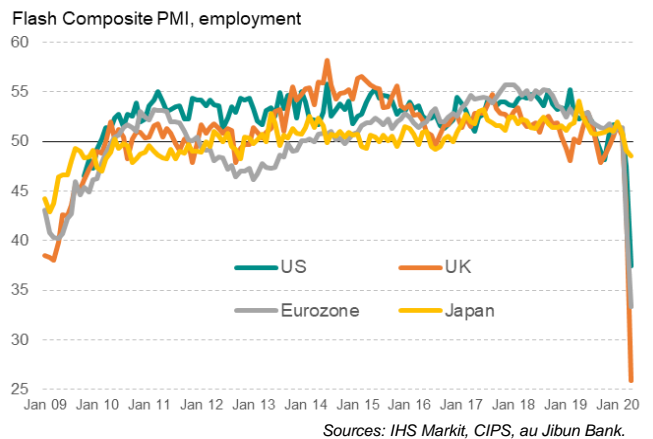
## G4 economies output and employment



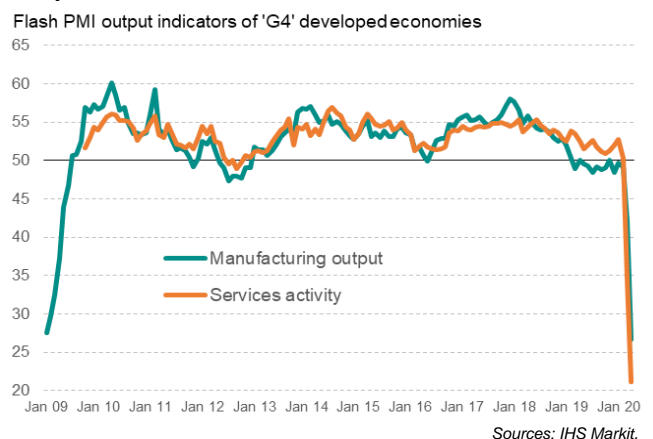
## Output



## Employment



## Output in the G4 economies



The sheer scale of the falls in the PMIs therefore adds to signs that the second quarter will see historically dramatic contractions of GDP, and will add to worries about the ultimate cost of the fight against the pandemic.

See below for summaries of individual economies, or click on the links below for more detailed analyses:

[Unprecedented collapse of Eurozone economy amid virus lockdown](#)

[April flash UK PMI plummets to new all-time low as virus hits economy](#)

[Japanese economy sinks deeper in April as virus measures hit](#)

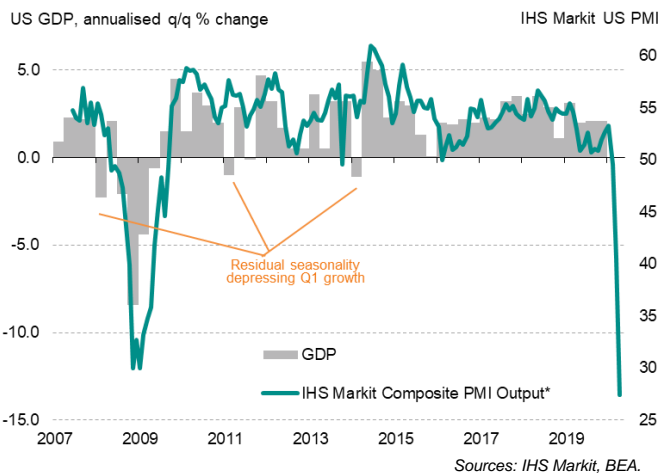
[Australian economy slumps in April as COVID-19 lockdown hits demand](#)

## United States

The IHS Markit Flash U.S. Composite PMI Output Index posted 27.4 in April, down from 40.9 in March, to signal the fastest downturn in private sector output since data collection began in late-2009. The survey highlights how the COVID-19 outbreak has dealt a blow to the US economy of a ferocity not previously seen in recent history. The deterioration in the flash PMI numbers indicates a rate of GDP contraction exceeding that seen even at the height of the global financial crisis, with jobs also being slashed at a rate far exceeding anything previously recorded by the survey.

The blow was most heavily felt in the service sector, and especially for consumer-facing companies, but both manufacturing and service sectors saw record falls in output.

### IHS Markit US flash PMI and GDP



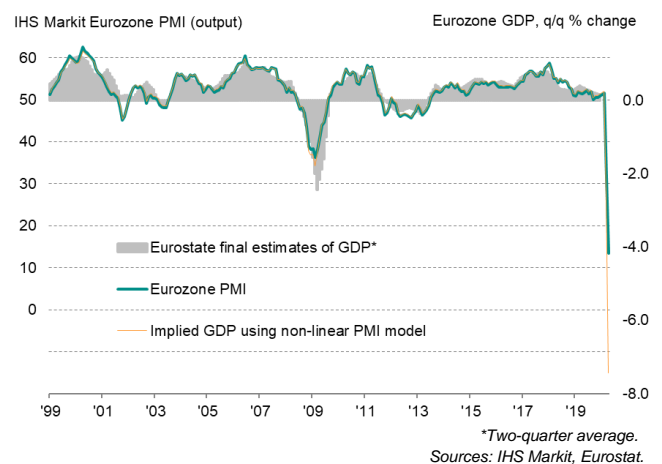
## Eurozone

The eurozone economy suffered the steepest falls in business activity and employment ever recorded during April as a result of measures taken to contain the COVID-19 outbreak. The flash IHS Markit Eurozone Composite PMI plummeted to an all-time low of 13.5 in April, down from a prior record low of 29.7 in March, to indicate by far the largest monthly collapse in output recorded in over two decades of survey data collection. By comparison, the lowest reading seen during the global financial crisis was 36.2, reached in February 2009.

The service sector bore the brunt of the impact from the lockdown measures, with the tertiary sector's business activity index sliding from 26.4 in March to just 11.7 in April, though manufacturing also saw a record fall in production with the output index down to 18.4.

Our model, which compares the PMI with GDP but takes into account 'non-linearity' during times of extremely strong growth or decline, suggests that the April survey is indicative of the eurozone economy contracting at a quarterly rate of approximately 7.5%.

### Eurozone flash PMI and GDP



The unprecedented scale of the collapse was broad-based across the euro area, with composite flash PMI output indices hitting all-time lows of 17.1 and 11.2 respectively in Germany and France (down from 35.0 and 28.9 in March), while the rest of the region saw the composite PMI slide from 25.0 to 11.5.

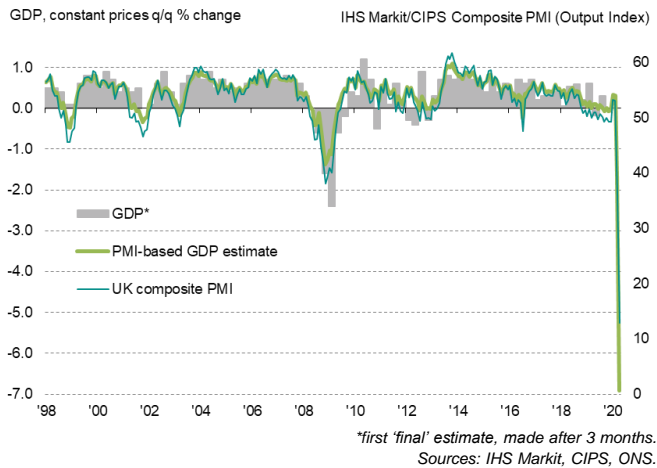
Jobs were meanwhile cut at the fastest rate in the survey history and average prices charged for goods and services fell at the sharpest rate since June 2009 as companies increasingly offered discounts to boost sales in the face of slumping revenues.

## United Kingdom

In the UK, the flash IHS Markit/CIPS composite PMI slumped from 36.0 in March to just 12.9. Before March, the prior low in the 22-year survey history was 38.1, reached in November 2008. Historical comparisons of the PMI with GDP using a new non-linear regression model indicate that the April survey is consistent with GDP falling at a quarterly rate approaching 7.0%.

Record falls in output across both manufacturing and services were accompanied by job losses on an unprecedented scale, even if furloughed workers are excluded. Pricing power also collapsed alongside the slump in demand, leading to the largest drop in average prices charged for goods and services ever recorded by the survey.

## UK flash PMI v GDP

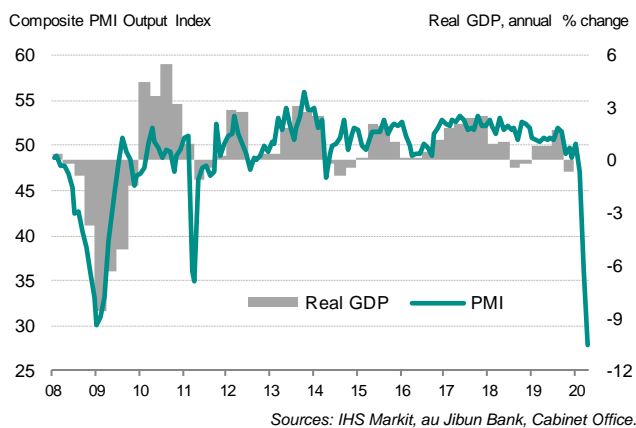


## Japan

In Japan, the au Jibun Bank Composite PMI hit the lowest seen in the survey's twelve-and-a-half year history, dropping from 36.2 in March to 27.8 in April, according to the flash estimate. The prior low of 30.1 had been recorded in January 2009. New orders and backlogs of work deteriorated at near-record rates, and optimism regarding future output sank to a survey low. Employment showed only a relatively modest decline, however, as firms were encouraged to hold on to staff during the pandemic.

The service sector business activity index fell to a new low in the face of social containment measures. The manufacturing output index meanwhile hit 37.8 from 41.1 in March, but notably remained well above the low of 18.5 seen during the global financial crisis.

## Japan flash PMI v GDP



## Australia

In Australia, the flash CBA Composite PMI slumped from a prior all-time low of 39.4 in March to a new low of 22.4. Inflows of new business, exports, backlogs of work and employment all fell at the steepest rates seen in the near four-year history of the surveys by wide margins. Average prices charged for goods and services meanwhile fell at the quickest rate since the survey began in 2016.

The service sector took the hardest hit from containment measures, but manufacturing output also fell sharply. A key divergence between the two sectors was seen in terms of costs. Whereas service sector costs fell at a record rate, input costs in manufacturing rose to the greatest extent in two years amid supply shortages and the weakened currency.

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