Economic Preview: Week of 18 May 2020

Publication date: 15 May 2020

Week Ahead Economic Preview

Global overview

- **Flash PMI surveys for the US, Eurozone, UK, Japan and Australia**
- **US claimant count, housing data and FOMC minutes**
- **Eurozone consumer confidence**
- **UK inflation, retail sales and jobs report**
- **Thai GDP and central bank meeting**

The key data in the week ahead are likely to be the flash PMI surveys for May, which are released for the US, Eurozone, UK, Japan and Australia. Covering both manufacturing and services, the surveys will provide the first insights into whether these economies have bottomed out after many countries started to ease some of the restrictions designed to contain the COVID-19 outbreak.

April saw the US, Europe and Japan intensify their battles against the pandemic by extending lockdowns which commenced in late March, leading to record falls in business activity during the month. With some restrictions being lifted in May, and companies encouraged to restart work in many countries, there's hope that the PMIs will have started to pick up again, albeit likely remaining in contraction.

Analysts will meanwhile scrutinise the latest FOMC meeting minutes after US policymakers reassured that it will "use its tools and act as appropriate to support the economy". Since the meeting, Fed Chair Powell has sought to rebuff suggestions that the US could see negative rates, leaving many to view further QE and forward guidance as the most likely potential stimulus tools (see page 3).

In Europe, the PMIs have shown especially deep downturns in both the UK and Eurozone, so May flash numbers will be particularly awaited for brighter news, as will consumer confidence data. On the other hand, official labour market and retail sales data for the UK will be more backward looking, and therefore likely to darken the overall picture (page 4).

In addition to the flash PMIs, Asia sees the release of Thailand's GDP, which is expected to show the first decline for six years and is likely to be accompanied by policy loosening from the central bank. A rate cut may also be in the cards in Indonesia. Various national trade reports are also eagerly awaited (page 5).

Special report

South Korea: We look at the economic outlook for South Korea with deep recessions forecast as key export markets hit hard (**page 6**).

United Kingdom: A deep dive into prospects for the UK economy and its public finances as the outlook darkens (**page 8**).

Upcoming PMI releases

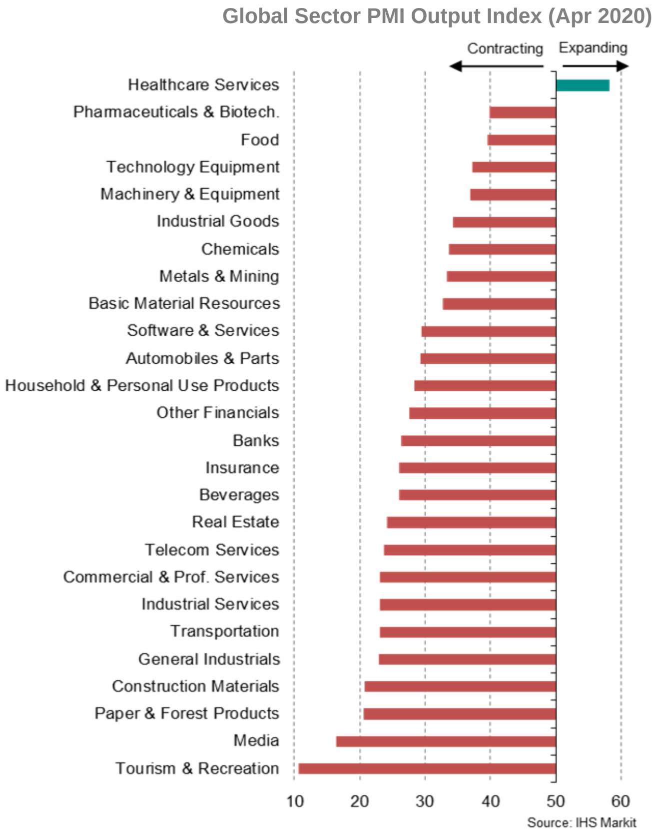
21st May: Flash PMIs (US, Japan, Eurozone, UK, Australia)

1st June: Final Global manufacturing PMIs

3rd June: Final Global services PMIs

5th June: Global, EU and Asia detailed sector PMI

Record falls in global business activity were seen in all sectors except healthcare in April, according to IHS Markit's PMI survey data. Flash PMI data for May will be eagerly awaited to see if downturns have bottomed out.



Chris Williamson

Chief Business Economist, IHS Markit

Email: chris.williamson@ihsmarkit.com

Key diary events (UTC)

Monday 18 May

Singapore NODX (Apr)

Thailand GDP (Q1)

US housing market index (May)

UK Household Finance Index (Apr)

Tuesday 19 May

RBA meeting minutes

Japan industrial output (Final, Mar)

UK claimant count change (Apr), jobless rate, average earnings (Mar)

Indonesia interest rate decision

Hong Kong SAR unemployment rate (Apr)

Euro area construction output (Mar)

Euro area and Germany ZEW surveys (May)

US building permits, housing starts (Apr)

Japan machinery orders (Mar) 23:50 UTC

Wednesday 20 May

China loan prime rate (May)

UK and Malaysia inflation (Apr)

Thailand interest rate decisions

Taiwan export orders (Apr)

Euro area inflation (Final, Apr), consumer confidence (Flash, May)

US FOMC minutes (28-29 Apr)

CBA/IHS Markit Australia Flash PMI (May) 23:00 UTC

ECB non-monetary policy meeting

Thursday 21 May

IHS Markit Flash PMI for Japan US, Eurozone, UK, Germany and France (May)

Hong Kong SAR CPI (Apr)

US jobless claims (16/May), existing home sales (Apr)

Japan inflation (Apr) 23:30 UTC

Friday 22 May

Thailand trade, unemployment (Apr)

UK retail sales (Apr)

Saturday-Sunday 23-24 May

23/5: Taiwan industrial output, retail sales (Apr)

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**

Publication date: 15 May 2020

United States Week Ahead

Flash PMIs, jobless claims and FOMC minutes

By Siân Jones
Economist, IHS Markit, London
Email: sian.jones@ihsmarkit.com

Flash US PMI data for May will give a signal to the health of the private sector after output fell at a record pace in April. Hopes are such that April will have proved a low point as increasing numbers of businesses start to resume work after virus-related lockdowns. The public health and economic implications of the virus outbreak will also be considered by the FOMC, who publish their latest meeting minutes. Jobless claims will also be eyed for hopes of an ebbing tide in the recent rise of unemployment.

Flash PMIs

As the full force of the COVID-19 outbreak hit during April, PMI data signalled the most severe drop in business activity since data collection began. Manufacturers and service providers alike also recorded substantial declines in new orders and employment. With some states starting to relax their emergency public health measures in an attempt to kickstart the economy, May data will signal the extent to which the loosening of restrictions is benefitting the economy. That said, vast swathes of manufacturing and services companies will be unable to fully return to work due to new safety measures, and social distancing will continue to dampen demand.

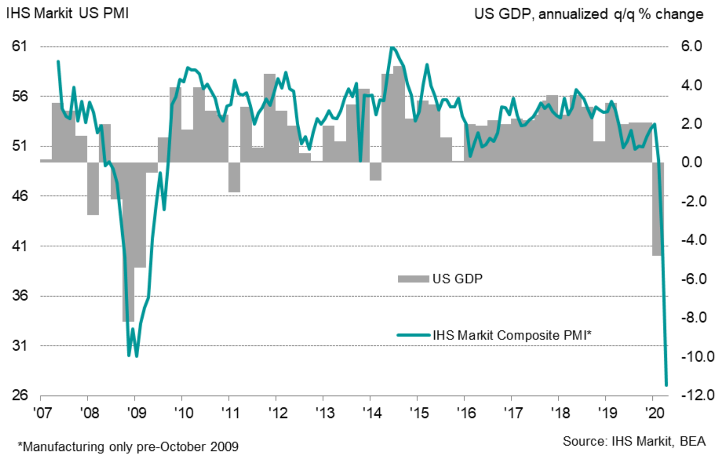
Jobless claims

Ongoing company closures and only slight changes to lockdown restrictions are expected to further exacerbate job losses through May. With the economic recovery from the COVID-19 outbreak unlikely to be swift, initial jobless claims look set to continue to rise on a weekly basis. With over 36 million US workers seeking benefits since the virus outbreak, returning to work will be protracted, with the number of people continuing to claim payments reaching new record highs in late April.

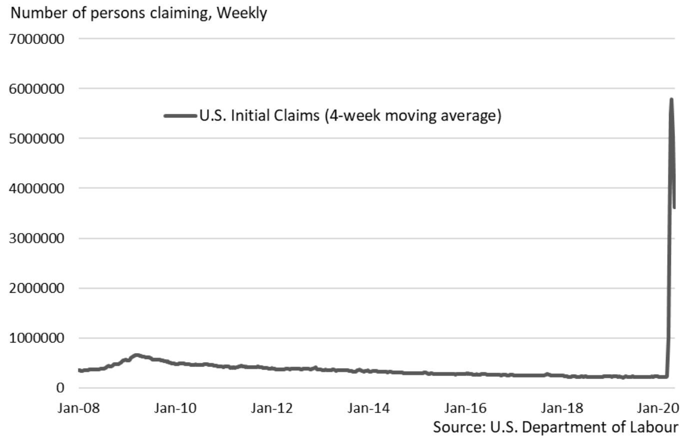
High unemployment and the sharp drop in oil prices have provided challenges for the FOMC in their dual mandate of price stability and maximum employment. Details on policy measures will be published in the minutes from April's meeting.

Also released are updated mortgage and housing data, plus the Philadelphia Fed Manufacturing Index.

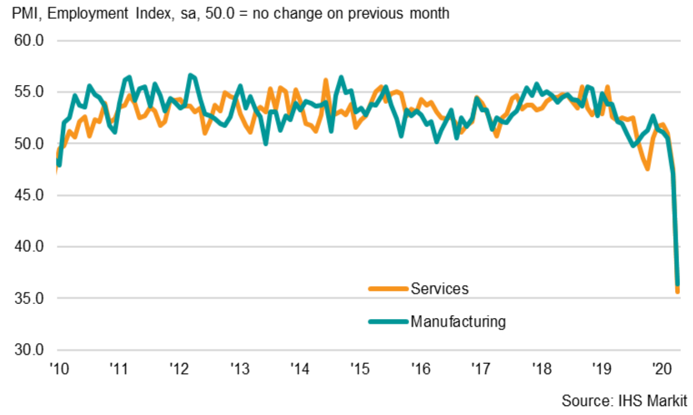
COVID-19 impact expected to extend contraction in GDP through the second quarter



Weekly rise in initial jobless claims eases, but remains historically steep



Employment fell markedly across manufacturing and services in April



Europe Week Ahead

May flash PMIs, UK labour market and retail sales, ZEW surveys

By Joe Hayes

Economist, IHS Markit, London

Email: joseph.hayes@ihsmarkit.com

As European countries begin to gradually emerge from an extended period of virus-related shutdowns, the flash PMI surveys for May will be vital to ascertain the timing and strength of any recovery. Euro area consumer confidence and ZEW surveys will also garner some attention, while April retail sales and unemployment claims from the UK are set to reveal more on the economic damage caused by the public health emergency.

May flash PMI surveys

As lockdown measures are gradually eased in coming months, the flash PMI surveys will serve as crucial guides for signs that economic activity is beginning its slow recovery. European countries have begun to gradually lift lockdown restrictions this month, although the degree to which measures are being eased has differed from country to country. Nevertheless, the Eurozone and UK flash PMIs for May will be closely watched for signs that parts of the economy are open for business. In any case, the recovery is likely to be staggered, with firms in the less consumer-facing parts of the economy, such as construction and manufacturing, able to work much sooner under social distancing rules than those in services sectors such as hospitality and retail.

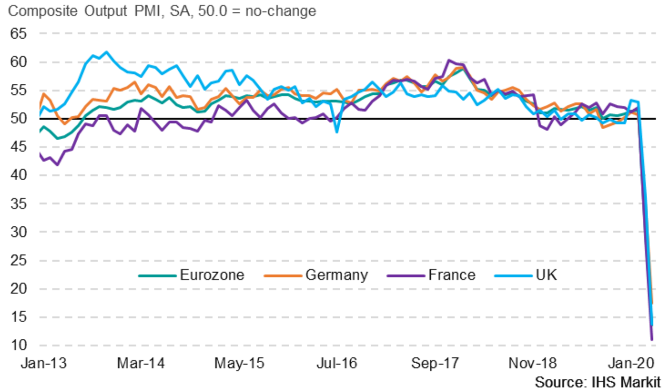
Elsewhere, ZEW and consumer confidence surveys for the eurozone are also due for May.

UK labour market and retail sales

Official retail sales and employment statistics from the UK are set to provide more insight into the depth of the economic impact of the COVID-19 pandemic and the associated lockdown, which started in late March and persisted through April. Retail sales fell at their strongest rate on record in March, despite the lockdown only officially starting on 23rd of the month. Another steep drop is likely in April, with the economy under a strict lockdown for its duration.

Employment numbers will also be closely watched, with the claimant count being updated to April. Despite the government's job retention scheme, which aimed to prevent widespread layoffs with furloughed workers not counted as unemployed, our PMI survey data suggest that unemployment is still likely to rise sharply.

PMI data will show first signs of economic activity as parts of the European economy have begun reopening

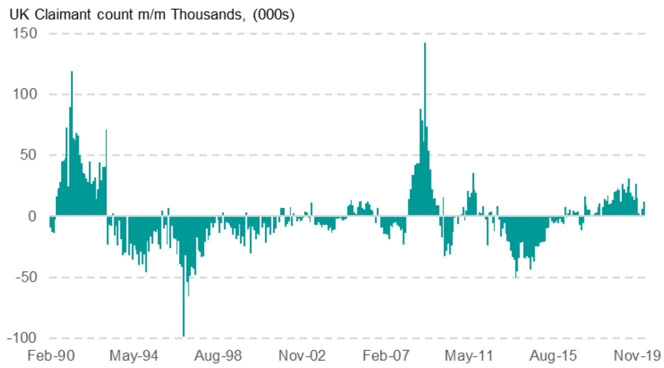


Source: IHS Markit

Euro area consumer confidence has yet to hit the lows seen during sovereign debt or global financial crisis

Source: European Commission

April claimant count to show initial UK labour market impact of COVID-19



Source: ONS

Asia Pacific Week Ahead

Japan and Australia PMIs, central bank meets, Thai GDP and Asian trade

By Bernard Aw

Principal Economist, IHS Markit, Singapore

Email: bernard.aw@ihsmarkit.com

With markets eager for forward looking data to ascertain the path ahead for economic activity, flash PMI data for May will take on added importance in the coming week, providing one of the earliest insights into economic trends midway through the second quarter. Thailand's first quarter GDP will be monitored, as will trade figures in Singapore, Taiwan and Thailand. Central bank action will come from Indonesia and Thailand, while minutes of the latest RBA policy meeting will be in focus. Above all, investors will keep an eye on any news highlighting the potential of a second wave of COVID-19 cases, as some countries move to reopen their economies.

Flash PMI

In Asia, flash PMI for Japan and Australia will provide important signals as to how these two economies will perform in the second quarter. While Australia has started relaxing its lockdown in some states, Japan is extending its lockdown until end of May, so trends could vary. Note that PMI readings measure month-on-month changes, with a figure of 50.0 signalling no changes from the prior month. Only much higher survey readings (60, 70 or even 80) will indicate meaningful recoveries.

Thailand headed for recession

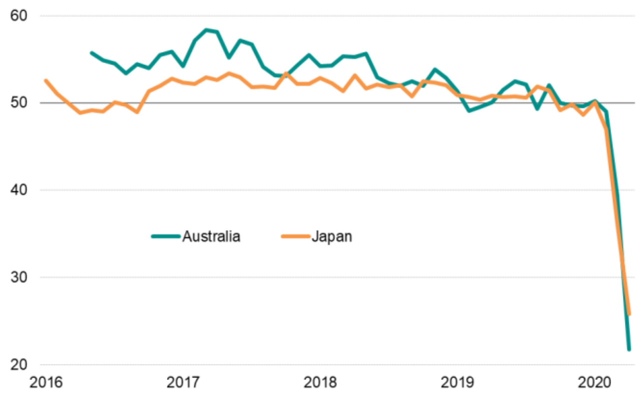
Thailand is set for its first GDP decline in a quarter for six years, with IHS Markit projecting a fall of 0.2% year-on-year for the first quarter. Survey data suggested the economy took a further hit at the start of the second quarter. As such, trade updates for April may also make for grim reading given the global demand slump. With recent price data indicating deflationary pressure and the Bank of Thailand anticipating more economic weakness, there are widespread expectations of the central bank to cut rates further by as much as 50 basis points.

Meanwhile, markets are also expecting a rate cut from Indonesia's central bank, but any further monetary easing is likely to be contingent on a stable rupiah.

Trade data

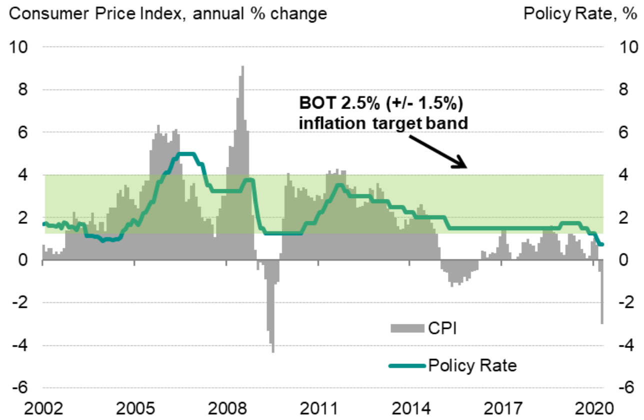
Trade figures from Singapore and Taiwan will be awaited to gain further insight into the extent to which the pandemic has affected trade flows in the Asian region.

Australia and Japan PMI



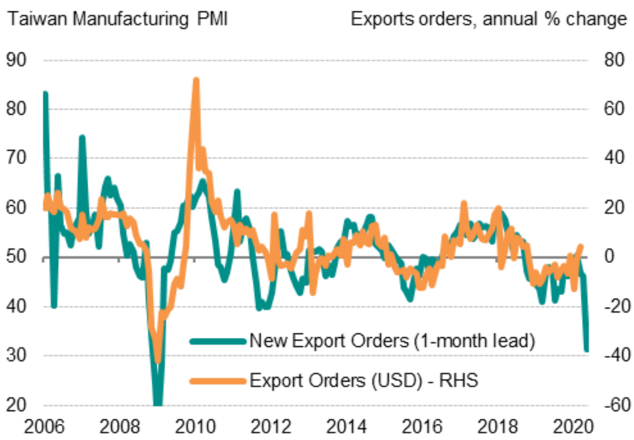
Sources: IHS Markit, au Jibun Bank, CBA

Bank of Thailand widely expected to cut policy rate



Sources: Ministry of Commerce, Bank of Thailand

Taiwan PMI signals sharper decline in exports



Source: IHS Markit, DGBAS

Asia Pacific Special Focus

COVID-19: South Korean economy hit by slumping exports

By Rajiv Biswas
Asia-Pacific Chief Economist, IHS Markit
Email: Rajiv.biswas@ihsmarkit.com

South Korea has achieved considerable success in containing the number of new COVID-19 cases during April and early May. However, its highly export-driven economy has been hit by shockwaves from slumping exports as many of its key export markets slide into recession. South Korean export data for April and early May indicate a worsening downturn for exports during the second quarter of 2020.

With deep recessions forecast for the US, EU and Japan in 2020, the South Korean export sector faces severe headwinds in the near-term, although a gradual recovery in exports is expected in late 2020 and during 2021 as the world economy gradually recovers from the impact of lockdowns in many of the world's largest economies.

GDP growth weakens in early 2020 as impact of pandemic intensifies

Reflecting the intensifying impact of the COVID-19 pandemic on domestic demand and exports, South Korean GDP recorded a contraction of 1.4% quarter-on-quarter (q/q) in Q1 2020, albeit still recording an increase of 1.3% year-on-year (y/y). This compared with GDP growth of 2.0% y/y for calendar year 2019.

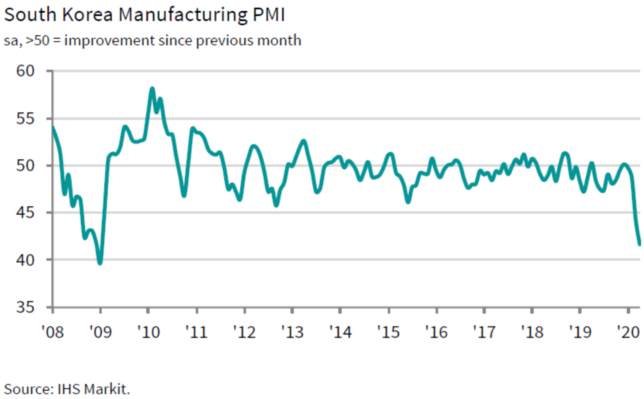
Despite the escalation in domestic new COVID-19 cases during March, South Korean retail sales remained resilient, helped by strong growth in online sales of essential items such as food and household goods. According to retail sales data from the Ministry of Trade, Industry and Energy, South Korea's online and offline retail sales in March saw a year-on-year decrease of 3.3% y/y. Brick-and-mortar stores experienced a sales decrease of 17.6% y/y, while sales at online retailers grew by 16.9% y/y. Online sales of food rose by 75% and household goods by 33%.

In their April meeting, the Bank of Korea (BOK) Monetary Policy Board assessed that GDP growth will fall considerably below their February 2020 forecast of 2.1% for 2020, and that uncertainties around the future path of GDP growth are also very high. The BOK had lowered the policy rate by 50bps at their March meeting, to ease volatility in financial markets that had arisen due to the pandemic and reduce the effects on future growth and inflation.

Manufacturing sector hit by declining exports

In Q2 2020, South Korea's manufacturing sector has continued to be hit by the impact of the global pandemic on manufacturing output and new orders. The IHS Markit South Korea Manufacturing Purchasing Managers Index (PMI) fell to 41.6 in April, from 44.2 in March, signalling an intensifying deterioration of business conditions faced by manufacturers as the index fell to its lowest level since the global financial crisis.

The latest PMI survey data continued to highlight the negative economic impact from the escalating global COVID-19 pandemic. New orders placed with South Korean manufacturers fell substantially as a result of factory closures both domestically and overseas. Total intakes of new work fell at the strongest pace since January 2009. The impact on new export business was also severe, according to the latest data. New orders from abroad fell at the sharpest rate recorded in 16 years of data collection. The survey indicated that shutdowns in Europe and North America had severely impacted demand for automobile-related products.



Export slump deepens in second quarter of 2020

According to April trade data from the South Korean Ministry of Trade, Industry and Energy, South Korean exports in April fell 24.3% compared to the same period a year earlier. The downturn reflected a sharp decline in exports to key markets such as the US and EU. In April, South Korean exports to the US fell by 13.5% y/y, while exports to the EU declined by 12.8% y/y. South Korean exports to Asian markets were also severely impacted, with exports to China dropping by 17.9% y/y and exports to ASEAN down 32.9% y/y.

The export slump has worsened in May, according to early data for exports covering the first ten days of May released by the Korea Customs Service, with South Korean exports falling by 46.3% y/y. For that period, exports of semiconductors were down by 17.8% y/y, exports of mobile telephones fell by 35.9% y/y while exports of petrochemical products fell by 75.6% y/y.

South Korean Electronics and Auto Sectors hit by global demand slump

With electronics being South Korea's most important export sector, the industry has been badly hit by the impact of lockdowns on both global electronics output as well as demand. Amid widespread global lockdown measures designed to stem the spread of the coronavirus, world demand for electronic goods evaporated in April.

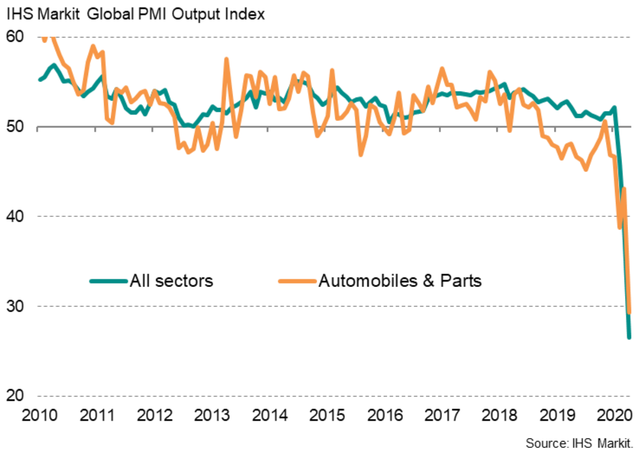
The IHS Markit Global Electronics PMI registered 43.3 in April, down from 48.6 in March, to signal a sharp deterioration in business conditions faced by electronics manufacturers. In fact, the latest reading pointed to the fastest decline since April 2009, with many businesses temporarily closed amid the global COVID-19 outbreak New orders fell at the fastest pace since January 2009.

South Korean exports of information and communications technology (ICT) goods in April fell by 15% y/y compared to a year earlier. Exports of semiconductors decreased 15% y/y, due to declining global demand for memory chips and system semiconductors. The value of display exports fell 28% y/y, while the value of mobile phones exported fell 37% y/y, as widespread global retail store lockdowns hit new orders.

IHS Markit Global Electronics PMI

The South Korean auto sector has also been badly impacted by the escalating global pandemic. South Korean automobile exports contracted 36.3% y/y in April, reflecting the impact of lockdowns in the US, EU as well as other key markets. These have resulted in significant auto plant shutdowns as well as closure of many auto dealerships disrupting both global auto production and auto sales in many key markets.

Global Auto PMI New Orders Index



Economic outlook

The South Korean government had considerable success in containing the number of domestic COVID-19 cases during April and early May, following a steep escalation during March, albeit a new cluster was identified in Seoul in mid-May. Reflecting the low number of new COVID-19 cases in April and early May, this has allowed a relatively normal pattern of household consumer spending in stores and restaurants compared with many other major economies in the OECD that have faced protracted lockdowns.

Despite the resilience of domestic demand, the South Korean economy is facing recessionary conditions in 2020 due to the severe negative shocks to its export sector from deep recessions in key export markets such as the US and EU.

However, as lockdowns ease in Europe and the US in coming months, this should allow a gradual recovery in export orders for South Korea's manufacturing industry in the latter part of 2020 and into 2021. As auto dealerships and auto plants fully reopen in major auto markets, new orders for autos should gradually strengthen during the second half of 2020. Reopening of shopping malls and stores in the EU and US will help to boost for demand for South Korean electronics products.

The recovery in export orders for Korean manufacturing will help to reinforce improving momentum from domestic demand, allowing a return to positive GDP growth for the 2021 calendar year.

Publication date: 15 May 2020

Europe Special Focus

UK and COVID-19: the state of play

By Raj Badiani

Economics Director, IHS Markit

Email: raj.badiani@ihsmarkit.com

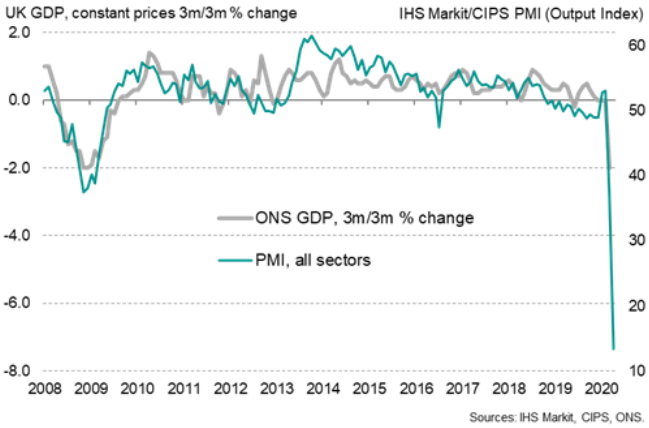
The COVID-19 crisis has left a large footprint on UK economic activity, the labour market and the state of its public finances. Given the acute GDP losses in March, we now anticipate even sharper falls in April and May, suggesting that the United Kingdom is set to be the most affected economy in Western Europe by the COVID-19 crisis.

The enforced anti-contagion measures to tackle the outbreak of the virus are resulting in significant economic costs. The lockdown has been in place in the UK since 23rd March, resulting in the closure of schools and universities, pubs, restaurants, and most shops, while the population stays at home except for food shopping, healthcare or exercise. Many consumer facing services, non-essential retail premises and tourist activities will remain affected by the anti-contagion measures during May and June, but some of the trading restrictions could be eased earlier.

The economy takes its first hit

The UK economy was already in a weak position prior to the COVID-19 crisis, broadly stagnating from late-2019, and recent Office for National Statistics (ONS) data highlight how severe GDP losses have arisen because of the use of emergency quarantine and social distancing measures to tackle the virus outbreak.

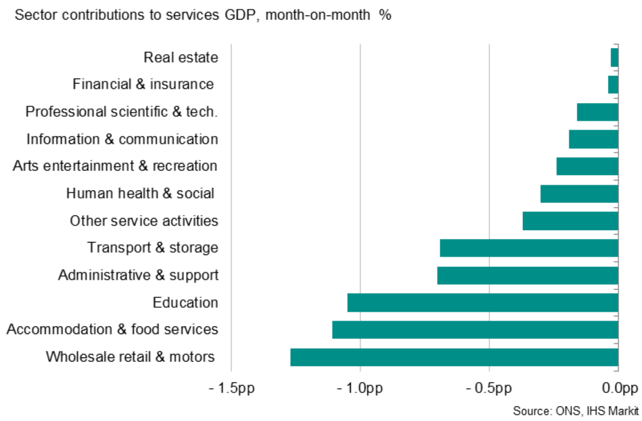
IHS Markit/CIPS all sector PMI v GDP



According to its first estimate, the economy shrank by 2% quarter on quarter (q/q) in the first quarter of 2020, the sharpest decline since the height of the 2007–08 financial crisis. In addition, real GDP contracted by 1.6% year on year in the first quarter, the biggest fall since the end of 2009.

More worryingly, the ONS reports that real GDP fell by 5.8% month on month (m/m) in March, the largest drop since the monthly series began in 1997. The services sector, which accounts for 80% of UK GDP, fell by 6.2% m/m in March, the largest monthly fall on record. The weakest sectors were wholesale, retail, and motor trades, accommodation and food services, and education.

Service output changes in March



The GDP losses in both March and the first quarter were eye-catching given the enforced lockdown was in place for just seven working days during the period (albeit with voluntary distancing measures having been widely adopted earlier in the month). The ONS reported severe falls in spending on transport, restaurants and hotels, and clothing and footwear. However, there were pockets of improved demand, namely for food and drink alcohol and tobacco and televisions and audio-visual equipment.

Recent survey data point to the economy enduring a torrid April

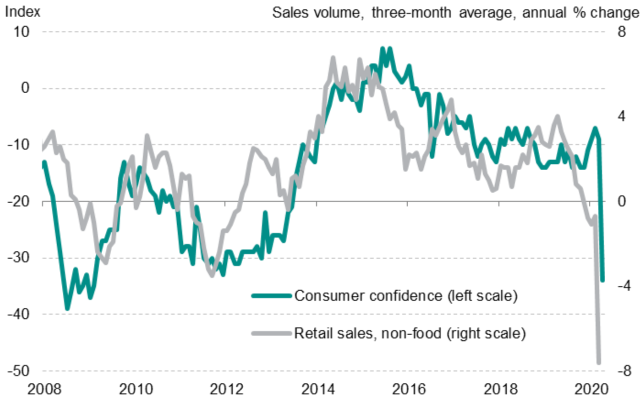
The IHS Markit/CIPS purchasing managers' index (PMI) for the UK signalled the largest contraction in business activity in the survey's 22-year history. Specifically, the composite index measuring output across the manufacturing and services sectors dropped by 22.1 points to 13.8 in April, the lowest level since the survey began in January 1998. This was notably weaker than the prior low of 38.1, seen in November 2008 during the height of the financial crisis.

IHS Markit estimates that the fall in the UK composite output index during April is consistent with GDP falling at a quarterly rate of "approximately 7%". In addition, the survey warns that the actual GDP losses could be even more severe because the index excludes most of the self-employed and the retail sector, the two groups worst affected by the COVID-19 virus-related containment measures.

Indeed, the ONS confirms that retail spending was under considerable pressure in the latter stages of March after the enforced closure of non-essential stores from 23rd March. Retail sales (including fuel sales) in volume terms decreased by 5.1% m/m in March, which was the largest fall in the series history.

The reporting period for measuring retail sales in March was from 1st March to 4th April. This implies that two weeks of the five-week trading period were affected by the introduction of the social-distancing measures to contain the COVID-19 virus outbreak.

UK consumer confidence and non-food retail sales



Source: IHS Markit, GfK and Office for National Statistics

IHS Markit expects there was an even sharper contraction in retail spending during April, with the shutdown in place for the entire month. The British Retail Consortium has provided an early assessment, reporting that its members endured a 19.1% y/y drop in total sales in April, the biggest fall since it began its monthly index in 1995. Meanwhile, Barclaycard has reported that credit-and debit-card spending in April was 36.5% lower when compared with a year earlier as a result of collapsing spending on travel, pubs, and restaurants. In addition, new car sales shrank for a fourth successive month, declining by 97.3% y/y to just 4,321 in April.

The near-term outlook also looks bleak as consumer-facing services and non-essential retail premises will remain closed throughout May, and many in June as well: On 10th May, UK Prime Minister Boris Johnson announced a new three-stage plan to allow the country to return to work after measures to tackle the COVID-19 virus pandemic closed parts of the economy. This includes a phased reopening of shops and plans to encourage some primary-school pupils to return to school, but not before 1st June. There is also a target to reopen parts of the hospitality industry and other public places, "provided they follow social distancing rules", but this will not occur before 1st July.

The GDP outlook has darkened

The UK's lockdown measures with the greatest economic clout will remain intact during May and June, and this points to an even larger quarterly GDP contraction in the second quarter, probably close to 20%.

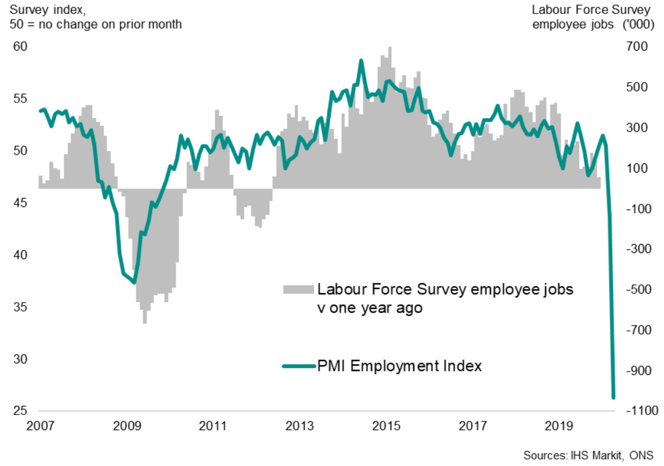
According to our April forecast, we expect the economy to contract by 4.3% in 2020, but this is far too benign following the announcement of the cautious exit strategy and March's GDP losses. We intend to publish a markedly gloomier assessment for 2020 in our May update, to be released on 15th May, and we now anticipate the GDP contraction for 2020 to be around 12.0%

A phased exit strategy from the anti-contagion measures will deliver renewed growth in the second half of 2020 and in 2021. Importantly, we anticipate decreasing restrictions on the hotel and restaurant industry, in the travel and transport sectors, and in recreational, cultural, and personal services from the third quarter of 2020. This will help to reboot spending on services and non-food retail but at below pre-crisis levels.

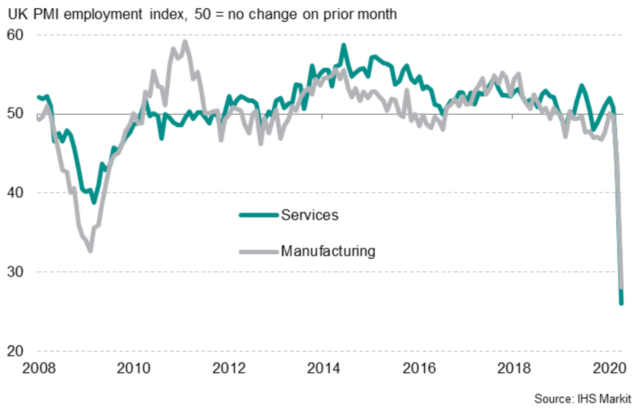
But the prospects of a "V-shape" recovery are challenging, implying it could take several years to recapture the impending GDP losses. This reflects the following:

- Some uncertainty as to how the COVID-19 virus will behave in the second half of 2020. Infections could rise again, leaving the government with no choice but to reintroduce restrictions.
- A sustainable return to economic normalcy could require the arrival of a vaccine.
- Increased fiscal stress, highlighted by a severe deterioration in key fiscal metrics.
- Legacy job losses and a higher unemployment rate as a result of the COVID-19 crisis, which will weigh down on the recovery in consumer confidence and spending decisions. The Department for Work and Pensions reports that nearly 2.0 million people have made new benefits claims through the universal credit system since the start of March, despite the Job Retention Scheme (furloughed workers). This will be mirrored by a notably higher unemployment rate, probably around 9.0% in mid-2020 from 3.8% at end-2019.
- Average weekly earnings are consequently expected to shrink in 2020, reflecting lower wages for furloughed workers, meaning households will need to rebuild income and wealth levels after the crisis.
- In addition, an uncertain outcome of the current UK-EU trade negotiations is on the risk radar. The trade talks are not going well, and the UK government continues to insist that the limited transition period will not be extended. The issue of regulatory alignment, and how to achieve it, remains a major obstacle. Our baseline still assumes some form of "bare bones" trade agreement for goods in place at the start of 2021, but some friction at the border will be inevitable. The end of passporting is assumed, signifying a blow to UK exports of financial services to the European Union.

UK labour market



UK employment by sector



Fiscal costs mount, and a new era of austerity is around the corner.

The UK Treasury plans to borrow more aggressively to meet the fiscal implications of the COVID-19 virus, both in terms of financial support measures and increasing automatic stabilisers, with the economy in recession during the first half of 2020.

The Debt Management Office (DMO), as part of the Treasury, raised GBP45 billion (USD55.6 billion) in April and plans to borrow a further GBP180 billion from the start of May to the end of July. The DMO had been planning to raise GBP156 billion for the whole 2020–21 to finance gilt redemptions totalling GBP96.1 billion and the central government's net cash requirement of GBP65.3 billion. Clearly, this plan has been overtaken by recent events.

The last spike in government borrowing was GBP227.6 billion during the financial crisis in 2009–10, which is likely to be topped in 2020–21.

Central government finances are already displaying the stress from the COVID-19 virus crisis in March, which will worsen owing to the public-health measures and policies to support businesses and households. Specifically, the central government's cash receipts collected by HM Revenue & Customs declined by 12.0% year on year (y/y) in March. This was partly the result of many companies deferring their VAT payments until the end of the year. Meanwhile, net cash spending by central government departments climbed by 6% y/y during the same month even before big spending items, such as the job retention scheme, started.

The cost of the job retention scheme will be the biggest spending item in the next few months. The scheme is currently costing the government about GBP14 billion bn a month to support around 7.5m jobs at almost one million companies and will now run to October.

Not surprisingly, the UK fiscal landscape will change dramatically in 2020. According to IHS Markit's April forecast, the general government budget deficit will widen by 9.3% of GDP or GBP194.3 billion during the second quarter; it peaked at 10% of GDP in 2009. The fiscal shortfall in 2020 is now likely to be even wider given the higher-than-expected cost of the furlough scheme, and prospect of more dramatic GDP losses.

Finally, the public-sector debt will be more elevated than previously anticipated – probably around 13 percentage points higher to over 94% of GDP during 2020. It is projected to exceed 100% of GDP during early 2022. However, we now acknowledge that it will climb more aggressively during 2020.

Unsurprisingly, a leaked Treasury document is warning that the Chancellor of Exchequer will need to consider significant income tax hikes, the end of the pensions triple lock and freeze public sector pay once the COVID-19 crisis is over.

For more information contact economics@ihsmarkit.com.