



IHS Markit™

Global PMI

Global economy suffers unprecedented collapse
amid COVID-19 pandemic

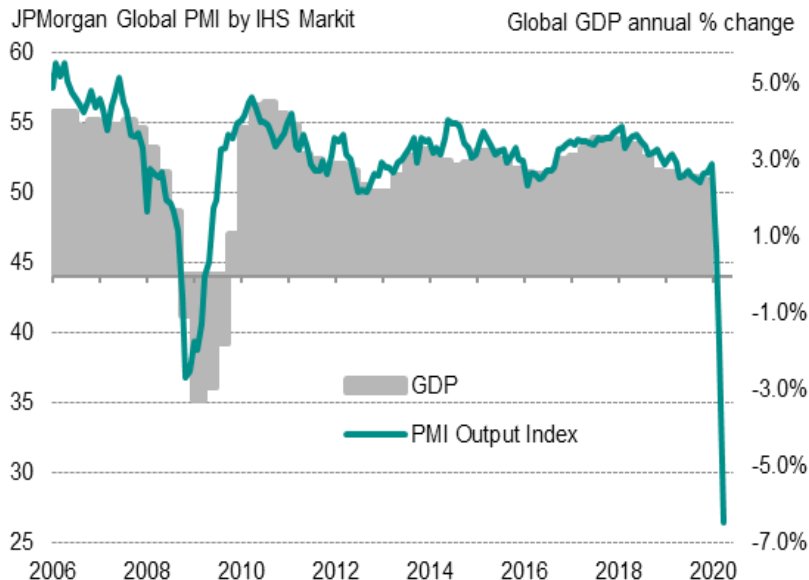
May 13th 2020

Global PMI at all-time low in April as economies lock down

Global business activity contracted at an unprecedented rate in April as measures to contain the coronavirus disease 2019 (COVID-19) pandemic took an increasing toll on economies around the world. The JPMorgan Global PMI™ (compiled by IHS Markit) fell to 26.5 from 39.2 in March, slumping well below the prior survey low of 36.8 recorded at the height of the global financial crisis in November 2008. The latest reading indicates a third successive month of declining business activity, with the rate of contraction accelerating sharply as increasing number of countries locked their economies down in response to the pandemic. The April reading was broadly comparable with global GDP falling at an annual rate of over 6.0% (at market prices).

The decline in global services activity was by far the steepest ever recorded in the survey's 22-year history, while manufacturing output fell to the greatest extent since 2009.

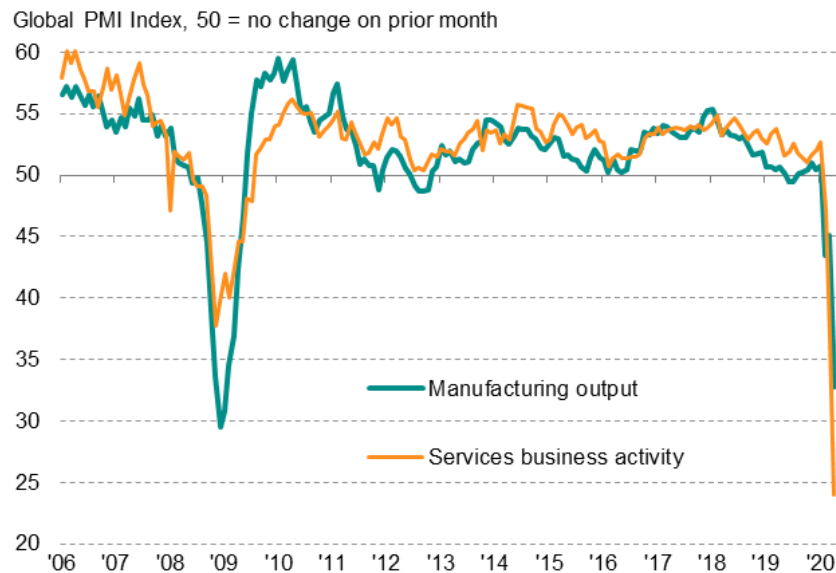
Global PMI* output & economic growth



Sources: IHS Markit, JPMorgan.

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

Global PMI output indices



Sources: IHS Markit, JPMorgan.

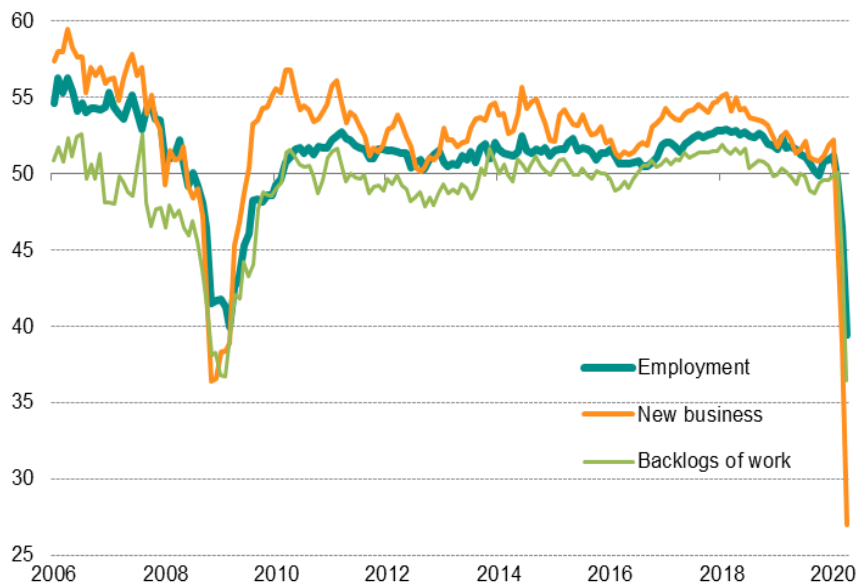
Record fall in global jobs as demand slumps and gloom deepens

Inflows of new work fell globally at a rate far surpassing that seen even at the height of the global financial crisis as demand from households and businesses collapsed around the world. With backlogs of work also falling at a record rate, and business confidence in the outlook for the coming year sliding to a new all-time low, firms slashed headcounts to a degree not previously seen in order to save costs. Further job losses could also be seen in coming months if furlough schemes end while demand remains weak.

The rate of job cutting was especially pronounced in the developed world, but every country surveyed around the world reported falling employment levels. Survey-record rates of job losses were seen in the US, the euro area, the UK, India and Australia. An historical comparison suggests that the drop in developed world employment signalled by the developed world PMI is indicative of unemployment rising by over 40% on a year ago.

Global PMI indices

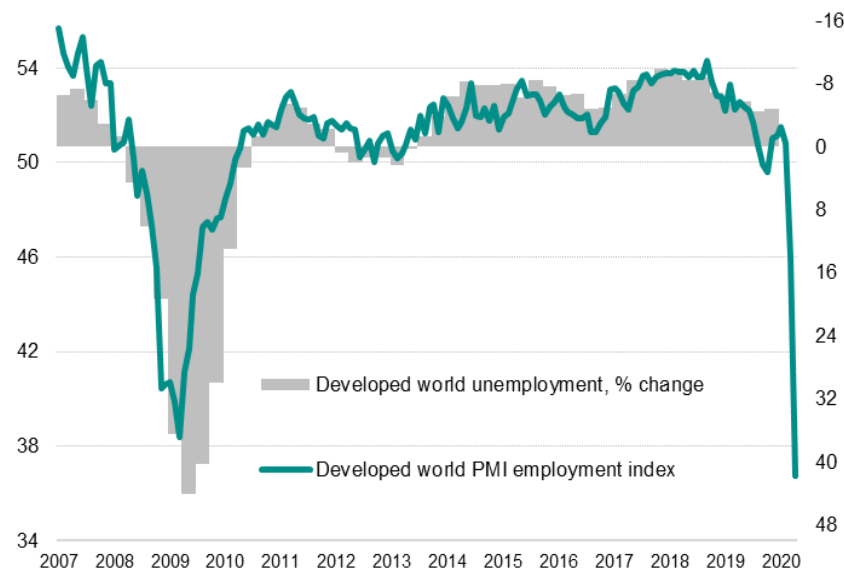
JPMorgan Global PMI



Developed world labour market

PMI survey index, 50 = no change

Unemployment (y/y % change)

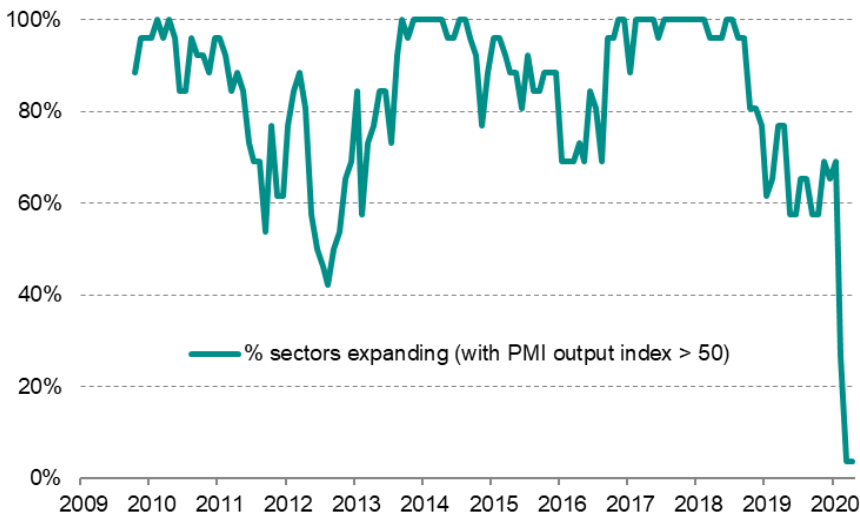


Unprecedented downturns in all sectors except healthcare

IHS Markit's [detailed PMI](#) data revealed the broad-based extent of the economic impact from measures taken worldwide to contain the pandemic. Output fell globally at record rates in 25 of the 26 sectors. Only healthcare reported growth, expanding at the sharpest rate since September 2012 amid heightened activity to fight the virus. Pharmaceuticals & biotech and food manufacturing meanwhile saw the weakest rates of contraction.

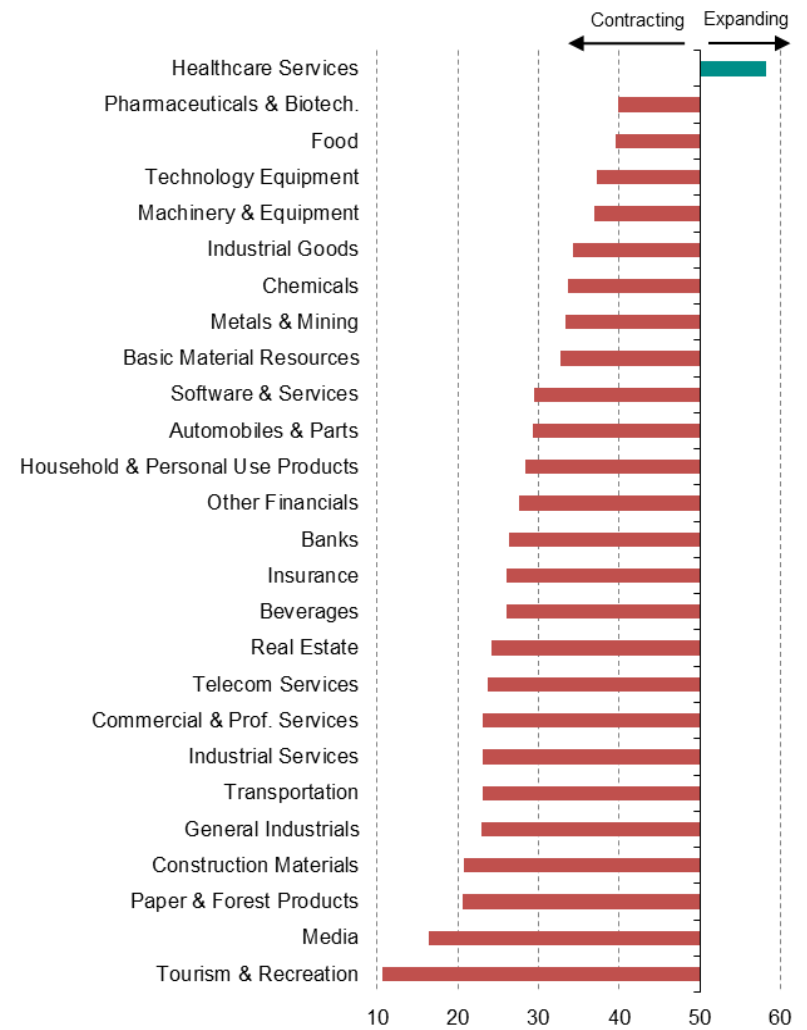
The steepest decline was seen in tourism and recreation, which has been especially hard hit by COVID-19 social distancing measures. Such measures also restricted media work and construction especially markedly, while many other manufacturing sectors were hit by non-essential business closures.

IHS Markit Global PMI, analysis of output in 26 sectors



Source: IHS Markit

Global Sector PMI Output Index (Apr 2020)



Source: IHS Markit

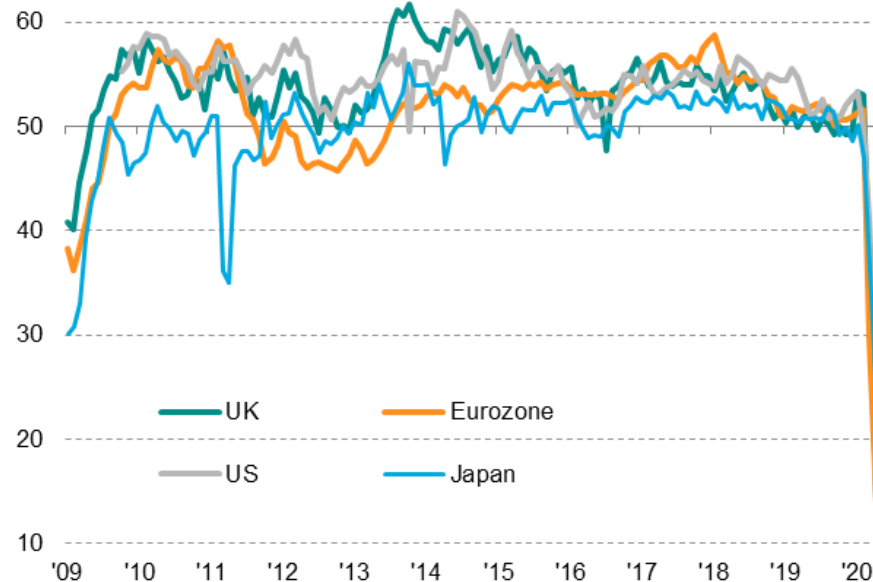
All major developed and emerging markets in decline

The latest PMI data were collected between 7th and 29th April, a time when China was easing some of its lockdown restrictions for a second month but the US and many other countries in Europe, Asia and the rest of the world meanwhile persisted with strict lockdowns that had commenced in late March. Of the largest developed and emerging markets, China consequently saw the mildest contraction by a wide margin, though notably remained in decline due to an ongoing marked fall in service sector activity.

Record rates of contraction were meanwhile seen in the US, the eurozone, the UK, Japan, Russia, India and Brazil. Of the emerging markets, India reported the steepest fall in business activity, having locked down especially severely during April. Of the four largest developed economies, the UK reported the sharpest downturn, with the US and Japan seeing milder contractions of business activity than recorded in Europe.

Developed world key economies

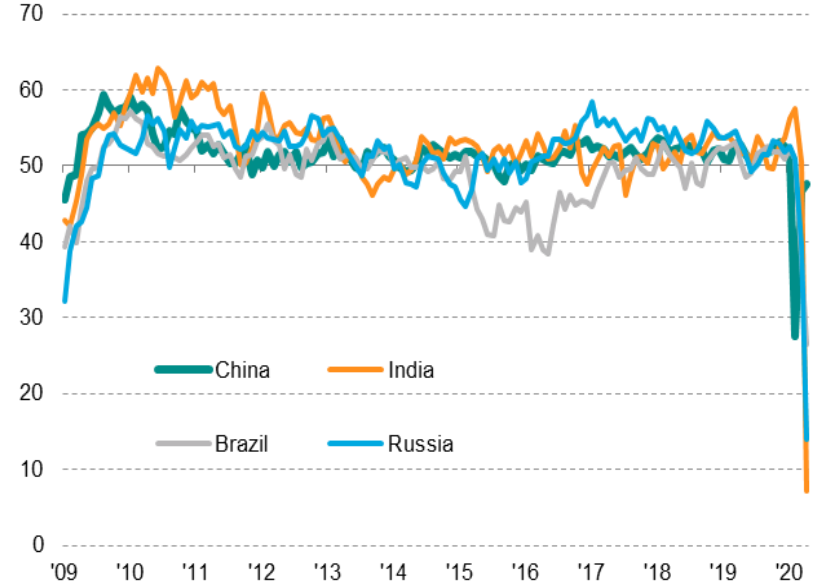
Composite PMI Output/Business Activity Index



Sources: IHS Markit, au Jibun Bank.

Major emerging markets

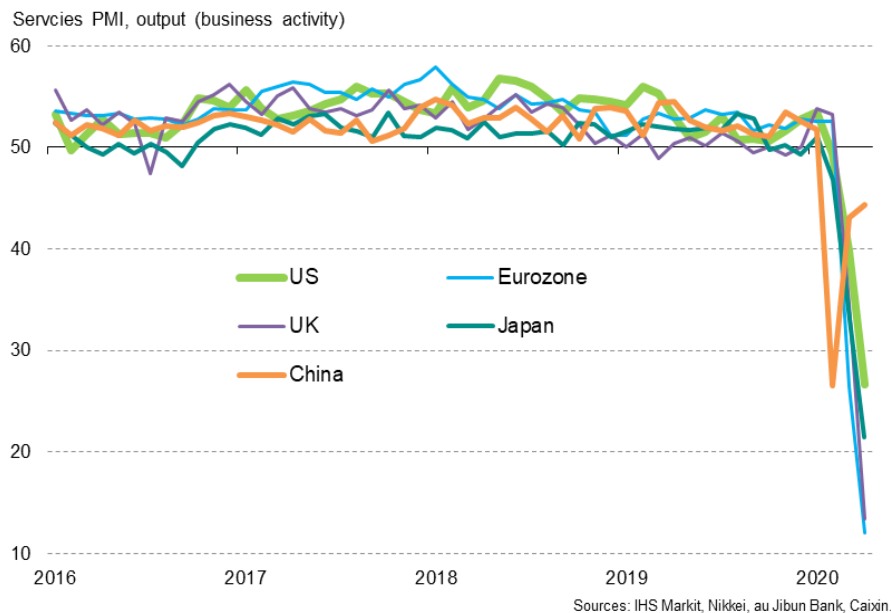
Composite PMI Output/Business Activity Index



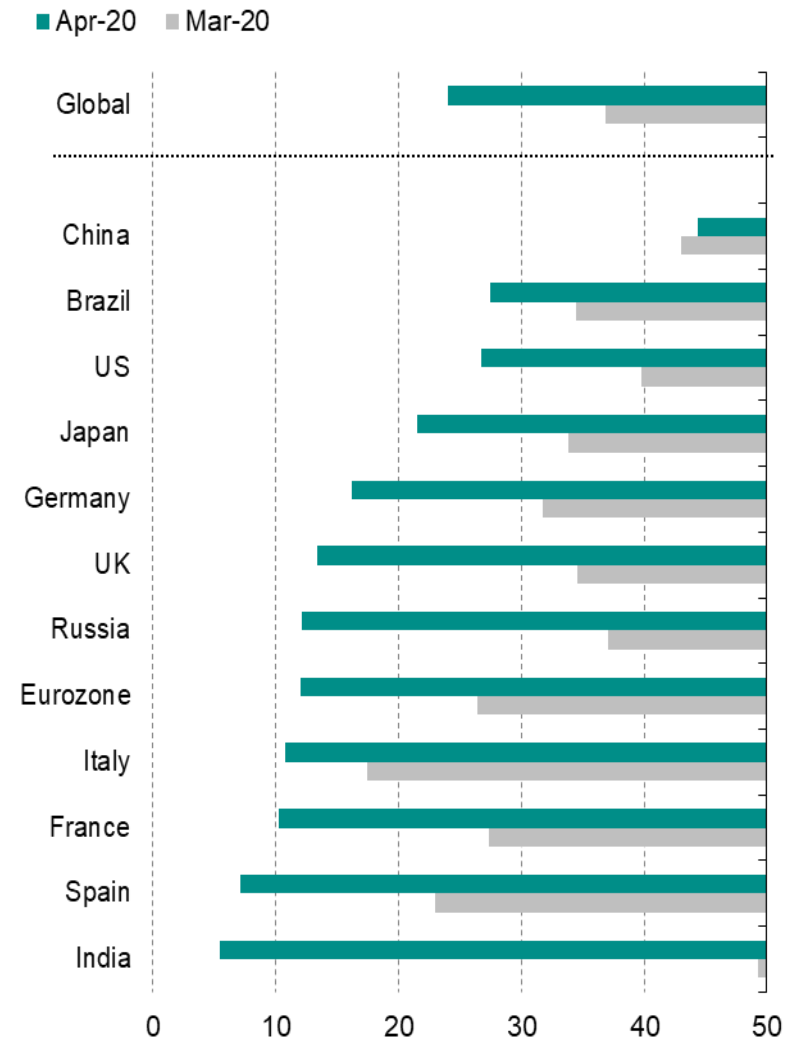
Sources: IHS Markit, Caixin.

China offers clues for service sectors

Service sector PMI output indices fell into single digits in some countries in April, signaling downturns vastly exceeding anything previously thought likely. However, China bucked the trend of steepening decline, by virtue of having locked down earlier than other countries and starting to loosen some COVID-19 restrictions sooner. That said, having hit a record low in February, China's services PMI has failed to yet return to growth territory, having indicated further – albeit less steep – contractions in March and April. China's experience therefore hints at services PMIs for other countries starting to rise in May, but not necessarily rebounding enough to show expansion.



Services PMI, 50 = no change on prior month



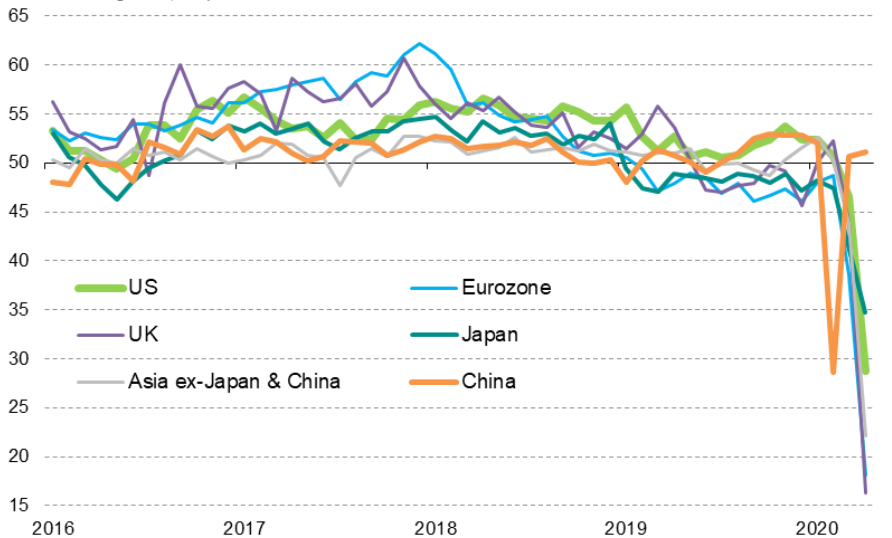
Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, au Jibun Bank, NEVI, BME, Bank Austria, AIB, AERCE, Caixin, HPI, Davivienda, Istanbul Chamber of Industry, Tengri Partners.

Only China reports growth of manufacturing output

Looking at manufacturing, only China saw any output growth in April, and even here the rise was muted. All other countries saw output trends deteriorate, with record rates of decline recorded in 25 of the 31 countries surveyed by IHS Markit as non-essential business closures caused a slump in production. Excluding China, global output consequently fell to an extent exceeding that seen even during the global financial crisis.

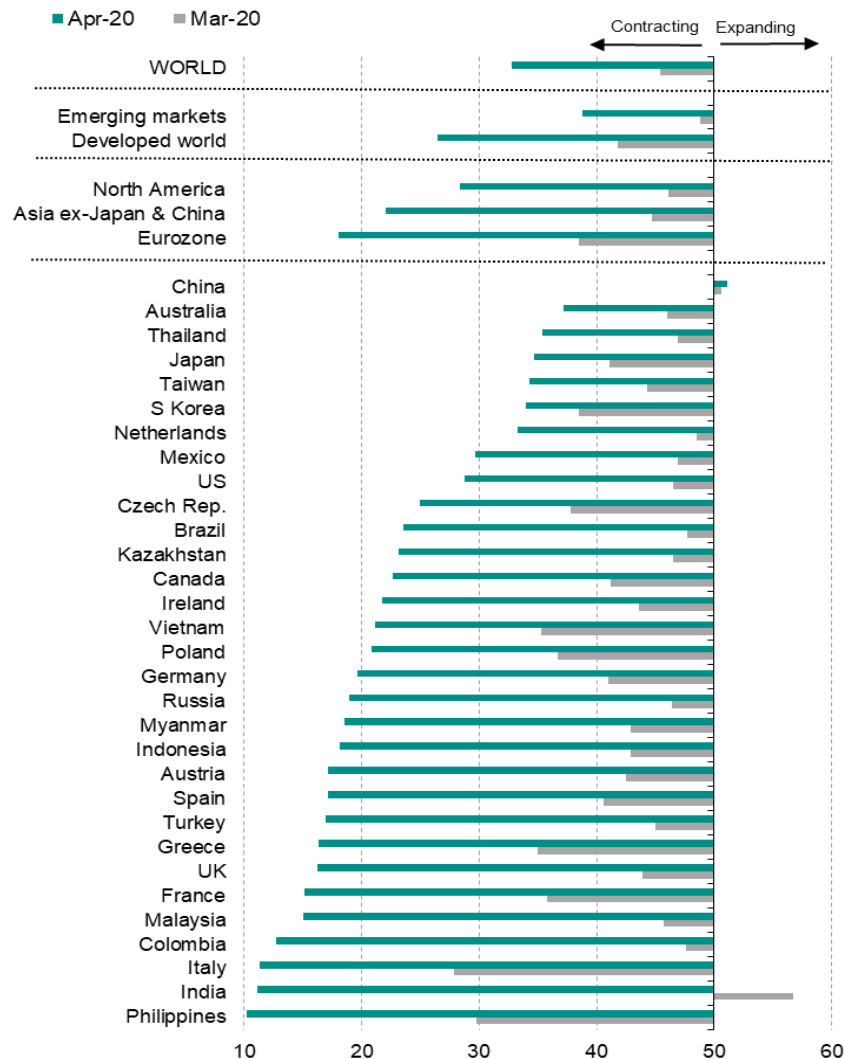
The muted rebound in China's manufacturing – two months of only modest increases after February's steep decline – suggests that other countries may also see only subdued recoveries in their goods-producing sectors as lockdowns are eased.

Manufacturing PMI, output



Sources: IHS Markit, Nikkei, au Jibun Bank, Caixin.

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



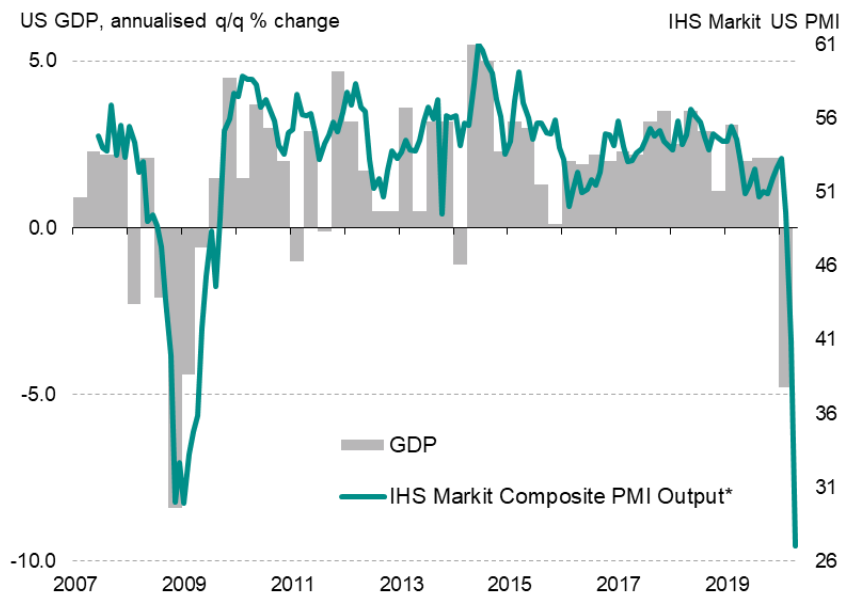
Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, au Jibun Bank, NEVI, BME, Bank Austria, AIB, AERCE, Caixin, HPI, Davivienda, Istanbul Chamber of Industry, Tengri Partners.

US downturn accelerates beyond that seen in 2009

The United States saw a slump in the PMI to an [all-time low of 27.0](#) in April, down from 40.9 in March and indicating how the 4.8% rate of GDP decline seen in Q1 will likely be eclipsed by what's to come in Q2. Measures to fight the COVID-19 outbreak meant vast swathes of the service sector were especially hard hit by travel restrictions and social distancing. Temporary company closures and dramatically reduced demand have meanwhile hit other sectors. As a result, business activity, order books and employment all fell by greater magnitudes than seen during the height of the global financial crisis.

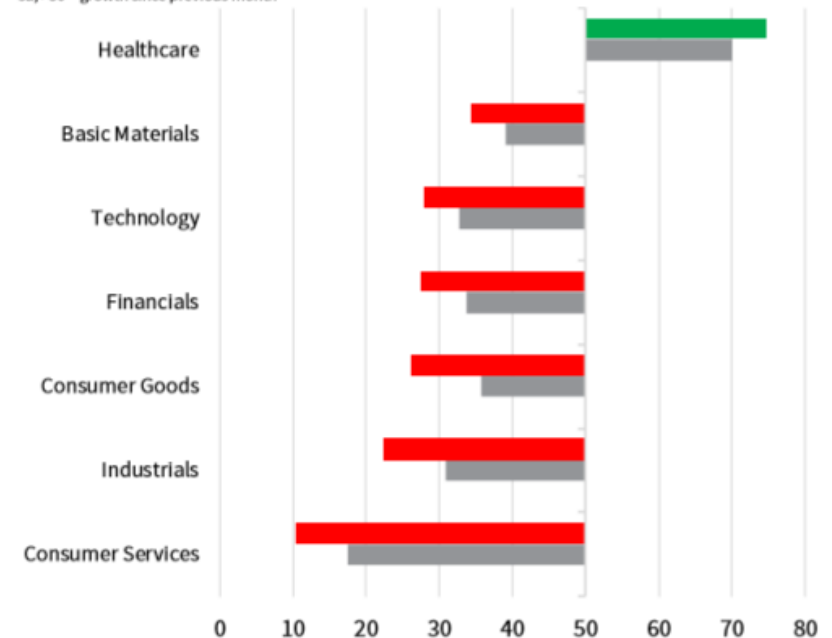
[Detailed PMI data](#) showed the consumer services sector reporting the steepest declines of both output and employment. Financial services companies, industrial firms and technology companies also recorded the most severe contractions in business activity in their survey histories. Only healthcare providers reported any growth in April.

US economic growth and the PMI



*only manufacturing pre-2012.
Sources: IHS Markit, BEA.

Output Index / Employment Index, Apr '20
sa, >50 = growth since previous month



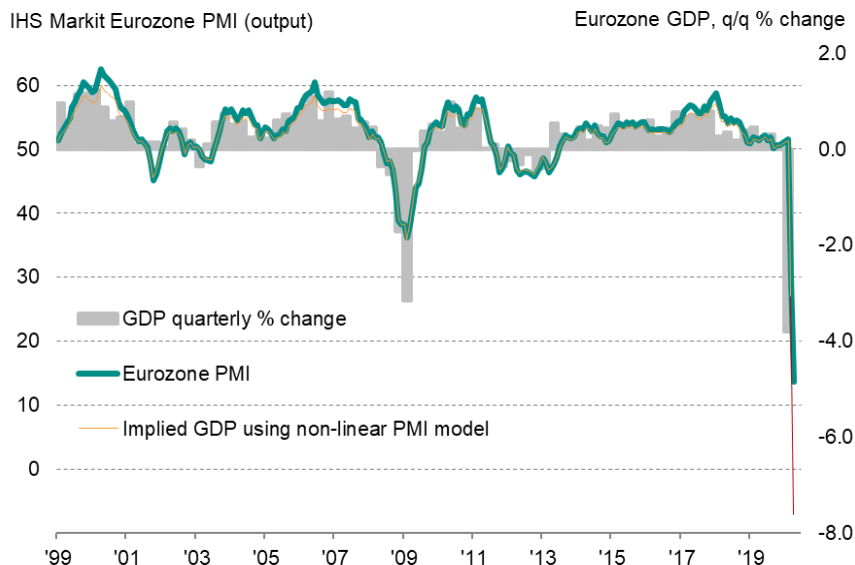
Source: IHS Markit.

Eurozone PMI at all-time low as economy locks down

The extent of the euro area economic collapse from the COVID-19 outbreak was laid bare by PMI data showing record downturns in every country surveyed in April. Output fell at unprecedented rates in manufacturing and services in all nations. Employment also fell at a record rate across the region as firms scaled back capacity. The PMI collapse comes on the heels of official data showing that euro area GDP fell by an estimated 3.8% in Q1, its steepest decline since data were first compiled in 1995. The second quarter will inevitably be much worse, with April's PMI of just 13.6 pointing to a quarterly decline of over 7% according to our model.

Although pessimism about the year ahead eased slightly to fuel hopes that orders and output indices may rise in coming months, the sheer scale of the declines seen in March and April, and the limited scope for opening up the economy again due to the fear of further virus outbreaks, means it is likely to be a long time before the economy fully rebounds from the pandemic.

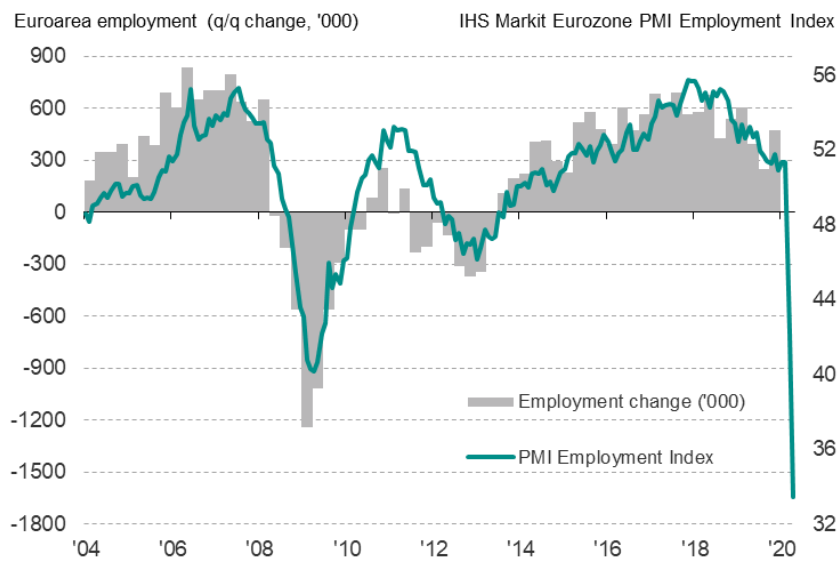
Eurozone PMI* and GDP



Sources: IHS Markit, Eurostat.

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

Eurozone PMI* employment index



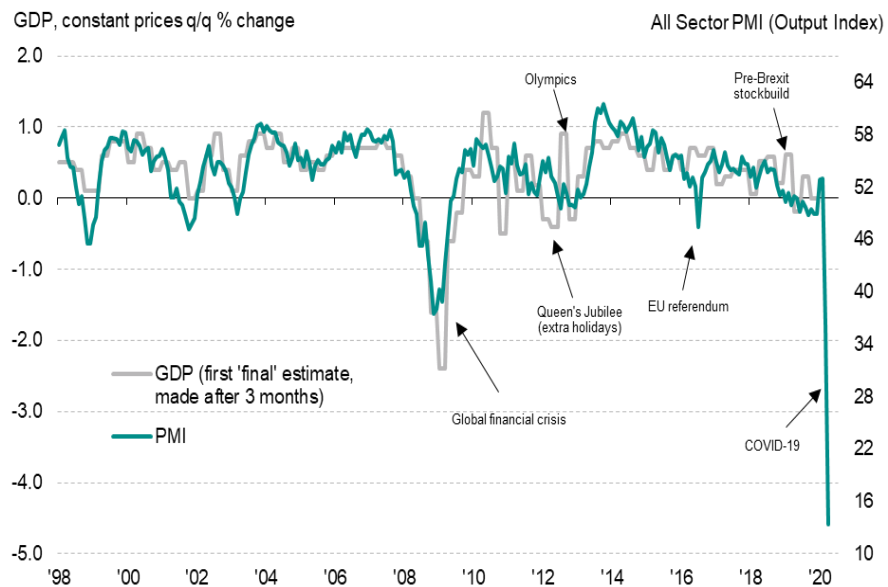
Sources: IHS Markit, Eurostat.

UK PMI signals economic collapse amid virus lockdown

The headline all sector output index from the UK PMI surveys fell to an all-time low of 13.4 in April, down from 36.3 in March. Prior to the pandemic, the previous low in the 22-year survey history was 37.5, reached in November 2008. As such, [GDP looks set to fall at a quarterly rate of approximately 7%](#). Record lows – by substantial margins – were seen for activity indices in manufacturing, services and construction, indicating markedly increased rates of contraction in all three major parts of the economy for a second successive month. The heightened rates of collapse seen in April reflected a full month of lockdown compared to only a partial month of closure in March. Jobs were also cut at an unprecedented rate as firms sought to reduce costs in the face of falling revenues.

Sentiment about the year ahead meanwhile remained historically weak but the number of optimists rose to exceed pessimists, thereby providing a ray of light that April may prove to have been the toughest month in terms of the economic impact from the virus.

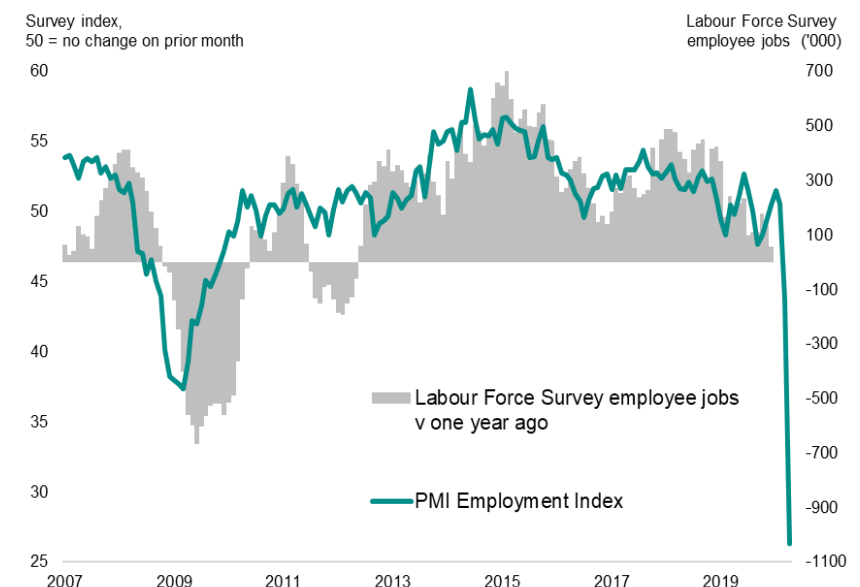
UK PMI* and GDP



Sources: IHS Markit, CIPS, ONS.

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

UK PMI* employment index

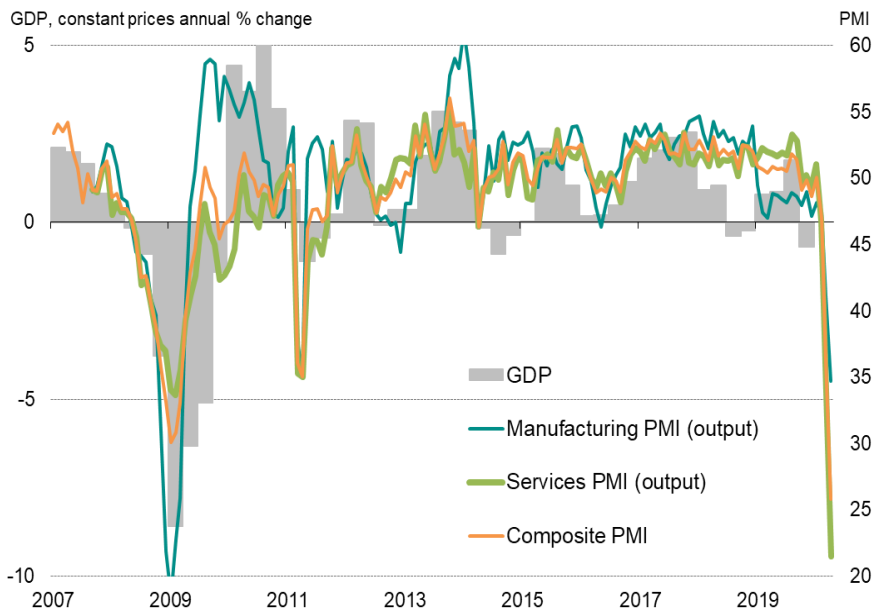


Sources: IHS Markit, ONS

Japan's recession deepens

The downturn in Japan's economy gained momentum in April, with business activity slumping to the greatest extent on record. The au Jibun Bank PMI plunged to 25.8. Stricter rules to limit the spread of COVID-19 cut a swathe through demand. Business sentiment also plummeted to the lowest in the survey's history, causing firms to reduce capacity. Jobs were cut at the steepest rate since 2012, though notably fell to a much weaker extent than in other major developed economies.

Japan PMI* and GDP



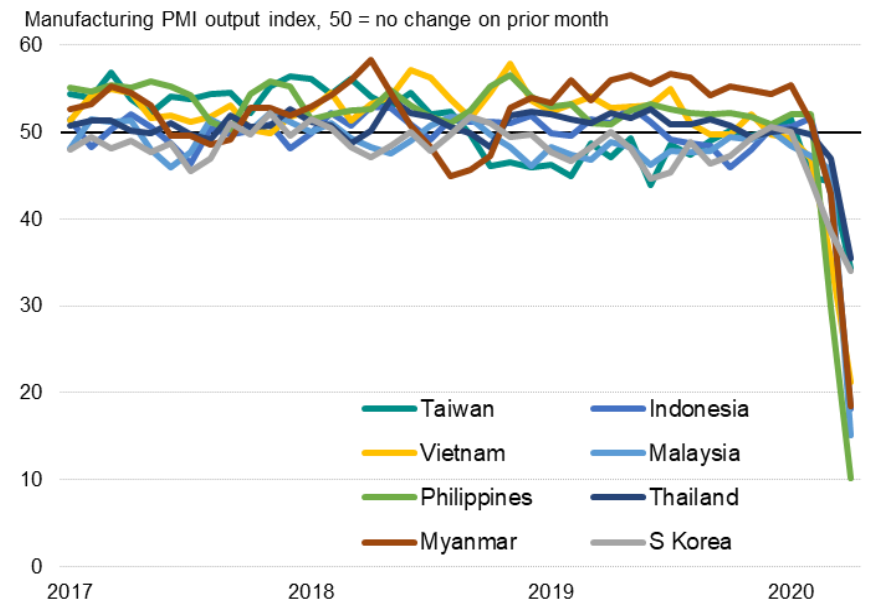
Sources: IHS Markit, au Jibun Bank, Japan Cabinet Office.
*PMI shown above is a GDP weighted average of the manufacturing and services indices.

Asian factories in steep decline

In Asia Pacific, manufacturing PMI survey output indices hit record lows in India, Indonesia, Vietnam, Malaysia, Myanmar, the Philippines and Australia, but remained off prior GFC lows in Japan, South Korea and Taiwan.

Across [ASEAN countries](#), the net drop in output was the steepest since survey data were first available in 2012 by a wide margin.

Manufacturing output in Asia



Source: IHS Markit

Prices fall at fastest rate yet recorded

Average prices charged for goods and services fell to an extent not previously seen by the PMI surveys, as increasing numbers of firms cut prices to try to help stimulate sales amid slumping demand. Prices charged for services fell at a steeper rate than for manufacturing.

Lower prices were in part afforded due to April seeing the steepest drop in input costs since April 2009, linked to lower commodity prices (notably for oil) and increased supplier discounting. However, weaker exchange rates meant some countries reported higher prices due to the increased cost of imports, notably Russia, Brazil and Turkey.

Global PMI* output & economic growth

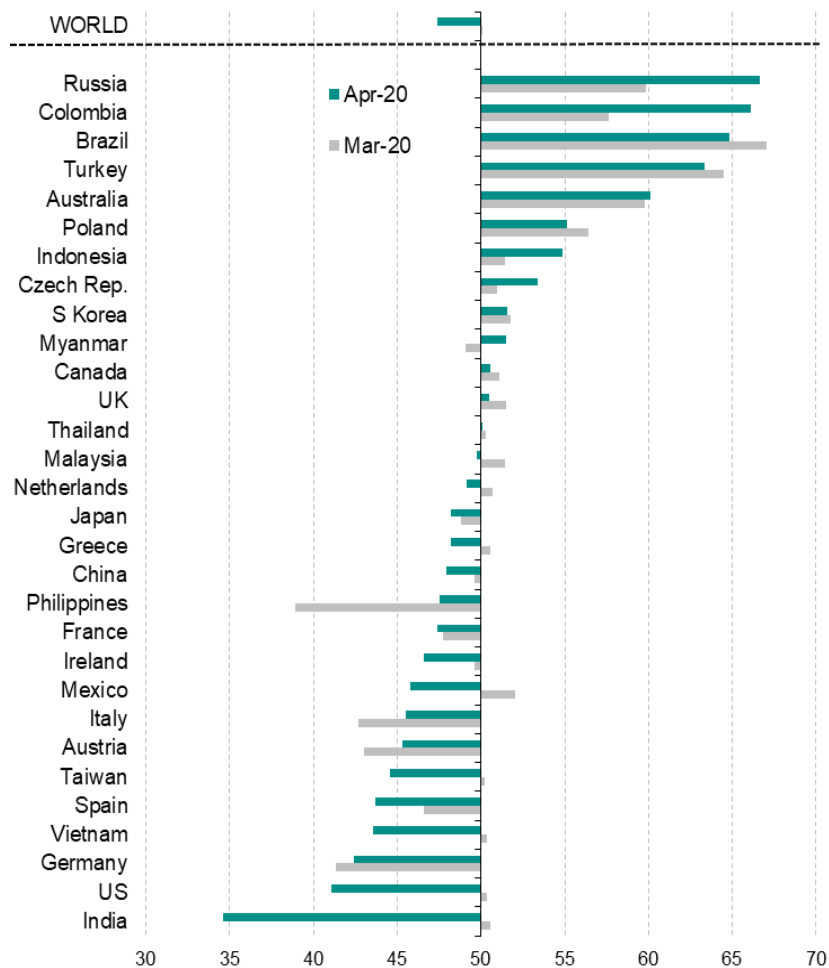
JPMorgan Global PMI Input Costs



Sources: IHS Markit, JPMorgan.

Manufacturing input prices by country

Manufacturing PMI Input Prices Index, 50 = no change on prior month



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Upcoming data releases

21st May, next flash PMIs

1st June, final manufacturing PMIs

3rd June, final services PMIs

5th June, detailed sector PMIs

[Link to calendar](#)

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