



IHS Markit™

Global PMI

Global economic downturn moderates in May,
led by renewed growth in China

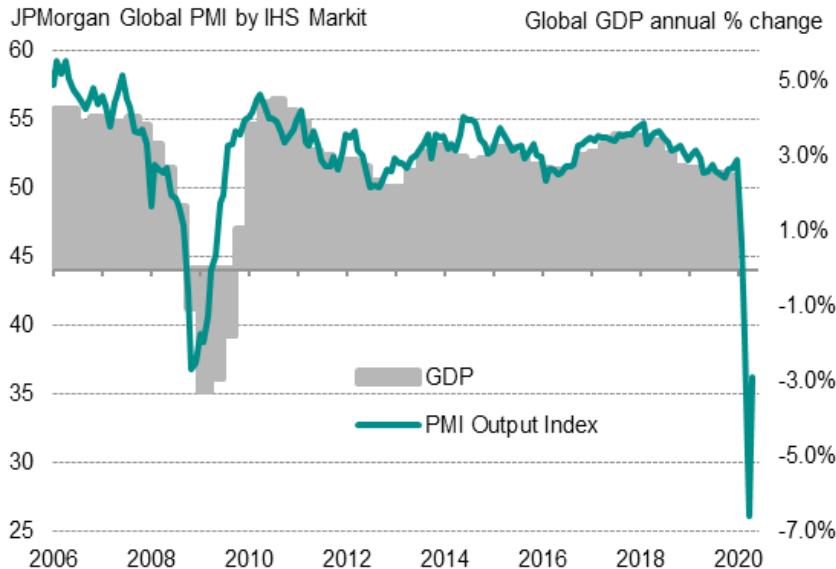
June 15th 2020

Record rise for beleaguered global PMI as lockdowns ease

Global business activity contracted sharply in May, according to the latest PMI business survey data, dropping for a fourth successive month. Encouragingly, the rate of decline cooled markedly since April's record collapse as economies around the world started to ease lockdowns designed to contain the COVID-19 pandemic, but was nonetheless the second-steepest in over two decades.

The JPMorgan Global PMI™ (compiled by IHS Markit) showed a record surge of just over 10 index points in May from 26.2 in April to 36.3. The improvement coincided with many countries loosening their coronavirus containment measures, such as enforced closures of non-essential businesses and social distancing restrictions, the intensity of which peaked in April. However, despite the rise in the index during May, the latest reading remained even lower than the prior-pandemic record low of 36.8 seen at the height of the global financial crisis in November 2008, reflecting the gradual pace at which economies were reopened and the ongoing paucity of demand.

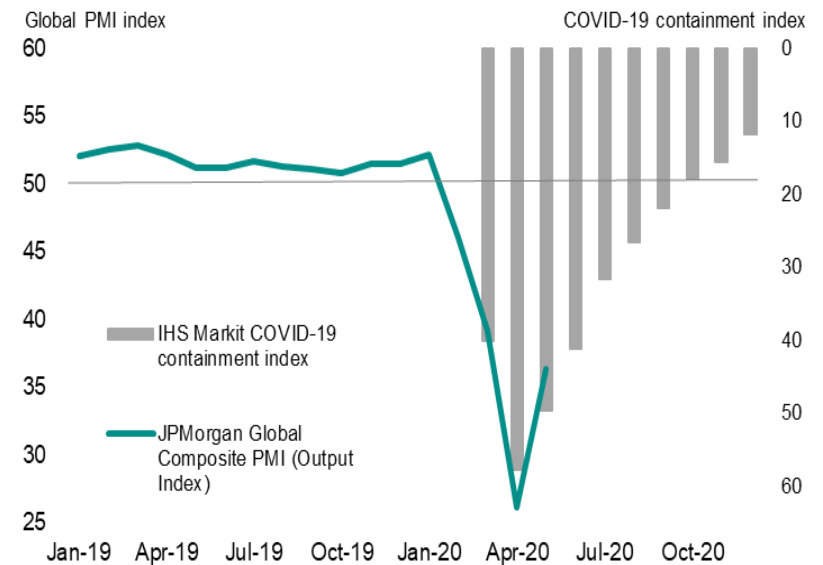
Global PMI* output & economic growth



Sources: IHS Markit, JPMorgan.

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

Global PMI & COVID-19 Containment Index



Sources: IHS Markit, JPMorgan.

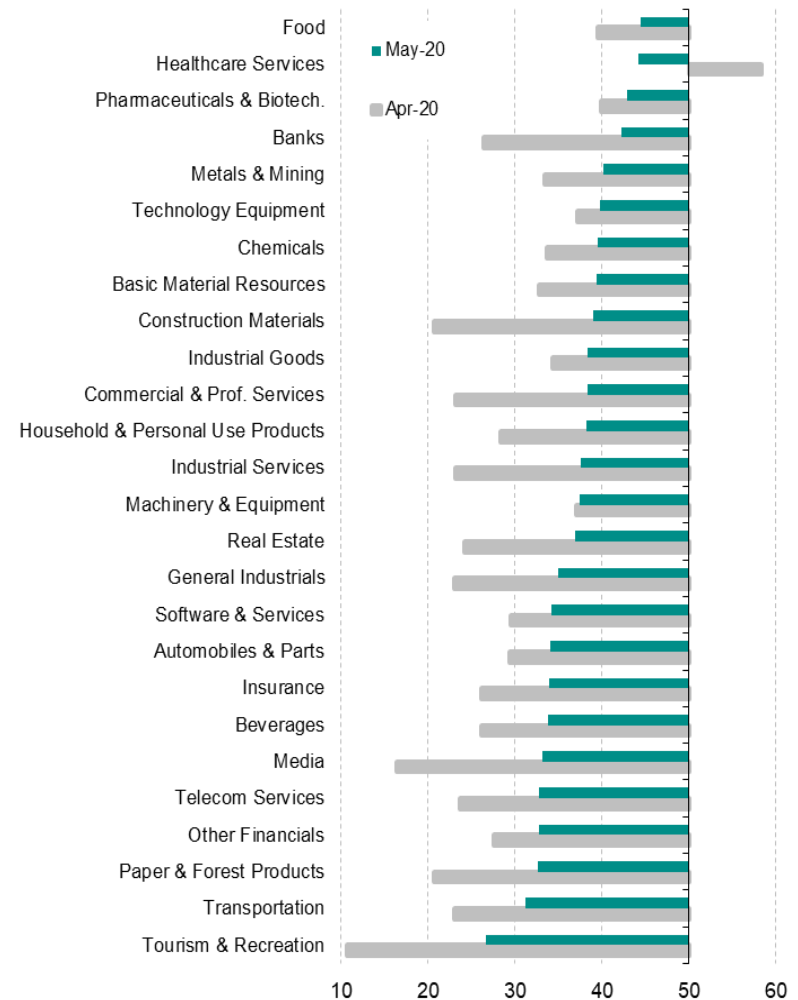
Unprecedented downturn across all sectors, led by services

The service sector again led the global downturn, suffering the second-quickest output decline in 22 years of data collection, exceeded only by that seen in April. Social distancing measures hit hospitality, travel and tourism especially hard.

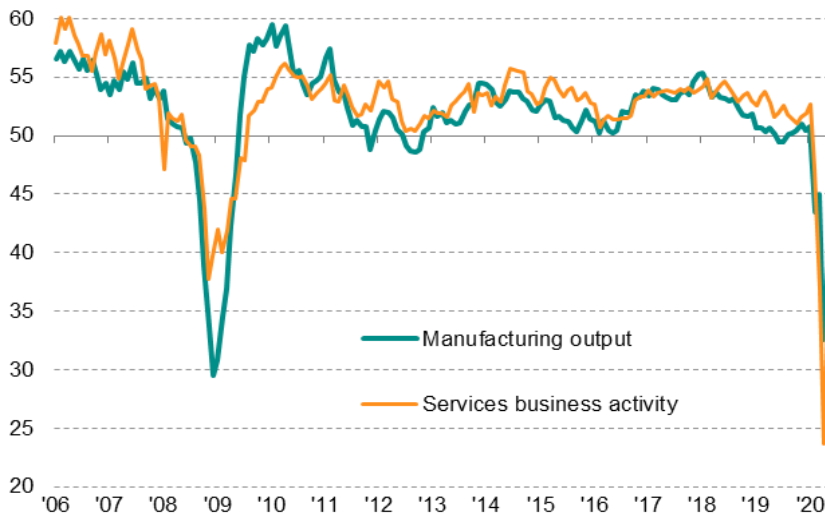
Manufacturing output likewise continued to fall steeply, the rate of decline cooling from April's 11-year high but remaining in a deeper downturn than at any time since the global financial crisis. While many factories around the world saw production restart after lockdown-related closures, many others reported that demand conditions continued to worsen, weakening the production trend.

For the first time in the history of the global PMI surveys, all 26-sub sectors consequently reported falling output.

Global Sector PMI Output Index (May 2020)



Global PMI Index, 50 = no change on prior month

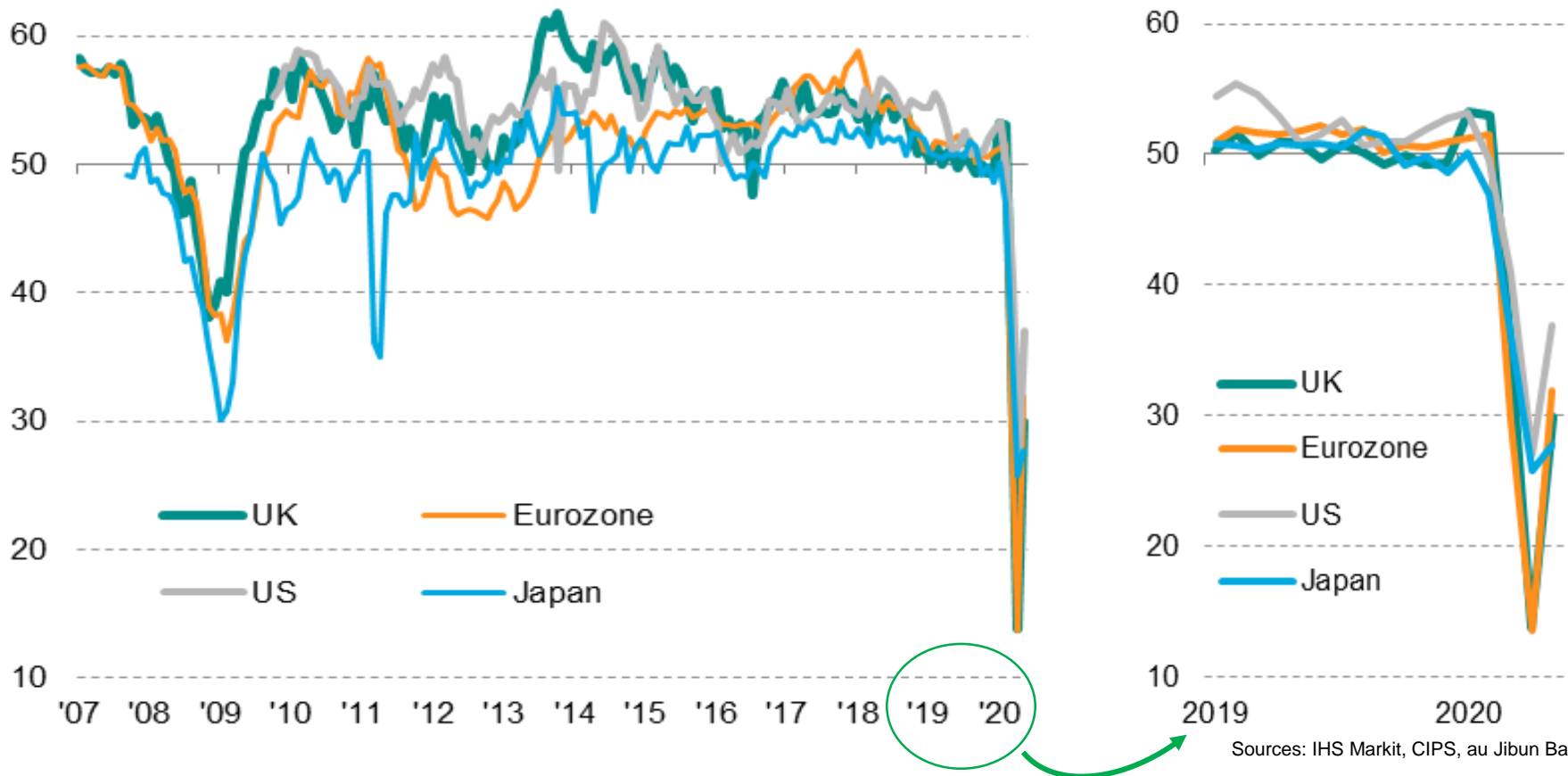


Sources: IHS Markit, JPMorgan.

All major developed markets see rates of decline ease

All four major developed economies contracted sharply again in May though in all cases rates of decline moderated compared with all-time record deteriorations seen in April. Japan appears to have fared badly in terms of the extent to which output fell in May despite seeing relatively moderate virus containment measures, but this could reflect Japan's greater exposure to the recent collapse in global trade and greater voluntary social distancing than in many other countries. The US recorded the mildest downturn in May.

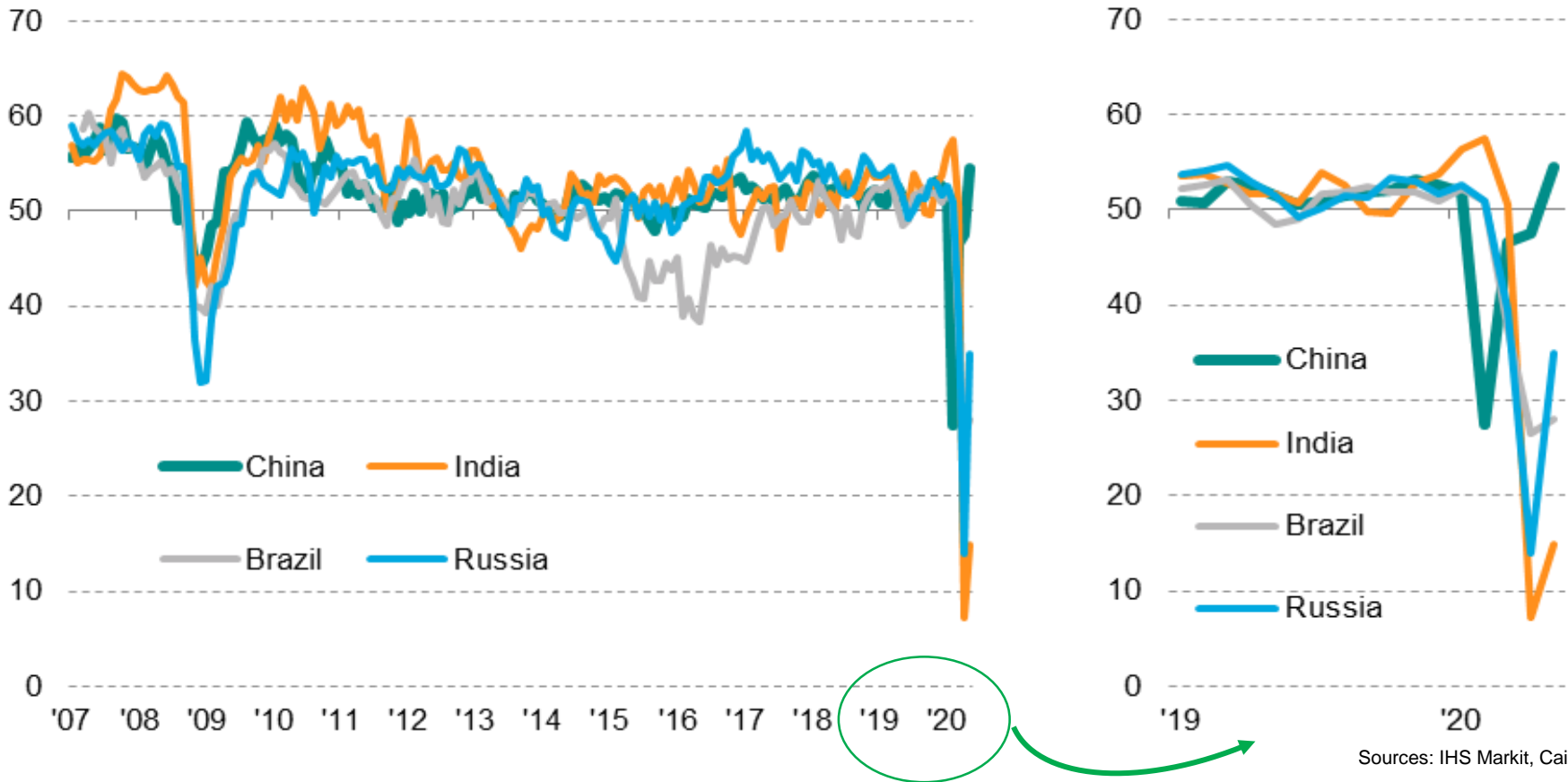
Composite PMI Output/Business Activity Index



Steep emerging market decline bucked by China

China was the only country globally to record any output growth in May, with business activity rising as lockdown measures continued to be relaxed for a third successive month. The resulting increase in output was the steepest since January 2011, with services showing an especially welcome upturn. Of the other largest emerging markets, India saw the most marked downturn, followed by Brazil and Russia. In all three cases, rates of contraction moderated from April but were the second-fastest on record.

Composite PMI Output/Business Activity Index

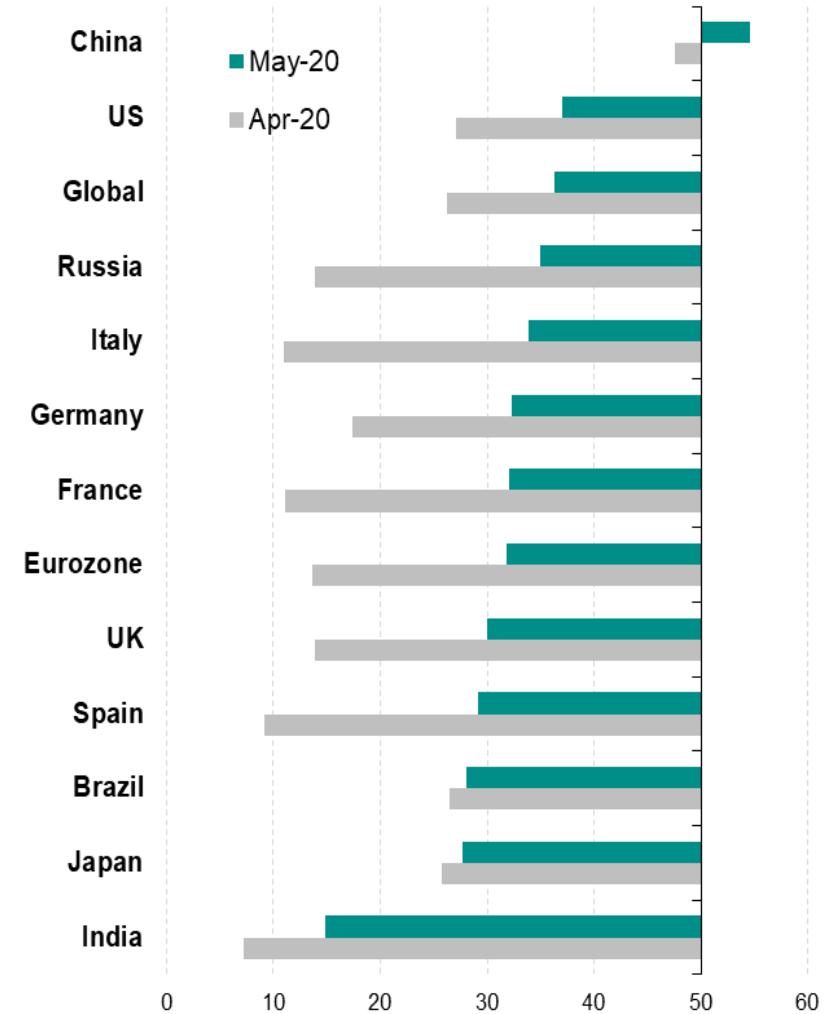


Sources: IHS Markit, Caixin.

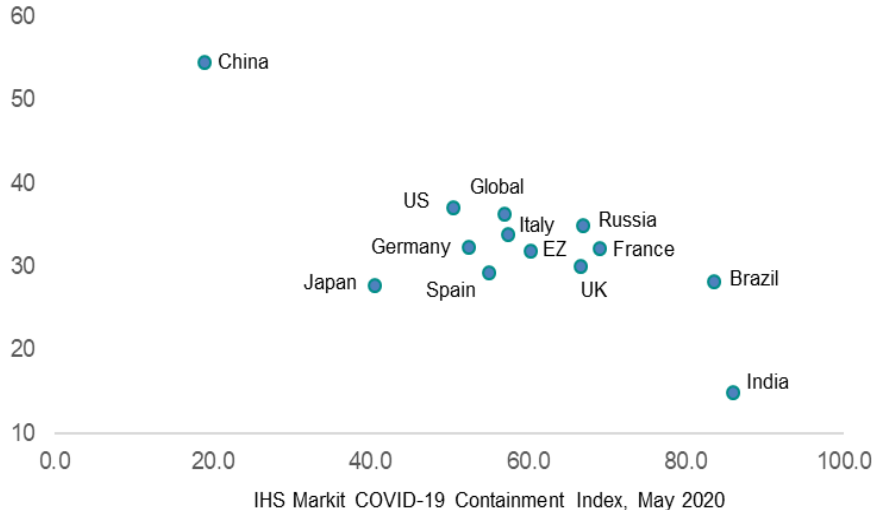
Lockdowns key to economic performance

In general, the change in output in May largely reflected the extent of the coronavirus lockdown measures applied in each country. Of the largest economies, China saw the least severe COVID-19 containment measures in May, having locked down initially in February – at least a month before most other countries. Most countries lockdown containment indices (based on information relating to issues such as closures of schools, non-essential shops and restaurants, as well as restrictions on public gatherings, internal mobility and external borders) peaked two months later than China, in April. At the other end of the scale, India saw the strictest lockdown in May and also the lowest composite PMI reading.

Composite PMI, 50 = no change on prior month



Composite PMI output index, May 2020



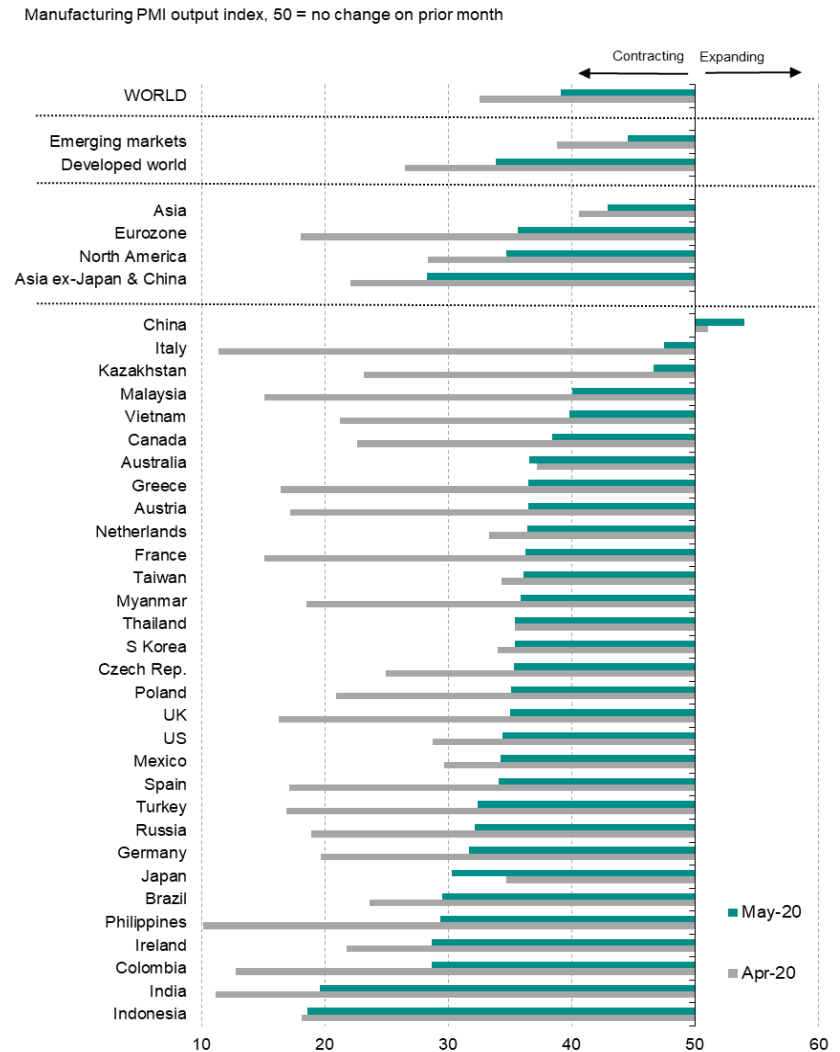
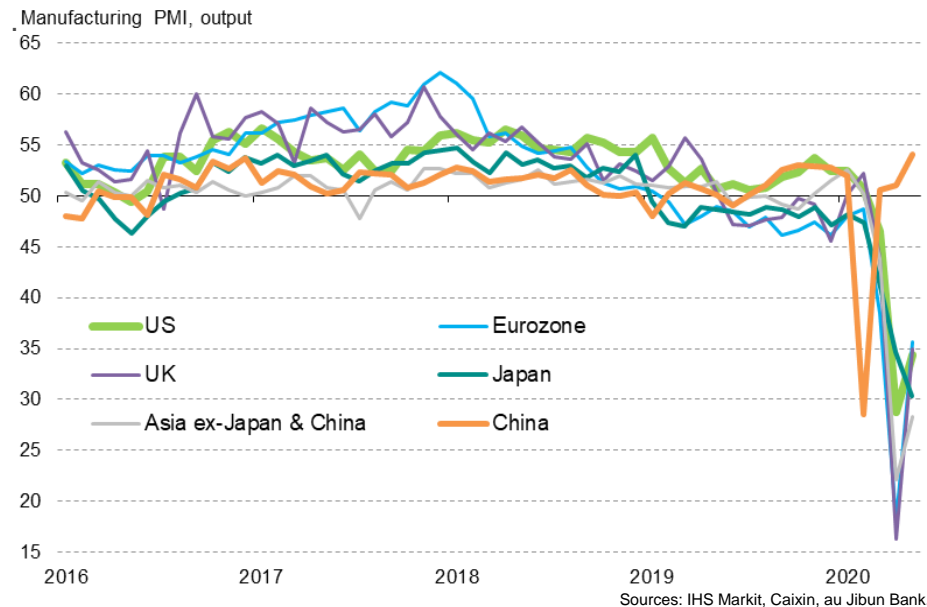
Sources: IHS Markit.

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.

China reports faster growth of manufacturing output

Of the 31 countries for which IHS Markit collects manufacturing PMI data, only China reported any output growth in May, although all other countries reported slower rates of contraction. The outperformance of China is especially notable given its output gain in May was the most marked since January 2011, primarily reflecting more companies restarting production after COVID-19 closures and domestic demand reviving.

Italy, which like China locked down relatively early, reported the smallest drop in production. The steepest downturn was meanwhile recorded in Indonesia followed by India, the latter seeing a particularly aggressive lockdown during May.

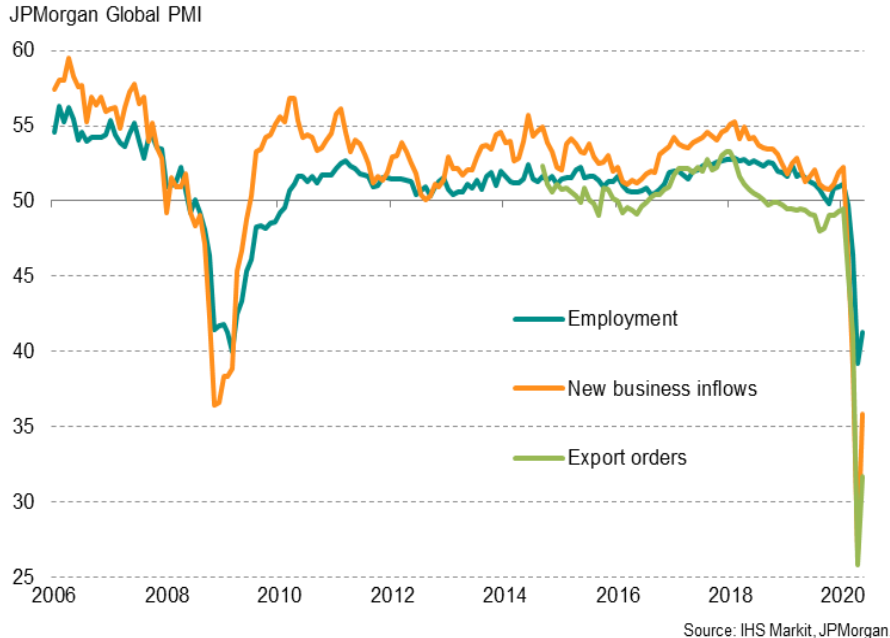


Job markets will likely be important factors behind recovery speeds

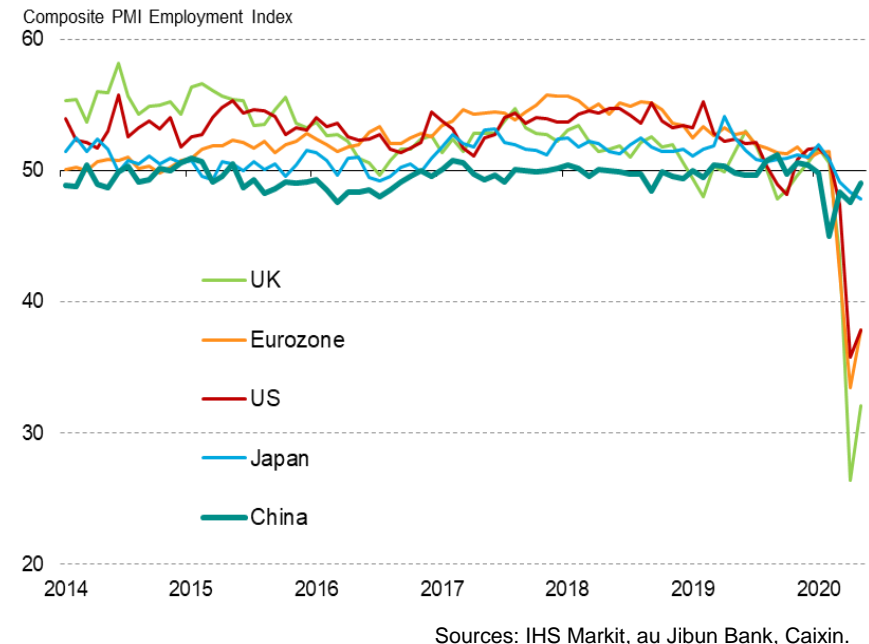
Other global PMI indices showed employment falling at a reduce rate in May, though still registering the second-quickest fall on record as demand continued to slump at a near-unprecedented pace, albeit less than seen in April. Export orders fell globally at an especially steep rate, even dropping sharply in China, which was the only country to report a rise in overall new orders (reflecting rising domestic demand).

A concern is that many countries, struggling to recover from virus lockdowns, will likely see high unemployment act as a dampener on recoveries in coming months. Comparisons of PMI survey employment indices highlight how China’s labour market has not seen anything like the ravaging that has occurred in countries such as the US, UK and eurozone, with only Japan sharing a more muted rate of job cutting. These heightened job losses will inevitably act as a bigger drag on post-COVID-19 economic recoveries in Europe and the US than in China.

Global PMI indices



Key economy labour markets

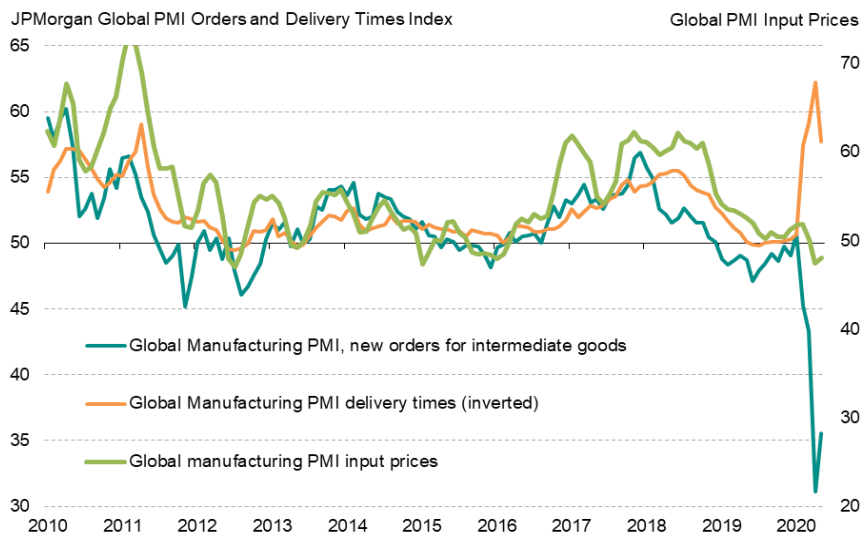


Prices fall but rate of decline capped by supply shortages

Input prices fell globally for a second month in a row during May, dragged lower by a lack of demand encouraging suppliers to offer discounts to boost sales. However, these deflationary forces were countered by other suppliers being able to hike prices due to supply shortages of other inputs, linked in turn to the supply chain shock induced by the pandemic. These two counteracting forces – weak demand and supply delays – look likely to continue in coming months, though the former should start to dominate as supply tensions ease.

Falling prices were by no means universal, with currency weakness driving import prices sharply higher in several economies, notably Brazil, Russia and Turkey.

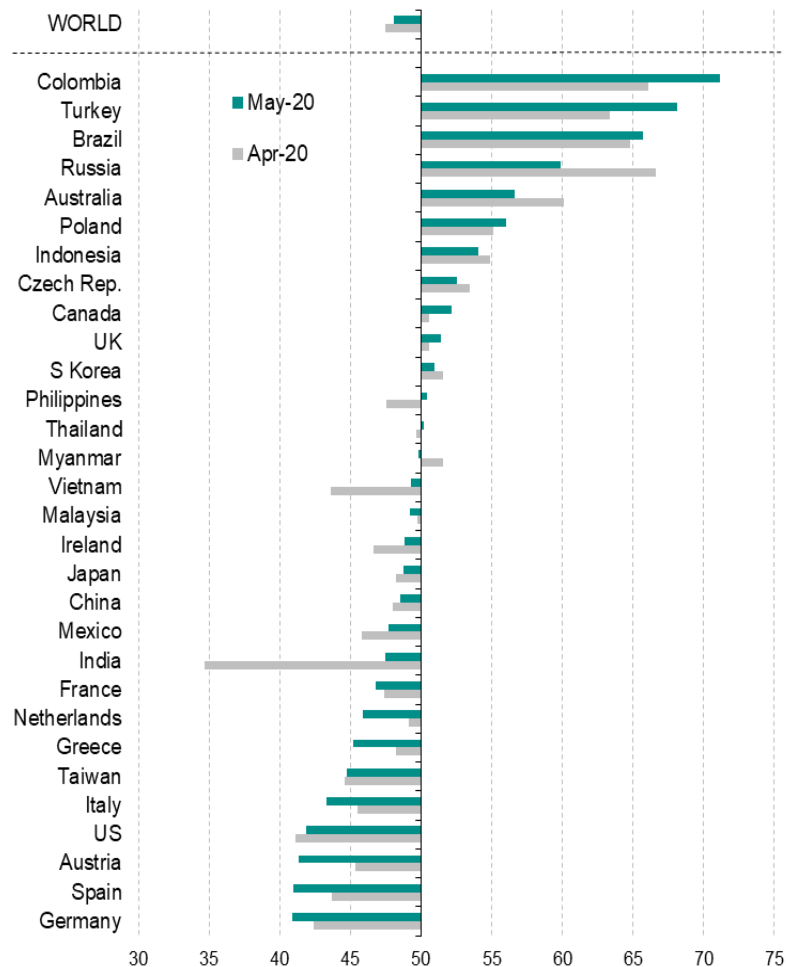
Global PMI* price indicators



Sources: IHS Markit, JPMorgan.

Manufacturing input prices by country

Manufacturing PMI Input Prices 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.

Podcast recording

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Free trial

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Upcoming data releases

23rd June: US, Eurozone, Japan, UK and Australia flash PMI

1st July: Final Global manufacturing PMIs

3rd July: Final Global services PMIs

[Link to calendar](#)

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www.ihsmarkit.com/research-analysis/pmi.html

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