

ECONOMIC NEWS

Plunging PMI Indexes Reflect the Global Economy's Current Struggles

HIGHLIGHTS

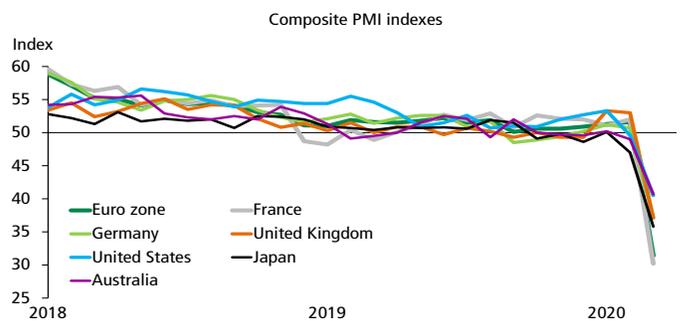
- ▶ The euro zone's preliminary PMI composite index for March plummeted from 51.6 in February to 31.4 in March, due more to a weak service sector (28.4) than a weak manufacturing sector (44.8).
- ▶ The composite index fell more in France (52.0 to 30.2) than in Germany (50.7 to 37.2).
- ▶ In the United Kingdom, the PMI composite index dropped from 53.0 in February to 37.1, according to the preliminary March version.
- ▶ In the United States, the PMI indexes (which differ from the ISM indexes) also fell considerably, and the composite index declined from 49.6 in February to 40.5 in March.

COMMENTS

The PMI indexes released by IHS/Markit are among the first monthly indicators to provide insight into the actual monthly economic situation for a number of countries. They're especially useful this time around because they provide an initial reading of the global economic situation since COVID-19 gained a significant foothold outside of China.

As expected, the PMI indexes paint a bleak picture as almost all the preliminary March versions released today are showing significant declines compared with February's results. Additionally, the indexes relating to services now seem to be falling the most, a reflection of the drop in tourism and the necessary voluntary or forced isolation measures impacting food services, recreation, and an increasing number of retailers. In contrast, the situation in 2019 saw services remain stable as the PMI manufacturing indexes felt the full brunt of the trade war.

GRAPH PMI indexes plummet in March



Sources: IHS/Markit, Datastream and Desjardins, Economic Studies

IMPLICATIONS

The decline in the PMI indexes in March is the first sign that the coronavirus crisis has hit the global economy hard. Most countries are expected to see real GDP drop, especially in the second quarter of 2020. Still, with the measures implemented by governments in many countries, we can only hope that there will soon be a rebound.

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