

ECONOMIC NEWS

The New Drop in the PMI Indexes Shows the Scope of the Global Economy's Difficulties

HIGHLIGHTS

- ▶ The euro zone's preliminary PMI composite index for April dropped again, from 51.6 in February to 29.2 in March then down to only 13.5 in April. Once again, this contraction owes more to the services sector (from 26.4 to 11.7) than to manufacturing (from 44.5 to 33.6).
- ▶ The composite index is lower in France (going from 28.9 to 11.2) than in Germany (from 35.0 to 17.1).
- ▶ In the United Kingdom, the PMI composite index dropped from 53.0 in February to 36.0 in March then to 12.9, according to the preliminary April version.
- ▶ In the United States, the PMI indexes (which differ from the ISM indexes) also fell. The composite index went from 49.6 in February to 40.9 in March then 27.4 in April.

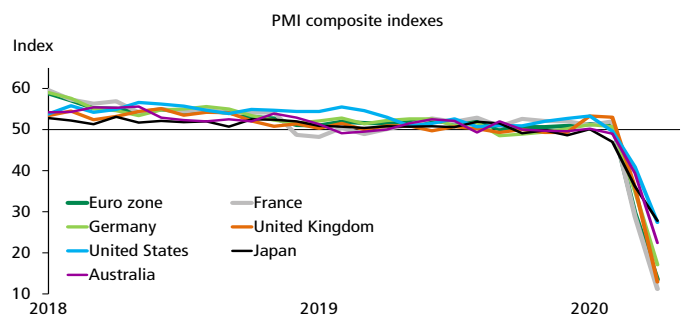
COMMENTS

The decline in the preliminary April PMI indexes proved to be larger than what was already anticipated by the consensus forecast. New pullbacks were to be expected, especially on the manufacturing index side, where the drops were relatively modest in March. However, it is the very low services index levels that are most surprising. Note that services are especially affected by the public health confinement measures and travel restrictions. The new orders, employment and prices components all declined significantly.

IMPLICATIONS

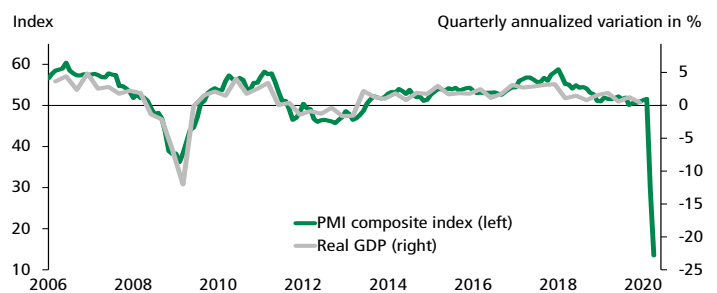
The new drop in PMI indexes in April is the first sign that the effects of the COVID-19 pandemic are continuing to have a major impact on the global economy in April. The main economies are expected to see their sharpest drop in real GDP in the second quarter.

GRAPH 1
The PMI indexes continue to plummet



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

GRAPH 2
The euro zone PMI index suggests a major slump in real GDP growth



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

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