Consumer services moves deeper into contraction amid global COVID-19 pandemic

KEY FINDINGS

Activity at Consumer Services firms sinks deeper into negativity in March

Evidence of manufacturing downturn easing as production-based firms record weaker declines

All sectors register falling output in March

Asia Sector PMI indices are compiled from responses to questionnaires sent to purchasing managers in IHS Markit’s Asian PMI survey panels, covering over 6,000 private sector companies in 13 countries.

According to the latest IHS Markit Asia Sector PMI™, each of the broad sectors recorded in contraction territory during March as output across the wider Healthcare sector fell compared to February. The hardest-hit sector remained Consumer Services, which registered an accelerated rate of contraction in March as the coronavirus disease 2019 (COVID-19) outbreak was classified as a global pandemic.

The breakdown of the broad Healthcare category signalled falling output across both Pharmaceuticals & Biotechnology and Healthcare Services companies in March. The former was the only sector to record growth in February.

Looking in greater detail revealed that downturns across the majority of sectors, particularly those in production-based industries, slowed compared to February. However, there was an acceleration in the decline in Consumer Services activity, the main underperformer in March. Activity fell at a substantial rate that outpaced February’s contraction.

The second-strongest drop in output was seen in the Transportation sector, followed by Real Estate. Construction Materials, Machinery & Equipment, Automobiles & Auto Parts and Technology Equipment all approached stabilisation at the higher end of the spectrum.
Methodology

The IHS Markit Asia Sector PMI™ indices are compiled by IHS Markit from responses to questionnaires sent to purchasing managers in IHS Markit’s Asian PMI survey panels, covering over 6,000 private sector companies in 13 countries.

IHS Markit maps individual company responses to industry sectors according to standard industry classification (SIC) codes. Asia Sector PMI indices are available for the basic materials, consumer goods, consumer services, financials, healthcare, industrials and technology industry groups, and sub-sectors of these groups.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. Survey responses are weighted by country of origin, based on sectoral gross value added. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of ‘higher’ responses and half the percentage of ‘unchanged’ responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

For manufacturing sectors, the headline figure is the Purchasing Managers’ Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers’ Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers’ Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

For services sectors, or sectors covering both manufacturing and services, the headline figure is the Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity or output compared with one month previously.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About PMI

Purchasing Managers’ Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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