The first A.C. (After Covid!) PMI and labour market data confirm the scale of economic and social disruption. Central banks asked commercial banks to cancel dividends and share buybacks to boost their capacity to absorb losses and support lending. Financial and commodity markets are volatile, but grasp the profundity of events.

New week, new record. More than 6.6m Americans applied for unemployment benefits in the week ended 28 March, smashing the previous record set just a week ago two times over. The numbers for just these two record-breaking weeks add about 6pp to unemployment rate taking it to 9.5%. And claims will probably stay elevated as more states introduce social distancing restrictions. It is likely that the US unemployment rate will surpass 10% recorded during the financial crisis. And the new unemployment records from the European countries are suggesting that the malaise is widespread.

Off the charts. The impact of lockdowns across Europe is becoming all too apparent. The March PMIs were littered with record lows, with the services sector extraordinarily weak. Germany's service sector was the best of the Eurozone big-4 economies at 31.7, followed by France at 27.4 and Spain's at 23.0. Italy's services PMI plummeted to 17.4 – the second lowest PMI reading of all time. Only Taiwan's manufacturing PMI in December 2008 has gone lower (14.7). Italy was ahead of its peers in implementing lockdown. Therefore its PMI acts as a guide as to what the rest of Europe could expect in April.

Fragile. Global equity markets were under renewed downward pressure, on concerns about the rapid spread of Covid-19 across the Atlantic. A weaker than expected US March employment report fuelled worries about the US economic outlook. News that UK and European banks were cancelling dividend payments and stock buybacks weighed on the UK FTSE-100 and Euro Stoxx. Oil prices were volatile on a speculation of a Saudi Arabia/Russia agreement to cut oil production (later denied). The pound, meanwhile, was pretty steady against the US Dollar whilst posting modest gains against the Euro.

The night before lockdown. Covid-19's impact on the economy has been so rapid that it has rendered most scheduled statistics irrelevant. The Office for National Statistics has responded by launching a survey of businesses to try to understand the scale of the impact. The initial results cover the middle of last month, up until lockdown was announced on 22nd March. Even at that stage 45% of firms reported that revenue was lower than they expected and 27% said they were reducing the numbers of staff they employed. The latter is particularly significant as it was on March 20th that the Chancellor Rishi Sunak announced the Job Retention Scheme to help mitigate the impact of businesses needing to shed staff.

Another Budget. Fiscal events are a regular occurrence these days. Last week Stormont unveiled a budget of sorts. Spoiler alert. It wasn’t quite as significant and detailed as the word “budget” might sound. Only £120m of the £912m additional NI funding announced in March was included. More detail will come in May when we can expect more reallocation and reprioritisation of departmental budgets. There were some new rates sweeteners though. Domestic rates for 2020/21 are to be frozen (very small beer). Businesses will see their Non-domestic Regional Rates bill cut by 18% y/y. This is on top of the 3-month rates holiday, an effective 25% cut, already announced (bigger beer). Meanwhile thousands of small firms have started to receive their £10k small business grant.

All in this together? Government continues to hastily stitch together a patchwork of support for those whose incomes have suddenly disappeared. Measures to provide medium-sized businesses with access to loans of up to £25m are the latest part of the safety net. But big gaps remain. Two-fifths of the UK’s 5.1m sole-traders and partners will miss out on the Self Employed Income Support Scheme on account of being recent start-ups, having other sources of income or making large profits. Another 2m are ineligible as a result of working through limited company structures. In Northern Ireland, business groups are calling for the £10k small business grant to be extended to services offices / co-working spaces and social enterprises. Watch this space…

Homeschool while you WFH. Economists are pretty lucky when it comes to lockdowns – with the right technology we can work from virtually anywhere. But with schools closed around the world parents are now trying to juggle their careers and their new side-hustles as rookie teachers. In the UK the ONS thinks there are 4.6 million households with children under 16, where all parents work. Roughly a fifth of those are lone-parent households. About half have children under 5. Many won’t realistically be able to work from home. But for those that can it adds up to millions of crashed Zoom calls.

The optimist. Officially it’s been two weeks. But like gravity, lockdown life seems to bend time. When it ends depends on a mix of pharmacology, biology, technology, policy and luck. A successful lockdown could mean the peak in cases is a fortnight or so away. But it also raises the likelihood of an autumnal 2nd wave if we loosen too early. Using tech to trace and isolate cases and contacts can help. As will antibody testing or drugs that weaken the symptoms. So it’s possible to sketch a partial exit. But it won’t be tomorrow and we’ll need a lot of luck.

Improving, but. After a historic low of 35.7 in February, China’s PMI rebounded sharply in March to 52. But that doesn’t point to a fleeting interruption from Covid-19. The outcomes are only better relative to an awful previous month. Activity levels are certainly rising. But the economy is some way short of running at full tilt. Meanwhile South Korea reported fewer than 50 new coronavirus cases for the first time since its February peak. But the social distancing campaign will continue another two weeks to April 19.