Taking Stock of the Economic Damage

Key Takeaways:
- Economic surprise indexes collapse as data falls short of expectations
- April employment report to show a decade of job gains destroyed
- Global PMIs reveal breadth of weakness in manufacturing

We have described the economic response to slowing the spread of the coronavirus as similar to a massive traffic accident. Activity has slowed dramatically in many sectors of the economy. Even as stay at home orders are lifted across the country and the world, the traffic jam will likely be slow to clear. Idled small businesses may not be able to re-open and continued uncertainty over the spread of the virus may weigh on the pace of re-acceleration. Economic data for April is providing a glimpse of the extent of the backup. Just because lanes are re-opened does not mean traffic immediately returns to freeway speeds - economic damage takes time to heal.

While not universally bad, recent data overall has been worse than expected. In fact, economic surprise indexes for both the US and Europe have fallen to their lowest levels ever (for the US this is quite the contrast to what was seen earlier this year, when data was its strongest in two years relative to expectations). A focus on domestic data provides perspective on the depth of economic deterioration. Over the past 5 weeks, 26 million initial jobless claims have been filed and the April employment report is expected to show a decline of 21 million jobs and a jump in the unemployment rate from 4.4% to 16.0%. The breadth of the economic weakness is equally stunning, as purchasing managers' indexes around the globe have collapsed. The rebound being seen in China (which saw weakness prior to most other areas) provides a ray of hope for the rest of the world.
Relative to expectations, data out of Europe has never been worse

![Citigroup Economic Surprise Index Based on Euro](image1)

Source: Ned Davis Research

Expected April job losses would undo all of the net job gains seen since the last recession

![All Employees, Total Nonfarm](image2)

Source: St. Louis Federal Reserve Bank
The unemployment rate is expected to have risen to a post-WWII high of 16% in April.

No area of the world is unaffected by the economic damage seen over the past two months
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