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# National Association for Business Economists *COVID-19 Impact on Manufacturing and Supply Chains*

March 25, 2020

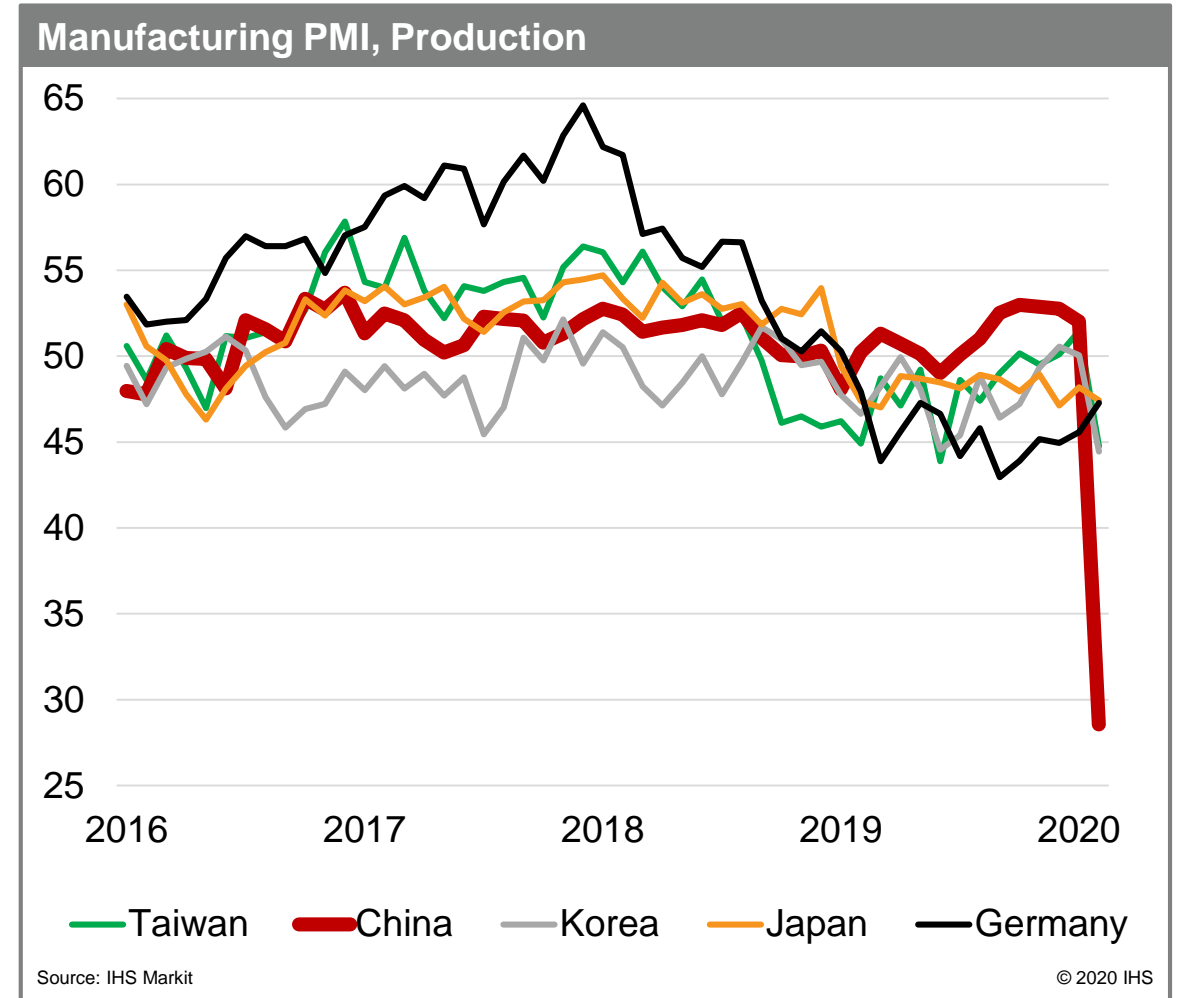
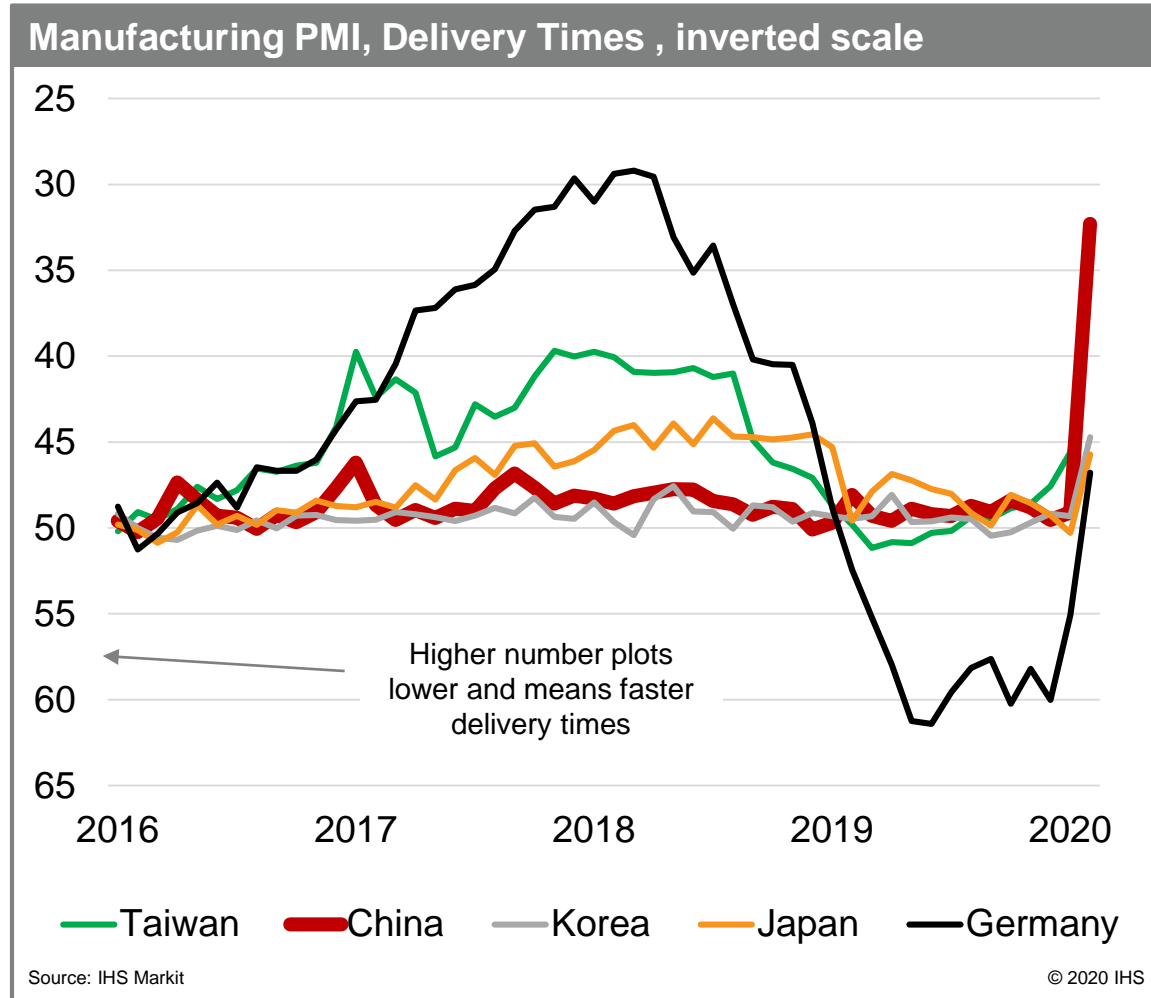
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# Covid-19 upends the outlook

- Commodity markets are now pricing in a downturn on a global scale similar to what we have seen in China through Q1
- Volatility is at the same level as seen in the financial panic of 2008
- The recovery looks 'U' shaped rather than a more hopeful 'V'
- How much lower could prices go?
  - Commodity prices are down 18% since mid-January
  - But the downside is still substantial; prices are still more than 20% above their last cyclical low in 2015/16.
  - Real prices also indicate a substantial downside remains
  - Supply-side reactions have done nothing to stem price corrections to date

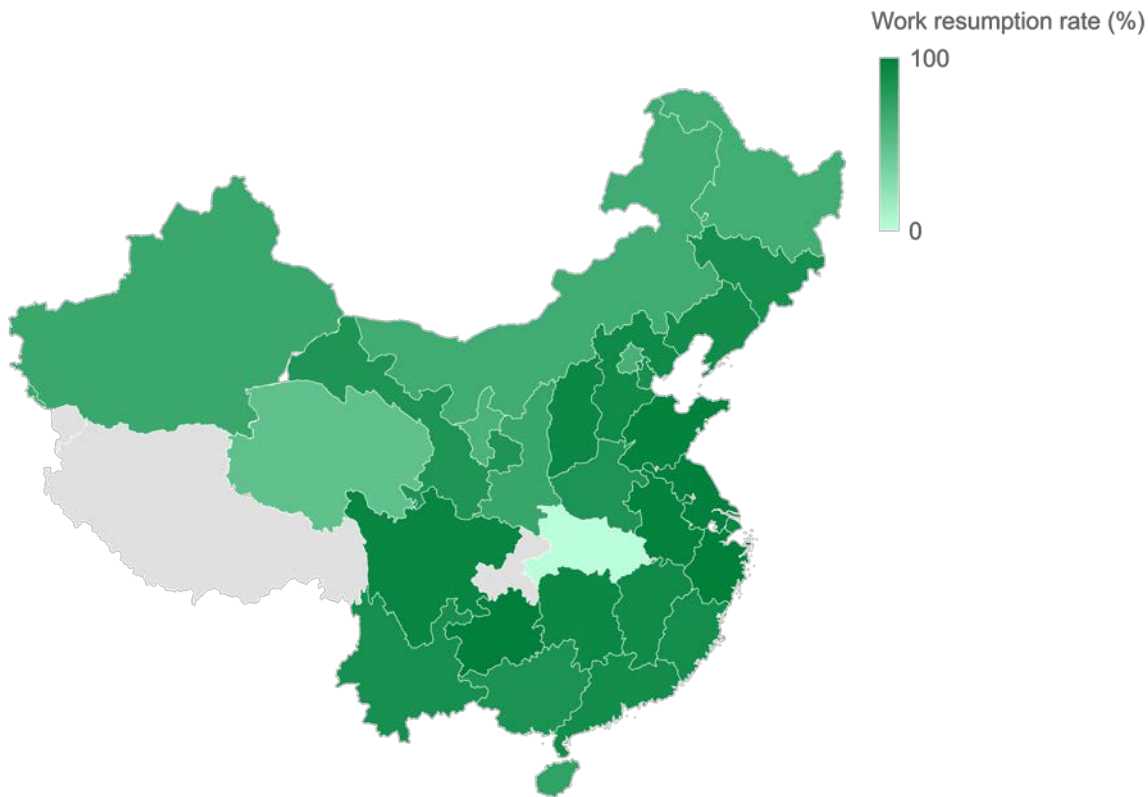


# Disruption to supply chains has been significant already



# Labour supply is holding back production levels despite many manufacturers being able to resume work

Work Resumption Rate of Large Industrial Enterprises



National Average: 84.1%

Eastern China: 88.5%    Central China: 87.5%    Western China: 76.4%

Bottom 5 Sectors For Capacity Utilisation

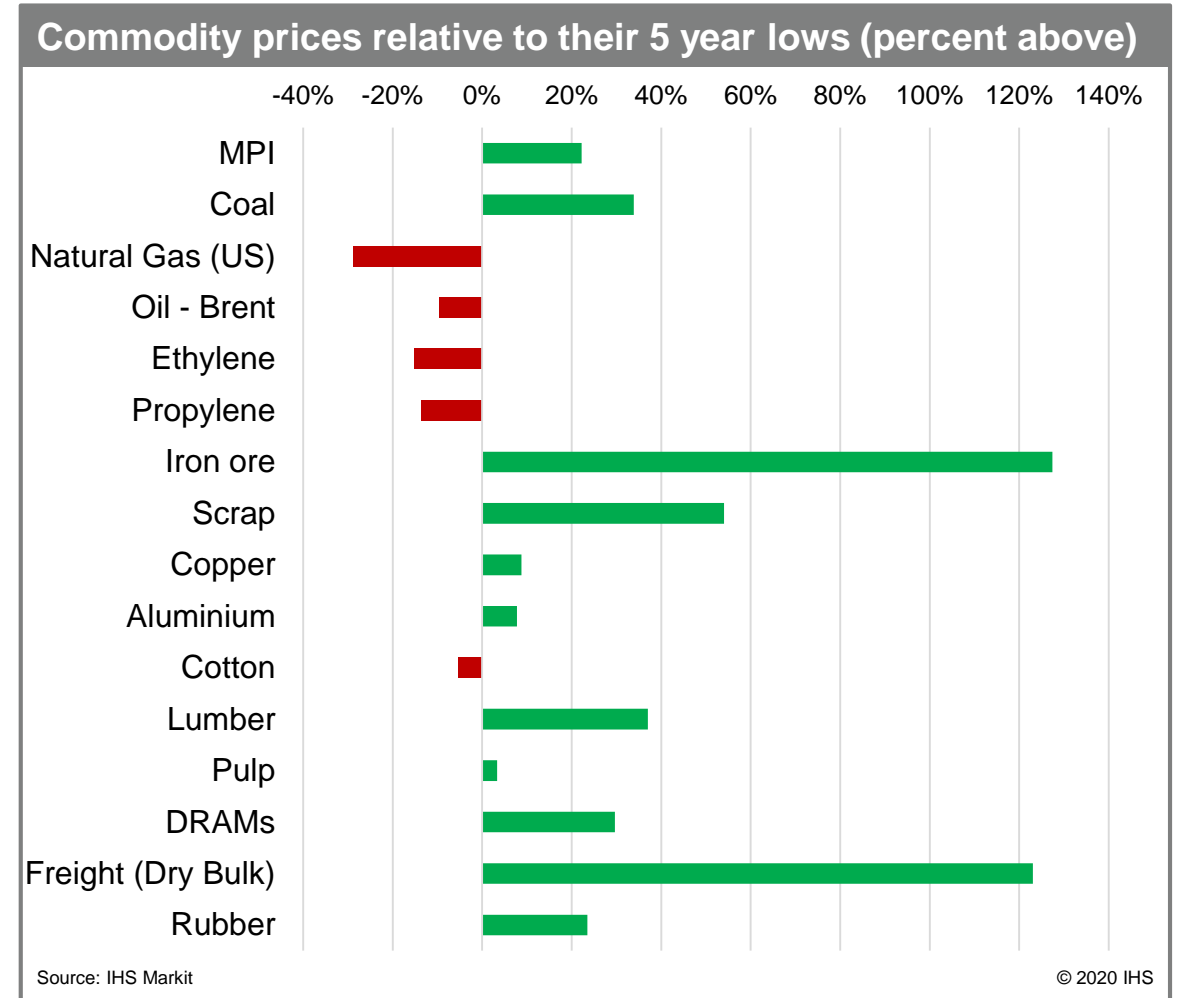
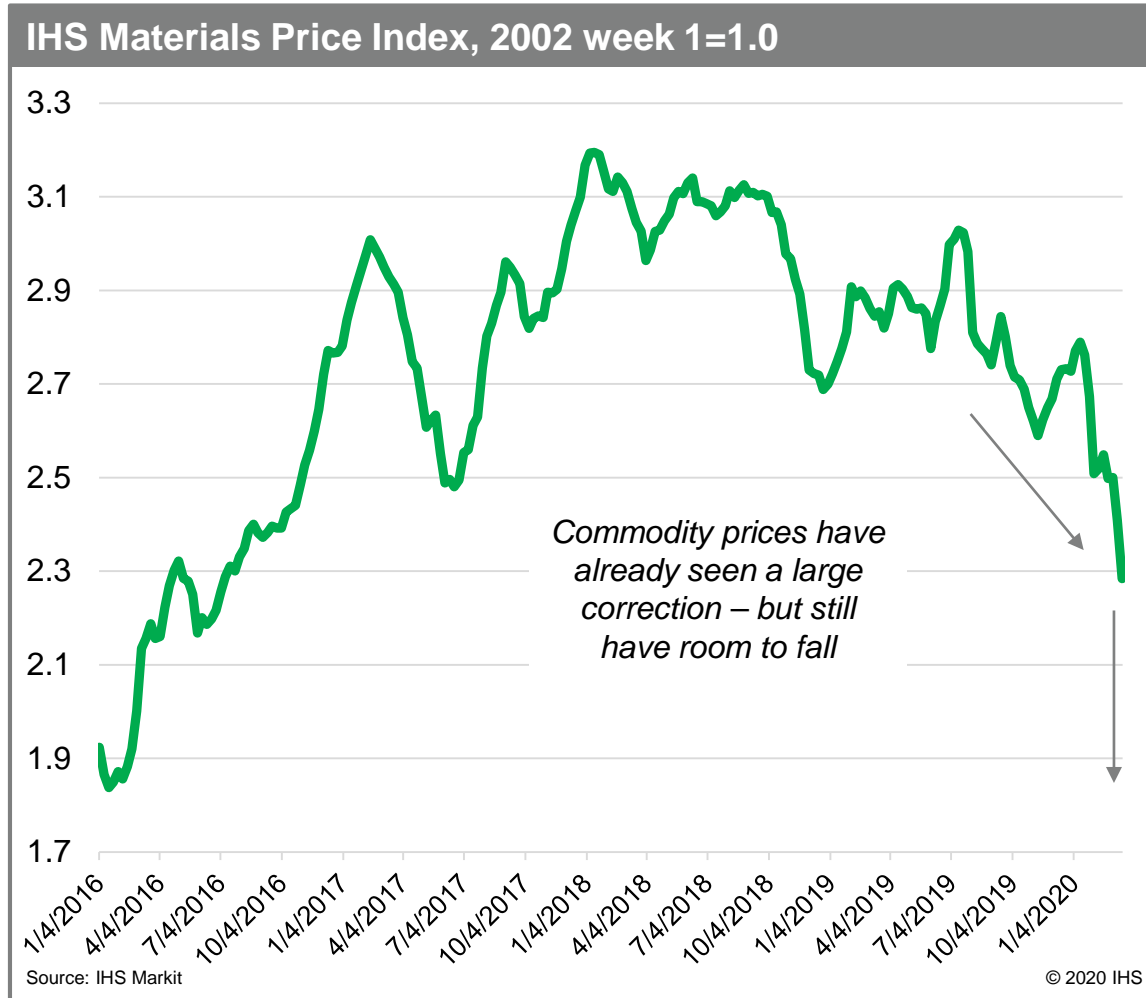
Top 5 Sectors For Capacity Utilisation

Production and Worker Levels of Key Manufacturing Sectors

	Work resumption rate (%)	Worker return rate (%)	Capacity utilization rate (%)
Computer equipment	47.5	37.5	25
Vehicles and spare parts	59.3	53.6	36.4
Cement and glass	60	55	38.3
Electrical equipment	65	48	44.5
Industrial machinery and equipment	72	52	52
Chemical products	84	75.6	66.8
Paper and packaging	73.3	73.3	68.3
Ferrous metals	81.7	83.5	71.3
Boiler and power equipment	96	86	72
Aerospace	80	55	75

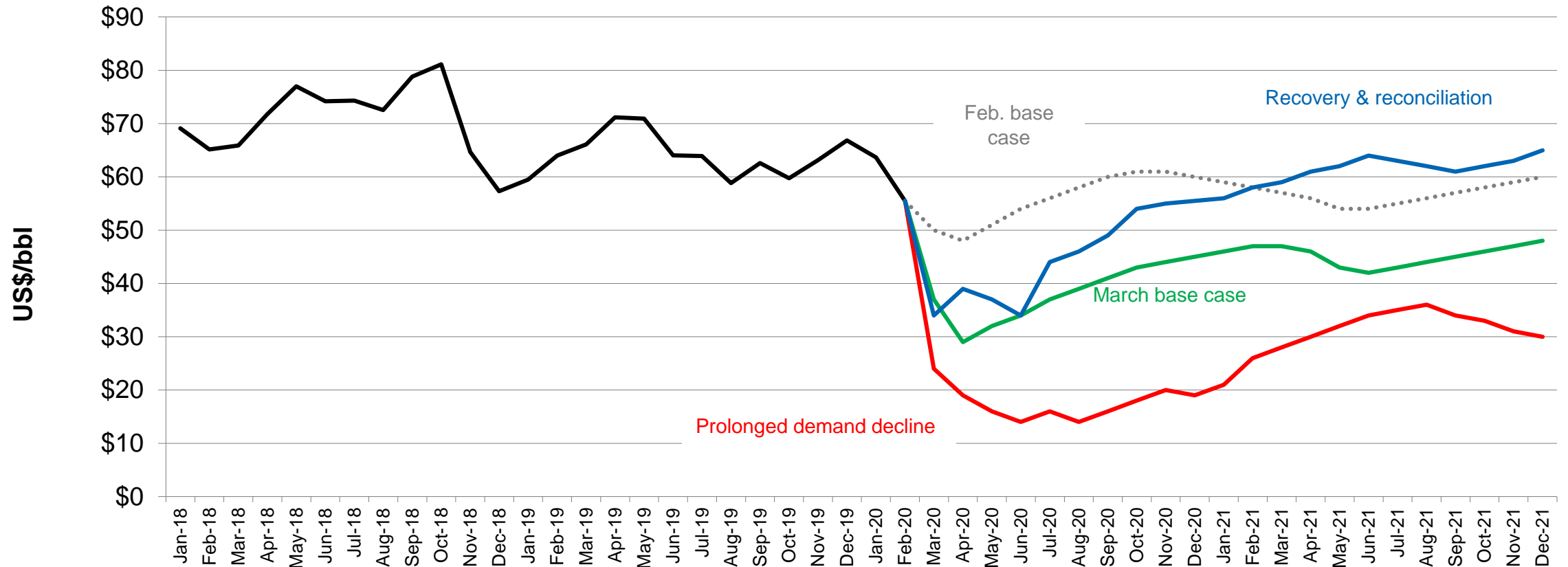
Source: Survey of China Enterprise Confederation: Top 500 manufacturing enterprises © 2020 IHS Markit

# Commodity prices have fallen 18% since mid-January, but are still collectively more than 20% above 2015/16 lows



# How bad will it get?

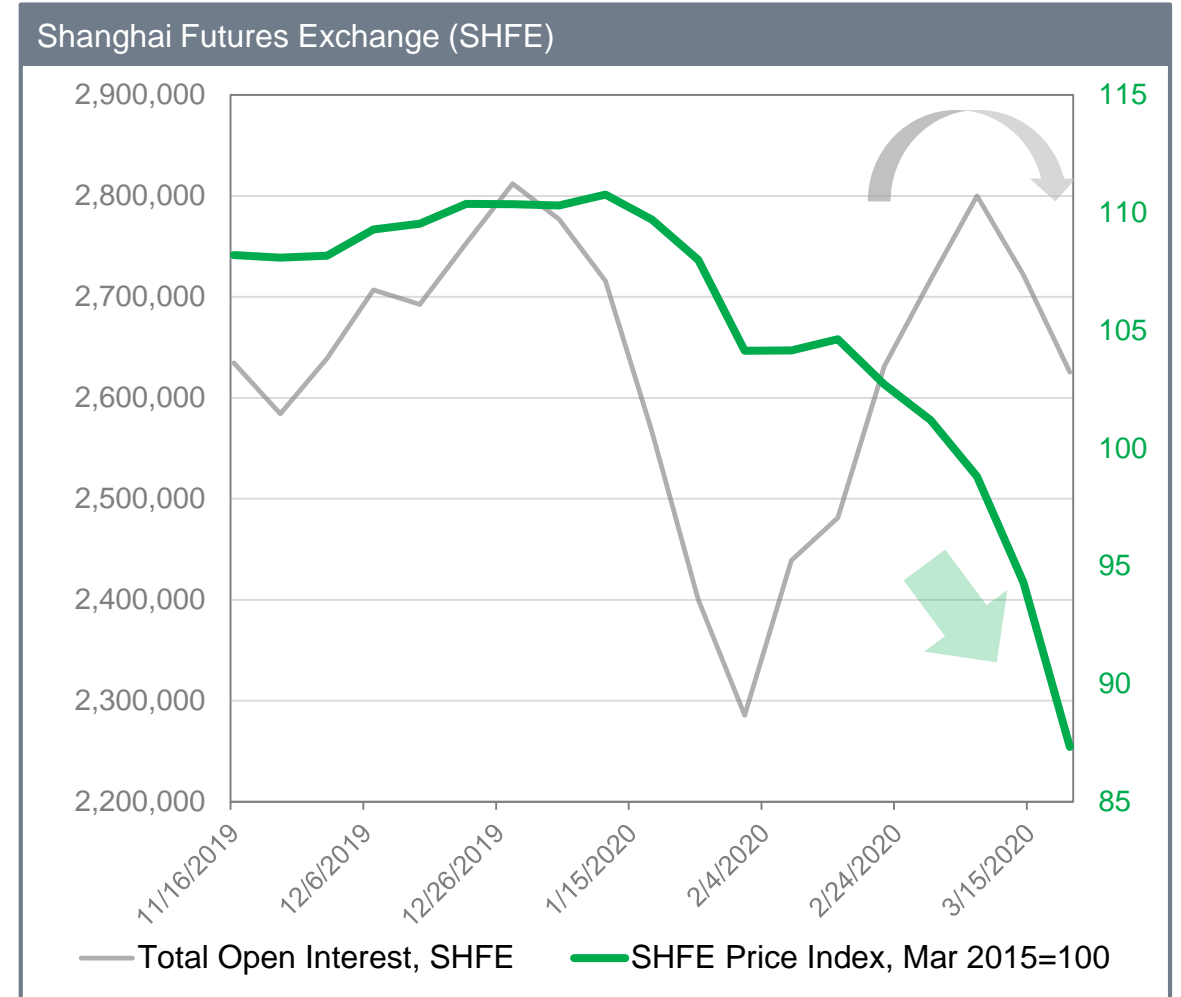
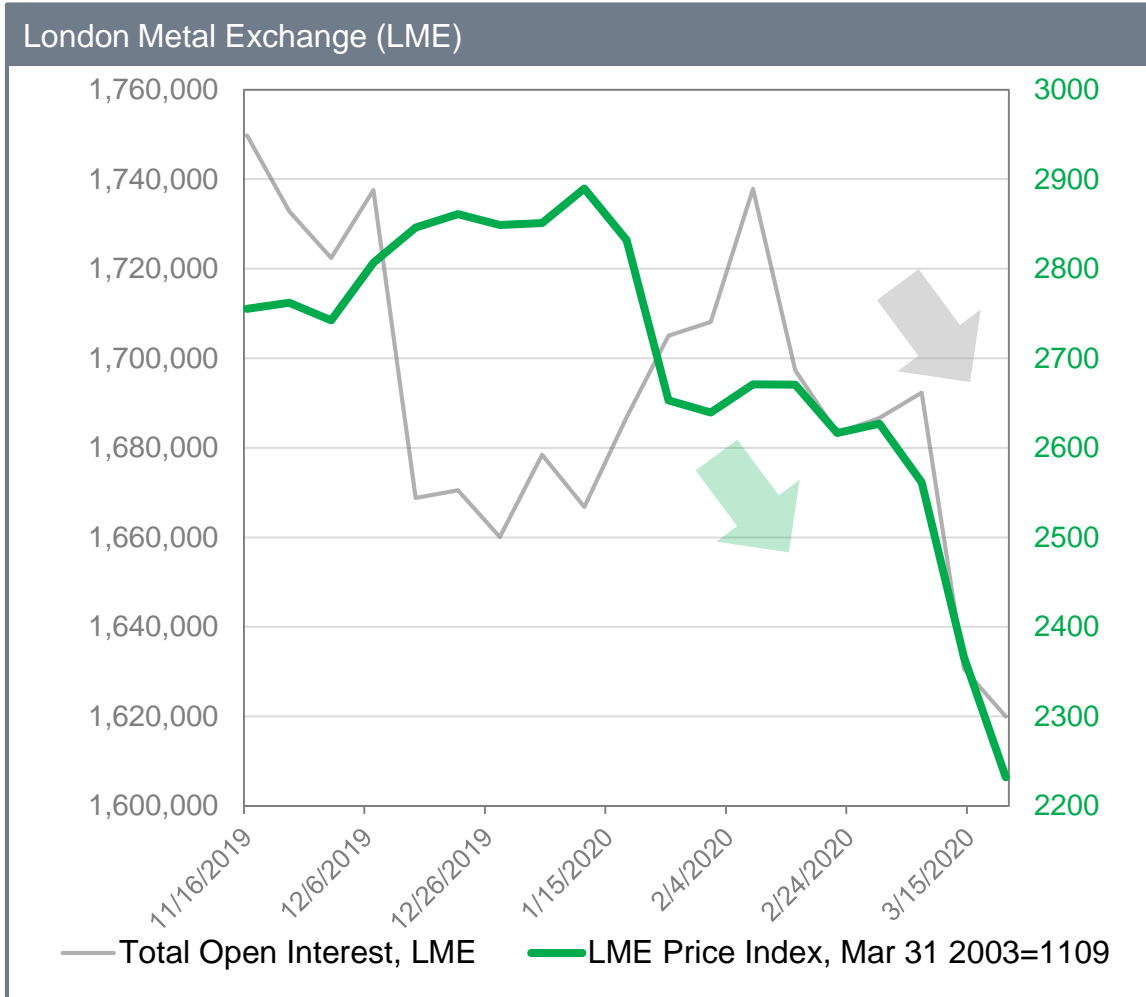
## Brent crude oil price outlook



Source: IHS Markit

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# Any signs of a bottom?



Sources: London Metal Exchange, Shanghai Futures Exchange

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