

## Week Ahead Economic Preview

- Flash PMI surveys
- ECB, BoJ, PBoC interest rate decisions
- China's fourth quarter GDP

A full calendar for the week ahead includes GDP data for China, flash PMIs for the four largest developed world economies plus a host of monetary policy meetings. The US presidential inauguration is also going to be keenly watched, while in Europe additional interest comes from the EU Leaders Summit, where the pandemic will be in full focus.

Monetary policy events include central bank meetings in Brazil, Canada, China, the Eurozone, Japan, Indonesia, Malaysia and Norway. All are seeking to assess the ongoing impact of the pandemic on both domestic and international economic conditions.

China has so far seen the strongest economic recovery, which is likely to be confirmed with the release of fourth quarter GDP data showing accelerating growth. The strength of the economic rebound is, however, putting pressure on the central bank to rein in its pandemic stimulus, with increasing numbers of analysts expecting a rate hike in the second half of the year. The PBoC's Loan Prime Rate setting will be eagerly watched for clues as to the policy trajectory (more on [page 5](#)).

Similarly, in Japan the central bank will have been pleased to see recent encouraging business survey data, and the flash PMIs are updated for January later in the week. But a tightening of COVID-19 restrictions means the focus will likely remain firmly on building the recovery (more on [page 5](#)).

In the US, concerns have likewise risen regarding record COVID-19 case numbers, but tensions have also built ahead of the presidential inauguration ceremony on 20<sup>th</sup> January. The January flash PMIs will therefore be eyed for the impact of the political unrest and virus on both manufacturing and services activity, as will the jobless data ([page 3](#)).

It's a similar situation in Europe, where rising virus cases have led to more aggressive lockdown measures in many countries, notably the UK and Germany. The UK is also showing signs of struggling from its fresh departure from the EU, with supply chains showing signs of stress. Flash PMIs for the Eurozone and UK will therefore be eagerly assessed for early insights into how the region's major economies have fared at the start of the New Year, with the surveys released hard on the heels of the ECB's first monetary policy meeting of 2021 ([page 4](#)).

### Special Reports

**ASEAN economic outlook:** An overview of IHS Markit's forecasts for the ASEAN economies in 2021, looking at likely recovery paths and potential economic risks ([page 6](#))

### Upcoming PMI releases

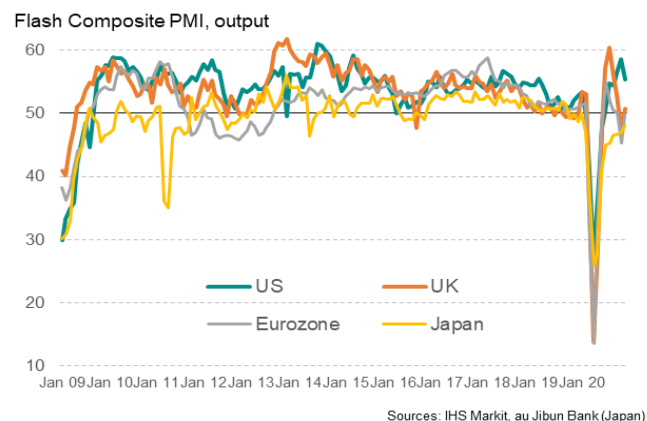
**22<sup>nd</sup> January:** Flash PMIs for the US, Eurozone, Japan, UK and Australia

**1<sup>st</sup> February:** Final Worldwide Manufacturing PMIs

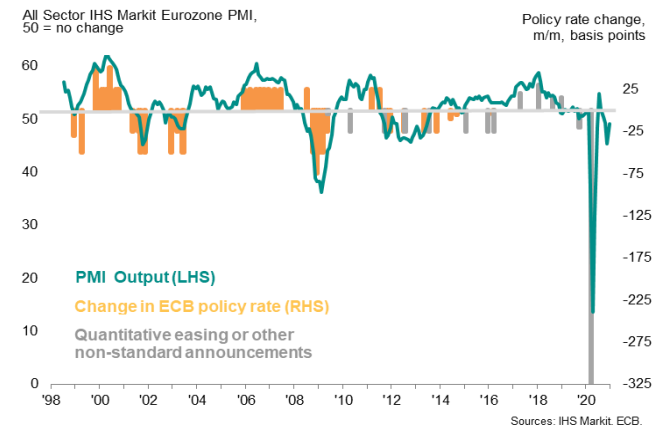
**3<sup>rd</sup> February:** Final Worldwide Services PMIs

**4<sup>th</sup> February:** Detailed Global Sector PMIs

### Flash PMIs are updated for the US, Eurozone, UK Japan and Australia, covering both manufacturing and services



### The ECB is just one of several central banks that meets to set interest rates amid the ongoing pandemic



### Chris Williamson

Chief Business Economist, IHS Markit

Email: [chris.williamson@ihsmarkit.com](mailto:chris.williamson@ihsmarkit.com)

## Key diary events

### Monday 18 January

China GDP Q4  
China fixed asset investment (Dec)  
China industrial production (Dec)  
China retail sales (Dec)  
Japan industrial production (Nov)  
Italy inflation (Dec)  
Eurogroup meeting  
Canada housing starts (Dec)

### Tuesday 19 January

EcoFin meeting  
Eurozone current account (Nov)  
ECB Bank Lending Survey  
Netherlands unemployment (Dec)  
Germany inflation (Dec)  
Hong Kong SAR unemployment (Dec)  
Italy trade balance (Nov)  
Germany ZEW survey (Jan)

### Wednesday 20 January

Malaysia interest rate decision  
China Loan Prime Rate decision  
UK inflation (Dec)  
Eurozone inflation (Dec)  
US MBA mortgage applications (w/c 15 Jan)  
Canada inflation (Dec)  
Bank of Canada monetary policy decision and report  
US NAHB housing market survey (Jan)  
Brazil central bank policy decision

### Thursday 21 January

EU Leaders Summit  
Australia Labour Force (Dec)  
Bank of Japan monetary policy decision and presser  
Japan trade balance (Dec)  
Indonesia central bank policy decision  
Norway central bank policy decision  
Spain trade balance (Nov)  
Mexico unemployment (Dec)  
ECB monetary policy decision and presser  
South Africa central bank policy decision  
Canada house price index (Dec)  
US building permits (Dec)  
US housing starts (Dec)  
US jobless claims (w/c 15 Jan)

### For further information:

If you would like to receive this report on a regular basis, please email [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com) to be placed on the distribution list.

For more information on our products, including economic forecasting and industry research, please visit the Solutions section of [www.ihsmarkit.com](http://www.ihsmarkit.com)

For more information on our PMI business surveys, please visit [www.ihsmarkit.com/products/PMI](http://www.ihsmarkit.com/products/PMI)

[Click here](#) for more PMI and economic commentary.

The intellectual property rights to the report are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data.

Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd.

Philly Fed manufacturing survey (Jan)  
Eurozone consumer confidence (Jan)

### Friday 22 January

Australia retail sales (Dec)  
Thailand trade balance (Dec)  
Australia flash PMI (Jan)  
Japan flash PMI (Jan)  
UK retail sales (Dec)  
UK government borrowing (Dec)  
Taiwan unemployment (Dec)  
Germany flash PMI (Jan)  
France flash PMI (Jan)  
Eurozone flash PMI (Jan)  
UK flash PMI (Jan)  
Sweden unemployment (Dec)  
US flash PMI (Jan)  
Canada retail sales (Nov)  
US existing home sales (Dec)

# United States Week Ahead

## Flash PMIs and Jobless Claims

By Siân Jones

Economist, IHS Markit, London

Email: [sian.jones@ihsmarkit.com](mailto:sian.jones@ihsmarkit.com)

Although the economic calendar is once again packed with data releases, the inauguration of the 46<sup>th</sup> US president will dominate headlines. Any early changes in policy and rhetoric of this new term will be keenly watched for issues such as stimulus news, lockdown developments, regulatory change and signs of how global trade relationships will develop during Biden's tenure. Meanwhile, the economic data flow continues unabated, as flash PMI data for January are published alongside updates to jobless claims and housing data.

### Flash PMIs

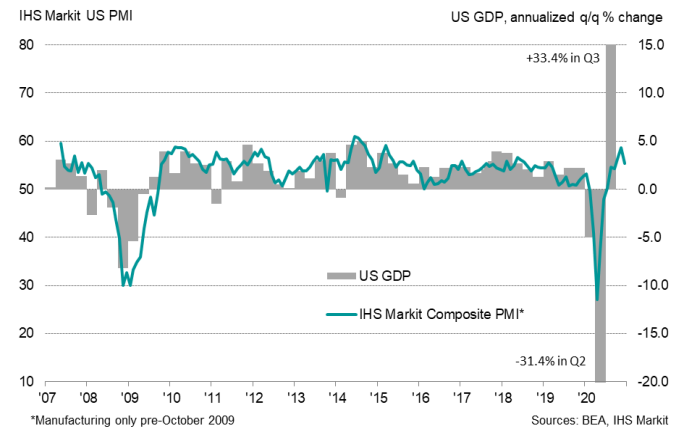
January's flash PMI figures will provide a much-needed insight into business operations and conditions as 2021 begins. With the vast majority of states tightening COVID-19 restrictions again, the service sector is likely to be seeing growth hampered by social-distancing guidelines and weak consumer demand, as fewer customers leave their homes and businesses are forced to close temporarily. Manufacturers of consumer goods also saw tougher demand conditions during December, though have continued to fare markedly better than their service sector counterparts in recent months.

### Jobless claims

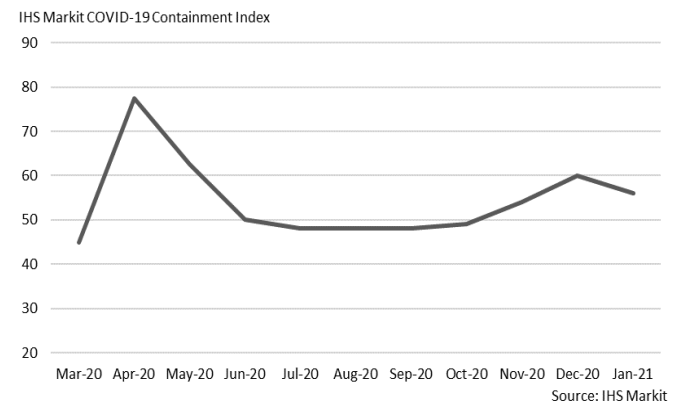
In the week commencing 8<sup>th</sup> January 2021, new jobless jumped by 181k to reach 956k, its highest since last August. The rise underscores the renewed weakening of the labour market in the New Year as COVID-19 restrictions tightened amid rising virus cases. With virus infection rates continuing to run at worryingly high levels, and containment measures remaining elevated going into 2021, further increases in joblessness should not be ruled out.

Meanwhile, data on housing starts and existing home sales are released. As housing stock in the US is in short supply, and incomes supported by stimulus packages, demand was relatively buoyant in the second half of 2020. Of concern, however, remains the mortgage delinquency rate for missed payments of longer than 90 days, which increased again in the third quarter of 2020, according to the Mortgage Bankers Association (MBA).

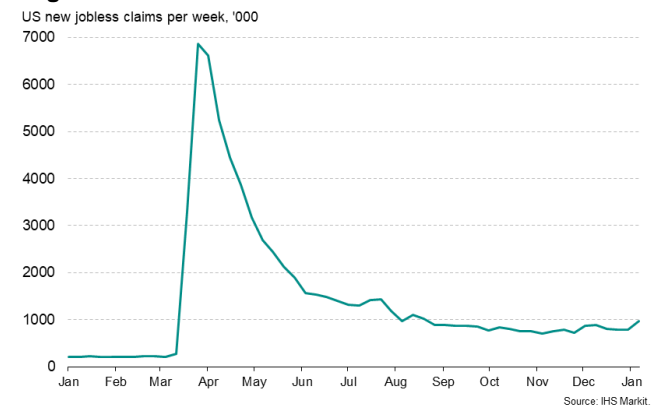
### December PMI data signalled a softer rate of business sector expansion as COVID-19 restrictions tightened



### US COVID-19 containment measures remain elevated going into 2021 as virus cases rise further



### Initial jobless claims have risen to the highest since mid-August



## Europe Week Ahead

### ECB policy meeting, inflation and flash PMIs

By Paul Smith

Economics Director, IHS Markit, London

Email: [paul.smith@ihsmarkit.com](mailto:paul.smith@ihsmarkit.com)

Flash PMIs are published across the Eurozone and the UK alongside December inflation figures for the UK, Germany and the wider Eurozone. Sandwiched between these releases is the first monetary policy decision of the year from the ECB.

#### ECB rate decision, and PMI

The ECB meets for the first time in 2021 faced with an economy characterised by a surging output gap, negative inflation and an appreciating exchange rate. Having provided additional stimulus measures in December the ECB also reiterated its easing bias, making it clear that policy will remain accommodative with inflation unlikely to be near its objective of “below but close to 2%” for some time to come. Indeed, flash December data showed negative inflation for a fifth month in a row, unchanged at -0.3% for the fourth successive period. Final CPI data will be published during the week.

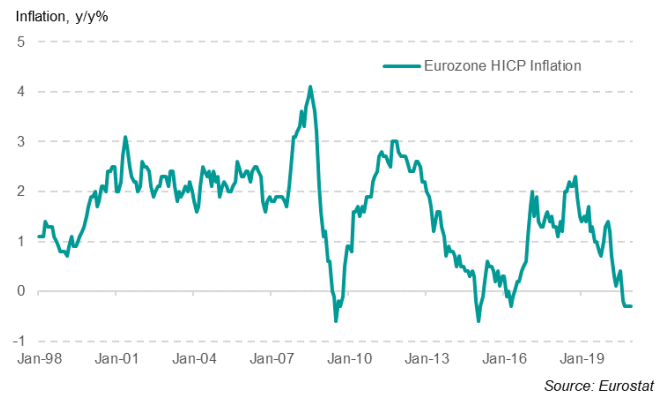
Whilst there will be near-term price pressures – such as the end of reduced sales tax in Germany and upward base energy base effects – with an economy operating well below capacity, underlying deflationary pressures will persist. Measures designed to prevent the spread of COVID-19 are still in place, restricting activity in the crucial service sector and raising the chances of a return to recession in the first quarter. Next week’s January flash PMI numbers will provide the first clue on the trajectory of the economy at the start of the year.

#### UK inflation, PMI

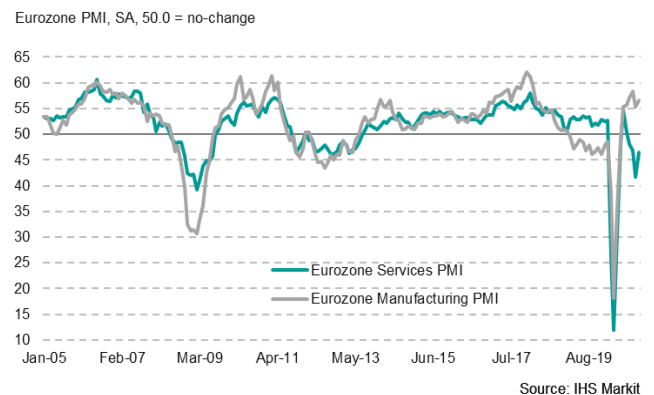
It’s a similar picture in the UK, although following the news in early December of a more contagious variant of COVID-19 causing a rapid surge in cases, greater restrictions point to a potentially deeper downturn compared to the Eurozone – especially when Brexit stockpiling provided a growth boost ahead of the ending of the EU transition period.

The release of January’s flash PMI numbers will offer a timely update on whether there is an unwinding of these stock positions and negative effects on UK economic activity of lockdown, whilst CPI figures for December should show continued weakness in underlying inflation at the end of the year.

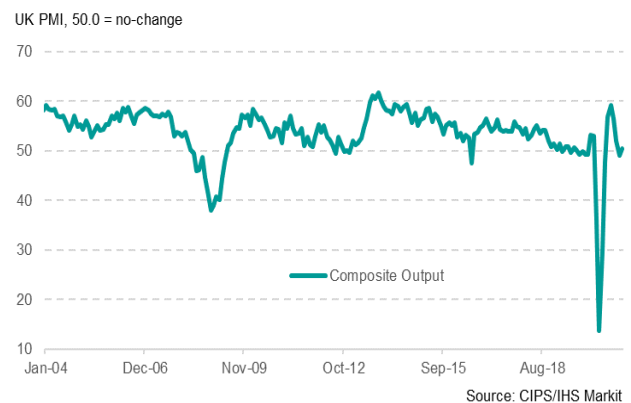
**Ahead of the first ECB meeting of the year, inflation in the Eurozone has remained negative throughout the five months to December**



**The weakness of the Eurozone economy continues to be characterised by challenges in the dominant services sector**



**The UK PMI pointed to broad stagnation in December but with extensive lockdown measures in place fears are rising of a sharp downturn in the first quarter**



# Asia Pacific Week Ahead

Focus on China and Japan, including monetary policy decisions

By **Rajiv Biswas**

Asia Pacific Chief Economist, IHS Markit

Email: [Rajiv.biswas@ihsmarkit.com](mailto:Rajiv.biswas@ihsmarkit.com)

Attention among Asia data watchers first turns to China, where GDP numbers are published ahead of the PBoC Loan Prime Rate decision. The Bank of Japan likewise meets to set its latest monetary policy decision alongside similar meetings in Indonesia and Malaysia, while Australia also reports December labour market data. Timelier survey data including our flash January PMI surveys for Japan and Australia.

## China GDP and policy

China's usual monthly release of a wide-ranging set of macroeconomic statistics should show the continuation of the country's growth recovery during December. Industrial production was up 7.0% on a year ago in November, while retail sales were up 5.3%. A key focus will be the release of Q4 2020 GDP data, with annual GDP growth expected to strengthen to a pace of 5.8% according to a Reuters poll, compared with the 4.9% recorded in Q3 2020.

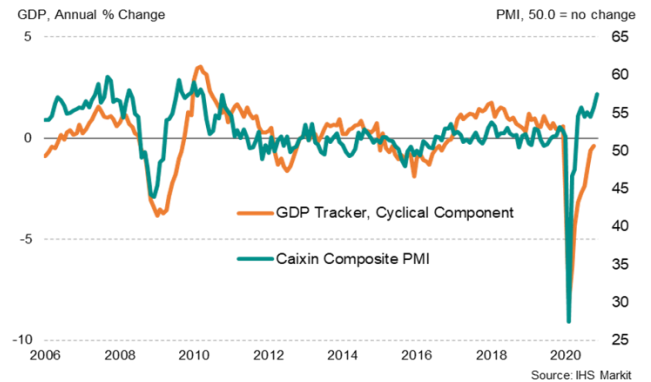
Indeed, the latest Caixin PMI figures for December suggest that mainland China is again expanding at a cyclical rate above "normal", and on the back of strengthening domestic and international demand the economy should have sufficient momentum to continue its positive growth trajectory into the first half of 2021.

The expansion sets a challenge for the central bank, which meets again in the coming week. Policymakers are keen to manage the transition away from pandemic stimulus to more normal monetary conditions, juggling concerns over high leverage and falling prices.

## Japan BoJ, trade and PMI

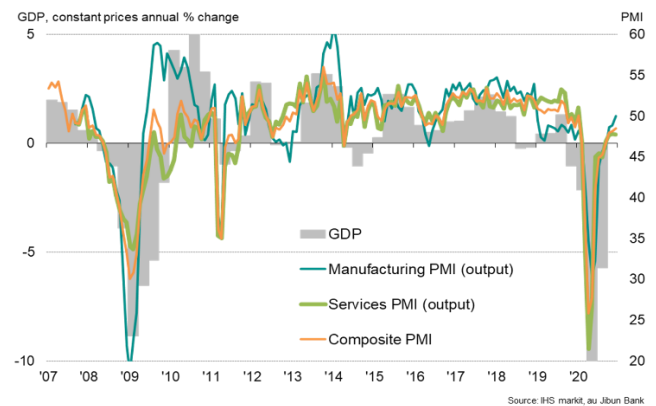
In Japan, a key focus will be on the Bank of Japan's monetary policy meeting. As with most central banks around the world, the BoJ's major concern is ensuring sufficient monetary support given the ongoing downside risks from COVID-19. Policymakers will subsequently be scouring the latest survey data for any signs of a worsening in the situation – especially given Japan's latest COVID-19 wave. The government declared a state of emergency for Tokyo and some other prefectures that began on 8<sup>th</sup> January. Flash au Jibun Bank PMI data will give insights into economic trends during January. December trade data will also be released, providing an update on the export recovery.

**GDP data are expected to show China's economic recovery continuing to gain traction in Q4**

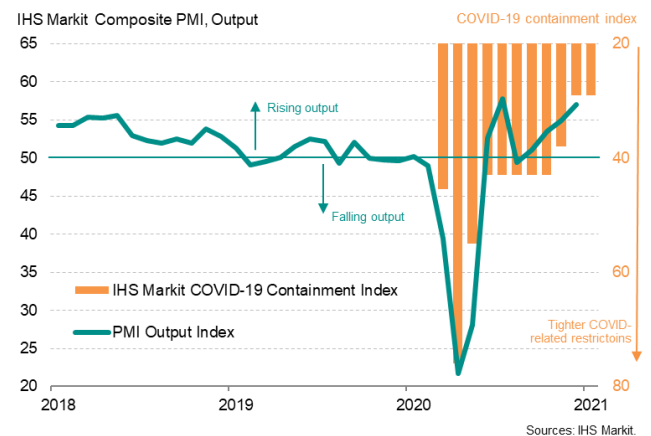


[Click here for details of our new China GDP tracker](#)

**Japan's monetary policymakers meet in a week which also see PMI data provide the first insights into economic trends in January**



**Australia is emerging from its COVID-19 downturn as lockdown measures ease. PMI data will provide an update on January's business conditions**





## APAC Special Focus

### ASEAN Economic Outlook for 2021

By **Rajiv Biswas**

Asia Pacific Chief Economist, IHS Markit

Email: [Rajiv.biswas@ihsmarkit.com](mailto:Rajiv.biswas@ihsmarkit.com)

*Southeast Asia was badly hit by the COVID-19 pandemic in 2020, with the ASEAN regional grouping – which comprises ten Southeast Asian nations – suffering a severe recession. ASEAN GDP is estimated to have contracted by 4.1% in 2020 due to the impact of lockdowns and bans on international travel.*

*Prospects for 2021 are for a strong economic rebound, with ASEAN GDP growth forecast at 4.5% y/y, based on expectations for the progressive rollout of COVID-19 vaccines during 2021. A key factor underpinning the anticipated economic rebound in the Southeast Asian region is expected to be buoyant economic growth in China, which is forecast to grow at 7.5% y/y in 2021. With broad-based Asia-Pacific recovery expected in 2021, other major Asia-Pacific economies such as Japan and India are also forecast to show a rebound in GDP growth in 2021, which will help to boost ASEAN exports and foreign direct investment inflows.*

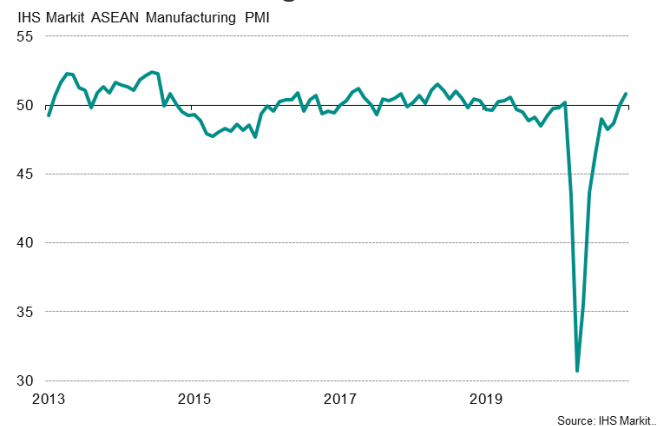
*However, with large new waves of COVID-19 cases having engulfed many countries in recent months, including the EU and Japan, and with Malaysia in the ASEAN region also hit by a recent new wave, this year is likely to be characterized as a “Year of Uncertainty”. There are considerable risks around how quickly vaccines can be deployed and how rapidly the pandemic will be brought under control in different countries.*

### ASEAN recovery in 2021

As a result of the severe negative impact of COVID-19 pandemic and widespread lockdowns and travel bans, many ASEAN economies were in deep recession during 2020. The impact of global lockdowns in key markets such as the US and EU also resulted in a sharp slump in exports for many ASEAN nations during the first half of 2020. Among the worst hit economies were the Philippines, Thailand, Malaysia, Cambodia and Singapore, as protracted lockdowns hit industrial production, construction and consumption expenditure. Travel bans across the ASEAN region also hit the international tourism and travel sectors severely.

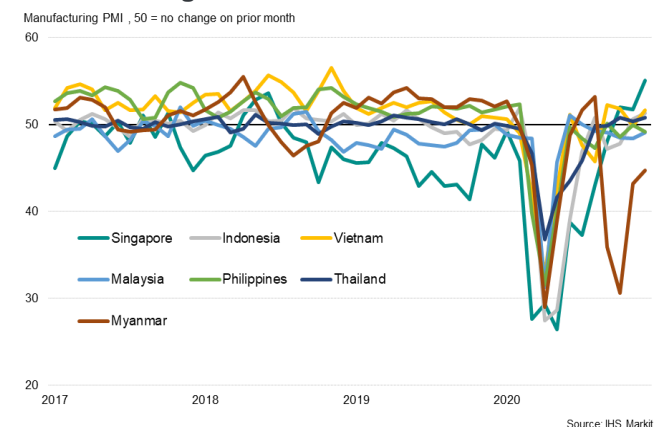
However domestic economic activity has shown a significant recovery in many ASEAN nations during the second half of 2020, as lockdowns have progressively been eased and new export orders have strengthened. The IHS Markit ASEAN Manufacturing PMI has shown a strong rebound since July 2020. The headline PMI registered above the 50.0 no-change mark at 50.8 in December, up from 50.0 in November, to signal the first expansion for the ASEAN manufacturing sector since February 2020.

### ASEAN Manufacturing PMI



At the country level, Singapore saw the fastest expansion in manufacturing conditions among the ASEAN nations in December, with the headline PMI reaching 55.0, significantly above the neutral threshold of 50.0, and was the highest recorded for Singapore for seven years. Expansionary conditions were also sustained in Indonesia and Thailand, with Indonesia's headline index posting 51.3, compared to Thailand's 50.8. Vietnam was the only other monitored nation in ASEAN to record an improvement in the health of the manufacturing sector in December, recording 51.7.

### Manufacturing PMI



In some ASEAN nations, ongoing high levels of new COVID-19 cases have dampened the pace of economic recovery, with Malaysia and Philippines having seen some softening in recovery momentum. Although

# Economic Preview: Week of 18 January 2021

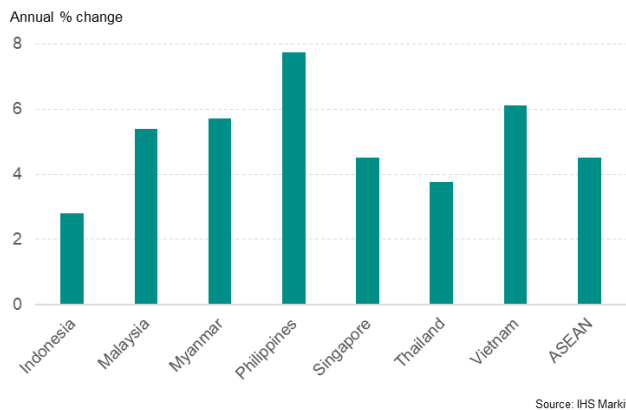
Publication date: 15 January 2021

COVID-19 vaccination programs have started in some ASEAN countries, including Singapore and Indonesia, the large population sizes in some nations like Indonesia, Philippines and Vietnam are likely to require a considerable timeframe to vaccinate a large share of their populations. However, ASEAN nations with relatively small populations by global standards, - notably Brunei, Cambodia, Laos and Singapore - may be better placed to rapidly vaccinate their populations during 2021 due to the relatively low number of total vaccine doses required for their populations.

Consequently, a differentiated pace of vaccination progress is likely across the ASEAN region.

This could be a significant impediment to the easing of international travel restrictions within the ASEAN region as well as the wider APAC area. This is in contrast to the EU which is expected to complete EU-wide vaccination programs by the second half of 2021, which should allow the wider reopening of intra-EU tourism and business travel by the second half of 2021.

## ASEAN GDP forecast 2021

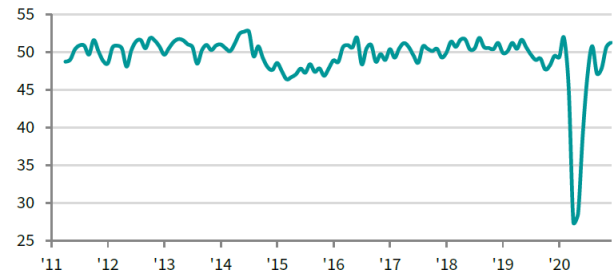


Consequently, international travel restrictions are still expected to remain a major impediment to the recovery of international tourism and business travel for a number of countries in the ASEAN region during 2021. The re-opening of international travel is expected to be more selective in the APAC region, on a bilateral basis between countries that have implemented widespread vaccination programs.

The path of recovery is therefore likely to be uneven across different industry sectors, with industries like electronics manufacturing, household consumer products, financial services and information technology likely to be leading the recovery, while tourism and transportation sectors are expected to have a more gradual recovery path.

## Indonesia Manufacturing PMI

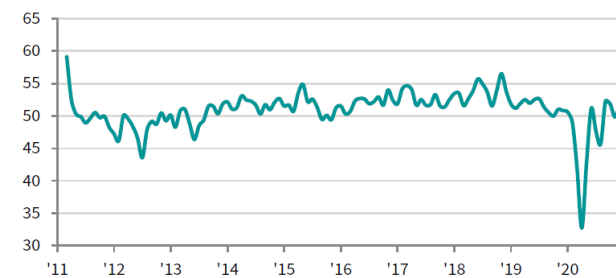
sa, >50 = improvement since previous month



Source: IHS Markit.

## Vietnam Manufacturing PMI

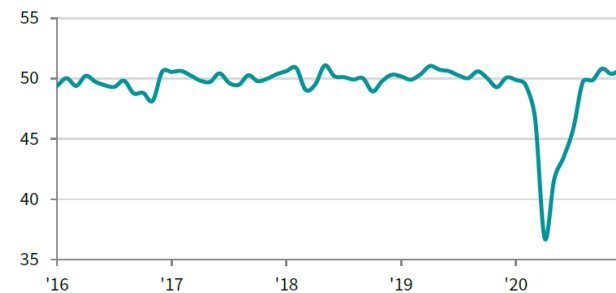
sa, >50 = improvement since previous month



Source: IHS Markit.

## Thailand Manufacturing PMI

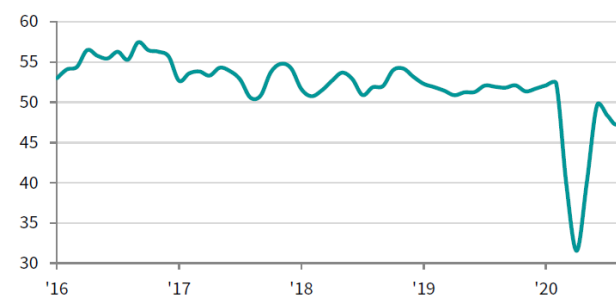
sa, >50 = improvement since previous month



Source: IHS Markit.

## Philippines Manufacturing PMI

sa, >50 = improvement since previous month



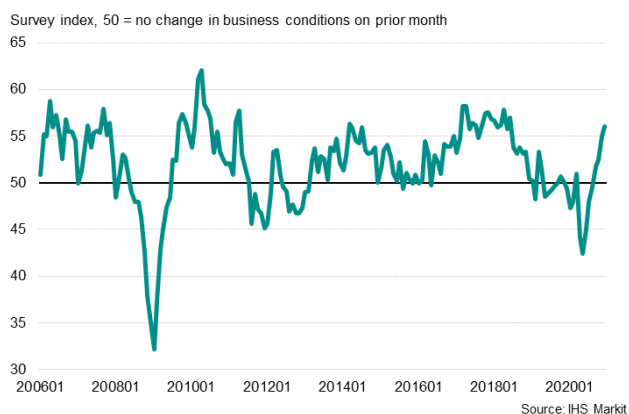
Source: IHS Markit.

## Electronics sector output rebounds after COVID-19 related disruptions

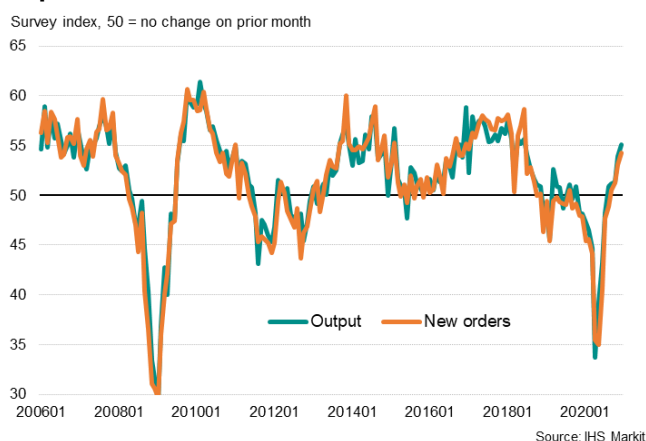
The electronics manufacturing industry is an important part of the manufacturing export sector for many ASEAN economies, including Malaysia, Singapore, Philippines, Thailand and Vietnam. Furthermore, the electronics supply chain is highly integrated across different economies, with China being an important supplier of intermediate electronics parts for a number of Southeast Asian electronics sectors.

Despite severe disruptions to Asian electronics production and to global demand due to the pandemic during the first half of 2020, the IHS Markit Global Electronics PMI has signaled a significant rebound since mid-2020. The headline seasonally adjusted PMI rose to 55.2 in December 2020, up from 53.5 in November. The latest reading pointed to the quickest improvement in the health of the global electronics sector for two and a half years, amid stronger increases in both output and new orders.

### IHS Markit Global Electronics PMI



### IHS Markit Global Electronics PMI, output and new orders



The global electronics PMI new orders index rose from a calendar year-to-date low of 35.0 in May to a level of 54.3 by December, reflecting a significant recovery in new orders. The electronics sector rebound is making an important contribution to the recovery of manufacturing exports and industrial production in many ASEAN industrial economies.

In Vietnam, exports of computers, electrical equipment and parts rose by 24.4% y/y in the eleven months to November 2020, as global demand for computer equipment surged due to the pandemic and the shift towards remote working by workers worldwide.

In Malaysia, manufacturing production of electrical and electronic products rose by 8.3% y/y in November, reflecting the strong rebound in global electronics orders. Exports of electrical and electronic products, which accounted for 40% of total merchandise exports, were up 23.6% y/y in November 2020. Malaysia's exports of electrical and electronic products to the rest of ASEAN rose by 36.6% y/y, with strong export growth notably to Singapore.

## ASEAN Economic Outlook

In the near-term, despite the expected rebound in global economic growth in 2021, there are considerable uncertainties about how rapidly vaccines will be deployed in different countries and how effective these may be in bringing the global pandemic under control. Adding to these uncertainties are rising concerns about new strains of the virus that have been reported in different countries worldwide.

Consequently despite the favorable economic outlook for global economic recovery at the outset of 2021, the speed at which different ASEAN nations emerge from the pandemic is likely to vary considerably, depending on many factors including the size of population, access to large supplies of COVID-19 vaccines and ability to deploy large-scale immunization programs. The effectiveness of different types of COVID-19 vaccines is also an important issue that could affect the timing of recovery from the pandemic. There are also other critical unknown factors, including the duration of effectiveness of vaccinations for the various key vaccines that are being deployed.

Nevertheless, the central case economic scenario for 2021 is positive, with the world economy expected to be gradually emerging from the pandemic. The ASEAN region is expected to show an economic rebound in 2021 with strong growth continuing in 2022.

Despite the economic rebound expected in 2021-2022, most ASEAN countries will face the medium-term challenge of fiscal consolidation. This reflects the very



## Economic Preview: Week of 18 January 2021

Publication date: 15 January 2021



high levels of government expenditure during 2020 on fiscal stimulus measures related to the pandemic, which has resulted in a significant increase in government debt as a share of GDP across the ASEAN region.

Over the long-term, despite the severe recession caused by the COVID-19 pandemic, the ASEAN region is expected to continue to be one of the fastest growing

regions of the world economy. Total ASEAN GDP is forecast to more than double over the next decade, increasing from USD 3 trillion in 2020 to USD 6.8 trillion by 2030. Over the next decade, the ASEAN region will be one of the three main growth engines of the APAC region, together with China and India.

---