

Week Ahead Economic Preview

- Flash PMI surveys for the US, Eurozone, UK, Japan and Australia
- Trade and industrial production updates
- Eurozone and Japan GDP

The week ahead is disrupted by the Chinese New Year and US Presidents' Day holidays, but nevertheless sees a busy diary of data releases to steer the markets.

The pick of our bunch is naturally Friday's release of the February manufacturing and services flash PMIs for the US, Eurozone, Japan, UK and Australia, though a number of countries also issue more backward-looking but important industrial production, trade and retail sales updates, alongside fourth quarter GDP estimates for Japan, the eurozone, the Netherlands and Thailand.

Meeting minutes from the FOMC, RBA and ECB will help assess monetary policy trends, while the central bank of Indonesia meets to set interest rates.

Flash US PMIs for February are accompanied by the Empire State and Philly Fed surveys plus jobless claims data, all of which will collectively provide a lens into economic growth trajectory midway through the first quarter. Retail sales and industrial production numbers are also issued for January. Recent US survey data have been strong, buoyed by vaccine roll out and fiscal stimulus, meaning the latest FOMC minutes will also be gleaned for any clues as to whether the Fed's accommodation could start to be reined in earlier than many have been thinking. Inflation is becoming more of a concern, especially after survey price indices hit decade-highs ([page 3](#)).

In Europe, GDP data are expected to confirm that the eurozone economy contracted in the fourth quarter, but it's the PMI data for February that will be more closely watched for news as to whether the downturn is intensifying in the first quarter. While the eurozone PMI slipped into a deeper decline in January, it was a slump in the UK surveys that was more alarming, as COVID-19 related lockdowns were exacerbated by Brexit ([page 4](#)).

Similarly, in Asia Pacific, the PMIs for Japan and Australia will be closely watched after January numbers showed the former struggling amid rising virus waves but the latter continuing to exhibit robust growth. Also watch out for GDP releases in Japan and Thailand, jobs and retail sales updates in Australia plus trade numbers for Japan, China, India and Indonesia ([page 5](#)).

Special Reports

Electronics and APAC manufacturing: how the global electronics upturn is helping to boost APAC manufacturing exports ([page 6](#))

Upcoming PMI releases

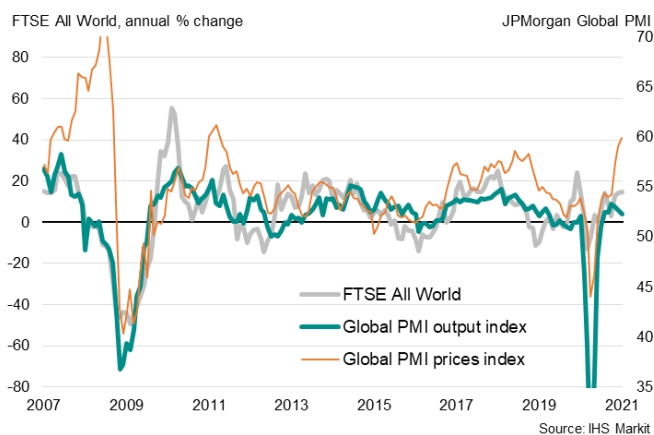
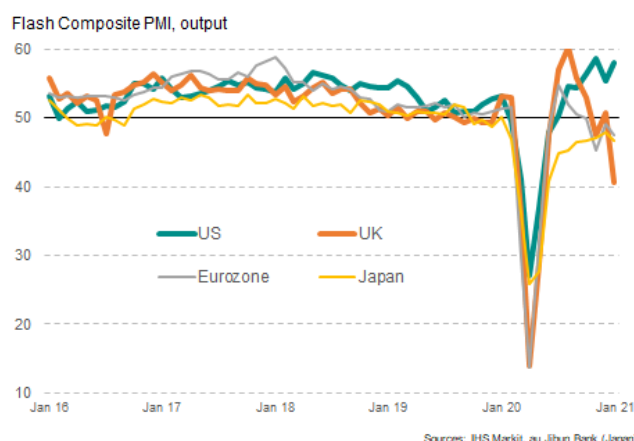
19th February: Flash PMIs (US, UK, EZ, Japan, Australia)

1st March: Final Worldwide Manufacturing PMIs

3rd March: Final Worldwide Services PMIs

4th March: Detailed Global Sector PMIs

Flash PMIs are updated for February. [January surveys](#) notably showed a widening divergence between the US and Europe, with the UK struggling in particular, but also revealed global price pressures to have hit a ten-year high.



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Key diary events

Monday 15 February

US Presidents' Day
Thailand GDP (Q4)
Japan GDP (Q4)
Japan industrial production, capacity utilisation (Dec)
Indonesia trade balance (dec)
India trade balance (Dec)
Eurozone trade balance (Dec)
Eurozone industrial production (Dec)
Canada manufacturing sales (Dec)

Tuesday 16 February

Australia RBA meeting minutes
China trade balance (Jan)
Japan tertiary index (Dec)
France unemployment (Q4)
Italy trade balance (Dec)
Netherlands GDP (Q4)
Eurozone GDP (Q4 prelim)
Eurozone employment (Q4)
Germany ZEW survey (Jan)
Canada housing starts (Jan)
US Empire State manufacturing survey (Feb)

Wednesday 17 February

Japan machinery orders (Dec)
Japan trade balance (Jan)
UK consumer price inflation (Jan)
UK producer prices (Jan)
Italy industrial orders (Dec)
Eurozone construction output (Dec)
US MBA mortgage applications
US producer prices (Dec)
US retail sales (Jan)
Canada consumer price inflation (Jan)
US industrial production, capacity utilisation (Jan)
US business inventories (Dec)
US NAHB housing market index (Feb)
US FOMC minutes

Thursday 18 February

Australia employment, unemployment (Jan)
Indonesia interest rate decision
Hong Kong SAR unemployment (Jan)
Sweden inflation rate (Jan)
ECB monetary policy meeting accounts
Eurozone consumer confidence (Feb)

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US building permits (Jan)
US housing starts (Jan)
US Philly Fed manufacturing survey (Feb)
US jobless claims

Friday 19 February

Australia flash PMI (Feb)
Australia retail sales (Jan)
Japan flash PMI (Feb)
Eurozone, France and Germany flash PMI (Feb)
UK flash PMI (Feb)
US flash PMI (Feb)
UK consumer confidence (Feb)
UK public sector borrowing (Jan)
UK retail sales (Jan)
Germany producer prices (Jan)
France consumer price inflation (Jan)
Eurozone current account (Dec)
Canada retail sales (Dec)
US existing home sales (Jan)

United States Week Ahead

Retail Sales, industrial production, flash PMIs and FOMC minutes

By Siân Jones

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The economic calendar sees another packed week ahead, with updates to retail sales, industrial production and flash PMI data. Meanwhile, the FOMC releases the minutes of their latest meeting.

Flash PMIs

February PMI data will be watched to see if such momentum has been sustained. PMI data at the beginning of 2021 provided more reasons to be optimistic regarding the outlook for the US economy. Following a loss of growth momentum in December, firms in the manufacturing and service sectors registered stronger upturns in output, with service providers also recording greater confidence in the year-ahead outlook.

Retail Sales

Annual growth in retail sales slowed in December amid a rise in COVID-19 cases and weak client demand, with internet sales also reportedly falling on a monthly basis. That said, January data are expected to be more upbeat as the effects of the latest government stimulus package play out. Additional financial support to those out of work should help boost consumer spending. Nonetheless, until a sufficient section of the population has been vaccinated and restrictions are eased, significant challenges will remain for service providers and retailers.

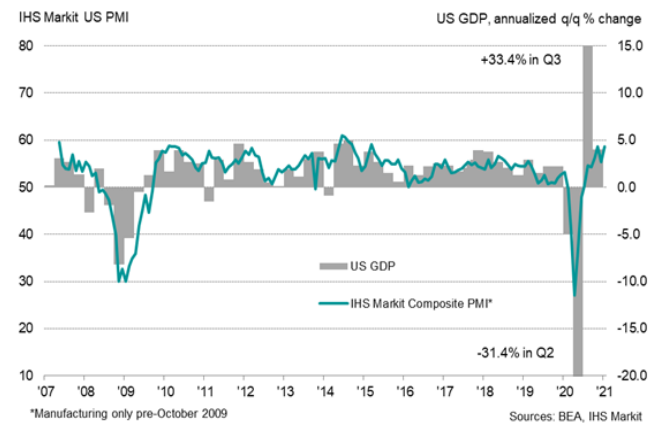
Industrial Production

Industrial output data will also be eagerly assessed for signs of the recovery being sustained into the first quarter. Survey data from both IHS Markit and the ISM signalled a strong start to 2021 for manufacturers. Although production continued to contract on an annual basis in December, the sector is seemingly moving closer towards recovery, with firms registering stronger new order growth in January.

FOMC minutes

The minutes from the last Fed policy meeting will be scrutinised for expectations of when accommodative policy may start to be reined in. IHS Markit's US economics team has recently moved the expected "lift-off" of the Fed's policy rate from late-2026 to mid-2024 due to a stronger than previously expected recovery.

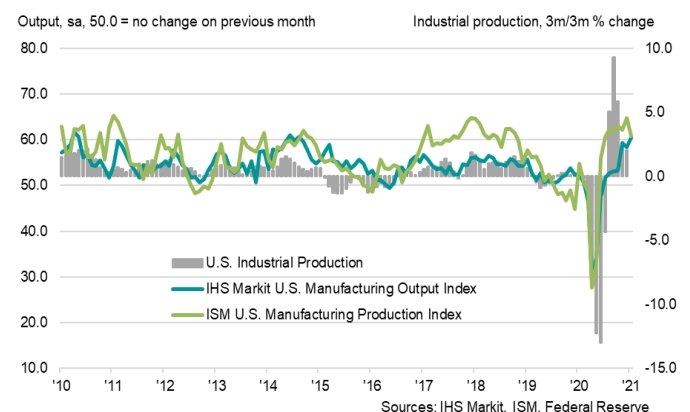
PMI survey data showed economic performance improved at sharper rate in January amid greater client demand. February data are updated on Friday.



Retail sales growth slowed in December amid rises in virus cases and social-distancing restrictions, but additional stimulus is expected to help drive improvements in January



Industrial production data set to have strengthened in January according to PMI data



Europe Week Ahead

Flash PMIs plus UK consumer prices, jobs data and retail sales

By Paul Smith

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A crowded week of European economic data releases includes eurozone GDP, employment, industrial production and trade, plus UK labour market, retail sales, public borrowing and consumer price data, culminating in Friday's flash PMIs.

Eurozone PMI

The Eurozone economy entered February amid an ongoing downturn in economic activity, with January PMI data showing output declining for a fourth month. With GDP contracting by 0.7% in the final quarter of 2020 according to early readings (a second estimate is due next week) interest in the PMI data will initially be focused on the scale of the drop in first quarter GDP.

The release of flash PMI numbers for France and Germany also affords the opportunity to gather further information on individual country performance, although another area that demands attention is prices. Following the news that Eurozone inflation accelerated to a 11-month high at the start of 2021, albeit in part driven by temporary factors, recent PMI data have shown price pressures for companies rising at their steepest rate for two years – with manufacturers facing their strongest cost inflation for nearly three years.

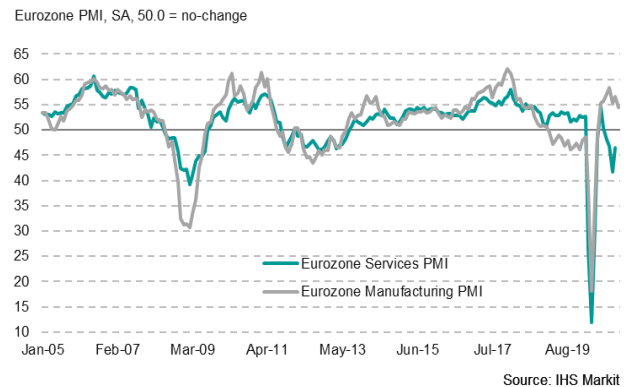
UK consumer prices, flash PMI

Similar trends in prices are apparent in the UK, albeit with a little more firmness, according to the PMIs, where output change inflation in the UK hit an 11-month high in January. Nonetheless, official CPI inflation should remain low and well below the BoE's 2% target.

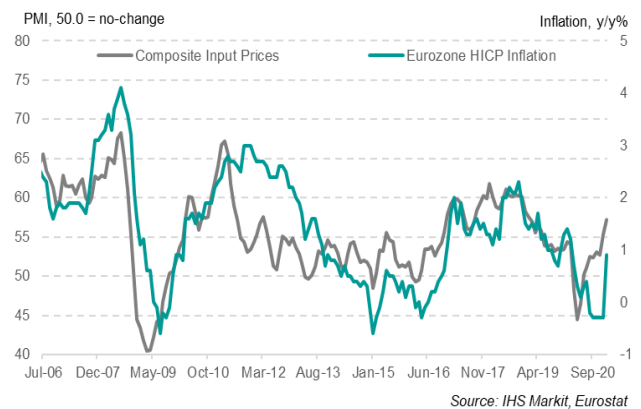
In terms of activity, official retail sales are likely to remain weak at the start of the year, whilst flash PMI data will be watched closely to see whether the January downturn in manufacturing continued. The sector was negatively affected by the unwinding of Brexit stockpiling in January, but with anecdotal evidence pointing to ongoing challenges in importing and exporting to the EU, weakness in trade may well weigh on February industry performance.

UK labour market data will also be eagerly awaited to gauge the impact of the ongoing pandemic on employment in particular, which has so far been supported by the furlough scheme, due to end in April.

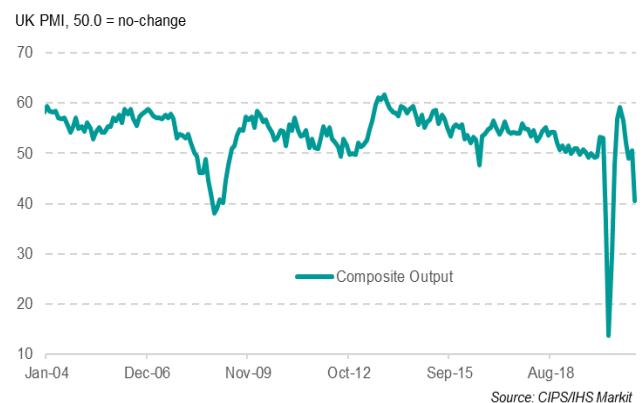
Flash PMI data will be released on Friday. The surveys showed the eurozone economy began 2021 in subdued fashion, with output declining for a fourth successive month due to a shrinking service sector



Consumer price inflation in the euro area jumped in January whilst PMI data have shown price pressures building in recent months



UK economy suffered a considerable decline in activity at the start of 2021 due to lockdowns and Brexit, according to the January PMI.



Asia Pacific Week Ahead

PMIs and GDP data to provide economy updates for Japan and Australia

By **Chris Williamson**

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Asia Pacific data releases in the week ahead include the flash manufacturing and service sector PMIs for Japan and Australia, as well as GDP releases in Japan and Thailand plus trade numbers for Japan, China, India and Indonesia. Jobs and retail sales updates will meanwhile be closely watched in Australia, while policymakers at Bank Indonesia meet to set interest rates.

Japan's faltering recovery

A broad swathe of data out of Japan will give insights into how the economy is faring as the recent wave of virus infections abates. Worrying signs of the Japanese economy struggling were seen at the start of the year as the au Jibun Bank PMI fell to a four-month low, dragged lower by the sharpest fall in service sector activity since August. The February PMIs are accompanied by official tertiary industry data, machinery orders, industrial production and trade statistics, not to forget the fourth quarter GDP estimate, which is expected to confirm that Japan's recovery lost momentum after the third quarter rebound.

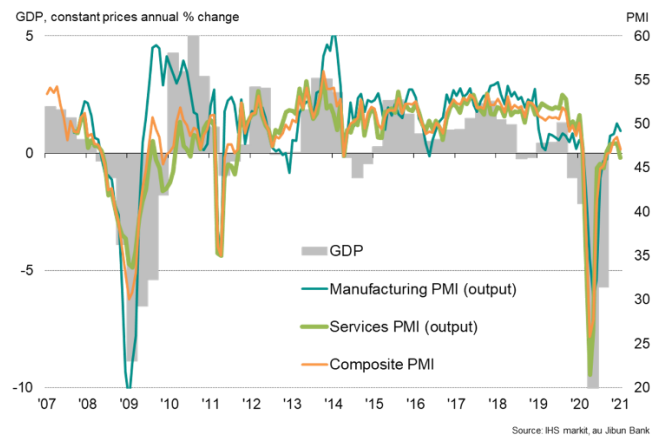
Australia PMI and jobs data

The flash PMI data are also updated for Australia, and are expected to show the recovery progressing midway through the first quarter to support solid GDP growth. January's PMI registered the third-strongest expansion of business activity since mid-2017. Service sector output was sustained at an encouraging pace but it was the manufacturing sector where the best gains were seen, with output rising at a rate not seen since 2017. More backward-looking job market and retail sales data are also released, though the former will be particularly closely watched as a robust labour market is seen as a key trigger for the RBA to begin gaining confidence in the strength of the recovery.

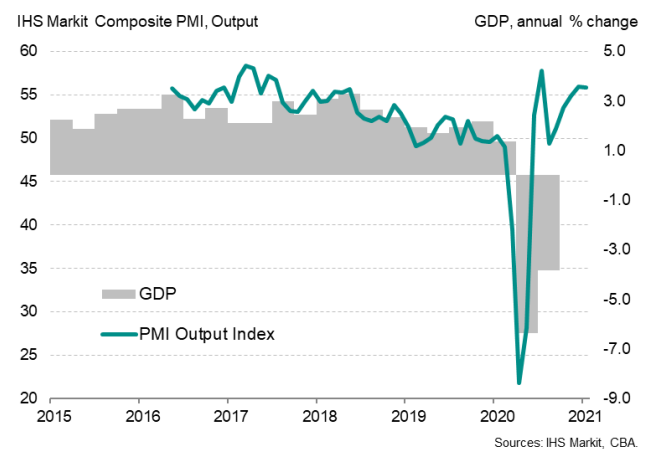
More stimulus for Indonesia?

Speculation has meanwhile mounted that further monetary stimulus could be on the cards for Indonesia ahead of the upcoming policy meeting. Bank Indonesia Governor Warjiyo hinted at the possibility of a further cut to interest rates after news of a disappointing pace of recovery, with GDP falling in the fourth quarter. Although manufacturing is faring well, the pandemic has continued to hit consumption and investment.

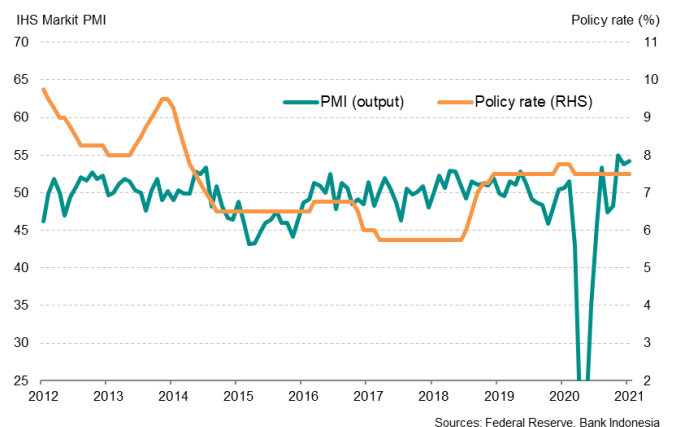
Japan GDP for Q4 and flash PMI data for February are updated along with other key monthly statistics including industrial production and the trade balance



Australia sees updates to job market and retail sales data, as well as the flash PMI, which has shown as strong economic recovery extending into Q1



Indonesian policymakers meet to set interest rates after Q4 GDP data disappoints



APAC Special Focus

Global electronics upturn boosts APAC manufacturing exports

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East Asian electronics exports have risen sharply in late 2020 and early 2021, boosted by surging global electronics new orders. This is helping to drive buoyant export growth in a number of East Asian economies, notably South Korea, Taiwan and Vietnam.

The strong rebound in global electronics demand has also created supply bottlenecks for electronics manufacturing firms, with shortages of semiconductors having already resulted in disruptions to auto production for some major auto manufacturers during the first quarter of 2021.

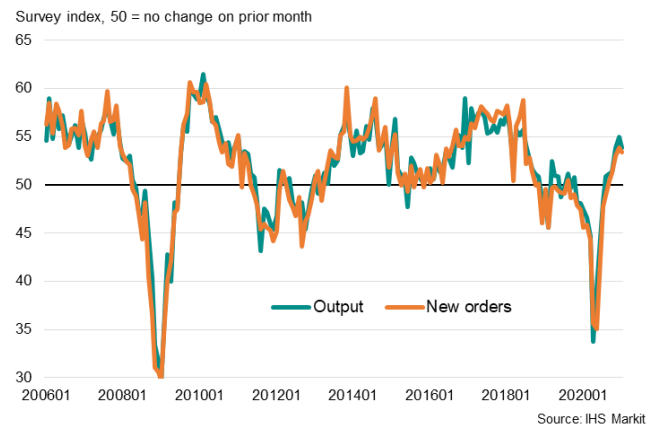
APAC electronics sector exports rebound

Asian electronics production suffered severe supply disruptions and slumping global demand due to the pandemic and lockdowns in the first half of 2020. However, the IHS Markit Global Electronics Purchasing Managers' Index (PMI) has signaled a strong rebound since mid-2020 as global lockdowns were eased and consumer spending rebounded in many major economies.

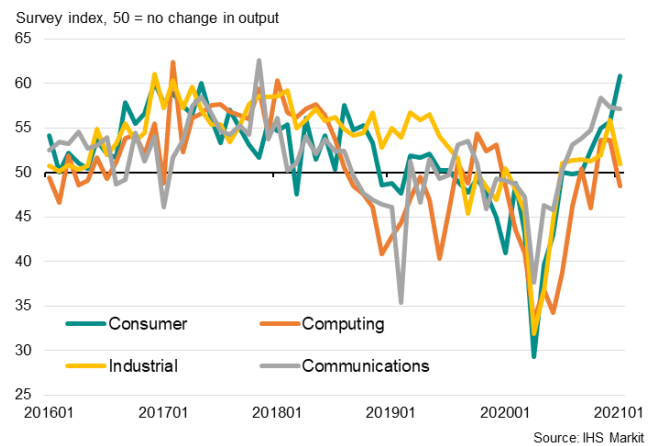
The electronics sector rebound is making an important contribution to the recovery of manufacturing exports and industrial production in many East Asian industrial economies. The electronics manufacturing industry is an important part of the manufacturing export sector for many Asian economies, including South Korea, China, Japan, Malaysia, Singapore, Philippines, Taiwan, Thailand and Vietnam. Furthermore, the electronics supply chain is highly integrated across different economies in East Asia.

The IHS Markit Global Electronics PMI new orders index rose from a calendar year-to-date low of 35.0 in May 2020 to a level of 53.4 by January 2021, reflecting a significant recovery in new orders.

IHS Markit Global Electronics PMI

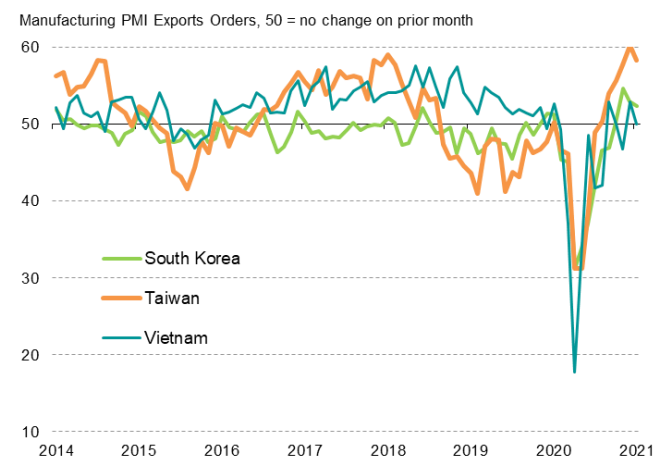


Global electronics PMI, output by sector



This rebound in global electronics demand has been reflected in the recent industrial production and exports data for many East Asian economies.

East Asian Manufacturing PMI new export orders rebound



South Korean electronics exports surge

The South Korean Ministry of Trade, Industry and Energy announced that South Korea's exports of

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information and communications technology (ICT) goods in December 2020 amounted to USD 18 billion, up 24.9 percent compared to the same period last year. Exports of semiconductors rose by 30% y/y, while exports of display panels rose by 31% y/y. Exports of mobile phones rose by 48% y/y.

Reflecting the growing importance of Vietnam as a production hub for Korean electronics manufacturing multinationals, ICT exports from South Korea to Vietnam rose by 53.8% y/y in December, while ICT exports to the US also surged, growing by 32.5% y/y.

South Korea's Ministry of Trade, Industry and Energy has projected that South Korean semiconductors exports in 2021 will rise by around 10% to USD 109 billion, due to buoyant global demand for electronics products.

With significant shortages of semiconductors having become evident during early 2021, this is expected to further boost South Korean semiconductors exports during 2021.

Taiwan faces semiconductors shortages as demand soars

Taiwan's exports of electronics products surged in January 2021, rising by 47.5% y/y to USD 13.3 billion. Exports of semiconductors rose by 46.3% y/y, while exports of optical devices rose by 53.5% y/y. Due to strong global demand for computers, TVs and auto electronics, a severe shortage of semiconductor chips has developed in recent months.

Chip stockpiling during 2020 due to US government sanctions on certain Chinese technology companies have also contributed to the shortages. Global auto manufacturers as well as smartphone producers are among the industry segments that have been impacted by these shortages. According to IHS Markit Automotive research, vehicle manufacturers are finding increased disruption within the supply chain of semiconductors to the automotive sector in the first quarter of 2020. Many automakers worldwide have reported disruptions to production due to shortages of semiconductors, including Ford, VW Group, GM, Honda and Mazda. (see IHS Markit Automotive, 8th February 2021, "[Semiconductor Supply Issue: Light Vehicle Production Tracker](#)").

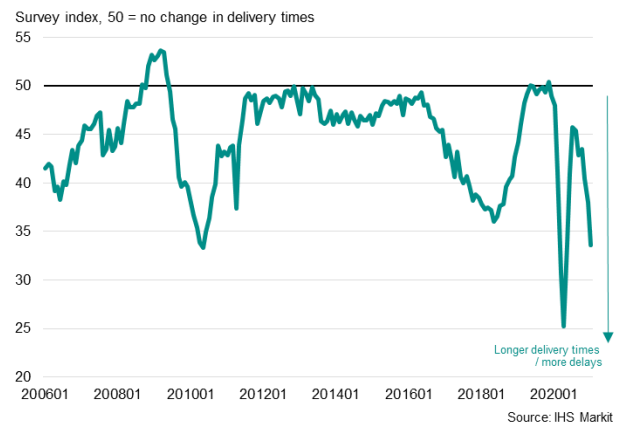
The extent of the shortages of critical electronics components has become so severe that high level consultations have been held with Taiwan involving key industry bodies as well as government officials from

major industrial economies including the US and Germany.

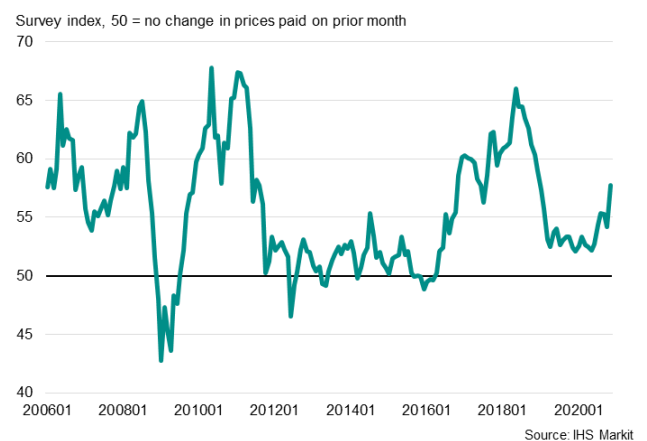
Due to the severe shortages of critical electronics components such as chips and panels, electronics companies in Taiwan are trying to have employees work over the Chinese New Year holidays, which is a key holiday in Greater China. Significant price increases for some types of semiconductor chips are also expected to the demand-supply imbalances.

The latest IHS Markit Global Electronics PMI survey noted widespread reports from electronics manufacturing firms of raw material shortages, with electronics input prices having increased sharply in January.

Global electronics PMI, supplier lead times



Global electronics PMI, prices paid for inputs



The shortage of semiconductors has driven up capital expenditure plans, with Taiwan's TSMC, the world's largest chipmaker, having announced plans to increase capital spending on production and development of advanced chips to a range of USD 25 billion to USD 28 billion in 2021, a 60% increase on 2020. Taiwan's USMC, which also manufactures chips, plans to lift

spending on new capital equipment by around 50% in 2021.

ASEAN electronics exports rebound

Singapore's domestic electronics exports rose by 13.7% y/y in December 2020, with electronics exports to the US up 20.4% y/y, to the EU up 17.5% y/y and to Taiwan up by 36.3% y/y.

In Vietnam, exports of computers, electrical equipment and parts rose by 24.1% y/y in December 2020, as global demand for computer equipment surged due to the pandemic and the shift towards remote working by workers worldwide.

In Malaysia, exports of electrical and electronic products, which accounted for 38% of total merchandise exports, were up 18.1% y/y in December 2020. Malaysia's exports of electrical and electronic products to the rest of ASEAN rose by 36.6% y/y.

APAC electronics sector outlook

At the outset of 2021, global electronics demand has rebounded significantly from the lows of the first half of 2020 when lockdowns disrupted production and consumer spending. With an improving global economic recovery expected during the course of 2021 as Covid-

19 vaccines are progressively rolled out, global demand for electronics products is expected to be strong.

The impact of the pandemic has accelerated the pace of digital transformation due to the global shift to working remotely, which has boosted demand for electronic devices such as computers, printers and mobile phones. The easing of lockdowns in many countries has also triggered a rebound in consumer spending, helping to boost demand for a wide range of consumer electronics. Meanwhile auto demand has also shown a rebound after slumping during the first half of 2020, which is boosting demand for auto electronics.

The medium term economic outlook is also supportive for the electronics industry, with sustained strong world economic growth forecast over 2022-2024.

The outlook for electronics demand is also supported by major technological developments, including global 5G rollout over the next five years, which will drive demand for 5G mobile phones. Demand for industrial electronics is also expected to grow rapidly over the medium term, helped by Industry 4.0, as industrial automation and the Internet of Things boosts growth in demand for critical electronics components such as integrated circuits, displays and smart sensors.