

# Week Ahead Economic Preview

ECB, BoC meetings, US payrolls, China data and services PMI

1 March 2024

US nonfarm payrolls, worldwide services PMI and detailed sector PMI results will all be eagerly anticipated alongside central bank meetings in the Eurozone and Canada. Other key data releases include mainland China's trade and inflation figures and eurozone GDP.

The European Central Bank's March meeting unfolds with attention on the rhetoric from monetary policymakers as no change to monetary policy settings are expected in the near term. This comes as the ECB faces a [eurozone struggling to avoid recession as price pressures re-intensified](#), adding uncertainty to the path forward. The positive news is that business activity in the euro area fell at the slowest pace in eight months according to February PMI data. But with a divergence from US performance still apparent, keeping the euro on the back foot compared to the greenback, the uncertainty surrounding the interest rate path remains elevated.

The Bank of Canada's monetary policy committee also convenes. Although Canada's inflation rate dipped below the 3% mark again in January, like the ECB, no changes to rates have been pencilled in for the near term.

Moving to the economic data releases, February's US labour market data will be especially closely watched on Friday. Expectations are for slower job gains and weaker wage growth. Certainly, markets will be hoping for some cooler labour market data to support rate cut hopes. Having priced in 160 basis points (bps) of cuts in 2024 late last year, recent futures data point to just 80 bps of cuts, bringing market expectations more in line with Fed guidance of three-quarter point rate cuts.

Meanwhile in APAC, mainland China's trade numbers will be released for the first two months of 2024 and closely scrutinised after improvements for trade were observed via Caixin PMI data in January. Inflation data will also be due at the end of the week for mainland China and will be eyed for clues as to whether deflationary forces are gathering.

Global Sector PMI, alongside regional sector PMI data in the US, Europe and Asia, will also shed light on the key growth areas and [insights into whether supply delays have sustained for certain sectors from January](#).

## Manufacturing shows renewed signs of life

February's PMI surveys showed manufacturing business conditions improving for the first time in 18 months. The upturn provides a welcome indication that the goods-producing sector may be pulling out of the malaise it has been embroiled in after the post-COVID-19 reopening caused global demand to shift from goods to services.

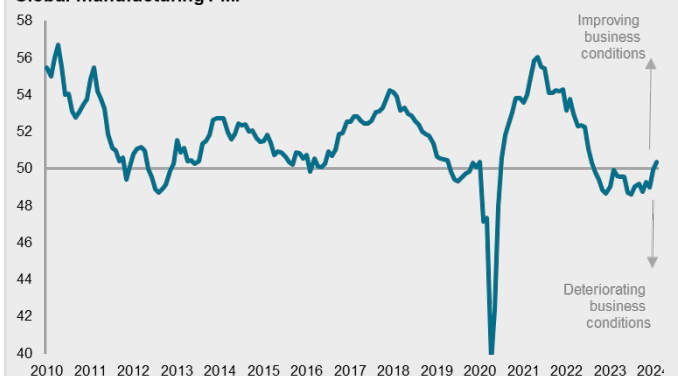
Two main forces are driving this. First, consumer demand is reviving globally thanks in part to the easing in the cost-of-living crisis and looser financial conditions, which have been accompanied by resiliently-robust labour markets around the world; the latter characterised by high employment and signs of returning real wage growth. The fastest expansion of output in February was recorded in the production of consumer goods.

Second, having been through a prolonged period of reducing high inventories, many of which had been built up amid pandemic-related supply scares, companies are now starting to refill their warehouses. Manufacturers' stocks of raw materials rose globally, albeit marginally, for the first time in 16 months.

The worry is that this firming of demand may add further support to goods prices, which rose for a seventh month in February. Encouragingly, supply chains appear to have been less impacted by the Red Sea disruptions than in January, taking some heat out of supplier prices. But any further uplift in prices could add to calls for policymakers to delay rate cuts.

Read more in our full report.

Global manufacturing PMI



Data compiled March 2024 using PMI data updated to February 2024.  
PMI (Purchasing Managers' Index) 50 = no change on prior month  
Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.  
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## Key diary events

### Monday 4 Mar

South Korea Industrial Production (Jan)  
Turkey Inflation (Feb)  
Switzerland Inflation (Feb)

### Tuesday 5 Mar

Worldwide Services, Composite PMIs, inc. global PMI\* (Feb)  
South Korea GDP (Q4, final)  
Philippines Inflation (Feb)  
France Industrial Production (Jan)  
Italy GDP (Q4, final)  
South Africa GDP (Q4)  
United States ISM Services PMI (Feb)  
United States Factory Orders (Jan)

### Wednesday 6 Mar

South Korea Inflation (Feb)  
Australia GDP (Q4)  
Germany Trade (Jan)  
Eurozone Retail Sales (Jan)  
Brazil Industrial Production (Jan)  
Eurozone HCOB Construction PMI\* (Feb)  
United Kingdom S&P Global Construction PMI\* (Feb)  
United States ADP Employment Change (Feb)  
Canada BoC Interest Rate Decision  
United States Wholesale Inventories (Jan)  
United States Fed Beige Book  
S&P Global Sector PMI\* (Feb)

### Thursday 7 Mar

Australia Trade (Jan)  
China (mainland) Trade (Jan-Feb)  
Germany Factory Orders (Jan)  
Malaysia BNM Interest Rate Decision  
United Kingdom Halifax House Price Index\* (Feb)  
Taiwan Inflation (Feb)  
Mexico Inflation (Feb)  
Eurozone ECB Interest Rate Decision  
Canada Trade (Jan)  
United States Trade (Jan)  
S&P Global Metals and Electronics PMI\* (Feb)

### Friday 8 Mar

Japan Household Spending (Jan)  
Philippines Unemployment Rate (Jan)  
Germany Industrial Production (Jan)  
France Trade (Jan)  
Taiwan Trade (Feb)  
Eurozone GDP (Q4, 3<sup>rd</sup> est.)  
Eurozone Employment Change (Q4, final)  
Canada Unemployment Rate (Feb)  
United States Non-farm Payrolls, Unemployment Rate,  
Average Hourly Earnings (Feb)

### Saturday 9 Mar

China (mainland) CPI, PPI (Feb)

\* Access press releases of indices produced by S&P Global and relevant sponsors [here](#).

## What to watch in the coming week

### Worldwide services PMI and detailed sector data

Following the release of global manufacturing PMI data on 1<sup>st</sup> March, services and composite PMI data will complete the picture in the coming week. More detailed sector data and unique metals and electronics PMI will also add colour to interpretations of economic conditions midway into Q1 2024.

### Americas: BoC meeting, US labour market report, ISM services PMI, factory orders and trade data

February non-farm payrolls, unemployment rate and wage data will be released at the end of the week with the consensus currently pointing to a slower addition to payrolls in February. That is in line with indications of slowing job growth from the latest [S&P Global Flash US PMI](#) data. Additionally, the unemployment rate is expected to stay unchanged at 3.7% while wage growth is hoped to have slowed to help justify the case for early rate cuts. US Sector PMI data will also be released in the week, in addition to the ISM services PMI and other tier-2 updates, helping assess recent financial services activity in particular.

Additionally, the Bank of Canada convenes midweek to update monetary policy. Although Canada's inflation rate dipped past the 3% mark in January, bolstering rate cut expectations, it may be later in the first half of 2024 that rates will lower according to consensus.

### EMEA: ECB meeting, Eurozone Q4 GDP, Germany trade

Besides PMI data, the European Central Bank monetary policy meeting will be the highlight for the euro area in the coming week. Weak economic conditions places pressure on the ECB to lower rates, though still-elevated inflation provides little reason for the ECB to move until at least mid-2024 according to S&P Global Market Intelligence forecasts. February HCOB Flash Eurozone PMI data have further suggested that [price increases add uncertainty to the rate cut outlook](#). Revised fourth quarter GDP data for the eurozone will also be published. Early estimates showed the region narrowly avoiding a technical recession by stagnating in the closing months of 2023. PMI data hint that this could be revised lower to show a contraction and therefore recession.

### APAC: China trade, inflation data, BNM meeting

In APAC, key releases include official trade and inflation data will be due from mainland China, while several other economies also update inflation figures. The first set of trade numbers for the January to February period will be keenly watched after January's [Caixin China General Manufacturing PMI revealed that goods export orders returned to growth](#).

Bank Negara Malaysia is meanwhile expected to hold monetary policy unchanged in March despite recent ringgit weakness.

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Special Focus

# Worldwide manufacturing returns to growth

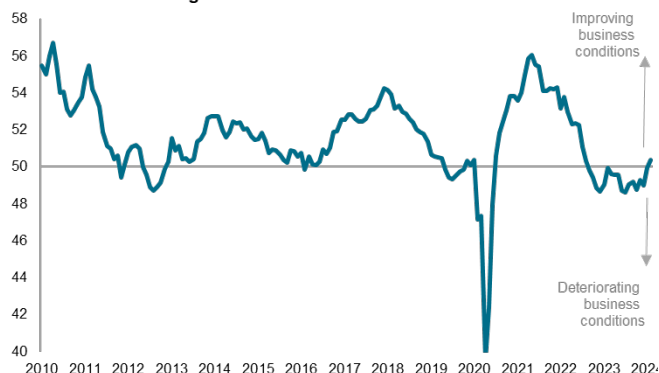
February's PMI surveys showed manufacturing business conditions improving for the first time in 18 months. The upturn provides a welcome indication that the goods-producing sector may be pulling out of the malaise it has been embroiled in after the post-COVID-19 reopening caused global demand to shift from goods to services.

The upturn does, however, signify a further reversal of the disinflationary trend that had played an important role in alleviating the post-pandemic inflation spike over the past year.

## PMI back above 50

S&P Global's PMI Comment Tracker data revealed that The Global Manufacturing PMI, sponsored by JPMorgan and compiled by S&P Global Market Intelligence, rose from 50.0 in January to 50.3 in February. The breaching of the 50.0 neutral level, albeit to only a marginal degree, was notable in signalling the first improvement in business conditions since August 2022.

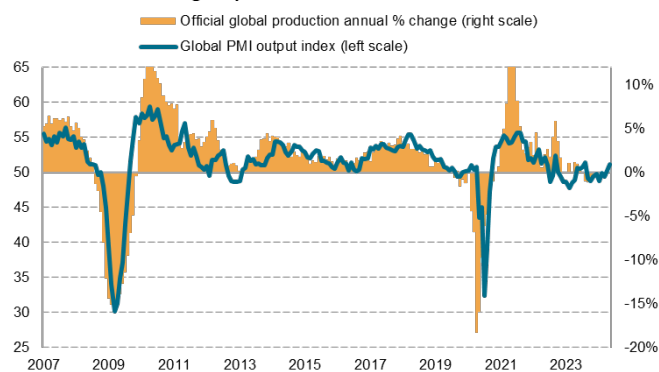
### Global manufacturing PMI



Data compiled March 2024 using PMI data updated to February 2024. PMI (Purchasing Managers' Index) 50 = no change on prior month. Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence. © 2024 S&P Global.

The survey's index of production hit a nine-month high, likewise heralding a revival and building on the marginal return to output growth seen in January.

### Global manufacturing output



Data compiled March 2024 using PMI data updated to February 2024. PMI (Purchasing Managers' Index) value of 50 = no change on prior month, advanced three months. Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence. © 2024 S&P Global.

Overall, new orders rose for the first time in 20 months, aided by a near-stabilizing of global export orders, which showed one of the smallest decline for two years.

### Global goods exports



Data compiled March 2024, PMI data updated to February 2024, CPB trade data to December 2023. PMI (Purchasing Managers' Index) 50 = no change on prior month. Sources: S&P Global PMI with J. P. Morgan, CPB trade data via S&P Global Market Intelligence. © 2024 S&P Global.

The data therefore hint a recovery in the goods-producing sector from the downturn that has persisted over the prior one and a half years.

To assess what is driving this change, we first need to look at the three main causes of the prior malaise.

First, the fall in goods production was triggered by the shifting of spending from goods to services in 2022 as economies relaxed their COVID-19 containment restrictions.

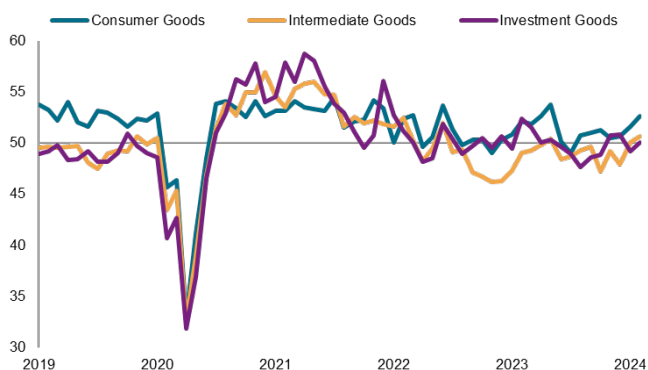
Second, adding to the malaise has been the increased cost of living, sparked by high inflation followed by higher interest rates.

A third headwind has been a reversal of the global inventory building seen during the pandemic. Having accumulated stocks of inputs to unprecedented degrees in 2021, seeking to safeguard against supply shortages, the subsequent unanticipated fall in demand suffered by manufacturers encouraged a prolonged period of destocking.

## Consumer demand revives

However, these headwinds now seem to be reversing. First, consumer demand is reviving globally thanks in part to the easing in the cost of living crisis and looser financial conditions, which has been accompanied by resiliently-robust labour markets around the world; the latter was characterised by high employment and signs of returning real wage growth. The fastest expansion of global output in February was recorded in the production of consumer goods.

Global PMI manufacturing output

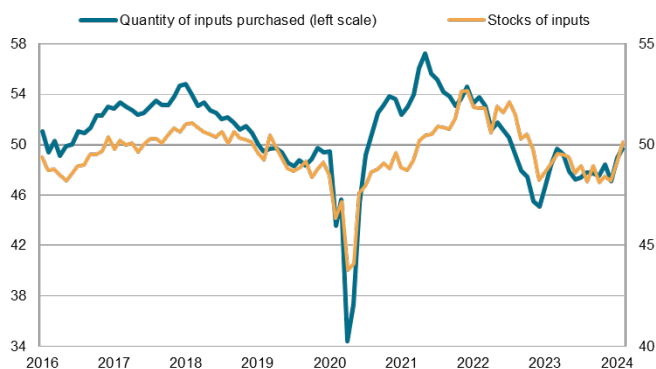


Data compiled March 1, 2024.  
PMI based on 50 = no change on prior month.  
Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.  
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## Inventory drag eases

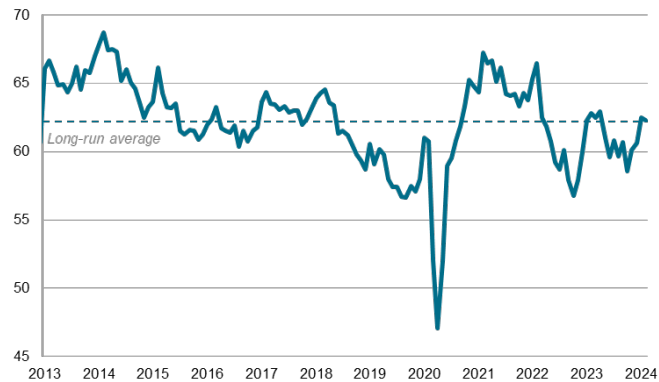
Second, companies are now starting to refill their warehouses. Manufacturers' stocks of raw materials rose globally, albeit marginally, for the first time in 16 months in February.

Global manufacturing PMI input inventories



Data compiled March 2024.  
PMI (Purchasing Managers' Index) 50 = no change on prior month.  
Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.  
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Global manufacturing PMI future output expectations

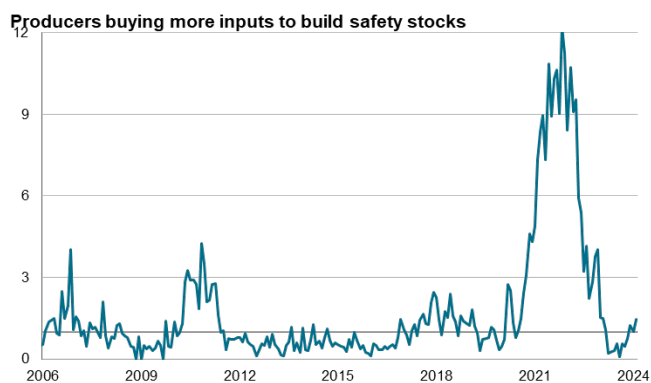


Data compiled March 2024 using PMI data updated to February 2024.  
PMI (Purchasing Managers' Index) 50 = no change over next 12 months.  
Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.  
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## Safety first

While the proportion of PMI respondent companies reporting deliberate policies of inventory reduction has been trending lower in recent months, linked to a firming of business confidence about the outlook for the coming year in recent months, it should be noted that some of the shift back towards inventory building reflects renewed safety stock building amid fears of supply constraints. The number of companies reporting that their output was constrained by a lack of inputs edged up globally to an 11-month high in February. The number of companies that reported buying more inputs for safety stock considerations hit a 12-month high. Some of this safety stock building can be linked to disruptions to shipping in the Red Sea, which has coincided with some pressure on shipping through the Panama Canal.

S&P Global PMI Comment Tracker:

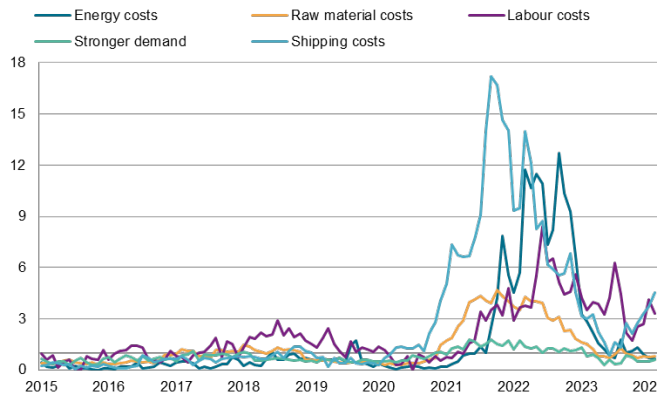


Data compiled March 2024.  
Axis scale 1 = long term average.  
Source: S&P Global PMI.  
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## Higher prices

Shipping issues have contributed to further upward pressures on average global selling prices in February, and were cited by survey contributors as a key driver of price hikes alongside rising wages.

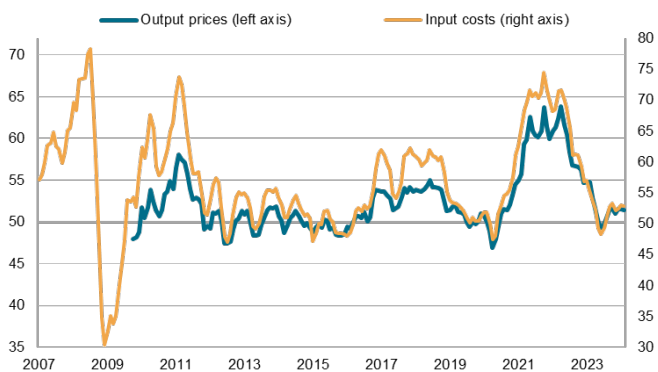
**S&P Global PMI: drivers of higher manufacturing selling prices**



Data compiled March 2024 including PMI data to February. Axis scale 1 = long term average. Source: S&P Global PMI. © 2024 S&P Global.

Goods prices consequently rose globally for a seventh month in February.

**Global manufacturing PMI costs and prices**

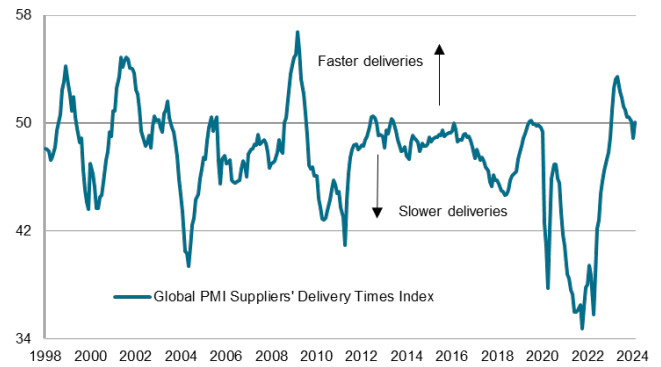


Data compiled March 2024 using PMI data updated to February 2024. PMI (Purchasing Managers' Index) value of 50 = no change on prior month. Source: S&P Global PMI with J.P. Morgan. © 2024 S&P Global.

**Contained container crisis**

However, risks of a steep jump in prices due to the supply disruptions remains low. First, having lengthened globally for the first time in a year during January, supply chains were largely unchanged in February, even shortening slightly on average, to suggest that the worst of the Red Sea impact may already be over.

**Global supplier delivery times**



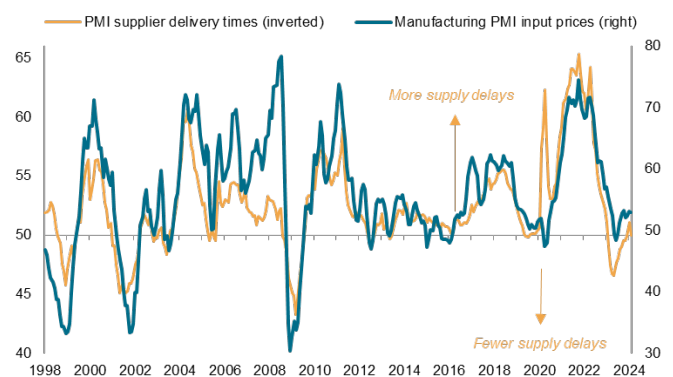
Data compiled March 2024 using PMI data updated to February 2024. PMI (Purchasing Managers' Index) 50 = no change on prior month. Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence. © 2024 S&P Global.

This reflects the peak disruption in late December and January, as ships were re-routed around Africa rather than passing through the Red Sea and Suez Canal. Since then, shipping has started to settle into these new trading routes. Spot container rates are hence also starting to fall again, having risen earlier in the year.

Second, the overall incidence of safety stock building remains very low by standards seen during the pandemic, though this needs to be clearly monitored.

Third, price growth remains modest, with February's global suppliers' delivery times index pointing to some alleviation of cost pressures in the near future.

**Global manufacturing supply conditions and prices**



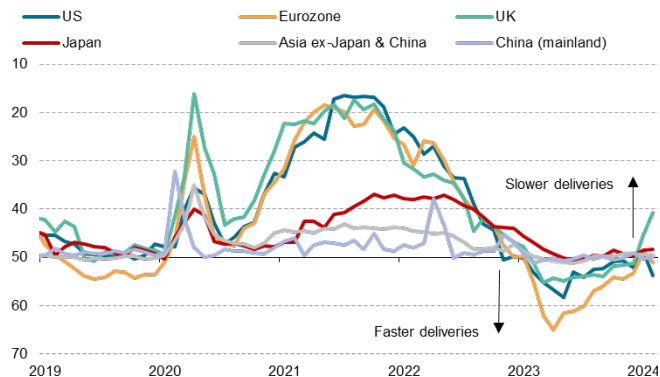
Data compiled March 2024 with PMI to February 2024. PMI (Purchasing Managers' Index) value of 50 = no change on prior month. Sources: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence. © 2024 S&P Global.

**Outlook**

It therefore seems likely that the Red Sea impact will prove fleeting in its impact on global manufacturing production and prices, albeit worthy of close monitoring in the months ahead. Furthermore, there are some economies which continued to be harder hit by Red Sea related shipping delays than others in February, with the UK notable in seeing

an especially sharp rise in supplier delays. In contrast, supplier leading times shortened in the US and Eurozone, and were largely unchanged across Asia.

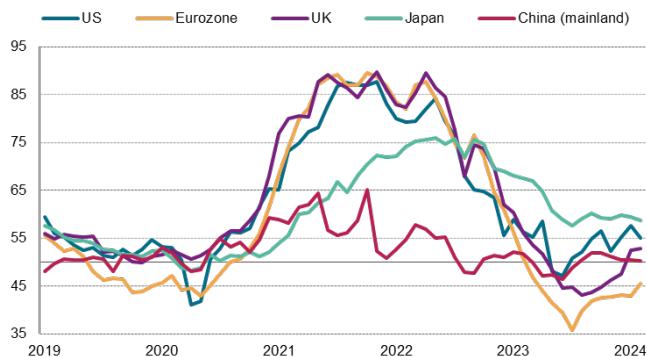
**Manufacturing PMI supplier delivery times**



Data compiled March 2024 using PMI data updated to February 2024.  
 PMI (Purchasing Managers' Index) 50 = no change on prior month.  
 Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.  
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The UK therefore looks especially susceptible to some upward pressure on inflation in the coming months, its PMI manufacturing input cost gauge signalling rising cost pressures against cooling trends in the US, Japan and China and falling prices in the eurozone.

**Manufacturing PMI input price index**



Data compiled March 2024 using PMI data updated to February 2024.  
 PMI (Purchasing Managers' Index) 50 = no change on prior month.  
 Source: S&P Global PMI with HCOB, Caixin, au Jibun Bank, S&P Global Market Intelligence.  
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And here lies the broader concern: with central banks eager to see further progress towards sustainable achievement of their inflation targets, any reversal of the disinflationary trend for goods prices could be enough to deter policymakers from feeling confident enough to reduce interest rates.

**Chris Williamson**

Chief Business Economist  
 S&P Global Market Intelligence  
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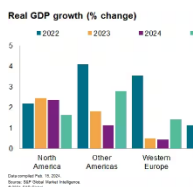
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	<a href="#">Monthly PMI Bulletin: February 2024</a>	8-Feb	Jingyi Pan
	<a href="#">PMI® Comment Trackers reveal Europe hardest hit by Red Sea crisis with food sector among most affected</a>	8-Feb	Jingyi Pan
	<a href="#">Trade downturn eases at start of 2024 despite Red Sea disruptions</a>	7-Feb	Jingyi Pan
	<a href="#">Global PMI signals faster economic growth and brighter prospects at start of 2024</a>	6-Feb	Chris Williamson
	<a href="#">Global PMI signals lowest inflation rate since October 2020</a>	6-Feb	Chris Williamson
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Americas	<a href="#">US flash PMI indicates steady growth in February as price pressures cool further</a>	22-Feb	Chris Williamson
	<a href="#">US flash PMI signals steep fall in inflation at start of 2024</a>	25-Jan	Chris Williamson
Asia-Pacific	<a href="#">Flash PMI signal cooling inflation and stagnating private sector activity in Japan</a>	22-Feb	Jingyi Pan

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### Global economic outlook: Growth prospects brighten, inflation outlook more cloudy



Our annual global real GDP forecast for 2024 has been revised up from 2.3% to 2.5%. This primarily reflects a significant upward revision to our US forecast, related to unexpectedly strong growth in the final quarter of 2023. Some of that strength is also expected to persist in early 2024.

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### PMI Insights: A look at the Americas



The economists see quite a subdued picture in Canada from their latest survey results. Firms are concerned about high interest rates and how they may squeeze clients' budgets. The newly launched PMI for the Canadian service sector, which covers private sector services accounting for about half of the country's GDP, offers additional insights into business activity, new orders, employment and more.

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