

Week Ahead Economic Preview

US inflation and FOMC minutes in focus

10 April 2023

The coming week sees important updates to inflation rates in the US, mainland China and Eurozone, as well as the release of minutes from the latest rate-hiking FOMC and ECB meetings. Policymakers at the Bank of Canada meanwhile gather to set rates. Also look out for UK GDP and Eurozone industrial production data, as well as updated US retail sales and mainland China's trade numbers.

March saw both the FOMC and ECB hike interest rates by 25 and 50 basis points respectively despite the flaring of banking sector stress. Minutes from these meetings will be eagerly digested in the coming week to assess the extent to which policy may soon be put on hold, given the recent tightening of financial conditions.

Fresh inflation data will add to the debate, with final consumer price data set to show a notable cooling in Europe amid lower energy prices and set to moderate from a monthly rise of 0.4% to 0.2% in the US. However, eyes will be focused on the core inflation reading in the US, which consensus currently expects to hold at an elevated 0.5%.

The Bank of Canada had already paused its year-long rate hike process, and a drop in inflation to a 13-month low appears to have vindicated that decision. This week's meeting will therefore likely see the BoC remain on hold.

In the UK, an update to the monthly GDP statistics will be the focus of the week, with economists pencilling in a 0.1% drop in output to represent partial payback from a 0.3% gain in January and adding to the sense of an economy that is broadly stagnant. However, note that recent PMI data have surprised to the upside.

In APAC, mainland China's trade data are expected to show a rebound in both imports and exports after the easing of COVID-19 containment measures, while inflation is expected to have remained subdued. Singapore's GDP and data for the Australian labour market will also be keenly awaited.

Finally, S&P Global also releases its Investment Manager index, tracking expectations among US equity market asset managers. Last month's report showed ongoing risk aversion, and the latest banking sector turmoil makes for an interesting backdrop to the latest poll.

Recessions averted or delayed?

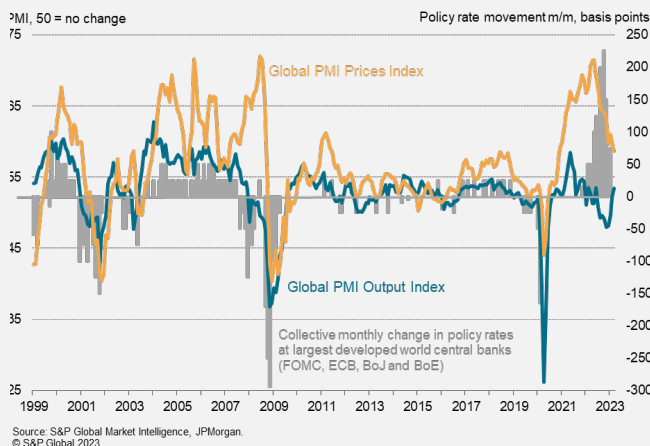
Gauging the next moves by the world's major central banks has become increasingly difficult, with recent PMI survey data showing global inflation gauges cooling but economic growth re-accelerating.

As our graphic illustrates, the global PMI input price gauge has followed a logical path of falling as monetary policy has been tightened aggressively. Economic growth, as measured by the PMI Output Index, had been falling sharply late last year, in line with what one would expect following rate hikes, but is now – unexpectedly –reviving. The March data were broadly consistent with approximately 3% annualised GDP growth (see special report).

The broad consensus appears to be one where this recent growth acceleration is short lived. Recent financial market turmoil, the further impact of recent interest rate hikes and the ongoing cost of living squeeze, appear likely to exact further tolls on global demand.

Expectations are mixed, however, as to whether growth will weaken to the extent that economies including the US and Eurozone fall into recessions. Clearly, upcoming data will help enlighten us. In the meantime, you can [listen to our podcast](#) where S&P Global Market Intelligence experts weigh up whether recessions have been averted or merely delayed.

Global PMI output and prices vs. monetary policy



Key diary events

Monday 10 April

Easter Holiday

Greece CPI (Mar)

Greece Industrial Production (Feb)

United States CB Employment Trends Index (Mar)

Tuesday 11 April

China CPI (Mar)

China PPI (Mar)

Norway CPI (Mar)

South Korea Central Bank Meeting (11 Apr)

Australia NAB Business Confidence (Mar)

South Africa Foreign Reserves (Mar)

Hong Kong Foreign Reserves (Mar)

Eurozone Sentix Investor Confidence (Apr)

Eurozone Retail sales (Feb)

South Africa Manufacturing Production (Feb)

Brazil CPI (Mar)

Wednesday 12 April

South Korea Unemployment Rate (Mar)

Japan PPI (Mar)

India CPI (Mar)

India Industrial Production (Feb)

United Kingdom Report on Jobs (Mar)

Brazil Retail Sales (Jan)

United States CPI (Mar)

United States Real Earnings (Mar)

Canada Central Bank Meeting (12 Apr)

United States FOMC Meeting Minutes

Thursday 13 April

Australia Unemployment Rate (Mar)

China Trade Balances (Mar)

United Kingdom Construction Output (Feb)

United Kingdom GDP MoM (Feb)

United Kingdom Manufacturing Production (Feb)

United Kingdom Trade Balances (Feb)

Germany CPI (Mar)

Italy Industrial Production (Feb)

Eurozone Industrial Production (Feb)

Ireland CPI (Mar)

Portugal CPI (Mar)

United States PPI (Mar)

Germany Current Account Balances (Feb)

Friday 14 April

Greece & India Holiday

Singapore GDP (Q1)

India WPI Inflation (Mar)

France CPI (Mar)

Spain CPI (Mar)

United Kingdom Labour Productivity (Q4)

Brazil Service Sector Growth

United States Retail Sales (Mar)

* Press releases of indices produced by S&P Global and relevant sponsors can be found [here](#).

What to watch

Americas: US CPI and PPI data, Canada Central Bank meeting, Brazil CPI and Retail sales

The Fed will be keeping an eye on the US CPI and PPI figures set for release this coming week. After already seeing a moderation in price pressures, in part due to an easing of pressure on supply chains amid a weaker demand climate, the latest figures will provide clues as to whether the current downward trajectory has been sustained. FOMC Meeting Minutes will also be published on the day the CPI figures are released. The CB Employment Trends Index and data on Real Earnings will also be published in the US in the coming week.

The Bank of Canada meeting is scheduled for mid-week. Interest rate hikes have been aggressive since early-2022. However, with focus shifting to propelling growth, the current stance on monetary policy is anticipated to remain unchanged.

Turning to the South of America, Brazil CPI and Retail sales will be published in the coming week.

Europe: UK Industrial Production and GDP figures, CPI figures released across an array of European countries

In the UK, GDP and Industrial production data will be published. Additionally, the KPMG/REC Reports on Jobs will also offer an extensive picture of the current trends across the UK labour market.

Elsewhere, CPI figures for March are set to be released for Ireland, Germany, Greece, Portugal, France, Spain and other European countries, and will be looked at closely for signs of persistent inflation. Eurozone Industrial Production (Feb) and Retail Sales (Feb) will also be awaited eagerly.

Asia-Pacific: China CPI and PPI, India CPI, Singapore GDP, Bank of Korea Interest Rate decision, Australia employment data

Both of the largest Asian economies, China and India, are set to release their CPI figures next week. China Trade Balances will also be keenly anticipated. The Central Bank of South Korea will be convening to update monetary policy in the coming week. Other data to watch for will be the GDP figures (Q1) for Singapore and employment data for Australia.

Special reports:

Global economic growth accelerates further in March amid service sector revival | Chris Williamson | [page 4](#)

Recent PMI and economic analysis from S&P Global

Global	Supply improvement boosts global factory output, but demand continues to fall	5-April	Chris Williamson
	Global manufacturing input cost inflation sinks to 32-month low	5-April	Chris Williamson
	Global manufacturing labour market cools amid shift to cost-cutting	5-April	Chris Williamson
	Flash PMI data signal accelerating developed world economic growth in March	28-Mar	Chris Williamson
Americas	US flash PMI signals faster economic growth in March, but also warns of rising price pressures	28-Mar	Chris Williamson
Europe	UK economic resilience in March signalled by flash PMI	24-Mar	Chris Williamson
	UK wage growth cools amid uncertain economic outlook	17-Mar	Chris Williamson
Asia-Pacific	Singapore manufacturing output weakens in early 2023	31-Mar	Rajiv Biswas
	APAC region expected to be resilient to global headwinds in 2023	17-Mar	Rajiv Biswas
Africa	Nigeria cash crisis hits activity in February	7-Mar	Andrew Harker
Commodities	Weekly Pricing Pulse: Commodities down amid market turmoil	23-Mar	Michael Dall

S&P Global Economics & Country Risk highlights

US Monthly GDP Index for February 2023



Monthly US GDP rose 0.2% in February. The increase was essentially accounted for by an increase in the pace of nonfarm inventory investment. Final sales were nearly flat. Within final sales, increases were recorded for residential fixed investment and the (imputed) portion of monthly GDP not covered by the monthly source data, while decreases were recorded for personal consumption expenditures, nonresidential fixed investment, and net exports.

[Click here to read our research and analysis](#)

PMI Insights: Inflation trends, China re-opening, top 10 indicators



Tune in for the latest trends seen in our Purchasing Managers Index data. Economists on our Purchasing Managers' Index team use the prism of our PMI datasets to look at some of the most important themes in the global economy at the start of 2023. These include inflation, the recent reopening of China's economy, and supply chain risks.

[Click here to listen to this podcast by S&P Global Market Intelligence](#)

For further information:

For more information on our products, including economic forecasting and industry research, please visit <https://www.spglobal.com/>. For more information on our PMI business surveys, please visit [here](#).

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Special Focus

Global economic growth accelerates further in March amid service sector revival

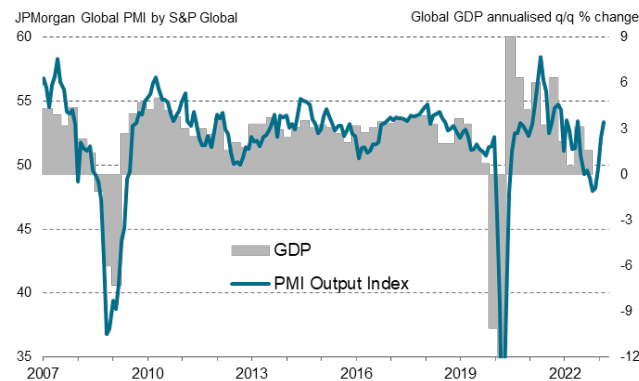
Global business activity accelerated further in March, reaching a nine-month high, according to the S&P Global PMI surveys based on data provided by over 30,000 companies. While India once again recorded the fastest expansion, all other major economies bar the UK and Australia, reported improved performances.

The data therefore helps to further allay worries of imminent recessions in the world's leading economies. However, concerns persist about the sustainability of the upturn. In particular, an ongoing decline in demand for goods leaves the global economic recovery largely dependent on reviving service sector activity, notably among consumers and financial services, which itself looks susceptible to weakness in coming months given recent monetary policy tightening by the major central banks of the US and Europe

Global business activity growth accelerates

A fourth successive monthly rise in the global PMI's headline output index took the pace of growth to its highest for nine months in March. At 53.4, up from 52.1 in February, the Global PMI – compiled by S&P Global across over 40 economies and sponsored by JPMorgan –has now signalled two months of accelerating economic growth after a six month period of contraction up to January.

Global PMI vs. GDP



The latest reading is broadly indicative of worldwide GDP rising at a quarterly annualized rate of approximately 3.0%, helping to further allay worries of the global economy being in recession.

India and Spain lead global growth rankings

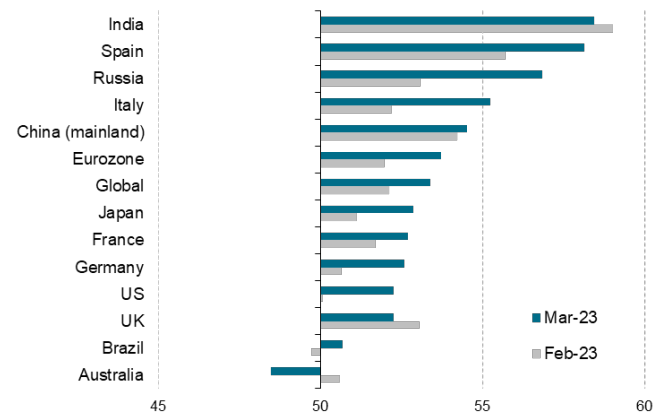
Looking at the world's largest economies, India once again reported the fastest expansion and is continuing to enjoy its strongest growth spell for over a decade.

Spain, and to a lesser degree Italy, also reported well-above average growth in March, with buoyant service sector activity accompanied by solid manufacturing performances in both cases.

Russia also saw notably strong and accelerating growth as domestic firms compensated for a further steep downturn in trade flows arising from sanctions.

Growth in mainland China likewise accelerated, rising to a nine month high on the back of resurgent service sector activity following the recent easing of COVID-19 containment measures.

Composite PMI, output index (manufacturing and services)



Sources: S&P Global, CIPS, au Jibun Bank, Judo Bank, Caixin. © S&P Global 2023

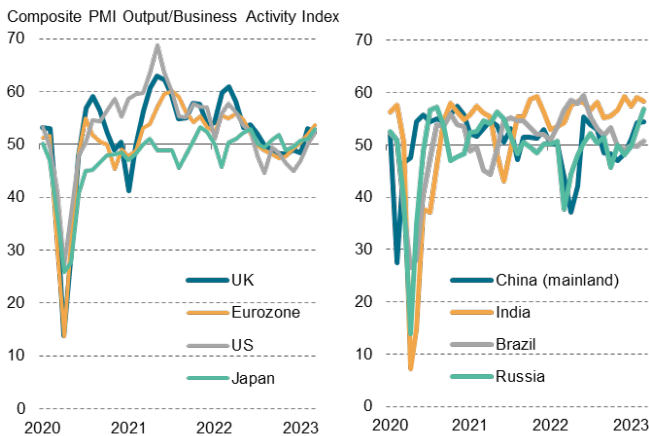
Although below average growth was recorded in Japan, France, Germany and the US, in all cases the rate of expansion accelerated compared to February, in each case driven by reviving service sector activity.

Growth meanwhile slowed in the UK, though remained in positive territory for a second month running thanks to a solid expansion of activity in the service sector.

Brazil reported rising output for the first time in five months, as a recovery in service sector activity helped offset a steepening manufacturing decline.

That left Australia as the only major economy (for which composite PMI data are available) in decline.

Major emerging economies, PMI output



Sources: S&P Global, Caixin, au Jibun Bank, CIPS.
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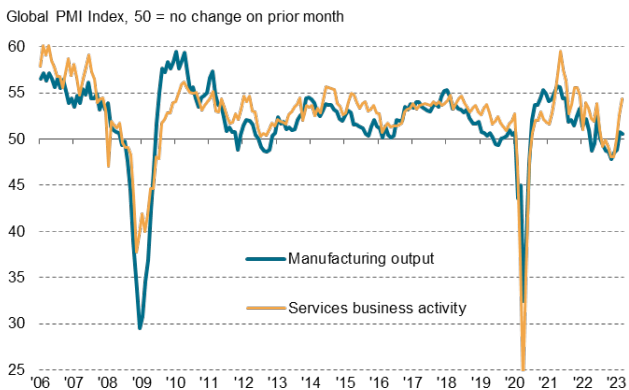
Growth dependence on the service sector

A common thread running through the majority of the national PMI surveys was the extent to which growth was driven in March by the service sector, which has accounted for much of the improvements in economic performance since the downturns seen late last year.

Measured overall, service sector growth accelerated globally in March to the fastest since December 2021. By contrast, manufacturing output barely rose for a second month running, the rate of growth slipping slightly compared to February – albeit still representing an improvement on the downturn seen in the prior six months.

Barring two months during the pandemic lockdowns – May and October 2021, the latest outperformance of the service sector relative to manufacturing is the widest recorded since 2009.

Global PMI output by sector



Sources: S&P Global Market Intelligence, JPMorgan.
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Widening demand divergence by sector

There was an even greater sector divergence in terms of new order inflows, where the gap between services and manufacturing grew for the fourth month running. While manufacturing new orders fell for a ninth successive month in March, dragged down by an accelerating slump in global goods exports, service sector new business inflows grew at the steepest rate for a year, with exports registering the largest monthly gain since February 2022.

Global PMI new orders by sector

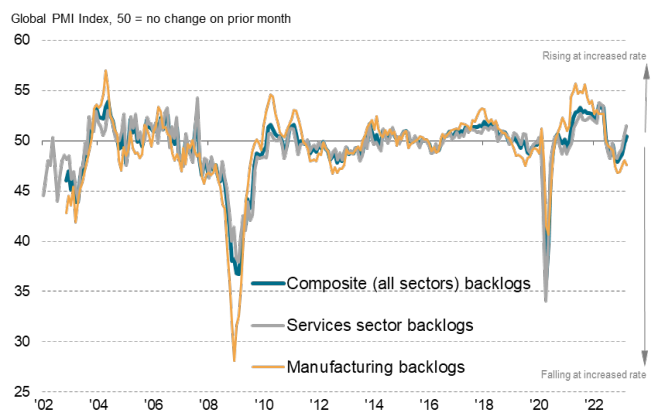


Source: S&P Global Market Intelligence, JPMorgan.
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Backlogs of goods provide hints for future performance

Perhaps one of the most worrying divergences was seen in terms of backlogs of work. The amount of orders that companies have either not yet started work on, or have yet to complete, typically provides a key metric on future output levels.

Global backlogs of work



Sources: S&P Global, JPMorgan.
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While manufacturing had seen an especially steep build up in backlogs of work at the height of the pandemic, linked to an inability to fulfill orders due to supply constraints, manufacturing backlogs have now fallen globally for nine straight months, with the rate of decline remaining among the steepest seen over the

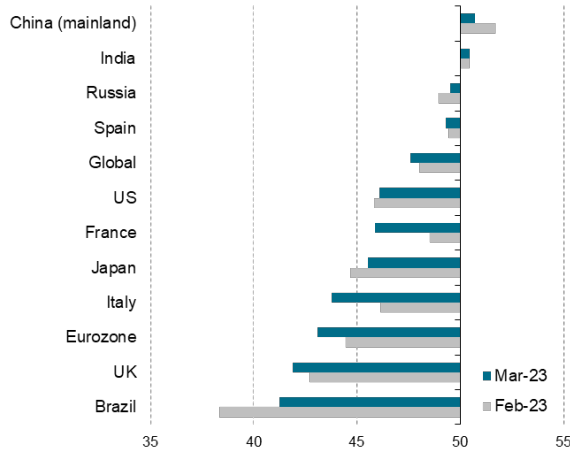
past 15 years in March. The erosion of these order backlogs, combined with a further fall in new orders, suggest factory output will weaken in coming months absent a revival of new demand.

In contrast, service sector backlogs rose in March, up for a second month after seven months of decline, growing at the steepest rate since last May. This build-up of uncompleted work suggests that the service sector will continue to expand output in April, providing a key pillar of growth in the month ahead at a time of likely further pressure on the manufacturing sector.

Sustainability of upturn in question

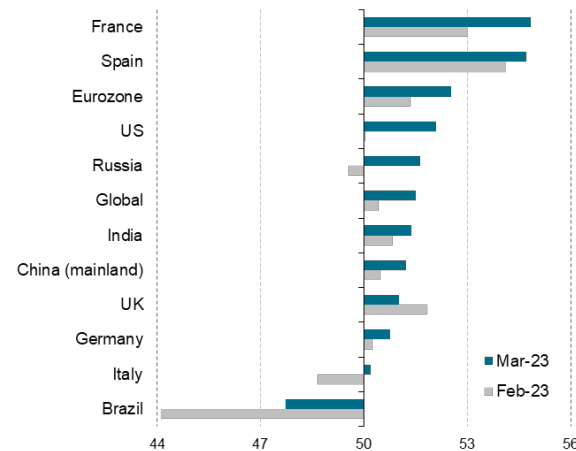
Geographically, the rise in service sector backlogs has been most pronounced in France and Spain, followed by the US. This has been in part linked to rising travel and tourism business, as well as a reviving financial service activity (which saw a steep decline in activity last year). This does, however, raise questions about the sustainability of these key areas of support to global growth, given the further tightening of monetary policy amid an ongoing cost of living squeeze and elevated banking sector concerns.

Manufacturing PMI, backlogs of work



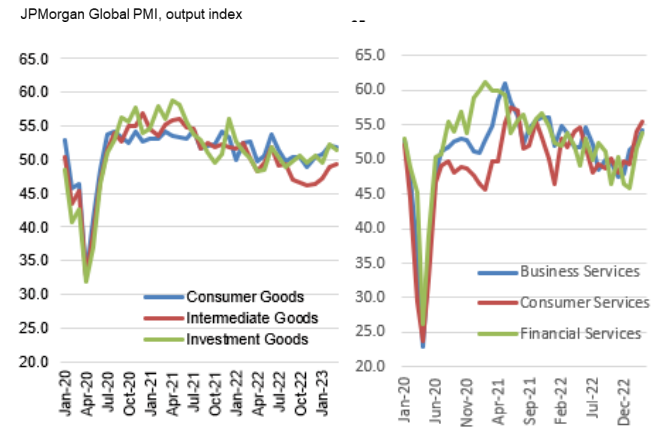
Sources: S&P Global, JPMorgan, CIPS, au Jibun Bank, BME, AERCE, Caixin.

Services PMI, backlogs of work



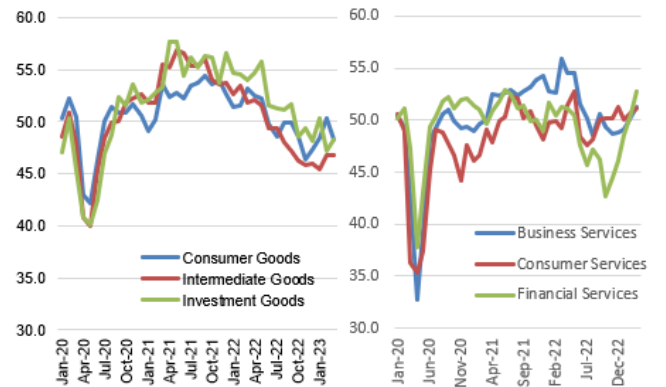
Sources: S&P Global, JPMorgan, CIPS, au Jibun Bank, BME, AERCE, Caixin.

Global output by sector



Source: S&P Global, JP Morgan © 2023 S&P Global.

Global backlogs of work by sector



Source: S&P Global, JP Morgan © 2023 S&P Global.

Access the global PMI press release [here](#).

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