

Week Ahead Economic Preview

July flash PMIs, CPI, and Eurozone sentiment data in focus

17 June 2022

Flash PMIs will be released towards the end of the week for the US, UK, Eurozone, Japan and Australia. The surveys will offer a first look into worldwide economic conditions in June and will follow CPI data for Hong Kong SAR, the UK, Canada, Singapore, Japan and Malaysia. Some key economic releases, such as Eurozone, US and India current accounts as well as UK retail sales are also lined up.

May global PMI data indicated generally weaker economic performances amid the headwinds of lockdowns in mainland China and the Ukraine war, which stymied the boost from economies reopening from Omicron. Flash PMI data will indicate whether these slowdowns have become more entrenched (see box), with eyes particularly focus on the US numbers for manufacturing and services following the Fed's 75 basis point rate hike. Supply performance will also be closely watched, given recent difficulties sourcing materials, as will the price gauges for signs of inflation hopefully peaking.

Meanwhile in the UK, the latest Bank of England Monetary Policy meeting resulted in a fifth straight rate hike to 1.25%, its highest for 13 years. Policy makers will therefore be keeping a close eye on inflation data released mid-week while retail sales and consumer confidence will also be eagerly anticipated as households struggle under the weight of soaring energy bills and food prices.

In addition for Europe, the flash PMI data for the Eurozone, Germany and France are supplemented by construction output figures, and sentiment surveys including the closely watched IFO survey for Germany.

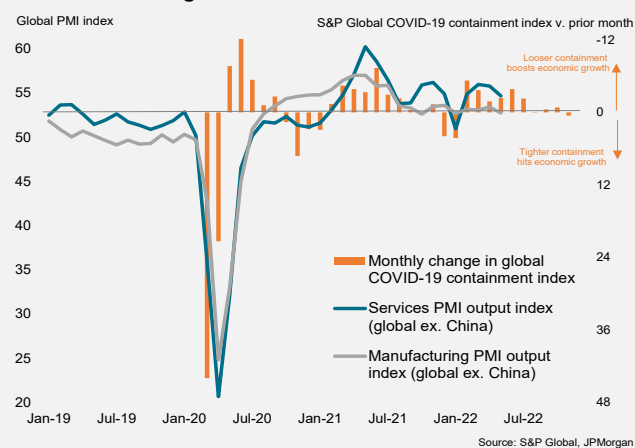
Elsewhere, in the APAC region the BSP is expected to hike interest rates again in the Philippines as inflation surges while activity growth continues (according to S&P Global Philippines PMI). Thailand manufacturing data will also become available towards the end of the week which should shed further light on the sectors performance amidst worsening price pressures and weak supply.

A Wile E. Coyote moment for the global economy?

The latest PMI survey data indicate that, if mainland China is excluded, global growth retained encouraging resilience in May. Although losing some momentum, the [global PMI's output index](#) excluding China remained indicative of annualized GDP of around 3.5%. However, there's a big question as to whether the global economy is experiencing something of a [Wile. E Coyote](#) moment, whereby the cartoon character defies gravity by running on air momentarily having sped off a cliff, only to then plummet down.

The concerns rest on the fact that global manufacturing growth has weakened amid ongoing supply constraints and soaring prices, leaving growth reliant on the service sector. [Detailed PMI data](#) in fact reveal how the main impetus to global growth is coming from a revival in spending on consumer-oriented services such as tourism and recreation, as many of the world's largest economies reopen from Omicron related restrictions.

Global economic growth and COVID-19 containment



As our chart shows, we can expect some further support to service sector growth from a further loosening of global COVID-19 containment measures in June and, to a lesser extent, July. But this stimulus is clearly fading, and is also being countered by various headwinds, most notably the cost-of-living crisis, falling consumer confidence and rising interest rates. Hence, flash PMI data, updated on 24th June, will provide all-important steers on the latest health of the service sectors of the major developed economies, and help assess the risk of recession.

Key diary events

Monday 20 Jun

United States Market Holiday
Germany Producer Prices (May)
Eurozone Construction Output (May)
Taiwan Export Orders (May)
India Current Account /GDP (May)

Tuesday 21 Jun

Hong Kong SAR CPI (May), Overall Balance (Q1)
United States National Activity Index (May), Existing Home Sales (May)
Canada NHPI (May), Retail Sales (Apr)

Wednesday 22 Jun

Bank of Japan policy meeting minutes
New Zealand Annual Trade Balance (May)
Thailand Customs-Based Trade Data (May)
United Kingdom CPI (May), PPI (May)
United States Mortgage Market Index (Jun)
Canada CPI (May)
Eurozone Flash Consumer Confidence (Jun)

Thursday 23 Jun

South Korea PPI Growth (May)
Australia S&P Global Flash PMI, Manufacturing & Services* (Jun)
Japan au Jibun Bank Flash PMI, Manufacturing & Services* (Jun)
UK CIPS/S&P Global Flash PMI, Manufacturing & Services* (Jun)
Germany S&P Global Flash PMI, Manufacturing & Services* (Jun)
France S&P Global Flash PMI, Manufacturing & Services* (Jun)
Eurozone S&P Global Flash PMI, Manufacturing & Services* (Jun)
US S&P Global Flash PMI, Manufacturing & Services* (Jun)
Japan Foreign Bond Investment (Jun)
Thailand Manufacturing Production (May)
Singapore CPI (May)
United Kingdom PSNB (May), PSNCR (May)
Norway Labour Force Survey (Apr), Key Policy Rate (May)
Philippines Policy Interest Rate (Jun)
Taiwan Industrial Output (May), Jobless Rate (May)
United States Current Account (Q1)

Friday 24 Jun

United Kingdom GfK Consumer Confidence (Jun), Retail Sales (May)
Germany Ifo Business Climate New (Jun)
Malaysia CPI (May)
US University of Michigan consumer sentiment (June, final)
US new home sales (May)

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

What to watch

June S&P Global flash PMIs

June's flash PMIs will be released across the US, UK, Eurozone and APAC economies including Japan and Australia. May's figures told of slowing growth and persistent price pressures, which were exacerbated by geopolitical tensions and shortages. Amid surging inflation and a general movement towards tightening monetary policy, June's PMIs will be closely watched by policymakers. Not only will June's releases provide a steer on economic growth rates and demand, but they will also shed light on the trajectory for inflation via input costs and selling price indices. Suppliers' delivery times data will likewise be assessed after some sign of supply chain stress easing in May, but output was still often constrained by supply bottlenecks after shortages for some key inputs continue to be a common theme across the economy.

Americas: US housing market updates, Current Account and Canada CPI, consumer sentiment

US consumer sentiment, new and existing home sales and mortgage market data will be eyed for household well-being indications in the face of rising inflation and soaring mortgage costs. Current account data will be also released for the US. CPI data for Canada will also be anticipated and is expected to remain elevated.

Europe: Eurozone Construction Output, Consumer confidence, Germany Ifo business climate

Construction output is expected out of the Eurozone alongside June consumer confidence data. Meanwhile, Germany releases producer price numbers, as are June's Ifo business climate readings.

Asia-Pacific: Hong Kong, Malaysia and Singapore CPI data, BSP meeting and Taiwan's Industrial output figures.

The Bangko Sentral ng Pilipinas (BSP) will meet in the coming week and is expected to hike rates amid surging inflation. CPI data for various APAC regions including Hong Kong SAR, Singapore and Malaysia will be released. Lastly, Taiwan's industrial output data is expected to give an indication on manufacturing performance for May. At the same time, Thailand manufacturing figures will also be released alongside customs-based trade data.

Special reports:

Global automotive output contracts in May despite signs of semiconductor shortages easing | Jingyi Pan | [page 4](#)

ASEAN Economic Outlook for 2022-23 | Rajiv Biswas | [page 8](#)

Recent PMI and economic analysis from S&P Global

| | | | |
|--------|--|---------|---------------|
| Global | Machinery and Equipment sector output falls again in May | 13-Jun | Lewis Cooper |
| | Global automotive output contracts faster in May amid uneven regional trends and despite further signs of semiconductor shortages easing | 15-Jun | Jingyi Pan |
| Africa | Sub-Saharan African firms count the cost of war in Europe | 10-June | Andrew Harker |

S&P Global Economics & Country Risk highlights

Weekly Pricing Pulse: Commodities nudge up on higher costs



Our Markit Materials Price Index (MPI) rose 0.3% last week, following on from a 1.4% increase the previous week. This is the first time the MPI has increased for two consecutive weeks since March. However, commodity markets are currently gripped with uncertainty; demonstrated by the fact that only four of the ten subcomponents in the MPI rose last week. The general direction of commodity prices has been down over the past three months with the index now 12% lower than its all-time high established in early March.

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

Lockdowns and labor issues – the next wave of PMI insights



Local COVID-related lockdowns in mainland China, the war in Ukraine, labour shortages, and supply chain disruptions continue to negatively impact the global economy – especially in China and surrounding geographies. Our PMI surveys are showing some of the steepest reductions in overall Chinese business activity and new orders since the initial wave of the pandemic in 2020. Digging deeper into the underlying numbers, our PMI team discusses what this all means for manufacturing health, labor markets, and local policy. [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 the Solutions section of www.ihsmarket.com. For more information on our PMI business surveys, please visit www.ihsmarket.com/products/PMI

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Special Focus

Automobiles & Auto Parts PMI

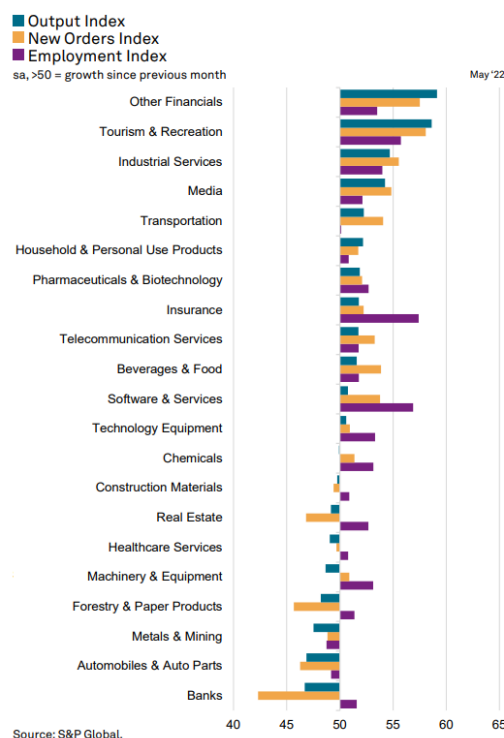
Global automotive output contracts faster in May amid uneven regional trends and despite further signs of semiconductor shortages easing

The S&P Global Sector PMI™ revealed that Automobiles & Auto Parts sector output contracted worldwide for a second successive month amid the sharpest reduction in new orders since the COVID-19 pandemic and renewed supply disruptions linked to the pandemic and Russia-Ukraine war. There were mixed trends by regions, Europe and Asia were the hardest hit, with the latter seeing output falling at a sharper rate in May. That said, a key component of automobiles production - semiconductors - continued to see its short supply situation show signs of easing in May, according to PMI data, which may bode well for the wider autos sector going forward.

Global Sector PMI shows auto sector output in contraction in May

The S&P Global Sector PMI™ indices are compiled from responses to questionnaires sent to purchasing managers in S&P Global's PMI survey panels, covering over 27,000 private sector companies in more than 40 countries. The Sector PMI tracks eight broad sectors - Basic Materials, Consumer Goods, Consumer Services, Financials, Healthcare, Industrials, Technology and Telecommunication Services - and 21 sub-sectors on a monthly basis.

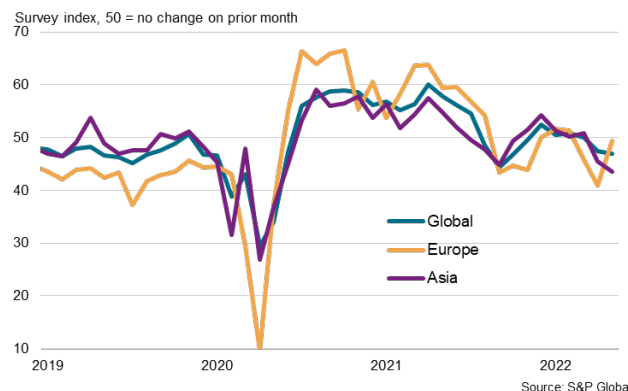
The latest May survey signalled that while most categories saw business activity improve in May, a number of sectors remained under pressure amid weak demand, supply shortages and steep prices. Many of these sectors were concentrated in the manufacturing sector, with the likes of the Automobile & Auto Parts sector ranking amongst the worst performers. May also marked the second consecutive month in which the Automobiles & Auto Parts sector saw output fall, dragging the headline PMI for the sector into contraction territory for the first time since July 2020.



Asia auto sector output declines at a faster rate in May

The rate at which the Global Automobile & Auto Parts sector declined was the fastest since October 2021. Mixed trends were observed across the continents tracked with the contraction of Europe Automobile & Auto Parts sector output easing markedly while Asia's Automobiles & Auto Parks output contraction accelerated to the fastest pace since initial months of the COVID-19 pandemic. The sector was also the worst performing in the Asia region in May.

Automobile & Auto Parts sector PMI output



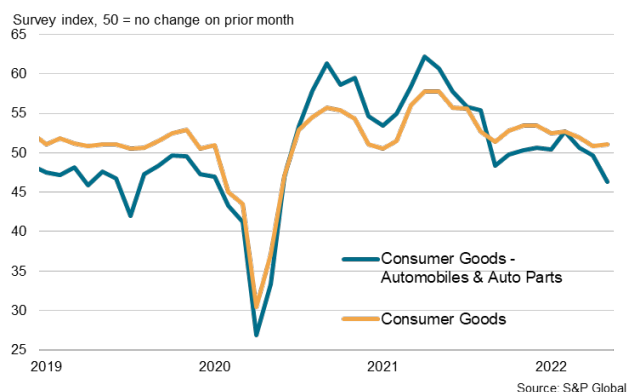
A challenging supply chain situation continued to plague the auto sector in May, with Greater China and surrounding regions, including Japan and Korea, continuing to see production impacted by COVID-19 lockdowns while the Russia-Ukraine conflict also played a part (See "[May 2022 production forecast sees variations from region to region](#)", 16 May 2022). As such, it perhaps little surprise to find Asia's production being the one to pose a drag on the overall global picture.

Global consumer goods demand waver as spending shift towards services

Leading to the poor Automobiles & Auto Parts sector output performance had also been the weakness in demand recorded in May. Automobiles & Auto Parts new orders fell at the fastest rate since May 2020, which was at the heights of when the COVID-19 pandemic first broke out.

This was set against a backdrop whereby overall [Global Consumer Goods new orders growth had been tapering into 2022 with supply chain issues, rising costs and a shift in spending towards services underpinning the trend.](#)

Consumer Goods PMI new orders indices

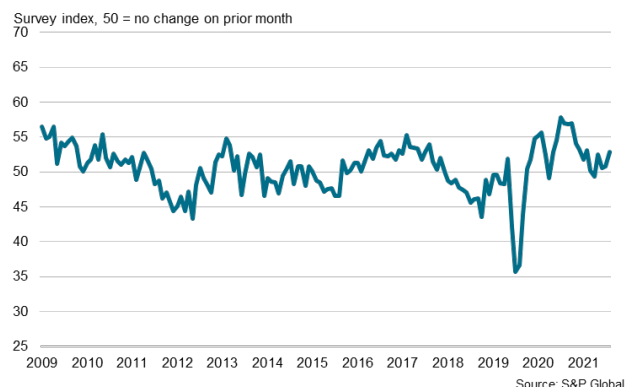


Automotive sector supply issues continue to outweigh demand decline

Despite a deterioration in demand conditions for automobiles, and correspondingly auto parts, it must be highlighted that backlogged work continued to build in the Global Automobiles & Auto Parts sector midway into the second quarter. The PMI's Backlogs of Work Index has now indicated a fourth successive month in which work outstanding rose, overlapping the two-month contraction of new orders. In fact, the rate at which backlogged work

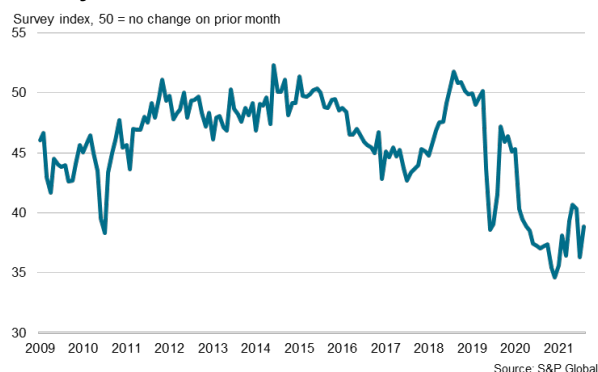
accumulated accelerated in May even as new orders fell sharply, indicating more severe supply side bottlenecks.

Global Automobile & Auto Parts sector PMI backlogs



Assessing the Suppliers' Delivery Times index, vendor performance continued to deteriorate within the Global Automobiles & Auto Parts sector. Even though the rate at which lead times lengthened declined from April, it remained indicative of widespread delays when compared to the survey history, and is nowhere near the rate when things first recovered from the COVID-19 pandemic hit in 2020.

Global Automobile & Auto Parts sector PMI suppliers' delivery times



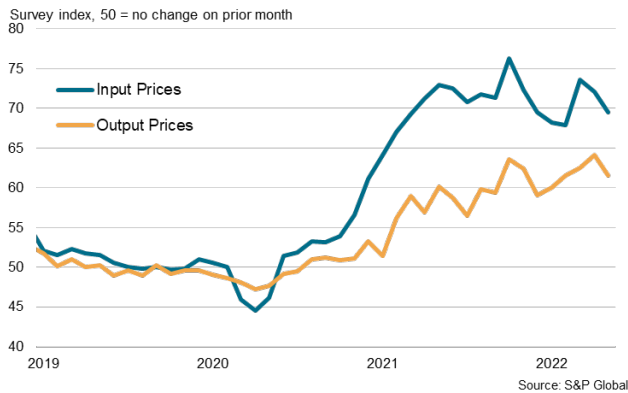
Auto sector price pressures ease marginally in May

As a result of the supply issues on hand, price pressures also remained severe in May. That said, there had likewise been some early signs of easings across both input costs and output price inflation in May in the Global Automobiles & Auto Parts sector.

By geography, Europe's Automobiles & Auto Parts sector saw both input cost and output price inflation decline from the April record rates. Input prices nevertheless rose at the sharpest pace amongst the various European business sectors tracked for a second month in a row. Over in Asia,

price pressures also showed signs of easing with input costs and output prices exhibiting much slower rates of growth compared to their western counterpart.

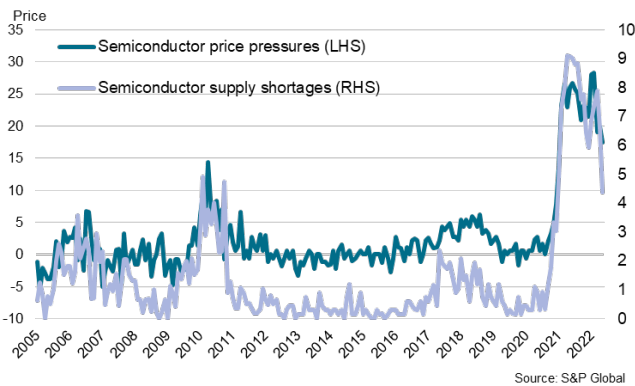
Automobile & Auto Parts sector PMI price indices



Semiconductor shortage broadly show further signs of easing in May

Deep diving into the performance of semiconductor supply and pricing situation, given the impact that this key component has on automotive production, we find that semiconductor shortages showed further signs of easing globally. This was according to our S&P Global PMI™ Commodity Price and Supply Indicators which track the development of price pressures and supply shortages each month for at least 20 items using responses gathered from the S&P Global Manufacturing PMI survey.

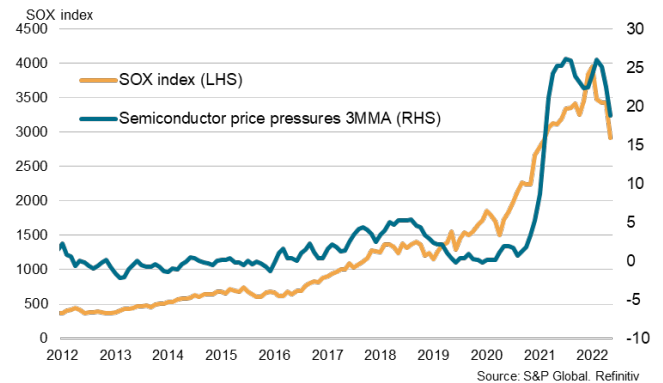
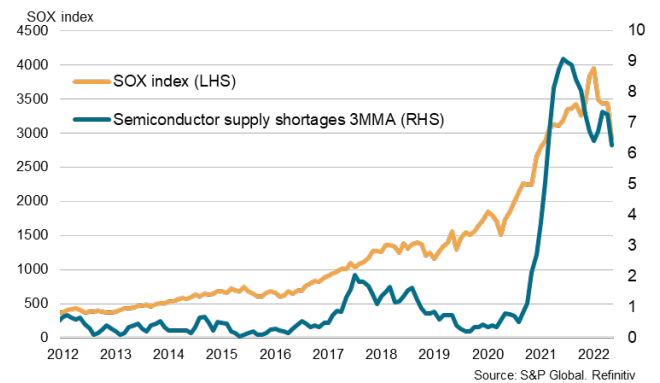
Global Commodity Price & Supply Pressures: Semiconductors



Following our update last month where the [Commodity Price and Supply Indicators](#) signalled that the semiconductor shortage displayed signs of peaking, the latest May data had only further confirmed the trend, boding well for the wider automotive sector.

In turn for the Philadelphia semiconductor index (SOX index), which we find the PMI gauges correlating with, there are indications that further SOX declines may ensue. This was as the semiconductor price pressure and supply shortages indices both pulled lower in May to the lowest readings since early 2021.

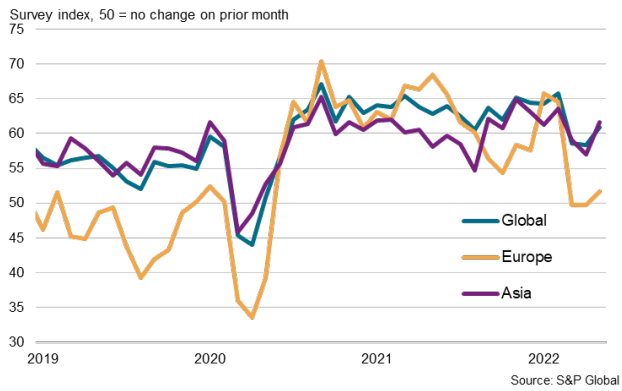
Global semiconductor supply shortages and price pressures vs. SOX index



Automotive sector outlook

Despite the Global Automobiles & Auto Parts PMI slipping into contraction for the first time in almost two years, weighed by the sharpest new orders contraction since the COVID-19 pandemic, sentiment improved globally amongst auto and auto parts makers in May. This was also the case in both Europe and even Asia despite the onslaught of supply woes gripping the sector.

Automobile & Auto Parts sector PMI future output



It is perhaps with little doubt that uncertainties persist both on the demand and supply side amid a slowdown in global growth expected and with the Ukraine war and mainland China's COVID-19 disruptions persisting. That said, the green shoots seen here from improving business confidence amongst auto and auto parts makers to easing semiconductor industry constraints may offer some semblance of hope for improvements moving forward

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Special Focus

ASEAN Economic Outlook for 2022-23

Latest S&P Global Purchasing Managers' Index (PMI) survey for May showed that the Southeast Asian economies have been resilient to the global economic shockwaves from the Russia-Ukraine war, rising global inflation and China's sharp economic slowdown. The recovery in domestic demand in many ASEAN nations due to easing COVID-19 restrictions and reopening of international borders has been a key factor helping to mitigate the impact of these external shocks.

However, although consumer inflation pressures were moderate in many ASEAN countries at the outset of 2022, inflation has been rising during the first half of 2022. Consequently, a number of ASEAN central banks have tightened monetary policy in recent months. With growth momentum in the US and EU also expected to moderate during H2 2022 and 2023, this will act as a drag on ASEAN exports to these two key markets.

ASEAN economies remain resilient

Leading economic indicators for May continue to show that many ASEAN economies have so far remained resilient to external shocks, including the Russia-Ukraine war, rising global inflation pressures and the slowdown in China. Latest PMI surveys for ASEAN economies have indicated that business conditions for output and new orders have been supported by other key factors. For many ASEAN economies, easing COVID-19 waves during the first quarter of 2022 have allowed the easing of COVID-19 restrictions, which has boosted the recovery of domestic demand.

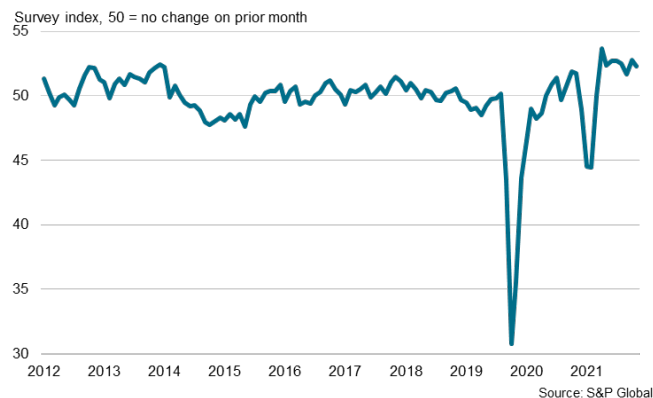
Overall, the ASEAN region is expected to show resilient real GDP growth of 4.7% in 2022. This followed expansion of 3.7% in 2021 as the ASEAN economies rebounded from the global recession in 2020, albeit the momentum of recovery was constrained by the new COVID-19 Delta waves that hit the Southeast Asian region during the third quarter of 2021.

The continued resilience of the ASEAN economies was reflected in the latest S&P Global ASEAN Manufacturing PMI survey, which showed that operating conditions across the ASEAN manufacturing sector continued to show expansion in May.

The headline ASEAN Manufacturing PMI registered at 52.3 in May, with the latest reading extending the run of expansion to eight successive months. Despite the slowdown in consumption and industrial production in China, foreign demand for ASEAN manufactured goods

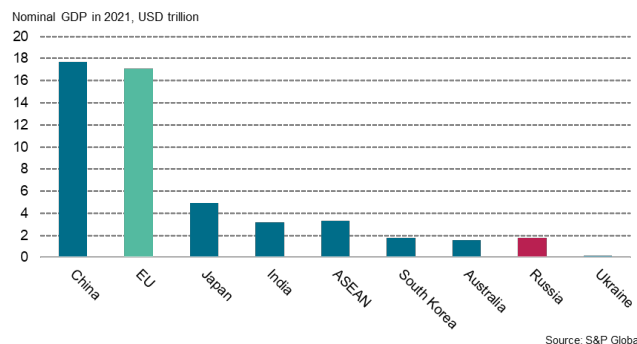
strengthened in May, with new export orders expanding for the first time in three months.

S&P Global ASEAN Manufacturing PMI



For many ASEAN economies, Russia and Ukraine are relatively small trade partners, limiting the direct vulnerability of ASEAN exports to the deep economic recessions forecast for Russia and Ukraine in 2022 due to the Russia-Ukraine war and international sanctions on Russia. However, the negative economic impact of the Russia-Ukraine war on economic growth in major ASEAN export markets, notably the EU, will have greater negative effects on exports of the ASEAN economies. The S&P Global Market Intelligence forecast for EU GDP growth in 2022 has been downgraded from 4.3% in the February 2022 forecast published just before the Russian invasion of Ukraine to 2.5% in the May 2022 forecast.

Size of ASEAN GDP compared to Russia, Ukraine and the EU



The size of the Russian economy in 2021 was comparable to a medium-sized OECD developed country such as South Korea and about half the size of ASEAN GDP, while the size of the Ukraine economy in 2021 was significantly smaller than Vietnam's GDP. Indeed, due to the deep recession forecast for the Russian economy in 2022, the size of the Indonesian economy is forecast to slightly exceed Russia's GDP, measured in nominal USD terms, for the first time.

Rising inflation pressures in ASEAN

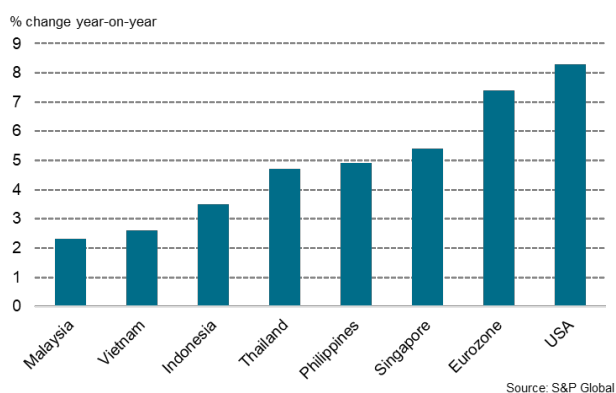
Although inflationary pressures in most ASEAN economies were relatively moderate at the outset of 2022 compared with the US and EU, concerns amongst many ASEAN central banks about rising inflation have been increasing. The Russia-Ukraine war has heightened these concerns as world commodity prices have risen further.

This has resulted in gradual tightening of monetary policy by a number of ASEAN central banks during the first half of 2022, with the Monetary Authority of Singapore already having taken tightening measures as headline CPI inflation has risen in early 2022.

In Malaysia, domestic economic growth momentum has improved during the first half of 2022. Consequently, Malaysia's central bank, Bank Negara Malaysia (BNM), decided to begin reducing the degree of monetary accommodation. At its 11th May meeting, the Monetary Policy Committee decided to increase the Overnight Policy Rate (OPR) by 25 basis points to 2.00 percent. Despite the upturn in world commodity prices due to the Russia-Ukraine war, Malaysian CPI inflation pressures still remain contained, with the April CPI reading up only 2.3% year-on-year (y/y).

In its May Monetary Policy Statement, BNM assessed that headline inflation is projected to average between 2.2% - 3.2% in 2022. BNM assessed that given the improvement in economic activity amid lingering cost pressures, underlying inflation, as measured by core inflation, is expected to trend higher to average between 2.0% to 3.0% in 2022.

ASEAN CPI inflation compared to US and EU, April 2022



In the Philippines, inflation pressures have also been rising. Both average cost burdens and output charges rose markedly during May, according to the latest S&P Global Philippines Manufacturing PMI survey. Bangko Sentral ng Pilipinas (BSP) is facing escalating headline CPI inflation pressures driven by rising energy and food prices, with the May CPI surging to 5.4% y/y from 4.9% y/y in April, well above the BSP inflation target range of 2% to 4%.

Consequently, the BSP hiked its policy rate by 25 basis points (bps) on 20th May, the first rate hike since November 2018.

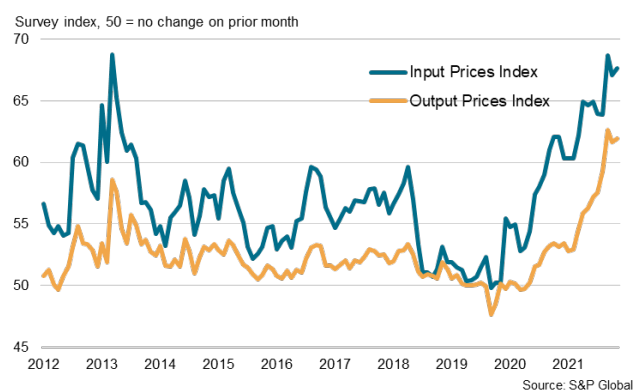
In Indonesia, CPI inflation pressures have also been gradually increasing, although the headline CPI inflation rate of 3.47% y/y in April and 3.55% y/y in May remained within the BI 3.0%±1% CPI inflation target corridor. Consequently, BI kept its benchmark 7-day reverse repo policy rate unchanged at its May monetary policy meeting. However, BI has raised the reserve requirement by 1.5% to 5.0% on 1st March 2022 with a further 1.0% increase to 6.0% on 1st June 2022.

In order to curb domestic food price inflation pressures, Indonesia decided to ban the export of palm oil with effect from 28th April, in order to contain domestic inflation pressures from rising palm oil prices for essential food products such as cooking oil. Crude palm oil prices had already been rising sharply during late 2021 and early 2022. However, the disruption of Ukrainian sunflower oil exports added to global demand pressures for palm oil as a substitute edible oil. The Indonesian restrictions on exports of palm oil were lifted in mid-May as palm fruit prices eased.

The Bank of Thailand is also confronted with rising CPI inflation pressures amidst a weak economic recovery, with CPI inflation in April having risen by 4.7% y/y.

According to the May S&P Global ASEAN Manufacturing PMI survey, price pressures for ASEAN manufacturers remained elevated as ongoing input shortages, higher fuel and raw material prices, global inflation and supply-side challenges persisted. Companies surveyed reported that they passed on a large proportion of the burden of rising input costs, with factory gate charges rising at the second fastest pace on record.

S&P Global ASEAN PMI Input and Output Prices

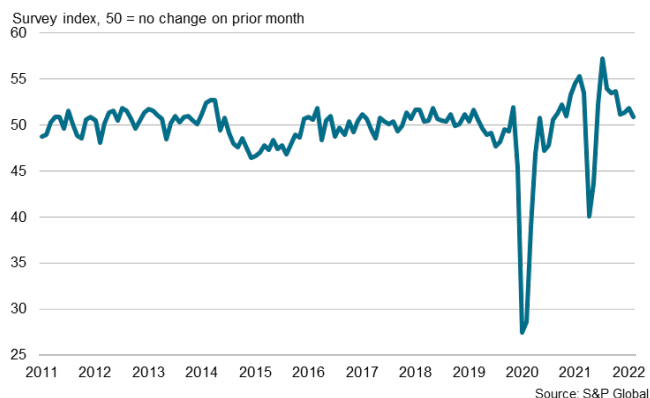


Indonesia

The Indonesian economy is the largest among the ten ASEAN member nations. Economic growth momentum in the first quarter of 2022 has remained firm, growing by 5.0% y/y, helped by continued recovery of the domestic economy. However, Indonesia's central bank, Bank Indonesia, has slightly lowered its GDP growth forecast for 2022 from a previous range of 4.7% to 5.5% to a range of 4.5% to 5.3%. This reflects their assessment that lower world growth will reduce Indonesian export growth, while higher world energy and food prices will also impact on domestic demand.

Latest manufacturing sector survey data have continued to signal expansionary conditions in Indonesia's manufacturing sector, albeit momentum has moderated. Business conditions across Indonesia's manufacturing sector improved at a slower pace in May, according to the S&P Global Indonesia Manufacturing PMI. The S&P Global Indonesia Manufacturing Purchasing Managers' Index posted 50.8 in May, down from 51.9 in April. Despite the moderation in the pace of expansion, this represented a ninth straight month of improving business conditions across the Indonesian manufacturing sector.

S&P Global Indonesia Manufacturing PMI

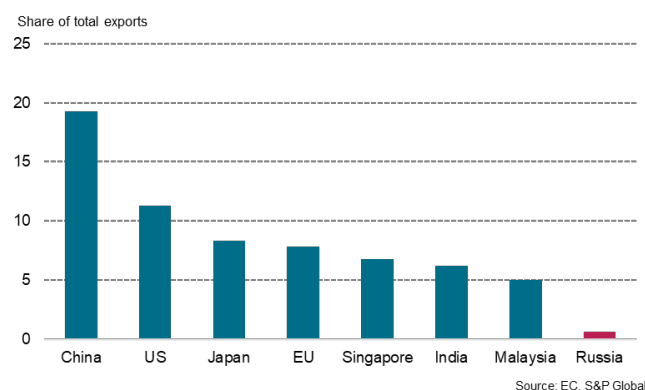


Suppliers' delivery times continued to lengthen in May and at a rate that was faster than the series average. Both supply shortages and transportation delays contributed to the deterioration in vendor performance, according to firms.

Russia is negligible in size as an export market for Indonesia, accounting for only 0.65% of total Indonesian merchandise exports in 2021. Ukraine is an even smaller export market, accounting for only 0.2% of Indonesian exports.

However, the indirect impact on Indonesia of weaker economic growth in the EU due to the Russia-Ukraine war is a more significant factor that will weigh on Indonesia's export sector in 2022, with the EU having accounted for around 7.8% of total Indonesian merchandise exports in 2021.

Indonesia's major export markets, 2021



However, Indonesia is a significant importer of wheat from Ukraine, amounting to an estimated USD 843 million in import value in 2021. Ukraine was the second largest source of wheat imports for Indonesia in value terms in 2021, with Australia being the largest source, at USD 1.4 billion. Out of total wheat imports of 11.5 million tons, Indonesia imported 3.1 million tons of wheat from Ukraine in 2021, with Australia having supplied 4.6 million tons to Indonesia. Indonesian wheat imports from Russia were negligible in 2021.

The Russia-Ukraine war has also disrupted the global edible oils market, as Ukraine accounted for about 46% of world sunflower oil exports. Crude palm oil prices had already been rising sharply during late 2021 and early 2022. The disruption of Ukrainian sunflower oil exports added to global demand pressures for palm oil.

Palm oil is one of Indonesia's key exports, amounting to USD 28.5 billion in export revenues in 2021 and around 10% of total exports.

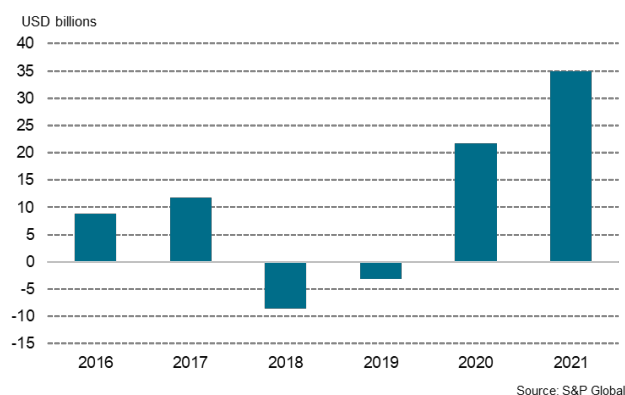
The surge in world coal prices has helped to boost Indonesian coal export values during 2021, with the Russia-Ukraine war adding to upwards pressures on world coal prices. Indonesia exported 315 million metric tons of coal in 2021.

According to S&P Global's Commodities at Sea, Indonesian coal shipments were up 23% year-on-year in April 2022, as global buyers turned to Indonesian coal as an alternative supply to Russian coal due to the Russian-Ukraine conflict. Furthermore, the price of Indonesian coal has also surged. According to the Ministry of Energy and Mineral Resources of Indonesia, the monthly benchmark coal price (HBA) basis, 6300 GAR in April 2022 was announced at USD288.40/t, a significant jump of 42 percent m/m from March 2022's USD203.69/t, reflecting sanctions on Russian coal by a number of nations due to Russia's invasion of Ukraine. Indonesia's coal exports surged to USD 3.9 billion in March 2022, up 150% year-on-year.

Meanwhile Indonesian oil and gas exports rose by 54.5% y/y in May, boosted by rising world oil and gas prices.

The strength of coal and gas exports helped to push Indonesia's trade surplus to USD 19.8 billion for the first five months of 2022. Indonesia recorded a current account surplus of 0.3% of GDP in 2021, helped by an annual trade surplus of USD 35 billion.

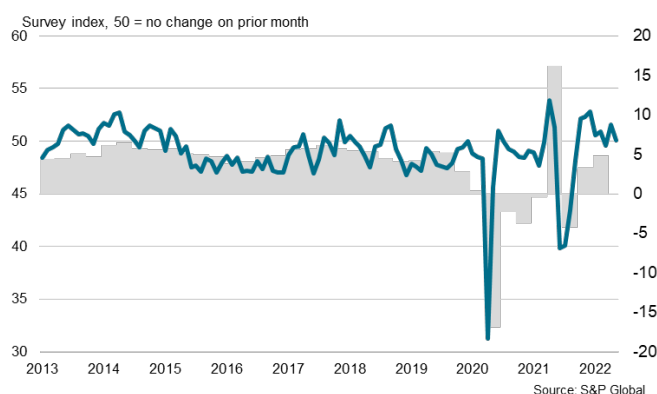
Indonesia: Trade balance



Malaysia

The Malaysian economy grew at a pace of 5.0% y/y in the first quarter of 2022, supported by a 5.5% y/y increase in private consumption and an 8.0% y/y increase in exports. Helped by improving domestic demand, the Malaysian services sector grew at 6.5% y/y and the manufacturing sector grew at a pace of 6.6% y/y in the first quarter of 2022.

S&P Global Malaysia Manufacturing PMI



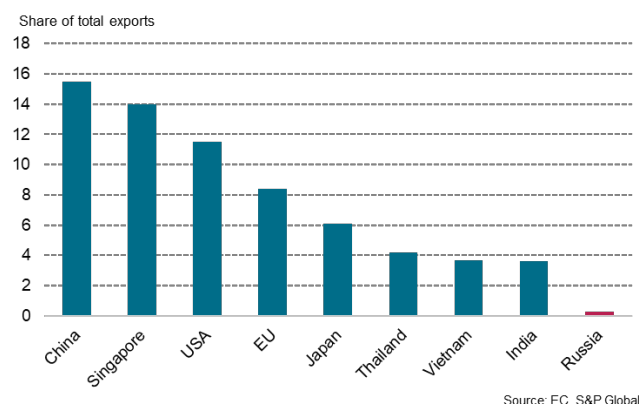
The seasonally adjusted S&P Global Malaysia Manufacturing Purchasing Managers' Index fell from 51.6 in April to 50.1 in May. While fractionally above the neutral 50.0 level, the latest reading was indicative of moderating momentum in manufacturing operating conditions.

Nevertheless, Malaysian manufacturing exports have shown strong growth in early 2022. For the first four months of

2022, exports of manufactured goods grew by 17.8% y/y, helped by rising exports of E&E products, petroleum products as well as chemicals products.

Malaysia's direct exports to Russia are very small, accounting for around 0.3% of total Malaysian merchandise exports. A more significant vulnerability is from the negative economic shock of the Russia-Ukraine war on the economies of Western Europe, since the EU accounts for 8.4% of Malaysia's merchandise exports.

Malaysia's export markets



However, as a major exporter of commodities, Malaysia is also benefiting from higher world prices for some of its major commodity exports, notably oil and gas as well as palm oil. Exports of mining goods rose by 60% y/y in the first four months of 2022, helped by rising export values for LNG and petroleum products.

Palm oil and palm-oil based products accounted for 7.8% of Malaysia's merchandise exports by value in 2021. Helped by surging palm oil prices, Malaysia's exports of palm oil and palm oil based agricultural products rose by 70% year-on-year in the first quarter of 2022. Exports of palm oil based manufactured products also rose strongly in the same period, up 54% y/y. Malaysian crude palm oil prices hit a record high in March following Russia's invasion of Ukraine, easing somewhat in late March, but rose again to similar levels after Indonesia banned palm oil exports in late April.

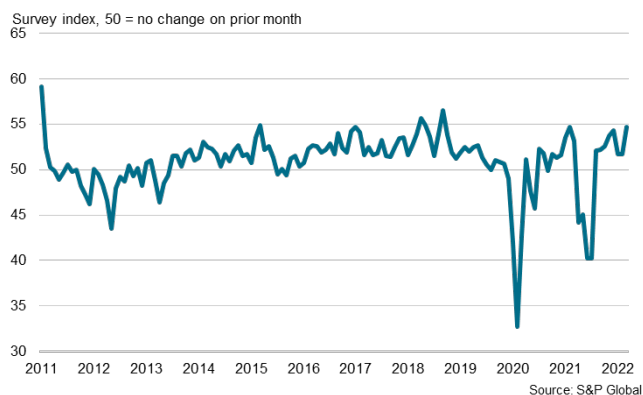
Vietnam

The Vietnamese economy has shown a significant rebound during the first half of 2022 from the severe negative impact of the COVID-19 wave that hit the nation in the second half of 2021. GDP growth in Q1 2022 was 5.0% y/y, while exports rose by 25% y/y in April.

The Vietnam Manufacturing Purchasing Managers' Index rose to 54.7 in May from 51.7 in April, signalling a marked monthly improvement in the health of the private sector. Business conditions strengthened to the greatest extent in

just over a year. Manufacturing production continued to recover from the pandemic-induced decline seen in March, rising for the second month running in May. Moreover, the rate of growth was sharp and the fastest since April 2021. Purchasing activity was also ramped up in response to new order growth, with the rate of expansion quickening to a three-month high.

S&P Global Vietnam Manufacturing PMI



The lockdowns in mainland China did impact on Vietnam's manufacturing sector in two principal ways - limiting export demand and causing further delivery delays.

Philippines

The Philippines economy has shown strong growth momentum in early 2022, with GDP growth rising to 8.3% y/y. The easing of domestic COVID-19 restrictions allowed the rebound of household consumption spending in the first quarter of 2022.

S&P Global Philippines Manufacturing PMI

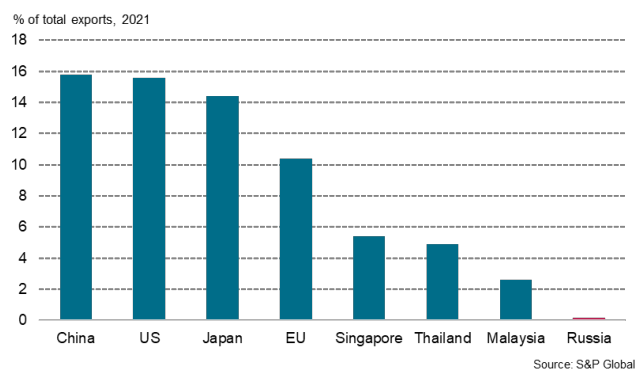


The S&P Global Philippines Manufacturing PMI continued to show strong expansion in May, at 54.1, similar to the 54.3 reading in April. The latest headline index reading signaled a sustained positive growth momentum across the manufacturing sector, at a pace that was the second fastest since November 2018.

Business confidence amongst companies surveyed regarding the 12-month outlook for output improved to a four-month high in April. Easing COVID-19 containment measures underpinned forecasts of stronger demand conditions and rising output in the coming months.

As with most other ASEAN nations, direct trade exposure to Russia is very limited. For the Philippines, merchandise exports to Russia amounted to just 0.2% of total exports in 2021. However, the indirect transmission effects from weaker growth in Western Europe are a greater vulnerability for the Philippines export sector, since the EU accounted for 10.4% of total Philippines exports in 2021.

Philippines export markets



ASEAN outlook

Although ASEAN regional growth momentum has been resilient during the first half of 2022, there have been a growing number of negative external shocks that have created downside risks for the second half of 2022.

Firstly, the macroeconomic shocks from the Russia-Ukraine war are continuing to reverberate through the world economy. While Southeast Asian nations have been relatively resilient to the initial shocks, the duration and potential further escalation of the war create considerable uncertainties for the near-term outlook.

As Russia and Ukraine account for a relatively low share of total exports for most ASEAN economies, the direct vulnerability of the Southeast Asia region to deep economic recessions in Russia and the Ukraine in 2022-23 is relatively limited.

However, a much greater vulnerability for the ASEAN region is from the macroeconomic shocks to major economies in the EU from the Russia-Ukraine war, notably through higher energy prices and potential disruption of Russian oil and gas supplies to the EU. Due to the importance of the EU as a key export market for many ASEAN economies, a significant slowdown in EU economic growth is a key vulnerability for ASEAN exports.

Secondly, as the Chinese economy has also experienced a significant slowdown since March due to the impact of COVID-19 related restrictions in a number of major cities, including Shanghai, Beijing and Shenzhen, this creates a downside risk to ASEAN's export sector in the near-term, until China's domestic demand rebounds.

Thirdly, rising US inflation and aggressive monetary policy tightening by the US Fed during 2022 is also expected to result in a slowdown in US economic growth in 2023, which will also act as a drag on ASEAN exports.

Global transmission effects through higher world commodity prices for energy, metals and agricultural commodities are also impacting ASEAN economies, pushing up inflation pressures and increasing import costs, notably for ASEAN energy-importing nations such as Thailand and the Philippines. Furthermore, a number of ASEAN central banks have tightened monetary policy during the first half of 2022, with further monetary policy tightening expected from many ASEAN central banks in the second half of 2022, which will dampen the momentum of economic recovery.

Therefore, while the base case scenario is for continued economic expansion in ASEAN, there are still considerable downside risks to the near-term economic outlook for the Southeast Asian region.

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