

# Week Ahead Economic Preview

## Assessing global growth and price divergences with flash PMI surveys

The first glimpses of worldwide economic growth and inflation trends at the start of the third quarter will be revealed by **flash PMI surveys** for July, and the **European Central Bank** and **Bank Indonesia** will also hold monetary policy meetings in what's going to be a busy week of **economic data** releases.

Crossing the mid-year point, markets have stepped into murkier waters with [global economic growth showing hints of slowing](#) while the [spread of the Delta variant has become an increasing problem](#) for a greater number of countries. June PMI surveys offered a comparable view of the different countries' growth momentum which, [charted against their vaccination progress](#), emphasises the difference between the haves and have-not where vaccines are concerned.

Given this point, the urgency to step up the inoculation progress had certainly been noted, though it remains to be seen if the widening divergence, such as that evident between the developed and emerging world, may show signs of reversal. This will be closely watched in the July iteration of PMI surveys.

Record price index readings in PMI surveys have meanwhile provided a prescient insight into recent upside inflation surprises, so the costs and selling prices gauges, as well as capacity constraint indicators such as supplier lead-times, should also be worth watching.

Central bank meetings continue to unfold, with the ECB holding their first meeting following the tweak to their inflation target. No surprises are expected, though note that forward guidance is set to be revisited.

**Chris Williamson**  
Chief Business Economist,  
IHS Markit  
[chris.williamson@ihsmarkit.com](mailto:chris.williamson@ihsmarkit.com)

**Jingyi Pan**  
Economics Associate Director  
IHS Markit  
[jingyi.pan@ihsmarkit.com](mailto:jingyi.pan@ihsmarkit.com)

**Get the Week Ahead Economic Preview direct via email:**

Email [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com) to join our distribution list.

### Developed world enjoys vaccine boost

Barring the shutdowns in mainland China in February 2020, the resulting underperformance of the emerging markets relative to the developed world over the second quarter of 2021 was the widest in the 23-year history of the global PMI surveys. However, June surveys hinted at a slowing of growth even in the developed world.

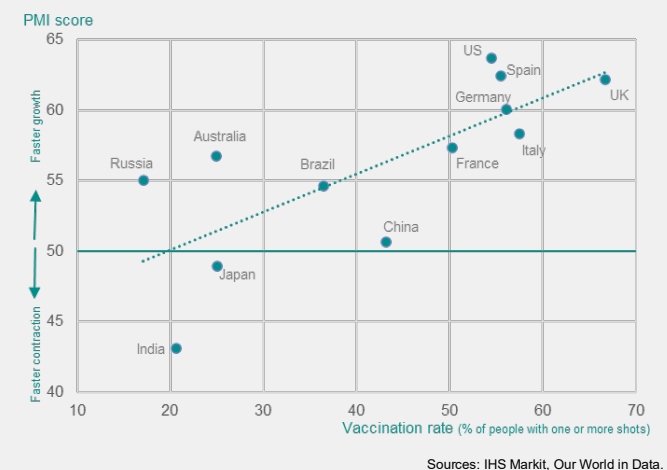
#### Emerging vs developed markets



### Charting the vaccine dividend

The link between vaccination progress and the PMI score of economic growth (measured across both manufacturing and services in June) is illustrated in the following graphic. The UK, for example, with 67% of people vaccinated with at least one shot of vaccine, is enjoying one of the fastest economic expansions. India, suffering the lowest vaccination rate of the economies shown, is seeing the steepest downturn.

#### Economic growth vs COVID-19 vaccination progress



## Key diary events

### Monday 19 Jul

United Kingdom House Rightmove (Jul)  
United States NAHB Housing Market Index (Jul)

### Tuesday 20 Jul

*Indonesia, Malaysia, Singapore, Philippines market holiday*  
Australia RBA Meeting Minutes (Jul)  
Japan CPI (Jun)  
China Loan Prime Rate (Jul)  
Germany Producer Prices (Jun)  
Taiwan Export Orders (Jun)  
Hong Kong Unemployment Rate (Jun)  
Eurozone Current Account (May)  
United States Housing Starts (Jun)

### Wednesday 21 Jul

*India market holiday*  
Japan BOJ Meeting Minutes (Jun)  
Japan Trade Balance (Jun)  
Australia Retail Sales (Jun)  
Thailand Customs-Based Trade (Jun)

### Thursday 22 Jul

*Japan market holiday*  
Indonesia 7-Day Reverse Repo (Jul)  
Taiwan Jobless Rate (Jun)  
Hong Kong CPI (Jun)  
United Kingdom CBI Trends Orders (Jul)  
Eurozone ECB meeting/Deposit and Refinancing Rate (Jul)  
Eurozone Consumer Confidence (Jul, flash)  
United States Initial Jobless Claims  
United States Existing Home Sales (Jun)

### Friday 23 Jul

*Japan market holiday*  
Australia IHS Markit Flash PMI, Manufacturing & Services\*  
UK CIPS/IHS Markit Flash PMI, Manufacturing & Services\*  
Germany IHS Markit Flash PMI, Manufacturing & Services\*  
France IHS Markit Flash PMI, Manufacturing & Services\*  
Eurozone IHS Markit Flash PMI, Manufacturing & Services\*  
US IHS Markit Flash PMI, Manufacturing & Services\*  
Malaysia CPI (Jun)  
Singapore CPI (Jun)  
Thailand Manufacturing Production (Jun)  
Taiwan Industrial Output (Jun)  
United Kingdom GfK Consumer Confidence (Jul)  
United Kingdom Retail Sales (Jun)  
Canada Retail Sales (May)

\* Press releases of indices produced by IHS Markit and relevant sponsors can be found [here](#).

## What to watch

### ■ Flash PMI surveys

Flash PMI surveys offer a first look into July's economic conditions across the US, eurozone, UK and Australia (Japan will follow the Monday after due to the public holidays). June PMI surveys alluded to [the possibility of global growth having peaked](#) while indicating [worsening divergences between the developed and emerging markets amid the spread of the Delta variant](#).

While the US, UK and eurozone are not immune to the more contagious Delta variant, relative to various Asia Pacific countries they are able to enjoy greater [vaccine dividends](#) and July's figures will track the momentum at which these regions continued their recoveries. Meanwhile Japan's figures will be closely followed after the government introduced a fourth COVID-19 state of emergency for Tokyo just ahead of the Olympics. Australia PMI survey will likewise offer clues on how affected the country is after almost half of the population returned to lockdown towards the end of June.

The PMI price indices will also give clues as to the transitory nature of the inflation uptick. In this respect, watch out also for the supplier delivery times indices, which will guidance on the supply shock duration.

### ■ European Central Bank (ECB) meeting

Monetary policy meetings will unfold in Indonesia and the eurozone in the coming week. China will also update their Loan Prime Rate on Tuesday. No changes are expected across the board, particularly during a period where China and Indonesia have also seen various states of COVID-19 resurgences.

For the ECB, the July meeting will be the first under the new symmetric 2% inflation target. The June meeting revealed increasing disagreement over the pace of asset purchases, although it is uncertain if this may be resolved in July, particularly against the backdrop of rising risks of Delta variant spread. Forward guidance meanwhile "will be revisited" in the July meeting according to ECB President Christine Lagarde, which will be a key area of focus.

### ■ US, UK and eurozone confidence data

The PMI's mapping of business survey trends will be accompanied by consumer confidence data in the US, UK and eurozone. Consumers' appetite to spend could be central to both economic growth and inflation trajectories in the coming months.

## Special report:

### APAC Economies hit by new COVID-19

Waves Rajiv Biswas | [page 4](#)

## Recent PMI and economic analysis from IHS Markit

Global	<a href="#">Delta variant spread poses key risks to global economic recovery</a>	12-Jul	Jingyi Pan
	<a href="#">Global economic growth cools from 15-year high as demand peaks and new COVID-19 waves hit</a>	7-Jul	Chris Williamson
	<a href="#">Consumers drive worldwide variations in economic growth and inflation</a>	7-Jul	Chris Williamson
	<a href="#">Vaccine dividend drives widening global economic growth divergences</a>	6-Jul	Chris Williamson
	<a href="#">Global manufacturing economy reels from intensifying supply shortages</a>	2-Jul	Chris Williamson
US	<a href="#">US Sector PMI shows improvement in consumer confidence</a>	10-Jun	Jingyi Pan
	<a href="#">US PMI surveys signal record growth as economic recovery shifts up a gear</a>	3-Jun	Chris Williamson
Europe	<a href="#">UK businesses forecast record growth in employment, Accenture/IHS Markit UK Business Outlook finds</a>	12-Jul	David Owen
	<a href="#">PMI data reveal widest UK-eurozone export divergence for 20 years in 2021</a>	1-Jul	Chris Williamson
	<a href="#">Eurozone manufacturers report unprecedented price spike as PMI hits new all-time high, but will the price surge prove transitory?</a>	1-Jul	Chris Williamson
APAC	<a href="#">Eurozone prices spike higher as economy grows at fastest rate for 15 years</a>	23-Jun	Chris Williamson
	<a href="#">Myanmar economy hit by double whammy of COVID-19 and military coup, while depreciating kyat adds to inflation pressures</a>	9-Jul	Shreeya Patel
	<a href="#">Australia-China Trade Tensions: The Great Escape?</a>	9-Jul	Rajiv Biswas
Commodities	<a href="#">Vietnam Economy: New Covid-19 Wave Creates Downside Risks to Near-Term Outlook</a>	2-Jul	Rajiv Biswas
	<a href="#">Weekly Pricing Pulse: Commodity prices rebound</a>	7-Jul	Michael Dall

### For further information:

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

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

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

Follow our latest updates on twitter at [@IHSMarketPMI](https://twitter.com/IHSMarketPMI).

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

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

# Special Focus

## APAC Economies Hit by New COVID-19 Waves

**Rajiv Biswas**

**Asia Pacific Chief Economist, IHS Markit**

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

*Despite the strong rebound in global economic growth in H1 2021 led by the US and Western Europe, many Asia-Pacific (APAC) economies are being hit by new COVID-19 waves linked to the highly transmissible Delta variant. Latest IHS Markit PMI surveys conducted during June showed a significant slump in manufacturing activity in many APAC economies. This is in sharp contrast to the buoyant growth paths recorded in recent months in the US and EU.*

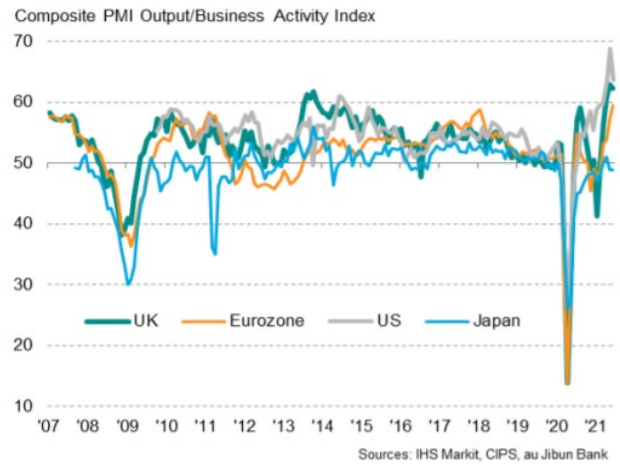
*To a large extent, these divergent growth paths reflect the differential pace of COVID-19 vaccine rollouts. The US, EU and UK have achieved relatively high shares of COVID-19 vaccinations as a share of their total populations by mid-2021, resulting in sharp declines in their COVID waves and allowing substantial easing of lockdowns. In contrast, many APAC economies still have low vaccination rates, resulting in much greater vulnerability to new COVID-19 waves.*

### Global Rebound

World GDP is forecast to rebound to positive growth of 5.8% in 2021 after a contraction of 3.5% in 2020. The rebound in economic growth in advanced economies such as the United States, the European Union, the United Kingdom and Canada combined with continued strong economic momentum in China are linked to the rapid rollout of vaccination programs and containment of domestic new COVID-19 cases during the first half of 2021.

Growth momentum in the US, Eurozone and UK has been buoyant, with the IHS Markit PMIs for these nations having risen sharply in the second quarter of 2021 as rapid vaccination rollouts resulted in sharp declines in COVID-19 waves, easing of restrictive measures and reopening of economies.

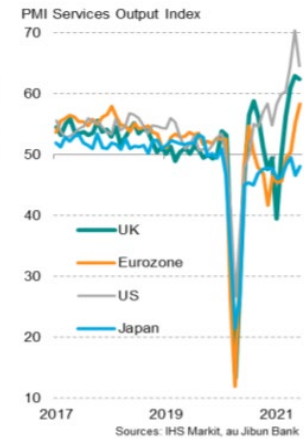
### Major developed markets PMI output



### Manufacturing



### Services



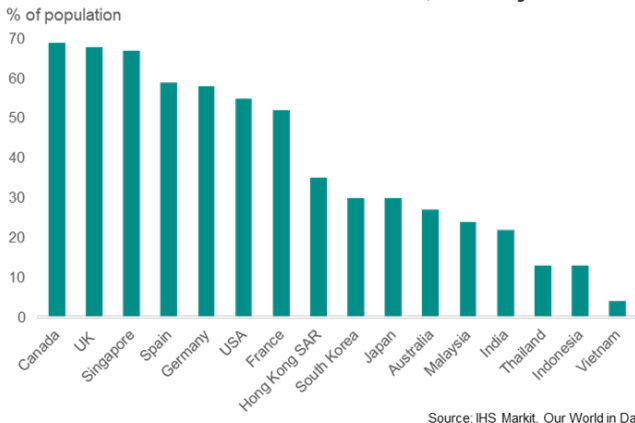
### APAC Economic Growth

The Asia-Pacific region experienced a recession in 2020 owing to the COVID-19 pandemic, with Asia-Pacific GDP contracting by an estimated 1.1%. Pandemic-related lockdowns and travel bans had a severe negative impact on the economies of most Asia-Pacific nations during the first half of 2020. During the second half of 2020, many Asia-Pacific economies had shown a significant recovery in economic momentum. This upturn was driven both by strengthening global export demand as well as the rebound in domestic consumption spending as a result of the easing of pandemic-related restrictions in many countries.

However, recovery momentum in the Asia-Pacific has suffered significant setbacks during the second quarter of 2021, as new COVID-19 waves driven by the highly transmissible Delta variant have resulted in renewed lockdowns being imposed in many Asia-Pacific countries. The situation has been aggravated by the relatively slow progress of COVID-19 vaccination rollouts in many Asia-Pacific economies compared with the US and Western Europe.

This APAC grouping, perhaps surprisingly, includes some developed Asia-Pacific nations that are OECD members, notably Japan, South Korea and Australia. However, they have made better progress in recent weeks, having ramped up their vaccination programs. In contrast, Singapore has been the leader amongst the APAC economies, with a first-dose vaccination rate as a share of total population that is amongst the highest in the world, on a par with the UK and Canada.

### First dose COVID-19 vaccinations, 11 July 2021



### COVID Waves Roll Across Southeast Asia

Since April, a number of Southeast Asian economies have been hit by escalating COVID-19 Delta waves. Indonesia, Malaysia, Thailand, Vietnam, Cambodia and Myanmar are all currently experiencing significant COVID waves that have triggered lockdowns and are creating significant disruption to economic activity.

The latest IHS Markit Manufacturing PMI surveys for Southeast Asia have reflected the impact of these new lockdown measures, which have disrupted industrial production and consumption spending.

In Malaysia, the headline IHS Markit Malaysia Manufacturing Purchasing Managers' Index (PMI) fell sharply in June, to 39.9 compared with 51.3 in May. This pointed to a severe decline in business conditions in the Malaysian manufacturing sector. The renewed downturn in June reflected the recent steep rise in daily COVID-19 infections and associated containment measures, which again dampened demand, stymied production and disrupted supply chains.

Vietnam's economy has also been hit by the impact of the latest COVID wave, after its economy showed considerable resilience during 2020 as the domestic pandemic was successfully contained. The latest wave of COVID-19 cases in Vietnam led to a sharp decline in business conditions for manufacturers during June. The

IHS Markit Vietnam PMI dropped sharply to 44.1 in June from 53.1 in May, pointing to the most rapid deterioration in business conditions for over a year and ending a six-month period of growth.

The pandemic, lockdown measures and temporary company closures were all mentioned by firms in Vietnam as factors leading to sharp reductions in both output and new orders during June. Meanwhile, new business from abroad also decreased as transportation issues and container shortages exacerbated the impacts of the rise in virus cases.

Output and new orders both decreased at the sharpest rates since the first outbreak of the pandemic in early-2020, while firms scaled back their employment and purchasing activity accordingly. The pandemic also impacted supply chains, resulting in a near-record lengthening of delivery times. For example, four industrial parks in Bac Giang province in northern Vietnam were temporarily closed in late May, due to outbreaks of COVID cases, which also impacted on some manufacturing facilities of Foxconn and Samsung.

### Factory output in key Asian economies



In Indonesia, daily new COVID-19 cases have risen sharply during June and early July, reaching 40,400 by 12th July. As of July 12, 2021, an estimated 13.3% of the Indonesian population have received their first vaccinations.

The rapid escalation in domestic COVID-19 cases has led to a lengthening of lead times for Indonesian manufacturers in June, with supplier performance deteriorating at the fastest rate since January, according to the latest IHS Markit Indonesia Manufacturing PMI survey. The significant escalation in daily new cases is expected to weigh on economic activity in

the third quarter of 2021 until the latest COVID wave can be brought under control.

## Indian Economy Hit by COVID Wave

India's economic recovery momentum in early 2021 has also been badly impacted by the recent severe COVID-19 wave that hit the nation in May and June, although the severity of the latest wave appears to be receding as daily new cases have declined rapidly during recent weeks.

India's manufacturing industry fell back into decline during June, as the intensification of the pandemic and strict containment measures negatively impacted on demand. Falling new orders, business closures and the COVID-19 crisis triggered a reduction in output among Indian manufacturers.

The decline was moderate relative to those seen in the first half of 2020 but ended a ten-month sequence of growth. The seasonally adjusted IHS Markit India Manufacturing PMI fell from 50.8 in May to 48.1 in June. The latest results highlighted renewed contractions in factory orders, production, exports and quantities of purchases. With business optimism fading over the month, job shedding continued.

### Indian manufacturing



## Near-term Economic Outlook

The central case global economic scenario for 2021-22 is positive, with the world economy forecast to show improving momentum as COVID-19 vaccination programs are increasingly widely rolled out globally. World GDP growth is forecast to rise by 5.8% y/y in 2021, with sustained expansion at a pace of 4.7% y/y in 2022.

Many of the world's largest economies, including the United States, the European Union, UK and China, have been rapidly progressing with vaccination programs during the first half of 2021. This has allowed domestic demand to rebound in these nations, as lockdown conditions have been progressively eased in many countries that had been experiencing severe COVID-19 waves at the outset of 2021.

In contrast, many Asia-Pacific economies are still facing severe COVID-19 waves by mid-2021, while vaccination rollout progress lags far behind the US and EU. This is delaying the pace of economic recovery, as new lockdown measures have been imposed in a growing number of APAC economies. Therefore, the roadmap to sustained recovery is expected to be closely linked to the timetable for vaccination of a high share of the total population of an economy.

Due to ongoing new COVID-19 waves in many Asia-Pacific nations in 2021, international travel restrictions are still expected to remain a major impediment to the recovery of international tourism and travel in the Asia-Pacific region during 2021. This is expected to result in a more protracted and gradual recovery path for trade in services for many Asia-Pacific economies. International tourism and travel is a key contributor to GDP in many Asia-Pacific economies.

Despite these significant headwinds to the outlook, a key factor underpinning the strong economic rebound in the Asia-Pacific region has been buoyant economic growth in China, which is forecast to grow at 8.5% y/y in 2021. China's continued strong economic growth rate is expected to underpin the overall APAC regional growth rate in 2021, which is forecast to be 6.3% y/y. In 2022, progress of vaccine rollouts is expected to allow a wider group of Asia-Pacific economies to emerge from domestic pandemics and related restrictive measures. Consequently, continued rapid APAC regional growth at a pace of 4.9% is expected in 2022.