PMI™

by S&P Global

Week Ahead Economic Preview

Flash PMIs, ECB and BoJ policy meetings in focus

18 July 2022

The first glimpses of worldwide economic growth and inflation trends at the start of the third quarter will be revealed with flash PMI surveys at the end of the week. But first, the European Central Bank, the People's Bank of China, the Bank of Japan, Bank Indonesia and the Central bank of Russia will all hold monetary policy meetings in what's going to be a busy week of economy watchers.

Markets have stepped into murkier waters in recent times with recent Investment Manager Index (IMI) survey data showing renewed risk aversion and a marked drop in sentiment regrading corporate earnings growth amid rising recession risks. Flash PMI updates for the US, Europe and Japan will therefore be scrutinised to gauge recession risks as well as the potential peaking of inflation.

The ECB is widely expected to hike their rate by 25 basis points this week but a 50-point rise is also on the table. With the euro at a 20-year low against the US dollar, markets will be eager to assess whether the hawkish mood is standing up to the test after weak-looking survey indicators. Flash PMI data for the Eurozone will follow on Friday. Leading indicators pointed to elevated downside risks, but also some cooling of price pressures in June.

The BoJ also meets, and again the weak currency is in focus as policymakers have stressed that their focus will be on supporting the economy if necessary. The PMI strengthened in June, but flash figures will be eagerly awaited to see if this post-Omicron growth momentum fades. Japan's CPI data will also be eyed, with the PMI having pointed to accelerating price pressures in June. Meanwhile, it's unclear what the outcome of this week's PBoC meeting will yield after China left their key policy rate unchanged in May. Since then there have been some signs of reviving economic growth..

Meanwhile, close watchers of the UK will be treated to a plethora of data, starting with labour market figures. The jobless rate is expected to hold at 3.8% but CPI is expected to rise to 9.6%, meaning the economy looks set to continue to ache from the intensifying cost-of-living crisis. Wage data, however, could show some signs of easing after surveys pointed to a cooling UK labour market.

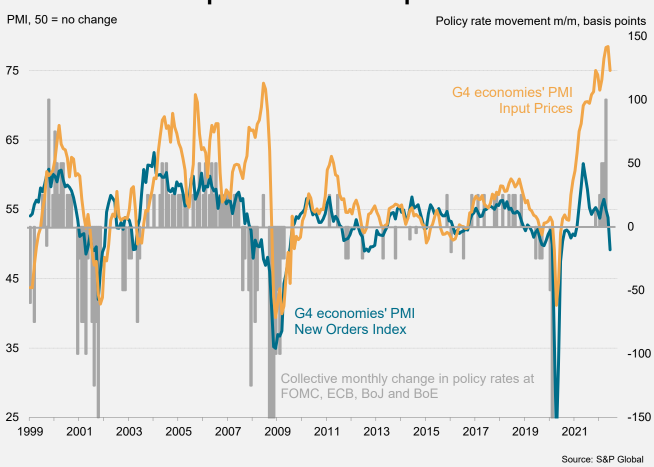
Flash PMI data to provide recession risk insights

The week ahead's flash PMI updates will reveal how the world's major developed economies – the US, Eurozone, Japan, UK and Australia – are faring at the start of the third quarter.

The importance of the indicators is of course most evident in terms of steering views on central bank policy, with June's weaker than expected data prompting a re-pricing in the bond markets of how aggressive 2023 rate paths will be. The data also of course triggered renewed weakness in the euro, and strength in the US dollar as a safe haven asset. The weak flash PMI new orders data also pushed commodity prices lower, notably oil.

The PMI survey current output indicators will therefore likely again play second fiddle to the forward-looking new orders indices, the latter having fallen to more worrying extents than the output indices in June to suggest demand conditions are turning sour. However, equally important will be to watch the survey's input cost and suppliers' delivery times indices. One would expect these to be signalling weaker cost growth amid fewer supply constraints, reflecting not only the weaker demand environment but also the drop in oil and other commodity prices seen in recent weeks.

Global consumer prices and PMI input costs



Other key flash PMI data to look out for will be the employment indices, to ascertain whether recent heightened recession risks are leading to greater caution with respect to hiring; something which could help allay worries over wage growth.

Key diary events

Monday 18 July
Singapore Balance of Trade (Jun)
Italy Balance of Trade (May)
Spain Balance of Trade (May)
Brazil BCB Focus Market Readout
United States NAHB Housing Market Index (Jul)

Tuesday 19 July
Switzerland Balance of Trade (Jun)
United Kingdom Unemployment Rate (May)
Hong Kong Unemployment Rate (Jun)
Euro Area Core Inflation Rate (Jun)
United States Building Permits, Housing Starts (Jun)

Wednesday 20 Jul
Netherlands Consumer Confidence (Jul)
China Interest Rate Decision
United Kingdom Inflation Rate (Jun)
Poland Employment Growth (Jun)
South Africa Inflation Rate (Jun)
United States MBA Mortgage Applications (Jul), Existing Home Sales (Jun)
Canada Inflation Rate (Jun)
Euro Area Consumer Confidence Flash (Jul)
New Zealand Balance of Trade, Exports, Imports (Jun)

Thursday 21 Jul
Japan BoJ Interest Rate Decision, BoJ Quarterly Outlook Report, Balance of Trade (Jun)
Netherlands Unemployment Rate (Jun)
United Kingdom Public Sector Net Borrowing (Jun)
Indonesia Interest Rate Decision
Euro Area ECB Interest Rate Decision
Canada New Housing Price Index (Jun)
United States Continuing Jobless Claims, Initial Jobless Claims (Jul)
South Africa Interest Rate Decision

Friday 22 Jul
Australia S&P Global Flash PMI Manufacturing & Services*
Japan au Jibun Bank Flash PMI, Manufacturing & Services* (Jul), Inflation Rate, Foreign Bond Investment (Jun)
France S&P Global Flash PMI Manufacturing & Services* (Jul), Business Confidence (Jul)
Germany S&P Global Flash PMI Manufacturing & Services*
Euro Area S&P Global Flash PMI Manufacturing & Services*
United Kingdom S&P/CIPS UK Global Flash PMI Manufacturing & Services*
United States S&P Global Flash PMI Manufacturing & Services* (Jul), Gfk Consumer Confidence (Jul), Retail Sales (Jun)
Russia Interest Rate Decisions, Business Confidence (Jul)
Thailand Balance of Trade (Jun)
Poland Unemployment Rate (Jun)
Singapore Core Inflation rate (Jun)
Canada Retail Sales (May)

* Press releases of indices produced by S&P Global and relevant sponsors can be found here.
** Includes Composite PMI

What to watch

Flash PMIs for US, Europe and Japan

July's flash PMIs will be released across the US, UK, Eurozone, Japan and Australia. June's PMI figures pointed to a slowdown of growth and some contractions in demand and output. Survey price gauges remained persistently high, however, though there were some signs that inflationary pressures were starting to subside. Not only will July indicate how countries have fared at the start of Q3 amid tightening financial conditions, but will also provide a timely update on cost pressures.

Americas: US Flash PMIs in focus. Canada releases inflation and retail sales figures

This week will see US flash PMI in focus after last month's data pointed to a US demand falling as inflation rates hit 40-year highs, but leading indicators of inflation fell. Growth is expected to slow in July.

Meanwhile, after Canadian policymakers surprised the market with a larger than expected 100bp rate hike, this week's inflation data will be in focus with the CPI predicted to remain high around the 8.8% mark.

Europe: UK jobs data, ECB interest rate decision, Eurozone sentiment and inflation rate data

A great deal of significant economic events and releases are scheduled for Europe this week, with the ECB interest decision top of the agenda. Policymakers are expected to execute a 25-basis point hike and are likely to follow with a further 50 basis point hike in September, but a 50-bp rise can by no means be ruled out at the July meeting as inflation worries continue to mount and the euro descends to 20-year lows below parity to the dollar. The ECB will meet after core inflation and sentiment data, with PMI data soon following.

Elsewhere, the UK labour market has performed resiliently despite growing inflationary concerns. Data released on Tuesday will reveal the employment and jobless rates, vacancy rate and wages for the nation.

Asia-Pacific: BoJ and China interest rate decisions

Three central bank meetings are set to take place in the APAC region. The PBOC is expected to maintain its stance on financial stability by keeping rates at 3.7%. Likewise, the BOJ (-0.1%), and Bank Indonesia (3.5%) will maintain previous bank rates.

Meanwhile, last week saw Singapore step up its inflation fight with a tightening of monetary policy. This week, June's inflation figures will shed light on the extent of pressures.

Special reports:

Singapore| Rajiv Biswas | page 4

Global Economy | Chris Williamson | page 7

Recent PMI and economic analysis from S&P Global

Global	Monthly PMI Bulletin: July 2022	14-Jul	Lewis Cooper
America's	Not a Recession for the US—Yet	13-Jul	Joel Prakken
Africa	Sub-Saharan Africa feels inflationary heat from Russia-Ukraine war	11-Jul	Thea Fourie

S&P Global Economics & Country Risk highlights

US Monthly GDP Index for May 2022

Monthly US GDP declined 0.1% in May on the heels of 0.2% declines over the prior two months. The April decline was revised materially lower from a previously estimated, 0.5% increase. The decline in May reflected declines in personal consumption expenditures, fixed investment (residential and non-residential), and net exports that were partially offset by an increase in nonfarm inventory investment. Averaged over April and May, monthly GDP was 1.4% below the first-quarter average at an annual rate. Implicit in our latest estimate of a 1.5% annualized decline of GDP in the second quarter is roughly no change in monthly GDP in June. **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.ihsmarkit.com**. For more information on our PMI business surveys, please visit **www.ihsmarkit.com/products/PMI**

Special Focus

Singapore

Singapore Economy Continues on Road to Recovery

By Rajiv Biswas, Asia-Pacific Chief Economist, S&P Global Market Intelligence

Singapore's economy has continued to recover from the COVID-19 pandemic in the first half of 2022. The advance estimate of GDP for the second quarter of 2022 was up 4.8% year-on-year (y/y), after growth of 4.0% y/y in the first quarter. This follows GDP growth of 7.6% in 2021 as the economy rebounded from the impact of the COVID-19 pandemic. Singapore's manufacturing output grew by 13.8% y/y in May 2022.

Despite the economic disruptions caused by the COVID-19 pandemic, Singapore has continued to attract strong foreign direct investment inflows, notably into electronics and pharmaceuticals manufacturing. A number of new vaccine manufacturing plants are currently under construction in Singapore, including by Sanofi, BioNTech and Hilleman Laboratories.

Economic recovery continues

The Singapore economy grew by 4.8% y/y in the second quarter of 2022, according to the advance estimate of GDP released by Singapore's Ministry of Trade and Industry (MTI). However, second quarter GDP was unchanged on a quarter-on-quarter, seasonally-adjusted basis, compared to the 0.9% expansion in the first quarter of 2022.

Manufacturing output rose by 8.0% y/y in the second quarter, driven by rapid expansion in electronics and precision engineering output. Construction output grew by 3.8% y/y in the second quarter, with the easing of border restrictions having helped migrant labor inflows for the construction industry. The service sector also recorded expansion of 4.7% y/y in the second quarter of 2022. Growth in the food services sector was boosted by easing of pandemic-related restrictions on restaurants and other food outlets during the second quarter.

The headline seasonally adjusted [S&P Global Singapore Purchasing Manager's Index™ (PMI™)] had meanwhile posted 57.5 in June, still signaling strong expansion, albeit down from 59.4 in May. The latest headline reading marked a nineteenth consecutive month where the PMI printed above the 50.0 neutral threshold, to indicate protracted economic recovery from the severe economic impact of the COVID-19 pandemic in 2020.

In line with higher activity, the PMI showed order book volumes increasing at the second-fastest rate in the survey's history in June, with export orders up sharply. Singapore's total exports rose by 12.4% y/y in June, according to trade data from Export Singapore. Anecdotal evidence suggested that the continued loosening of COVID-19 restrictions improved overall demand conditions across Singapore's private sector.

S&P Global Singapore PMI

sa, >50 = improvement since previous month

Source: S&P Global.
Data were collected 13-24 June 2022.

S&P Global Singapore PMI New Export Orders

Source: S&P Global.

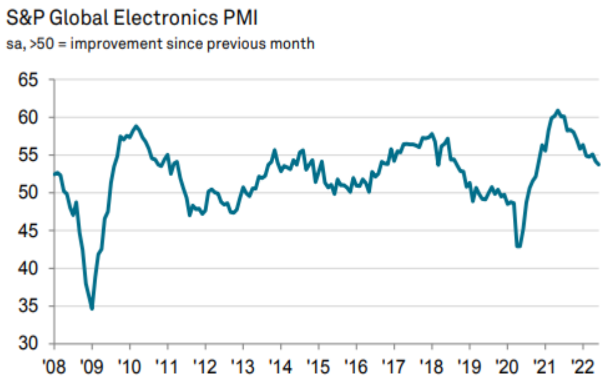
Due to the importance of the electronics industry as a key sector for Singapore's manufacturing output and exports, the continued strength of global electronics demand is expected to continue to underpin expansion in Singapore's electronics sector in the second half of 2022.

In May 2022, Singapore's electronics exports continued to show strong growth, up 12.9% y/y. Exports of integrated circuits rose by 26.6% y/y, while exports of disk media products rose by 10.3%

y/y. Exports of electronics products to Malaysia showed buoyant growth of 55% y/y, while electronics exports to the US were up 21% y/y and to South Korea by 20% y/y.

The headline seasonally adjusted S&P Global Electronics PMI has moderated during the first half of 2022, reaching a 20-month low of 53.7 in June, down from 54.2 in May. While still indicative of expansionary conditions in the global electronics manufacturing sector the latest data highlighted a further slowdown in growth, as both output and new orders rose at fractional rates.

June survey data highlighted a further softening of new orders growth at global electronics producers. Overall, new orders increased at the weakest pace since September 2020, leading some firms to restrict their purchasing activity.



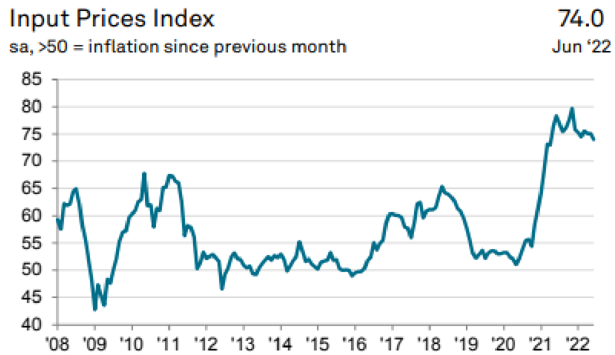
Source: S&P Global.

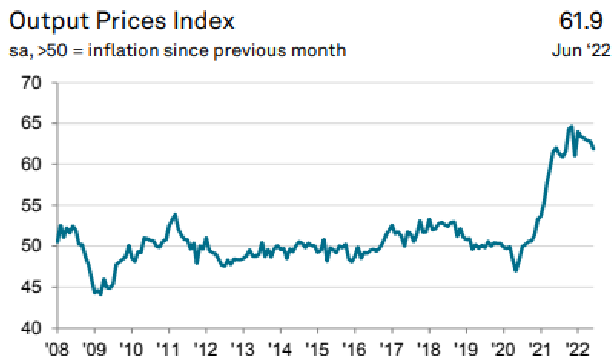
However, ongoing supply issues for raw materials and other inputs and the recent Omicron COVID-19 waves in various industrial economies in East Asia have continued to impact on global electronics production.

The outlook for the global electronics industry in 2022 continues to be impacted by lengthy suppliers' delivery times, notably for supply of semiconductors. The S&P Global Electronics PMI Supplier's Delivery Times Index continued to post below the 50.0 no-change mark gain in June, signaling continued delays in vendor performance. Raw material shortages and issues with transport were often cited by survey respondents, with companies also commenting on continued disruption in China and strikes by workers in the supply chain. That said, the extent to which delivery times lengthened was the weakest since November 2020.

Global electronics producers faced another steep monthly rise in their average input costs during June. Anecdotal evidence highlighted a variety of inflationary sources including raw materials, energy and oil. Approximately 50% of survey respondents recorded higher operating expenses, compared to around 3% that noted a fall.

Global Electronics Input and Output Prices PMI





Source: S&P Global.

Rising inflation pressures

According to the latest S&P Global Singapore PMI survey, inflationary pressures persisted in June, largely driven by a faster rise in input costs which caused firms to raise selling prices at the fastest pace since data were first available in 2012.

The Singapore CPI also has shown increasing inflation pressures during the first half of 2022. The CPI reading for May 2022 showing an increase of 5.6% y/y, while the MAS Core Inflation measure rose to an average of 3.4% year-on-year in April and May. The MAS (Monetary Authority of Singapore) expects that inflationary pressures will remain elevated in the months ahead, with MAS Core Inflation projected to rise slightly above 4% in the near term. The MAS has raised its forecast for CPI-All Items inflation to a range of 5.0–6.0%, higher than the earlier forecast range of 4.5–5.5%.

Since October 2021, MAS has been on a path of gradual monetary policy tightening due to rising underlying inflation and sustained economic recovery. With inflation pressures continuing to rise, the MAS decide to tighten monetary policy further on 14th July, by re-centering the mid-point of the S$NEER policy band up to its prevailing level, but without changing the slope and width of the band. This policy move is intended to slow the momentum of inflation and ensure medium-term price stability.

Medium term growth drivers

There are significant uncertainties facing the global economy in the near-term, which continue to pose downside risks to Singapore's economic outlook for the second half of 2022 and into 2023. These include the ongoing global risks to world growth from the Russia-Ukraine war, as well as the impact of rising global inflation and monetary policy tightening by many central banks. China's mainland economy slowed sharply in the second quarter of 2022 due to the impact of pandemic-related restrictive measures in a number of major cities. The risk of new COVID-19 outbreaks in China also remains a key uncertainty for the near-term outlook, after China's economy slowed sharply in the second quarter of 2022 due to the impact of restrictive measures in several large cities to contain COVID-19 outbreaks.

Taking into account these various downside risks to the outlook, Singapore's GDP growth is projected by the MTI to come in at the lower half of the 3–5% forecast range for the 2022 calendar year.

However, the Singapore economy has made significant progress towards normalisation of its economy during the first half of 2022, notably through the reopening of international borders. This is helping to boost international tourism flows as well as supporting the gradual recovery of the Meetings, Incentives, Conferences and Exhibitions industry. Substantial lifting of COVID-19 related restrictions has also boosted the food services industry, with restaurants and cafes showing a strong rebound in activity levels. The manufacturing sector is also continuing to show sustained expansion, buoyed by strong electronics exports.

Singapore has also attracted significant new foreign direct investment inflows into the manufacturing sector. Singapore remains a leading Asian hub for advanced manufacturing industries such as electronics and pharmaceuticals.

Due to supply chain disruptions and severe delays in supply times for key components in the global electronics industry during the COVID-19 pandemic, electronics firms are increasingly diversifying their supply chains. Southeast Asia is an important part of the global manufacturing supply chain, notably for the electronics and automotive industries, which also helps to boost Singapore's role as an exporter of electronics products to other ASEAN nations. Electronics multinationals have announced major new foreign direct investment into Southeast Asian nations, including Singapore, Vietnam and Malaysia since 2020, as global demand for electronics has risen strongly. New foreign direct investment continues to flow into Singapore from global electronics multinationals. GlobalFoundries will open a new semiconductors plant in Singapore in 2023, creating an estimated 1,000 new jobs.

Singapore will also continue to be a leading APAC hub for biomedical manufacturing, notably for pharmaceuticals. The COVID-19 pandemic has triggered a number of major new investments into vaccine manufacturing in Singapore, as APAC regional demand for vaccines is projected to grow rapidly. Sanofi is building a new vaccine facility in Singapore that will open in 2025, while Hilleman Laboratories as well as BioNTech also establishing vaccine manufacturing plants in Singapore.

Despite the impact of the COVID-19 pandemic, Singapore's medium-term growth outlook remains favorable, supported by its role as a leading international financial services hub as well as an Asia-Pacific hub for shipping, commercial aviation and logistics. These competitive advantages have also continued to support Singapore's attractiveness as a regional headquartering hub for global multinationals.

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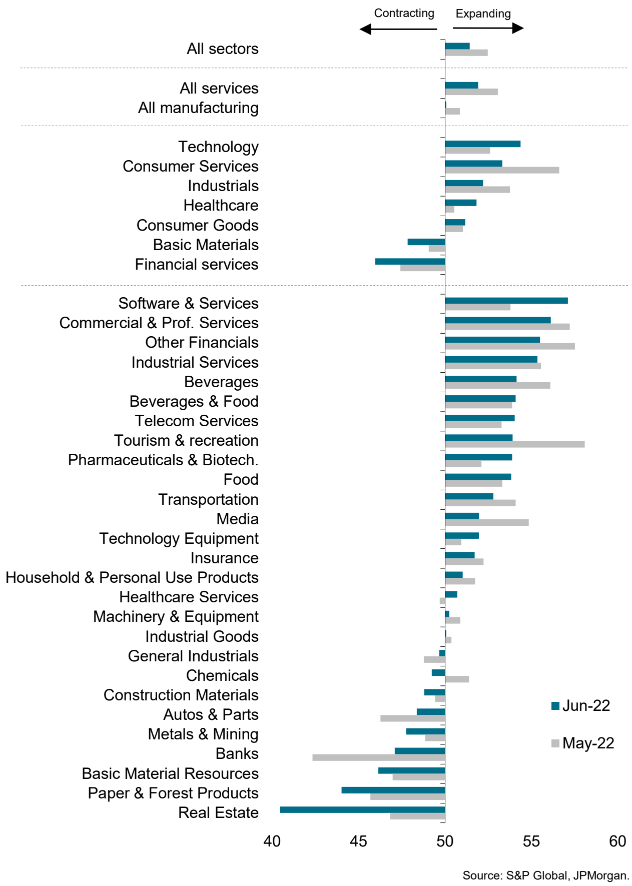
Global economy

Global real estate choked by rising interest rates, leads economic slowdown

Detailed sector PMI data compiled by S&P Global, derived from information provided by panels of over 30,000 companies in 45 countries, reveals demand falling in nine of the 26 detailed sectors covered by the surveys, with by far the steepest contraction recorded for real estate amid tightening financial conditions and the rising cost of living.

Global new orders by industry and sector



New orders placed for goods and services rose worldwide in June at the slowest rate for nearly two years, according to S&P Global's PMI survey data, registering only a modest expansion of demand during the month. A breakdown of the data revealed that the slowdown was led by a sharp drop in orders for financial services, and for real estate activities in particular.

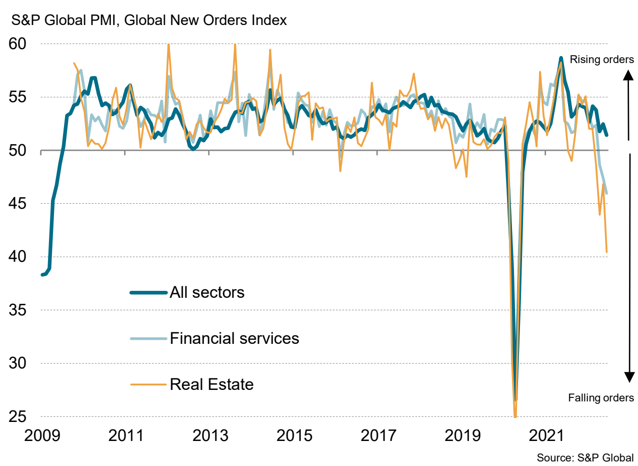
New orders for financial services in fact fell for a third successive month in June, with the latest decline the steepest recorded since May 2020.

The real estate segment of financial services meanwhile saw new orders fall for a fourth straight month in June, with the rate of reduction also running at the steepest since May 2020.

To underscore the severity of the latest drop in demand for financial services and real estate in particular, barring the pandemic shutdowns of early 2020, these latest declines are far greater than any downturns seen since comparable PMI data at the sector level were available in late 2009.

Banking firms also saw new orders fall, dropping for a second month in a row, albeit at a reduced rate of contraction, thereby also marking the sector's worse performance since the early pandemic business closures.

Global PMI new orders index



Future prospects also look especially gloomy for financial services and notably for real estate. The PMI's future expectations index, which measures anticipated business activity in the coming year, was the lowest seen in all industries and sub-sectors respectively for financial services and real estate.

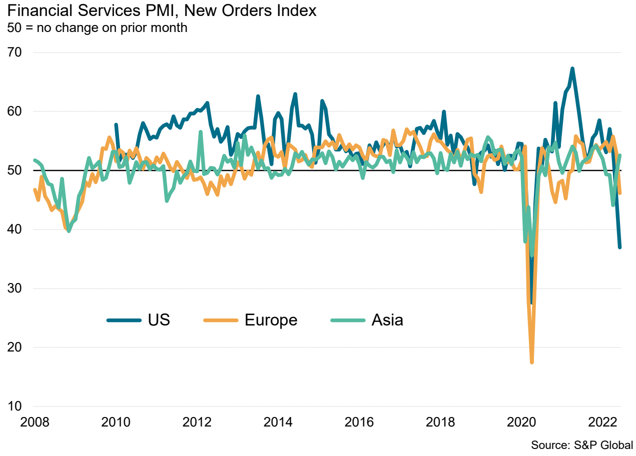
New orders for financial services fell especially sharply in the US, down for a second month in a row and dropping at a rate exceeded since 2009 only by the drop recorded in April 2020.

In Europe, financial service sector new orders fell for the first time since March 2021, with real estate new business inflows dropping for a second month and at an accelerated rate.

In Asia, in contrast, financial services firms reported a rise in new orders for the first time since January, largely reflecting a reopening of the economy in mainland China, though real estate new work fell for a sixth successive month, albeit with the rate of decline easing.

While the divergence in demand for financial services between Asia and the west in part reflects the recent reopening of parts of the Chinese economy since the easing of the Omicron wave, the downturn in demand in the US and Europe also reflects rising interest rates and tightening financial conditions more generally in these economies, according to anecdotal evidence provided by PMI survey contributors.

Demand for financial services by region



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Links to more resources

- Sign up to receive updated commentary in your inbox here.
- Calendar of upcoming PMI releases
- Running commentary on the PMI survey findings
- PMI Frequently Asked Questions
- Background to the PMIs (video)
- Understanding the headline PMI and its various subindices
- PMI data use-case illustrations, from nowcasting to investment strategy
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