

Week Ahead Economic Preview

- US and China updates to retail sales and industrial production
- Flash PMI data for Japan and Australia
- GDP in Russia, Thailand and Singapore
- European consumers under the spotlight
- G20 Leaders' Summit

The week sees important updates to the economic picture in the US and China, with retail sales and industrial production numbers released. As both series form important components of nowcast models, the numbers will give a good steer on GDP growth rates. Retail sales in both China and the US have risen above levels of a year ago, up 2.3% and 5.4% respectively in September, but the picture has been more mixed for industry, with production surging 6.9% higher on a year ago in China but down 7.3% in the US.

Other releases in the US include housing market, inventories and jobless claims data, while Kansas, Philly Fed and the Empire State surveys give early glimpses of economic trends in November ([page 3](#)).

In Asia, other releases include flash PMIs for Japan and Australia, giving the first clues as to economic trends midway through the fourth quarter. Recent data have been encouraging: [Japan](#) saw its downturn ease in October while [Australia](#) saw its recovery gain momentum. October updates to trade in Singapore, Thailand, Indonesia and India will also be closely watched, as will GDP data for Thailand and Singapore. Monetary policy meetings are meanwhile scheduled for Thailand, Indonesia and the Philippines, though no changes are anticipated ([page 5](#)).

In Europe, consumers are under the spotlight as household sentiment data are published across the region and retail sales data are issued in the UK. With many European countries re-introducing lockdown measures to fight off second waves of COVID-19 infections, the resilience of the consumer will be a key determinant of whether fourth quarter downturns can be avoided. So far, PMI data have indicated deteriorating trends for both the UK and Eurozone. Both the UK and Eurozone also provide updates to inflation ([page 4](#)).

The week also sees the G20 summit convene in Riyadh, with expectations rising that progress will be made on a new framework for dealing with the recent rise in indebtedness of the world's poorest countries.

Special Reports

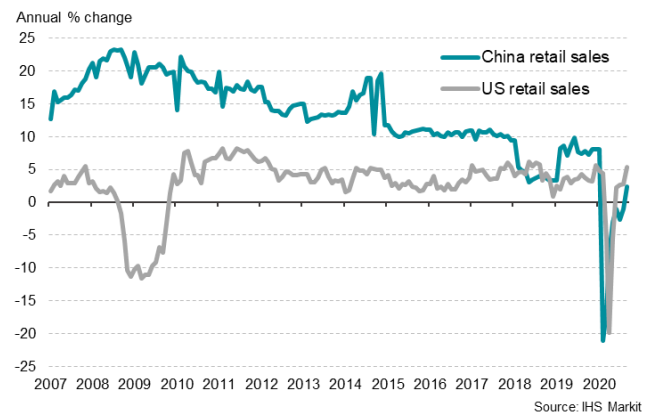
Asia-Pacific trade Asia-Pacific exports are reviving alongside a broader upturn in global trade flows and the new Regional Comprehensive Economic Partnership (RCEP) will further boost trade in the region, creating the world's largest free trade area ([page 6](#))

Upcoming PMI releases

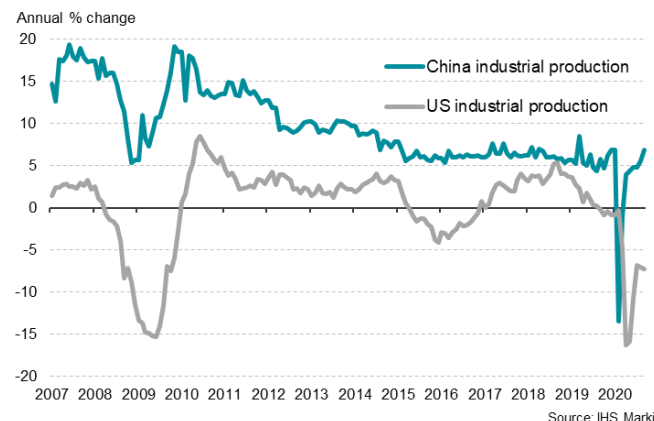
20th November: Flash Japan PMI

22-23rd November: Flash PMIs (US, Eurozone, UK, Australia)

Retail sales in the US and China



Industrial production in the US and China



Chris Williamson

Chief Business Economist
IHS Markit

Email: chris.williamson@ihsmarkit.com

Key diary events (UTC)

Monday 16 November

China house price index, fixed asset investment, industrial output, retail sales, jobless rate (Oct)
Indonesia and India exports, imports, trade balance (Oct)
Thailand GDP (Q3)
Japan industrial output (final, Sep)
India WPI (Oct)
Italy inflation (Final, Oct)
US NY Empire State Manufacturing Index (Nov)

Tuesday 17 November

RBA meeting minutes
Singapore NODX, trade balance (Oct)
Hong Kong SAR unemployment rate (Oct)
Euro area construction output (Sep)
US retail sales, industrial output (Oct)
US business inventories (Sep), NAHB housing market index (Nov)
Japan exports, imports, trade balance (Oct) 23:50 UTC

Wednesday 18 November

Australia new home sales (Oct)
UK inflation (Oct)
Thailand monetary policy decision
Euro area inflation (Final, Oct)
US building permit, housing starts (Oct)
ECB non-monetary policy meeting

Thursday 19 November

Australia jobless rate, employment change, participation rate (Oct)
Indonesia and Philippines monetary policy decision
Spain trade balance (Sep)
US jobless claims (14-Nov), existing home sales (Oct)
US Philadelphia and Kansa Fed manufacturing indices (Nov)
Japan inflation (Oct) 23:30 UTC

Friday 20 November

au Jibun Bank/IHS Markit Flash Japan PMI (Nov)
Singapore GDP (Final, Q3)
UK consumer confidence (Nov)
Australia retail sales (Prelim, Oct)
China loan prime rate (Nov)
Thailand exports, imports, trade balance (Oct)
UK retail sales (Oct)
Hong Kong SAR inflation (Oct)

For further information:

If you would like to receive this report on a regular basis, please email economics@ihsmarkit.com to be placed on the distribution list.

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

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

For all further information, please visit www.ihsmarkit.com

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.

Euro area consumer confidence (Flash, Nov)
Russia GDP, jobless rate (Oct)
G20 Finance Ministers Meeting

Saturday-Sunday 21–22 Nov

G20 Leaders' Summit (21-22 Nov)
22/11: IHS Markit Flash Australia PMI (Nov) 22:00 UTC

United States Week Ahead

Retail sales, industrial production and jobless claims

By Siân Jones

Economist, IHS Markit, London

Email: sian.jones@ihsmarkit.com

Following a tumultuous week in politics, we look toward to the economic release calendar for further insights into the health of the US economy as we progress through the final quarter of 2020. The key releases cast a wide net, as we see updates to retail sales, industrial production, the housing market, business inventories and jobless claims. Eyes will be keenly fixed on any signs that consumer sentiment and spending is dropping off in the lead up to the crucial holiday period. Kansas, Philly Fed and the Empire State surveys are also published, giving glimpses of economic trends in November.

Retail Sales

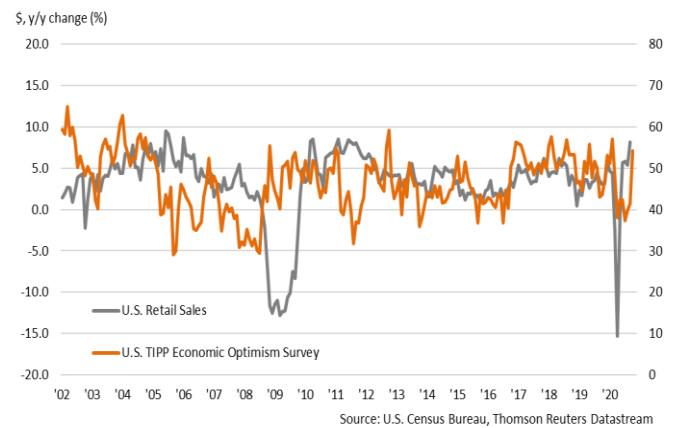
October retail sales data will be eagerly awaited, following on from September's data which showed a 1.9% monthly rise, taking sales 2.8% above levels of a year ago in current prices. However, with COVID-19 cases rising in almost all states, spending will likely be dampened as consumers become more cautious. Slower increases in employment figures may also weigh on retail sales growth. Note that the strong monthly change in spending seen in September largely related to non-essential purchases such as clothing, and hospitality, hinting that consumers remain reluctant to ramp up discretionary spending.

Industrial production

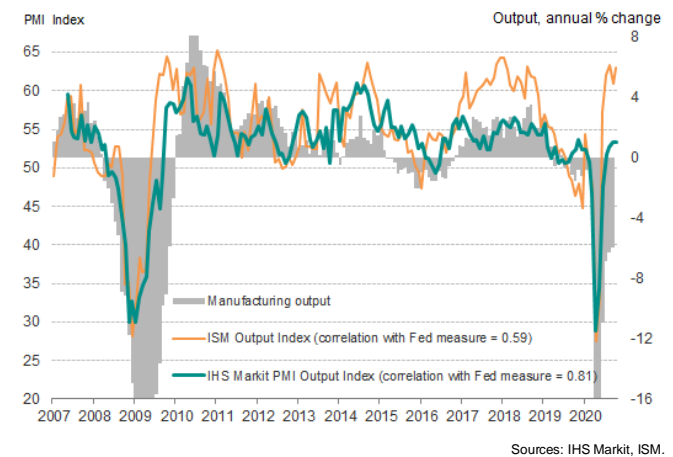
The manufacturing recovery took a knock in September, as the level of output compared to a year ago fell at a faster pace. September data also signalled that the goods-producing sector's output was 6.4% below that seen in February, before the pandemic escalated in the US. More encouragingly, the latest PMI data from both ISM and IHS Markit indicated a rise in production in October, hinting that the underlying trend in production remained positive.

Meanwhile, there are further updates to jobless claims figures. Although there is a continued reduction in those claiming unemployment payments, the degree of improvement in the labour market is slowing as virus uncertainty rises once again, despite the recent boost of tentative vaccine success.

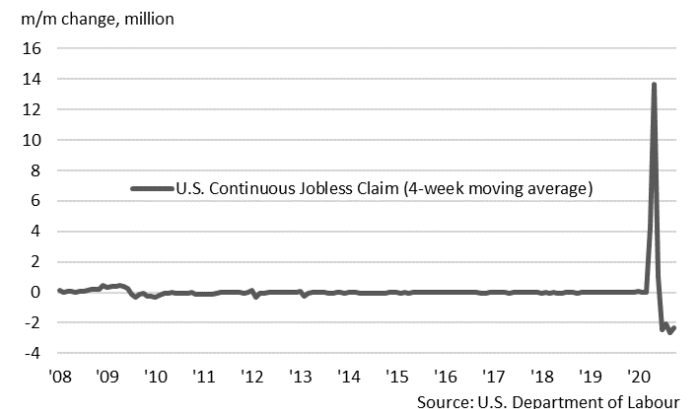
Consumer confidence picked up in October, hinting that retail sales are to improve once again



PMI surveys point to solid industrial production in October



Decline in unemployment easing amid a resurgence in virus cases and soft demand conditions



Europe Week Ahead

UK retail sales and inflation, pan-European consumer confidence

By Paul Smith

Economics Director, IHS Markit, London

Email: paul.smith@ihsmarkit.com

November consumer confidence figures are released across the continent, which will be eyed closely to assess the impact of renewed COVID-19 restrictions in many countries, whilst there is also an update on UK retail sales. Fresh inflation figures for the UK are also provided alongside final CPI numbers for the Eurozone.

Eurozone consumer confidence

With risks rising that the eurozone will slip back into a downturn in the fourth quarter, consumer confidence numbers will provide a valuable insight into the impact of new COVID-19 restrictions. New restrictions on activity were common across much of the eurozone during November.

Even before new lockdown measures were introduced, confidence amongst consumers in the eurozone has remained historically subdued and well below levels seen during the same period of 2019, albeit picking up from the lows of the first lockdowns. Part of the reason for this reflects ongoing concerns over joblessness which, despite various government schemes to protect jobs during the pandemic, remains uppermost in the mind in consumers.

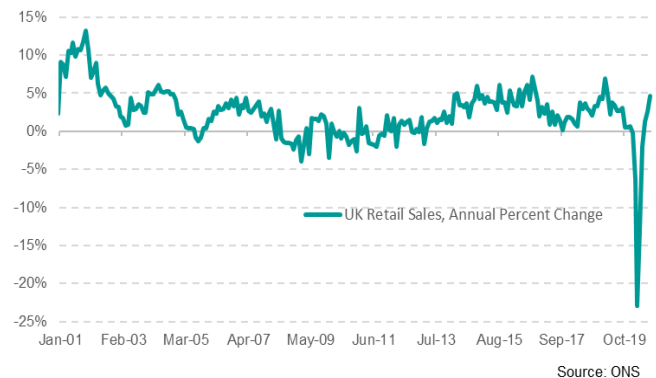
UK retail sales and inflation

With England now in national lockdown, the UK retail sector – at least on the high street – is inevitably set for a challenging period during the run-up to the crucial Black Friday and Christmas shopping season.

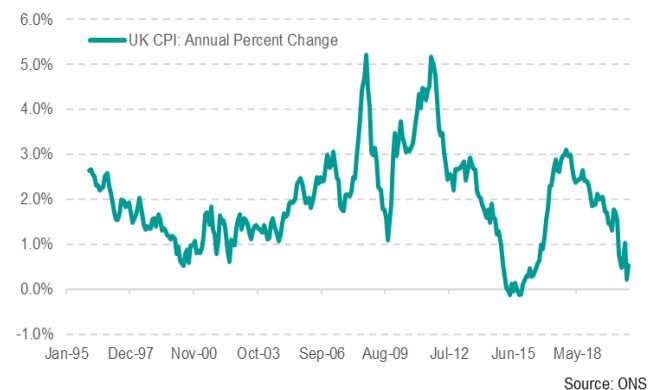
The official data for October may, however, show the continuation of the upward growth trend evident in recent months. Survey data, such as from the British Retail Consortium, pointed to a pre-lockdown spending spree as shoppers scrambled to purchase non-essential goods before the pre-announced four-week shutdown.

With a difficult winter ahead – characterised by rising joblessness and an economy in danger of returning to technical recession – there has been little prospect for UK retailers, or for that matter, firms across the vast majority of the UK economy, to raise prices in a meaningful manner. Expect October's official inflation data to therefore remain subdued, and well below the Bank of England's target rate of 2.0%.

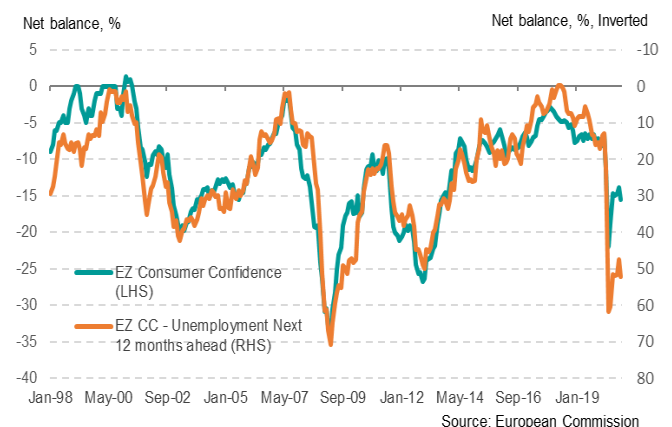
UK retail sales have recovered noticeably during the summer and into early autumn but the November lockdown will derail the sector



UK consumer price inflation is subdued and is set to remain well below the BoE target of 2.0%



Consumer confidence in the eurozone remains relatively subdued as worries over unemployment weigh on sentiment



Asia Pacific Week Ahead

Flash PMIs, China data, Asia trade and monetary policy

By **Bernard Aw**

Principal Economist, IHS Markit, Singapore

Email: bernard.aw@ihsmarkit.com

The coming week sees the release of flash PMI data for Japan and Australia, alongside a slew of official Chinese statistics. Central banks in Thailand, Indonesia and the Philippines will decide on monetary policy, while the PBOC will set its loan prime rate.

With PMI surveys hinting at [a slowdown](#) in the global trade recovery, October updates to trade in Singapore, Thailand, Indonesia and India will be closely watched. Meanwhile, Thailand and Singapore will issue third quarter GDP. Other key Asian data highlights include inflation figures in Japan and Hong Kong SAR.

Flash PMI

Flash November PMI data for Japan and Australia will provide insights into fourth quarter GDP performance. In Japan, analysts still await signs of a recovery, though [October's PMI](#) showed encouraging signs of activity and employment moving closer to stabilisation. Business confidence also improved to the strongest since January 2018.

In Australia, the focus will be on demand conditions as the [October PMI](#) indicated that order book growth has not kept pace with the upturn in overall activity, raising questions as to the durability of the recovery.

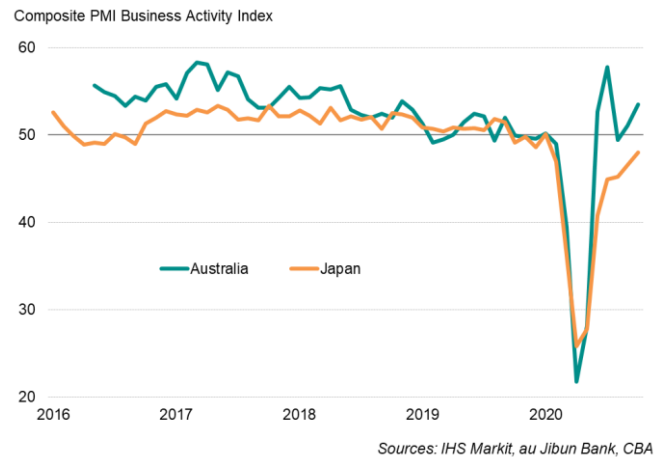
China data

More clues as to the strength of China's economic recovery at the start of the fourth quarter can be gleaned from a clutch of data released in the coming week, including fixed asset investment, industrial output, retail sales, unemployment and house prices. Retail sales, in particular, will be in focus to gauge the extent to which consumption has recovered. [October Caixin survey](#) indicated the second-quickest growth in services business activity for over a decade, driven by a substantial increase in sales from both consumers and businesses.

Monetary policy

Central bank meetings in Thailand, Philippines and Indonesia are meanwhile expected to result in no changes to monetary policy. The former two already held policy rates at record low of 0.5% and 2.25% respectively while Indonesia remains concerned about the impact of low interest rates on the rupiah.

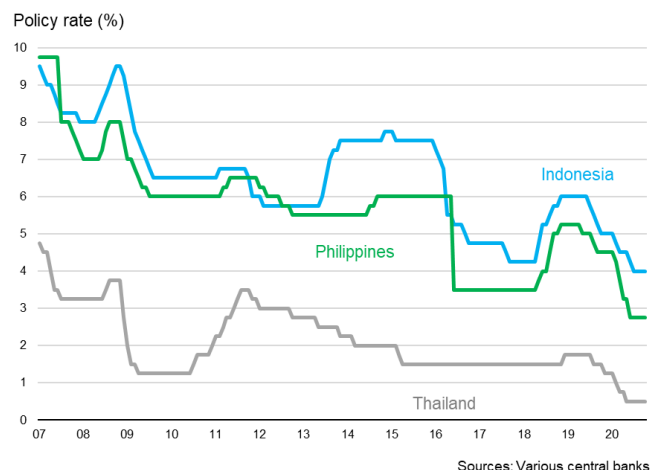
Japan and Australia PMI survey data



Caixin services PMI



Policy rates in Indonesia, Philippines and Thailand



APAC Special Focus

RCEP trade agreement boosts Asia-Pacific trade outlook

By **Rajiv Biswas**

Asia Pacific Chief Economist, IHS Markit

Email: Rajiv.biswas@ihsmarkit.com

Asia-Pacific exports suffered a severe slump in the first half of 2020 due to the shockwaves from the global COVID-19 pandemic and widespread lockdowns that disrupted industrial production and consumer spending. As global lockdowns have eased, Asia-Pacific exports have rebounded in the second half of 2020, helped by improving export orders from the US and EU. The rebound in China's economy has also helped the rebound in exports from many Asian economies.

The new Regional Comprehensive Economic Partnership (RCEP) trade deal will add a further silver lining to the medium-term export outlook, as 15 Asia-Pacific countries create the world's largest free trade agreement to further liberalize trade and investment flows.

RCEP will create the world's largest free trade area

RCEP is a positive regional trade liberalization initiative that will help to boost trade and investment flows among the 15 nations that have agreed to the trade deal. The 15 Asia-Pacific economies that make up the RCEP membership together account for around 29% of world GDP. The RCEP members comprise the 10 nations of ASEAN, plus China, Japan, South Korea, Australia and New Zealand. RCEP negotiations commenced in November 2012 and the 15 RCEP member nations concluded negotiations on the text of the agreement on 4th November 2019. The RCEP agreement is expected to be signed by ministers at the 37th ASEAN Summit in Hanoi in mid-November 2020.

RCEP will be the world's biggest free trade agreement (FTA) measured in terms of GDP, larger than the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the European Union, the recent US-Mexico-Canada Free Trade Agreement or Mercosur.

Although tariff liberalization has already progressed significantly among the 15 RCEP members over the past decade through a wide network of FTAs, RCEP will further reduce tariff barriers. The scope of RCEP includes reducing tariffs on trade in goods, as well as creating higher-quality rules for trade in services, including market access provisions for service sector suppliers from other RCEP countries. The RCEP agreement will also reduce non-tariff barriers to trade among member nations, such as customs and quarantine procedures as well as technical standards.

RCEP significantly extends the scope of trade and investment liberalization through chapters that create a common rules of origin framework as well as strengthening intellectual property protection, trade in services and reducing barriers to investment.

Impact of the COVID-19 pandemic on Asia-Pacific exports

The Asia-Pacific region has been a key beneficiary of global trade and investment liberalization over the past five decades, with many of the region's economies having experienced rapid long-term growth in their exports to key global markets. That structural trend has been supported by multilateral trade liberalization through the GATT and WTO trade rounds, as well as by a growing network of regional and bilateral free trade agreements within the Asia-Pacific region.

However, this long-term trend of rapid export growth has suffered some setbacks in the past three years. The first shock was due to the escalating US-China trade war in 2018 and 2019, which resulted in some disruptions as well as trade diversion effects due to rising bilateral tariff barriers for trade between China and the US. The negative impact on some Chinese exports resulted in wider supply chain implications for many other Asian countries.

Global Manufacturing PMI new export orders



Sources: IHS Markit, CPB World Trade Monitor.

These disruptions to Asia-Pacific trade escalated further during the first half of 2020, as the COVID-19 pandemic triggered lockdowns and travel bans across the world, resulting in sharp declines in exports of goods and services from many Asia-Pacific economies.

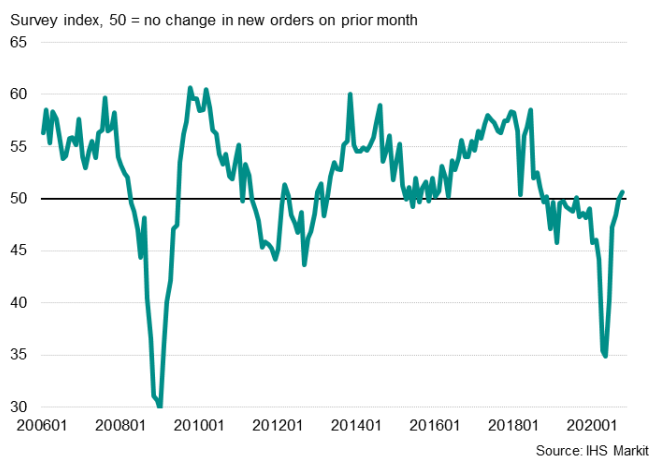
The easing of lockdowns in key markets such as the US and EU since June has subsequently triggered a rebound in manufacturing exports from many Asia-Pacific economies, as sectors such as autos, pharmaceuticals and electronics have shown strong growth in output during the third quarter of 2020. However, with international tourism travel prohibited across most of the Asia-Pacific region, exports of services have remained weak during the second half of 2020.

Global PMI Index for exports of goods and services



Manufacturing sector export orders have shown a strong recovery across the Asia-Pacific during the third quarter of 2020, matched by a rise in the PMI export orders data for the region, as the widespread easing of lockdown restrictions in the US and EU markets helped to drive a rapid rebound in Asian exports of manufactures.

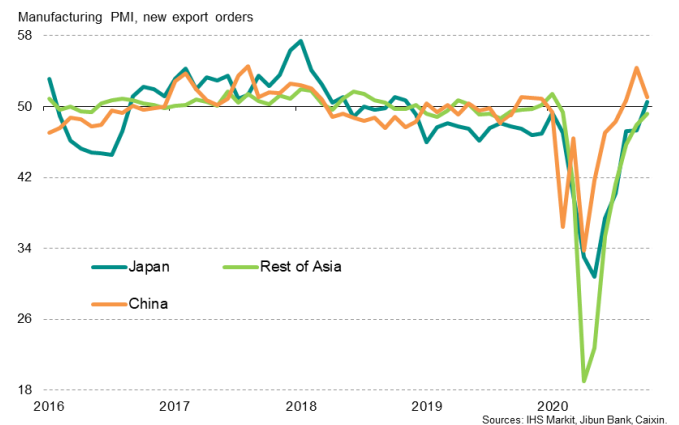
IHS Markit Global Electronics PMI new orders



With the electronics sector being a key segment of the manufacturing exports of many East Asian economies, the strong rebound evident in global electronics new orders highlights the recovery in Asian manufacturing exports in the second half of 2020.

China's export sector has shown a strong upturn during the second half of 2020, with exports rising 11.4% year-on-year in October, after an increase of 9.9% y/y in September. In Malaysia, exports rose by 13.6% y/y in September, with exports of manufactured products up by 16.3% y/y. Singapore's non-oil domestic exports rose by 5.9% y/y in September, with electronics exports surging higher by 21.4% y/y. South Korean exports also posted strong gains in September, rising 7.6% y/y, albeit followed by a small drop of 3.6% y/y in October due to a smaller number of working days in the month compared to a year ago.

Manufacturing export orders



RCEP outlook and trade policy implications

Following considerable disruption to Asia-Pacific trade flows during 2018-2020 due to the US-China trade war and the impact of the pandemic, the implementation of RCEP will help to further reduce barriers to regional trade flows within the Asia-Pacific region over the medium to long-term.

While the RCEP deal is not as comprehensive as the CPTPP deal in terms of scope and range of trade issues covered, its membership includes a larger group of nations, notably reflecting the membership of China, which considerably boosts the total GDP of RCEP members compared to the CPTPP membership. The RCEP also creates a trade liberalisation framework that can be built on and strengthened through further rounds of trade negotiations.

A key priority area for further RCEP negotiations is likely to be e-commerce, given the rapidly growing

importance of online trade in many Asia-Pacific economies, since a substantial agreement was not achieved in the original RCEP framework. Other countries could also potentially join the RCEP grouping in future, widening the economic impact of RCEP trade and investment liberalization measures.

India, which had been one of the nations involved in the RCEP negotiations at an earlier stage, eventually decided in 2019 not to join the RCEP deal. India's decision not to join the RCEP deal reflects considerable domestic concerns amongst political parties as well as industry groups in India about the potential economic shock to Indian industries from dismantling tariff barriers for trade with the other RCEP member nations. However, the other RCEP members have left the door open for India to join at a later date.

A potential trade policy issue for the next US Administration is that the implementation of RCEP will leave the US outside of both RCEP and CPTPP, the two major Asia-Pacific regional free trade agreements. However, US multinationals will be able to benefit from the RCEP provisions through their subsidiaries operating within member countries.

In the overall Asia-Pacific trade policy landscape, the RCEP deal is a major further step by APAC governments to liberalize regional trade flows, following the implementation of both the Japan-EU Economic Partnership Agreement (EPA) and the CPTPP deals in quick succession during in 2019.

Once ratified and implemented by member nations, the RCEP free trade agreement will become a building block for further advancing trade liberalization in the Asia-Pacific, both through expanding the scope of the existing agreement and through the accession of other nations to the agreement.
