

Week Ahead Economic Preview

US, China retail sales, industrial output data, Japan Q3 GDP

11 November 2022

An assortment of data releases packs the week ahead including **US and China's retail sales and industrial production figures**. **GDP data** from the eurozone and Japan will also be expected in addition to inflation data from Canada, the eurozone, and Japan. **Meanwhile central banks in Indonesia and the Philippines** will update their monetary policy decisions with further rate hikes expected. This is as Indonesia hosts the **G20 meeting** with various world leaders in attendance.

Political news dominated the headlines this week with the US midterm elections capturing the market's focus. That said, while we have yet to receive confirmation of the US Senate's control at the point of writing, our latest [S&P Global Investment Manager Index](#) indicated that US equity investors are seeing less of a drag from the political environment just ahead of the elections. Instead, monetary policy and the global macroeconomic environment remain the two biggest factors weighing on equity market performance in the near-term and it is not hard to see why that is so.

The latest [JPMorgan Global Composite PMI](#), compiled by S&P Global, showed that worldwide economic activity contracted for a third successive month as demand shrank. Meanwhile inflationary pressures remained solid, even as rates of increase eased, to warrant persistent attention from central bankers.

Amid such a backdrop, official data including US and China industrial production and retail sales figures will shed light on the production and consumption picture in the two countries. Furthermore, Japan releases Q3 GDP to outline the effects of weaker external demand upon growth in the third quarter, while inflation data from Japan and India will also be expected.

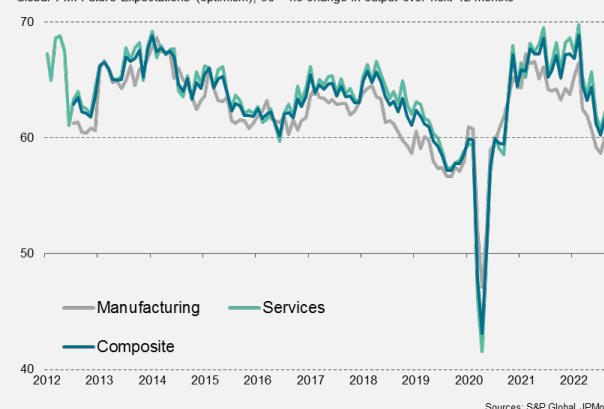
Central bank meetings in the APAC region – Bank Indonesia and Bangko Sentral ng Pilipinas – will also be in focus after the Fed further hiked interest rates at the start of November. Bank Indonesia, in particular, may deliver another aggressive hike in bid to bring inflation under control.

Business confidence, where art thou?

The latest [JPMorgan Global Composite PMI](#) showed business confidence in decline in October. Global private sector firms were the least upbeat in 28 months with confidence falling across both the manufacturing and service sectors, altogether alluding to further pressures for growth ahead.

JPMorgan Global PMI Future Expectations

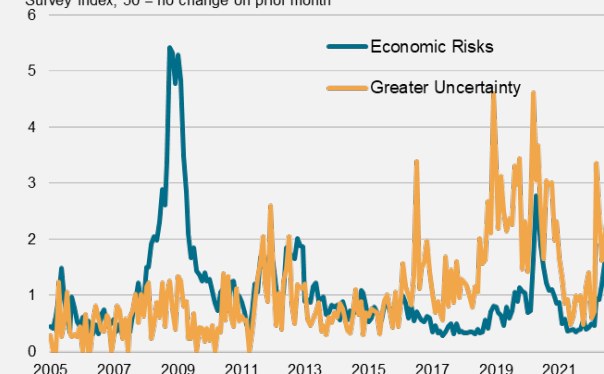
Global PMI Future Expectations (optimism), 50 = no change in output over next 12 months



Specifically, the frequency of mentions for 'economic risks' in the PMI surveys was at the highest since the global financial crisis, barring the pandemic, while mentions of 'recession' had also risen markedly.

Reasons cited for weaker future outlook

Survey index, 50 = no change on prior month



Key diary events

Monday 14 November

Thailand Market Holiday

Eurozone Industrial Production (Sep)
India CPI, WPI (Oct)
Indonesia GDP (Q3)

Tuesday 15 November

Australia RBA Meeting Minutes (15 Nov)
Japan GDP (Q3)
South Korea Trade (Oct)
China (Mainland) Retail Sales, Industrial Output, FAI (Oct)
Indonesia Trade (Oct)
United Kingdom Labour Market Report (Oct)
Eurozone Trade (Sep)
Eurozone GDP (Q3, flash)
Germany ZEW Economic Sentiment (Nov)
United States NY Fed Manufacturing (Nov)
United States PPI (Oct)
Canada Manufacturing Sales (Sep)
Canada Wholesale Trade (Sep)

Wednesday 16 November

Japan Machinery Orders (Sep)
Australia Wage Price Index (Q3)
United Kingdom Inflation (Oct)
United States Retail Sales (Oct)
Canada CPI (Oct)
United States Industrial Production (Oct)

Thursday 17 November

New Zealand PPI (Q3)
Japan Trade Balance (Oct)
Australia Employment (Oct)
Australia Unemployment Rate (Oct)
Singapore Non-Oil Exports (Oct)
Malaysia Trade (Oct)
Philippines Policy Interest Rate (17 Nov)
Eurozone HICP (Oct, final)
United States Building Permits: Number (Oct)
United States Housing Starts Number (Oct)
United States Initial Jobless Claims
Indonesia 7-Day Reverse Repo (Nov)

Friday 18 November

Japan CPI (Oct)
United Kingdom Retail Sales (Oct)
Norway GDP (Q3)
Canada Producer Prices (Oct)
United States Existing Home Sales (Oct)

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

What to watch

Americas: US PPI, retail sales, industrial production figures and Canada inflation data

Official retail sales and industrial production data will be due from the US in the coming week. Consensus expectations currently point to faster retail sales growth though industrial production growth may moderate in October. The latest [S&P Global US Manufacturing PMI](#) indicated slower output growth amid a sharp fall in demand. Meanwhile PPI data will also be released following the CPI figures this week.

Europe: Eurozone Q3 GDP, inflation, German ZEW survey

Final Q3 GDP and October inflation data will be released in the eurozone next week to confirm the modest Q3 growth that was seen. German ZEW survey figures will also be released on Tuesday.

Asia-Pacific: Japan Q3 GDP, October CPI, China retail sales, industrial output, Australia employment data, India inflation and BI, BSP meetings

In APAC, Bank Indonesia will be updating their monetary policy decision on Thursday and we are expecting a 50 basis points expected for the third consecutive month in November to continue the aggressive monetary policy tightening. Despite inflation easing in October from the seven-year high prior, further attempts to nudge the elevated inflation rate down is expected to continue. Likewise, the Philippines central bank Bangko Sentral ng Pilipinas (BSP) may also further lift rates.

In Japan, Q3 GDP and October inflation figures will be due next week with the consensus pointing to a slowdown in Q3 growth to 0.3% quarter-on-quarter. Weaker external demand has weighed on Japan in the third quarter.

China's October retail sales and industrial output will also be released next week with the consensus pointing to a slowdown at the start of Q4.

Finally in India, inflation data will be due next week. According to PMI data, while goods producers saw mild inflationary pressures, services firms saw inflationary pressures gather pace which continued to be shared with consumers.

Special reports:

APAC Electronics Industry Moderates as Consumer Demand Softens | Rajiv Biswas | [page 4](#)

Recent PMI and economic analysis from S&P Global

| | | | |
|--------------|---|--------|---------------------------|
| Global | Global manufacturing PMI slips further into contraction territory as new orders decline solidly | 3-Nov | Jingyi Pan |
| | Flash PMI data signalled heightened recession risks in the US and Europe | 25-Oct | Chris Williamson |
| | Demand Shortfall indices suggest manufacturing downturn could accelerate rapidly | 20-Oct | David Owen, Maryam Baluch |
| | Flash PMI data to highlight recession risks and varying inflation trends at start of fourth quarter | 18-Oct | Chris Williamson |
| | Monthly PMI Bulletin: October 2022 | 17-Oct | Lewis Cooper |
| US | Flash US PMI falls sharply in to contraction territory in October as optimism and demand slumps | 24-Oct | Chris Williamson |
| Europe | Germany leads steepening eurozone downturn in October | 24-Oct | Chris Williamson |
| | Flash UK PMI data signal increasing economic stress as downturn intensifies | 24-Oct | Chris Williamson |
| | Strength in official manufacturing data not set to last | 17-Oct | Chris Williamson |
| | Upcoming PMI data in focus as UK recession risks intensify amid market turmoil | 14-Oct | Chris Williamson |
| Asia-Pacific | Flash PMIs show renewed contraction of the Australian economy in October while Japan's service sector powers growth | 24-Oct | Jingyi Pan |
| | Australian economy under pressure amid strong inflation, but signs of price peak appear | 17-Oct | Laura Denman |
| Commodities | Weekly Pricing Pulse: Commodities down on bearish demand outlook | 8-Nov | Michael Dall |

S&P Global Economics & Country Risk highlights

How nighttime lights illuminate economic activity



Alternative data, which includes night-time lights or "luminosity" data, is a critical resource when it comes to understanding the variation in the economic and risk landscapes of larger countries. The availability of night-time lights almost everywhere in the world is a potential game changer when it comes to relatively data-poor parts of the world.

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

Insight from our Purchasing Managers' Index data: Australia, Taiwan and more



Our economists discuss dominant themes through the lenses of our Purchasing Managers' Index data sets. What are the recent trends in the Australian private sector economy? What does the data from Taiwan, a bellwether of global manufacturing, tell us? How is tighter monetary policy impacting real estate and other sectors? Where are we seeing supply constraints? [Click here to listen to this podcast by S&P Global Market Intelligence](#)

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Special Focus

APAC Electronics Industry Moderates as Consumer Demand Softens

The latest S&P Global Electronics PMI survey for October 2022 indicated that global electronics output and new orders are contracting. The electronics sector has slowed significantly during 2022, as economic growth momentum in the US, EU and mainland China has weakened.

The electronics industry is an important part of the manufacturing export sectors of many Asian industrial economies, including mainland China, South Korea, Japan, Singapore, Taiwan, Malaysia, Thailand and Vietnam. Consequently, the slowdown in global electronics new orders signals a softening outlook for the electronics export industries in many APAC economies.

APAC electronics exports have slowed

The global electronics industry has shown some moderation since mid-2022, with the most recent S&P Global Electronics PMI survey results signalling weaker conditions.

South Korea's semiconductors exports fell by 17.4% year-on-year (y/y) in October, with exports of memory chips down by 35.7% y/y while display shipments fell by 7.9% y/y. Computer exports fell sharply, contracting by 37.1% y/y. Exports of home appliances fell by 22.3% y/y due to weaker consumer demand in the US and EU.

Japan's exports of integrated circuits measured in quantity terms declined by 11.8% y/y in September but rose by 27.8% y/y in yen value terms. This increase in value terms reflects, to a large extent, the impact of sharp yen depreciation from 115 Yen per USD in early January 2022 to 144 Yen per USD by end-September.

In Singapore, data from Enterprise Singapore showed that exports of electronics products declined by 10.6% y/y in September, with exports of integrated circuits down by 12.0% y/y and exports of disk media products down by 42.7% y/y.

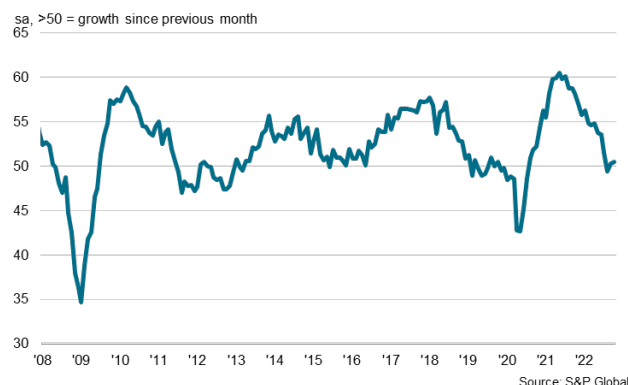
However, in contrast, some other APAC electronics exporting economies have continued to show strong growth in exports. Electronics exports from Taiwan recorded rapid expansion in October. Taiwan's exports of electronics components rose by 15.9% y/y in October, with semiconductors exports rising by 19.4% y/y. Meanwhile Malaysian exports of electrical and electronics manufactures

rose by 39.8% y/y in September, rising by 12.1% month-on-month.

Global electronics sector remains sluggish

The headline seasonally adjusted S&P Global Electronics PMI survey posted 50.5 in October, up marginally from 50.3 in September, and above the 50.0 no-change mark to signal a marginal improvement in business conditions for global electronics manufacturers.

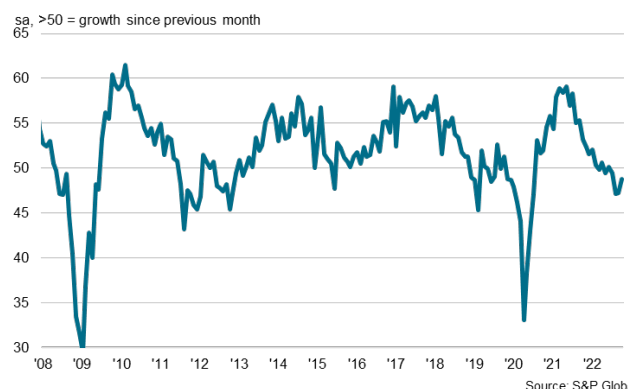
S&P Global Electronics PMI



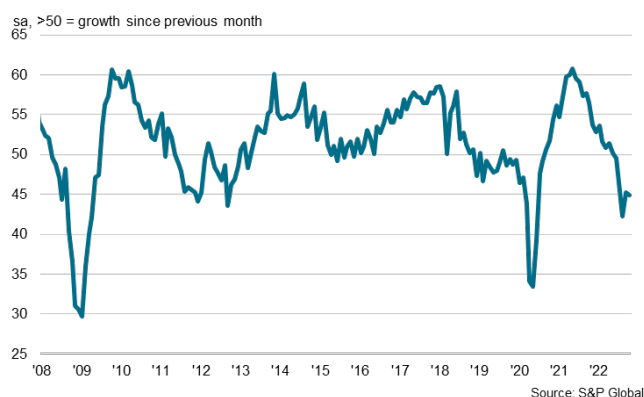
However, the two principal sub-components of the Global Electronics PMI – new orders and output – both remained in contraction territory during October. Global electronics manufacturers lowered their purchasing activity once again in October, thereby stretching the current sequence of decline to three months. According to survey evidence, firms trimmed input buying amid lower new orders. However, despite the reduction in new orders, firms were building safety stocks in anticipation of further price increases and raw material shortages.

Weakening economic growth momentum in the US and EU has impacted on consumer demand for electronics, with the economic slowdown in mainland China also contributing to the downturn in new orders.

S&P Global Electronics PMI Output Index

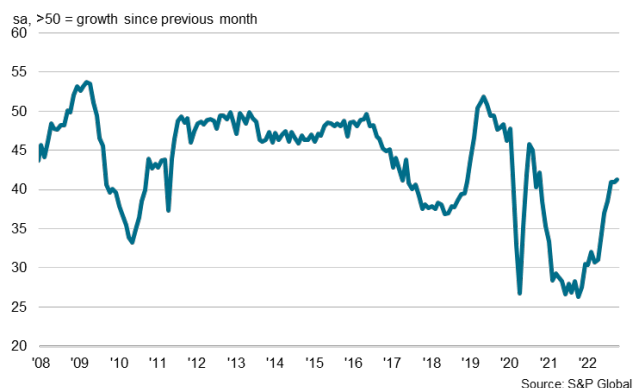


S&P Global Electronics PMI New Orders Index



There were continuing pressures on global electronics supply chains during October, as signalled by the seasonally adjusted Suppliers' Delivery Times Index posting 41.3, still well below the 50.0 no-change mark. However there has been a significant reduction in delivery times since the beginning of 2022, as supply conditions in the sector have gradually improved.

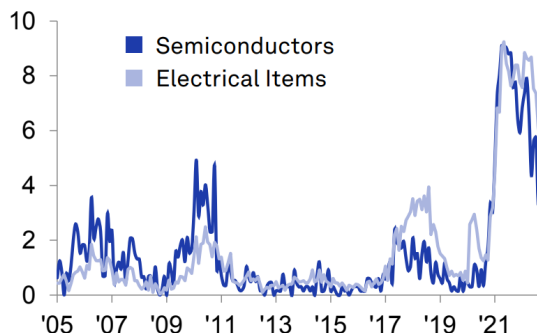
S&P Global Electronics Suppliers' Delivery Times



Although industry supply shortages for the semiconductors and electrical products industries still remain far above their long-run average, these shortages have shown some signs of easing in recent months.

Global Electrical & Electronic Supply Shortages

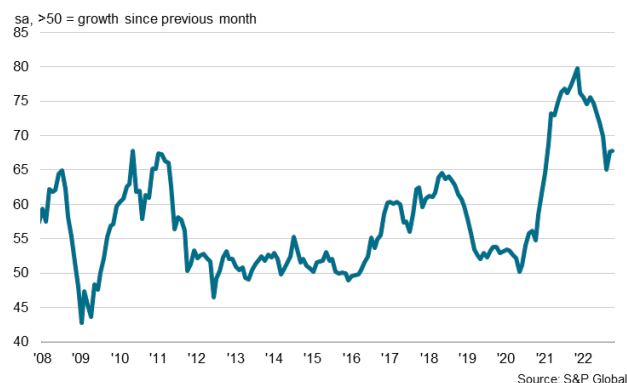
Supply shortages, multiple of long-run average



Inflation pressures remain high

Global electronics manufacturers have continued to face intense cost pressures during the 2022, due to increasing international raw material prices. However, input price pressures have eased back from a level of 74.0 in June to 67.8 in October. Higher raw material costs, energy prices and exchange rate fluctuations have contributed to inflation pressures.

S&P Global Electronics PMI Input Prices Index



Electronics outlook

The APAC electronics industry is facing increasing headwinds in the near-term outlook, as signalled by the most recent S&P Global Electronics PMI surveys for September and October. Weakening growth momentum in the US and EU, combined with soft domestic demand growth in mainland China, is weighing on electronics new orders. However, production backlogs for some key electronics products, notably semiconductors, will continue to provide support for electronics output during the remainder of 2022 and early 2023, albeit supplier delivery times are easing. Electronics output and new orders have been moderating in recent months, as slowing growth momentum in the key markets of the US and EU are increasingly acting as a drag on electronics new orders.

The medium-term economic outlook remains supportive for the electronics industry. With shortages of semiconductors having disrupted manufacturing supply chains in 2021, the importance of having domestic electronics production capacity for critical electronics components has become a national priority for major industrial economies, including the US, EU and mainland China.

For the US and EU, reducing reliance on Asian semiconductors production has become a key strategic priority over the next decade. The US CHIPS and Science Act which was recently passed by US Congress and signed into law in August 2022 by President Joe Biden, provides for USD 50 billion of government funding for increasing US domestic production of semiconductors. In the EU, the

European Chips Act is expected to mobilize an estimated EUR 15 billion of public and private investments into semiconductors, with a total of EUR 43 billion of policy-driven investment into the EU semiconductors industry by 2030. India is also trying to establish a commercial semiconductors manufacturing sector, to reduce its heavy reliance on imported semiconductors.

The outlook for electronics demand is also supported by major technological developments, including 5G rollout over the next five years, which will drive demand for 5G mobile phones. Demand for industrial electronics is also expected to grow rapidly over the medium term, helped by Industry 4.0, as industrial automation and the Internet of Things boost rapid growth in demand for industrial electronics. Competition amongst leading technology economies in strategic electronics production has also intensified. Consequently, strategic global competition amongst the world's leading high-technology economies is also likely to play a greater role in reshaping the global electronics industry landscape over the next decade.

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