

Week Ahead Economic Preview

Inflation updates for the US, UK, Eurozone, Japan and Canada

15 December 2023

Into the final weeks of 2023, more inflation data will keep the markets occupied with CPI numbers out of the UK, Eurozone, Japan and Canada while the US updates core PCE data. Additionally, final Q3 GDP updates will also be due from the US and UK while central bank meetings in Japan and Indonesia are also anticipated.

The final Fed meeting of the year fuelled further rate cut expectations with the market having almost fully priced in 50 basis points of rate cut by May according to the CME FedWatch tool. This was as the Fed signalled the possibility of easing monetary policy by 75 basis points in 2024, recognising that inflation has eased in recent months. Indeed, the latest S&P Global Flash US PMI continued to outline the likelihood for CPI to head lower despite the economy gaining some momentum in December amid loosened financial conditions (see special report). US core PCE will therefore be in focus while other high frequency releases, including the US personal income and spending, durable goods orders, and building permits, are also updated for a check on November conditions. Separately, Q3 GDP will be updated, though this will be a backward-looking piece of data.

Meanwhile November UK, Eurozone and Japan inflation figures are anticipated with [PMI price data having hinted at further cooling of underlying price pressures](#). Japan's inflation figures will be among the highlights, especially with the Bank of Japan (BoJ) widely expected to exit their negative interest rate regime, albeit not in the upcoming meeting on Friday, December 22. Rhetoric from the meeting coupled with the upcoming inflation indications from Japan will be closely watched for the yen – especially with the BoJ seen to be an outlier central bank, set to hike rates while global central banks including the Fed move in the opposite direction.

Besides the Bank of Japan, Bank Indonesia will also convene though no changes are expected. Meeting minutes from the Reserve Bank of Australia will also be due for insights into central bankers' thoughts amid still-elevated inflation in Australia and softening growth conditions.

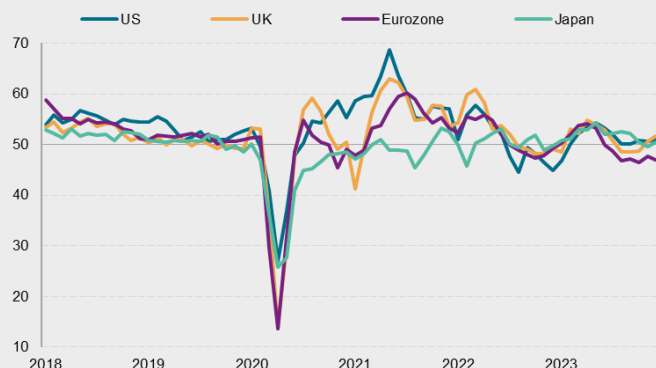
Flash PMI data signal widening growth divergences

Early PMI survey data for December from S&P Global showed the major developed economies collectively stagnating. However, trends varied, with the eurozone slipping deeper into decline to signal a recession, but modest growth was seen in the UK, Japan and US.

The surveys continue to indicate that service sector growth remains very subdued in the G4 on average relative to the growth surge seen in spring and summer, but looser financial conditions – based on expectations of lower interest rates in 2024 – have benefitted the US and UK in particular as 2023 draws to a close. Manufacturing, in contrast, remains firmly in decline, with output falling across all four economies, dropping most notably in the eurozone.

Further falls in backlogs of work in both sectors meanwhile bode ill for the near-term outlook, but also hint at some potential further cooling of inflation. Service inflation remained elevated by historical standards, most noticeably in the UK, and the upcoming dataflow in this sector will be key to help assess policy developments in 2024.

Flash PMI output indicators of 'G4' economies



Data compiled December 15, 2023.
PMI covers manufacturing and services. 50 = no change on prior month.
Sources: S&P Global PMI with HCOB, CIPS and au Jibun Bank.
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For our full recap of the PMIs in 2023, download our [“Shifting Sands” report](#).

Key diary events

Monday 18 Dec

Singapore NODX (Nov)
Germany Ifo Business Climate (Dec)
United States NAHB Housing Market Index (Dec)

Tuesday 19 Dec

Australia RBA Meeting Minutes
Japan BOJ Interest Rate Decision
Malaysia Trade (Nov)
Eurozone Inflation (Nov, final)
United Kingdom CBI Industrial Trends Orders (Dec)
Canada Inflation (Nov)
United States Building Permits (Nov, prelim)
United States Housing Starts (Nov)

Wednesday 20 Dec

Japan Trade (Nov)
China (Mainland) Loan Prime Rate (Dec)
Germany GfK Consumer Confidence (Jan)
Germany PPI (Nov)
Turkey Consumer Confidence (Dec)
United Kingdom Inflation (Nov)
Switzerland Current Account
Taiwan Export Orders (Nov)
Eurozone Current Account (Oct)
Eurozone Consumer Confidence (Dec, flash)
United States Current Account (Q3)
United States CB Consumer Confidence (Dec)
United States Existing Home Sales (Nov)
Canada BoC Summary of Deliberations

Thursday 21 Dec

Indonesia BI Interest Rate Decision
France Business Confidence (Dec)
Hong Kong SAR Inflation (Nov)
Turkey TCMB Interest Rate Decision
Canada Retail Sales (Oct)
United States GDP (Q3, final)

Friday 22 Dec

Japan Inflation (Nov)
Japan BoJ Meeting Minutes (Oct)
Thailand Trade (Nov)
Malaysia Inflation (Nov)
United Kingdom Retail Sales (Nov)
United Kingdom GDP (Q3, final)
France Consumer Confidence (Dec)
Spain GDP (Q3, final)
Taiwan Unemployment Rate (Nov)
Italy Business Confidence (Dec)
Canada GDP (Oct)
United States core PCE (Nov)
United States Durable Goods (Nov)
United States Personal Income and Spending (Nov)
United States New Home Sales (Nov)
United States UoM Sentiment (Dec, final)

* Access press releases of indices produced by S&P Global and relevant sponsors [here](#).

What to watch

Americas: US core PCE, Canada inflation data and US building permits, personal income and spending and final Q3 GDP update

Post the December Fed meeting, US core PCE will be in focus in the coming week. This comes after US CPI eased to 3.1% in November while core CPI inched up slightly to show a 0.3% monthly increase, though both figures were in line with consensus expectations.

Separately, the US also releases a Q3 GDP update, in addition to building permits, durable goods orders, new home sales, consumer confidence and personal income and spending figures.

Meanwhile in Canada, November's inflation figure will be due Tuesday. Encouragingly, price indicators from the [S&P Global Canada Composite PMI](#) suggested that input cost inflation had eased in November.

EMEA: Eurozone, UK inflation data, UK retail sales and final Q3 GDP, German GfK, Ifo survey data,

In the UK, November's inflation figures will be released Wednesday. Likewise for the UK, [PMI price indicators have hinted at a slight easing of price pressure into November](#), though some stickiness may be observed thereafter. Retail sales and final Q3 GDP will also be released, with the former closely watched for any improvements in activity into the final months of the year.

The eurozone will also update November inflation figures following the preliminary headline and core CPI readings of 2.4% and 3.6% respectively. Also watch out for Spain third quarter GDP release and producer prices in Germany.

APAC: BoJ, BI meetings, RBA meeting minutes, Japan inflation and trade data

In APAC, final central bank meetings of the year unfold in Japan and Indonesia. The Bank of Japan will be in focus despite no changes to the current negative interest rate setting being anticipated at the upcoming meeting, as hinted by officials. This is as the BoJ is set to hike rates by the end of April according to market expectations, though central bankers remain vigilant of data developments, placing the focus also on Japan's inflation and trade releases in the coming week.

Special reports:

US flash PMI ends 2023 at highest since July amid looser financial conditions | Chris Williamson | [page 4](#)

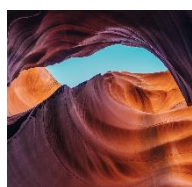
APAC manufacturing sector rebounds in late 2023 | Rajiv Biswas | [page 7](#)

Recent PMI and economic analysis from S&P Global

Global	Monthly PMI Bulletin: December 2023	14-Dec	Jingyi Pan
	Deterioration of global trade conditions ease in November	7-Dec	Jingyi Pan
	Global PMI data hint at further cooling of inflation in the months ahead	7-Dec	Chris Williamson
	Worldwide employment stalls as businesses report further weakness of demand	6-Dec	Chris Williamson
	Global factory job losses continue as demand downturn persists in November	1-Dec	Chris Williamson
	Flash PMIs signal jobs decline as economic malaise drifts into fourth month	24-Nov	Chris Williamson
	Emerging markets PMI signal further loss of growth momentum in October	16-Nov	Jingyi Pan
EMEA	Flash PMI points to UK economy ending 2023 on a more positive note	15-Dec	Chris Williamson
	Recession indicated as eurozone flash PMI signals deepening decline in December	15-Dec	Chris Williamson
US	US flash PMI ends 2023 at highest since July amid looser financial conditions	15-Dec	Chris Williamson
Asia-Pacific	India seizes crown of fastest growing G20 economy	8-Dec	Rajiv Biswas
	China PMI signals tentative growth revival in November, prices edge higher for third month	5-Dec	Chris Williamson

S&P Global Market Intelligence highlights

Shifting Sands: Economic Trends Impacting Global Economies in 2023-4



We study history to learn lessons from the past, helping us better understand the current environment and assess the likely future. Read this detailed review of some of the key signals from the Purchasing Managers' Index™ (PMI®) business survey data in 2023. With global and region-specific coverage and insights giving you an indication of what these trends mean for the global economy as we head into 2024.

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

PMI Insights: A look at the Americas



The economists see quite a subdued picture in Canada from their latest survey results. Firms are concerned about high interest rates and how they may squeeze clients' budgets. The newly launched PMI for the Canadian service sector, which covers private sector services accounting for about half of the country's GDP, offers additional insights into business activity, new orders, employment and more.

[Click here to listen to this podcast by S&P Global Market Intelligence](#)

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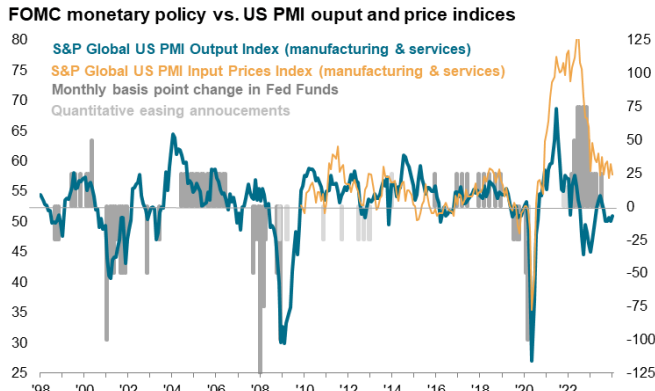
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Special Focus

US Flash PMI Ends 2023 at Highest Since July Amid Looser Financial Conditions

The early PMI data indicate that the US economy picked up a little momentum in December, closing off the year with the fastest growth recorded since July. However, despite the December upturn, the survey therefore signals only weak GDP growth in the fourth quarter.

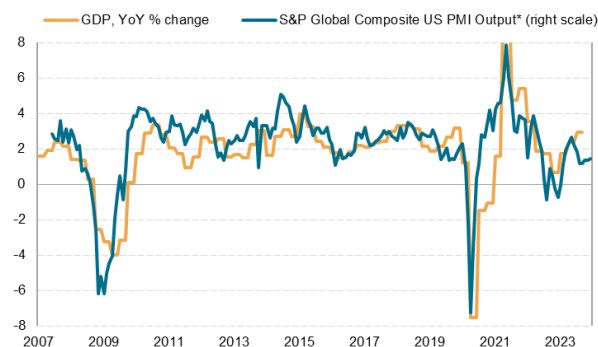
The survey's selling price gauge, which tends to lead changes in consumer price inflation, remains sticky but at a level which is indicative of CPI running only modestly above 2%. Service sector input cost inflation, a key gauge of core inflation, once again remained notably elevated by historical standards, though even here the average rate of increase in the fourth quarter has been the lowest since mid-2020, and falling backlogs of work across the economy hint at further inflation weakness in the months ahead.



Output rises on the back of increased services activity

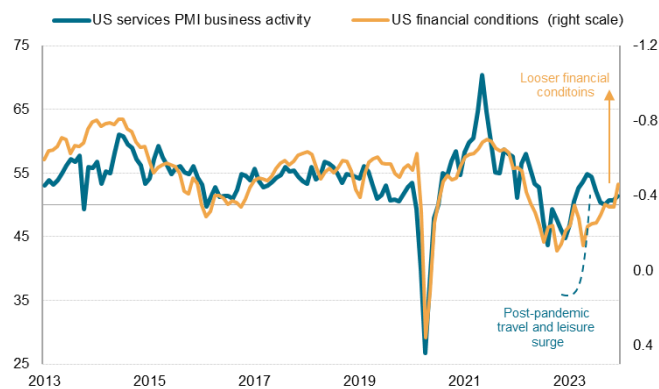
At 51.0, the headline S&P Global Flash US PMI Composite Output Index was up slightly from 50.7 in November and posted above the 50.0 neutral mark for the eleventh successive month to signal a modest expansion in business activity. The rate of growth, although subdued in the context of the series history, accelerated to the fastest since July.

US annual GDP growth and the PMI



Looking into the details, looser financial conditions have helped boost demand and business activity in the service sector, and have also helped lift future output expectations higher. However, the increased cost of living and cautious approach to spending by households and businesses means the overall rate of service sector growth remains far short of that witnessed during the travel and leisure revival back in the spring and summer.

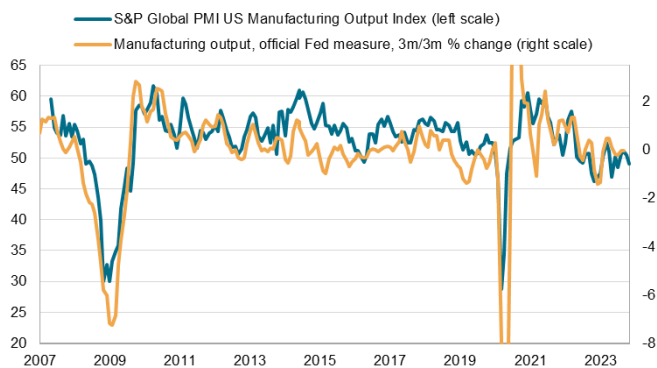
US PMI services activity vs. financial conditions



Manufacturing meanwhile remains a drag on the economy, with a stronger rate of order book decline prompting factories to reduce production and scale back their input buying.

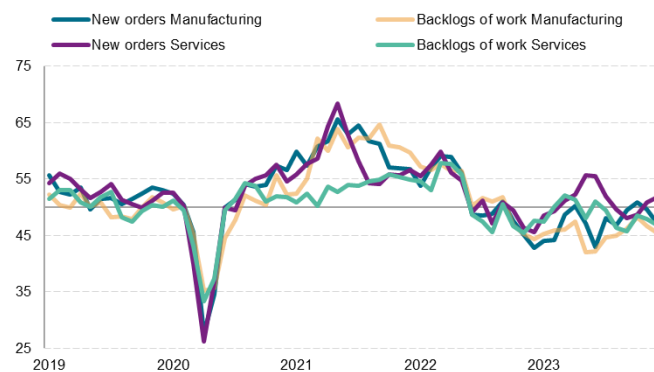
Continued...

US manufacturing output



Data compiled December 15, 2023.
 PMI (Purchasing Managers' Index), 50 = no change on prior month. All data seasonally adjusted.
 Sources: S&P Global PMI, US Federal Reserve via S&P Global Market Intelligence.
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US PMI order book indicators



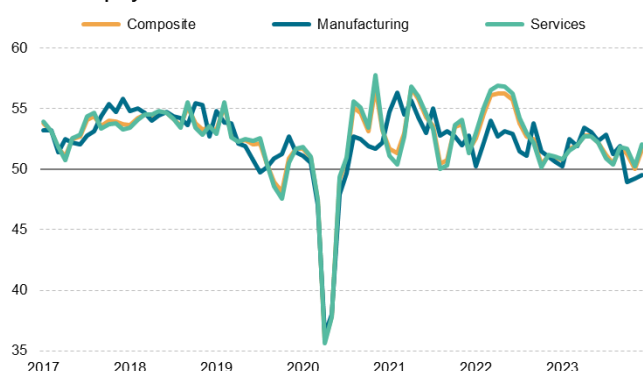
Data compiled December 15, 2023.
 PMI (Purchasing Managers' Index) 50 = no change on prior month.
 Source: S&P Global PMI.
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Employment trends diverge

The weakness in the demand situation facing manufacturers prompted factories to reduce their headcounts for a third successive month. Not only are inflows of new orders falling in manufacturing, having now dropped in all but three of the past 19 months, but factories' backlogs of work also fell sharply, down for a fifteenth straight month.

Service providers, in contrast, stepped up their hiring in December, in many cases to help fill long-standing vacancies. However, this increase in capacity led to a marked fall in backlogs of work, which hints at the development of excess capacity in services alongside the apparent build-up of spare capacity in the manufacturing sector.

US PMI employment indicators

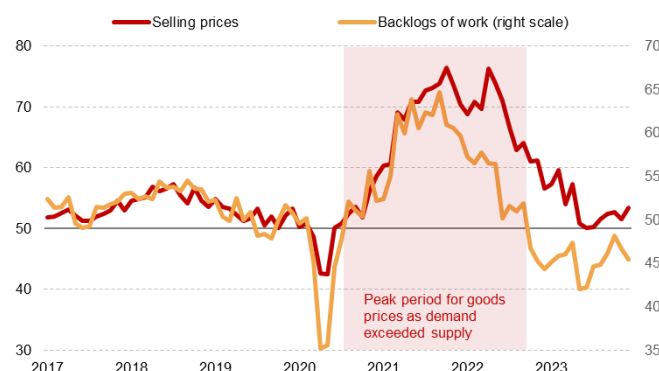


Data compiled December 15, 2023.
 PMI (Purchasing Managers' Index) 50 = no change on prior month.
 Source: S&P Global PMI.
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Waning pricing power

While boding ill for output growth in the months ahead, these falls in backlogs of work auger well in the fight against inflation. In our following charts, we plot the backlogs of work indices against selling price indices for goods and services. The charts demonstrate how pricing power moves to the seller at times of rising backlogs of work. Hence higher prices were seen for both goods and services during the pandemic, when firms struggled against the headwinds of raw material and labor shortages. In manufacturing, 2023 has seen the development of excess capacity hand pricing power to buyers, causing output charges to fall (albeit with some upward pressure resuming in December as some prices have hit floors).

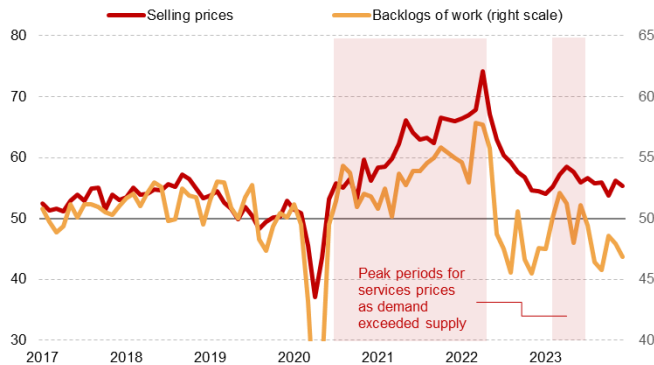
US PMI manufacturing prices and backlogs of work



Data compiled December 15, 2023.
 PMI (Purchasing Managers' Index) 50 = no change on prior month.
 Source: S&P Global PMI.
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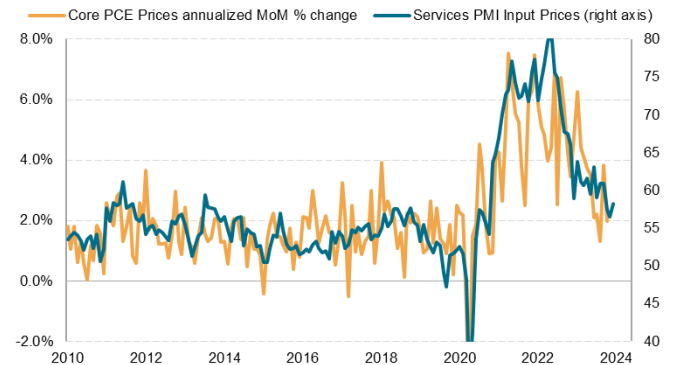
In services, a resurgence of demand in the spring and summer, linked in part to pent-up post-COVID travel demand, led to a second leg of historically steep inflation. However, as with manufacturing, backlogs of work are now falling in services, passing some pricing power back to buyers.

US PMI services prices and backlogs of work



Data compiled December 15, 2023.
 PMI (Purchasing Managers' Index) 50 = no change on prior month.
 Source: S&P Global PMI.
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US core PCE inflation

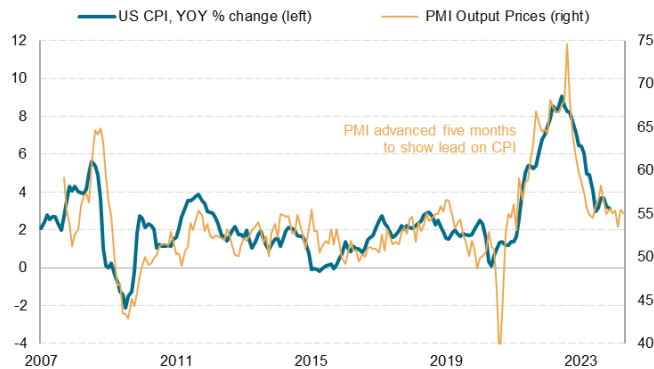


Data compiled December 15, 2023 using flash PMI data for November 2023.
 PMI 50 = no change on prior month.
 Source: S&P Global PMI, BEA via S&P Global Market Intelligence.
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CPI on the wane

Plotting the PMI data on selling prices for goods and services against consumer price inflation illustrates the leading indicator properties of the PMI, with the survey tending to move ahead of CPI by around five months. The survey data correctly anticipated the steep moderation of CPI inflation this year to 3.1% in November, but hints at CPI inflation likely cooling only modestly further, with the Fed's 2% target only briefly coming into view before price pressures lift slightly higher again in the new year.

US inflation



Data compiled December 15, 2023.
 PMI covers manufacturing only pre-2009 but manufacturing & services thereafter.
 Source: S&P Global PMI, BEA via S&P Global Market Intelligence.
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There's also an indication that core inflation has come close to the Fed's 2% target, with the PMI's input cost index from the service sector running at a level only slightly above 2% in recent months.

Outlook tied to financial conditions

With the backlogs of work data hinting strongly that the PMI's price gauges will fall further over the coming months, the risks to inflation seem further tilted to the downside. But it remains to be seen whether the loosening of financial conditions already evident in the markets will further help stimulate the economy and revive some of these survey gauges, notably in the service sector.

Access the Flash US PMI press release [here](#).

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Special Focus

APAC Manufacturing Sector Rebounds in Late 2023

After protracted weakness in manufacturing output and exports for many APAC industrial economies through most of 2023, there are early signs of improving momentum as the year draws to a close, helped by improving electronics exports and strong production and exports of electric vehicles.

In East Asia, mainland China's exports in November showed marginal growth in November, the first increase since April. South Korea's exports for the month of November rose by 7.8 percent year-on-year (y/y), with semiconductors exports ending 15 successive months of contraction, posting growth of 12.9 percent y/y. Singapore's economy is closing the year on a high note, with manufacturing sector output rebounding by 7.4% y/y in October 2023, after 12 consecutive months of year-over-year contraction. Taiwan's exports grew by 3.8% y/y in November, after having shown sharp declines throughout the first half of 2023 before gradually improving during the second half. Meanwhile industrial production in India has continued to show strong momentum during 2023, rising by 11.7% y/y in October.

Mainland China's exports return to positive growth

After showing contraction each month between April and October, mainland China's exports returned to positive growth in November, albeit marginal expansion of just 0.5% y/y measured in USD terms. The rebound in exports was helped by a 7.0% y/y rise in exports to the US. However, exports to the EU contracted by 14.5% y/y, reflecting continued weak economic conditions in Western Europe.

The headline seasonally adjusted Caixin General Manufacturing Purchasing Managers' Index (PMI) increased from 49.5 in October to a three-month high of 50.7 in November, to signal a renewed improvement in manufacturing conditions. Though only marginal, it marked the third time in the past four months that the health of the sector has strengthened. Supporting the positive survey reading for November was a sustained and quicker rise in overall new orders received by Chinese goods producers in November. Though modest, the rate of new order growth was the best seen since June, with firms often noting that firmer market conditions had helped to lift sales. However, new work from overseas continued to fall slightly, underscoring a relatively challenging external demand environment.

China General Manufacturing PMI

PMI (Purchasing Managers' Index) Index
Diffusion index (50 = no change on prior month)



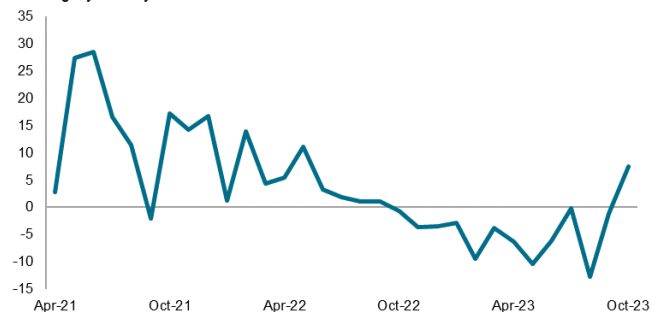
Source: Caixin, S&P Global Market Intelligence © S&P Global 2023.

Singapore's manufacturing sector output rebounds

Latest statistics from Singapore's Economic Development Board (EDB) showed that manufacturing output rebounded strongly in October 2023. When measured on a month-on-month (m/m) basis, manufacturing output rose by 9.8% m/m.

Singapore manufacturing output

% change, year-on-year

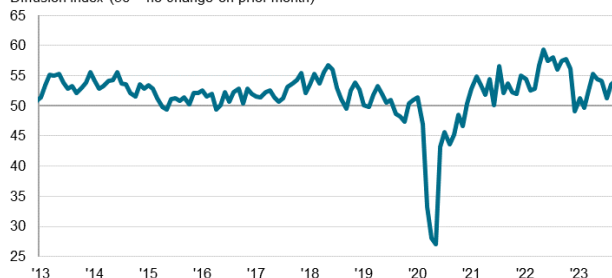


Source: Singapore EDB. © 2023 S&P Global.

A key factor driving the rebound in manufacturing output was the sharp upturn in electronics output, which rose by 14.8% y/y in October. Transport engineering output also rose strongly, up by 12% y/y, while biomedical manufacturing rose by 5.1% y/y. However, precision engineering output fell by 2.2% y/y while chemicals output showed a modest decline of 1% y/y.

S&P Global Singapore PMI

S&P Global PMI (Purchasing Managers' Index) Index
Diffusion index (50 = no change on prior month)



Source: S&P Global Market Intelligence, S&P Global PMI surveys © S&P Global 2023.

The headline seasonally adjusted S&P Global Singapore PMI posted 55.8 in November, up from 53.7 in October. The latest reading signalled a ninth consecutive monthly expansion of Singapore's private sector economy and at the quickest pace since November 2022. Central to the latest improvement in conditions was stronger demand growth. New business expanded at the fastest rate in six months.

South Korean exports rebound in November

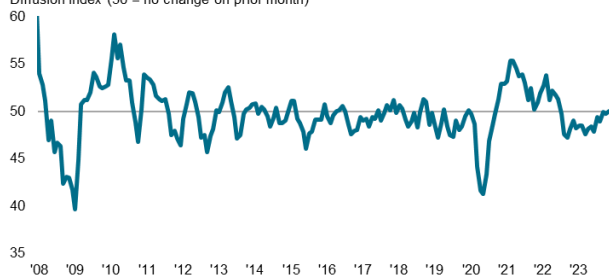
South Korea's Ministry of Trade, Industry and Energy (MOTIE) announced that South Korea's export value for the month of November advanced 7.8% y/y, reaching the highest monthly level for 2023 year-to-date.

A key factor supporting the rebound was an upturn in semiconductors exports, which ended 15 successive months of contraction, posting growth of 12.9% y/y, helped by a recovery in prices for memory chips. South Korean exports were also boosted by strong growth of 69.4% y/y in export value of Electric Vehicles, which account for 23.8% of the total automobile export value.

Reflecting the upturn in South Korean manufacturing exports, the seasonally adjusted S&P Global South Korea Manufacturing PMI rose slightly from 49.8 in October to 50.0 in November, signalling a return to neutral operating conditions in South Korea's manufacturing sector. The latest reading ended a 16-month sequence of decline.

S&P Global South Korea Manufacturing PMI

S&P Global PMI (Purchasing Managers' Index) Index
Diffusion index (50 = no change on prior month)



Source: S&P Global Market Intelligence, S&P Global PMI surveys
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Taiwan's exports continue to recover

Taiwan's exports grew by 3.8% y/y in November, after having shown sharp declines throughout the first half of 2023 before gradually improving during the second half.

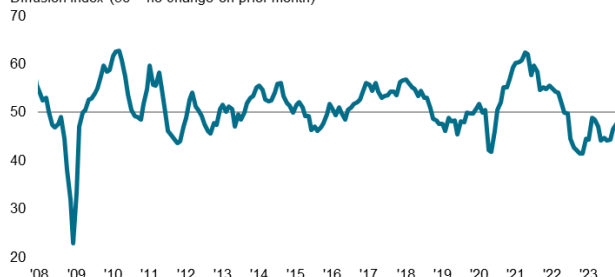
An important driver for the improvement was a 74% y/y rise in exports of information, communication and audio-video products. Key growth markets were the US, with exports to the US rising by 33% y/y in November, while exports to ASEAN rose by 13.8% y/y. However, exports to mainland

China and Hong Kong SAR fell by 6.3% y/y. For the first eleven months of 2023, exports to mainland China and Hong Kong SAR fell by 19.1% y/y.

The S&P Global Taiwan Manufacturing PMI has gradually improved in the second half of 2023. The headline index picked up from 47.6 in October to 48.3 in November. Although the index still signalled moderate contractionary business conditions for the eighteenth successive month, the pace of reduction was the softest since March 2023.

S&P Global Taiwan Manufacturing PMI

S&P Global PMI (Purchasing Managers' Index) Index
Diffusion index (50 = no change on prior month)



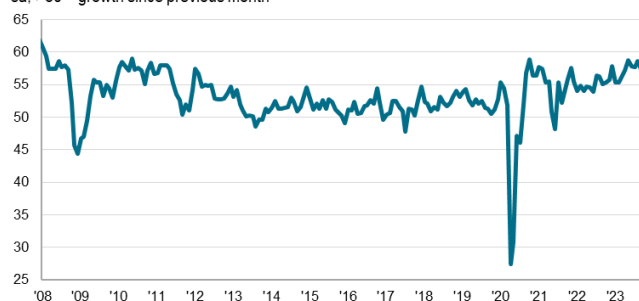
Source: S&P Global Market Intelligence, S&P Global PMI surveys
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India's industrial output shows buoyant expansion

India's industrial output has shown sustained strong growth during 2023, with the latest industrial production data showing an 11.7% y/y rise in October. Manufacturing output rose by 10.4% y/y in October, boosted by a 22.6% y/y rise in output of capital goods. Production of infrastructure/construction goods was also buoyant in October, rising by 11.3% y/y, while output of consumer durables rose by 15.9% y/y.

India Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.
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The S&P Global India Manufacturing PMI continued to show buoyant conditions in India's manufacturing sector in November, rising to 56.0 compared with 55.5 in October.

November data showed another substantial increase in overall levels of new orders received by Indian goods

producers. Surveyed companies commonly reported positive demand trends, greater client requirements and favourable market conditions.

APAC manufacturing outlook

The outlook for 2024 is for continued resilient expansion in the APAC region, with robust domestic demand in many East Asian economies as well as India supporting manufacturing sector growth, helped by continued recovery in the key electronics sector.

The medium-term outlook for the APAC manufacturing sector is also supported by a number of positive factors.

Continued strong expansion in domestic consumer markets in large APAC economies, notably mainland China, India and Indonesia, will be an important factor supporting further growth in intra-APAC trade in raw materials, intermediate goods and final manufactured products.

The electronics manufacturing industry is an important part of the manufacturing export sector for many Asian economies, including South Korea, China, Japan, Malaysia, Singapore, Philippines, Taiwan, Thailand and Vietnam. Furthermore, the electronics supply chain is highly integrated across different economies in East Asia.

This includes continued 5G rollout over the next five years, which will drive demand for 5G mobile phones, as well as demand growth for electronics products driven by the impact of artificial intelligence. 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 boosts rapidly growth in demand for industrial electronics.

APAC auto manufacturing hubs are also benefiting from the global transition to electric vehicles (EV), which is driving demand for EV exports produced in mainland China, Japan and South Korea. In early 2023, Hyundai started assembly of Ioniq 5 EVs at its new Hyundai Motor Group Innovation Centre in Singapore. Indonesia has also benefited from strong foreign direct investment flows from multinationals to build new electric vehicle battery plants.

The rapid growth of APAC exports is also expected to be strengthened by the APAC regional trade liberalization architecture. This includes the large Regional Comprehensive Economic Partnership (RCEP) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) multilateral trade agreements as well as the growing network of major bilateral FTAs involving APAC economies.

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