

Week Ahead Economic Preview

Global overview

- US industrial production and retail sales data
- Eurozone manufacturing and UK jobs numbers
- China data, APAC regional trade figures and Asian monetary policy meetings
- IMF World Economic Outlook
- Second US presidential debate?

Markets will be steered by Covid-19 infection rates and whether fresh data will show a resurgent impact of the pandemic on the global economy, while also eyeing the politics and stimulus talks in the run up to the ever-closer US presidential election.

With virus infection rates rising in many countries in recent weeks, it was no surprise to see the pace of [global economic growth lose a little momentum](#) in September, according to the worldwide PMI surveys. Although the overall pace of growth remained relatively solid, thanks mainly to a strong manufacturing performance and [rising investment spending](#), [detailed sector data](#) showed consumer service industries remaining in a steep downturn, with some countries even sliding back into contraction as virus fighting restrictions were ramped up again. We consequently expect to see the IMF grow gloomier when the World Economic Outlook report is updated in the coming week to show a slower economic recovery, with warnings of the potential for increased longer-term damage to many economies.

In the US, the economic data will be especially keenly eyed in the lead up to the polls, with analysts eager to see updates to industrial production and retail sales to gauge whether the recovery is losing steam. Trump and Biden were meanwhile scheduled to go head to head again in the second presidential debate, though the clash is looking increasingly unlikely ([page 3](#)).

In Europe, industrial production and trade figures for August data will be important steers for understanding the likely size of a eurozone GDP rebound in the third quarter, while in the UK jobs data will be closely watched for signs of rising unemployment as the government's furlough scheme is unwound ([page 4](#)).

In Asia, China watchers will assess vehicle sales, credit and money supply data to hopefully confirm the sustained pace of economic recovery, while central bank meetings will be held in South Korea, Indonesia and Singapore ([page 5](#)).

Special reports

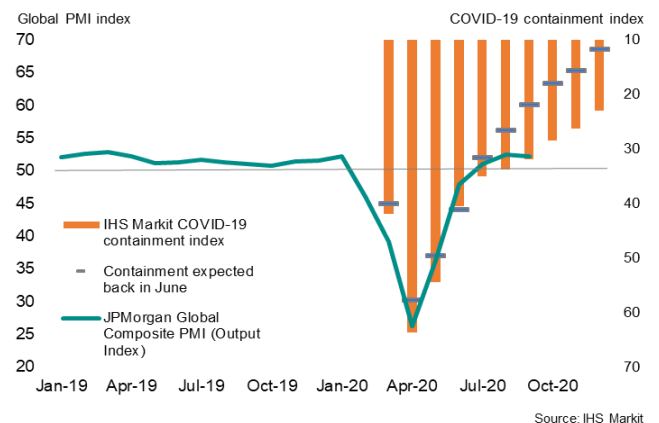
Philippines set for rebound from steep recession:

Covid-19 lockdown restrictions have resulted in a large contraction in GDP during the first half of 2020, but the outlook is for a significant rebound in 2021, as the expected global rollout of Covid-19 vaccines helps to open the path for a sustained global recovery in economic activity ([page 6](#)).

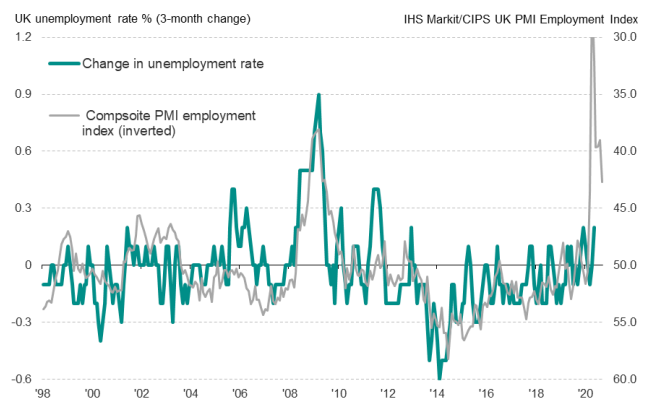
Upcoming PMI releases

23rd October: Flash PMIs for the US, Eurozone, Japan, UK & Australia

Rising Covid-19 case numbers have led to virus containment measures not being relaxed as much as previously planned, dampening the global economic recovery



The unemployment rate in the UK has remained surprisingly low at 4.1% but that could soon change, with survey data hinting at a marked rise in joblessness



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Key diary events (UTC)

Monday 12 October

IMF-World Bank annual meetings ([12-18 Oct](#))
Malaysia industrial output and retail sales (Aug)
India industrial output (Aug), inflation (Sep)
China vehicle sales, FDI (Sep)

Tuesday 13 October

IMF [World Economic Outlook](#) and [Global Financial Stability](#) reports
China trade (Sep)
Malaysia jobless rate (Aug)
Germany inflation (Final, Sep)
UK employment change, (Jul), jobless rate, average earnings (Aug), claimant count change (Sep)
Indonesia interest rate decision
Euro area and Germany ZEW index (Oct)
US inflation (Sep), IBD/TIPP economic optimism (Oct)
Australia consumer confidence (Oct) 23:30 UTC

Wednesday 14 October

Australia new home sales (Sep)
Singapore GDP (Adv, Q3), monetary policy decision
South Korea interest rate decision
Japan industrial output (Final, Aug)
India WPI (Sep)
Spain inflation (Final, Sep)
IEA oil market report
UK labour productivity (Q2)
Euro area industrial production (Aug)
US PPI (Sep)
Brazil business confidence (Oct)

Thursday 15 October

US second presidential debate
Australia jobless rate, employment change (Sep)
China inflation (Sep)
Indonesia export, import, trade balance (Sep), business confidence (Q2)
France inflation (Final, Sep)
India export, import, trade balance (Final, Sep)
US jobless claims (10-Oct), Philadelphia and NY Empire state manufacturing index (Oct)
New Zealand PMI (Sep), inflation (Q3)
China new yuan loans, total social financing, M2 (Sep)
South Korea unemployment rate (Sep) 23:00 UTC

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Friday 16 October

Singapore non-oil exports, trade balance (Sep)
Euro area and Italy inflation (Final, Sep)
Euro area and Italy trade balance (Aug)
US retail sales, industrial output (Sep), Michigan surveys (Prelim, Oct)

Saturday-Sunday 17–18 October

17/10: New Zealand general election
18/10: Taiwan consumer confidence (Sep)
18/10: Japan export, import trade balance (Sep) 23:50 UTC

United States Week Ahead

Industrial production, retail sales and inflation

By Siân Jones

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As the increasingly fraught build-up to the election continues, with rising virus worries in the White House and talk of a cancelled second presidential debate, we also look forward to the final release of some key economic indicators before the public go to the ballot booths. Topping the list of published data are industrial production, retail sales and inflation. Also featuring in the release calendar are updates to regional Fed manufacturing indexes.

Industrial production

Official data for September are expected to signal a further expansion of industrial output, albeit with less marked gains compared to earlier in the year. The Federal Reserve has noted that the recovery in manufacturing had softened since June, with the sector seeing slower moves towards recovery through the opening two months of the third quarter. However, although on an annual basis the sector remains well below the level seen last year, stronger demand and rising exports through the summer months have been reflected in an uptick in production which has led to further improvements in the underlying health of manufacturing as indicated by PMI survey data.

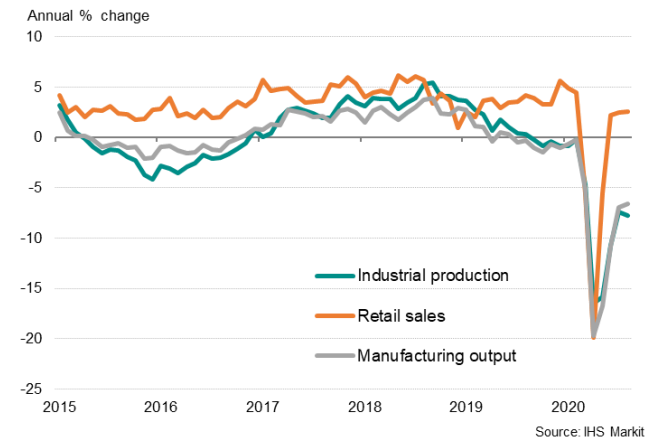
Retail sales

A sharp slowdown in disposable income growth since the ending of the larger CARES Act payments may have weighed on retail sales in September. August's data indicated that the boost to the sector following the widespread reopening of the economy was already hit by weaker growth in incomes. Expectations still point towards an expansion of sales in September, albeit more subdued than in previous months, and growing concerns over whether further stimulus measures can be passed means consumer spending could act as an increasing drag on the economy in coming months.

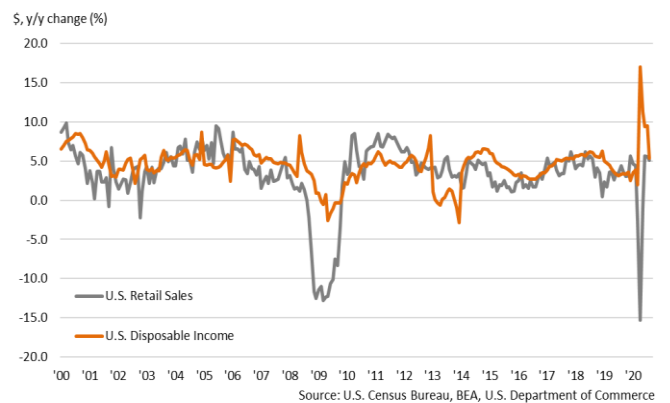
Inflation

Finally, September PMI data suggested that pressure on inflation ticked up further. When cast alongside a loss of momentum in consumer spending, however, the pace of inflation is unlikely to be maintained over the coming months, as food and energy costs continue to weigh on price increases.

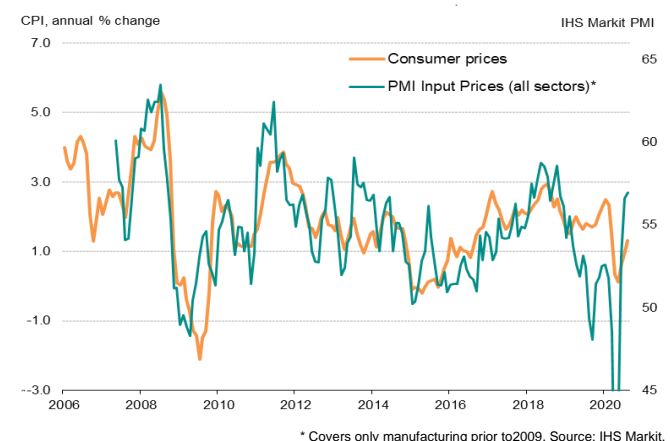
Industrial production and retail sales numbers will be updated. While retail sales have risen above levels of a year ago, manufacturing output remains lower. However, concerns are growing that the retail sector could be hit by a lack of stimulus in coming months.



The recovery in retail sales has lost momentum as disposable income growth has slowed notably



Inflationary pressure mounts in September according to latest PMI data



Europe Week Ahead

Eurozone industrial production and UK labour market update

By Paul Smith

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Industrial production and trade figures for the eurozone single currency area will provide final clues on the scale of the region's third quarter GDP growth bounce, while over in the UK the latest labour market report from the nation's statistics office will be eyed closely for unemployment and earnings developments. Final inflation figures for August are released across the eurozone.

Eurozone industrial production and trade

For the estimation of eurozone GDP growth figures, industrial production usually plays a crucial role, so the release of August data next week will be another important marker in understanding the size of the expected bounce in GDP for the third quarter.

With Germany already reporting a slight loss of momentum in its industrial sector during August – despite a marked pick up in factory orders – there is some risk of the wider eurozone figures following suit. Nonetheless, overall industrial production growth for Q3 should remain on course to be comfortably in double digits and a key contributor to a strong GDP result.

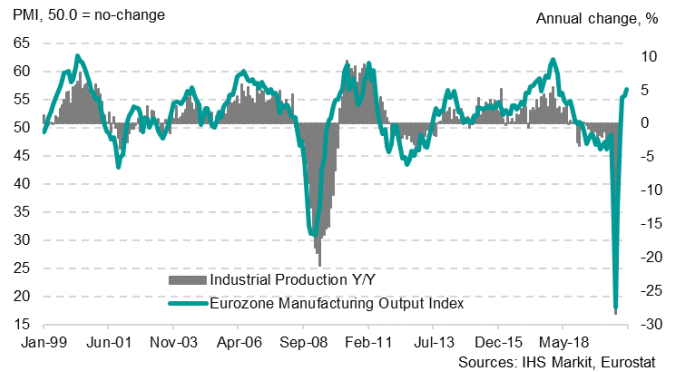
Next week's trade data will also be of interest to understand how the recovery has broadened out, especially given recent evidence from official orders and PMI data that external trade has picked up.

UK labour market report

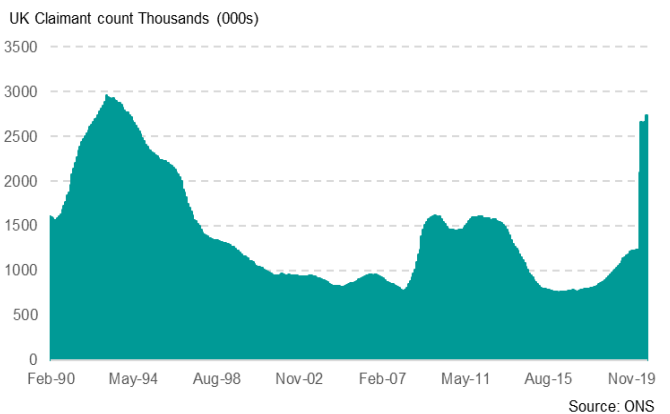
Over in the UK, August's labour market report from the Office for National Statistics (ONS) will provide a fresh update on joblessness developments. Unemployment has been on a broadly upward trend since the start of the pandemic, with claimant count numbers already at their highest since the start of 1994 and earnings stagnant.

Expect more of the same with next week's official data and, whilst there are some signs that hiring activity is picking up, there remains a strong likelihood that jobless numbers will continue to build over the coming months especially given the ongoing COVID-19 restrictions faced by hospitality industries and other sectors dependent on face-to-face contact.

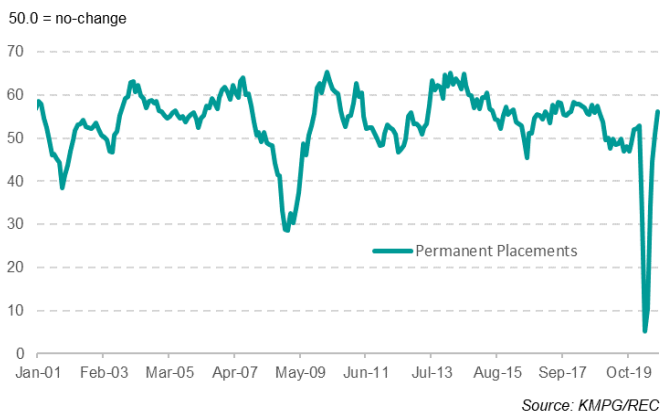
Industrial production in the eurozone is set to continue strongly to a third quarter bounce in GDP



UK claimant count numbers have increased markedly since the start of the pandemic



Hiring activity is showing some signs of recovery, but jobless numbers are likely to rise further in the near-term



Asia Pacific Week Ahead

China data, Asian central banks and regional trade lead a busy week

By **Bernard Aw**

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The coming week is packed with a busy calendar across Asia Pacific, led by China data, regional trade figures and Asian monetary policy meetings. Globally, the annual IMF-World Bank meetings, with the latest World Economic Outlook and Global Financial Stability reports in focus, as well as US politics, will also be closely watched. Singapore will publish its third quarter GDP numbers while sentiment surveys in Australia, Indonesia and Taiwan will be scoured for insights into economic trends. New Zealand will hold its general election.

China data

China watchers will assess official data including vehicle sales, credit and money supply to hopefully confirm the sustained pace of economic recovery signalled by PMI surveys. These data will also help shape market expectations ahead of the fifth plenum meeting to be held 26-29 October, where the Chinese leadership will reveal details on the 'dual circulation' development strategy and the 14th five-year plan.

Asian central banks

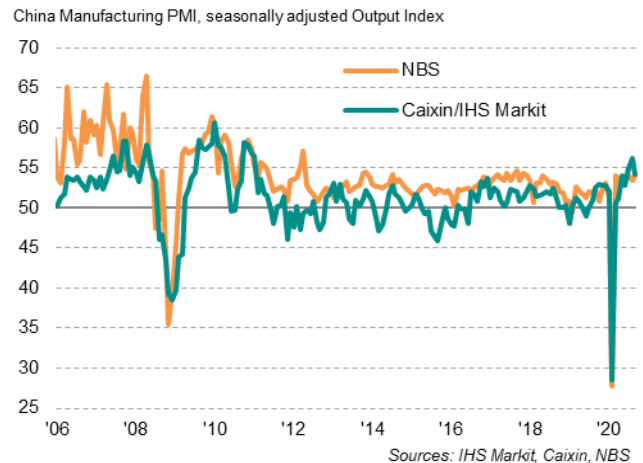
Central bank meetings will be held in South Korea, Indonesia and Singapore.

The Bank of Korea will meet at a time of further signs of [a turnaround](#) in the manufacturing sector, reducing the odds of any further policy easing.

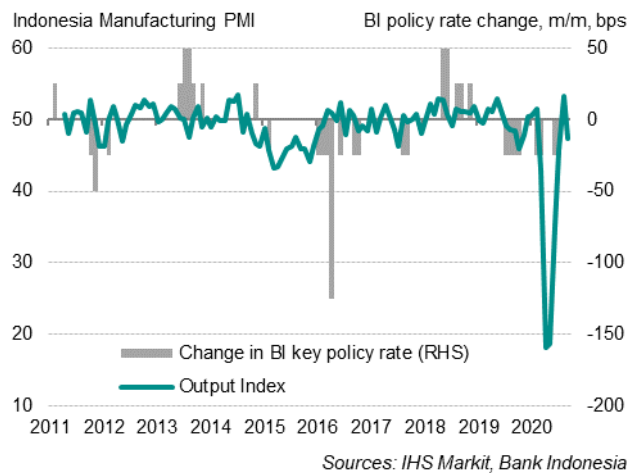
Currency stability concerns have meanwhile constrained the ability of Bank Indonesia to deliver further rate cuts despite the growth outlook still looking uncertain amid the pandemic. Latest [PMI data](#) indicated a renewed deterioration of manufacturing conditions in September due to a return of stricter containment measures. The central bank will instead look to non-rate tools such as macroprudential measures to provide support to the economy.

In Singapore, fiscal policy has taken a more prominent role as the economic response to the pandemic while the Monetary Authority of Singapore is expected to maintain its accommodative stance. [September PMI survey](#) data showed Singapore's private sector economy moved closer to stabilisation, but also hinted at a challenging recovery ahead, one that is reliant on the global pandemic being brought under control.

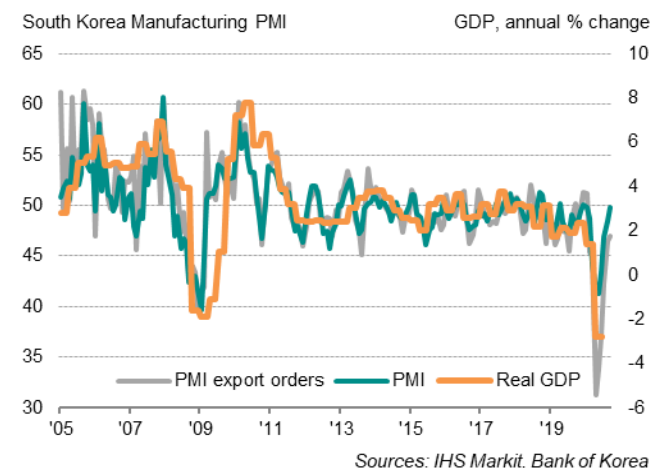
NBS and Caixin PMI indicate sustained upturn in manufacturing output



Indonesia PMI v policy rate changes



South Korea PMI and GDP



APAC Special Focus

Philippines: Covid-19 Triggers Severe Recession in 2020

By **Rajiv Biswas**

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The Philippines economy has been badly impacted by the Covid-19 pandemic, which has resulted in a severe escalation in domestic transmission new cases during recent months. The impact of lockdown restrictions has resulted in a large contraction in GDP during the first half of 2020.

The outlook is for a significant rebound in economic activity in 2021, as the global rollout of Covid-19 vaccines helps to open the path for a sustained global recovery in economic activity.

Covid-19 pandemic pushes the Philippines into deep recession

The Philippines economy contracted by 16.5% year-on-year (y/y) during the second quarter of 2020, as severe Covid-19 lockdown measures hit industrial production and consumption expenditure. With GDP growth having already contracted by 0.7% y/y in the first quarter of 2020, the Philippines economy has entered a recession. Overall, GDP contracted by 8.6% y/y in the first half of 2020 compared to the same period a year ago.

The Philippines export sector has been badly impacted by the combined effects of the domestic lockdown, which disrupted industrial output, as well as the loss in export orders due to lockdowns in key export markets. Consequently, exports fell by 49.9% y/y in April 2020. However, as lockdowns were eased in both the Philippines and in global markets, exports have recovered significantly, and were down 9.6% y/y by July 2020.

Due to the escalation of Covid-19 new cases during the third quarter of 2020, the Philippines economy has continued to be impacted by the pandemic, albeit with the economy having shown a significant rebound in economic activity in recent months. According to the Department of Labour and Employment, around 3.5 million workers nationwide lost their jobs or suffered reduction in pay due to the pandemic.

Worker Remittances from Abroad

An important factor that has helped to support the economy has been the resilience of remittances by Filipino workers abroad. Although remittance flows fell during April and May 2020, flows have shown some recovery. In July 2020 personal remittances from overseas Filipinos grew for the second consecutive month, increasing by 7.6% y/y to 3.1 billion USD, compared with 2.9 billion USD in July 2019, according to data from the Philippines central bank, Bangko Sentral ng Pilipinas.

However, there have been significant job losses among Filipino workers abroad, with an estimated 178,000 workers having returned home in the first eight months of 2020 according to the Philippines Department of Foreign Affairs, with a similar number of further repatriations expected for those who have lost their jobs already, with the Philippines government helping with repatriation by chartering flights where commercial flights are not possible. This large decline is likely to result in lower remittance inflows in coming months and during 2021. Based on the results of the 2019 Survey on Overseas Filipinos, the number of Overseas Filipino Workers who worked abroad at any time during the period April to September 2019 was estimated at 2.2 million, which would imply that about 8% of overseas workers have returned home, with significant further repatriations expected.

Philippines manufacturing sector recovers as global lockdowns ease

The [IHS Markit Philippines Manufacturing PMI](#) rose from 47.3 in August to 50.1 in September, posting just above the neutral 50.0 mark that separates expansion from contraction. The latest reading was the highest since February and signalled that operating conditions were broadly stable across the goods producing sector.

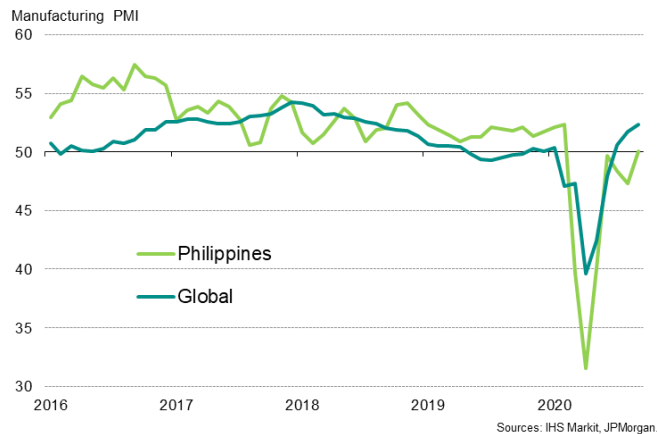
The latest PMI survey numbers represent a very substantial rebound from the record low PMI reading of 31.6 in April, when severe lockdown measures had drastically curtailed industrial production and consumption spending. The extremely weak April reading also reflected the severe shocks to both the supply of foreign raw materials and intermediate inputs, as well as slumping export demand faced by the manufacturing sector.

However, the PMI survey also found that, although manufacturing output has improved significantly since April, production volumes continued to show some contraction in September. Firms indicated that ongoing Covid-19 restrictions continued to hamper activity. That said, the rate of contraction eased to the slowest in the current period of decline and was only slight. Companies that reported growth indicated that this was

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due to the resumption of production schedules. Encouragingly, new orders increased for the first time since February, but the pace of expansion was only marginal.

IHS Markit Philippines Manufacturing PMI



Philippines electronics sector

Electronics is a key segment of the Philippines manufacturing sector, accounting for 59% of total merchandise exports in July 2020, dominating total manufacturing exports, which in turn accounted for around 84% of total merchandise exports. Globally, the electronics sector was significantly impacted by the Covid-19 pandemic-related disruptions that occurred in the first half of 2020.

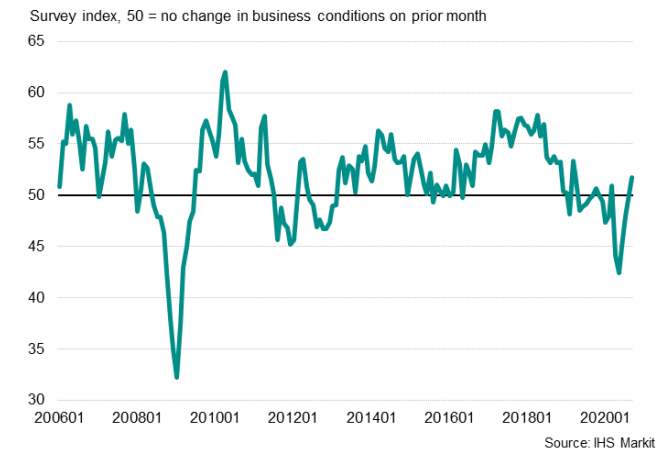
As the impact of the pandemic widened in the Asian region during April, the headline IHS Markit Global Electronics PMI fell to 43.3 in April, down from 48.6 in March, to signal a sharp deterioration in business conditions faced by electronics manufacturers. The April reading pointed to the fastest decline since April 2009, with many businesses temporarily closed amid the global COVID-19 outbreak.

In addition to supply side disruptions to electronics output, widespread lockdowns of retail businesses in many major markets worldwide also disrupted consumer demand for electronics goods as well as products that have significant electronics components, such as autos. Extended periods of lockdown in major electronics manufacturing hubs worldwide resulted in disruption of industrial production and consumption, impacting on global electronics supply chains.

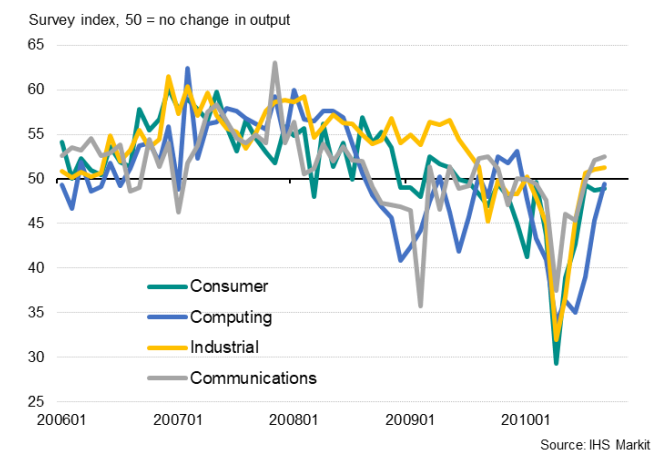
However, since April, the IHS Markit Global Electronics PMI has showed significant improvement, with the headline index rising to an 18-month high of 51.1 in September, registering a return to growth after contracting during the previous 12 months. The Global Electronics PMI's output index (which measures changes in production) indicated growth for a second successive month, rising further from the low of 33.9

seen back in April to reach the joint-highest seen for almost one and a half years. Industrial electronics goods and communications equipment showed the strongest gains.

IHS Markit Global Electronics PMI



IHS Markit Global Electronics PMI, output by product category



This global pattern of improvement was also reflected in the Philippines electronics industry. Philippines electronics exports were disrupted during the second quarter of 2020 due to supply chain disruptions for inputs as well as due to slumping demand in export markets, the sector has recovered significantly. For the first seven months of 2020, Philippines exports of electronics products fell by 13% y/y. However, with improving global demand and gradual normalization of production, total electronics exports for July 2020 were only down 2.6% y/y.

Philippines tourism industry

The Covid-19 pandemic has become an extreme "Black Swan" event for the Asia-Pacific tourism industry, with international tourism travel across the Asia-Pacific having collapsed since March 2020 due to travel bans on foreign tourist arrivals by most Asia-Pacific governments.

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International tourism travel in the APAC region has consequently collapsed since March 2020, with no early end to the tourism industry crisis in sight. Considerable uncertainties about the future duration and potential new waves of the Covid-19 pandemic continue to cloud the near-term outlook for the Asia-Pacific tourism and travel industry. In the APAC region, there has been no significant resumption of international tourism by September 2020.

In the Philippines, international tourism arrivals have fallen by 73% y/y during the first seven months of 2020. About 1.3 million international visitors arrived from January to July 2020, sharply down from the 4.85 million international visitor arrivals in the same period. As a result, international tourism revenue is estimated to have fallen by 72% in that period. In 2019, Philippines' tourism revenue rose to a level of USD 9.3 billion, up by 20.8 per cent y/y, according to figures from the Department of Tourism.

In 2019, gross direct tourism value added as a share of GDP was estimated at 12.7% of GDP, including both international and domestic tourism spending. International tourism spending was estimated at Peso 549 billion, while domestic tourism spending was estimated at Peso 3.1 trillion. Due to the importance of domestic tourism in the overall contribution of tourism to GDP, the Philippines government is trying to implement policies to support the recovery of domestic tourism while borders still remain closed for international tourism. Gradual steps are being taken to restart domestic tourism, such as the reopening of Boracay Island for domestic visitors from 1st October.

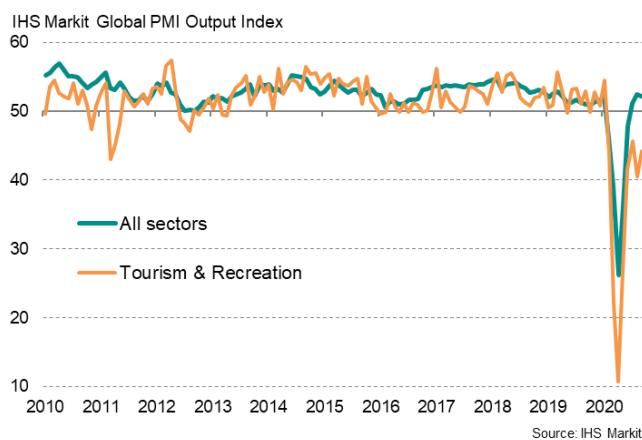
employment in many sectors such as hotels, airlines and many small businesses that are heavily reliant on tourism spending.

Economic outlook

The Philippines economy is expected to experience a deep recession in 2020, with IHS Markit forecasting that Philippines GDP will contract by 8.2% y/y. Based on the assumption that Covid-19 vaccines will become widely available during the course of 2021, a rebound in economic activity is expected for 2021, with GDP growth of 7.7% y/y.

Over the medium term, the Philippines economy is forecast to return to its previous high growth path, growing at a pace of between 5% and 6% per year over the medium term. The strong pace of expansion will be underpinned by the growth pillars of renewed strong expansion in domestic consumer spending, rapid growth in government infrastructure spending and rapid growth in exports of manufactures and IT-BPO services to key global markets. Improving foreign direct investment flows are also expected to contribute to the positive medium-term growth outlook, with the Philippines improving its regional competitiveness as an ASEAN manufacturing hub.

IHS Markit Global Tourism & Recreation Industry PMI, business activity (output) index



Nevertheless, the recovery of domestic tourism is expected to be only very gradual due to the continuing high level of new daily Covid-19 cases. The severe negative impact of the pandemic on the tourism sector will be a significant detraction from overall GDP in 2020, as well as impacting heavily on tourism-related