

## Week Ahead Economic Preview

- Consumer inflation numbers for the US, China and Germany
- Trade updates for China, Japan and Germany
- UK fourth quarter GDP, eurozone production

The week ahead sees updates to consumer price inflation for the US, China and Germany, which will be eagerly assessed for any signs of rising industrial prices feeding through to households. Trade data from China, Japan and Germany will also be eyed for evidence of supply chain bottlenecks subduing trade flows. Other notable data releases include UK GDP and eurozone industrial production. Central bank policy meetings are meanwhile scheduled in Sweden, the Philippines, Mexico and Russia, plus there's a Mansion House speech from Bank of England Governor Bailey which will be scrutinised in particular for the Bank's appetite for negative interest rates.

For the US, the economic release calendar is topped by inflation data, which follow survey data pointing to cost pressures reaching the highest for over a decade amid severe supply chain disruptions. Jobless claims, job openings and consumer confidence data will also be monitored for updates to the health of the labour market and households, while budget announcements for 2021 will steer spending guidance on the Biden administration's first year ([page 3](#)).

In Europe, industrial production and trade data take centre stage in the eurozone, with Germany, Italy and France reporting December production numbers ahead of full regional estimates on Friday, with the former also releasing eagerly-awaited export statistics. The UK meanwhile releases its first estimate of fourth quarter GDP. The Bank of England now expects a decline to have been narrowly avoided, but prospects are looking worse for the first quarter ([page 4](#)).

Asia Pacific data releases in the week ahead likewise include some important trade numbers, notably out of China and Japan. Both also issue producer price data plus consumer inflation. A key focus will be on the extent to which trade flows are being affected by the pandemic and associated supply constraints. Similarly, consumer price inflation data will be eyed for insights into the extent to which higher industrial prices are feeding through to consumers ([page 5](#)).

### Special Reports

**South Korea: Surging exports lead economic recovery in 2021:** Economic growth momentum is forecast to recover in 2021, though tourism and commercial aviation sectors look likely to remain subdued by COVID-19 ([page 6](#))

**Global manufacturing:** A look at how supply chain disruptions are impeding global manufacturing output and export growth at the start of 2021 ([page 9](#))

### Upcoming PMI releases

**19th February:** Flash PMIs (US, UK, EZ, Japan, Australia)

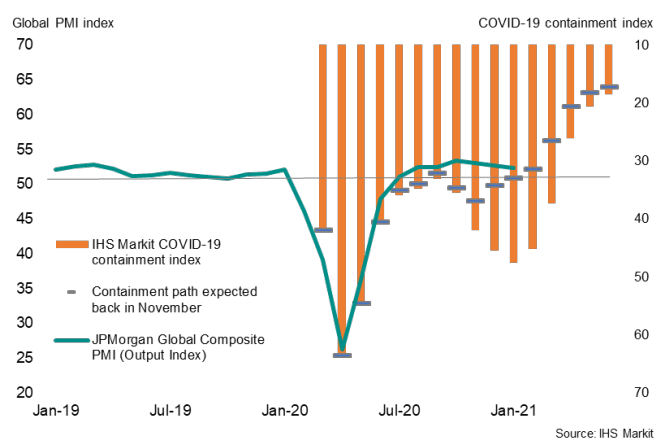
**1st March:** Final Worldwide Manufacturing PMIs

**3rd March:** Final Worldwide Services PMIs

**4th March:** Detailed Global Sector PMIs

**Worldwide PMI data showed the pace of global economic growth waning slightly in January, though exhibited encouraging resilience in the face of rising COVID-19 infections and related restrictions in many countries, as well as increasingly widespread supply delays (see our [special report](#) this week).**

**However, national performances varied markedly, with strong US growth offset by worries of double-dip recessions in the Eurozone, the UK and Japan, as well as slower growth in China. [Click here](#) for our full overview of the latest data.**



### Chris Williamson

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## Key diary events

### Monday 8 February

Japan current account & trade balance (Dec)  
Japan bank lending (Jan)  
Germany industrial production (Dec)

### Tuesday 9 February

China trade balance (Jan)  
Germany trade balance (Dec)  
Sweden Riskbank interest rate decision  
Italy industrial production (Dec)  
UK BRC retail sales (Jan)  
Brazil consumer price inflation (Jan)  
South Korea unemployment (Jan)  
Japan producer prices (Jan)  
US NFIB business sentiment (Jan)  
US JOLTS job openings (Dec)

### Wednesday 10 February

Australia building permits (Dec)  
Australia Westpac consumer confidence (Jan)  
Australia new home sales (Jan)  
Japan producer prices (Jan)  
China consumer & producer price inflation (Jan)  
China new loans (Jan)  
France industrial production (Dec)  
Germany consumer price inflation (Jan)  
Brazil retail sales (Dec)  
US consumer price inflation (Dec)  
US wholesale inventories (Dec)

### Thursday 11 February

Netherlands consumer price inflation (Jan)  
UK RICS housing market survey (Jan)  
Philippines interest rate decision  
Mexico industrial production (Dec)  
Mexico interest rate decision  
US jobless claims

### Friday 12 February

Norway GDP (Q4)  
UK trade balance (Dec)  
UK GDP (Q4)  
UK industrial, construction & services output (Dec)  
Eurozone industrial production (Dec)  
Spain consumer price inflation (Jan)  
Russia interest rate decision  
US University of Michigan consumer confidence (Jan)

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## United States Week Ahead

Inflation, job openings and budget announcement

By Siân Jones

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The economic release calendar is topped by an update to inflation data, which comes swiftly after survey data pointed to mounting cost pressures amid severe supply chain disruptions. Meanwhile, JOLTs job openings data will give an indication as to the health of the labour market at the end of 2020. Finally, budget announcements for 2021 come hot on the heels of economic stimulus, hopes of further support from the Biden administration and below-expected Treasury borrowing figures.

### Inflation

January PMI data signalled a marked uptick in cost burdens at private sector firms, as hikes in prices for PPE and raw materials reflected supplier shortages and extensive transportation delays. As a result, private sector firms registered one of the fastest rises in output charges since data collection began in October 2009. Although near-term inflationary pressures are expected to push the rate of CPI up, price rises are not anticipated to stay above the target 2% and should prove transitory.

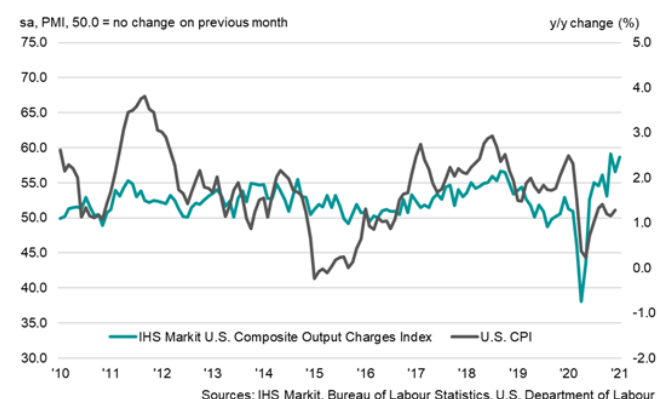
### JOLTs

In line with challenging demand conditions in December, job openings data for the end of 2020 are expected to signal a drop-off in vacancies. That said, the implementation of the new stimulus package may have helped spur greater job postings since the start of January. According to the Opportunity Insights Economic Tracker, posted job openings rose notably at the start of 2021, suggesting signs of an improvement in the health of the labour market.

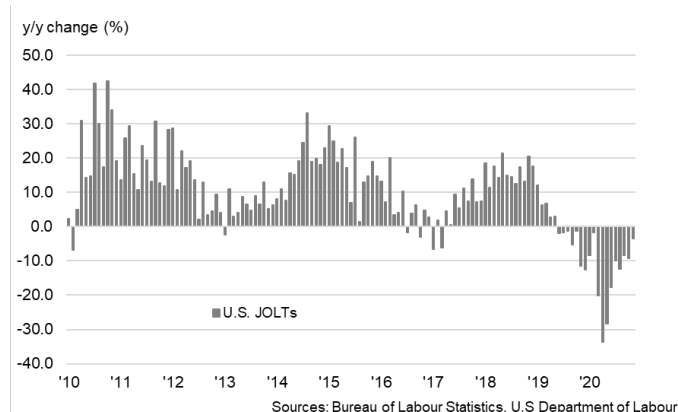
### Budget 2021

Meanwhile, budget plans for 2021 are set to be announced amid ongoing talks between Democrats and Republicans regarding the scale of any additional stimulus package. Delays in the signing of the current package has meant the Treasury Department's borrowing projections have been reduced significantly. However, these forecasts do not take into account any proposed injections of capital into the economy. Therefore, markets will be watching negotiations closely to gauge the value of any further stimulus package and what that will mean for yields on treasuries.

**Near-term inflationary pressures following supply-chain disruption pushed prices up in January, according to PMI data**



**Contraction in job openings expected to be extended into December 2020 amid service sector demand challenges**



**Yields on 10-Year Notes climb amid hopes of further economic stimulus**



## Europe Week Ahead

### Eurozone industrial production and UK GDP

By Paul Smith

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Industry data takes centre stage in the eurozone, with various countries reporting December production numbers early in the week before full regional estimates are provided on Friday. Following on the heels of the eurozone fourth quarter GDP data this week, the UK releases its first estimate of Q4 economic activity.

#### Euro area industrial production

With preliminary euro area fourth quarter GDP estimates already out, next week's industrial production data for December will arrive with the classic feeling of looking back in the economy's rear-view mirror.

Coming in at -0.7%q/q, GDP data showed the region contracting at a much slower rate than previously feared, and part of the reason for this was the strength of industry, which helped to substantially offset the continued underperformance of private sector consumption.

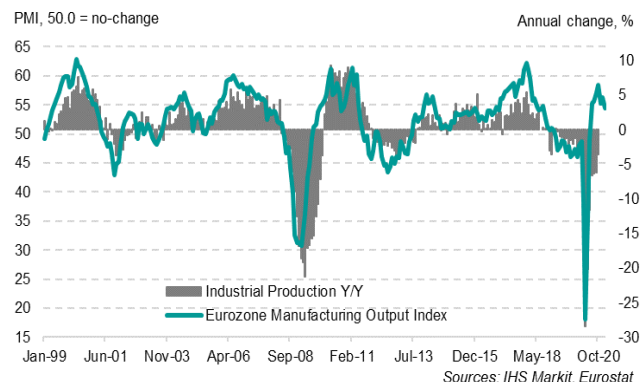
Expect next week's December data to show Germany as a key driver of regional industrial strength, with trade figures also likely to add to evidence that the country's strong and competitive export base has again provided the platform for expansion. Whilst similar trends emerged in the first month of 2021, according to the timelier PMI figures, manufacturing growth did weaken to its lowest level since last June as consumer goods producers underperformed and near record delays in input delivery (especially from Asia) emerged.

#### UK GDP, industry, services figures

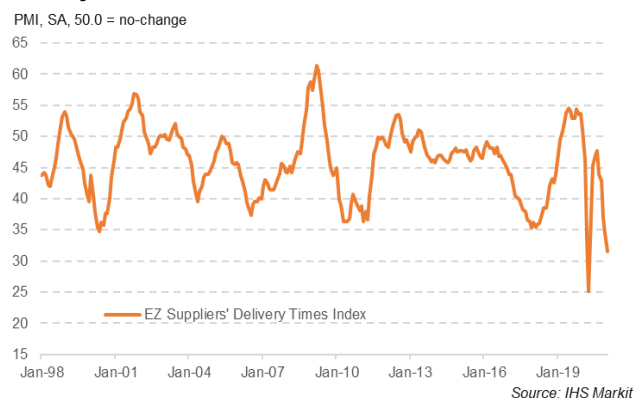
Meanwhile, the UK reports its first estimate of GDP for the fourth quarter of 2020 alongside a swathe of detailed data covering, industry, services, construction and trade.

Like the eurozone, UK industry outperformed services during the fourth quarter, in part boosted by pre-Brexit stockpiling. This should help to limit the decline in GDP resulting from another quarter of lockdowns hitting the hospitality and retail industries. But with a steep slump in business activity at the start of the year, including a near-stalling of manufacturing, and England unlikely to emerge from its latest lockdown until March at the earliest, the UK is on course to contract sharply in the first quarter 2021 – putting a double-dip recession firmly on the cards.

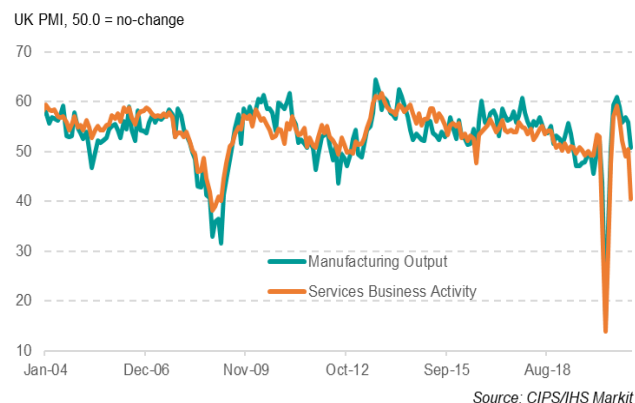
Industry has been the principal bright spot for the eurozone economy in recent months...



...although recent PMI data has shown output growth turning down amid near record delays in suppliers' delivery times



The UK economy was supported by pre-Brexit stockpiling in the fourth quarter, but a difficult start to 2021 means a double dip recession looks likely



## Asia Pacific Week Ahead

Trade and inflation numbers eyed for China and Japan

By **Chris Williamson**

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Asia Pacific data releases in the week ahead include trade numbers out of China and Japan, as well as producer price data from both economies plus consumer inflation and new loans numbers for the former. The Australian property market also comes under the spotlight with building permits and new home sales statistics updated. Unemployment data for South Korea are also issued, which will help guide insights into the pace of recovery (see our special report on [page 6](#)).

Central bank action meanwhile comes from the Philippines, where recent communications have shown an increasingly upbeat view on recovery prospects for the year after aggressive policy easing last year.

### Trade flows

A key focus will be on trade data, with updates from both China and Japan to give fresh insights into the extent to which trade flows may be being adversely affected by the pandemic and associated supply constraints.

Caixin PMI data, produced by IHS Markit, showed a surprise weakening of new export orders for goods from mainland China in January, which could stymie global economic growth. The export decline was linked to a number of factors, including further COVID-19 restrictions amid rising infections, supply shortages and shipping bottlenecks due to container shortages. Both import and export data from China and Japan will therefore be scrutinised for more clues as to the potential impact of the further COVID-19 waves not just on local economies, but also the wider global recovery.

### Price pressures

Such supply constraints, which are currently running at levels rarely exceeded globally over the past two decades according to the PMI surveys, have started to filter through to higher prices. Both manufacturers' input costs and selling prices rose globally in January at the fastest rates for nearly a decade as a result. Producer price data for January from both China and Japan will therefore also be eagerly awaited to help assess the degree to which these price pressures are also becoming more evident in the official data. Similarly, consumer price inflation data for China will be eyed for insights into the extent to which these industrial prices were feeding through to consumers in January.

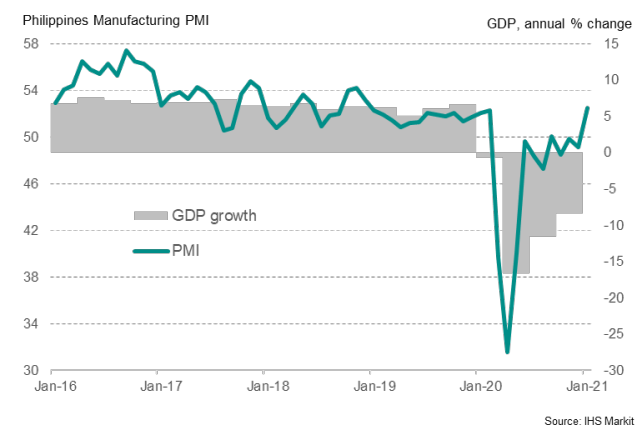
**Caixin PMI data showed a renewed fall in exports from China, which could bode ill for wider global economic growth. Official trade data are updated on Monday**



**Japan's exporters have struggled to regain strong growth momentum amid the ongoing pandemic according to business survey data.**



**Philippine policymakers meet to set interest rates amid signs of an economic recovery gaining momentum**





## APAC Special Focus

### South Korea: Surging Exports Lead Economic Recovery in 2021

By **Rajiv Biswas**

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*South Korea's GDP contracted by 1.0% year-on-year in 2020, albeit the economic downturn was mitigated by a strong rebound in exports in the fourth quarter of 2020. Economic growth momentum is forecast to recover in 2021, with GDP growth of 2.2% y/y.*

*With world GDP forecast to rebound to positive growth of 4.4% y/y in 2021 after a contraction of 4.0% y/y in 2020, this is expected to provide a strong boost to South Korea's export sector. The rebound in economic growth in major economies such as the US, China, EU, UK and Canada linked to the rapid rollout of vaccination programs during the first half of 2021 is expected to support improving South Korean new export orders from its key export markets. Strong global demand for electronics components, notably semiconductors, is also driving South Korea's electronics exports.*

*However international travel restrictions are still expected to remain a major impediment to the recovery of international tourism and travel in the APAC region during 2021. This is expected to result in a more protracted and gradual recovery path for trade in services, notably South Korea's tourism and commercial aviation sectors.*

#### Export-led rebound

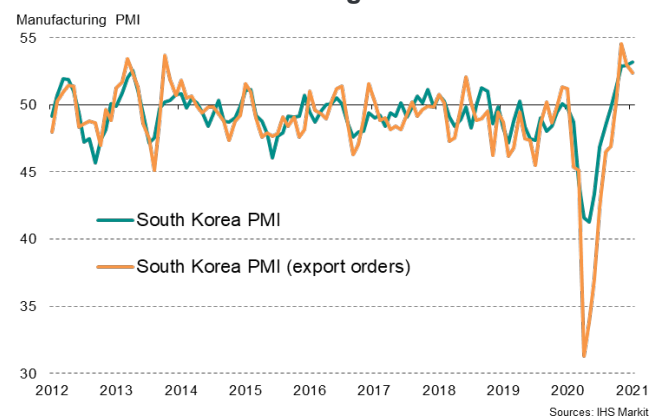
South Korea's GDP grew by 1.1% quarter-on-quarter (q/q) in the fourth quarter of 2020, following a strong expansion of 2.1% q/q in the third quarter. The positive growth rate in the fourth quarter was mainly attributable to buoyant growth in exports, which rose by 5.2% q/q. South Korea's exports strengthened during the fourth quarter, and rose by 12.6% y/y in December 2020. However, consumption expenditure remained weak, contracting by 1.3% q/q, as spending on food, restaurants, accommodation and transportation fell due to the ongoing impact of the COVID-19 pandemic on consumption spending.

Manufacturing output grew by 2.8% q/q in the fourth quarter, reflecting increasing output of electronic, optical

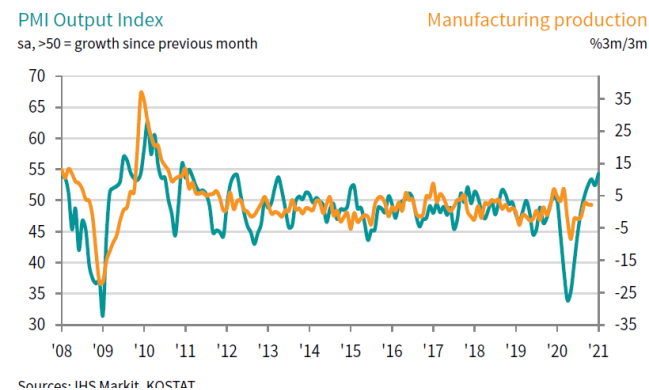
and chemical products. The positive momentum of manufacturing sector output continued to be reflected in early 2021, with the seasonally adjusted South Korea Manufacturing Purchasing Managers' Index (PMI) rising to 53.2 in January from 52.9 in December.

This marked the strongest improvement in the health of the manufacturing sector since February 2011. The pace of expansion was solid overall and highlighted the sustained recovery of the South Korean manufacturing economy following disruption caused by the Covid-19 pandemic throughout much of 2020.

#### South Korea Manufacturing PMI



#### South Korea Manufacturing PMI output index



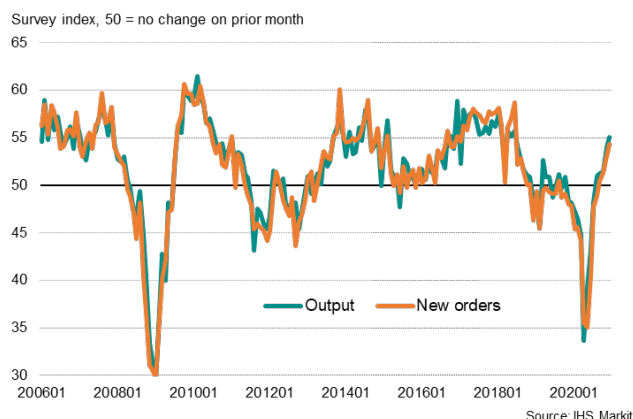
#### Electronics sector exports rebound

The electronics manufacturing industry is an important part of the manufacturing export sector for South Korea which is a major global exporter of electronics products to key markets such as the US, China and EU. As Vietnam is an important production hub for South Korean electronics multinationals such as Samsung and LG for a wide range of electronics products such as mobile phones, Vietnam is a key export market for South Korean electronics components.

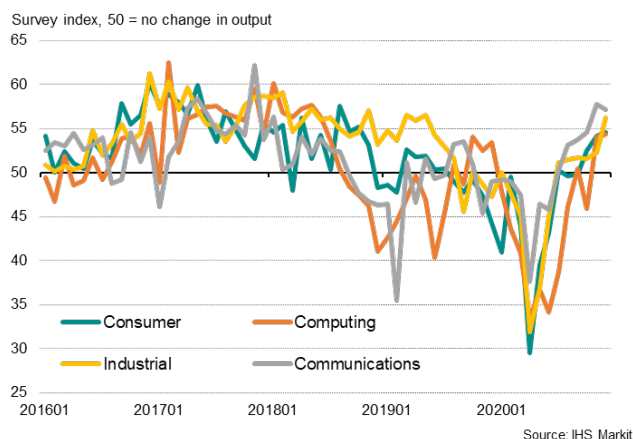
Despite severe disruptions to Asian electronics production and to global demand due to the pandemic during the first half of 2020, the IHS Markit Global Electronics PMI has signaled a rebound since mid-2020.

The global electronics PMI new orders index rose from a calendar year-to-date low of 35.0 in May to a level of 54.3 by December, reflecting a significant recovery in new orders. The electronics sector rebound is making an important contribution to the recovery of manufacturing exports and industrial production in many Asian industrial economies including South Korea.

## IHS Markit Global Electronics PMI



## IHS Markit Global Electronics PMI, output by product type



The South Korean Ministry of Trade, Industry and Energy announce that South Korea's exports of information and communications technology (ICT) goods in December 2020 amounted to USD 18 billion, up 24.9 percent compared to the same period last year. Exports of semiconductors rose by 30% y/y, while exports of display panels rose by 31% y/y. Exports of mobile phones rose by 48% y/y.

Reflecting the growing importance of Vietnam as a production hub for Korean electronics manufacturing multinationals, ICT exports from South Korea to Vietnam rose by 53.8% y/y in December, while ICT exports to the US also surged, growing by 32.5% y/y.

For the calendar year 2020, South Korea's ICT exports rose by 3.8% y/y, with exports of semiconductors reaching USD 99 billion, up 5.6% year-on-year. South

Korean ICT exports to the US rose by 20% y/y in 2020, boosted by exports of semiconductors which rose 26% y/y and exports of computers which were up 96% y/y.

The Ministry of Trade, Industry and Energy has projected that South Korean semiconductors exports in 2021 will rise by around 10% to USD 109 billion, due to buoyant global demand for electronics products.

South Korean electronics exports have strengthened significantly in late 2020 due to the rebound in global electronics orders in key markets such as the US and China. South Korean exports of semiconductors rose by 30% y/y in December 2020, while exports of display products rose by 28% y/y.

With significant shortages of semiconductors having become evident during early 2021, this is expected to further boost South Korean semiconductors exports during 2021.

## South Korean Economic Outlook

The near-term outlook for the South Korean economy is for GDP growth to recover to a pace of around 2.2% y/y in 2021, strengthening to 2.6% in 2022. The economic recovery in 2021 is expected to be boosted by strong growth of merchandise exports at a pace of 10.8% y/y, boosted by buoyant growth of electronics exports. South Korean exports started 2021 on a very positive note, rising by 11.4% y/y in January 2021.

Domestic demand is expected to stage a more gradual recovery, as the rollout of Covid-19 vaccinations results in improving consumer confidence and rising consumption expenditure.

However, the recovery of South Korean trade in services is expected to be delayed and protracted, as international travel restrictions continue to constrain any early recovery in exports of tourism and commercial aviation, which are an important component of total services exports for many APAC economies.

Over the medium-term outlook, South Korean exports are expected to grow at a rapid pace, helped by the sustained strong growth of intra-regional trade within APAC, as China, India and ASEAN continue to be among the world's fastest-growing emerging markets. South Korea's strong competitive advantage in exporting key electronics products, notably semiconductors and displays, are expected to be an important positive factor underpinning export growth.

The rapid growth of South Korean exports is also expected to be strengthened by the regional trade liberalization architecture. This includes the large recent RCEP multilateral trade agreement and major bilateral FTAs.

## Global manufacturing focus

Global factory growth stymied by stalling exports and supply constraints

By Chris Williamson

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*Global manufacturing remained encouragingly resilient in January despite rising coronavirus disease 2019 (COVID-19) infection rates and fresh lockdown measures in many countries, according to the latest PMI survey data. Especially strong expansions continued to be reported in the US, Germany and Asia excluding Japan and China, notably in India and Taiwan.*

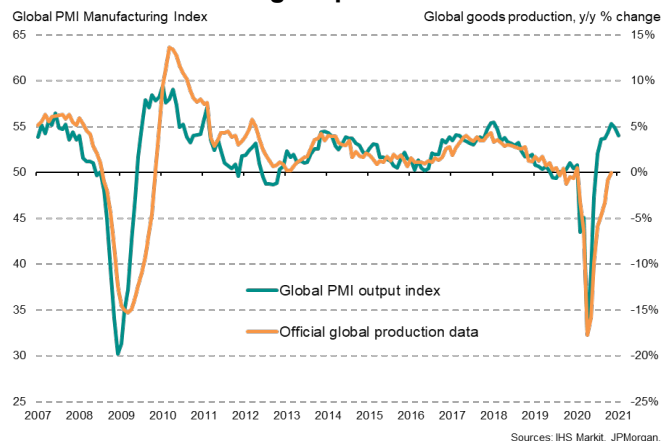
*However, export growth slowed close to stalling, dampening production growth compared to prior months, with an especially notable renewed fall in exports out of mainland China. Factories worldwide meanwhile also reported that exports and purchasing continued to be dogged by supply delays, which worsened further as demand often outstripped supply and logistics delays caused increased transportation issues. The resulting increase in supplier pricing power and shipping surcharges caused input prices to rise at the fastest rate for almost a decade, with prices charged by factories also hitting a near ten-year high.*

### Production recovery continues in January

The JPMorgan Global Manufacturing PMI, compiled by IHS Markit from its proprietary business surveys, edged lower from 53.8 in December to 53.5 in January, indicating an improvement in business conditions for a seventh successive month but at a slightly slower rate than seen in November and December. The expansion was nonetheless the third-strongest recorded for almost three years.

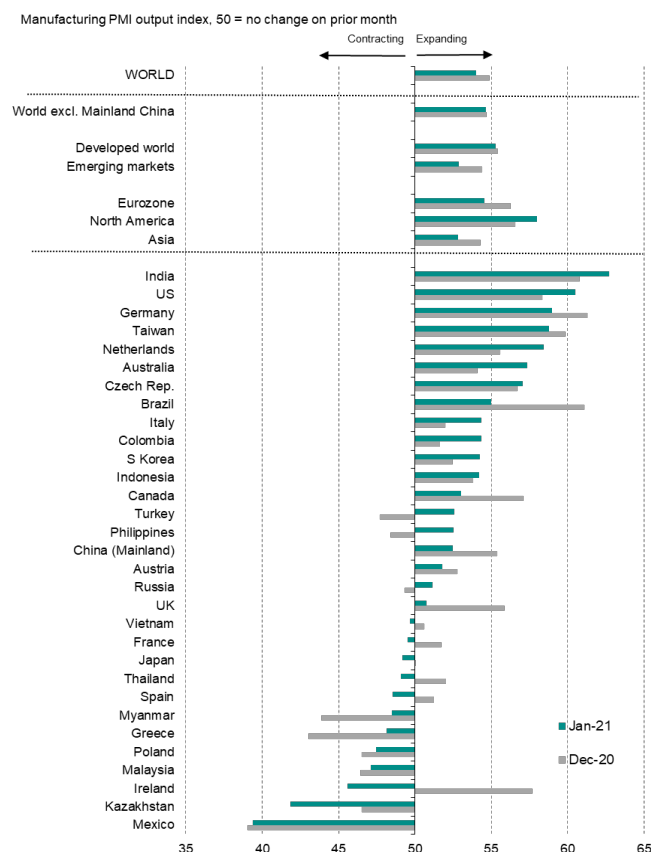
While output and new orders rose at slightly slower rates, both remained indicative of solid growth of production and demand for goods. Official data, available up to November, have meanwhile shown manufacturing output regain levels of a year ago, underscoring the sector's swift recovery from the COVID-19 related downturn in the first half of 2020.

### Global manufacturing output



Output rose in 19 economies covered by the IHS Markit PMI surveys, but fell in 12. By comparison, only nine reported falling output back in December. The steepest loss of output was seen in Mexico, followed by Kazakhstan, Ireland and Malaysia. Some six economies swung into decline, with Ireland seeing the biggest turnaround, while three – Russia, the Philippines and Turkey – saw renewed growth. The strongest gains were seen in India and the US, both of which saw growth accelerate to near decade- and six-year highs respectively, followed by Germany and Taiwan.

### Manufacturing output



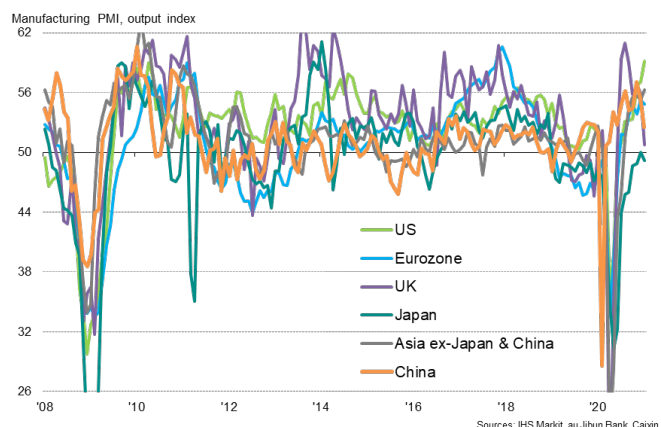


# Economic Preview: Week of 8 February 2021

Publication date: 5 February 2021

Other notable developments among the major economies was a near-stalling of growth in the UK, where Brexit-related issues exacerbated the impact of a third national lockdown, and a marked slowing in China, where output showed the smallest rise since April. Japan slipped into decline, linked in part to tighter COVID-19 restrictions, but in contrast the rest of Asia saw the fastest factory growth since April 2011.

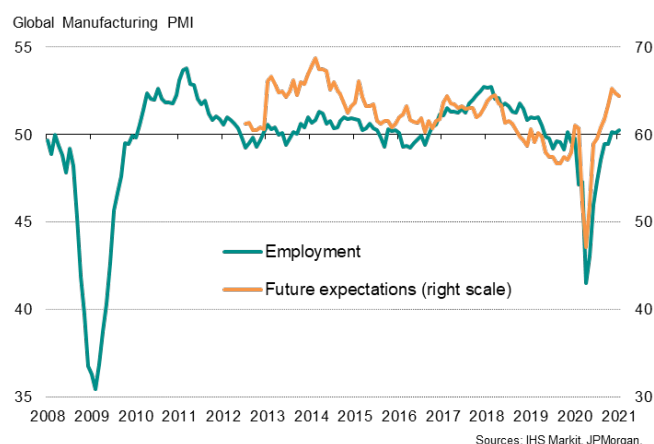
## Manufacturing output



## Employment steady amid cautious optimism

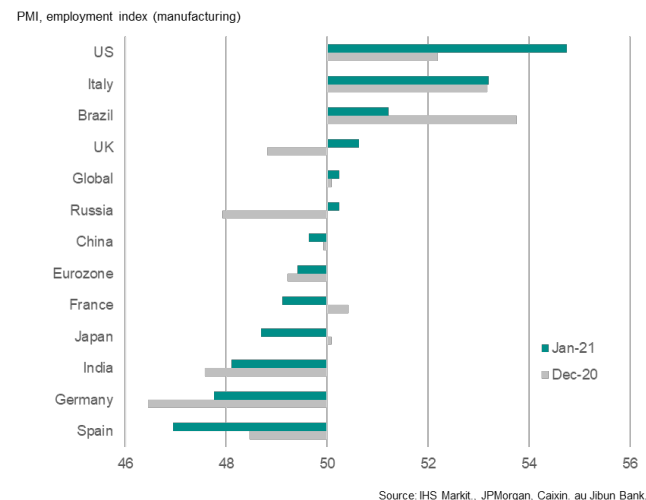
Employment meanwhile grew marginally for a third successive month, pointing to a welcome stabilisation of global factory payroll numbers after 11 months of continual decline. The turnaround in the job market in recent months not only reflects rising capacity requirements (note that backlogs of uncompleted work rose for a sixth straight month in January) but also in part reflects upbeat prospects for the year ahead. The number of optimists continued to exceed pessimists by a margin that has rarely been exceeded in the past six years, albeit losing some ground compared to November and December, in part reflecting concerns in some countries regarding further waves of COVID-19 infections.

## Employment and future output expectations



Jobs growth was led by the US followed by Italy and Brazil. Spain and Germany meanwhile saw the steepest job losses among the major economies.

## Major economies' manufacturing employment



## Export growth stalls

An area of concern is export growth, which came close to stalling after four months of expansion, suggesting that trade has become less of a driving force for the global manufacturing economy.

## Global exports

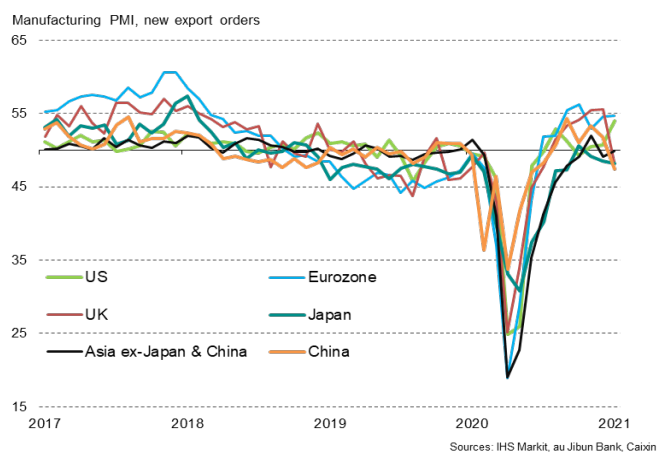


However, much of the weakening export performance could be attributable to mainland China, where goods exports fell for the first time since July, dropping at the sharpest rate since June. China's export decline contrasted with surging exports in Germany, Taiwan and the Netherlands, and more subdued but still notably strong growth in the US and India. Excluding China, global export growth even picked up a little speed in January, showing the second-steepest rise in 32 months and presenting a more encouraging picture of global trade flows.

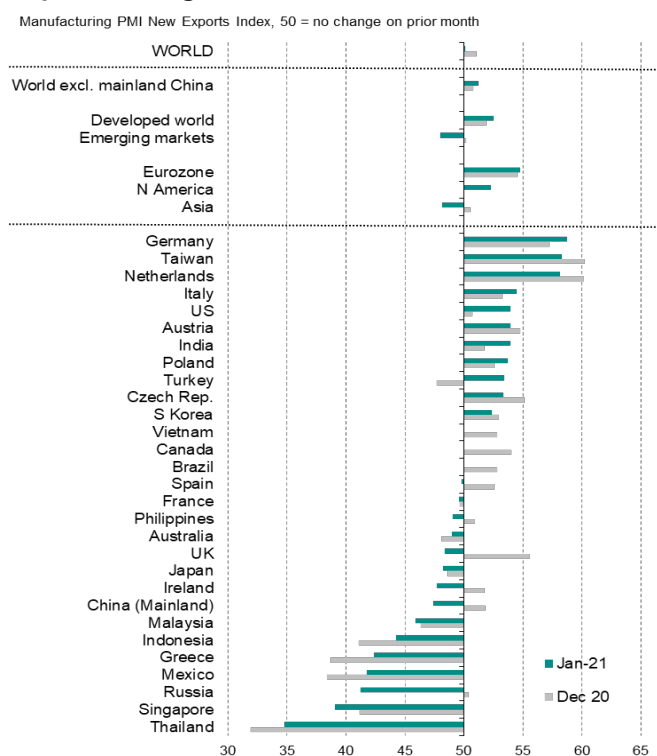
## Global output and exports from China



## Major economies' manufacturing exports



## Export rankings



Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, au Jibun Bank, NEVI, BME, Bank Austria, AIB, AERCE, Caixin, HPI, Istanbul Chamber of Industry, Tengri Partners.

## Supply worsens

The drop in exports from China was concentrated in the intermediate and investment goods sectors, hinting that other countries may see weakened imports of such goods from China. It is not yet clear why China's exports have fallen, though anecdotal evidence collected from survey participants reported widespread shipping container shortages, virus related restrictions and a larger than usual Chinese New Year effect.

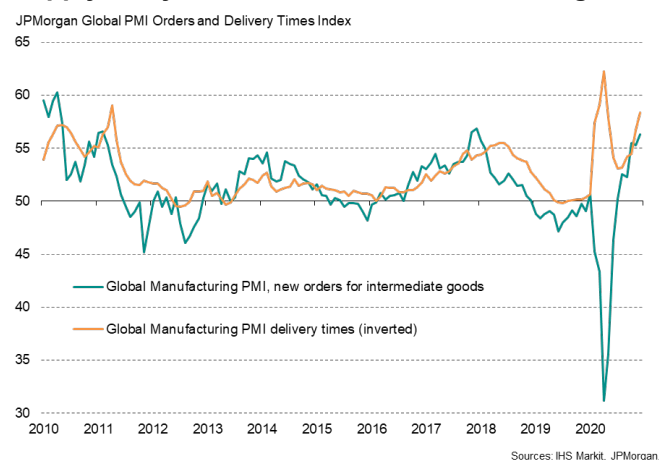
The drop in exports from China may add to existing supply issues, which have risen dramatically in recent months.

Global supply delays grew more widespread in January, the incidence of longer delivery times rising to a level rarely exceeded in the survey's 23-year history. With the exception of the supply delays seen at the height of the pandemic in March and April, and the supply issues created by the Fukushima incident in 2011, the incidence of delays in December was the highest since 2004.

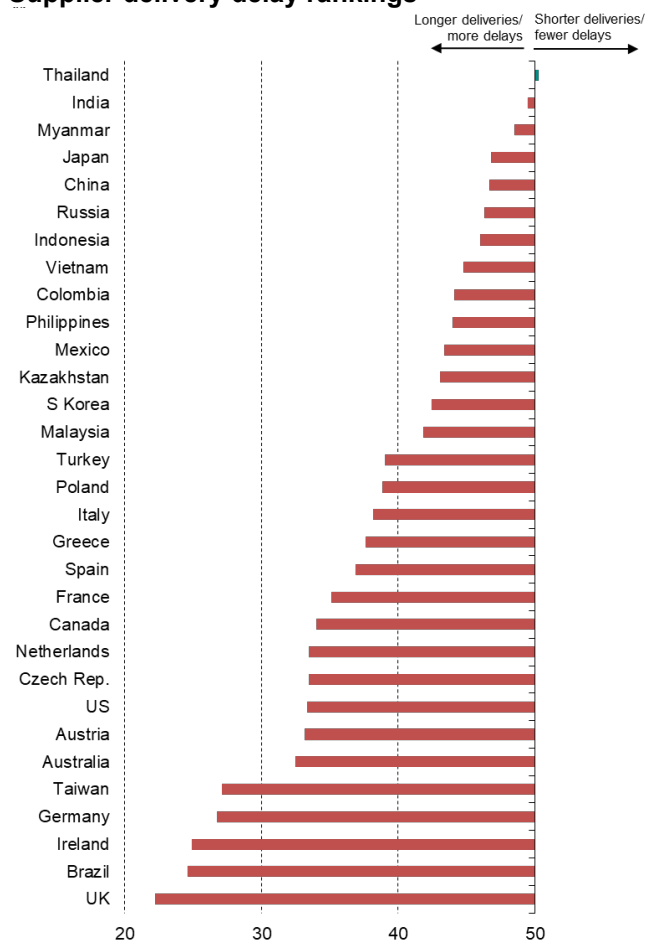
Lead times for inputs lengthened in all countries surveyed with the exception of Thailand. Companies commonly reported a lack of shipping capacity, including a shortage of containers, and frequently reported bottlenecks as suppliers and logistics firms struggled to meet rising demand from manufacturers.

The highest incidence of delays was seen in the UK, linked to wider supply chain problems being exacerbated by Brexit-related shipping and transport delays after the end of the UK's transition period for leaving the EU expired on 31<sup>st</sup> December.

## Supply delays and demand for intermediate goods



## Supplier delivery delay rankings

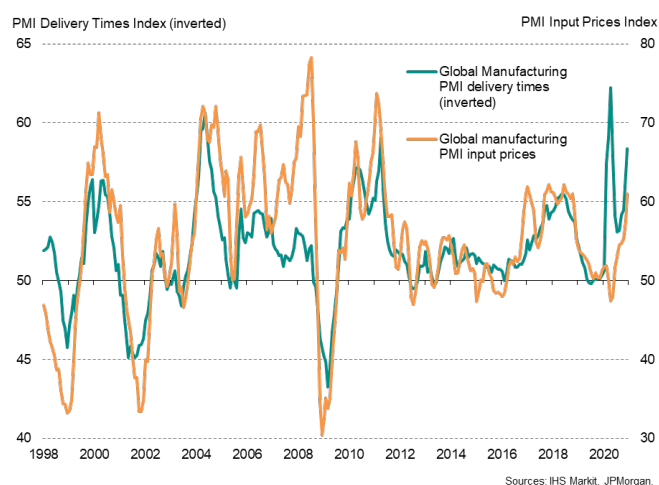


Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, au Jibun Bank, NEVI, BME, Bank Austria, AIB, AERCE, Caixin, HPI, Istanbul Chamber of Industry, Tengri Partners.

## Prices rise at fastest rate in nearly ten years

A consequence of supply shortages was further upward pressure on prices. Manufacturers' average input prices rose globally in January at the fastest pace since May 2011. Prices have now risen at an increasing rate over the past seven months, having fallen briefly between April and May amid the slump in demand caused by pandemic-related shutdowns. Price hikes were mainly attributed to increased pricing power among suppliers and shipping surcharges.

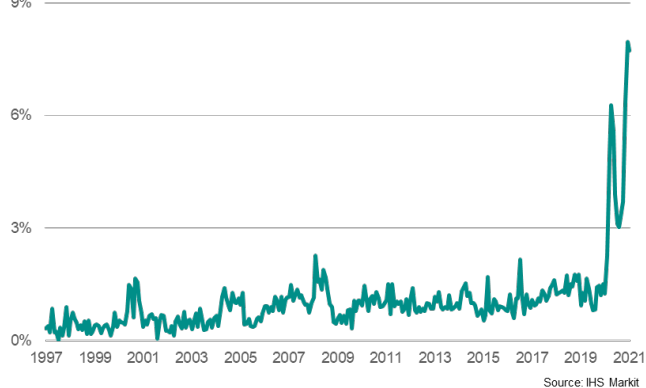
## Supply delays and industrial input prices



Higher costs were frequently passed on to customers in the form of higher prices. Average prices charged at the factory gate rose worldwide at the joint-steepest rate since May 2011.

## Global manufacturers reporting port or shipping delays

% of global manufacturing survey panel



## Manufacturers' input and output prices

JPMorgan Global Manufacturing PMI

