

Week Ahead Economic Preview

- Worldwide service sector PMIs
- RBA and RBI rate setting meetings, plus FOMC and ECB minutes

Service sector PMIs will dominate the week alongside some key updates to trade, industrial production and inflation. The week also sees interest rate decisions at central banks in Australia, India and Poland, while the ECB and FOMC release minutes from their last meetings. The IMF's spring meeting also commences.

Policy is expected to remain on hold when the RBA and RBI meet to set interest rates for Australia and India respectively, despite some encouraging signs from recent economic data and hints of higher price pressures building. Both central banks are keen to ensure policy remains accommodative while COVID-19 uncertainties and restrictions persist, with India in particular concerned about the economic impact from further waves of infections. Elsewhere in Asia Pacific, China's economy also comes under the spotlight with updates to its service sector PMI and inflation data.

The ECB policy meeting accounts will meanwhile provide more colour on its recent decision to step up asset purchases amid concerns over rising bond yields, but it's the FOMC minutes that will garner particular attention. Analysts are eager to assess just how concerned Fed policymakers are about rising bond yields and when US monetary policy may start being tapered. PMI data from IHS Markit and the ISM will give fresh insights in the performance of the service sector, which flash numbers suggest performed well in March, helping the [US lead the developed world's recovery](#). Other key US data releases include US factory orders, trade, job openings and producer prices.

Elsewhere eurozone unemployment and industrial production for Germany and France will be under scrutiny after PMI numbers showed manufacturing booming in the single currency area. The eurozone's service sector has lagged the factory recovery, but even here [signs of stabilisation have appeared](#), so the final PMIs will also be eyed for further signs of greater than expected resilience amid further waves of infections.

Importantly, the release of all PMI data during the week will give an updated view on global economic trends, after [February's surveys](#) showed the recovery gaining momentum but price pressures at the highest for over a decade. Detailed global PMI numbers will also highlight industry winners and losers.

Special Reports

Singapore Economic Outlook for 2021: With lockdown measures having eased considerably since mid-2020 and the COVID-19 vaccine rollout progressing steadily in Singapore, prospects for 2021 are for a dynamic economic recovery ([page 3](#))

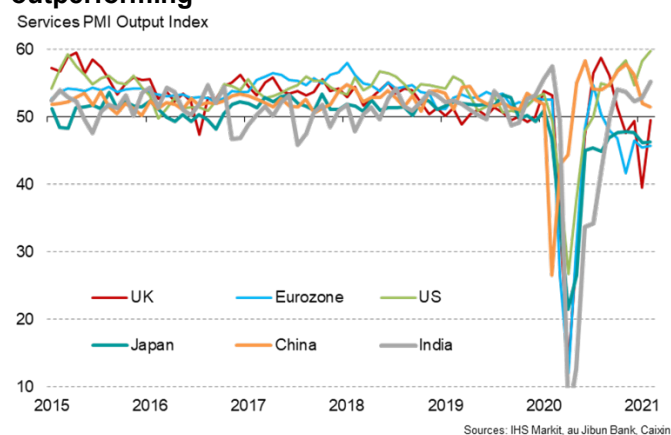
Upcoming PMI releases

5th April: Final Worldwide Manufacturing PMIs

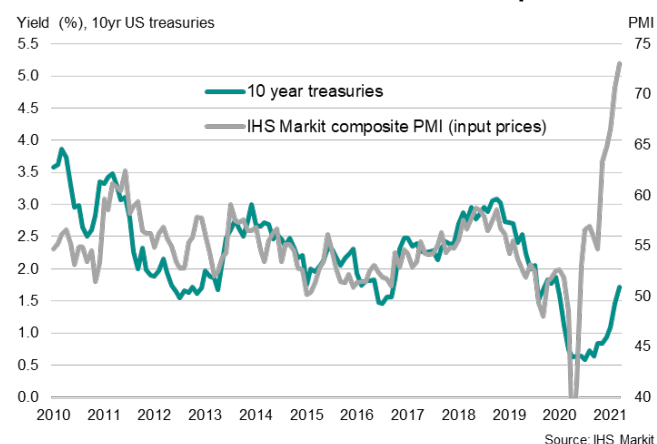
5-7th April: Final Worldwide Services PMIs

8th April: Detailed Sector PMIs

Service sector PMI data have shown the US outperforming



US treasury yields have moved sharply higher amid growing concerns over inflation. Flash US PMI data showed a record increase in input costs



Chris Williamson

Chief Business Economist, IHS Markit

Email: chris.williamson@ihsmarkit.com

Key diary events

Monday 5 April

India manufacturing PMI (Mar)
Mexico manufacturing PMI (Mar)
Japan au Jibun Bank services & composite PMI (Mar)
US services & composite PMI (Mar)
US ISM services survey (Mar)
US factory orders (Feb)

Tuesday 6 April

Japan household spending (Feb)
Philippines consumer price inflation (Mar)
China Caixin services & composite PMI (Mar)
Brazil services & composite PMI (Mar)
Australia RBA interest rate decision
Eurozone unemployment (Mar)
Spain unemployment (Mar)
Italy unemployment (Jan)
US JOLTS job openings (Feb)
Russia consumer price inflation (Mar)

Wednesday 7 April

India RBI interest rate decision
Australia services & composite PMI (Mar)
Eurozone services & composite PMI (Mar)
Germany services & composite PMI (Mar)
France services & composite PMI (Mar)
Spain services & composite PMI (Mar)
Italy services & composite PMI (Mar)
Ireland services & composite PMI (Mar)
UK services & composite PMI (Mar)
Poland interest rate decision
US trade balance (Feb)
Canada trade balance (Feb)
US FOMC minutes
US consumer credit (Feb)

Thursday 8 April

Global, Asia and EU detailed sector PMIs
Japan current account (Feb)
Japan trade balance (Feb)
Germany factory orders (Feb)
France trade balance (Feb)
Netherlands consumer price inflation (Mar)
Eurozone producer prices (Feb)
ECB policy meeting minutes
US jobless claims (weekly)

Friday 9 April

Australia building permits (Feb)
China consumer prices inflation (Mar)
China producer prices (mar)
Germany trade balance (Feb)
Germany industrial production (Feb)
France industrial production (Feb)
UK Halifax house prices (Mar)
Italy retail sales (Feb)
UK BoE Quarterly Bulletin (Q1)
Brazil consumer price inflation (Mar)
US producer prices (Mar)
Canada employment, unemployment & wages (Mar)
US wholesale inventories (Feb)

For further information:

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

For more information on our products, including economic forecasting and industry research, please visit the Solutions section of www.ihsmarkit.com

For more information on our PMI business surveys, please visit www.ihsmarkit.com/products/PMI

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

The intellectual property rights to the report are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data.

Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd.

APAC Special Focus

Singapore Economic Outlook for 2021

Rajiv Biswas

Asia Pacific Chief Economist, IHS Markit

Email: Rajiv.biswas@ihsmarkit.com

The Singapore economy suffered a severe recession in 2020, with GDP contracting by 5.4% year-on-year (y/y). This reflected the extreme negative shock to domestic demand due to pandemic lockdown measures as well the collapse in international tourism and commercial aviation activity due to global travel bans.

With lockdown measures having eased considerably since mid-2020 and the COVID-19 vaccine rollout progressing steadily in Singapore, prospects for 2021 are for a dynamic economic recovery. Singapore's GDP growth rate is expected to rebound strongly in 2021, growing at a pace of 5.9 per cent. This rebound will be helped by expected improving exports to key global markets where vaccine rollouts are progressing rapidly, including the US, EU, China and the UK.

Nevertheless, with severe international travel restrictions expected to remain in place in many countries, some segments of Singapore's economy such as international tourism and commercial aviation will face a more protracted recovery path during 2021.

Singapore's Economic Recovery in 2021

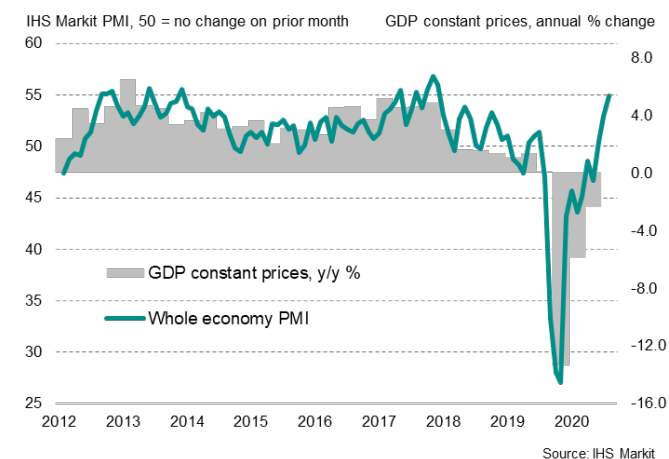
Singapore's GDP contracted by 5.4% y/y in 2020, according to the Q4 2020 GDP data released by Singapore's Ministry of Trade and Industry. Manufacturing output showed an increase of 7.3% y/y for the calendar year, helped by strong growth in electronics and biomedical manufacturing output. However service sector output contracted by 6.9% y/y in 2020, due to the impact of the protracted pandemic lockdown on the retail, transportation and food services industries, with international travel bans resulting in a severe negative impact on the tourism sector. Construction output was severely disrupted by the impact of the pandemic on construction workers, resulting in a 35.9% y/y contraction in construction output.

Manufacturing output has shown a strong rebound in the second half of 2020, helped by the recovery in export orders in key global markets. By Q4 2020, manufacturing output was up 10.3% y/y. Although service sector output has shown an improvement in momentum during the second half of 2020 as lockdown restrictions were eased, nevertheless service sector output was still down 4.7% y/y by the fourth quarter of 2020.

The IHS Markit Singapore Purchasing Managers' Index (PMI) has shown improving expansionary momentum in early 2021, with the PMI rising from 52.9 in January to 54.9 in February, signalling a sharp overall improvement in business conditions at the Singaporean private sector. Private sector growth in Singapore gained further momentum in February, buoyed by faster expansions in output and new orders. The sustained increase in business activity led firms to raise purchasing and inventory holdings.

Latest economic data from the Economic Development Board of Singapore for February 2021 showed that manufacturing output rose by 16.4% y/y in February 2021, boosted by rapid growth in the electronics, biomedical manufacturing and precision engineering sectors.

Singapore PMI

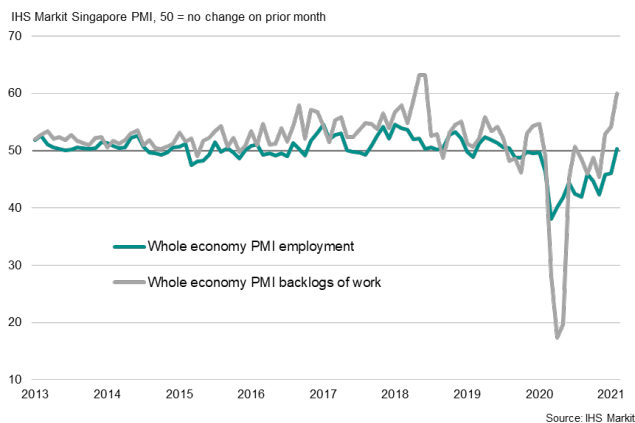


The path of recovery during 2021 is expected to be uneven across different industry sectors, with industries like electronics manufacturing, household consumer products, financial services and information technology likely to be leading the recovery, while tourism and transportation sectors are expected to have a more gradual recovery path.

Reflecting the upturn in demand, firms increased net employment for the first time in 18 months. Anecdotal evidence pointed to the addition of temporary and part-

time workers. The Singapore government's Jobs Growth Incentive launched in September 2020 has also contributed to the upturn in hiring by companies over the past six months. The unemployment rate has gradually declined since October 2020, reflecting the strengthening economic recovery and the government wage subsidy incentives. Despite the increase in employment, order backlogs accumulated to the greatest extent since June 2018.

Singapore PMI employment and backlogs of work



Despite the COVID-19 pandemic, Singapore continued to attract strong new fixed asset investment commitments in 2020 into key industry sectors. Total fixed asset investments committed in 2020 rose to SGD 17.2 billion, compared with SGD 15.2 billion in 2019, according to investment data from the Singapore Government Economic Development Board. The largest new investment commitments were in the electronics and chemicals industries, although significant new inflows were also committed for R&D, communications and media, transport engineering and logistics.

Electronics sector output rebounds after COVID-19 related disruptions

The electronics manufacturing industry is an important part of the manufacturing export sector of Singapore, accounting for 39.3% of the total output of Singapore's manufacturing sector. With the electronics supply chain highly integrated across different East Asian economies, Singapore exports electronics products to a number of other Asian electronics sectors as well as to the US and EU, with semiconductors being the dominant segment of total electronics output.

Singapore's electronics sector has benefited from a strong rebound in global electronics orders since the middle of 2020. Despite severe disruptions to Asian

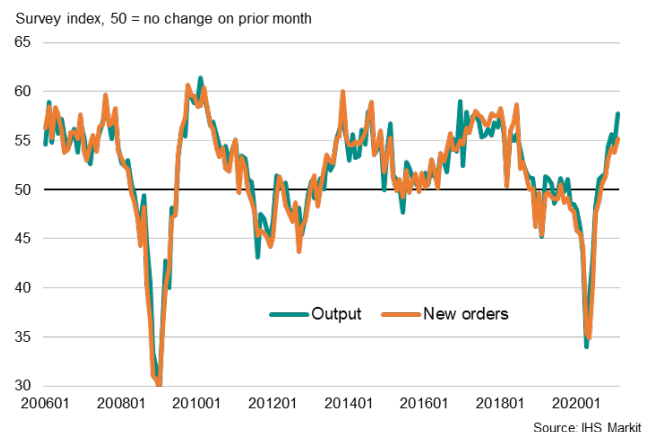
electronics production and to global demand due to the pandemic during the first half of 2020, the IHS Markit Global Electronics PMI has signaled a significant rebound since mid-2020. The Global Electronics PMI rose to 57.4 in February, up from 55.2 in January. The latest reading pointed to quickest improvement in global electronics sector operating conditions since mid-2018, as both output and new order growth accelerated. The health of all four monitored sub-sectors improved markedly in February, led by the communications category.

The global electronics PMI new orders index rose from a low of 34.9 in May of last year to a level of 55.2 by February, as global electronics new orders have rebounded with the recovery of consumer demand in key markets. The electronics sector rebound is making an important contribution to the recovery of manufacturing exports and industrial production in many Asian industrial economies

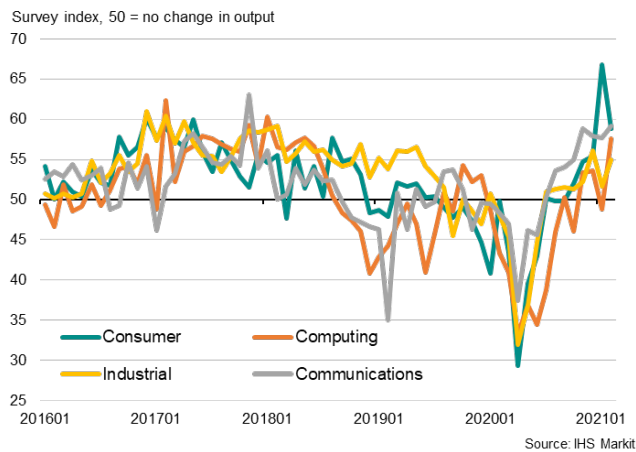
This rebound in global electronics demand has been reflected in Singapore's electronics manufacturing output. Latest data on manufacturing output from the Singapore Government's Economic Development Board shows that electronics output rose by 30.3 % year-on-year in February 2021, with semiconductors output up by 36.5% year-on-year due to buoyant demand from 5G markets and increasing global shortages of semiconductors.

Singapore's domestically produced electronics exports rose by 7.4% y/y in February 2021, with electronics exports to China up 14.4% y/y while electronics exports to South Korea rose by 103.3% y/y.

IHS Markit Global Electronics PMI, output and new orders



Global electronics PMI, output by sector



Singapore economic outlook

The central case economic scenario for 2021 is positive, with the world economy expected to be gradually emerging from the pandemic as COVID-19 vaccines are progressively deployed through the course of 2021. Although the pace of immunization programs varies considerably across different countries, the world's largest economies, notably the US, EU, China and UK, are expected to make considerable progress towards immunizing a large share of their populations during 2021. This should allow improving economic recovery momentum in the world's largest consumer markets during 2021.

With Singapore currently among the global leaders in terms of the pace of COVID-19 immunization deployment, this is expected to support a gradual normalization of domestic demand as 2021 progresses. However, the reopening of key sectors of the economy, notably international tourism and business travel, is expected to be more gradual. The establishment of travel bubbles with other advanced economies which have achieved high levels of COVID-19 vaccination immunization for their populations may allow some scope for reopening of these key industries in the second half of 2021.

Overall, the Singapore economy is expected to show a strong growth rebound in 2021, with IHS Markit forecasting that Singapore's GDP growth rate in 2021 will reach 5.9% y/y. This is broadly in line with the Singapore Government Ministry of Trade and Industry

projection that GDP growth in 2021 will be within the 4% to 6% range.

The Monetary Authority of Singapore's Survey of Professional Forecasters also reflected increasing optimism about the economic outlook for 2021, with the median estimate for GDP growth in 2021 increasing from 5.5% in the December 2020 survey to 5.8% in the March 2021 survey. The survey also highlighted that a key downside risk to the near-term outlook was from any further deterioration in the global COVID-19 pandemic situation, due to new outbreaks or delays in vaccine deployment.

The ASEAN region is expected to show an economic rebound in 2021 with strong growth continuing in 2022, which will also help to support Singapore's trade and investment flows with the rest of the ASEAN region.

Over the long-term, despite the severe recession caused by the COVID-19 pandemic, the ASEAN region is expected to continue to be one of the fastest growing regions of the world economy, creating a strong export market for a wide range of Singapore's key exports in wide range of manufacturing and services sector industries. Total ASEAN GDP is forecast to more than double over the next decade, increasing from USD 3 trillion in 2020 to USD 6.8 trillion by 2030. Over the next decade, the ASEAN region will be one of the three main growth engines of the APAC region, together with China and India, helping to support the long-term expansion of Singapore's economy.

Over the next decade, Singapore is expected to continue to develop its position as a leading Asia-Pacific hub for key services sector industries, notably regional headquartering of multinationals, as well as a key international hub for shipping, commercial aviation, tourism, information services and financial services. In the manufacturing sector, Singapore will continue to develop its competitive advantage as a high value-added manufacturing location for segments such as advanced electronics, aerospace engineering and medical manufacturing of pharmaceuticals and sophisticated medical equipment.