

Week Ahead Economic Preview

- China and UK GDP updates
- Industrial production numbers for China, the US, Eurozone and UK
- US and China retail sales

Updates to economic trends in China, Japan, the US, Eurozone and UK will dominate the week as markets seek insights into growth momentum amid varying vaccine roll-outs and virus infection rates. The week also sees interest rate decisions scheduled at central banks in New Zealand, South Korea and Turkey.

China's annual GDP growth rate is set to surge in the first quarter, given the economic slump seen this time last year as the pandemic struck and the economy locked down. Growth could accelerate from 6.8% in the fourth quarter to around 19%, though the pace of expansion will likely cool in the remaining quarters of the year. China nevertheless continues to show strong economic expansion, due mainly to its success in controlling fresh outbreaks of COVID-19, with our economic forecasting team pencilling-in 7.8% growth for 2021 and a 5.8% expansion in 2022. Japan's machinery orders will also come under scrutiny, notably in the hope that stronger factory output growth is helping to offset service sector malaise.

In the US, industrial production and retail sales data are expected to show the [economy sustaining strong growth](#) momentum midway through the first quarter, while the April manufacturing survey data from the New York and Philadelphia Feds, plus University of Michigan consumer sentiment, will give insights into how the economy is faring at the start of the second quarter amid the ongoing vaccine roll-out and fresh fiscal stimulus.

The eurozone's vaccine roll-out has meanwhile been slow, and further waves of the virus threaten to subdue growth in the second quarter. However, one area of success has been its [record manufacturing output growth](#), the upturn in which looks set to be confirmed by official production data across the region. Consumer price data may show signs of rising price pressures, though core inflation is likely to remain subdued.

In the UK, GDP numbers are expected to show the economy struggling during the lockdown, albeit with the [PMI surveys hinting at fresh signs of life](#) as domestic demand is lifted by the successful vaccine roll-out. Trade data will be closely watched, however, for clues as to the impact of Brexit on EU trade.

Special Reports

Philippines Economy Hit by Rising COVID-19 Wave:

An insight into how a new wave of COVID-19 cases is expected to constrain the near-term pace of economic recovery ([page 3](#))

Upcoming PMI releases

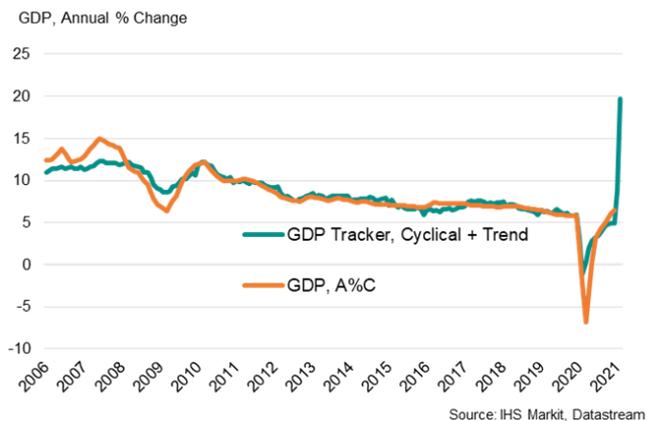
23rd April: Flash PMIs (US, Eurozone, UK, Japan, Australia)

30th April-5th May: Final Worldwide Manufacturing PMIs

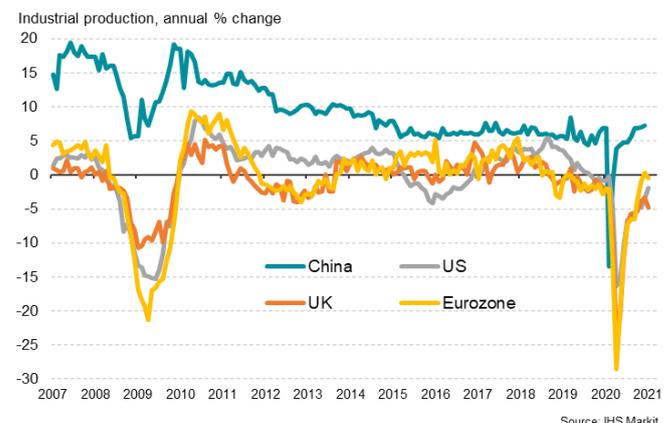
5-6th May: Final Worldwide Services PMIs

7th May: Detailed Sector PMIs

China's annual GDP growth rate is expected to have surged in the first quarter



Industrial production recovery rates have varied markedly, with the coming week seeing updates for the US, China, UK and Eurozone to provide fresh comparisons of performance.



Chris Williamson

Chief Business Economist, IHS Markit

Email: chris.williamson@ihsmarkit.com

Key diary events

Monday 12 April

Japan bank lending (Mar)
Japan producer prices (Mar)
Japan machine tool orders (Mar)
China foreign direct investment (Mar)
China new loans & money supply (Mar)
India industrial production (Feb)
India consumer price inflation (Mar)
Eurozone retail sales (Feb)
US monthly budget (Mar)

Tuesday 13 April

China trade balance (Mar)
UK trade balance (Mar)
UK monthly GDP, incl. manufacturing, services and construction output (Feb)
Italy industrial production (Feb)
Eurozone ZEW survey (Apr)
Brazil retail sales (Feb)
US consumer price inflation (Mar)

Wednesday 14 April

South Korea unemployment (Mar)
Japan machinery orders (Feb)
Singapore GDP (Q1)
New Zealand interest rate decision
Australian consumer confidence (Mar)
Spain consumer price inflation (Mar)
Eurozone industrial production (Feb)
US import and export prices (Mar)

Thursday 15 April

South Korea interest rate decision
Indonesia trade balance (Mar)
India trade balance (Mar)
Turkey interest rate decision
Australia labour market report (Mar)
Germany consumer price inflation (Mar)
France consumer price inflation (Mar)
Italy consumer price inflation (Mar)
US retail sales (Mar)
US industrial production (Mar)
US business inventories (Feb)
US HANB housing market index (Mar)
US weekly jobless claims
US Empire State manufacturing survey (Apr)
US Philadelphia Fed manufacturing survey (Apr)

Friday 16 April

China house prices (Mar)
China GDP (Q1)
China fixed asset investment (Mar)
China industrial production (Mar)
China retail sales (Mar)
Eurozone trade balance (Feb)
Italy trade Balance (Feb)
Eurozone consumer price inflation (Mar)
Eurogroup/Ecofin meeting
US building permits & housing starts (Mar)
US University of Michigan consumer sentiment (Apr)

For further information:

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APAC Special Focus

Philippines Economy Hit by Rising COVID-19 Wave

Rajiv Biswas

Asia Pacific Chief Economist, IHS Markit

Email: Rajiv.biswas@ihsmarkit.com

The near-term outlook for the Philippines economy has been impacted by a sharply rising wave of new COVID-19 cases since mid-March 2021. This is expected to constrain the pace of economic recovery in the near-term, as strict pandemic control measures have been imposed in Metro Manila and other surrounding areas badly impacted by the latest surge in pandemic cases.

Escalating new COVID-19 cases dampens recovery

The Philippines economy suffered a deep recession in 2020 due to the impact of the COVID-19 pandemic, with GDP contracting by 9.6% year-on-year. This was the largest annual decline ever recorded since National Accounts data series for the Philippines commenced in 1946.

Household final consumption expenditure fell by 7.9% y/y in calendar 2020, while gross capital formation contracted by 34.4% y/y. Some sectors of the economy recorded severe declines in output, with the transport and storage sector recording a 30.9% y/y decline in output in 2020, while accommodation and food services output slumped by 45.4%.

Although economic activity had improved during the second half of 2020, with positive quarter-on-quarter GDP growth recorded in the fourth quarter of 2020, the escalating pandemic in March and April 2021 has dampened near-term recovery prospects.

Reflecting the global slump in international trade, exports of goods and services fell by 16.3% y/y in 2020. The Philippines export sector has also remained weak, with exports of goods down 5.2% y/y in January 2021. However, despite the large decline in exports in 2020, the current account surplus reached a record high of USD 13 billion or 3.6% of GDP, boosted by the sharp slump in imports due to the severe contraction in domestic demand. In March, the Philippines central bank, Bangko Sentral ng Pilipinas (BSP), has revised

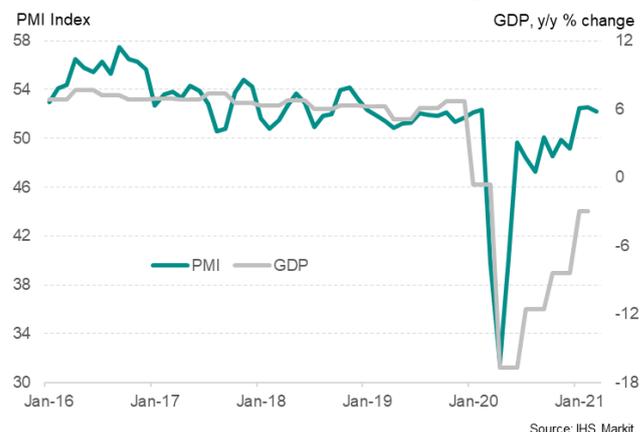
up its current account surplus projection for 2021 to USD 9.1 billion, or 2.3% of GDP

An important stabilizing factor for the Philippines economy has been overseas worker remittances by Filipinos working abroad, which remained quite stable during 2020, down only 0.8% y/y, and equivalent to around 10% of GDP. However, an estimated 400,000 Filipino workers were repatriated during 2020 as a result of job losses in their host countries, raising concerns about the impact on remittance flows during 2021. Remittances sent home by workers are an important factor supporting domestic consumer spending in the Philippines.

Due to the severe escalation in daily new COVID-19 cases since mid-March 2021, the Philippines government has imposed a range of restrictive measures to try to contain the pandemic. A one-week lockdown was announced for Metro Manila and four surrounding provinces on 29th March but was extended for at least a further week on 5th April. The total number of people impacted by the new lockdown measures are estimated at around 26 million, or around one-quarter of the total population of the Philippines, as well as being the largest economic region of the Philippines economy.

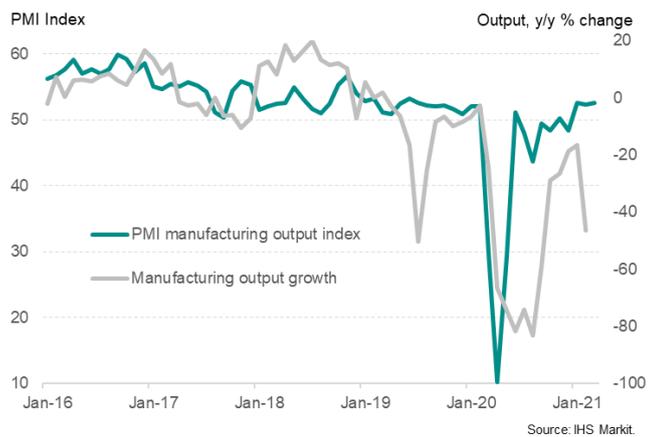
Manufacturing production contracted by 9.8% y/y in 2020, reflecting significant disruption to manufacturing output during the pandemic-related lockdown and restrictions on retail trading in Q2 and Q3 2020. Although economic conditions had been improving the fourth quarter of 2020 and during the first quarter of 2021, the recent severe escalation in the pandemic has created renewed uncertainty about the momentum of economic recovery in the near-term. The IHS Markit Philippines Manufacturing PMI fell to 52.2 in March, down fractionally from 52.5 in February, but continuing to post above the 50.0 neutral value that separates expansion from contraction.

IHS Markit Philippines Manufacturing PMI



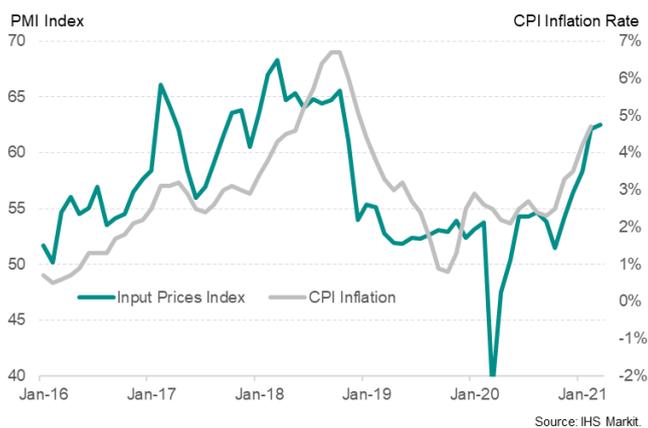
Source: IHS Markit.

IHS Markit Philippines PMI output index

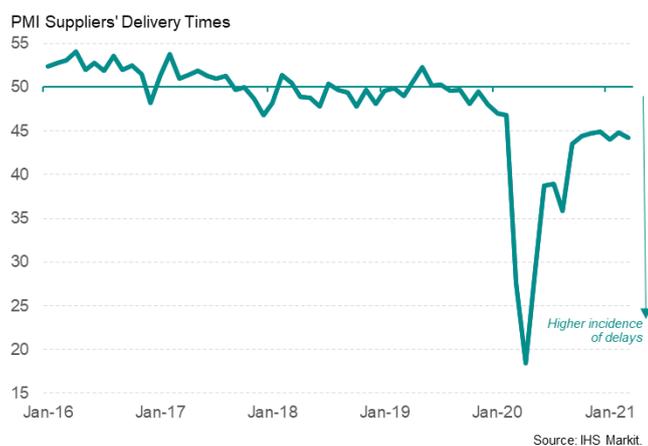


The latest manufacturing survey for March showed evidence of rising price pressures. Companies indicated that higher costs incurred by firms were often attributable to materials shortages. A sustained increase in client demand, however, allowed some firms to partially pass on rising costs.

IHS Markit Philippines PMI price index



IHS Markit Philippines PMI supplier delivery times index



Supply chain pressures continued to build in March as lead times for inputs lengthened. Firms participating in the survey continued to cite freight delays as driving the

deterioration in vendor performance, with delivery times lengthening markedly. As such, firms sought to increase their inventory holdings to minimize future shortages due to delays.

Progress of vaccine rollout

As a developing country with a population of 108 million, the Philippines confronts significant challenges in vaccinating its population with COVID-19 vaccines due to difficulties in obtaining sufficient vaccine supplies as well as the logistical problems of implementing a large-scale vaccination rollout nationwide. The COVID-19 vaccination program began on 1st March 2021, after the arrival of shipments of China's Sinovac vaccine. The Philippines has contracted to acquire 25 million doses of the Sinovac vaccine, with one million already delivered and a further 1 million doses provided as a gift by the Chinese government. The Philippines is also due to receive 9.3 million doses of the Oxford/AstraZeneca vaccine through the global COVAX facility, although so far 525,600 doses had been delivered to the Philippines by the end of March.

The COVAX facility, which is a global vaccine sharing initiative, has faced delays in receiving AstraZeneca vaccine supplies from the Serum Institute of India, a key manufacturer of the AstraZeneca vaccine. This is because India has also faced a sharply accelerating COVID-19 wave similar to the Philippines, and the Indian government has placed temporary restrictions on export of COVID-19 vaccines in order to accelerate vaccination of the Indian population.

The Philippines government is negotiating with seven global COVID-19 vaccine makers to secure sufficient supplies. A contract for 13 million doses has been agreed with Moderna, with a further contract for an additional 7 million doses also having been subsequently negotiated, providing a total of 20 million Moderna vaccine doses.

The Philippines government had planned to vaccinate 70 million persons by end-2021, but so far only 827,000 persons have received their first dose vaccination by 5th April 2021. A key problem confronting the Philippines, like many other developing countries, is that it is relying on imported vaccine supplies and is therefore vulnerable to supply disruptions due to "vaccine nationalism", as some nations with vaccine production facilities prioritize supplies to their own domestic populations due to the mounting human toll of the pandemic.

Philippines economic outlook for 2021

While the Philippines economy is still expected to show a positive growth rebound in 2021, the near-term outlook for the Philippines economy has been dampened by the sharply rising wave of new COVID-19 cases since mid-March 2021. This is expected to constrain the pace of economic recovery in the near-term, as strict pandemic control measures have been imposed in Metro Manila and other surrounding areas badly impacted by the latest surge in pandemic cases. Vaccine rollout in the Philippines has also been constrained by lack of sufficient supplies of imported

vaccines. Consequently, the pace of economic recovery in 2021 is likely to be less buoyant than previously expected, with renewed pandemic control measures constraining the momentum of growth recovery in the near-term. Consequently GDP growth in 2021 is expected to be in the 5% to 6% range, with stronger GDP growth in 2022 as the pandemic is gradually constrained by widening vaccine rollout in the Philippines, resulting in more normal economic conditions.