

Week Ahead Economic Preview

Global PMIs, US payrolls and Bank of England policy meeting

- US employment report anticipated to show further major step in job market recovery
- BOE interest rate decision just one of several central bank gatherings
- Worldwide PMI surveys

A busy economic release diary includes manufacturing and services PMIs around the globe, accompanied by a broad sweep of trade data, GDP updates for Hong Kong SAR and Indonesia and key official factory data in the US, Brazil, France and Germany. All of which builds up to Friday's US jobs report.

A flurry of central bank action meanwhile includes policy meetings in the UK, Australia, Thailand, Norway, Brazil, Malaysia, Turkey and the Czech Republic, as well as the minutes from the March BOJ gathering. All meetings are being closely watched after the [Bank of Canada became the first to rein-in post-pandemic stimulus](#) amid signs of gathering recovery progress and higher prices.

PMI surveys and US nonfarm payrolls

The worldwide PMI surveys will provide the first snapshot into global economic trends at the start of the second quarter, a period in which [world GDP is expected to lift to a new high](#). Further COVID-19 waves remain a concern and a threat to the outlook, but recent surveys have highlighted how economic activity is showing greater resilience to the virus, [led by the US](#), and how rising optimism about the outlook is fuelling spending and investment, as well as [faster jobs growth](#).

Strong hiring is therefore again anticipated in Friday's US employment report, with the consensus for another bumper 925k gain to add to the 913k surge seen in March. The unemployment rate is also forecast to edge lower to 5.8% from 6.0%. However, although 14m jobs had been regained over the past year, the total payroll count in March remained some 8.4m lower than its pre-COVID peak, highlighting how the labour market recovery has much further to go.

Bank of England policy meeting

In Europe, the UK and Eurozone PMIs are accompanied by the Bank of England's Monetary Policy Committee meeting. The Bank upgraded its growth forecasts last month and will have been cheered further by recent

strong [flash PMI numbers coming close to all-time highs](#), but no change in policy is expected as policymakers have stressed they are in no rush to remove accommodation while the economy remains well below its pre-pandemic peak.

RBA meeting plus China PMI

In the Asia-Pacific, the Reserve Bank of Australia is expected to sit tight on their hands, still committed to supporting jobs growth and inflation [despite recent strong economic data](#). Monetary policy meetings are also expected in Thailand and Malaysia with no changes expected.

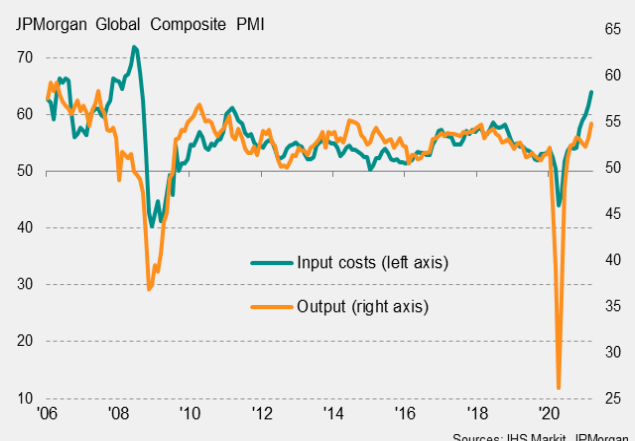
Caixin PMIs will meanwhile provide an update on China's economic recovery, as will April trade numbers, for which an impressive reading is expected given the low base effect. First quarter GDP figures will also be released for Hong Kong SAR and Indonesia, which we expect to show the quarterly annualised rates of growth slowing to 2.1% and 1.0% respectively, though year-on-year performances should improve.

Special report

South Korea: GDP Growth Rebound Boosted by Exports | Rajiv Biswas | [page 3](#)

Worldwide PMI updates

Markets will be eager to see whether global PMI data will show the recovery in output gathering pace in April, but will also be concerned over [recent price growth](#) and [supply shortages](#).



Key diary events

Monday 3 May

Worldwide manufacturing PMIs, incl. global PMI (Apr)
 Hong Kong SAR GDP (Q1)
 Indonesia inflation (Mar)
 India trade balance (Mar)
 Brazil trade balance (Mar)
 Germany retail sales (Mar)
 US ISM manufacturing survey (Apr)
 US construction spending (Mar)

Tuesday 4 May

Worldwide manufacturing PMIs, incl. UK, Russia, (Apr)
 South Korea inflation (Mar)
 Australia RBA interest rate decision, trade balance (Mar)
 UK money supply, mortgage approvals & lending (Mar)
 UK trade balance (Mar)
 Canada trade balance (Mar)
 US factory orders (Mar)

Wednesday 5 May

Global services & composite PMI (Apr), incl. US, Brazil, Eurozone, India
 Thailand interest rate decision
 Indonesia GDP (Q1)
 Brazil interest rate decision, industrial production (Mar)
 Eurozone producer prices (Mar)
 US ADP employment (Apr)
 US ISM services PMI (Apr)
 Hong Kong Whole Economy PMI (Apr)
 Singapore Whole Economy PMI (Apr)
 Australia building permits (Mar)
 Spain unemployment (Apr)

Thursday 6 May

UK services & composite PMI (Apr)
 Russia services & composite PMI (Apr)
 Eurozone construction PMI (Apr)
 Eurozone ECB Economic Bulletin
 Eurozone retail sales (Mar)
 Germany factory orders (Mar)
 UK Bank of England interest rate decision / Gov. speech
 Norway interest rate decision
 Malaysia interest rate decision
 Czech interest rate decision
 Turkey interest rate decision
 Japan BOJ meeting minutes
 US weekly jobless claims
 US nonfarm productivity & unit labour costs (Q1)

Friday 7 May

Australia RBA Monetary Policy Statement
 China trade balance (Apr)
 Germany trade balance & industrial production (Mar)
 France trade balance & industrial production (Mar)
 France employment (Q1)
 Spain industrial production (Mar)
 Italy retail sales (Mar)
 UK construction PMI (Apr)
 UK recruitment industry survey/Report on Jobs (Apr)
 Japan services & composite PMI (Apr)
 China services & composite PMI (Apr)
 Global detailed sector PMI (Apr)
 Canada labour market report (Apr)
 US nonfarm payrolls, unemployment, wages (Apr)
 US wholesale inventories (Mar)
 US consumer credit (Mar)

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South Korea Special Focus

GDP Growth Rebound Boosted by Exports

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South Korea's GDP rose by 1.8% year-on-year in the first quarter of 2021, after contracting by 1.0% year-on-year in 2020. The economic growth outlook for 2021 has been helped by surging electronics exports, with GDP growth of 3.1% y/y forecast for calendar 2021.

With world GDP forecast to rebound to positive growth of 5.3% y/y in 2021 after a contraction of 3.6% y/y in 2020, rising global new orders are 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 Japan linked to the rollout of vaccination programs during the first half of 2021 has already helped to boost 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.

GDP rebounds in first quarter of 2021

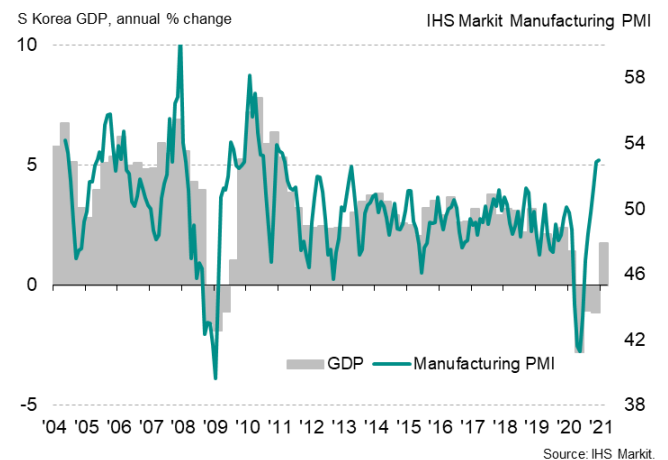
South Korea's GDP grew by 1.6% quarter-on-quarter (q/q) in the first quarter of 2021, reflecting improving growth momentum following expansion of 1.2% q/q in the fourth quarter of 2020. GDP rose by 1.8% year-on-year (y/y) in the first quarter of 2021, compared with a contraction of 1.2% y/y in the fourth quarter of 2020.

The growth rebound in the first quarter of 2021 reflected broadening economic recovery across many sectors, with private consumption expanding by 1.1% q/q, compared with a contraction of 1.5% q/q in the fourth quarter of 2020. Government consumption spending

also strengthened, rising by 1.7% q/q in the first quarter of 2021, compared with a contraction of 0.5% q/q in the fourth quarter of 2020. Overall, final consumption expenditure rose by 1.3% q/q in the first quarter, after contracting by 1.2% q/q in the fourth quarter of 2020. Compared to a year ago, final consumption expenditure rose by 1.4% y/y, after four consecutive quarters of negative year-on-year growth during 2020. The Ministry of Trade, Industry and Energy released March data showing that Korea's overall retail sales in March saw a year-on-year growth of 18.5%.

Manufacturing output grew by 3.9% y/y in the first quarter of 2021, reflecting increasing output of electronic, optical and chemical products, with strengthening business conditions in early 2021. The seasonally adjusted South Korea Manufacturing Purchasing Managers' Index (PMI) was at 55.3 in March, the same level as February, signaling strong expansionary conditions in the manufacturing sector. The February and March PMI readings were the highest since April 2010.

South Korea GDP and the PMI



The rapid pace of expansion highlighted the sustained recovery of the South Korean manufacturing economy in the first quarter of 2021, following disruption caused by the Covid-19 pandemic throughout much of 2020.

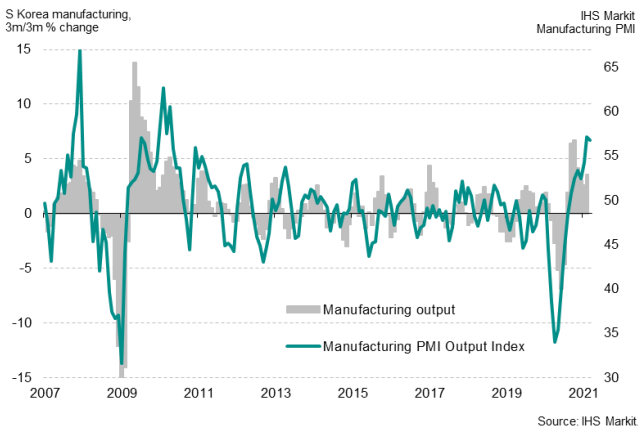
A key driver for the rapid expansion in manufacturing output has been the rebound in exports. South Korean exports rose by 16.6% y/y in March, buoyed by strong growth in exports of electronics and autos.

The March PMI Survey showed that new export orders increased for the sixth month in a row, and at the fastest pace for four months. Firms surveyed indicated that the recovery in demand was notable in key markets such as China and the US. In March, South Korean exports to

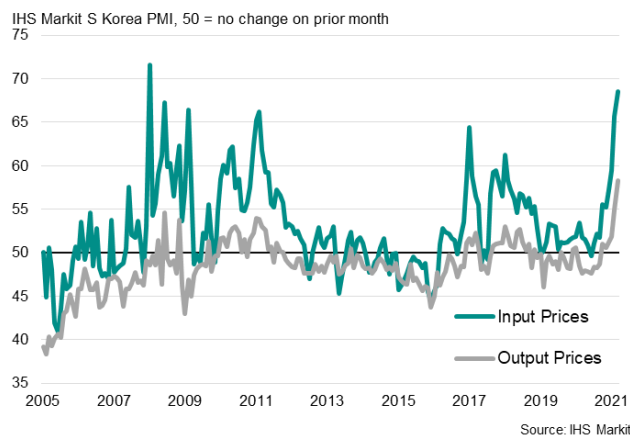
China rose by 26% y/y, while exports to the US rose by 9.2% y/y.

Outbound shipments of automobiles in March saw export value up 15.3% y/y to USD 4.4 billion, on the back of high value-added export products. Green car exports grew 29.3% y/y to 33,164 units.

South Korea Manufacturing Output



South Korean PMI Input and Output Prices



Latest data pointed to a further acceleration in input cost inflation faced by South Korean manufacturers. Input price pressures intensified in March, with costs rising at the steepest pace since January 2008. Moreover, the latest reading of the seasonally adjusted Input Prices Index was the second-highest since the survey began in April 2004, as businesses widely reported sharp rises in the cost of raw materials. Concurrently, output prices increased at a survey-record pace as firms sought to pass these higher costs on to customers.

Nevertheless, headline CPI inflation pressures are expected to remain contained in 2021. The South Korean central bank, Bank of Korea, expects that consumer price inflation will be somewhat higher than previously expected in 2021, largely reflecting the increase in global oil prices and gradual improvement in

economic activity. The BOK forecasts that consumer price inflation will fluctuate for some time at around 2%, before declining slightly. Core inflation is forecast to increase gradually to the 1% range. BOK Governor Lee Ju-yeol has signaled that he did not expect that there would be any rush to tighten monetary policy.

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.

Underscoring the strength of the recent upturn, the headline IHS Markit Global Electronics PMI rose to 59.9 in March, up from 57.8 in February. The latest reading was the highest for 21 years, with new order growth accelerating sharply. The new orders index from the PMI survey rose from a low of 35.0 in May 2020 to a level of 59.7 in March 2021, its highest since November 2013. The health of all four monitored sub-sectors improved markedly in February, led by the communications category.

The new orders index from the PMI survey rose from a low of 35.0 in May 2020 to a level of 59.7 in March 2021, its highest since November 2013, 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 including South Korea.

The South Korean Ministry of Trade, Industry and Energy has released statistics showing that outbound shipments of Korea's information and communications technology (ICT) goods in March stood at USD 17.4 billion, recording growth of 8.9% y/y.

Reflecting surging global demand for electronics, South Korean exports of semiconductors went up 13.2% y/y in February to USD 8.4 billion. Exports of memory chips rose by 8.2% y/y to USD 6.1 billion and exports of

system chips were up 9.3% y/y to USD 2.9 billion. Exports of displays rose by 2.9% y/y, to USD 1.7 billion.

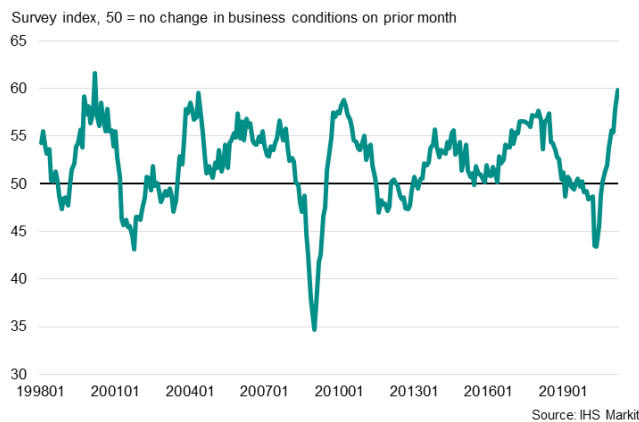
Exports of mobile phones and components also showed sustained growth of 8.7% y/y, with components exports 25.4% y/y as Korean manufacturers shipped parts to Korean and other mobile phone manufacturing plants in other countries.

These rapid growth rates for electronics exports show much strong growth than for the calendar year 2020, when South Korea's ICT exports rose by 3.8% y/y, with exports of semiconductors up 5.6 percent year-on-year.

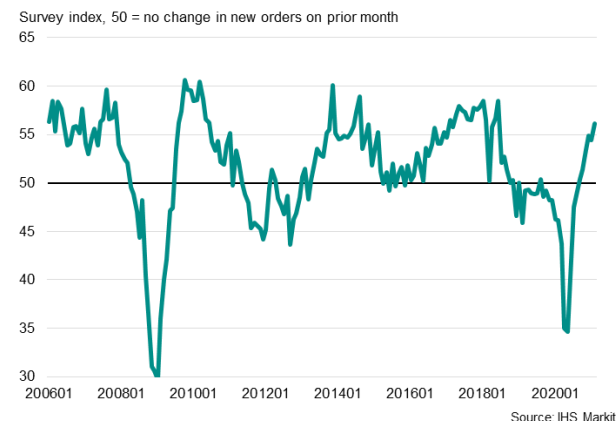
The Ministry of Trade, Industry and Energy has projected that South Korean semiconductors exports in 2021 will rise by around 10% to USD 109 billion, due to buoyant global demand for electronics products.

The strength of South Korean ICT exports in early 2021 has been boosted by rapid growth in exports to China, which were up 13.6% y/y in February, amounting to USD 7 billion. Exports of ICT products to the European Union were also buoyant, growing by 14% y/y.

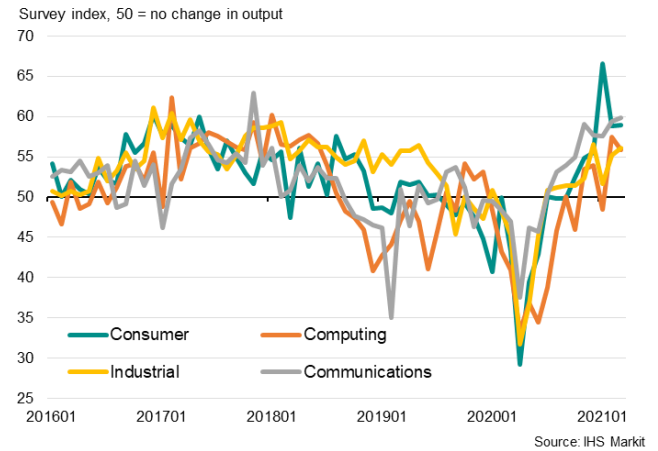
IHS Markit Global Electronics PMI



IHS Markit Global Electronics New Orders



Global electronics PMI, output by sector



With significant global shortages of semiconductors having become evident during early 2021, this is expected to further boost South Korean semiconductors exports during 2021, given South Korea's role as a key global manufacturer of semiconductors.

South Korean Economic Outlook

The near-term outlook for the South Korean economy is for GDP growth to recover to a pace of around 3.1% y/y in 2021, with continued firm expansion at a pace of 3.0% in 2022. The economic recovery in 2021 is expected to be boosted by strong growth of merchandise exports, boosted by buoyant growth of auto and electronics exports.

Domestic demand is also expected to stage a gradual recovery during 2021, as the rollout of Covid-19 vaccinations results in improving consumer confidence and rising consumption expenditure. A large boost to government expenditure is also expected to boost consumption spending during 2021.

South Korea commenced its Covid-19 vaccination program in late February, with the government aiming to have 25% of the population vaccinated by June 2021. By 28th April, an estimated 5.5% of the population had received first dose vaccinations. However, so long as Covid-19 vaccination rates remain low, the economy faces continued vulnerability to new waves of Covid-19 cases, particularly given increased transmissibility of new strains of the Covid-19 virus that have impacted upon other countries worldwide, including a number of Asian nations.

An additional challenge is that 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. South Korea is also actively evaluating the possibility of applying to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) trade agreement and has begun unofficial bilateral talks with the CPTPP member nations to prepare for its potential formal membership application.