

# Week Ahead Economic Preview

## Fed minutes, Eurozone, UK inflation and China data watch

**Meeting minutes from the Fed and RBA** will be released in the coming week while a series of economic data will be closely watch, including **eurozone and UK inflation** data. China will also share more July numbers including **retail sales and industrial output** figures, while also updating their Loan Prime Rate on Friday.

The spotlight will be on the Fed meeting minutes from the July 27-28 meeting with the timing of the tapering at the top of everyone's mind. While Fed chair Jerome Powell revealed that officials had taken a 'first deep dive' into the scaling back of bond purchases, there were no mentions of any timings. Fed officials have since engaged in some hawkish talks, which alongside data surprises, such as last week's US NFP update, sent the US dollar strengthening. Next week's Fed FOMC minutes could offer some clues on the Fed's thoughts ahead of the August 26-28 Jackson Hole Policy Symposium where more details are expected.

UK and eurozone inflation data will be due next week after the US and China releases this week. July's [IHS Markit / CIPS UK Composite PMI revealed inflationary pressures had hit new record high](#), placing the focus on how the official data would fare. This also comes after the BoE recently revised their inflation forecast upwards for 2021 to 4%, but maintained a transitory view towards inflation.

Finally, in Asia Pacific, central bank meetings will be held in New Zealand and Indonesia. China will also be updating retail sales and industrial output data for July.

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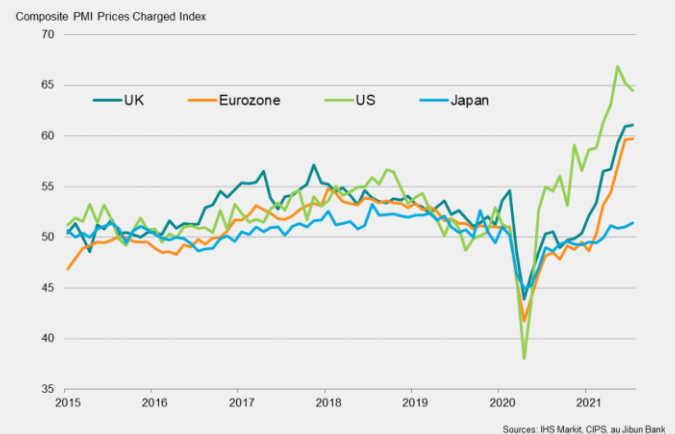
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### The inflation watch continues

CPI data releases continue next week across developed world economies including the UK and eurozone. While inflationary pressures eased off from the May record in the US, the eurozone and UK continued to experience record rates of inflation in July, according to the IHS Markit PMI data.

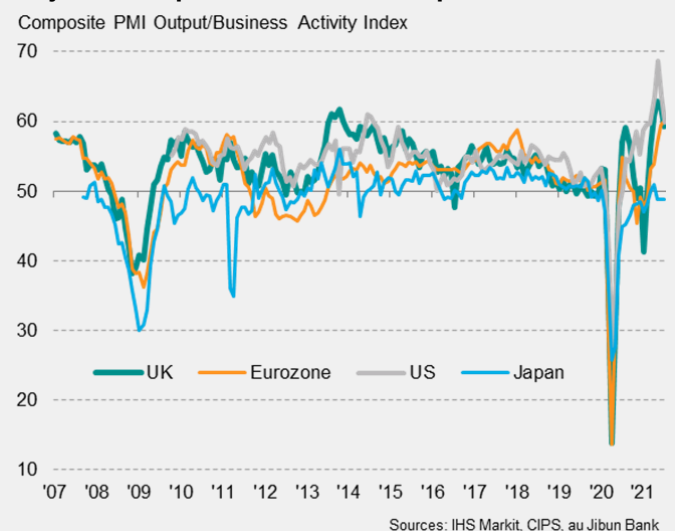
### Major developed markets PMI prices charged



### Time to taper?

The timing of the Fed's large-scale asset purchases tapering is among the top few questions for the market in the near-term. US July jobs report showed payrolls topping expectations, inviting hawkish talks by Fed officials. That said, amid rising COVID-19 Delta variant infections and slowing growth momentum, as demonstrated by the PMI Output Index, one ponders how quick the Fed will act.

### Major developed markets PMI output



## Key diary events

### Monday 16 Aug

*South Korea market holiday*

Japan GDP (Q2)

China (Mainland) Retail Sales, Industrial Output, Urban Investment (Jul)

Thailand GDP (Q2)

India WPI Inflation (Jul)

Canada Manufacturing Sales (Jun)

Canada Wholesale Trade (Jun)

### Tuesday 17 Aug

*Indonesia market holiday*

Australia RBA Meeting Minutes (Aug)

Singapore Non-Oil Exports (Jul)

United Kingdom ILO Unemployment Rate (Jun)

United Kingdom Employment Change (Jun)

Eurozone GDP (Q2, flash)

United States Retail Sales, Industrial Production (Jul)

### Wednesday 18 Aug

Japan Machinery Orders (Jun)

Japan Trade Balance (Jul)

Australia Wage Price Index QQ (Q2)

New Zealand Cash Rate (18 Aug)

Indonesia Trade Balance (Jul)

Thailand BoT Meeting Minutes (Aug)

United Kingdom Inflation (Jul)

Eurozone HICP (Jul, final)

United States Housing Starts Number (Jul)

Canada CPI (Jul)

United States Fed FOMC Meeting Minutes (Jul)

### Thursday 19 Aug

*India market holiday*

Australia Employment (Jul)

Indonesia 7-Day Reverse Repo (Aug)

Hong Kong CPI (Jul)

United States Initial Jobless Claims

### Friday 20 Aug

Japan CPI, Core Nationwide (Jul)

China Loan Prime Rate 1Y, 5Y (Aug)

Taiwan Current Account (Q2)

Germany Producer Prices (Jul)

United Kingdom GfK Consumer Confidence (Aug)

United Kingdom Retail Sales (Jul)

Taiwan Export Orders (Jul)

Canada Retail Sales (Jun)

## What to watch

### ■ Fed FOMC July meeting minutes

Meeting minutes from the July Fed FOMC meeting will be parsed in the coming week for any further details with regards to the timing for tapering of its massive bond purchases. This comes after the meeting statement release and Fed chair Jerome Powell's press conference; both having provided no specifics.

Since the July meeting, economic data surprises and hawkish comments from Fed officials on tapering have fuelled expectations that the commencement is near. As such, any views shared in the meeting minutes will be closely studied for clues on the consensus. The meeting minutes is also due just ahead of the Fed's Jackson Hole conference on August 26-28, where more details on tapering and the Fed's assessment of the US economic situation may be shared. The July PMI survey revealed that the [new virus wave dampened growth](#) both in the US and globally, placing some attention on the Fed's view towards the Delta variant spread as well. Separately, July retail sales and industrial production will also be due earlier in the week on Tuesday.

### ■ Eurozone, UK inflation

Eurozone and UK inflation rates will be among the European economic data to watch in the coming week, in addition to eurozone Q2 GDP data. Flash eurozone inflation for July overshoot the ECB's 2% target at 2.2%, one to watch for the final reading. This was as [manufacturers in the eurozone experienced bouts of supply shortages, sending prices higher still](#). Similarly for the UK, the [IHS Markit / CIPS UK Composite PMI](#) pointed to survey records for both input costs and output changes, placing the focus on how the July figures will fare. On the flash eurozone Q2 GDP, the current Refinitiv consensus points to 2.0% quarterly growth.

### ■ China July industrial output and retail sales

China's July industrial output and retail sales figures will be due at the start of week. Services sector was shown to have rebounded in July according to the [Caixin China General Services PMI](#), although a slowdown is to be expected into August amid the fresh COVID-19 wave. Industrial production will be watched after the July trade data release, which was regarded to be resilient but missed the consensus. The [Caixin China General Manufacturing PMI](#) earlier revealed that output growth slowed amid a slight drop in new orders in July.

## Special report:

[Philippines Economic Rebound Hit by](#)

[New COVID-19 Wave](#) Rajiv Biswas | [page 4](#)

## Recent PMI and economic analysis from IHS Markit

Global	<a href="#">Monthly PMI Bulletin: August 2021</a>	10-Aug	Chris Williamson, Jingyi Pan
	<a href="#">New virus waves dampen global economy, hit supply and push prices higher</a>	6-Aug	Chris Williamson
	<a href="#">Global economic recovery remains driven by consumer services while basic materials output lags</a>	5-Aug	Jingyi Pan
	<a href="#">Global manufacturing supply constraints continue to develop at record rate</a>	2-Aug	Chris Williamson
	<a href="#">Eurozone leads as US and UK see slower growth, Japan and Australia contract</a>	26-Jul	Chris Williamson
	<a href="#">Global electronics industry faces continuing supply disruptions</a>	26-Jul	Rajiv Biswas
Europe	<a href="#">Inflationary pressures build as shortages cause prices to soar in Czech Republic</a>	10-Aug	Sian Jones
	<a href="#">Eurozone manufacturing growth hit by supply shortages, and prices rise ever higher</a>	2-Aug	Chris Williamson
	<a href="#">Flash Eurozone PMI signals fastest economic growth for 21 years</a>	23-Jul	Chris Williamson
	<a href="#">Flash UK PMI slides to four-month low as COVID-19 wave dampens economic growth</a>	23-Jul	Chris Williamson
	<a href="#">UK manufacturing output hit as covid wave limits staff and component availability</a>	23-Jul	Chris Williamson
APAC	<a href="#">South Korea Economic Rebound Threatened by New COVID Wave</a>	2-Aug	Rajiv Biswas
	<a href="#">Japan shows further divergence from other developed economies as virus disruptions continue</a>	26-Jul	Jingyi Pan
	<a href="#">Flash Australia PMI signals economy in contraction amid widespread lockdowns</a>	23-Jul	Jingyi Pan
Commodities	<a href="#">Weekly Pricing Pulse: Commodity prices edge higher</a>	28-Jul	Michael Dall

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# Special Focus

## Philippines Economic Rebound Hit by New COVID-19 Wave

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*The Philippines economy rebounded strongly in the second quarter of 2021, after five consecutive quarters of economic contraction during 2020 and the first quarter of 2021. However, the path of economic recovery is facing new setbacks during the remaining months of the year due to the latest COVID-19 Delta wave that has hit the Philippines. Renewed strict pandemic control measures imposed in Metro Manila and other surrounding areas are already impacting on economic activity in the third quarter of 2021.*

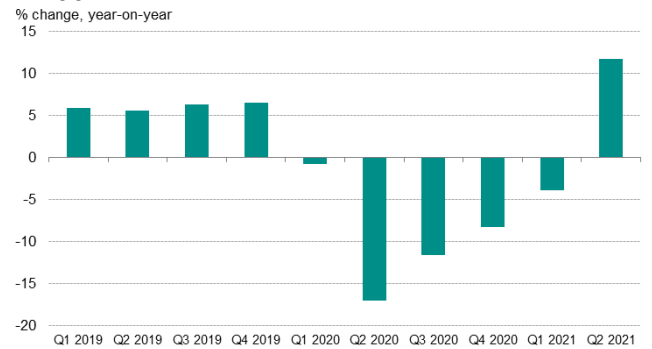
### Escalating New COVID-19 Cases Dampens Recovery

The latest GDP statistics for the second quarter of 2021 showed that the Philippines economy grew by 11.8% year-on-year, after five consecutive quarters of contraction. In the first quarter of 2021, GDP had declined by 3.9% year-on-year, following a severe contraction in GDP in the 2020 calendar year, when the Philippines economy contracted by 9.6% year-on-year.

The 2020 economic contraction 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%.

Private consumption was a key driver for the return to positive year-on-year growth in the second quarter of 2021, as household final consumption expenditure rebounded by 7.2% year-on-year, although government final expenditure fell by 4.9% y/y. Exports grew by 27% y/y in the second quarter of 2021, helped by the economic rebound in key global markets, including the US, EU and China.

### Philippines GDP Growth, 2019 – 2021



Source: PSA

In June 2021, exports rose by 17.6% y/y, helped by a 12.3% y/y increase in exports of electronic products. Electronic products continued to be the country's top merchandise export in June 2021, with total earnings of USD 3.72 billion, accounting for 57.1 percent of total exports in June.

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. Another large current account surplus is expected in 2021. In June 2021, the Philippines central bank, Bangko Sentral ng Pilipinas (BSP), revised up its current account surplus projection for 2021 to USD 10 billion, or 2.5% 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. However, despite concerns about job losses, recent monthly data continues to show resilient remittance inflows, with remittances by workers abroad up by 13.3% y/y in May 2021. In the first five months of 2021, remittance flows rose by 6.6% y/y.

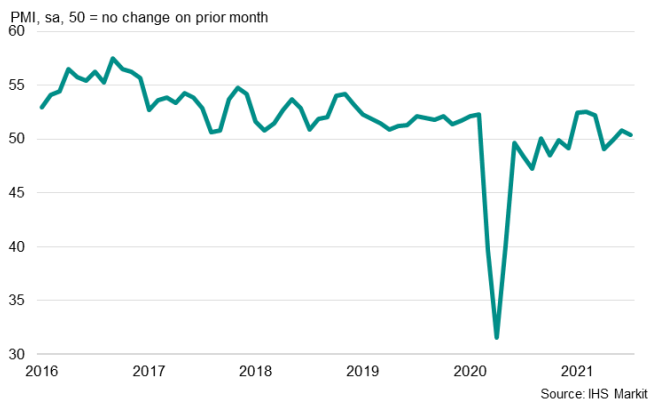
Manufacturing production contracted by 9.8% y/y in 2020, reflecting significant disruption to manufacturing output during the pandemic-related lockdown and restrictions on retail trading in Q2 and Q3 2020. Economic conditions had gradually improved in the fourth quarter of 2020 and during the first half of 2021, with manufacturing output rising by 22.3% y/y in the second quarter of 2021. However, the recent severe escalation in the pandemic has created renewed



uncertainty about the momentum of economic recovery in the remaining months of 2021.

The IHS Markit Philippines Manufacturing PMI fell from 50.8 in June to 50.4 in July, still registering slightly above the 50.0 no-change threshold that separates expansion from contraction. This followed declines seen in April and May, when escalating daily new cases had resulted in protracted lockdown measures, impacting economic activity. The protracted virus-related restrictions in the Philippines have contributed to weak domestic demand and softer consumption spending in July.

### Philippines Manufacturing PMI



### Philippines Manufacturing PMI Output Index



A combination of raw material shortages and pandemic-related restrictions led to another marked lengthening of supplier lead times in July. Vendor performance has now deteriorated in every month since August 2019.

### 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 an estimated 16.6 million doses 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 vaccine sharing initiative. So far 5.7 million doses of the AstraZeneca vaccine had been delivered to the Philippines through this COVAX facility by the mid-July 2021, including 1.1 million doses donated by the Japanese government. The UK government has also donated 415,000 doses of the AstraZeneca vaccine.

The COVAX facility 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 the 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. Furthermore, the US Government announced on 30th July that it was also donating 3 million doses of the Moderna vaccine to the Philippines through the international COVAX facility, with delivery having been completed on 3rd August. The US government had earlier provided 3.2 million doses of the single shot Johnson & Johnson vaccine to the Philippines in mid-July. The Philippines also signed a contract for 40 million doses of the Pfizer vaccine in June 2021.

The Philippines government had planned to vaccinate 70 million persons by end-2021, with a total of 23.2 million doses having been administered by late July 2021. An estimated 11.4% of the total population had received first dose vaccinations by 5th August 2021, with 9.8% of the population fully vaccinated. 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.

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## Philippines Economic Outlook for 2021-22

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 rising wave of new COVID-19 cases since mid-March 2021. Although daily new cases showed some decline during May and June, the impact of the Delta variant has resulted in a renewed upturn in new cases during July and early August. This is expected to constrain the pace of economic recovery in the near-term, as strict pandemic control measures have again 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 more constrained than previously expected, with renewed pandemic control measures limiting the momentum of growth recovery in the near-term. Consequently, GDP growth in 2021 is expected to be in the 5% to 6% range.

The outlook for 2022 is positive, with the July IHS Markit Philippines Manufacturing PMI survey showed that sentiment amongst Philippines manufacturing firms regarding output expectations over the next 12 months had improved to a four-month high. The gradual progress of the COVID-19 vaccination program has underpinned hopes of a return to normality over the next 12 months. Stronger GDP growth of around 7.7% y/y is expected in 2022, as the pandemic is gradually restrained by widening vaccine rollout in the Philippines, resulting in more normal economic conditions.