

# Week Ahead Economic Preview

## ECB, RBA meetings, China inflation and trade data watch

**Central bank meetings** in the eurozone, Australia and Malaysia pack the week ahead, with the focus firmly on whether the European Central Bank (ECB) will update its asset purchase programme. China and the US will also release **factory gate inflation figures** amid continued COVID-19 related supply disruptions in August. In the **UK, July GDP growth and trade numbers** are also eagerly anticipated.

In line with the Fed, extraordinary support measures are being reviewed by the ECB with expectations that the net asset purchases under the Pandemic Emergency Purchase Programme (PEPP) may slow from this month. Indeed, flash [IHS Markit Eurozone PMI](#) data pointed to the economy growing at a rate little-changed from July's 15 year high midway into Q3, while price pressures remained steep by historical standards, supporting some paring back of these support measures. That said, the uncertainty caused by the recent COVID-19 Delta wave may encourage a more dovish stance.

The UK meanwhile finds a number of data releases including July GDP and trade figures. Facing significant supply chain and labour constraints in Q3, which were reported to have subdued output, the readings will be studied to assess whether the economy can sustain recent growth momentum.

In APAC, the RBA and BNM meet with no changes expected. China's August data will be the highlight instead after [manufacturing sector conditions worsened for the first time since April 2020](#).

### Chris Williamson

Chief Business Economist,  
IHS Markit

[chris.williamson@ihsmarkit.com](mailto:chris.williamson@ihsmarkit.com)

### Jingyi Pan

Economics Associate Director  
IHS Markit

[jingyi.pan@ihsmarkit.com](mailto:jingyi.pan@ihsmarkit.com)

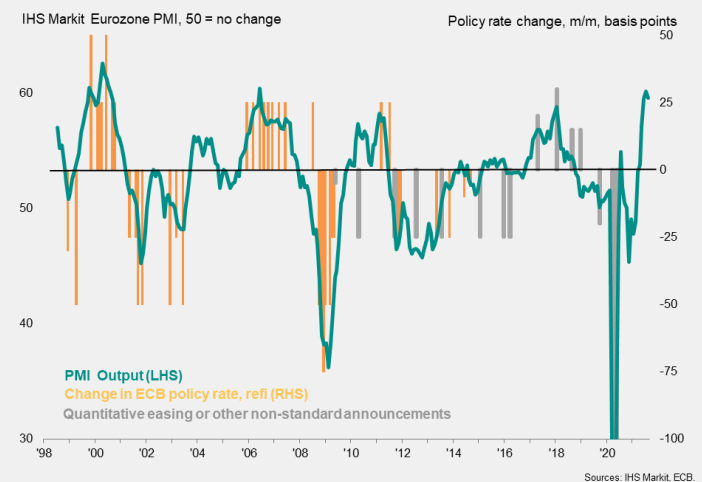
**Get the Week Ahead Economic Preview direct via email:**

Email [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com) to join our distribution list.

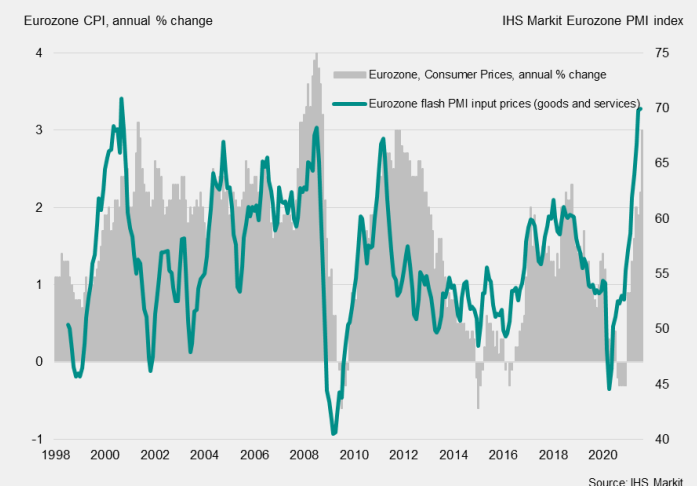
## ECB meets as PMI hovers near two-decade highs and inflation spikes

The European Central Bank's Government Council meets with recent data likely to add to tensions regarding differing views amid the central bank's new policy framework. Not only has the eurozone PMI been indicating some of the strongest economic expansions seen over the past 20 years in recent months, but inflation has also spiked to a decade high of 3.0%. While some of this growth momentum and price pressure reflects temporary factors due to the pandemic, and the new framework allows an overshooting of the 2.0 inflation target, speculation has risen – notably in the bond market – that the ECB will upgrade its growth and inflation projections, opening the door to the possibility of an imminent slowing in the pace of asset purchases.

### ECB policy decisions and the flash eurozone PMI



### Eurozone inflation



## Key diary events

### Monday 6 Sep

*United States, Canada Market Holiday*

Germany Industrial Orders (Jul)  
 United Kingdom Markit/CIPS Construction PMI\* (Aug)  
 Eurozone Construction PMI\* (Aug)  
 Thailand CPI (Aug)  
 Europe, Asia Sector PMI\* (Aug)

### Tuesday 7 Sep

*Malaysia Market Holiday*

Philippines CPI (Aug)  
 Australia RBA Cash Rate (Sep)  
 Germany Industrial Output (Jul)  
 United Kingdom Halifax House Prices\* (Aug)  
 Taiwan CPI and Trade (Aug)  
 Germany ZEW Economic Sentiment (Sep)  
 Eurozone GDP (Q2, revised)  
 China (Mainland) Trade (Aug)  
 Global Steel Users PMI\* (Aug)

### Wednesday 8 Sep

Worldwide Manufacturing PMIs, incl. global PMI\* (Jul)  
 Japan Current Account (Jul)  
 Japan GDP (Q2)  
 United States JOLTS Job Openings (Jul)  
 Canada BoC Rate Decision (8 Sep)

### Thursday 9 Sep

United Kingdom RICS Housing Survey (Aug)  
 China (Mainland) PPI, CPI (Aug)  
 Germany Trade (Jul)  
 Malaysia Overnight Policy Rate (9 Sep)  
 Eurozone ECB Deposit and Refinancing Rate (Aug)  
 United States Initial Jobless Claims

### Friday 10 Sep

*India Market Holiday*

Malaysia Industrial Output (Jul)  
 Germany CPI (Aug, final)  
 United Kingdom Monthly GDP, incl. Manufacturing, Services and Construction Output (Jul)  
 United Kingdom Goods Trade Balance (Jul)  
 India Industrial Output (Jul)  
 United States PPI (Aug)  
 Canada Unemployment Rate (Aug)  
 United States Wholesale Inventory (Jul)  
 China (Mainland) Loan Growth, New Yuan Loans, M2 (Aug)

\* Press releases of indices produced by IHS Markit and relevant sponsors can be found [here](#).

## What to watch

### ■ Central bank meetings in Eurozone, Australia and Malaysia

A series of central bank meetings take place in the coming week across the eurozone, Australia and Malaysia.

The ECB meeting will be one to watch with discussions on scaling back of the rate of its net asset purchases under the PEPP expected at the upcoming meeting. While the July meeting offered no real clues, further dovishness was telegraphed, providing mixed signals with regards to the relaxation of the stimulus measures. The latest [IHS Markit Eurozone Manufacturing PMI](#) pointed to sustained buoyant growth conditions in August while price pressures remained steep. IHS Markit expects the rate of net PEPP purchase to be slowed from September and phased out by March 2022, though there are risks for higher rate of purchases to be sustained beyond September in light of recent COVID-19 developments.

In Asia-Pacific, the Reserve Bank of Australia (RBA) and Bank Negara Malaysia (BNM) are expected to bring few surprises as the spread of COVID-19 Delta variant continues to affect both nations. The RBA is expected to review their extraordinary measures in November, however.

### ■ China inflation and trade data

China's August inflation and trade data will be due Tuesday and Thursday respectively. August [Caixin China General Manufacturing PMI](#) pointed to export orders declining for the first time since February while input costs rose sharply. The August PPI reading and trade data will be followed for confirmation of the statistics particularly during a month when China had also experienced sustained COVID-19 disruptions.

### ■ UK July output and trade data

In the UK, July GDP and trade data will be released on Friday. The official data come on the heels of survey data indicating that growth momentum has eased markedly in the third quarter, with the [IHS Markit / CIPS UK PMI](#) surveys signalling supply chain and labour shortages constraining growth. Exports have continued to rise, albeit with the UK underperforming European peers as Brexit-related issues dampen trade flows.

## Special report:

### ASEAN Economies Hit Hard by Escalating Covid Delta Waves

Rajiv Biswas | [page 4](#)

## Recent PMI and economic analysis from IHS Markit

Global	<a href="#">Global manufacturing growth at lowest for 14 months as supply chains worsen amid Delta variant spread, price pressures hold close to decade highs</a>	2-Sep	Chris Williamson
	<a href="#">Eurozone leads as US and UK growth wanes, Japan and Australia contract</a>	23-Aug	Chris Williamson
	<a href="#">Understanding... PMI backlogs of work: a key indicator of capacity utilisation, providing insights into investment, hiring and inflation</a>	12-Aug	Chris Williamson
	<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
Europe	<a href="#">Case study: anticipating the UK recession during the global financial crisis</a>	25-Aug	Chris Williamson
	<a href="#">Eurozone flash PMI holds close to 15-year high in August, job market booms</a>	23-Aug	Chris Williamson
	<a href="#">Case study: Lessons from 2017 in using PMI data to map Eurozone GDP revisions</a>	18-Aug	Chris Williamson
	<a href="#">Case study: PMI data sent early signals of GFC impact on Eurozone GDP</a>	18-Aug	Chris Williamson
	<a href="#">Italian economy looks set for sustained growth through remainder of 2021 as lockdown measures ease</a>	12-Aug	Lewis Cooper
APAC	<a href="#">Inflationary pressures build as shortages cause prices to soar in Czech Republic</a>	10-Aug	Sian Jones
	<a href="#">Lockdown hits consumer services activity in Australia, but tech sector continues strong growth run</a>	18-Aug	David Owen
	<a href="#">Philippines Economic Rebound Hit by New COVID-19 Wave</a>	12-Aug	Rajiv Biswas
Commodities	<a href="#">Weekly Pricing Pulse: Commodity prices stay flat after declining for three weeks</a>	1-Sep	Tal Dickstein

### For further information:

For more information on our products, including economic forecasting and industry research, please visit the Solutions section of [www.ihsmarket.com](http://www.ihsmarket.com)

For more information on our PMI business surveys, please visit [www.ihsmarket.com/products/PMI](http://www.ihsmarket.com/products/PMI)

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

Follow our latest updates on twitter at [@IHSMarketPMI](https://twitter.com/IHSMarketPMI).

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

# Special Focus

## ASEAN Economies Hit Hard by Escalating Covid Delta Waves

**Rajiv Biswas**

Asia Pacific Chief Economist, IHS Markit

Email: [rajiv.biswas@ihsmarkit.com](mailto:rajiv.biswas@ihsmarkit.com)

*Many Southeast Asian economies have continued to be hammered by escalating new COVID-19 Delta waves during August. The economic recovery that was underway in Southeast Asia during the latter part of 2020 and early 2021 has been increasingly impacted by widespread lockdowns that have disrupted industrial production and consumption spending.*

*Despite efforts to ramp-up vaccinations, relatively low COVID-19 vaccination rates in many of the ten member countries of ASEAN have left the region highly vulnerable to the COVID-19 pandemic in the near-term. There are considerable risks around how quickly vaccines can be deployed and how rapidly the pandemic will be brought under control in different ASEAN countries. The key to sustained recovery is expected to be based on achieving much higher vaccination rates and consequent easing of the intensity of the Covid Delta waves sweeping across the region.*

### ASEAN Recovery hit by new Covid waves

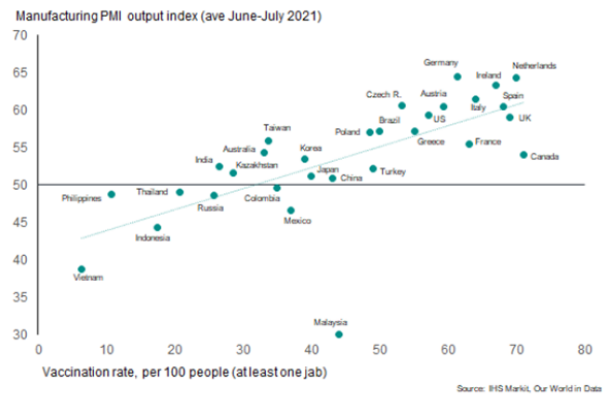
As a result of the severe negative impact of the COVID-19 pandemic and widespread lockdowns and travel bans, many ASEAN economies were in deep recession during 2020. The impact of global lockdowns in key markets such as the US and EU also resulted in a sharp slump in exports for many ASEAN nations during the first half of 2020. Among the worst hit economies were the Philippines, Thailand, Malaysia, Cambodia and Singapore, as protracted lockdowns hit industrial production, construction and consumption expenditure. Travel bans across the ASEAN region also hit the international tourism and travel sectors severely.

Domestic economic activity showed significant recovery in many ASEAN nations during the second half of 2020 and early 2021, as lockdowns were progressively eased and new export orders strengthened. However, with the onset of new Covid Delta waves in many Southeast Asian nations since April 2021, economic momentum

has again weakened in many ASEAN nations in recent months.

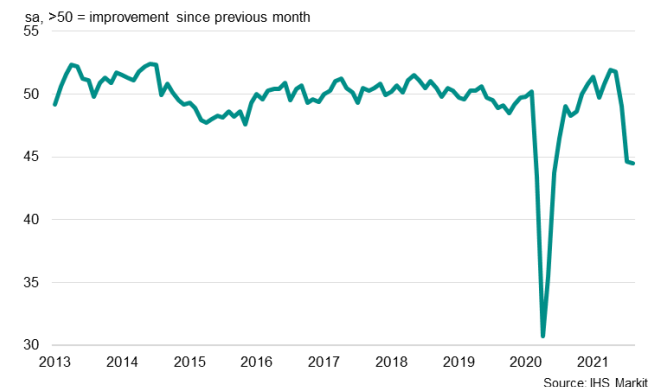
The ASEAN manufacturing sector continued to show contractionary conditions during August, according to the latest [IHS Markit Purchasing Managers' Index data](#). This reflected rising COVID-19 cases and restrictive lockdown measures across many ASEAN countries. Operating conditions declined sharply, amid further rapid falls in factory production and new orders, while sentiment among goods producers towards output over the year ahead slipped to a 13-month low.

### Manufacturing Output Growth and Vaccination Rates



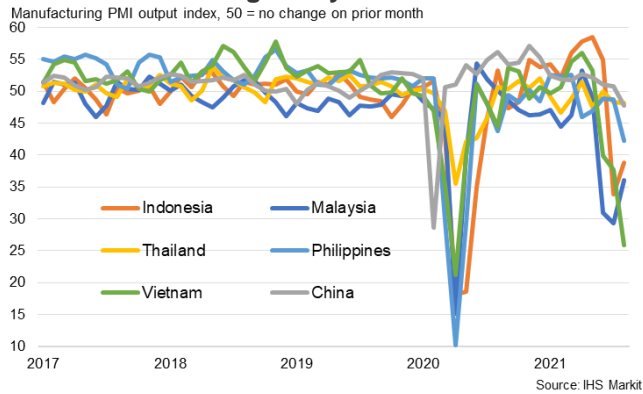
The headline ASEAN Manufacturing PMI posted 44.5 in August, down slightly from July's reading of 44.6, to signal a third straight monthly deterioration in the health of the ASEAN manufacturing sector. For the first time since May 2020, each of the seven constituent nations recorded deteriorations in conditions during August. The steepest pace of contraction was seen in Myanmar, where the PMI (36.5) remained among the lowest on record. This was followed by Vietnam, where the headline index (40.2) fell to the lowest since April 2020 amid the ongoing COVID-19 outbreak. Continued contractionary conditions were recorded in Malaysia and Indonesia, although both saw the rates of decline ease from July.

### ASEAN Manufacturing PMI





## Asian Manufacturing Hit by Delta variant



In the service sector, the impact of lockdown measures has also continued to hit consumption expenditure across most ASEAN nations.

Given the escalating COVID-19 waves, international travel restrictions are still expected to remain a major impediment to the recovery of international tourism and business travel in the ASEAN region during the remainder of 2021. Furthermore, domestic tourism has also been heavily disrupted, creating a further severe negative shock for the ASEAN tourism industry.

The path of recovery is therefore likely 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 the tourism and air transportation sectors are expected to have a more gradual recovery path.

Across the seven ASEAN nations that comprise the IHS Markit ASEAN Manufacturing PMI, all seven saw business conditions decline during August.

The IHS Markit Indonesia Manufacturing Purchasing Managers' Index posted 43.7 in August, up from 40.1 in July, although remaining in significant contraction. In line with the headline PMI reading, both output and new orders continued to fall in August. Delivery delays also persisted in August due to COVID-19 disruptions, as evident through the lengthening of lead times for the nineteenth consecutive month.

In Malaysia, an easing of some COVID-19 lockdown measures helped take some of the pressures off Malaysian manufacturing in August. IHS Markit's COVID-19 containment index showed the lowest levels of restrictions since April, facilitating a rise in the headline PMI to its highest since May. The headline IHS Markit Malaysia Manufacturing Purchasing Managers' Index rose from 40.1 in July to 43.4 in August, albeit still indicating contractionary conditions in the manufacturing sector.

The downturn in the Vietnamese manufacturing sector intensified during August amid the worst outbreak of the COVID-19 virus in Vietnam since the pandemic began. Restrictions leading to the temporary closure of many factories, as lockdown measures and limits on travel to try and contain the spread of the pandemic resulted in accelerated declines in output, new orders, purchasing and employment. The unprecedented spell of supply-chain disruption continued amid transportation difficulties and pressure on capacity at the country's ports. This, allied with raw material shortages, placed upward pressure on input costs which continued to rise sharply. The Vietnam Manufacturing Purchasing Managers' Index fell to 40.2 in August, down from 45.1 in July and signalling the worst deterioration in the health of the sector since April 2020.

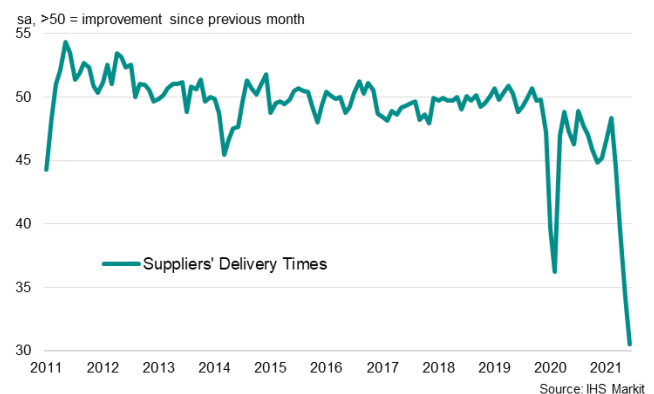
In the Philippines, the re-introduction of Enhanced Quarantine Measures in Metro Manila forced factory and business closures in one of the Philippines largest manufacturing regions in August. Output and new orders fell sharply.

Even in Singapore, which has achieved one of the world's highest COVID-19 vaccination rates, the headline PMI index moderated considerably to 44.3 in August compared to July's more than eight year high of 56.7, with the August figure being the lowest since September 2020.

## Escalating Covid Waves create supply chain disruptions

In Southeast Asia, rising new Covid waves in Vietnam, Malaysia, Thailand, Indonesia and Philippines, all of which have significant manufacturing hubs, are creating disruption to global manufacturing supply chains.

### Vietnam: Manufacturing PMI Suppliers' Delivery Times



In Vietnam, the impact of factory closures related to the pandemic has become increasingly widespread during

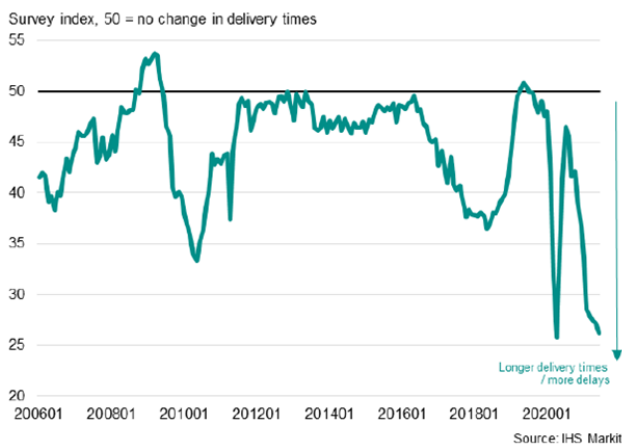
August, hitting many industry sectors. Over 100 seafood processing factories were closed in the southern Vietnam region during periods in August, while over one-third of textile and garment factories in Vietnam are also reported to have been temporarily closed in recent weeks due to the pandemic. Adidas, Foot Locker and Nike are among the many global firms that are reporting supply chain disruptions due to COVID-19 related interruptions of manufacturing production in Vietnam.

The disruption to Vietnamese industrial production is also hitting global electronics manufacturing supply chains, due to Vietnam's increasing importance as an electronics manufacturing hub over the past decade.

Samsung Electronics has reported that in Vietnam, which is a key electronics manufacturing hub for the firm, there were production disruptions in certain places during the second quarter of 2021 due to lockdowns that affected operations. However, the firm managed to mitigate the disruptions by shifting production to other parts of their global manufacturing supply chain.

Toyota has announced an estimated 40% drop in global auto production in September due to the impact of global semiconductor shortages as well as disruption to supply chains in Southeast Asian manufacturing hubs, including Vietnam. Toyota temporarily halted several auto assembly lines in Japan for periods during July and August due to disruptions to supply of auto parts from Vietnam.

### Global Electronics PMI, Supplier Lead Times



Multinationals in the electronics and auto sectors are also reporting supply chain disruptions due to the impact of the protracted lockdown and escalating COVID-19 pandemic in Malaysia, which is an important global manufacturing hub for electronics. Electronic and electrical products accounted for around 36% of total Malaysian merchandise exports in July 2021, with Malaysia being a significant production hub for key

electronics components such as semiconductors. In the auto sector, Nissan Motors and General Motors have indicated that supply disruptions of auto components from Malaysia have impacted on their auto production in August.

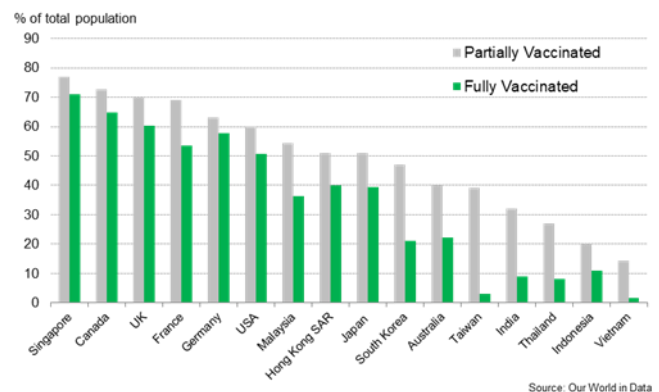
The escalating pandemic is also creating disruption to logistics, further intensifying delays to suppliers' delivery times. In Vietnam, the strict lockdown measures in Ho Chi Minh City have significantly increased container shipping delays during August at Ho Chi Minh City Cat Lai port, Vietnam's largest port as well as at the Hiep Phuoc terminal in Ho Chi Minh City.

### ASEAN Economic Outlook

Relatively slow progress in COVID-19 vaccination rollout programs in many countries in the ASEAN region have created vulnerability to the recent COVID-19 Delta waves sweeping across many nations worldwide. Amongst the considerable challenges faced are low current vaccination rates, problems with accessing vaccine supplies and also the very large size of the population in many nations, notably in Indonesia, Philippines and Vietnam.

The exception is Singapore, which has already achieved one of the highest vaccination rates in the world by August 2021. Malaysia has also achieved significant progress with its first dose vaccine rollout by August, although its daily new COVID-19 cases remained at very high levels by late August. Other ASEAN nations with relatively small populations by global standards, - notably Brunei, Cambodia and Laos - may be able to rapidly vaccinate their populations if they are able to embark on intensive vaccination programs, due to the relatively low number of total vaccine doses required for their populations.

### COVID-19 Vaccination Rates, Mid-August 2021



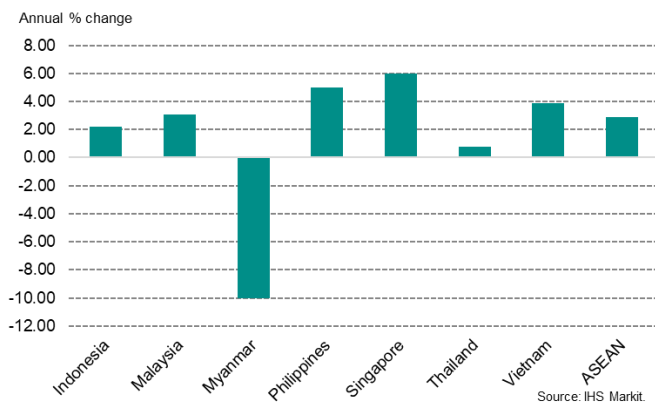
Despite the favourable economic outlook for global economic recovery in 2021, the speed at which different

ASEAN nations emerge from the pandemic is likely to vary considerably, depending on many factors including the size of population, access to large supplies of COVID-19 vaccines and ability to deploy large-scale immunization programs. The effectiveness of different types of COVID-19 vaccines is also an important issue that could affect the timing of recovery from the pandemic. There are also other critical unknown factors, including the duration of effectiveness of vaccinations for the various key vaccines that are being deployed.

The central case economic scenario for 2021 continues to be positive, with the world economy gradually emerging from the pandemic, led by the US, EU, China and the UK. However, the ASEAN region's economic rebound in 2021 has been significantly dampened by new waves of Covid Delta, with further downside risks to the near-term outlook due to the escalating Covid waves. Economic growth momentum is expected to improve in 2022, as vaccination programs reach a much higher share of the total population of the more populous Southeast Asian nations.

Despite the economic rebound expected in 2022, most ASEAN countries will face the medium-term challenge of fiscal consolidation. This reflects the very high levels of government expenditure during 2020-21 on fiscal stimulus measures related to the pandemic, which has resulted in a significant increase in government debt as a share of GDP across the ASEAN region.

### ASEAN GDP Growth in 2021



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. 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.