

Week Ahead Economic Preview

Fed FOMC, BOE, BOJ meetings accompanied by September flash PMIs

An action-packed week ahead promises an abundance of central bank meetings, including the US Fed FOMC, BOE and BOJ policy meetings, while flash September PMIs offer all-important fresh clues on economic conditions.

Given [signs of stagflation](#) gleaned from recent PMI and official data, positioning by central bankers in the week ahead will be crucial in guiding monetary policy expectations and market movements alike. Following the ECB's 'recalibration' of its asset purchases, the US Federal Reserve's September FOMC meeting is widely expected to give an update on the timing of its asset purchase tapering, but no significant changes are meanwhile expected from the BOE, BOJ and APAC central banks. In the main, policymakers are likely to be eager to seek more clarification on growth and inflation trajectories after the Delta wave fades, keeping all options open in the meantime.

Some clarification may come from the flash PMIs, which will offer a first glimpse of economic conditions in September across the world's largest developed economies. The extent to which supply constraints continue to affect Western economies will be especially in focus in the manufacturing PMIs, providing a key bearing on inflationary pressures, just as the services PMIs will be studied for their reflections of how on-going COVID-19 Delta variant spreads have affected consumer demand into September.

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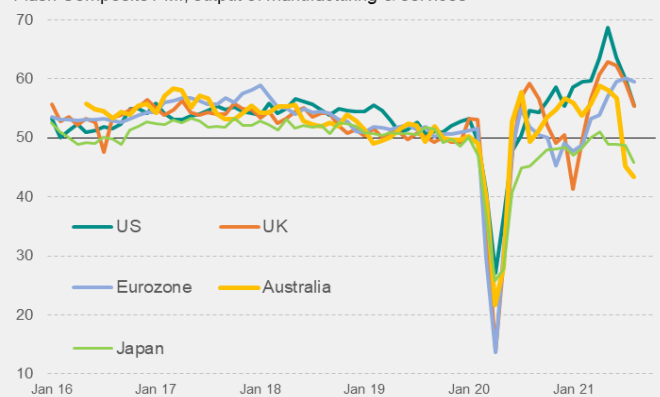
Growth and prices in PMI spotlight

The big theme to be watching from September's flash PMIs will be whether the rise in COVID-19 case numbers due to the spread of the Delta variant is causing a further squeeze on economic growth in countries such as the US, UK, Japan and Australia, all of which saw the PMI output gauges hit hard in August. The eurozone showed greater resilience, but notably had underperformed the UK and US in prior months.

Also to watch are the survey's price and suppliers' delivery times indices. While the former will give a guide to current inflationary trends, the latter can give a broader perspective on the imbalance of demand and supply, and could help determine how transitory the current global price spike will be. Read more about the [suppliers' delivery times index here](#) and get a [recap on the August flash PMIs here](#)

Flash PMI output

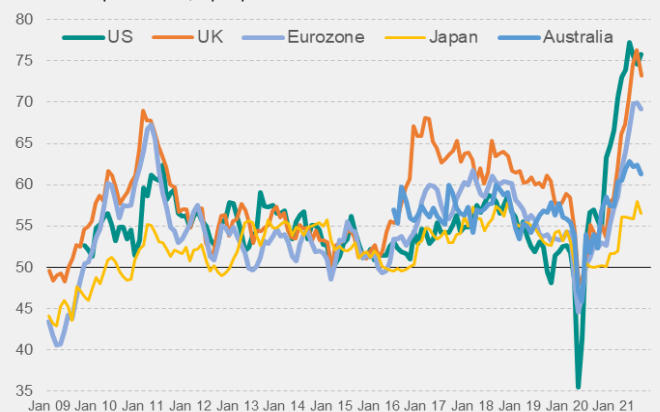
Flash Composite PMI, output of manufacturing & services



Sources: IHS Markit, CIPS (UK), au Jibun Bank (Japan)

Flash PMI input prices

Flash Composite PMI, input prices



Sources: IHS Markit, au Jibun Bank (Japan)

Key diary events

Monday 20 Sep

China, Japan, South Korea, Taiwan Market Holiday
Germany Producer Prices (Aug)
United States NAHB Housing Market Index (Sep)

Tuesday 21 Sep

China, South Korea, Taiwan Market Holiday
Australia RBA Meeting Minutes (Sep)
Indonesia 7-Day Reverse Repo (Sep)
United Kingdom CBI Trends (Sep)
United States Current Account (Q2)
United States Building Permits and Housing Starts (Aug)

Wednesday 22 Sep

South Korea, Hong Kong Market Holiday
China Loan Prime Rate (Sep)
Eurozone Consumer Confidence (Sep, flash)
Japan BOJ Rate Decision (22 Sep)
United States Fed Funds Target Rate (22 Sep)

Thursday 23 Sep

Japan Market Holiday
Australia IHS Markit Flash PMI, Manufacturing & Services*
UK CIPS/IHS Markit Flash PMI, Manufacturing & Services*
Germany IHS Markit Flash PMI, Manufacturing & Services*
France IHS Markit Flash PMI, Manufacturing & Services*
Eurozone IHS Markit Flash PMI, Manufacturing & Services*
US IHS Markit Flash PMI, Manufacturing & Services*
Thailand Customs-Based Trade (Aug)
Singapore Consumer Price Index (Aug)
Thailand Manufacturing Production (Aug)
Switzerland SNB Policy Rate (Q3)
Norway Key Policy Rate (23 Sep)
Philippines Policy Interest Rate (23 Sep)
Taiwan Discount Rate (Q3)
United Kingdom BOE Bank Rate (Sep)

Friday 24 Sep

Thailand Market Holiday
Japan au Jibun Bank Flash Manufacturing PMI* (Jul)
New Zealand Trade Balance (Aug)
United Kingdom GfK Consumer Confidence (Sep)
Japan CPI (Aug)
Singapore Manufacturing Output (Aug)
Germany Ifo Business Climate (Sep)
Taiwan Export Orders (Aug)
United Kingdom CBI Distributive Trades (Sep)
United States New Home Sales (Aug)

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

What to watch

■ Flash PMI data for September

Flash PMIs offer a first look into economic conditions across developed economies in September including Australia, UK, Germany, France, the eurozone and US on Thursday (Japan follows on Friday). The surveys will be keenly watched for after showing [global economic growth slowed in August to the lowest since January](#) amid the COVID-19 Delta variant spread and ensuing supply constraints. [Global manufacturing growth in fact moderated to the lowest for 14 months](#), with the slowdown centred on Asia, resulting in another month of near-record supply delays and sharply rising prices.

Given that the latest COVID-19 wave looks to have peaked worldwide in late August, and COVID-19 vaccine doses continue to be administered, September flash PMIs will be studied for clues as to whether things have started to turn around. August PMI sub-indices also indicated supply chain delays remain pronounced, especially in the West, contributing to higher costs for private sector firms, trends that are worth a closer look.

■ Central bank meetings around the world

Monetary policy meetings unfold across developed economies next week including decision making at the US Fed, Bank of England and Bank of Japan. Various smaller central banks also meet including in Norway, Switzerland, Indonesia, Philippines and Taiwan. The meetings come at a time when both official and PMI data have become increasingly [typified by stagflation](#), and hint at a pull-back in taper talk while Delta wave uncertainties persist. Signals gleaned from central bankers next week will therefore be important both in guiding rates expectations and driving markets.

Fed FOMC meeting: A taper announcement is expected following the meeting conclusion with inflation running well above 2%. Our US economic team sees November being the potential start date for tapering that will run for several months, extending well into 2022.

Bank of England: Focus remains with the improving economic outlook and inflation, [underpinned to some extent by supply constraints](#). IHS Markit continue to expect the first BOE policy rate rise to occur mid-2022.

Bank of Japan: Concerns remain with the COVID-19 Delta variant spread for Japan, meaning the BOJ is expected to sustain current aggressive monetary easing.

Special report:

[Thailand: COVID-19 Delta Wave Disrupts Economic Recovery](#) Rajiv Biswas | [page 4](#)

Recent PMI and economic analysis from IHS Markit

Global	Hints of stagflation cause fresh headaches for central banks	10-Sep	Chris Williamson
	Monthly PMI Bulletin: September 2021	8-Sep	Chris Williamson, Jingyi Pan
	Delta wave hits hospitality, autos, tech and construction, boosts healthcare	7-Sep	Chris Williamson
	Global economic growth slows sharply as Delta variant hits businesses, pushing emerging markets into decline	6-Sep	Chris Williamson
	Emerging markets bearing brunt of latest COVID-19 Delta wave impact	3-Sep	Jingyi Pan
	Global manufacturing growth at lowest for 14 months as supply chains worsen amid Delta variant spread, price pressures hold close to decade highs	2-Sep	Chris Williamson
	Eurozone leads as US and UK growth wanes, Japan and Australia contract	23-Aug	Chris Williamson
US	US equity investor sentiment slides to lowest for a year amid COVID-19 and policy concerns	15-Sep	Chris Williamson
Europe	UK economy slows as demand rebound fades and supply constraints bite	13-Sep	Chris Williamson
	UK construction activity hit by unprecedented shortages and cost pressures	7-Sep	Chris Williamson
	Case study: anticipating the UK recession during the global financial crisis	25-Aug	Chris Williamson
	Eurozone flash PMI holds close to 15-year high in August, job market booms	23-Aug	Chris Williamson
	Case study: Lessons from 2017 in using PMI data to map Eurozone GDP revisions	18-Aug	Chris Williamson
	Case study: PMI data sent early signals of GFC impact on Eurozone GDP	18-Aug	Chris Williamson
APAC	APAC Electronics Industry Hit by Escalating Supply Chain Disruptions	10-Sep	Rajiv Biswas
	Asia economic downturn spreads as supply constraints hit more sectors	8-Sep	Jingyi Pan
	ASEAN Economies Hit Hard by Escalating Covid Delta Waves	3-Sep	Rajiv Biswas
Commodities	Weekly Pricing Pulse: Soft demand outweighs supply disruptions in commodity prices last week	15-Sep	Thomas McCartin

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Special Focus

Thailand: COVID-19 Delta Wave Disrupts Economic Recovery

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Thailand had considerable success in containing its domestic COVID-19 pandemic during 2020 and the first quarter of 2021. However, the situation has deteriorated since April 2021, with an escalating COVID-19 wave driven by the more highly transmissible Delta variant that has resulted in a rising death toll. The international tourism sector, which was a major growth driver prior to pandemic, has been in a protracted and deep slump since April 2020, with hopes for any significant near-term tourism sector recovery fading.

Thailand's economy hit by COVID-19 Delta wave

The Thai economy was in severe recession in 2020, with a GDP contraction of 6.2% year on year (y/y). This reflected the impact of the COVID-19 pandemic on domestic economic activity as domestic lockdown measures were put in place, as well as the impact of global lockdowns on international merchandise trade. A particular severe negative shock for the Thai economy has been from the effects of global travel bans on international tourism travel.

Some recovery in economic momentum was evident during the first half of 2021 (H1 2021), with GDP growth of 2.0% y/y. Base year effects contributed to the rapid growth rate of 7.5% y/y recorded in Q2 2021, although compared to Q1 2021, quarter-on-quarter growth was a modest 0.4%.

Private consumption rose by 4.6% y/y in Q2 2021, and by 2.1% y/y in H1 2021. Private investment rose by 9.2% y/y in Q2 2021 and by 5.9% y/y in H1 2021.

Exports of goods performed strongly in Q2 2021, rising by 30.7% y/y, with H1 2021 exports of goods up by 15.7% y/y. In July, merchandise exports were up 20.3% y/y. However, services exports have been experiencing deep and protracted recessionary conditions due to the collapse in international tourism. In 2020, exports of

services contracted by 60% y/y, with a further 47% y/y decline recorded in H1 2021.

Manufacturing output rose strongly in Q2 2021, up by 16.8% y/y, with expansion of 8.2% y/y in H1 2021.

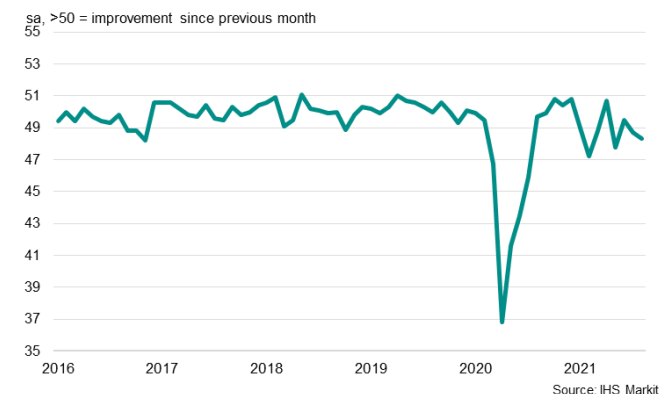
However, despite the improving momentum of GDP growth in Q2 2021, the onset of a severe new COVID-19 Delta wave since late June 2021 has darkened the near-term economic outlook. This resulted in the Thai government introducing stricter lockdown measures in Bangkok and nine provinces from 12th July, with further extensions of these restrictions during August.

Low COVID-19 vaccination rates have contributed to Thailand's vulnerability to the latest pandemic wave. However, the Thai government has ramped up its vaccination program in recent weeks, with an estimated 39% of the total population having received their first dose vaccinations by mid-September. Although there has been some decline in daily new COVID-19 cases reported in Thailand during the first half of September, the level of daily new cases still remained high by mid-September 2021.

Although some easing of restrictions on the retail sector have been introduced since 1st September, the overall impact of the recent pandemic wave and the subsequent restrictive measures is expected to be a significant drag on GDP growth momentum in Q3 2021.

Thailand's manufacturing sector shrank for a fourth straight month and at a faster rate in August, according to the latest IHS Markit PMI data. The [IHS Markit Thailand Manufacturing PMI](#) eased to 48.3 in August from 48.7 in July, remaining below the 50.0 no-change mark for the fourth straight month to signal a deterioration in the health of the Thai manufacturing sector.

Thailand Manufacturing PMI

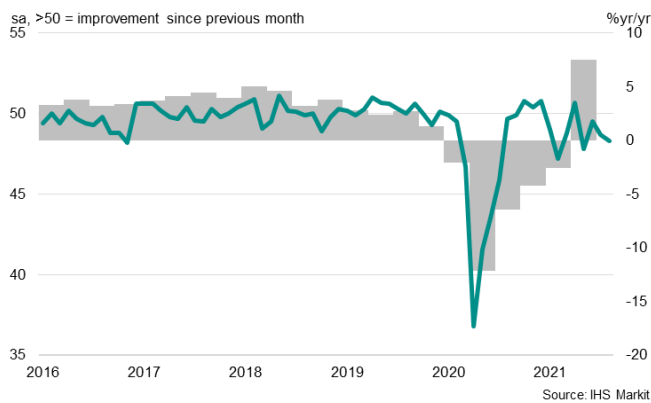


New orders and production both fell for a fourth consecutive month and at a faster pace compared to

July. Companies mostly cited the escalating COVID-19 pandemic driving the deterioration of economic conditions.

Overall sentiment remained weak as manufacturers grew more pessimistic on the 12-month outlook for production in August, particularly given the COVID-19 related disruptions. The impact of supply chain disruptions due to the COVID-19 wave was reflected in the decision by Toyota Motor to temporarily close three of its factories in Thailand during July.

Thailand Manufacturing PMI and GDP



Thailand's tourism sector remains in deep slump

By 2019, direct tourism spending accounted for an estimated 12% of Thai GDP, with Chinese tourism having played an increasingly important role in underpinning the Thai tourism economy. Thailand has been one of the most notable beneficiaries of the boom in Chinese tourism over the past decade, with total annual Chinese tourist visits to Thailand having risen from 2.7 million in 2012 to 11 million in 2019. Chinese tourism spending in Thailand was estimated to have reached USD 18 billion in 2019, amounting to more than 25% of total international tourism spending in Thailand.

In 2019, Thailand had 39.8 million foreign tourist arrivals. Although international tourism continued to be permitted during the first quarter of 2020, tourism visitors were banned from April 2020 onwards. Consequently, total international tourism visits for calendar year 2020 fell to 6.7 million arrivals, almost entirely comprising tourism arrivals during the first quarter of 2020.

The international tourism sector has remained in dire straits during 2021 to date. In the first half of 2021, total international tourism visitor numbers were just 40,500 compared with 6.7 million visits in the first half of 2020, when international tourism had already shut down during the second quarter of 2020.

Due to the escalating domestic pandemic, domestic Thai tourism was also hit during the first half of 2021, with total domestic tourism trips down 15% y/y while domestic tourism revenue fell by 38.5% y/y.

Although a pilot scheme for vaccinated international tourists was introduced for Phuket from 1st July 2021, tourist arrivals have been low. This likely reflects a number of factors, including the escalating COVID-19 wave in Thailand during July and August, as well as considerations such as quarantine requirements in home countries for travellers returning from Thailand.

With the whole of Southeast Asia still suffering from a severe escalation in COVID-19 cases, prospects for any near-term recovery in international tourism in Thailand remain low, at least for the remainder of 2021.

Economic outlook

The Thai economy continues to face severe economic challenges in H2 2021 despite the rebound of manufacturing output and strong exports of goods. Continuing economic shockwaves to the economy have come from the collapse of international tourism, given the key role it plays as an important pillar of the Thai economy. Furthermore, the latest COVID-19 Delta wave has further dampened economic growth momentum due to weakening domestic demand. These factors are expected to significantly restrict the pace of GDP growth in 2021, to just 0.8% y/y.

At present, the most likely pathway out of the protracted collapse in Thailand's international tourism sector and its wider repercussions to other sectors such as retailing and transportation will be the continuing rollout COVID-19 vaccine programs in Thailand as well as key tourism markets. Meanwhile the economic costs to Thailand's tourism industry and tourism sector jobs will remain severe, acting as a major drag on the economy.

The rapid ramp-up of Thailand's COVID-19 vaccination program during H2 2021 is expected to help to contain the severity of the pandemic, allowing domestic economic activity to improve during the next six months. Furthermore, a gradual reopening of international tourism in Thailand over the next 12 months is expected to be an important factor supporting economic recovery, with GDP growth projected to strengthen to around 4% in calendar year 2022.