

# Week Ahead Economic Preview

## November flash PMIs, Fed minutes and GDP updates

IHS Markit releases **flash PMIs for November** in a week packed with economic data releases. Noteworthy updates include **Q3 GDP** from the US, Germany, Switzerland, Taiwan and Singapore. Meanwhile **October US core PCE** will also be due alongside the November Fed **FOMC meeting minutes**. The **Bank of Korea** also holds its policy meeting on Thursday.

Amid lingering inflation concerns, attributed to record supply delays, and a surge in COVID-19 cases in Europe, November's flash PMIs will offer valuable insights into economic conditions as we head towards the year end. The data are to be published at a time that the World Health Organisation (WHO) is warning that Europe is once again the epicentre of the COVID-19 pandemic. That said, better vaccination performance and greater resilience following earlier bouts of COVID-19 breakouts may insulate economies from some of the impact of rising case numbers, a conjecture that will be assessed with the help of the upcoming PMI releases.

Meanwhile the US releases a barrage of data including the second estimate of Q3 GDP. October core PCE will be in focus following the CPI surprises which, alongside better jobs readings, had led to various central bankers urging a more "hawkish" stance. The Fed's FOMC minutes may also prove useful in deciphering the mix of Fed members' thoughts with regards to how the Fed's goals are moving along.

Finally in APAC, Singapore and Taiwan provide detailed Q3 figures while the Bank of Korea (BoK) meets for the second time since their August surprise hike with the possibility of another hike distinctly in tow.

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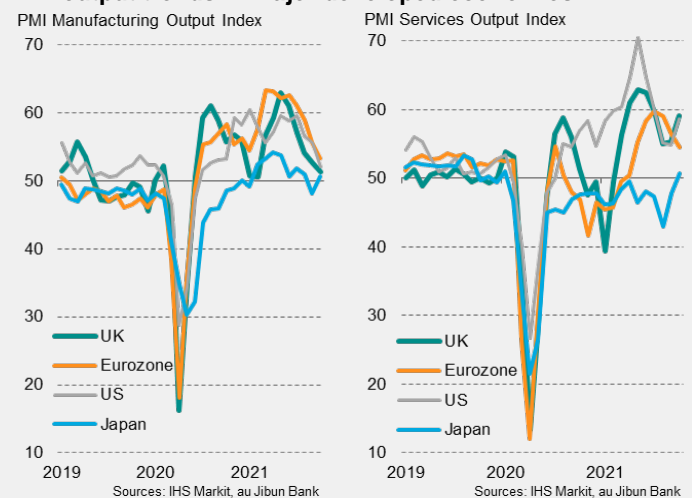
Email [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com) to join our distribution list.

### What to watch in November's flash PMIs

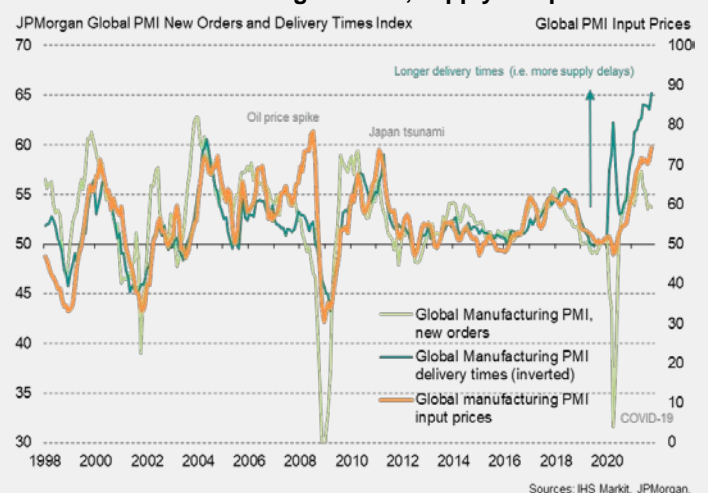
Two key themes will be watched closely in the upcoming flash PMIs. First will be the extent to which service sector activity is holding up in the face of worrying COVID-19 trends in economies such as the Eurozone and UK, and whether October's strengthening growth momentum can be sustained in economies with low or falling cases such as the US, Japan and Australia.

However, COVID cases are of course only one of the factors determining growth at present, with supply shortages having hamstrung manufacturing growth in recent months and inflation now dampening demand. Hence, the second major theme to watch will be the extent to which manufacturers continue to report supply delays, which hit an all-time high globally in October resulting in the largest rise in materials prices for 13 years.

### PMI output trends in major developed economies



### Global PMI manufacturing demand, supply and price indices



## Key diary events

### Monday 22 Nov

Taiwan Jobless Rate (Oct)  
 Taiwan Export Orders (Oct)  
 United Kingdom CBI Trends (Nov)  
 United States Existing Home Sales (Oct)  
 Eurozone Consumer Confidence (Nov, flash)

### Tuesday 23 Nov

*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 Data (Oct)  
 Singapore Consumer Price Index (Oct)  
 Taiwan Industrial Output (Oct)

### Wednesday 24 Nov

Japan au Jibun Bank Flash Manufacturing PMI\*  
 New Zealand Cash Rate (24 Nov)  
 Thailand Manufacturing Production (Oct)  
 Germany Ifo Business Climate (Nov)  
 United States Durable Goods (Oct)  
 United States GDP (Q3, 2<sup>nd</sup> estimate)  
 United States Initial Jobless Claims  
 United States Personal Income and Consumption (Oct)  
 United States Core PCE Price Index (Oct)  
 United States UoM Sentiment (Nov, final)  
 United States New Home Sales (Oct)  
 United States Fed FOMC Meeting Minutes (Nov)

### Thursday 25 Nov

*US Market Holiday*  
 New Zealand Trade Balance (Oct)  
 Singapore GDP (Q3, final)  
 Australia Capital Expenditure (Q3)  
 South Korea Bank of Korea Base Rate (Nov)  
 Germany GDP Detailed (Q3)  
 Germany GfK Consumer Sentiment (Dec)

### Friday 26 Nov

*US Market Holiday (Partial)*  
 Australia Retail Sales (Oct)  
 Singapore Manufacturing Output (Oct)  
 Switzerland GDP (Q3)  
 Taiwan GDP (Q3, revised)

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

## What to watch

### ■ November flash PMIs

Flash November PMIs will be released in the coming week, providing a first look into the economic conditions across the major developed countries in the penultimate month of 2021. The November surveys follow the latest PMI indications of [improving global growth conditions in October amid easing Delta variant disruption](#), though [global consumer price inflation continued to be aggravated by supply constraints](#) and certain economies were hit by rising virus cases. The US notably saw the steepest rise in prices, which precluded the 6.2% surprise for CPI releases by the US Labor Department. With inflation expectations staying elevated, it will be of interest to examine how prices have evolved with the November flash PMIs.

Separately, the eurozone, in particularly Germany, had seen a new bout of COVID-19 infections as daily cases rose to fresh record for the latter. While no new containment measures had been introduced in the likes of Germany at the time of writing, the data will be watched for any early signs of rising cases affecting business activity.

### ■ Fed FOMC minutes, US Q3 GDP (2<sup>nd</sup> estimate)

Meeting minutes from the November Fed FOMC meeting, where tapering of asset purchases was announced, will be released on Wednesday while a slew of US data including the second estimate of Q3 GDP and October core PCE figures will be due.

The last Fed FOMC meeting unfolded largely in line with expectations, with financial markets taking well to the announced taper. That said, uncertainties with regards to inflation and employment goals linger amid calls for further tightening, placing the attention on the Fed's thoughts for the pace and timing of further policy moves.

### ■ Bank of Korea monetary policy meeting

The BoK raised its policy rate (by 0.25% to 0.75%) in August for the first time in three years, initiating a rate hike cycle. Likelihood for another hike in the upcoming November meeting has been hinted at by the governor.

### ■ GDP data from Germany, Singapore and Taiwan

In addition to the revised Q3 GDP from the US, Germany, Singapore and Taiwan will also provide detailed Q3 GDP data. Details on the drivers for expansion will be sought, especially contributions from consumers and investment.

## Special report: Philippines Economic Growth Remains Resilient Despite COVID-19 Wave

Rajiv Biswas | [page 4](#)

## Recent PMI and economic analysis from IHS Markit

Global	<a href="#">Global inflation set to lift higher according to PMI surveys: five key charts</a>	8-Nov	Chris Williamson	
	<a href="#">Global economic growth lifts higher as Delta variant disruption eases</a>	5-Nov	Chris Williamson	
	<a href="#">Global manufacturing growth slows and sentiment darkens amid record supply delays, unprecedented price hikes and stalling trade</a>	2-Nov	Chris Williamson	
	<a href="#">Estimating short-term FX equilibria using PMIs: EUR/USD case study</a>	19-Oct	Joseph Hayes	
	<a href="#">PMI™ as a tool for equity portfolio adjustment</a>	18-Oct	Paul Smith, Ph.D.	
	<a href="#">Economic growth stalls in Sub-Saharan Africa amid renewed lockdowns and supply chain disruption</a>	12-Oct	David Owen	
	<a href="#">Monthly PMI Bulletin: October 2021</a>	8-Oct	Chris Williamson	
	<a href="#">Global auto makers suffer record underperformance amid supply chain delays</a>	7-Oct	Chris Williamson	
	US	<a href="#">US equity investor sentiment surges higher as earnings outlook brightens</a>	9-Nov	Chris Williamson
		<a href="#">US equity investor sentiment lifts from lows in October but caution persists amid concerns over policy and politics</a>	12-Oct	Chris Williamson
Europe	<a href="#">UK firms plan marked increase in employment, but only a third of businesses report confidence about hiring skilled staff</a>	16-Nov	David Owen	
	<a href="#">UK business confidence drops to 12-month low in October amid unprecedented inflation expectations, Accenture/IHS Markit UK Business Outlook finds</a>	15-Nov	David Owen	
	<a href="#">Eurozone bucks trend of higher flash PMIs, but record price rises are universal</a>	25-Oct	Chris Williamson	
	<a href="#">Eurozone flash PMI sees shortages and COVID-19 push growth to six-month low, and inflationary pressures to two-decade high</a>	22-Oct	Chris Williamson	
	<a href="#">UK flash manufacturing PMI masks deteriorating production trend</a>	22-Oct	Chris Williamson	
	<a href="#">UK Flash PMI signals economy lifted by service sector, but manufacturing falters and prices rise at record rate</a>	22-Oct	Chris Williamson	
	<a href="#">Semiconductor shortages continue to bite as European automotive production contracts at substantial pace</a>	13-Oct	Sian Jones	
	APAC	<a href="#">Vietnam economy rebounds after third quarter GDP contraction</a>	12-Nov	Rajiv Biswas
<a href="#">ASEAN manufacturing rebounds in October, RCEP ratification boosts longer-term economic outlook</a>		4-Nov	Rajiv Biswas	
<a href="#">Australia economy sees first expansion in four months, but higher demand drives up prices</a>		22-Oct	Jingyi Pan	
Commodities	<a href="#">Three key economic takeaways from September's Asia Sector PMI</a>	8-Oct	Jingyi Pan	
	<a href="#">Weekly Pricing Pulse: Commodity prices in free fall</a>	10-Nov	Michael Dall	

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# Special Focus

## Philippines Economic Growth Remains Resilient Despite COVID-19 Wave

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*Despite the escalating COVID-19 waves that have swept across Southeast Asia since June 2021, the Philippines economy has remained resilient. Third quarter GDP growth was up 7.1% year-on-year (y/y), exceeding financial markets' expectations.*

*With the COVID-19 wave having eased significantly during October and the first half of November, strict pandemic control measures imposed in Metro Manila and other surrounding areas have been eased, supporting a rebound in economic activity during the fourth quarter of 2021.*

### Escalating New COVID-19 Cases Dampens Recovery

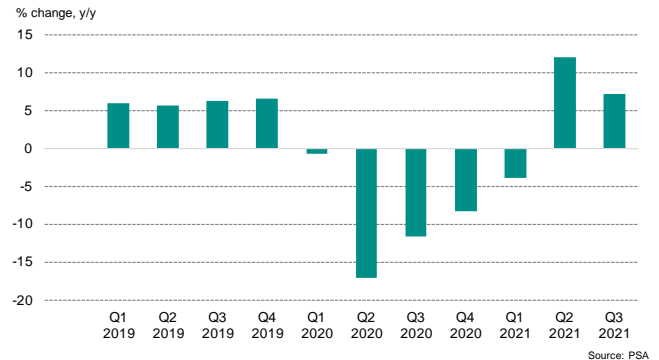
In the third quarter of 2021, the Philippines economy grew at a pace of 7.1% y/y, following growth of 12.0% y/y in the second quarter. The Philippines economy had previously five consecutive quarters of contraction from the first quarter of 2020 until the first quarter of 2021.

In the 2020 calendar year the Philippines economy had contracted by 9.4% y/y due to the severe economic impact of the COVID-19 pandemic and related lockdowns as well as border closures. 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%.

Following the return to positive GDP growth in the second quarter of 2021, the GDP outturn for the third quarter was above financial markets expectations.

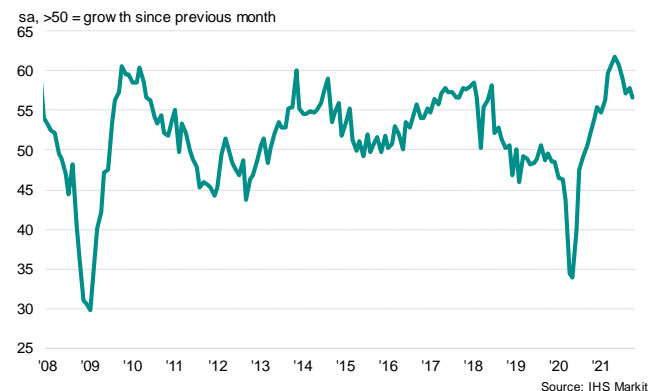
Private consumption was a key driver for growth in the third quarter of 2021, with household final consumption expenditure rising by 7.1% y/y, while government final consumption expenditure rose by 13.6% y/y.

### Philippines GDP Growth, 2019-2021



In September 2021, merchandise exports rose by 6.3% y/y. Exports of electronic products continued to be the country's top merchandise export in September 2021 accounting for export earnings of USD 3.8 billion and accounting for 57 percent of total exports. The global upturn in electronics demand has helped to boost the Philippines electronics sector in 2021, with the IHS Markit Global Electronics New Orders Index continuing to signal strongly expansionary new orders pipelines.

### IHS Markit Global Electronics PMI New Orders Index



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 current account surplus is expected in 2021, albeit narrowing as growth recovery triggers higher domestic demand and rising imports. In September 2021, the Philippines central bank, Bangko Sentral ng Pilipinas (BSP), revised its current account surplus projection for 2021 to USD 3.5 billion, or 0.9% of GDP.

An important stabilizing factor for the Philippines economy has been overseas worker remittances by Filipinos working abroad, which remained quite stable

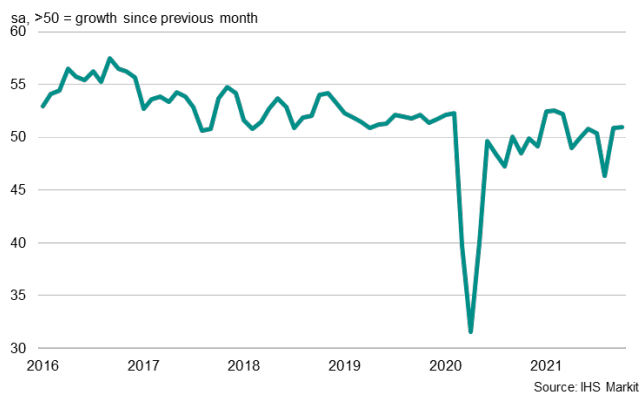


during 2020, down only 0.8% y/y, and equivalent to around 10% of GDP. However, an estimated 600,000 Filipino workers were repatriated in the 12 months since May 2020 as a result of job losses in their host countries, raising concerns about the impact on remittance flows during 2021. Remittances sent home by workers are an important factor supporting domestic consumer spending in the Philippines. However, an estimated 600,000 Filipino workers were repatriated in the 12 months since May 2020 as a result of job losses in their host countries. In the first nine months of 2021, remittance flows rose by 5.7% 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. Despite the escalating COVID-19 wave, manufacturing output rose by 6.3% y/y in the third quarter of 2021, while construction rebounded with a 16.8% y/y increase.

The IHS Markit Philippines Manufacturing PMI rose marginally, from 50.9 in September, to 51.0 in October, remaining above the 50.0 no-change threshold that separates expansion from contraction. Although only marginal, the latest reading was the strongest since March, and above the average for 2021 so far.

### Philippines Manufacturing PMI



According to the October PMI survey, goods producers continued to register a substantial deterioration in vendor performance. Raw material shortages and poor transportation conditions reportedly led to extensive delays. Lead times have now lengthened in each month since August 2019, with the latest deterioration among the sharpest in the PMI survey series.

Input prices soared once again during October. Firms surveyed indicated that higher input costs were

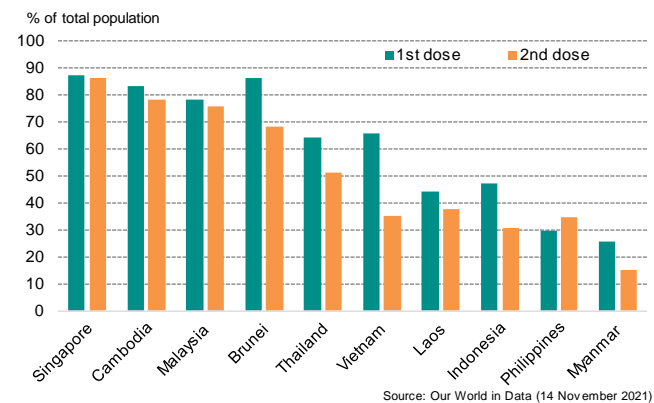
frequently linked to material shortages, especially for metals, packaging materials and oil. There were also reports of rising transportation and energy costs, as world energy prices rose sharply. The rate of cost inflation was the joint-steepest since March 2018.

### 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.

Overall, the Philippines government has negotiated with seven global COVID-19 vaccine makers to secure sufficient supplies. By mid-November 2021, an estimated 117 million doses had arrived in the Philippines, some acquired through government contracts and some by donations by foreign governments. Out of this total, 50.5 million doses are from Sinovac, 32.1 million doses are from Pfizer, 16.1 million doses are from AstraZeneca and 10 million doses are from Moderna.

### ASEAN: COVID Vaccination Rates



The Philippines government had planned to vaccinate 70 million persons by end-2021, with a total of 70 million doses having been administered by mid-November 2021. An estimated 30% of the total population had received first dose vaccinations by end-October 2021, with 25% 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 has therefore been 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 2022

Despite the recent COVID-19 Delta wave, the Philippines economy has shown considerable resilience during Q3 2021. Consequently, GDP growth for calendar 2021 is estimated at 5.0% y/y, albeit nominal GDP is not forecast to return to the pre-pandemic level until 2022.

Vaccine rollout in the Philippines has also been constrained by lack of sufficient supplies of imported vaccines. With a relatively low level of the total population having been vaccinated, the economic recovery also remains vulnerable to renewed outbreaks of COVID-19.

The outlook for 2022 is positive, with the October IHS Markit Philippines Manufacturing PMI survey having indicated that business confidence amongst Philippines manufacturing firms improved to a three-month high at the start of the fourth quarter. Optimism was underpinned by hopes of greater international and domestic demand in the year ahead. In 2022, the pandemic is expected to be gradually constrained by widening vaccine rollout in the Philippines, resulting in more normal economic conditions.

If this allows a gradual and sustained reopening of domestic and international tourism travel, this will provide an important boost to the economy. Prior to the pandemic, in 2019, gross direct tourism value added as a share of GDP was estimated at 12.7% of GDP, including both international and domestic tourism spending. International tourism spending was estimated at Peso 549 billion, while domestic tourism spending was estimated at Peso 3.1 trillion. Due to the importance of domestic tourism in the overall contribution of tourism to GDP, the recovery of domestic tourism could be a significant growth driver in 2022.

Stronger GDP growth of around 7.1% y/y is expected in 2022, helped by strengthening private consumption spending, an upturn in government infrastructure spending and improving remittance inflows.

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