

Week Ahead Economic Preview

Worldwide PMIs, US jobs report to usher in the new year

The **final week of 2021** is upon us with the holiday-shortened week seeing a **light economic data calendar** before 2022 kickstarts with a barrage of releases. **Worldwide PMIs for December** will be due as we return from the new year holidays while **US updates employment figures**. From the central banks, we have the **first RBA meeting of 2022** and **Fed FOMC minutes** from their December meeting.

The countdown to Christmas had so far been marred by persistent COVID-19 Omicron variant concerns, though a study of South African data suggesting that the Omicron outbreak has caused less severe disease offered some reprieve for markets midweek. That said, one is always cautioned from reading too much into year-end markets where thinned volumes may well put prices at risk of greater volatility. As far as economic data have shown this week, US consumer confidence continued to trend positively, in line with IHS Markit Flash US Composite PMI findings. Going into the new year, we will continue to track whether this optimism translates to further growth ahead.

Meanwhile lingering COVID-19 disruptions continue to affect different parts of the world, sustaining its potential to drive regional divergences. [The UK notably saw the Omicron variant affecting service sector output](#) and cases remain well on the rise. This is amid nascent signs of [easing supply constraints in December](#). More details will come with the worldwide PMIs due at the start of 2022. With that, we send all our readers our very best wishes for the holiday season and for 2022!

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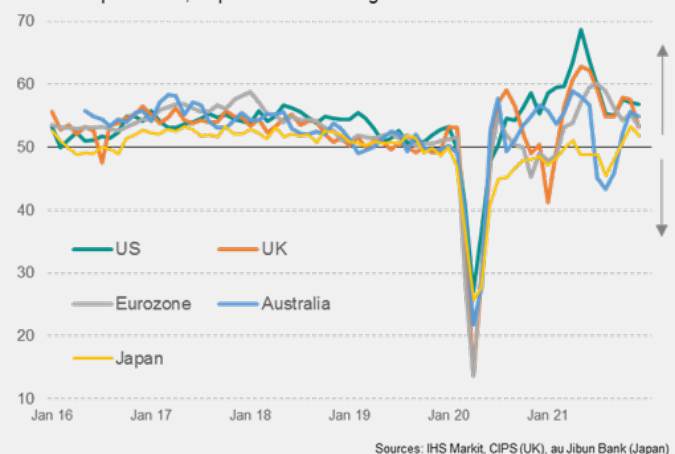
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December manufacturing and services PMI

Worldwide manufacturing and services PMIs will be released at the start of 2022, ushering the new year with detailed updates on economic conditions in December. This follows the heightening of concerns over the COVID-19 Omicron variant, which alongside a renewal of case growth in Western economies into the closing months of 2021 had led to December flash PMIs to indicate a slowing of growth momentum across some of the largest developed economies around the world. The added week of data compilation for the final PMI data is expected to provide a better picture of output growth in December.

Flash PMI output growth

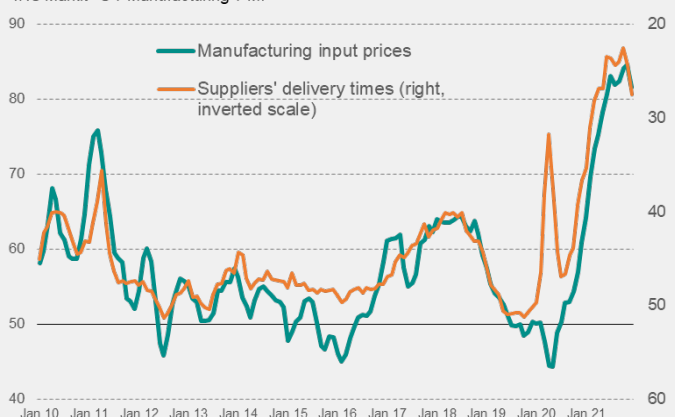
Flash Composite PMI, output of manufacturing & services



Separately, the one piece of good news coming out of the flash PMI surveys may be the easing of supply constraints across G4 economies. How widespread this may be, including for APAC economies that have recently recovered from the Delta wave will be in focus with the worldwide December PMI releases.

G4 manufacturing supplier delays and input prices

IHS Markit 'G4' Manufacturing PMI



Key diary events

Monday 27 Dec

UK, Canada, Australia, New Zealand, Hong Kong Market Holiday

Japan BoJ Summary of Opinions (Dec)
 Japan Retail Sales (Nov)
 China (Mainland) Industrial Profit (Nov)
 India Current Account (Q3)
 Norway Retail Sales (Nov)

Tuesday 28 Dec

UK, Canada, Australia, New Zealand Market Holiday

Japan Jobs-to-Applicants Ratio (Nov)
 Japan Unemployment Rate (Nov)
 Japan Industrial Output (Nov, prelim)
 Malaysia Trade (Nov)
 Hong Kong Trade (Nov)
 Hong Kong Retail Sales (Nov)

Wednesday 29 Dec

Thailand Manufacturing Production (Nov)
 Eurozone M3 Growth (Nov)
 United States Pending Sales Change (Nov)

Thursday 30 Dec

South Korea Industrial Output (Nov)
 South Korea Retail Sales (Nov)
 United Kingdom Nationwide House Price (Dec)
 Thailand Current Account (Nov)
 Switzerland KOF Indicator (Dec)
 United States Initial Jobless Claims
 United States Chicago PMI (Dec)

Friday 31 Dec

US, Japan, Germany, South Korea, Indonesia, Switzerland, Norway, Thailand, Taiwan Market Holiday
UK, Australia, Singapore, Philippines, New Zealand Market Holiday (Partial)
 Australia Private Sector Credit (Nov)
 Australia Housing Credit (Nov)
 China (Mainland) NBS Manufacturing PMI (Dec)
 China (Mainland) NBS Non-Manufacturing PMI (Dec)
 Switzerland Official Reserves Assets (Nov)

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

Special reports:

[Asia-Pacific Economic Outlook in 2022](#)

[Rajiv Biswas | page 4](#)

Monday 3 Jan

UK, Germany, China, Japan, Canada, Australia, Thailand, New Zealand Market Holiday

Worldwide Manufacturing PMIs, incl. global PMI* (3-4 Jan)
 Philippines CPI (Dec)
 Indonesia Inflation (Dec)
 United States ISM Manufacturing PMI (Dec)

Tuesday 4 Jan

South Korea CPI (Dec)
 Australia RBA Cash Rate (Jan)
 Germany Retail Sales (Nov)
 Switzerland CPI (Dec)
 Germany Unemployment Change (Dec)
 United Kingdom BOE Consumer Credit, Mortgage Lending and Approvals (Nov)
 Canada Producer Prices (Nov)
 United States JOLTS Job Openings (Nov)

Wednesday 5 Jan

Worldwide Services & Composite PMI, incl. Japan, Brazil, Eurozone, India* (5-6 Jan)
 Thailand CPI (Dec)
 United States ADP National Employment (Dec)
 United States ISM Non-Manufacturing PMI (Dec)
 US Fed FOMC Meeting Minutes (Dec)

Thursday 6 Jan

Germany Industrial Orders (Nov)
 Taiwan CPI (Dec)
 United Kingdom Reserve Assets Total (Dec)
 Eurozone Producer Prices (Nov)
 Germany HICP (Dec, prelim)
 United States International Trade (Nov)
 United States Initial Jobless Claims
 Canada Trade Balance (Nov)
 United States Factory Orders (Nov)

Friday 7 Jan

Japan All Household Spending (Nov)
 China (Mainland) Trade (Dec)
 Germany Industrial Output and Trade (Nov)
 United Kingdom Halifax House Prices* (Dec)
 Taiwan Trade Balance (Dec)
 United Kingdom Markit/CIPS Construction PMI* (Dec)
 Eurozone HICP Flash (Dec, flash)
 Eurozone Retail Sales (Nov)
 Eurozone Business Climate (Dec)
 Eurozone Consumer Confidence (Dec, final)
 United States Non-Farm Payrolls, Unemployment Rate, Average Earnings (Dec)

Recent PMI and economic analysis from IHS Markit

Global	IHS Markit flash PMIs signal slowing economic growth momentum in December, supply constraints broadly ease Global economic conditions turn unfavourable for emerging markets A Tale of Two Currencies: Turkish lira and Zambian kwacha Brazil in recession, outlook clouded by interest rate hikes and mounting inflationary pressures	16-Dec Jingyi Pan 14-Dec Joseph Hayes 13-Dec Andrew Harker 9-Dec Pollyanna De Lima
US	US consumer goods producers report highest capacity constraints	7-Dec Jingyi Pan
Europe	UK Flash PMI signals economic slowdown as Omicron hits service sector, inflation peak in sight as price pressures cool Eurozone growth at nine-month low in December as fourth COVID-19 wave hits, price pressures and supply constraints ease	16-Dec Chris Williamson 16-Dec Chris Williamson
Commodities	Weekly Pricing Pulse: Commodities rally after another energy price hike	22-Dec Michael Dall

IHS Markit Economics & Country Risk highlights

Supply Chain Crisis: What's Ahead for 2022 [On-Demand]



The Great Supply Chain Disruption will continue into 2022, with the potential for new, unexpected shortages that will hit companies and add to inflation. In the spring of 2021, IHS Markit went into the face of conventional wisdom and warned that the disruptions would get worse. Now, drawing on IHS Markit's proprietary knowledge and databases, our experts will lay out the challenges in 2022 for shipping and transportation, manufacturing, autos, computer chips, energy, agribusiness, metals, input costs, labor availability, geopolitics, ESG, and economic impacts - and how they all interact.

[Click here to watch this webinar now](#)

Top-10 Economic Predictions for 2022: Multiple Transitions

The global economy made the transition from recovery to expansion in 2021 amid ongoing turbulence from the COVID-19 pandemic. An uneven economic expansion generated supply/demand imbalances, leading to major supply chain disruptions and rising inflation. In 2022, businesses will navigate multiple transitions in the global economy. For other IHS Markit Connect content, one can contact CustomerCare@ihsmarkit.com.

[Click here to read our strategic report](#)



A staff member talks to people waiting to be tested at a COVID-19 testing station during the first day of a national lockdown on 18 August 2021 in Wellington, New Zealand.
Hogan Hipkins/Getty Images

Get Your Money's Worth: Using PMI Data to Assess Currency Valuation



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Special Focus

Asia-Pacific Economic Outlook in 2022

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The Asia-Pacific (APAC) region showed a strong economic rebound in 2021, with real GDP growth estimated at 6.0%. This followed economic contraction of 1.0% in 2020, the first decline in APAC regional GDP recorded for over three decades. However, the path of economic recovery in 2021 was very uneven, with new COVID-19 Delta waves hitting many APAC nations, including India, Japan and ASEAN.

The base case outlook for 2022 is for continued economic recovery, with the Asia-Pacific region forecast to grow at a pace of 4.9%. However new variants of COVID-19 pose a key downside risk to the global and APAC economic outlook for 2022, particularly with the rapid spread of the highly transmissible Omicron variant.

Economic outlook for 2022

The global economic outlook for 2022 is for world real GDP growth to moderate to a pace of 4.3%, following a 5.6% rebound in 2021. Multiple transitions will impact the global economy in 2022. The COVID-19 health crisis is expected to move from pandemic to endemic, helped by rising global vaccination rates.

Continued economic expansion in key global markets, notably the US and EU, will continue to support growth in APAC exports in 2022. However, the pace of export growth is expected to moderate, compared with the very rapid APAC export rebound recorded in 2021.

In the US, real GDP growth is forecast to ease to 4.3% in 2022. This follows an estimated economic rebound of 5.7% in 2021, after the severe recession in 2020. The moderation in growth momentum in 2022 is expected to reflect the waning effects of the past pandemic-related stimulus measures, withdrawal of monetary accommodation and ebbing of pent-up consumer demand.

In Western Europe, economic growth in the Eurozone is forecast to moderate from an estimated pace of 5.2% in

2021 to 3.7% growth in 2022. Consumer price inflation rates across Western Europe continued to soar in November, with energy effects again to the fore. Surging European natural gas prices in the fourth quarter of 2021 have added to concerns about near-term inflation pressures due to sharply higher prices for power markets in Western Europe. The new Nord Stream 2 gas pipeline from Russia to Germany is still awaiting regulatory approval in Germany, adding to the near-term pressures for natural gas prices.

In 2022, there is also expected to be a global transition from pandemic-driven fiscal stimulus to a period of greater fiscal restraint aimed at stabilizing or reducing government debt burdens. At a global level, the public-sector deficit is projected to shrink by about USD2 trillion, to just under USD4 trillion in 2022. As a share of GDP, it is reduced from about 6% in 2021 to 4% in 2022.

High inflation, continued economic expansion and further progress in controlling COVID-19 impacts will encourage central banks to move toward tighter monetary policies in 2022. The Federal Reserve decided at its December Federal Open Market Committee (FOMC) meeting to complete its tapering of asset purchases by March 2022. The projections of Federal Reserve Board members and Federal Reserve Bank Presidents made in December signal three Fed rate hikes in 2022. Persistent pressures are expected on wages and prices as US labor markets continue to tighten, limiting the decline in inflation. The Bank of England also hiked its policy rate in December 2021, responding to rising UK CPI inflation, which hit a ten-year high of 5.1% year-on-year (y/y) in November. In the APAC region, the Bank of Korea hiked policy rates twice in 2021, in response to rising inflation and concerns about the frothy real estate market.

Despite the continued expansion in global growth forecast for 2022, new variants of COVID-19 pose a key downside risk to the economic outlook for 2022. Notably the rapid transmission of the Omicron variant is impacting on a growing number of nations worldwide. Meanwhile the world economy also faces a number of key geopolitical risks in 2022, notably escalating cross-strait military tensions as well as the military confrontation between Russia and Ukraine.

China

China's economic growth rate is expected to moderate from 8.1% in 2021 to 5.5% in 2022. Economic growth momentum has already moderated in the second half of 2021, with industrial production growth slowing to 3.9% y/y and retail sales growth weakening to 3.9% y/y in

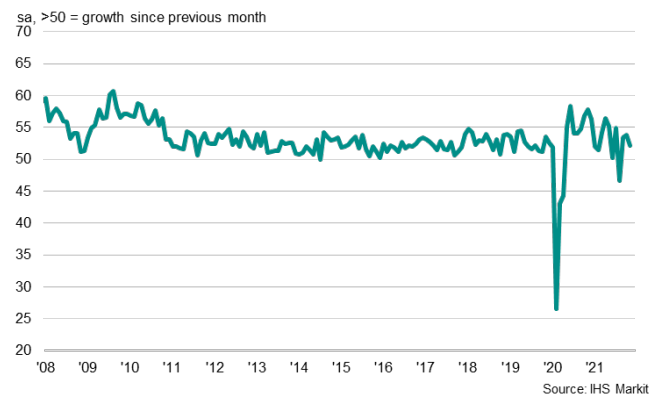
November 2021. An important factor contributing to the easing in GDP growth momentum has been the weakening in the real estate sector. In the first eleven months of 2021, new starts for residential buildings measured by floorspace contracted by 8.4% y/y, while floorspace of new starts for office buildings was down 19.3% y/y, according to official data from China's National Bureau of Statistics. Infrastructure investment spending on tertiary industry slowed to 3% y/y in the same period, while investment in power, heat, gas and water production and supply industry increased by 0.2% y/y.

Despite the financial difficulties of some highly leveraged real estate developers such as Evergrande, the government is expected to be able to prevent a housing market crash by fine-tuning its real estate market policies to stabilize housing demand. The Chinese property developers' liquidity crunch is unlikely to trigger a financial crisis, due to China's domestically oriented financial intermediation, capital controls and state command of the banking sector. Nevertheless, the economy is expected to grow somewhat below its pre-pandemic 6.0% potential growth rate, owing to the government's firm stance on its zero-COVID policy and continuation of the property sector deleveraging drive.

Retail sales growth momentum has moderated during the second half of 2021, as tighter restrictions were imposed in some regions due to local COVID-19 outbreaks, which impacted on consumer spending. Any further significant outbreaks could further dampen consumer spending. In December 2021, the eastern coastal province Zhejiang reported an outbreak of COVID-19 cases, impacting on the cities of Shaoxing, Ningbo and Hangzhou. A few linked cases were also reported in other provinces. A lockdown was also implemented in Xi'an, the capital city of Shaanxi Province with a population of 13 million residents on 23rd December. The implementation of strict pandemic control policies was triggered to help contain the outbreaks. The new Omicron variant has become a downside risk to the growth outlook for 2022, as any significant spikes in COVID-19 cases could result in tighter pandemic restrictions in some provinces that could hit consumer spending.

The headline seasonally adjusted Caixin General Services Business Activity Index for China fell from 53.8 in October to 52.1 in November. The moderation in the rate of expansion reflected the recent increase in virus cases, which had weighed on performance and impacted sales. Firms indicated that measures to curb the spread of COVID-19 had dampened new order inflows.

China General Services Business Activity Index

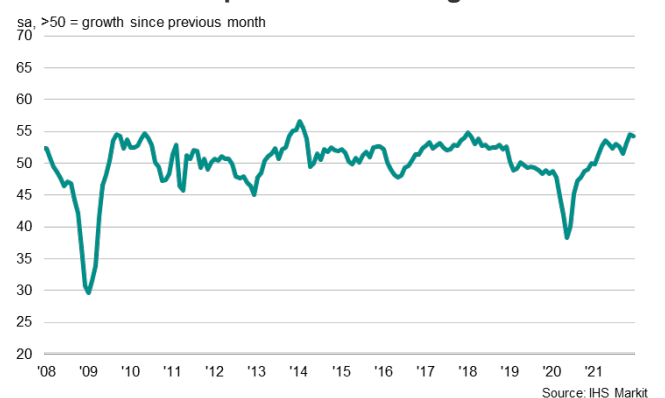


Japan

Japan was hit by a severe COVID-19 wave during the third quarter of 2021, which resulted in third quarter GDP growth contracting by 0.9% quarter-on-quarter. However latest au Jibun Bank Purchasing Manager Index survey results for the fourth quarter of 2021 have shown a strong rebound in economic activity, as COVID-19 daily cases declined dramatically and the State of Emergency was lifted.

The rapid rollout of COVID-19 vaccinations during the second half of 2021 is expected to have improved the resilience of the Japanese population to severe health implications from new COVID-19 waves. This should support the sustained recovery of private consumption spending, driving improved domestic demand and boosting the GDP growth outlook for 2022. Consequently, GDP growth is expected to strengthen to 3.6% in 2022, compared with 1.9% in 2021.

au Jibun Bank Japan Manufacturing PMI



Leading indicators reflect the rebound in Japanese economic activity. The headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index (PMI) rose from 53.2 in October to 54.5 in November, indicating a further strengthening of manufacturing sector expansion. The Japanese service sector has also rebounded as companies saw activity lift following the

lifting of state of emergency measures. The au Jibun Japan Services Business Activity Index rose sharply from 50.7 in October to 53.0 in November, the quickest for 27 months.

At its December 2021 Monetary Policy meeting the Bank of Japan decided to taper its quantitative easing by completing its additional purchases of commercial paper and corporate bonds at the end of March 2022 as scheduled. From April 2022 onward, it will purchase about the same amount of commercial paper and corporate bonds as prior to the COVID-19 pandemic.

India

Following a severe COVID-19 wave that hit India in the second quarter of 2021, the number of reported daily new cases has fallen to very low levels during the fourth quarter of 2021. Indian GDP data for the July to September quarter of 2021 showed real growth of 8.4% y/y, as the economy rebounded from the impact of the pandemic wave. For the full fiscal year 2021-22, India's real GDP growth rate is forecast to be 8.2%, after the severe GDP contraction of 7.5% y/y in the 2020-21 fiscal year. The Indian economy is forecast to continue to grow strongly in the 2022-23 fiscal year, at a pace of 6.7% y/y.

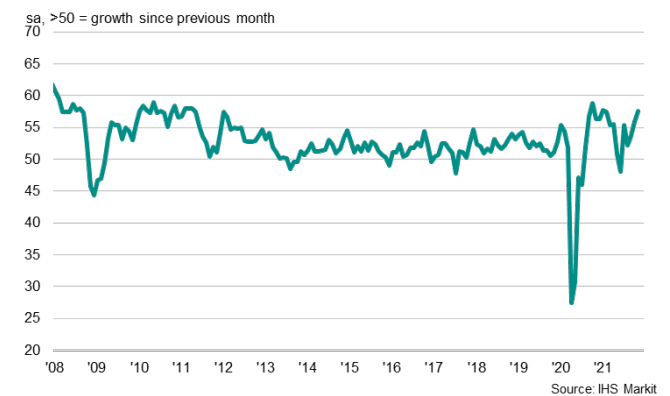
However, with a population of 1.4 billion, the logistics of vaccine rollout has been a complex process. An estimated 60% of the total population have received first dose vaccinations, with 40% having received their second doses. Consequently, India still remains vulnerable to new COVID-19 waves, due to the high share of the population who are still unvaccinated, posing an important downside risk to the outlook for 2022.

Economic indicators in late 2021 remain very positive, signaling expansionary economic conditions going into early 2022. The seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index signaled the strongest improvement in the health of the sector for ten months, increasing from 55.9 in October to 57.6 in November. Manufacturers stated that strengthening demand and improving market conditions boosted sales in November. Buoyed by the pick-up in demand, companies stepped up production volumes during November. Output rose sharply and at the fastest rate in nine months. Factory orders rose for the fifth successive month at the fastest since February.

However, global supply chain disruptions continue to impact on some sectors of Indian manufacturing. Global semiconductors shortages have continued to disrupt Indian auto production, constraining new auto output

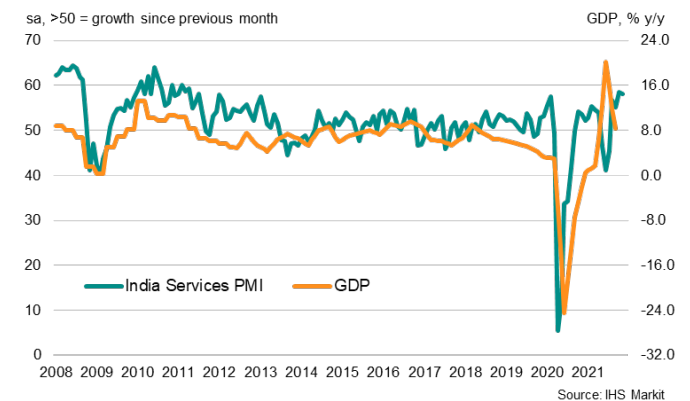
and sales. With India highly reliant on imported chips, the Indian government has just announced a large new incentive package of USD 10 billion to try to encourage the development of chip manufacturing in India. The new incentive scheme will provide 50% financial support for the cost of establishing new semiconductors fabrication and packaging plants as well as display plants in India. Many major international electronics firms have commenced initial discussions about establishing production facilities in India.

India Manufacturing PMI



Service sector PMI data for November indicated that the Indian service sector continued to strengthen, with a substantial upturn in new orders underpinning output growth. Posting 58.1 in November, down only fractionally from 58.4 in October, the seasonally adjusted India Services Business Activity Index pointed to the second-fastest rise in output since July 2011.

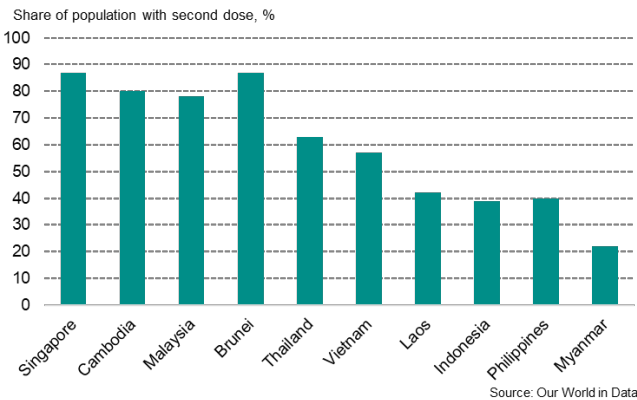
India Services PMI Business Activity and GDP



ASEAN

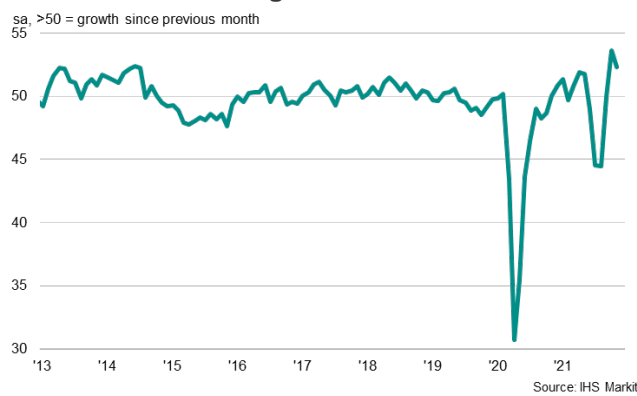
Impressive acceleration in COVID-19 vaccination rollout programs in many ASEAN nations in the second half of 2021 have contributed to significant progress in curbing the severe COVID-19 Delta waves that hit the Southeast Asian region in the third quarter of 2021. This has resulted in an economic rebound in the ASEAN region in the fourth quarter of 2021.

ASEAN COVID-19 vaccination rate

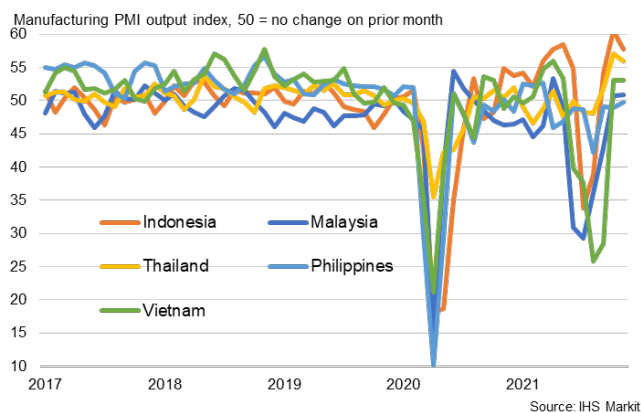


The ASEAN manufacturing sector recorded contractionary conditions for the months of June, July and August, as the Covid Delta waves escalated in many nations. However, as Covid waves have eased in many ASEAN countries, economic activity has rebounded in the fourth quarter of 2021.

ASEAN Manufacturing PMI



Manufacturing PMI Rebounds in Southeast Asian Economies



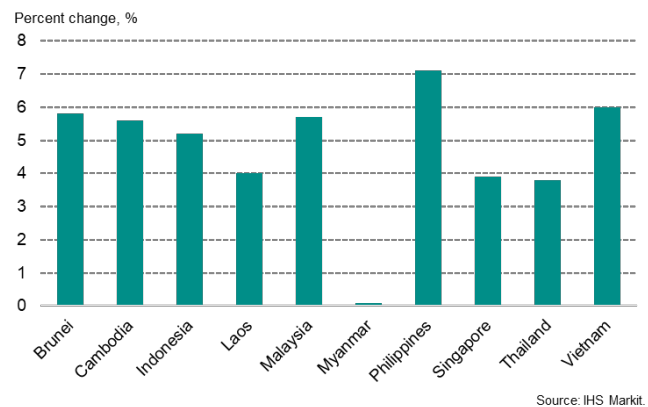
The rebound in industrial production across many ASEAN nations is expected to help ease supply chain disruptions caused by the recent COVID-19 waves in Southeast Asia. Major manufacturing hubs such as Malaysia and Vietnam suffered considerable disruptions to manufacturing output during the third

quarter of 2021, impacting on supply chains in many industries, including auto and electronics manufacturing.

However, even as industrial production rebounds, the process of normalizing production levels and catching up with backlogs of new orders is likely to be gradual. In Malaysia, companies continued to report widespread issues with component shortages, shipping delays and a lack of containers. Vietnamese firms also reported continuing supply chain disruptions, with the sourcing and distribution of products remaining challenging for many firms. Furthermore, many Vietnamese firms were still awaiting the return of migrant workers from other provinces within Vietnam, after they had returned to their hometowns during the latest COVID-19 wave. Consequently, labour shortages were still a significant issue for the manufacturing sector in the fourth quarter of 2021.

In 2022, strong economic expansion is expected in most of the ASEAN nations with the exception of Myanmar. Growth momentum is expected to be supported by strong expansion of domestic demand as the impact of the pandemic is gradually mitigated by high vaccination rates and new medical treatments, notably tablets to treat COVID-19 cases. The gradual reopening of international travel will be particularly important for nations with large tourism sectors, such as Thailand, Philippines, Singapore and Malaysia.

ASEAN GDP growth in 2022



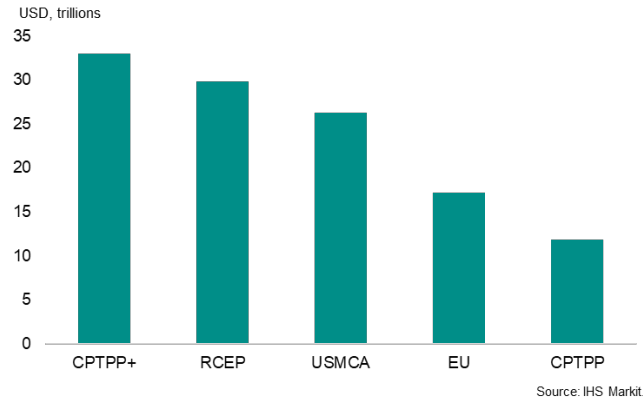
RCEP will boost APAC trade flows

The Regional Comprehensive Economic Partnership (RCEP) is a trade liberalisation initiative among 15 Asia-Pacific economies which together account for around 29% of world GDP. The RCEP members comprise the 10 ASEAN members, plus China, Japan, South Korea, Australia, and New Zealand.

The implementation of RCEP on 1st January 2022 will allow the benefits of the trade agreement to commence for those nations that have already ratified the

agreement. Amongst the ASEAN nations, those that have ratified RCEP to date include Singapore, Thailand, Vietnam, Cambodia, Brunei and Laos. The other RCEP members that have ratified the RCEP agreement are Australia, China, Japan and New Zealand.

Size of regional FTAs by total GDP



RCEP will be the world's biggest free trade agreement (FTA) measured in terms of GDP, larger than the current membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the European Union, the recent US-Mexico-Canada Free Trade Agreement or Mercosur. However, if the UK and China are successful in their applications to join the CPTPP, then the expanded CPTPP would become larger than the RCEP as measured by GDP of the member economies.

APAC economic outlook

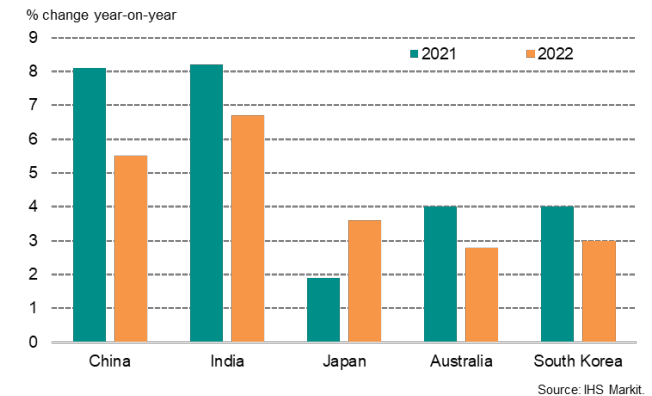
Receding COVID-19 Delta waves and gradual easing of pandemic restrictions has helped to support a gradual recovery in business conditions in many APAC nations during the fourth quarter of 2021.

The central case economic scenario for 2022 continues to be positive, with the world economy gradually emerging from the pandemic. While the APAC region's economic rebound in 2021 has been significantly dampened by new waves of Covid Delta, the outlook is for continued economic expansion in 2022. The high level of second dose vaccinations achieved in the second half of 2021 in many APAC nations should help to improve resilience to further new COVID-19 waves in 2022, particularly as booster shot rollouts are already underway in many APAC nations.

Despite the economic rebound expected in 2022, many APAC 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 for many countries across the APAC region. Moreover, the pandemic has had a significant toll on many businesses, in sectors such as retail, restaurants, tourism and hotels. Consequently, the process of economic recovery across industry sectors is expected to be uneven, reflecting the legacy effects of almost two years of severe economic disruption due to the COVID-19 pandemic.

APAC GDP growth 2021-2022



Over the long-term, despite the protracted negative economic shocks caused by the COVID-19 pandemic, the APAC region is expected to continue to be the fastest growing region of the world economy. Total APAC GDP measured in nominal USD terms is forecast to more than double over the next decade, increasing from USD 30 trillion in 2020 to USD 63 trillion by 2030. Over the next decade, China, India and ASEAN will be the three main growth engines of the APAC region.

Following considerable disruption to Asia-Pacific trade flows during 2018-2021 due to the US-China trade war and the impact of the pandemic, the RCEP and CPTPP mega trade deals will also help to further reduce barriers to regional trade flows within the Asia-Pacific region over the medium to long-term.