

# Week Ahead Economic Preview

## Fed FOMC, BoE, BoJ, BI, CBC meetings, US and China production data

The week ahead will see an abundance of **central bank meetings across the US, UK, Japan, Indonesia and Taiwan**. **Retail sales and industrial production data** will also be due from the US and China. The **UK meanwhile releases employment data** for February while **Japan and the eurozone issue inflation figures**.

Central bankers will be making their moves to tackle inflation in the coming week starting with the US Fed, which is expected to kickstart its rate hike cycle. While a 25-basis point hike had been well-telegraphed, the path forward remains less certain amid Russia's invasion of Ukraine. The latest [IHS Markit Investment Manager Index revealed that US equity investor risk appetite had slumped](#) on the back of geopolitical and macroeconomic concerns, while many retained the view that more tightening than currently signalled may be on the way due to a protracted supply chain crisis. As such, the Fed's projections and stance will be closely studied in the coming week.

Meanwhile the BoE and CBC are expected to join the Fed in lifting policy rates in the coming week. A rate hike in March will mark the third consecutive meeting in which the UK central bank raises rates, a move to tackle inflation with January consumer price inflation now at the highest in 30 years. Taiwan CBC is likewise set to commence hiking of rates but could keep it gradual amid external uncertainties. In all cases, however, policymaker reaction to the Ukraine war remains a key element of uncertainty.

Over in the data docket, the US and China both release retail sales and industrial production data for February. Japan, Canada and final eurozone inflation data will also be closely watched for the pre-Ukraine crisis picture on prices. Eurozone industrial production and UK labour market data are also key diary events.

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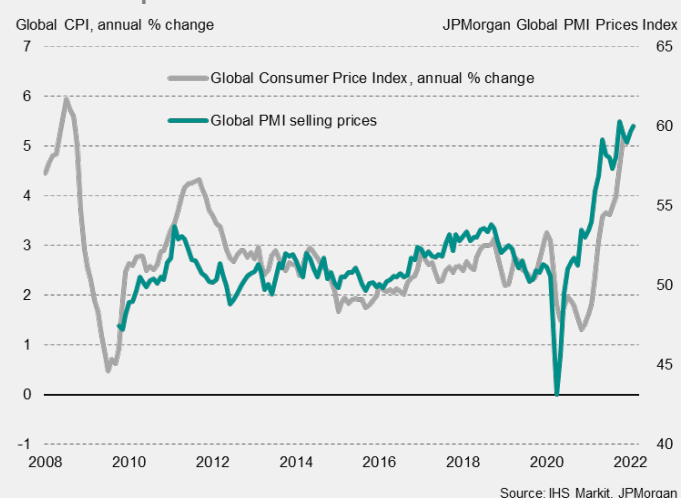
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## Central banks meet amid high uncertainty

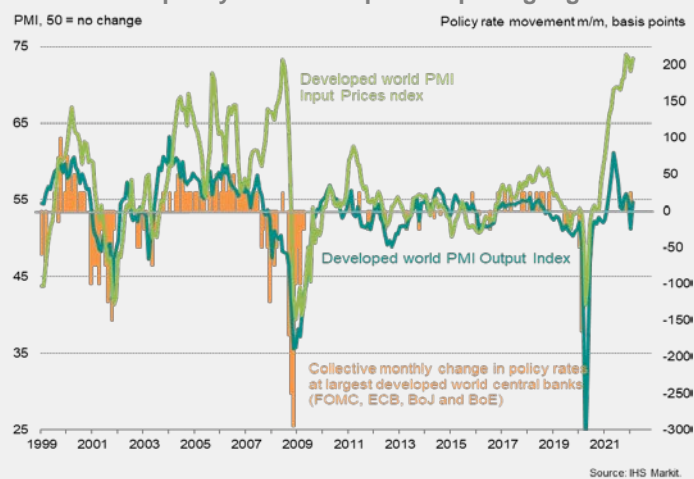
Economic forecasts of growth and inflation have been largely made redundant by the invasion of Ukraine, posing downside risks to growth while adding to inflationary pressures. Growth is invariably being affected by sanctions as well as the likely hit to business confidence from the war.

However, European supply chains are also again being disrupted adding to downside growth risks but also exacerbating inflationary pressures, the latter already hit by soaring energy prices. PMI data showed that, although some supply chain disruptions were starting to ease in February, rising energy and staff costs had pushed prices higher at a rate approaching prior record highs. Envy not, therefore, the central banks that meet in the coming week to determine the correct path for monetary policy in this environment.

### Global PMI prices and inflation



### Central bank policy vs. PMI output and price gauges



## Key diary events

### Monday 14 Mar

India CPI and WPI Inflation (Feb)

### Tuesday 15 Mar

Australia RBA Meeting Minutes (Mar)

South Korea Export Growth Revised (Feb)

Australia Home Price Index (Q4)

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

Indonesia Trade Balance (Feb)

United Kingdom Labour Market Report (Feb)

Germany ZEW Economic Sentiment (Mar)

Eurozone Industrial Production (Jan)

United States PPI Final Demand (Feb)

Canada Manufacturing Sales (Jan)

### Wednesday 16 Mar

New Zealand Current Account (Q4)

Japan Trade Balance (Feb)

United States Retail Sales (Feb)

Canada CPI Inflation (Feb)

Canada Wholesale Trade (Jan)

United States Business Inventories (Jan)

United States NAHB Housing Market Index (Mar)

United States Fed Funds Target Rate (16 Mar)

### Thursday 17 Mar

Japan Machinery Orders (Jan)

Australia Employment and Unemployment Rate (Feb)

Singapore Non-Oil Exports (Feb)

Taiwan Discount Rate (Q1)

Eurozone HICP (Feb, final)

United Kingdom BOE Bank Rate (Mar)

United States Housing Starts (Feb)

United States Initial Jobless Claims

United States Philly Fed Business Index (Mar)

United States Industrial Production (Feb)

United States Capacity Utilization (Feb)

Indonesia 7-Day Reverse Repo (Mar)

### Friday 18 Mar

India Market Holiday

New Zealand GDP Prod Based (Q4)

Japan CPI (Feb)

Japan BOJ Rate Decision (18 Mar)

Malaysia Trade (Feb)

Canada Retail Sales (Jan)

United States Existing Home Sales (Feb)

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

## What to watch

### ■ North America: Fed FOMC meeting, US retail sales, industrial production, Canada inflation data

The US Federal Open Market Committee (FOMC) meeting will be held 15-16 March with the meeting statement, economic projections and Fed chair Powell's presser to follow. The Fed is widely expected to kickstart their rate hike cycle in the March meeting, commencing with a 25 basis points (bps) increase, despite the uncertainties caused by the Ukraine invasion. This had been well communicated by Fed chair Powell in his latest testimony to Congress alongside signals that the FOMC will soon announce plans for shrinking the Fed's balance sheet. The Fed's updated dot plot and views towards the balance sheet will be closely scrutinised by the market for future policy clues.

February US retail sales and industrial production figures will also be due, with growth of both expected to slow month-on-month according to consensus.

### ■ Europe: BoE meeting, UK employment figures, German ZEW survey, eurozone industrial production, final CPI data

The Bank of England convenes for the second time this year and is expected to deliver their third consecutive 25 bps hike. At least one more hike is expected in 2022, likely at the May meeting. The BoE's rate hike cycle has been one aimed at taming above-target inflation with February PMI data backing the impetus, seeing solid output growth and accelerating price inflation.

### ■ Asia-Pacific: BoJ, BI, CBC meetings, China retail sales, industrial output, Japan CPI

APAC central banks across Japan, Indonesia and Taiwan also updates their monetary policy settings in the coming week, with the Taiwan CBC expected to commence hiking rates in the March meeting to reflect the US monetary policy tightening and higher local import costs, though keeping the path of rate increases gradual amid external uncertainties.

China's data barrage will be due Tuesday with industrial output growth set to slow according to consensus, though [stabilisation had earlier been seen for China's manufacturing production in February](#).

## Special reports:

[Global Economic Growth Revived in February as Omicron Wave Faded, but Outlook Darkens Amid Ukraine Invasion](#) Chris Williamson | [page 4](#)

[APAC Electronics Industry Shows Strong Growth Despite Pricing Pressures](#) Rajiv Biswas | [page 7](#)

## Recent PMI and economic analysis from IHS Markit

Global	<a href="#">Global economic growth revived in February as Omicron wave faded, but outlook darkens amid Ukraine invasion</a>	10-Mar	Chris Williamson
	<a href="#">Monthly PMI Bulletin: March 2022</a>	8-Mar	Chris Williamson, Jingyi Pan
APAC	<a href="#">Global manufacturing growth revives from 1½ year low, but supply shortages and inflationary pressures persist</a>	2-Mar	Chris Williamson
	<a href="#">ASEAN manufacturing output stays resilient despite COVID-19 surge, but issues of capacity constraints persist and price gauge hits new high</a>	1-Mar	Jingyi Pan
Commodities	<a href="#">China manufacturing stabilises in February, but employment falls sharply again</a>	1-Mar	Chris Williamson
	<a href="#">Weekly Pricing Pulse: Commodity prices break records as conflict war intensifies</a>	9-Mar	Michael Dall

## IHS Markit Economics & Country Risk highlights

### The global economy disrupted: Higher inflation and slower growth in the 2022 outlook



Two years into the pandemic, COVID-19 continues to take surprising turns, disrupting the global economy through multiple channels—public health, work, education, travel, consumer spending patterns, production of goods and services, and international trade flows.

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### Banking risk monthly outlook: March 2022

Further relaxation of residential mortgage loans to key cities in mainland China, lack of state capital injections into banks to drive privatization efforts in India, macroprudential policy tightening in Emerging Europe owing to residential real estate-related vulnerabilities and more here.

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# Special Focus

## Global Economic Growth Revived in February as Omicron Wave Faded, but Outlook Darkens Amid Ukraine Invasion

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*The pace of global economic growth revived in February having slumped to a one-and-a-half year low in January, bringing encouraging news of a muted impact from the COVID-19 Omicron wave. Although price pressures remained elevated, linked to ongoing supply constraints and rising energy prices, business optimism rose to the highest recorded for a decade as firms looked to better times ahead with the pandemic's disruptions continuing to wane.*

*However, Russia's invasion of Ukraine has since changed the economic landscape, posing downside risks to economic growth – notably in Europe – and driving inflationary pressures higher via higher energy and other commodity prices, whilst also disrupting supply chains.*

### Global PMI and GDP



### Global economy revives from Omicron hit

The global economy expanded for a twentieth straight month in February, according to the JPMorgan Global PMI™ (compiled by IHS Markit, now part of S&P Global), with the rate of expansion accelerating from January's

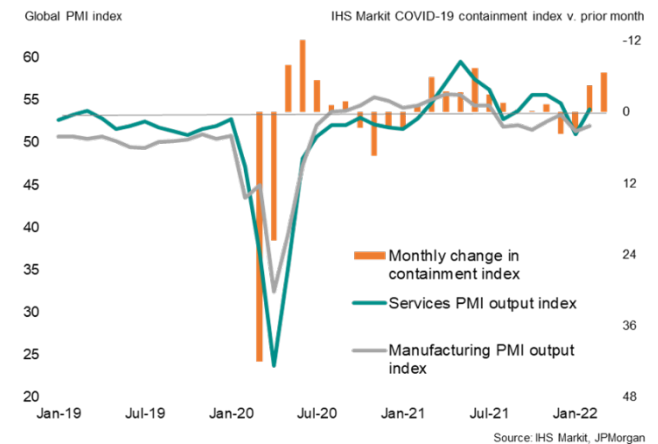
18-month low as the COVID-19 Omicron wave showed signs of easing. The PMI rose from 51.1 to 53.4, a level broadly indicative of global GDP growing at an annualized rate of just over 3% in February after 2% growth was indicated in January.

Global GDP growth in Q1 2022 so far therefore looks slower at 2.6% than the 3.6% expansion signalled in Q2 2021.

### Services lead the rebound

Both manufacturing and services growth improved in February, the latter recording the steeper acceleration and reflecting the loosening of pandemic containment measures globally after two months of tightening.

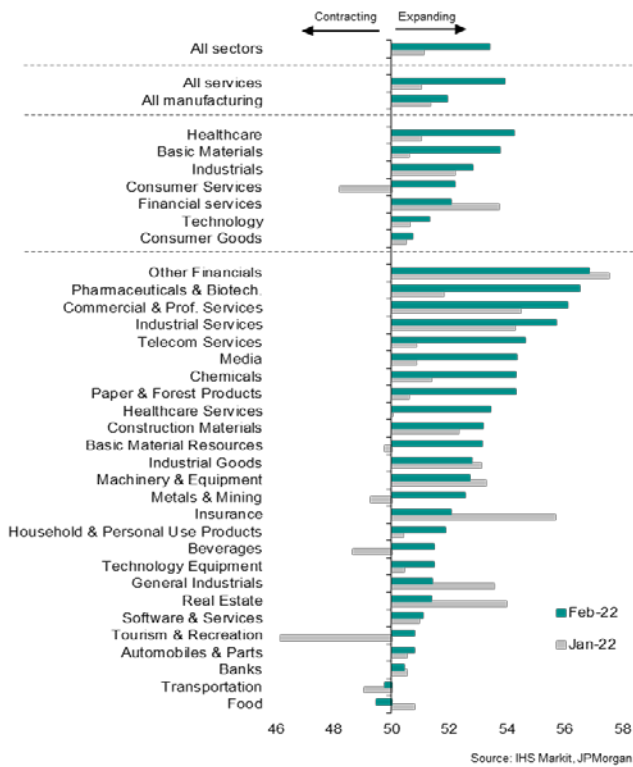
### Global PMI and COVID-19 containment



\* IHS Markit's COVID-19 Containment Index is based on a basket of measures applied by governments to control the spread of the pandemic, such as non-essential business closures, school closures and travel and mobility restrictions linked to social distancing policies. As these measures are tightened, the index rises towards 100 and a relaxation of measures causes the index to fall towards zero.

Service providers in fact largely headed the detailed sector growth rankings in February, led by Other Financials. However, consumer facing service providers such as Tourism & Recreation remained subdued amid the ongoing pandemic, albeit returning to growth after having been hit hard by the Omicron wave in January. Transportation also remained especially subdued, one of only two sectors to report falling output (the other being food production). Ongoing supply chain bottlenecks and labour shortages also continued to limit growth in many manufacturing sectors, notably autos and machinery & equipment.

### Global PMI output rankings



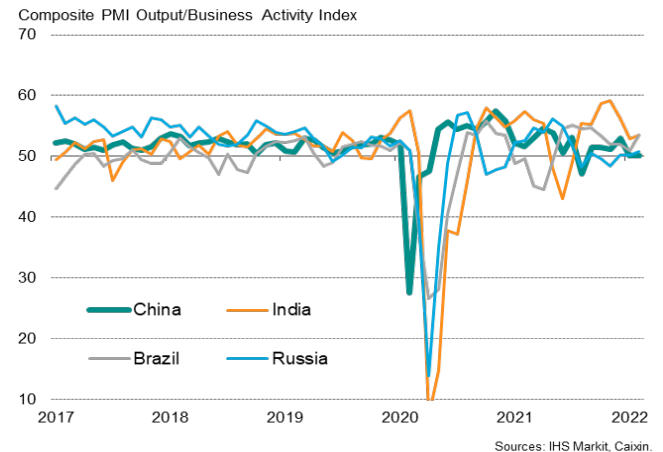
In contrast, Japan’s PMI fell from 49.9 to 45.8 to indicate the steepest decline since last August as containment measures were tightened again.

### Brazil and India lead emerging markets, as China and Russia stall

Looking at the major emerging markets, India and Brazil reported similar rates of expansion with growth accelerating in both cases to result in composite PMI readings of 53.5. However, while India’s expansion was led by stronger manufacturing, helping to offset ongoing modest services growth, the reverse was evident in Brazil, where a fifth monthly decline in manufacturing was offset by resurgent services growth.

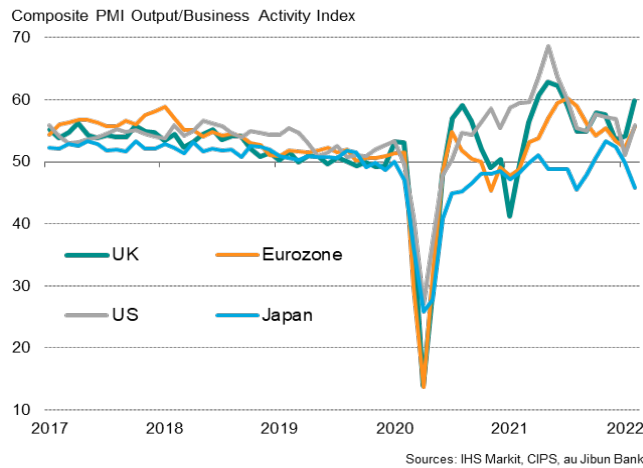
China, pursuing a ‘zero-COVID’ policy, broadly stagnated for a second successive month amid increased health restrictions, its composite PMI holding at 50.1 due to a stagnation of both goods and services output. Russia, its PMI at 50.8, was also more or less stalled, as resurgent service sector growth was offset by a renewed manufacturing decline.

### Output in the largest emerging markets



### Developed world growth rates diverge

#### Output in the largest developed economies



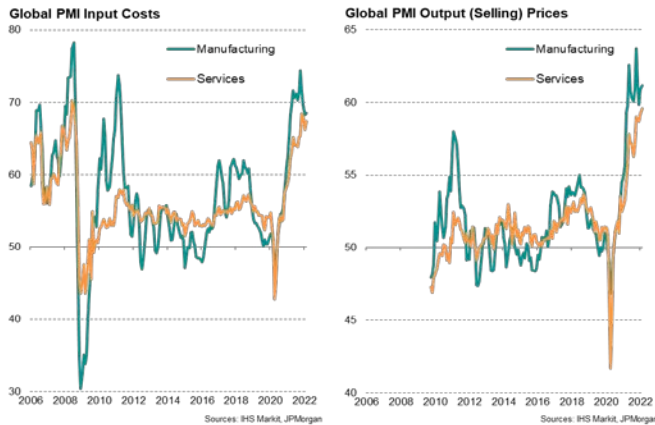
The UK led the major developed economies, with business activity growth surging in February as COVID-19 restrictions were almost entirely withdrawn. Less comprehensive easing of containment measures in the eurozone and US also led to faster growth after Omicron related slowdowns in January. While UK growth hit the highest since last June, with the composite PMI up to 59.9 from 54.2 in January, US growth rebounded to the highest since December – an output index of 55.9 against 51.1 in January – while the eurozone saw the fastest growth since last September, with the PMI recovering from 52.3 in January to 55.5.

### Inflation pressures persist

Supply shortages meanwhile exerted sustained, albeit slightly reduced, upward pressure on raw material input costs. However, combined with upward pressure on wages as firms sought to attract and retain workers and soaring energy bills, the raw material price increases led for a renewed upturn in global factory selling price inflation. Prices for goods leaving the factory gate registered the fourth-largest monthly increase recorded globally since comparable data were available in 2009.

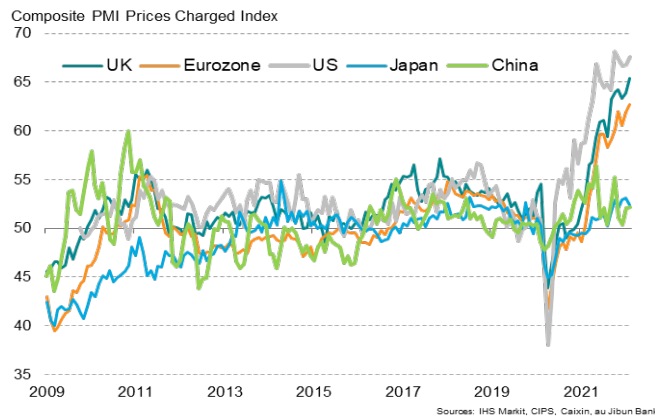
Prices charged for services meanwhile rose at an unprecedented rate in the PMI’s survey history as rising material, energy and staff costs were increasingly passed on to customers.

### Global input costs and selling prices



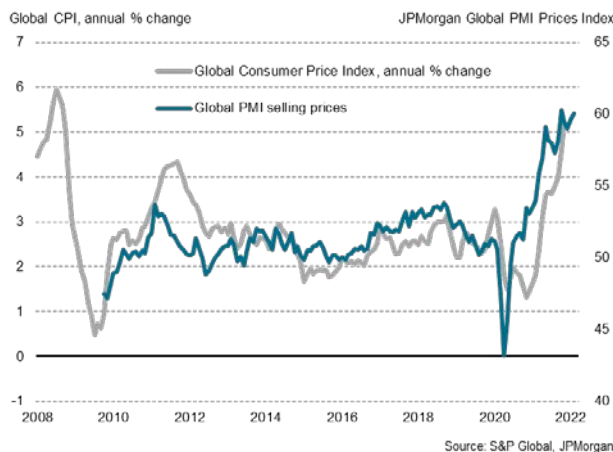
New survey highs were consequently seen for selling price inflation rates in the UK and eurozone, with the US' rate running at the second highest ever recorded.

### PMI prices charged for key economies



In contrast, the PMI selling price inflation rate cooled in Japan, running at only a very modest level by comparison to those seen in the US and Europe, and remained subdued in China, underscoring how supply-constraint-driven inflation remained very much a phenomenon of the western world in February.

### Global PMI selling price index vs. CPI inflation



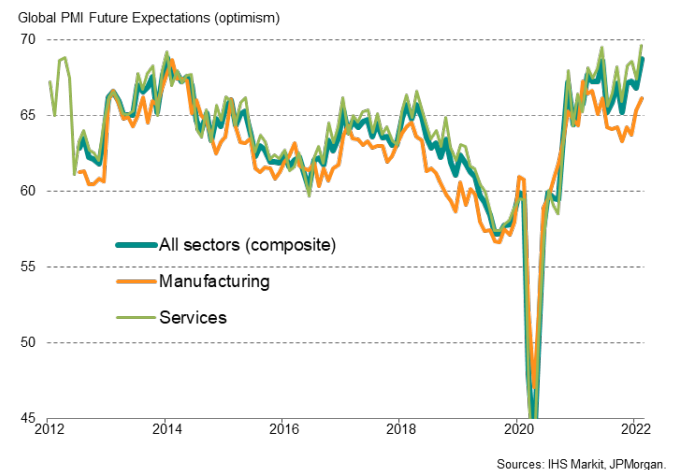
However, measured globally, the overall signal from the PMI was one of consumer price inflation continuing to run at a very elevated level in coming months as rising charges for goods and services are likely to feed through to households. Recent surges in energy prices suggest further upward price pressures are likely.

### Outlook brightened to decade-high

As well as tracking the above hard data, the PMI surveys also asks PMI respondents to report on their expectations for the year ahead. This forward-looking series showed business optimism at one of the highest levels recorded since comparable data across manufacturing and services were first available globally a decade ago. The survey's index of optimism in the service sector, which has a longer back history, hit an 11-year high, while sentiment in manufacturing rose to the highest since last April, rising to a level rarely exceeded in the survey's history.

Firms across both sectors reported that confidence had improved primarily as a result of growing hopes of a potential end of COVID-19 containment measures, in turn buoyed by signs of the Omicron wave having had only a muted economic impact on both demand and supply chains.

### Global business expectation



However, the February monthly PMI data were collected before the invasion of Ukraine, which is likely to have severely affected growth expectations while simultaneously pushing price expectations even higher. March's flash PMI data, published 24th March and covering business conditions in the US, Eurozone, UK, Japan and Australia, will reveal the initial impact of the war.

# Special Focus

## APAC Electronics Industry Shows Strong Growth Despite Pricing Pressures

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*Electronics exports from major Asia-Pacific (APAC) economies have remained very strong in early 2022, helped by continued buoyant demand in key global markets. However, the global electronics industry continues to struggle with protracted supplier delivery times and pricing pressures for critical materials.*

### APAC electronics exports buoyant in early 2022

Electronics exports have shown strong growth in a number of major APAC electronics manufacturing hubs in early 2022. South Korea's exports of information and communications technology (ICT) goods grew by 20.7 percent to USD 19.7 billion in January 2022. In Japan, exports of semiconductors rose by 18.7% year-on-year (y/y) in January, while exports of integrated circuits increased by 22% y/y. For Taiwan, in January 2022, the export value of electronic products was USD 15.9 billion, up 19.7% y/y. Electronics exports accounted for around 40% of total exports.

Southeast Asian economies also recorded strong growth in electronics exports in January 2022. In Singapore, electronic exports grew by 14.0 per cent y/y in January 2022, following an increase of 13.6% y/y in December. Singapore's exports of integrated circuits grew by 17.7% y/y in January. In Malaysia, exports of electrical and electronics products grew by 22.1% y/y in January 2022, accounting for around 40% of total merchandise exports.

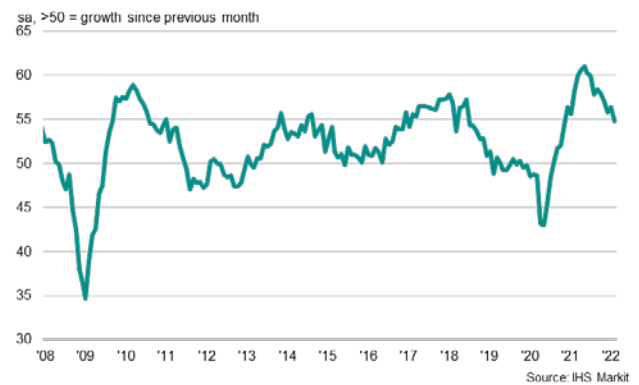
India has also become a significant exporter of electronics products, with total electronics goods exports for the April to December period of 2021 up 49% y/y, reaching a value of USD 11 billion. India's Ministry of Electronics and Information Technology has set out a five-year roadmap to boost India's annual electronics exports to USD 120 billion by 2026, with the domestic

market for electronics products targeted to reach USD 180 billion by 2026.

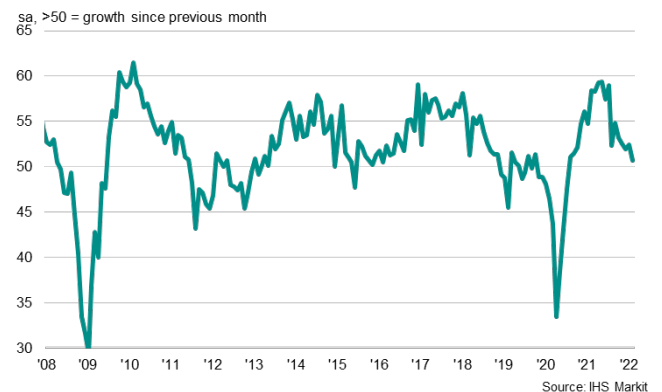
### Global electronics manufacturing continues to expand

The global electronics manufacturing industry has continued to show strong expansion in early 2022, albeit moderating from recent highs. The headline IHS Markit Global Electronics PMI fell to 54.8 during February, down from 56.3 in January, reaching its lowest level for 15 months. The latest survey results continued to show strong positive expansionary conditions for global electronics producers, though slowdowns in both output and new order growth weighed on the upturn.

#### Global Electronic PMI



#### IHS Markit Global Electronics PMI Output Index



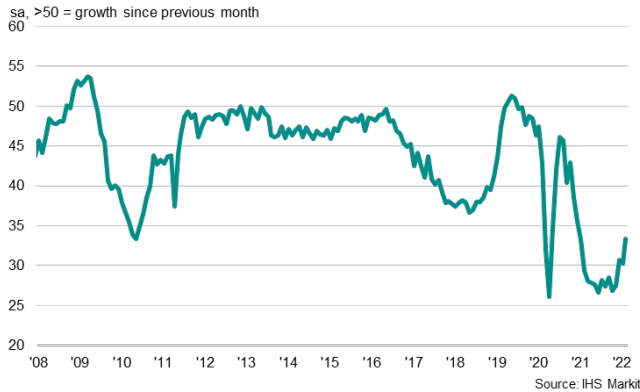
The February survey data signalled a further slowdown in output growth at global electronics producers, with the Electronics PMI Output sub-index moderating to 50.7, just slightly above the neutral mark. The expansion was the weakest in the current period of expansion which began in August 2020. Weakness in demand, insufficient raw material supplies and staff shortages contributed to the moderation in output growth.

There were sustained pressures on global electronics supply chains during February, as signalled by the seasonally adjusted Suppliers' Delivery Times Index posting 33.4, far below the 50.0 no-change mark. The



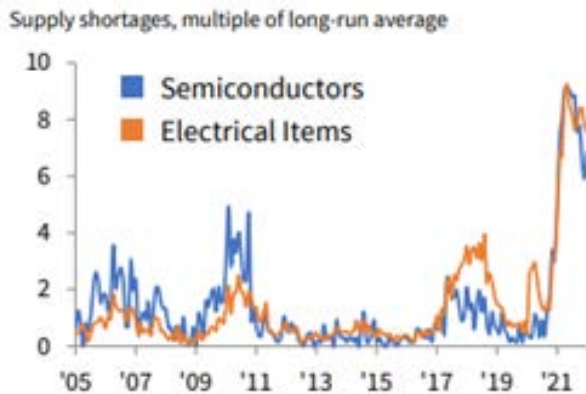
supplier delivery times continued to be very protracted, with firms primarily attributing this to insufficient inventories levels at suppliers. However, average lead times narrowed somewhat, to the shortest for 14 months amid reports of easing bottlenecks.

### IHS Markit Global Electronics Suppliers' Delivery Times Index



Industry supply shortages for the semiconductors and electrical products industries remained far above their long-run average, although these shortages showed some signs of easing in recent months.

### Global Electrical and Electronics Industry Supply Shortages



### Inflation pressures remain severe

Global electronics manufacturers continue to face intense cost pressures, according to February survey data. Increases in international raw material prices and rising supplier fees were commonly mentioned reasons for sustained inflationary pressures. Overall, input costs rose at one of the steepest rates in the series history, with the Input Prices PMI sub-index at 74.7 in February, albeit having eased slightly from recent peaks.

To combat the increase in operating costs, around 28% of global electronics producers raised their selling prices in February, compared to just 1% that offered discounts. Overall, the increase in output charges was slightly weaker than in January, but still among the fastest on record.

### Electronics outlook

The near-term outlook for the APAC electronics industry is for continued strong expansion, as signalled by the most recent IHS Markit Global Electronics PMI Survey. Lengthy production backlogs for some key electronics products, notably semiconductors, will be an important factor supporting electronics output during 2022.

The impact of the COVID-19 pandemic has accelerated the pace of digital transformation due to the global shift to working remotely, which has boosted demand for electronic devices such as computers, printers and mobile phones. The easing of lockdowns in many countries has also triggered a rebound in consumer spending, helping to boost demand for a wide range of consumer electronics. Spending on consumer electronics has also been boosted by fiscal stimulus measures in many OECD countries that have provided significant pandemic relief payments to support households in many large economies, including the US, UK, Japan and Australia. Meanwhile global auto demand has also shown a rebound during 2021 after slumping during the first half of 2020, which is boosting demand for auto electronics, albeit contributing to intensifying supply-side problems related to semiconductors shortages.

The medium-term economic outlook is also supportive for the electronics industry, with sustained strong world economic growth forecast over 2022-2024. With shortages of semiconductors disrupting manufacturing supply chains in 2021, the importance of having domestic electronics production capacity for critical electronics components has become a national priority for major industrial nations, including the US, EU and China. For the US and EU, reducing reliance on Asian semiconductors production has become a key strategic priority over the next decade. A key risk is excessive global vulnerability to semiconductors supply from South Korea and Taiwan, which are major electronics production hubs but also potential geopolitical flashpoints in the Asia-Pacific region. Military tensions in the Taiwan Strait and South China Sea have escalated during 2021, highlighting these vulnerabilities.

The outlook for electronics demand is also supported by major technological developments, including 5G rollout



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over the next five years, which will drive demand for 5G mobile phones. Demand for industrial electronics is also expected to grow rapidly over the medium term, helped by Industry 4.0, as industrial automation and the Internet of Things boosts rapidly growth in demand for industrial electronics. Competition amongst leading technology nations in strategic electronics production has also intensified. Consequently, strategic global competition amongst the world's leading high-technology nations is also likely to play a greater role in reshaping the global electronics industry landscape over the next decade.

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