

# Week Ahead Economic Preview

## March flash PMIs, UK inflation, Fed comments in focus

**March flash PMIs** will be released in the coming week for a first look at economic conditions since the outbreak of the Ukraine war. A series of **Fed speakers** will also be watched post the Fed FOMC meeting with **central bank meetings** also scheduled in Switzerland, Norway and the Philippines. **UK, Singapore and Malaysia inflation figures** are meanwhile updated for February but also watch out for **US durable goods orders, US, UK and eurozone consumer sentiment, US fourth quarter GDP** revisions and **production data** out of Taiwan and Thailand.

Soaring inflation rates have seen the US Fed raise interest rates for the first time since 2018 and the Bank of England hike for a third successive meeting, with higher inflationary pressure expected amid persistent elevated prices across energy and broader commodity markets (see box). A greater uncertainty will be the resilience of economic growth against the headwinds of these higher borrowing costs, a widespread cost of living crisis, geopolitical stress from the invasion of Ukraine, China's latest COVID-19 shutdowns, financial market volatility and the withdrawal of pandemic fiscal stimulus.

The coming week will provide some clues as to how robust business and consumers are coping in the face of these headwinds. Consumer sentiment data from the Eurozone, UK and US are widely expected to see households struggling under the weight of soaring energy bills, while business sentiment looks set to be hit by the uncertainty caused by the Ukraine war and renewed concerns in manufacturing over supply chains and costs. Less clear will be the extent to which downward risks to output across manufacturing and services have been offset by the reopening of economies from COVID-19 restrictions. Policymakers will be hoping to see some resilience here.

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### Commodity price spike

In addition to providing the first major glimpse into economic growth, supply chains and business confidence following the invasion of Ukraine, the coming week's flash PMI business surveys will provide guidance on the extent to which inflationary pressures are continuing to build, with particular concern relating to the potential passthrough of higher energy and other commodity prices through the value chain to consumers.

The invasion has seen commodity prices spike higher: the IHS Markit [Materials Price Index \(MPI\)](#) jumped another 5% in the second week of March, following the record-breaking 8.1% increase the week before. Commodity prices now sit 11.7% above the previous all-time high set in April 2011.

#### IHS Markit Materials Prices Index (US\$ based)



Brent Crude oil reached \$129 per barrel for the first time since 2008 but prices for industrial metals also soared amid trading volatility and concerns over future supply from Russia. The MPI's ferrous sub-index jumped 10% and the nonferrous metal sub-index increased 2% with unprecedented turbulence in the nickel market leading to the suspension of trading in the nickel contract on the London Metal Exchange (LME).

While the commodity price spike itself is a concern for the inflation outlook, supply constraints arising from both the Ukraine crisis and new lockdowns in China add further risks to persistent elevated price pressures, while also choking economic growth (see special report on page 4). S&P Global Mobility research already sees the [production of 2.6 million vehicles at risk in 2022](#) due to the war's impact on supply chains.

The PMI suppliers' delivery times index, and input costs and selling prices gauges, will therefore provide key insights into the developing inflation picture, both in manufacturing and the larger services economy.

## Key diary events

### Monday 21 Mar

*Japan Market Holiday*

New Zealand Trade (Feb)

China (Mainland) Loan Prime Rate 1Y, 5Y (Mar)

Hong Kong SAR CPI (Feb)

Germany Producer Prices (Feb)

Taiwan Export Orders (Feb)

United Kingdom CBI Distributive Trades (Mar)

### Tuesday 22 Mar

Canada Producer Prices (Feb)

### Wednesday 23 Mar

South Korea PPI (Feb)

Thailand Customs-Based Trade Data (Feb)

Thailand Manufacturing Production (Feb)

Singapore Consumer Price Index (Feb)

United Kingdom Inflation (Feb)

Taiwan Industrial Output (Feb)

United States New Home Sales (Feb)

Eurozone Consumer Confidence (Mar, flash)

### Thursday 24 Mar

Japan BoJ Meeting Minutes (Jan)

Australia IHS Markit Flash PMI, Manufacturing & Services\*

Japan au Jibun Bank Flash Manufacturing PMI\*

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\*

Philippines Policy Int Rate (24 Mar)

Taiwan Jobless Rate (Feb)

Switzerland SNB Policy Rate (Q1)

Norway Norges Bank Key Policy Rate (24 Mar)

United States Durable Goods (Feb)

United States GDP (Q4, final)

United States Initial Jobless Claims

### Friday 25 Mar

United Kingdom GfK Consumer Confidence (Mar)

Singapore Manufacturing Output (Feb)

Malaysia CPI (Feb)

United Kingdom Retail Sales (Feb)

Germany Ifo Business Climate New (Mar)

United States University of Michigan Sentiment (Mar, final)

United States Pending Sales Change (Feb)

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

## What to watch

### ■ March flash PMIs across developed economies

March flash PMIs will be released across the US, UK, eurozone and the APAC economies of Japan and Australia in the coming week.

[February PMIs signalled a revival of growth economic growth](#) as the Omicron wave faded and business optimism also improved. Since then, however, Russia's invasion of Ukraine has led to a steep rise in commodity prices and further supply chain issues. Flash PMI data, typically based on approximately 85%-90% of total PMI survey responses each month, will shed light on conditions across demand, output, prices and sentiment – with the severity to which these indicators reflect the effect of the war being the key focus.

### ■ North America: US Q4 GDP final estimate, Fed member appearances

Following the conclusion of the Fed FOMC meeting this week, where the Fed exercised a 25 basis points hike to rates and signalled the intention to commence shrinking its \$8.4 trillion bond portfolio, the series of Fed members' appearances in the coming week will be in focus for further details into the Fed's plans going forward. This will be important amid the uncertainties brought about by recent developments including the Ukraine invasion which is expected to weight on GDP growth in the first quarter.

### ■ Europe: UK inflation and retail sales data, eurozone consumer confidences, Norges bank, SNB policy meetings

UK inflation data will be released in the coming week with February [IHS Markit / CIPS UK Composite PMI](#) preludeing yet another likely rise in consumer price inflation from its current 30-year high of 5.5%.

### ■ Asia-Pacific: BSP policy meeting, Singapore, Malaysia CPI

Singapore and Malaysia inflation data will be due in the coming week amid expectations for continued elevated price trends. No change to Philippines' policy rate is meanwhile expected.

## Special reports:

[Flash PMI Preview: PMI Data to Provide Insights into Key Economic Developments in March Jingyi Pan | page 4](#)

[Hong Kong SAR Hit by Severe COVID-19 Wave Rajiv Biswas | page 7](#)

## Recent PMI and economic analysis from IHS Markit

Global	<a href="#">PMI data to provide insights into key economic developments in March</a>	17-Mar	Jingyi Pan
	<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="#">Weekly Pricing Pulse: “Everything” rally as Russia-Ukraine conflict rattles commodity markets</a>	16-Mar	Michael Dall

## IHS Markit Economics & Country Risk highlights

### Reflation risks



Inflation rates have soared across the globe, reflecting various factors including elevated commodity prices, supply bottlenecks, rising transportation costs, rebounding demand, and COVID-19-related base effects.

For other IHS Markit Connect content, one can contact [CustomerCare@ihsmarkit.com](mailto:CustomerCare@ihsmarkit.com).

[Click here to read our research and analysis](#)

### 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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[Click here to listen to this podcast by IHS Markit Economics & Country Risk team](#)

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# Special Focus

## PMI Data to Provide Insights into Key Economic Developments in March

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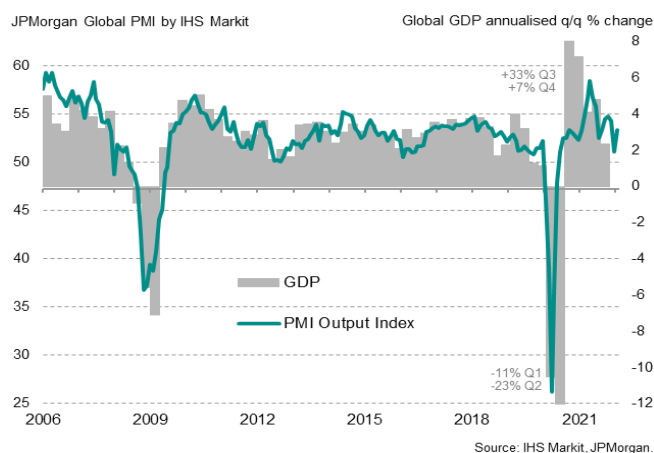
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*February PMI data pointed to the global economy recovering as the Omicron wave faded, though this was prior to various significant developments including the Ukraine invasion and recent lockdowns in China amid the worsening COVID-19 conditions. March PMI data will therefore be scrutinised for the impact of these events on various economic metrics such as output, supply chains, prices and upon the sole sentiment PMI sub-index – the future output index.*

### PMI data show global economic growth revived in February as Omicron wave faded

[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). The rate of expansion accelerated from January's 18-month low, with the PMI rising from 51.1 to 53.4 in February, which was a level broadly indicative of global GDP growing at an annualised rate of just over 3% in February. Services led the rebound while manufacturing output likewise improved in February.

#### Global PMI and GDP



However, this was prior to various major developments in the global economy, placing the focus on March PMI for the earliest indication of how economic conditions had fared in what is a significantly different climate when compared to February.

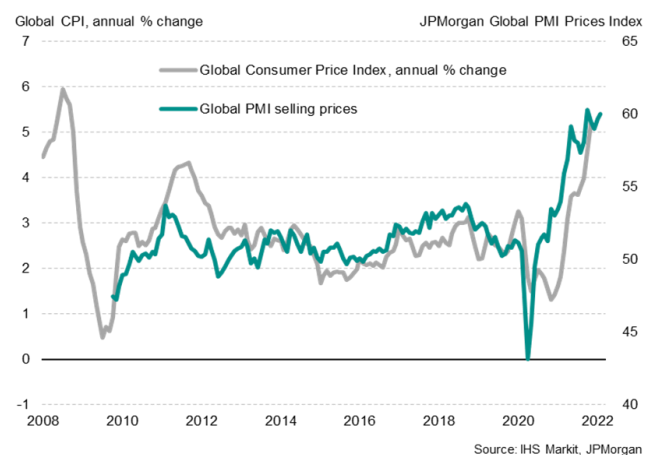
### Surging commodity prices and the impact on inflation for firms and consumers

Since the eruption of the Ukraine crisis on February 24, commodity prices have exhibited heightened volatility. Our [Materials Prices Index \(MPI\) jumped by 8% in the first week of March, the largest weekly increase on record](#). Brent crude oil prices meanwhile spiked to the highest since 2008 in early March at above \$130 per barrel, although some easing of the price pressures has been seen in recent days.

Given the importance of energy prices for both goods and services providers alike, the impact on input costs for firms – and how this may be feeding through to selling prices – will be scrutinised. Global selling prices had already been climbing at a severe rate in February, reflecting existing supply bottleneck issues, recovering demand and COVID-19 related effects, signalling the continuation of elevated consumer price inflation which also carries implications for monetary policy.

Flash PMIs released in the coming week on March 24, will therefore shed light on changes in pace of price inflation. Divergences may well appear, as the eurozone is expected to be hit especially hard by the Ukraine crisis given the trade links, but signs of persistent or accelerating price pressures are also possible in the UK, US and APAC countries such as Japan and Australia in March.

#### PMI prices charged and global inflation

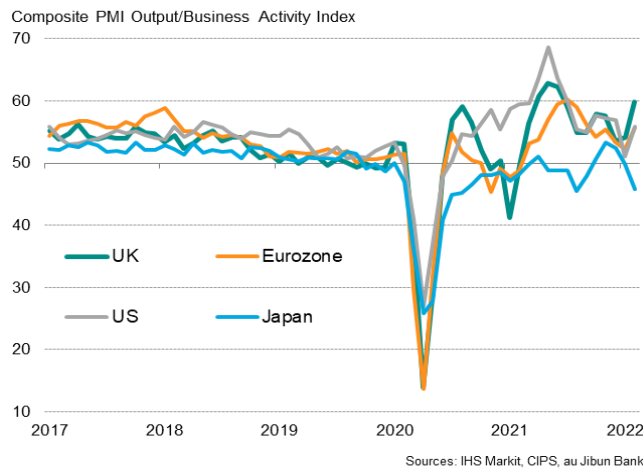


## Effect of the Ukraine crisis on eurozone output

Disruptions to trade and financial flows owing to the Russia-Ukraine conflict are expected to hamper eurozone growth in March, which could show up in the PMI numbers. This is on the back of [imposition of stringent restrictions on exports and some import restrictions upon Russia](#). Given the export of key commodities of oil and gas by Russia to the likes of EU and the UK, the abovementioned transmission channel of higher energy prices and potential supply constraints, higher costs may also act as speed bumps for eurozone output growth going forward.

The degree to which different constituent countries and sectors are affected may well vary, one which the country and Europe sector PMI figures will help to decipher with the March releases. As it is, the US, UK and eurozone exhibited strong recoveries in output growth in February, but the trend from here will be less certain.

### Major developed markets PMI output

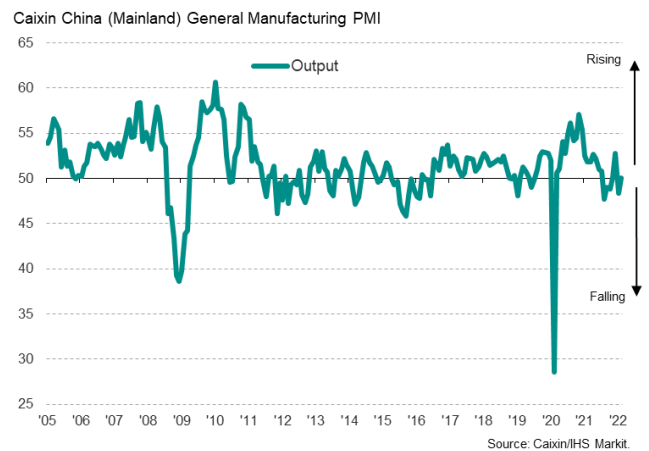


## The effect of COVID-19 lockdowns on mainland China’s manufacturing and broader supply chains

Meanwhile, amid the surge in COVID-19 cases in mainland China, whereby daily cases have risen to the highest in two years, stricter restrictions have been imposed across the Jilin province and China’s key technology hub, Shenzhen. These new developments in China have been set against a backdrop whereby [manufacturing production had only recently stabilised in February according to the PMI survey data](#) produced for Caixin by IHS Markit, now part of S&P Global, and firms also reported lower employment levels. Following the recent tightening of movement restrictions, the ensuing impact on manufacturing in mainland China will be in

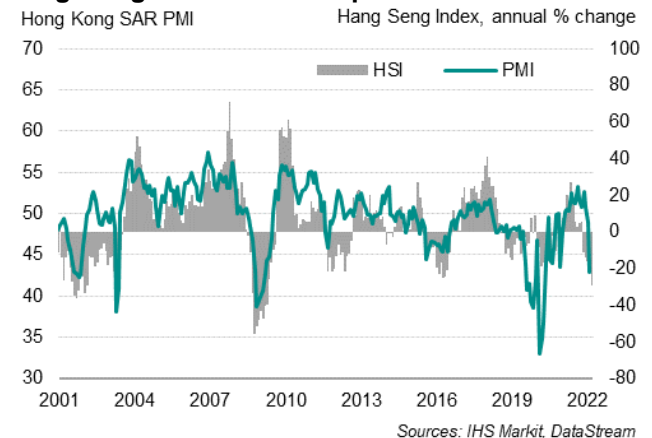
focus. The extents to which output growth and employment is affected are the key topics of interest here, and likewise will be important to consider for policy implications after authorities recently set an ambitious target of around 5.5% GDP growth for 2022. With production halts already reported to have spread across various multi-national companies operating in mainland China, including Apple and car producers such as Toyota and Volkswagen, the flash PMI data for the US, Europe, Japan and Australia will be scoured for signs of fresh supply chain disruptions emanating from such production halts.

### Manufacturing growth in mainland China



Over in Hong Kong SAR, March figures will also provide an update on economic conditions with the current COVID-19 wave yet to pass its peak mid-March. Hong Kong equities have been severely impacted in recent weeks as a result of the negative developments, which saw the Hang Seng Index plunging to the lowest close since February 2016. Strong equity market correlations with the Hong Kong SAR PMI suggest that further downsides should not be ruled out with any indications of a further plunge in the PMI in March.

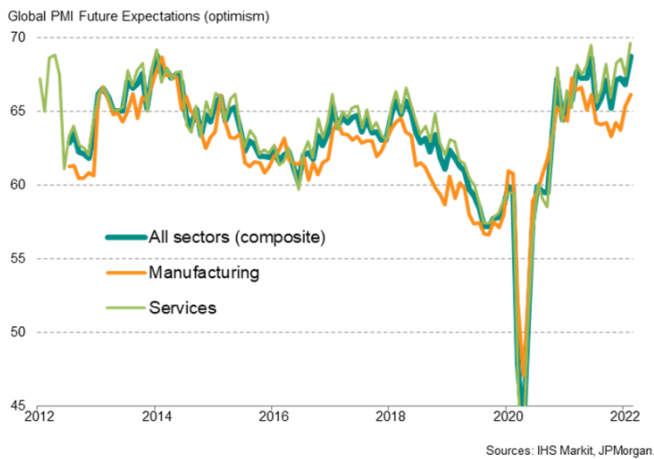
### Hong Kong SAR PMI and equities



## Business sentiment changes as a result of Ukraine invasion and China lockdowns

Global business optimism had been at a decade-high prior to the invasion of Ukraine according to the only sentiment-based PMI sub-index, the future output expectations index. This was across both the manufacturing and service sectors as the easing of the COVID-19 Omicron wave lifted optimism amongst firms. As told, that was prior to the Ukraine invasion and lockdowns in mainland China, which may well prelude further supply chain issues. Fresh updates on changes to business sentiment following recent developments will be closely watched with the sub-index seen to be useful in the [forecasting the month ahead headline PMI in various cases](#).

### Global business activity expectations



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# Special Focus

## Hong Kong SAR Hit by Severe COVID-19 Wave

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*Although the Hong Kong Special Administrative Region (SAR) of the People's Republic of China had considerable success in containing the COVID-19 pandemic during 2020 and 2021, a severe COVID-19 wave has engulfed the city in the first quarter of 2022. This has resulted in a deteriorating near-term economic outlook, with the IHS Markit Hong Kong SAR PMI survey for February 2022 showing weakening new orders and output.*

*Near-term economic conditions in the broader Greater Bay Area have also been impacted by rising numbers of new COVID-19 cases. Restrictive measures have been implemented in a number of large cities in the Greater Bay Area to contain the pandemic. Shenzhen and Dongguan, which are both megacities in the Greater Bay Area, with populations of over 10 million, have implemented lockdowns in mid-March. Consequently, the new COVID-19 outbreaks pose near-term risks of further disruptions to global manufacturing supply chains and transport logistics.*

### Hong Kong SAR PMI slumps

Hong Kong SAR has been hit by a severe COVID-19 wave since February, with daily new reported COVID-19 cases at 29,272 on 16th March.

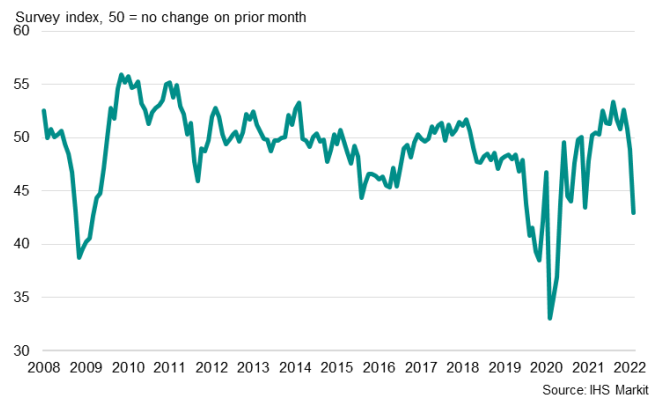
The latest IHS Markit Hong Kong SAR Purchasing Manager's Index™ (PMI™) survey for February showed a significant downturn, reflecting the impact of tightening COVID-19 restrictions. The headline PMI index declined to 42.9 in February from 48.9 in January, falling further below the 50.0 neutral threshold.

The February survey showed that the PMI sub-indexes for new orders and output both declined for the second month in a row, reflecting disruptions from the COVID-19 Omicron outbreak. Hong Kong SAR private sector firms also lowered their staffing levels in February. The latest PMI survey results signal that the Hong Kong SAR

economy is slowing significantly in the first quarter of 2022, due to the impact of tightening COVID-19 restrictions.

Furthermore, due to the Hong Kong dollar peg to the US dollar, the Hong Kong Monetary Authority (HKMA) also has to follow US monetary policy. With the US Fed having tightened its policy rate by 25bps on 16th March, the HKMA also tightened its Base Rate by 25bps on 17th March in lockstep. If the Fed continues to hike US policy rates during coming months, the HKMA will also have to continue tightening monetary policy even though the domestic economy is slowing.

### Hong Kong SAR PMI



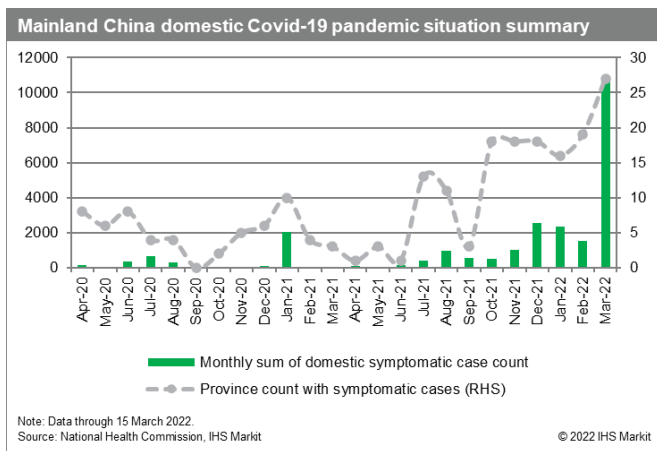
With Hong Kong SAR confronting an escalating new COVID-19 wave and having kept strict quarantine measures in place for international travellers, a significant outflow of expatriates has also been reported. For example, the European Union Office to Hong Kong SAR and Macao SAR has estimated that in the eighteen months to February 2022, around 10 percent of European Union citizens resident in Hong Kong SAR have decided to leave Hong Kong SAR. International flights to Hong Kong SAR have also been disrupted during recent weeks due to quarantine requirements for airline crew.

### Rising COVID cases in Greater Bay Area trigger lockdowns in some cities

The rising number of COVID-19 cases in a number of cities in the Greater Bay Area, including Shenzhen and Dongguan, have increased risks of supply chain disruptions and shipping delays for Chinese manufactures. Lockdowns have been implemented in Shenzhen and Dongguan, both megacities whose populations exceed ten million persons. The Greater Bay Area is one of the world's most important manufacturing and shipping hubs, comprising Hong Kong SAR, Macau SAR, Guangzhou, Shenzhen, Dongguan, Foshan, Zhongshan, Huizhou, Jiangmen,

Zhuhai and Zhaoqing. The total GDP of the Greater Bay Area was estimated at USD 1.7 trillion in 2020, which was slightly larger than the size of South Korea's GDP in 2020.

The daily new symptomatic infection count in Guangdong Province jumped from single digits to double digits since the end of February, and a total of 753 cases – all linked to Omicron – have been reported over 21 February through 15 March. Notably, the cities of Shenzhen and Dongguan accounted for 72% and 26% of total symptomatic cases, respectively. (See [“Mainland China COVID-19 update”](#), China Regional Headline Analysis, by Lei Yi, Connect by S&P Global)



The potential economic impact of disruptions to production will depend on the duration of the existing lockdowns and also whether additional major cities will be placed in lockdown. In the electronics sector, Foxconn, Unimicron Technology and Sunflex Technology have also had to temporarily suspend production at their Shenzhen facilities. However, Foxconn has subsequently announced that it was able to partially restart some production at its Shenzhen plants.

With Shenzhen also being one of the world's largest container ports, the risk of disruption to shipping and logistics is also a key concern. World shipping had already suffered considerable disruptions during 2021 due to COVID-19 outbreaks and long delays in turnaround times at some of the world's major ports. Due to the importance of China as a key source of manufacturing exports as well as a major importer of a wide range of raw materials and manufactures, disruptions to Chinese ports could potentially have significant impact effects on global supply chains.

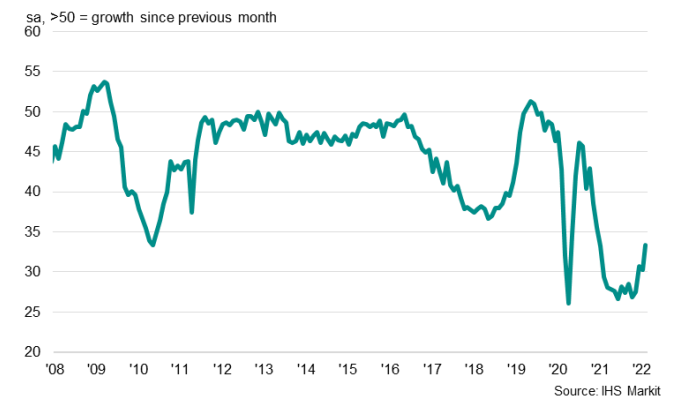
Furthermore, the COVID-19 outbreaks are not limited to the Greater Bay Area. The cities of Changchun and Jilin in Jilin Province, and the cities of Zibo and Dezhou in Shandong Province have also implemented partial or

city-wide suspension of non-essential business operations. (See [“Mainland China COVID-19 update”](#), China Regional Headline Analysis, by Lei Yi, Connect by S&P Global)

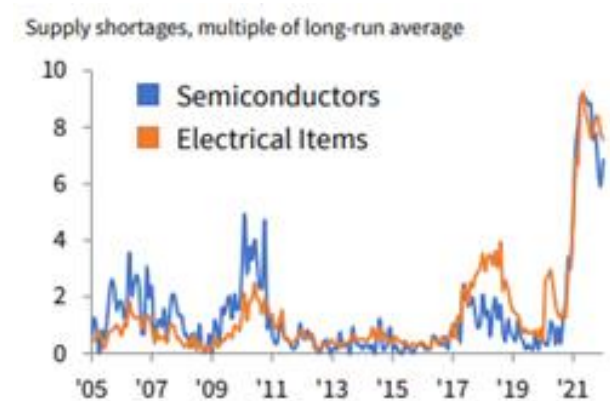
The lockdown in Changchun has already impacted on automotive manufacturing, with Volkswagen and Toyota among the major global automotive manufacturing firms that have announced that production in their Changchun factories will be temporarily disrupted.

There were already sustained pressures on global electronics supply chains during February, as signalled by the IHS Markit Global Electronics Suppliers' Delivery Times Index which posted 33.4, far below the 50.0 neutral mark.

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



### Global Electrical and Electronics Industry Supply Shortages



Industry supply shortages for the semiconductors and electrical products industries still remain far above their long-run average, although these shortages showed some signs of easing in recent months. Consequently, further manufacturing supply chain disruptions in China could add to the supply shortages that are already



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impacting upon the global electrical and electronics industry.

## Economic Outlook

The new COVID-19 wave that has hit Hong Kong SAR will slow growth momentum in the near-term, with first quarter GDP growth expected to be significantly impacted. Consequently, the GDP growth outlook for Hong Kong SAR in calendar 2022 has been revised down to moderate positive expansion of 1.9 percent y/y, after a strong economic rebound of 6.4 percent y/y in 2021.

The increase in COVID-19 cases in a number of mainland Chinese cities the first quarter of 2022 will also dampen the pace of economic growth in mainland China in calendar 2022, which is expected to moderate to a pace of 5.1 percent. This compares with GDP growth of 8.1 percent in 2021, when the economy rebounded after the severe nationwide lockdown that occurred in the first quarter of 2020.

The risk of further escalation of new COVID-19 cases in mainland China therefore remains a key risk to the near-term economic outlook. Global manufacturing supply chains and international shipping logistics were already heavily disrupted during 2020 and 2021, with long delays in supplier delivery times still persisting for some key industry sectors, such as autos and electronics. The risk of further disruptions to manufacturing production and shipping in mainland China therefore creates new uncertainties and downside risks for the near-term economic outlook.

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