

Week Ahead Economic Preview

Global manufacturing PMI surveys to reveal Ukraine war impact

25 March 2022

In a busy week that sees an updated US non-farm payroll report, **worldwide manufacturing PMIs** will reveal insights into business conditions amid the Ukraine war and China's recent lockdowns. European and US consumer confidence data will meanwhile add further insights to the plight of households as inflation rises to multi-decade highs.

Global market sentiment has remained subdued as concerns have flared over rising geopolitical uncertainty, soaring energy prices, persistent supply constraints and a hawkish Fed. As such, the slew of economic indicators — including worldwide manufacturing PMI data — arrives at a timely period in offering some concrete gauge of the severity of supply and price pressures and their impact on production. As far as the preliminary PMI surveys indicated, output conditions across the eurozone to APAC remained resilient in March, though price indicators have again been flashing red to reflect the mounting of price pressures. This backs the hawkish stance adopted by central bankers such as the Fed in the past week. However, firms have also reported a markedly darker outlook, especially in the eurozone, as the Ukraine war adds to existing headwinds, and consumer confidence is showing signs of waning amid a growing cost of living crisis.

March's **US non-farm payroll report** will therefore be firmly in focus, and is expected to show both a tightening labour market and rising wage pressures. Any upward surprises could be an immediate trigger of more hawkish rate hike expectations.

Preliminary March inflation data in Germany and the **eurozone** will also be eagerly assessed, not least by the ECB, amid ever-intensifying price pressures, while in APAC, **Bank of Thailand latest policy meeting** and **Japan's Tankan survey** will be due.

Global economic outlook

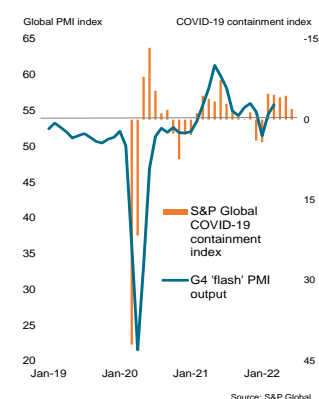
March's preliminary 'flash' PMI data provided the first insights into the impact of the Ukraine war on the world's major developed economies, and highlighted two opposing forces for which the interplay will be key to determining economic prospects in the coming months.

First, current output growth remained strong across the developed world — with only a marginal slowdown seen even in the eurozone, closest both geographically and economically to the war — linked primarily to the opening up of economies after the pandemic. Measured globally, COVID-19 containment measures were the least restrictive in March than at any time since the pandemic began. A further planned loosening of these restrictions should help boost growth in coming months.

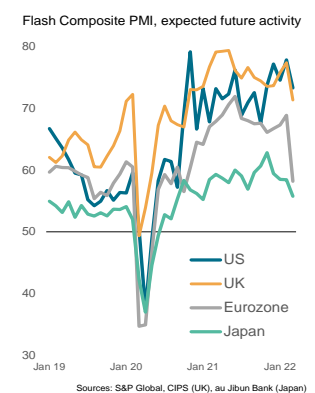
However, the Ukraine war dealt a blow to business expectations about growth in the year ahead, nowhere less so than in the eurozone but also more broadly. Companies reported that the war has exacerbated existing concerns over the impact of rising prices, supply chains and reduced fiscal and monetary stimulus. Price pressures also hit new highs in March, according to the PMIs.

Monitoring this interplay between the tailwind of the fading pandemic and the various headwinds will drive the economic commentary in coming months.

Output & virus containment



Business prospects



Key diary events

Monday 28 Mar

Hong Kong Trade (Feb)

Tuesday 29 Mar

Japan BOJ Meeting Summary of Opinions (Mar)

Japan Unemployment Rate (Feb)

Australia Retail Sales (Feb, final)

Germany GfK Consumer Sentiment (Apr)

United Kingdom Mortgage Lending and Approvals (Feb)

United States Consumer Confidence (Mar)

United States JOLTS Job Openings (Feb)

Wednesday 30 Mar

Japan Retail Sales YY (Feb)

Thailand Manufacturing Production (Feb)

Germany Import Prices (Feb)

United Kingdom GDP (Q4)

Switzerland KOF Indicator (Mar)

Thailand 1-Day Repo Rate (30 Mar)

Eurozone Business Climate (Mar)

Eurozone Consumer Confidence (Mar, final)

Germany CPI Prelim MM (Mar, prelim)

United States ADP National Employment (Mar)

United States GDP (Q4, final)

Thursday 31 Mar

South Korea Industrial Output (Feb)

Japan Industrial Output (Feb, prelim)

Australia Building Approvals (Feb)

China (Mainland) NBS Manufacturing PMI (Mar)

Japan Housing Starts (Feb)

United Kingdom Nationwide House Price (Mar)

United Kingdom GDP (Q4)

Switzerland Retail Sales YY (Feb)

Germany Retail Sales (Feb)

Thailand Current Account (Feb)

Germany Unemployment (Mar)

Eurozone Unemployment Rate (Feb)

United States Personal Income and Consumption (Feb)

United States Core PCE Price Index (Feb)

United States Initial Jobless Claims

Canada GDP (Jan)

Friday 1 Apr

Japan Tankan Big Manufacturers Index (Q1)

Worldwide Manufacturing PMIs, incl. global PMI* (Mar)

Indonesia Inflation (Mar)

Switzerland CPI MM (Mar)

Eurozone HICP (Mar, flash)

United States Non-Farm Payrolls, Unemployment, Average Earnings (Mar)

United States ISM Manufacturing PMI (Mar)

* Press releases of indices produced by S&P Global and relevant sponsors can be found [here](#).

What to watch

Worldwide manufacturing PMI surveys for March

March manufacturing PMI data will be released around the globe for a first look into manufacturing conditions after the eruption of the Ukraine war which sent commodity prices surging. Over and above the [survey output index](#), future expectations, suppliers' delivery times and price indicators will be key to shedding light on any negative consequences from the war. Flash PMIs from major developed countries pointed to improving output though a common theme spanning the surveys was intensifying price pressures and weaker business prospects.

North America: US March labour market report, final Q4 GDP, PCE data and March consumer confidence data

February's US non-farm payrolls, unemployment and wage growth data will be released with Refinitiv consensus currently pointing to a 450k non-farm payroll gain, down from 654k previously. The unemployment rate is expected to tick down to 3.7% while average earnings growth is set to accelerate to 0.4% month-on-month. According to the March [S&P Global Flash US PMI](#), employment rose at the fastest rate for nearly a year, alluding to expectations for a positive set of labour market data in the upcoming release. Meanwhile March consumer confidence and personal income, consumption and price data will be due, providing an insight into how households are coping with 30-year high inflation, while a slight upward revision is expected for US Q4 GDP to 7.1%.

Europe: Eurozone, CPI, consumer confidence data, Germany CPI, UK Q4 GDP

In Europe, preliminary German and eurozone inflation data will be due for March. Amid the heightening of price pressures reported across the flash PMI surveys, the pace of price inflation – already at a record high – will be closely watched by a more hawkish-sounding ECB. Business and consumer confidence data will all be scoured for the impact of the Ukraine invasion. In the UK, updated Q4 GDP will be due for a quarter that started strong but saw the Omicron variant disrupt the economy in December.

Asia-Pacific: Bank of Thailand meeting, Japan employment, Tankan survey, Indonesia inflation

In APAC, the Bank of Thailand meets with no change to monetary policy expected. Japan releases employment figures and the Tankan survey for Q1. Sentiment is expected to have deteriorated in line with recent [au Jibun Bank PMI data amid the Omicron wave](#).

Special reports:

Ukraine war hits developed world business optimism as prices rise at record rate | Chris Williamson | [page 4](#)

Taiwan Economy Buoyed by Strong Electronics Exports | Rajiv Biswas | [page 7](#)

Recent PMI and economic analysis from S&P Global

Global	<u>Ukraine war hits business confidence, drives price pressures to new highs</u>	24-Mar	Chris Williamson
	<u>Global manufacturers signal record increase in prices paid for energy and semiconductors in February</u>	23-Mar	Usamah Bhatti
	<u>How to interpret and use the PMI survey output index</u>	21-Mar	Chris Williamson
Europe	<u>UK economic growth remains strong in March, but Ukraine war drives unprecedented price rise and pushes business confidence to one and a half year low</u>	24-Mar	Chris Williamson
	<u>Eurozone business outlook darkens to bleakest for 1-1/2 years and price gauges surge to fresh record highs amid initial impact from Ukraine war</u>	24-Mar	Chris Williamson
Asia-Pacific	<u>Business confidence among APAC economies declines as price pressures intensify amid the Ukraine war in March</u>	24-Mar	Jingyi Pan
Commodities	<u>Weekly Pricing Pulse: "Everything" rally as Russia-Ukraine conflict rattles commodity markets</u>	16-Mar	Michael Dall

S&P Global Economics & Country Risk highlights

Russia's war against Ukraine reshapes the geopolitical and economic outlook



Russia's invasion of Ukraine on 24 February has fundamentally changed the geopolitical landscape—with economic consequences. Four weeks into the war, Russia continues its bombardment of cities, encountering determined Ukrainian resistance. While the outcome is highly uncertain, a lengthy political impasse appears likely.

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

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 S&P Global Connect content, one can contact CustomerCare@ihsmarkit.com.

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

Ripples and waves – February signals broad based improvements



Our PMI™ team digs into the February PMI survey results which indicate waning impacts from COVID-19 on the services economies and large bounces across the Globe. While several countries are still feeling the pressures from lockdowns and continuing waves of uncertainty, improving demand, capacity and business confidence are showing positive signs of improvement. What will this mean for sustained economic growth and are these ripples and waves strong enough to continue to improve with rising geopolitical turmoil?

[Click here to listen to this podcast by S&P Global Market Intelligence](#)

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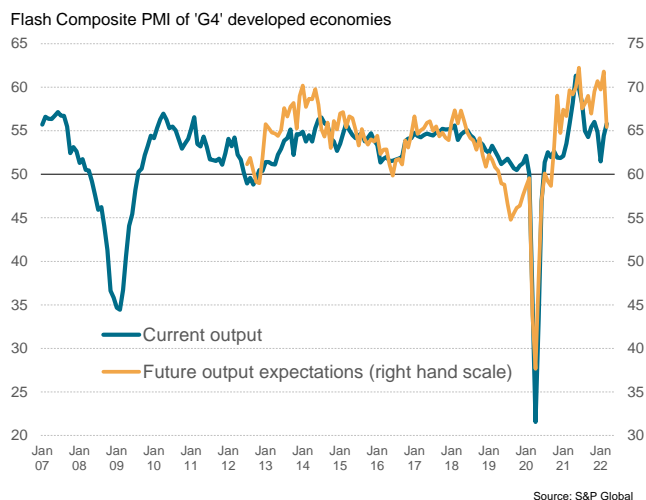
Ukraine war hits business confidence, drives price pressures to new highs

Preliminary PMI survey data showed only a modest impact from the Ukraine war on current economic growth in the world's largest developed economies in March. Headwinds from the invasion, soaring energy costs, a broader rise in cost pressures and ongoing supply chain constraints were largely offset by a boost from the further reopening of economies from COVID-19 related containment measures.

However, business confidence for the year ahead slumped sharply lower, most notably in Europe, and a further intensification of price pressures and supply bottlenecks arising from the war looks set to worsen the global cost of living crisis.

The survey data therefore point to an increased risk of slower growth and higher inflation in the months ahead. However, much will depend on the extent to which the waning pandemic will continue to boost economic activity and offset the headwinds from rising geopolitical uncertainty and inflation.

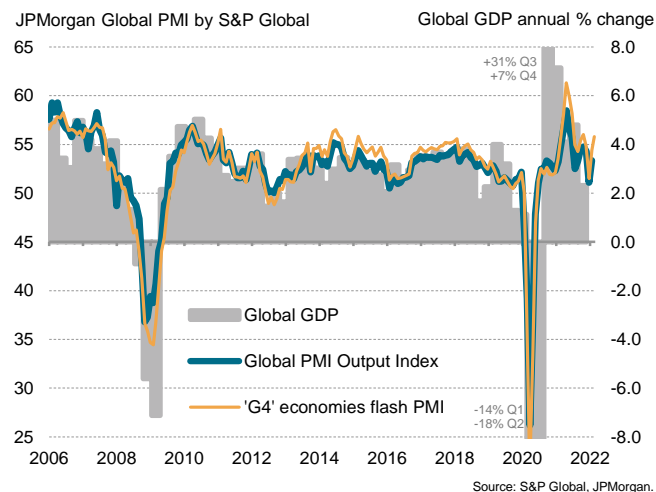
G4 economies current output & future expectations



Developed world growth accelerates as economies re-open

Business activity continued to grow strongly across the G4 developed economies of the US, eurozone, UK and Japan in March, with the preliminary 'flash' PMI survey's signalling the fastest rate of expansion since November of last year.

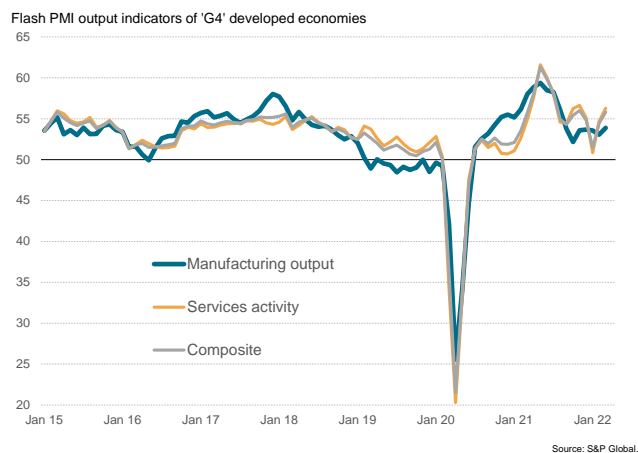
Output growth in the major developed economies and global GDP



The upturn was led by the service sector, where activity growth accelerated for a second successive month from the near-stagnation caused by the Omicron wave in January. Service providers reported the strongest growth for four months as economies continued to open up from COVID-19 containment measures. Despite a tightening of lockdown measures in mainland China, virus containment restrictions worldwide in March were the lowest since the pandemic began in early-2020, providing a major boost to consumer-facing services and travel and hospitality in particular.

Manufacturing growth also accelerated, reaching the highest since last August, likewise buoyed by rebounding demand as well as some easing of supply chain constraints compared to those seen in the second half of last year.

G4 economies output growth

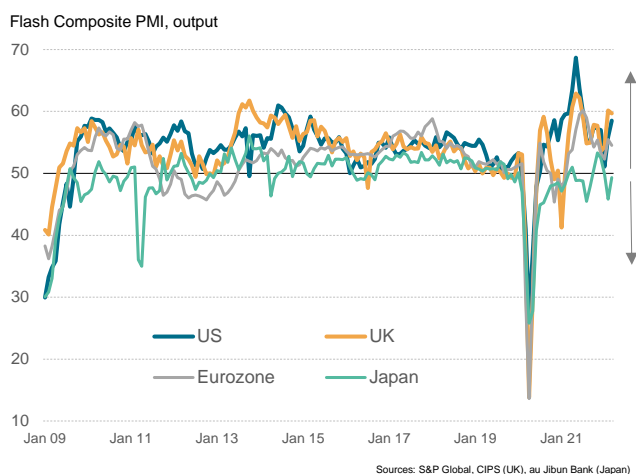


Only US sees stronger growth

The **United Kingdom** recorded the strongest growth of the four largest developed economies for the third month in a row in March. Despite seeing a slight moderation in the rate of expansion, UK output growth was among the strongest recorded in the history of the survey, reflecting a rebound in the service sector fueled by the near-complete removal of pandemic restrictions. However, a slowing in the rate of expansion was primarily linked to dampened demand arising from concerns over the Ukraine war and associated exacerbation of existing cost of living pressures.

Similarly, **eurozone** growth lost some momentum, first and foremost reflecting the impact of the war on confidence and prices, but also reflecting weakened manufacturing growth due to worsening supply chain bottlenecks due to disrupted supply out of Ukraine.

Output growth by economy



United States growth, in contrast, accelerated to an eight-month high in March, reviving further from the Omicron-induced slowdown seen at the turn of the year. Few survey respondents reported any immediate impact on output and demand from the Ukraine war, instead generally citing the opening up of the economy as having boosted growth of demand and output in both manufacturing and services. Like the UK and eurozone, US has seen covid restrictions relaxed to the lowest so far in the pandemic.

In **Japan**, output fell for a third month running as the country continued to battle against the new COVID-19 wave, though the rate of decline moderated to register only a marginal contraction thanks in part to virus-fighting measures not being raised further during the month.

Ukraine war hits business confidence

While Russia's invasion of Ukraine had only a minor adverse impact on business output across the four largest developed economies in March, its impact was more evident on business confidence. Across the G4, business

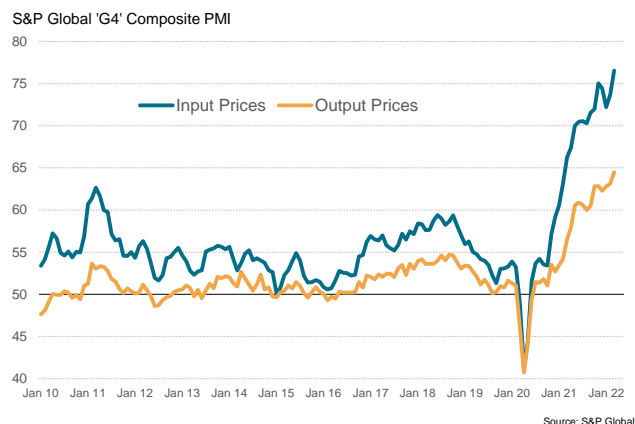
expectations of output in the coming 12 months slumped to the lowest since December 2020, sliding in all four economies but most notably in the eurozone. Future expectations hit 17-month lows in both the eurozone and UK, with 14- and five-month lows recorded in Japan and the US respectively.

Anecdotal evidence from the surveys revealed that the invasion had exacerbated existing concerns over supply chains, prices and a potential slowing of economic growth as the pandemic rebound faded.

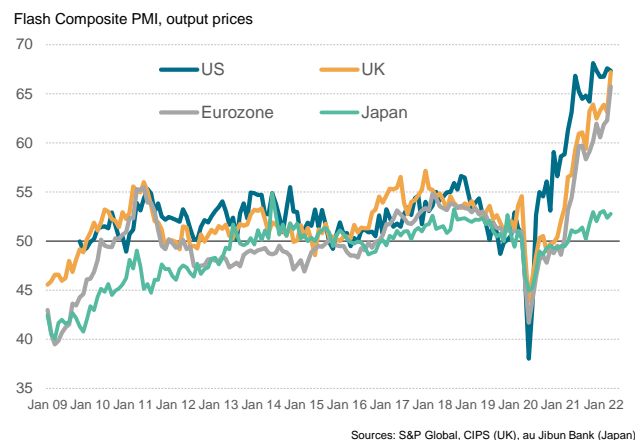
Inflation rates hit all-time highs

The surveys also revealed widespread reports of higher costs resulting from the war, notably for energy, which added to existing steep input costs pressures resulting from the pandemic. Across the G4, input costs rose at the steepest rate since comparable data were first available in 2009. Near-record highs for input costs were seen in the US, Japan and UK while a new 25-year high was seen in the eurozone. Importantly, while all four economies continued to see strong manufacturing costs pressures, new records were seen for service sector input cost inflation amid rising energy, transport and wage costs.

G4 economies inflation indicators



Selling prices for goods and services



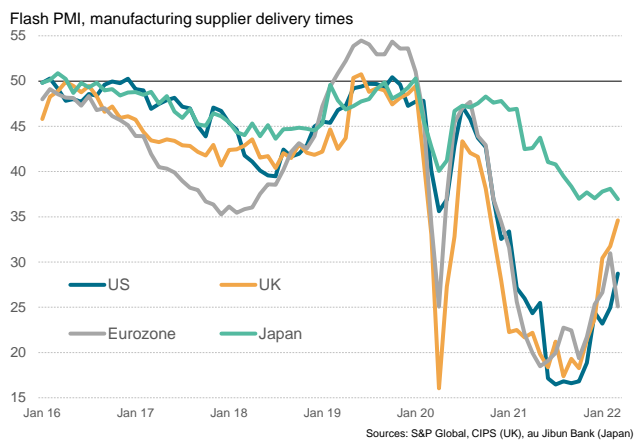
These higher costs fed through to raised selling prices, the rate of inflation of which also hit a new all-time high across the G4 economies on average. Selling price inflation rates hit new peaks in the UK and eurozone, with a near-record increase again seen in the US, though inflation remained more muted in Japan, mainly blamed on subdued demand.

Supply chain delays worsen again

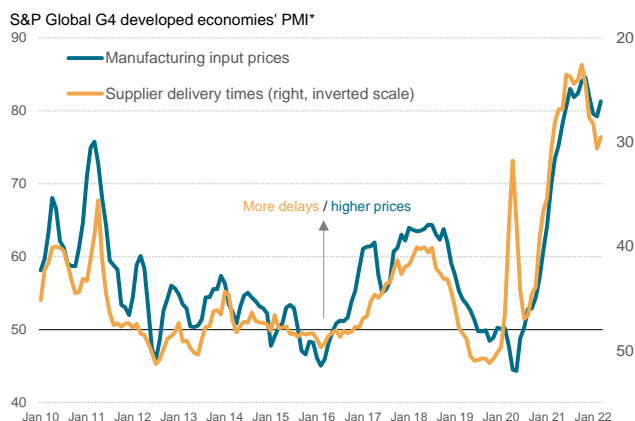
A further ramification of the Ukraine war was a worsening of supply chain delays in the eurozone, which is closest to the conflict. Having shown signs of easing in recent months, eurozone suppliers' delivery times lengthened in March to the greatest extent since last November. Delivery delays also rose in Japan, linked in part to new lockdowns in China.

More encouragingly, delivery delays eased in the US and UK, to the lowest since January 2021 and October 2020 respectively, largely due to an easing of pandemic-related supply bottlenecks. However, in all cases supply chains lengthened to degrees that have not been seen prior to the pandemic outside of unusual events, and an overall increase in supply delays across the G4 on average hints at sustained elevated material price pressures in the coming months.

Supplier delivery times



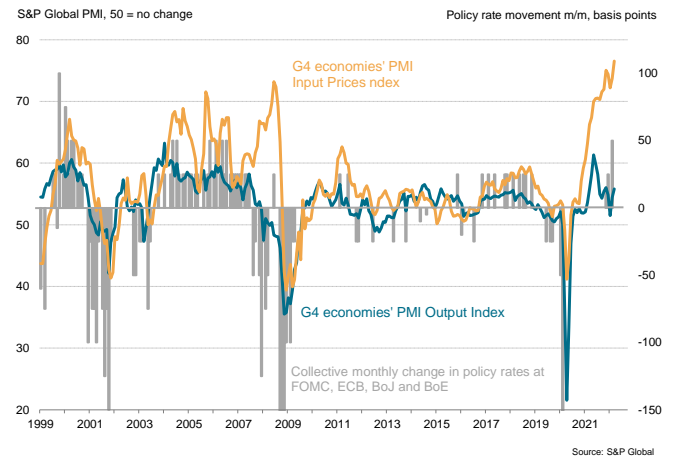
Supply delays and material prices



Policy tightening

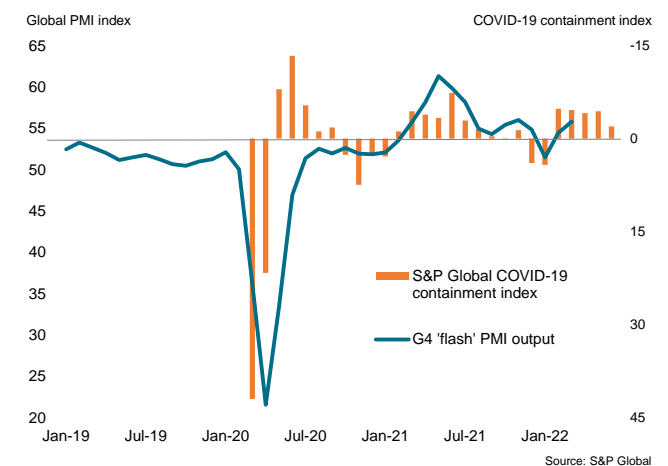
With the PMI data signalling stronger economic growth and rising inflationary pressures in March, at face value the surveys bolster the case for further monetary policy tightening, especially in the case of the US and UK.

Developed world policy rates



However, the big question for policymakers in the months ahead will be the extent to which the further reopening of economies and the fading of the pandemic provides a sufficient boost to offset the headwinds of the uncertainty and price hikes caused by the Ukraine war, as well as the existing cost of living crisis, the trend towards tighter monetary policy and reduced fiscal stimulus relative to the emergency pandemic measures. Given the slide in business sentiment captured by the surveys, the risks seem tilted towards slower economic growth but rising inflation in the months ahead.

PMI output and COVID-19 containment



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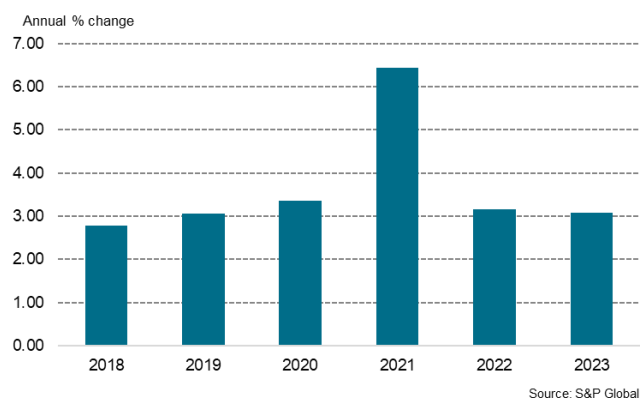
Taiwan Economy Buoyed by Strong Electronics Exports

Taiwan recorded very rapid GDP growth of 6.5% year-on-year in 2021, boosted by strong growth in electronics exports. The economic outlook for 2022 remains favorable, helped by continued strong global demand for Taiwan's exports of electronics, notably for semiconductors.

Taiwan GDP growth remains strong

Taiwan's economy grew at a very rapid pace in 2021, with annual GDP rising by 6.5% year-on-year (y/y). This was the fastest pace of annual economic growth recorded since 2010. GDP growth in the fourth quarter of 2021 was up 4.5% y/y. Taiwan's exports grew by 29.4% y/y in 2021, with the total value of merchandise exports reaching a record high of USD 446 billion. Exports of semiconductors rose by 27.1% y/y in 2021, amounting to around 28% of total merchandise exports.

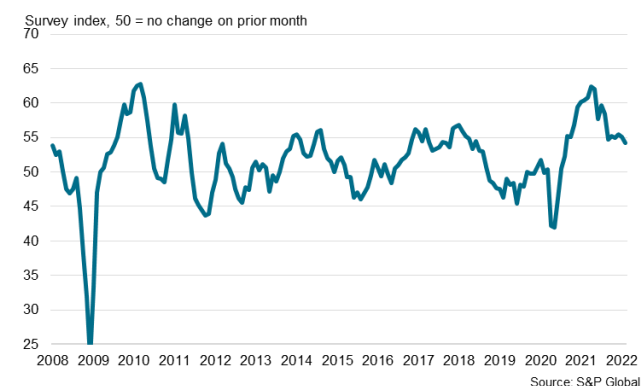
Taiwan GDP growth rate



Latest economic indicators continue to signal continued expansion in early 2022. Although the S&P Global Taiwan Manufacturing Purchasing Managers' Index® (PMI®) eased from 55.1 in January to 54.3 in February, this continued to signal strong expansionary overall business conditions for Taiwan's manufacturing sector.

Strong export orders have been a key driver of Taiwan's rapid economic growth during 2021 and early 2022. In February 2022, the value of Taiwan's exports rose by 34.8% y/y. Exports to mainland China and Hong Kong SAR grew rapidly, rising by 39.9% y/y.

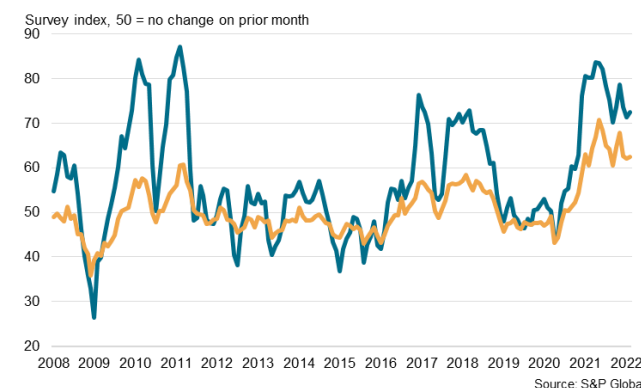
Taiwan Manufacturing PMI



Average input prices rose substantially in February, with the rate of inflation quickening slightly since January. Firms frequently cited higher costs for raw materials, logistics and shipping. As a result, output prices charged by Taiwanese manufacturers also continued to rise sharply, as strong orders allowed firms to pass on higher input costs.

Taiwan's CPI inflation rate rose to 2.4% y/y in February, with rising world commodity prices, notably for oil, LNG and coal, expected to continue to put upwards pressure on inflation in the near term. Consequently, Taiwan's central bank decided at its March monetary board meeting to increase its benchmark discount rate by 25 basis points to 1.375% from a historical low of 1.125%. This was the first rate hike since June 2011, with the most recent change to policy rates having been a rate cut in March 2020 in response to the global COVID-19 pandemic.

Taiwan manufacturing PMI input and output prices



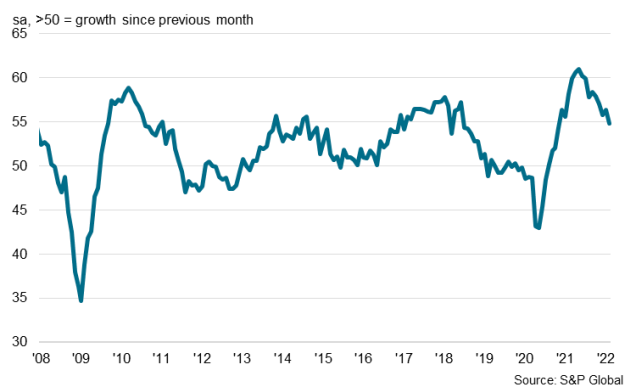
Higher amounts of new orders and input shortages led to further increases of outstanding business in February. However, the rate of backlog accumulation softened to an 18-month low, albeit still at very high historical levels. At the same time, employment rose only modestly, with some firms noting that a lack of available foreign workers had dampened recruitment plans.

Strong global demand continues to boost Taiwan's electronics industry

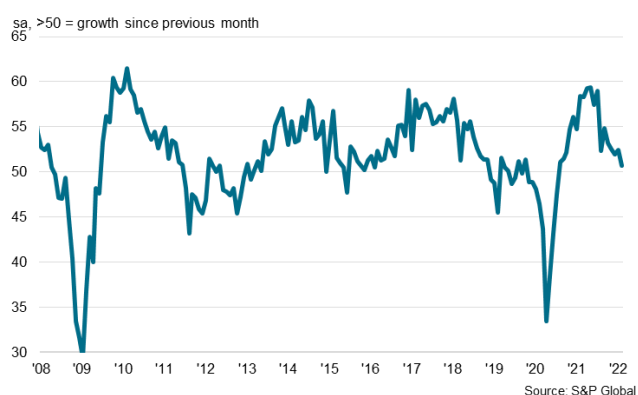
Strong global demand for electronics products has continued to boost Taiwan's electronics industry in early 2022. In February 2022, the value of Taiwan's electronics exports rose by 46.5% y/y reaching USD 15.7 billion, with semiconductors exports up 48.9% y/y.

Latest S&P Global survey data indicates that the global electronics manufacturing industry has continued to show buoyant demand conditions in early 2022, albeit moderating from recent highs. The headline Global Electronics PMI eased to 54.8 during February, down from 56.3 in January, but still signaled strong expansion in the global electronics industry. 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 Electronics PMI



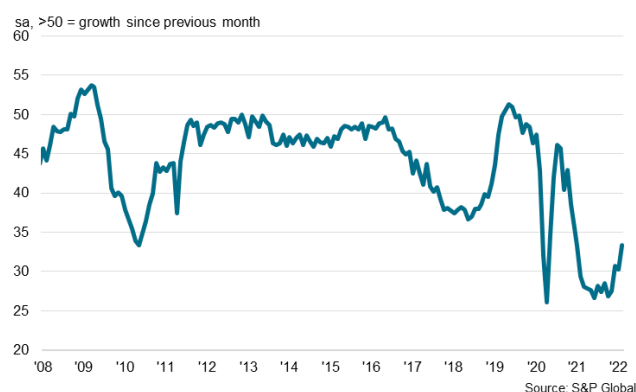
Global Electronics PMI Output Index



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.

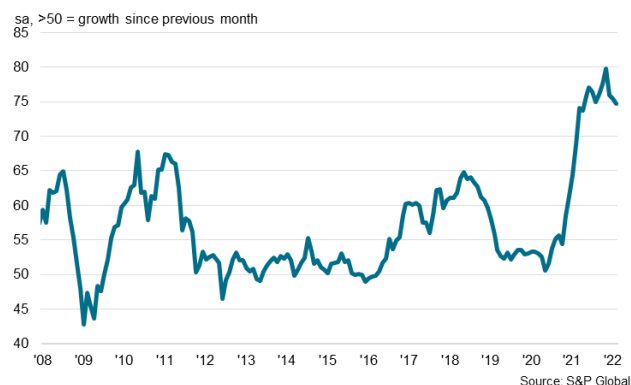
Global Electronics Suppliers' Delivery Times Index



Inflation pressures remain severe

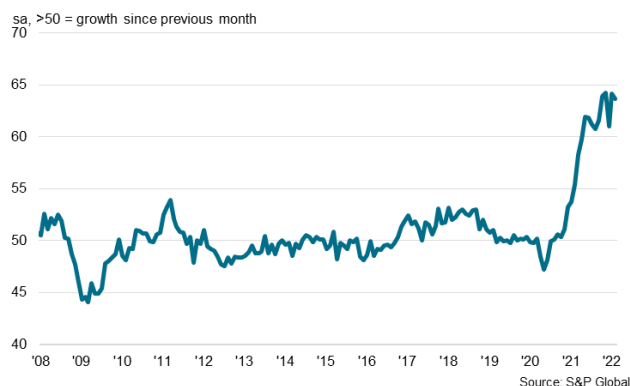
Global electronics manufacturers continue to face intense cost pressures, according to February survey data. Increases in international raw material prices and rising supplier fees were commonly mentioned reasons for sustained inflationary pressures. Overall, input costs rose at one of the steepest rates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

Global Electronics PMI Input Prices Index



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.

Global Electronics PMI Output Prices Index

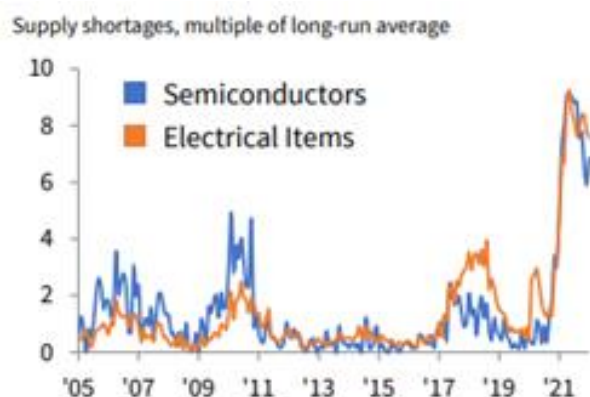


Economic outlook

After rapid economic growth in 2021, Taiwan's economy is forecast to continue to show robust expansion, underpinned by global demand for consumer and industrial electronics products and the large pipelines of unfilled new orders for electronics products. Strong new fixed investment by electronics firms will also help to drive economic growth. Consequently, Taiwan's GDP growth is forecast to be 3.2% in 2022. Although the COVID-19 pandemic remains a key downside risk to the outlook, Taiwan has achieved a high two-dose vaccination rate of 77% of the population by 22nd March 2022.

Global industry supply shortages for the semiconductors and electrical product industries still remain far above their long-run average, although these shortages showed some signs of easing in recent months.

Global Electrical and Electronics Industry Supply Shortages



Source: S&P Global

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

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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 semiconductor shortages.

The medium-term economic outlook is also supportive for the electronics industry. The outlook for electronics demand is underpinned by major technological developments, including 5G rollout 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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