Central bank meetings will be in abundance in the coming week across the eurozone, Canada, New Zealand, South Korea and Singapore. Other key economic events include US, UK, and mainland China inflation releases for March as well as US retail sales and industrial production. Also watch out for UK March GDP data while the advance Q1 GDP in Singapore offers a first look into 2022 growth conditions in the APAC region.

With the US Fed gripped firmly by inflation concerns according to the latest March Fed FOMC minutes, next week’s US CPI data will be amongst the top watched economic releases around the globe. As far as March’s PMI data suggested, US firms’ selling prices continued to climb last month, notching up the joint-sharpest rise since data collection began in October 2009. Consensus expectations similarly point to quicker inflation against the backdrop of the Ukraine war and the consequent commodity price hikes. Accompanying the CPI and PPI data updates will also be Fed comments through the week, rhetoric crucial in guiding the market with respect to their accommodative removal plans, as well as retail sales and industrial production updates to guide on economic trends in March.

More central banks are meanwhile expected to follow the Fed’s lead in taking a more aggressive policy stance the coming week. Specifically, the Bank of Canada (BoC) and Reserve Bank of New Zealand (RBNZ) are both expected to raise interest rates in the fight against inflation, with the BoC potentially delivering more than the 25-basis points moves that we have seen of late from other central banks. The European Central Bank’s (ECB) post meeting communiqué will also be crucial following recent signals of rate hike intentions, though any moves are not expected until later 2022. The Monetary Authority of Singapore’s (MAS) exchange rate settings will also be in focus.

Finally, GDP data from the UK and Singapore come at an interesting time, with both regions showing continued growth despite indications of a slowdown in global growth in March, according to the latest PMI data.

**Cost of living crisis to worsen**

The coming week sees inflation updates for the US, mainland China and the UK, which are expected to show the cost of living crisis intensifying. Worse is yet to come, as signalled by new highs for many PMI survey price indices, which showed business costs rising at a rate not seen since 2008 in March. These higher costs are being increasingly passed on to customers, leading to record rates of inflation in the US and Europe.

Perhaps of greatest concern is the soaring cost of food, the S&P Global PMI price index for which remained close to record highs again in March, with the Ukraine invasion widely expected to create additional upward pressure on agricultural commodity prices. Further increases in food cost inflation will hit the poorest the hardest. Such pressure on those with the lowest incomes adds not only to risks of demand growth weakening, but in the past has also been a catalyst of social unrest.
Key diary events

**Monday 11 Apr**
China (Mainland) CPI, PPI (Mar)
Malaysia Industrial Output (Feb)
United Kingdom monthly GDP, incl. Manufacturing, Services and Construction Output (Feb)
United Kingdom Goods Trade Balance (Feb)
Norway Consumer Price Index (Mar)
Norway Core Inflation (Mar)
China (Mainland) M2, New Yuan Loans, Loan Growth (Mar)

**Tuesday 12 Apr**
Thailand BoT Meeting Minutes (Mar)
Germany CPI Final (Mar)
United Kingdom Labour Market Report (Mar)
Germany ZEW Economic Sentiment (Apr)
India CPI (Mar)
India Industrial Output (Feb)
United States CPI (Mar)

**Wednesday 13 Apr**
*Thailand, Norway (partial) Market Holiday*
Japan Machinry Orders MM (Feb)
New Zealand Cash Rate (13 Apr)
China (Mainland) Trade (Mar)
United Kingdom Inflation (Mar)
United States PPI Final Demand (Mar)
Canada BoC Rate Decision (13 Apr)

**Thursday 14 Apr**
*Thailand, India, Norway Market Holiday*
Singapore GDP (Q1, advance)
Singapore MAS Monetary Policy Decision
United Kingdom RICS Housing Survey (Mar)
South Korea Bank of Korea Base Rate (Apr)
Australia Employment (Mar)
India WPI (Mar)
Eurozone ECB Deposit and Refinancing Rate (Apr)
United States Initial Jobless Claims
United States Retail Sales (Mar)
Canada Manufacturing Sales (Feb)
Canada Wholesale Trade (Feb)
United States Business Inventories (Feb)
United States UoM Sentiment (Apr, prelim)

**Friday 15 Apr**
*US, Canada, UK, Germany, Switzerland, Norway, Australia, Singapore, India, Indonesia, Thailand Market Holiday*
South Korea Export, Import Growth (Mar, revised)
United States Industrial Production (Mar)
United States Capacity Utilization (Mar)

什么要看

**North America: US March CPI, PPI, retail sales, industrial production data, BoC rate decision**
March consumer and producer price data out of the US will be closely watched and follows the release of the March Fed FOMC meeting minutes which signalled the Fed’s growing determination in tackling high inflation. Consensus expectations currently point to an acceleration of headline CPI from the 40-year high of 7.9% year-on-year (y/y) in February to 8.3% in March. Core CPI is likewise expected to tick up to 6.6% y/y, which could garner further concerns from a market that is already pricing in a 50-basis points (bps) interest rate hike in May. The S&P Global US Composite PMI showed output charges rising at the joint-sharpest pace since data were first available in 2009. Fed comments across the week are also expected to be in focus. US retail sales will also be eagerly assessed for signs how spending is holding up amid the soaring cost of living.

Meanwhile we anticipate the Bank of Canada to deliver a 25bps hike at its April meeting, followed by two more thereafter. Improving domestic demand conditions is expected to enable the BoC to focus on tackling inflation.

**Europe: ECB policy meeting, UK March inflation and February output data, Germany CPI and ZEW survey**
The ECB convenes in the coming week with their rhetoric in focus after having signalled intentions to potentially raise interest rates later this year despite the Ukraine war uncertainties. While we are not expecting rate hikes until Q4 2022, how aggressive the ECB may be remains a key question for the market.

UK March inflation data come into focus as well after the latest S&P Global / CIPS UK PMI indicated faster input cost inflation across both manufacturing and service sectors.

**Asia-Pacific: China inflation and trade figures, RBNZ, BoK policy meeting, Singapore MAS decision and advance Q1 GDP, Australia employment**
China release March inflation and trade figures following the Caixin PMI’s reflection of increased inflationary pressures and deteriorating export performance.

Central bank meetings in New Zealand, South Korea and Singapore will also unfold, with the RBNZ expected to raise interest rates and the MAS to make changes to the Singapore dollar NEER at the upcoming meetings.

**Special report:**
Global Growth Slows as Pandemic-reopening is Offset by Ukraine War and Omicron | Chris Williamson | page 4

Australia and India Agree New Bilateral Trade Deal | Rajiv Biswas | page 8
Recent PMI and economic analysis from S&P Global

| Global | War in Ukraine leads to drop in global business confidence | 6-Apr | Andrew Harker |
| Global | Global growth slows as boost from pandemic-reopening is offset by Ukraine war and Omicron | 6-Apr | Chris Williamson |
| Global | PMI at 18-month low as manufacturing disrupted by Ukraine war and Omicron wave | 4-Apr | Chris Williamson |
| Global | Ukraine war hits business confidence, drives price pressures to new highs | 24-Mar | Chris Williamson |
| US | US producers report strong end to first quarter despite Ukraine war impact | 1-Apr | Chris Williamson |
| Europe | 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 | 24-Mar | Chris Williamson |
| Europe | 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 | 24-Mar | Chris Williamson |
| Asia-Pacific | Off sick: wave of COVID-19 infections in Vietnam hits workforce numbers | 1-Apr | Andrew Harker |
| Commodities | Weekly Pricing Pulse: Commodity prices up as supply concerns continue | 6-Apr | Michael Dall |

S&P Global Economics & Country Risk highlights

Russia's invasion of Ukraine: The migration outlook

Over the course of the first month of Russia's invasion of Ukraine over 3.6 million refugees left Ukraine, according to the United Nations, with another 7 million people internally displaced in Ukraine. According to the United Nations High Commissioner for Refugees (UNHCR), Filippo Grandi, the current outflows of people from Ukraine represent "the fastest growing refugee crisis in Europe since World War II". 

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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Special Focus

Global Growth Slows as Boost from Pandemic-reopening is Offset by Ukraine War and Omicron

The pace of global economic growth slowed in March, according to the latest PMI data compiled for JPMorgan by S&P Global. The PMI survey data, based on panels of over 30,000 companies in 45 countries, showed output growth at its third-lowest for 18 months, with only August 2021 and January 2022 having recorded a weaker monthly expansion amid the initial spread of the Delta and Omicron variants.

Whereas the start of 2022 had seen COVID-19 containment measures tightened globally to combat the spread of the Omicron variant, February and March have seen the overall degree of containment relaxed worldwide to the lowest since the pandemic began. This easing of containment has benefitted the service sector in particular, growth of which outpaced that of manufacturing.

However, there are marked variations in the degrees of containment around the world, which are driving divergences in economic growth, and it is evident that high levels of infections and health-related precautions are continuing to subdue global growth. The war in Ukraine has meanwhile compounded some of the supply chain and inflationary impacts of the pandemic and also hit business confidence, which adds to downside growth risks in the coming months.

Output slows despite easing restrictions

The JPMorgan Manufacturing Purchasing Managers’ Index™ (PMI™), compiled by S&P Global, fell from 53.5 in February to 52.7 in March. The drop in the index signals the weakest pace of economic growth since September 2020 with the exception of the steep slowdowns in growth seen in August last year and at the start of 2022, when the Delta and Omicron waves led to new COVID-19 containment measures, most notably in the US, Europe and India. While measures in these countries have since been relaxed again, boosting economic activity in US, UK, Eurozone and India (as well as in Brazil), the further spread of the Omicron wave has led to tighter restrictions elsewhere, in particular China.

Global output and changes in COVID-19 containment

Thus, while PMI surveys indicated accelerating and strong growth in the US, UK, India and Brazil in March – fuelled in most instances by resurgent service sector growth as travel and other health-related restrictions were relaxed or removed, new lockdowns within mainland China led to a collapse of activity only exceeded in the survey’s 18-year history by that seen during the initial COVID-19 lockdowns in February 2020.
War hits Europe

The Ukraine invasion and resulting sanctions has meanwhile led to a steep downturn in the Russian economy. With the exception of the initial months of the pandemic, the contraction of business activity in Russia during March was the steepest since the height of the global financial crisis.

The Russia-Ukraine war also affected growth in the eurozone and neighbouring eastern European countries through a combination of aggravated supply bottlenecks, higher costs (notably for energy) and subdued spending due to increased risk aversion. Eurozone growth consequently lost a little momentum, with manufacturing especially disrupted by the impact of the war to register the weakest expansion so far in the pandemic recovery, offsetting an acceleration of service sector growth.

Near-record rise in backlogs of work

The March surveys also found backlogs of work to have risen globally at a rate not witnessed since May 2004, as service providers and manufacturers alike increasingly struggled to meet demand, in turn predominantly linked to materials or labour shortages.

Rising backlogs were most commonly reported in the US – where a record increase was associated with global supply shortages being exacerbated by domestic logistics issues – and across the Eurozone, where the war compounded existing supply bottlenecks.

Backlogs of work

Global PMI Index, 50 = no change on prior month

PMI output growth

Composite PMI Output/Business Activity Index

- US
- Eurozone
- UK
- Japan

Sources: S&P Global, CIPS, au Jibun Bank

Composite PMI Output/Business Activity Index

- China
- India
- Brazil
- Russia

Sources: S&P Global, Caixin

Composite PMI, backlogs of work (manufacturing and services)

- US
- France
- Eurozone
- Global
- Germany
- Spain
- Italy
- UK
- Japan
- China
- Brazil
- Russia

Sources: S&P Global, JPMorgan, CIPS, au Jibun Bank, BME, AERCE, Caixin.
Unprecedented impact of supply bottlenecks

Although the number of companies reporting output to have been constrained by staff shortages has fallen globally since peaking in January at the height of the initial Omicron wave, labour constraints clearly remain elevated by historical standards. The number of companies reporting output to have fallen due to a lack of raw materials or other supplies has meanwhile risen to the highest in the 25-year history of the survey.

Prices rise as demand exceeds supply

The combination of demand reviving, as many of the world's major economies continue to reopen from pandemic-related restrictions, and ongoing supply constraints, both in the form of labour and input supplies, led to further upward pressure on prices – with the Ukraine invasion aggravating the supply shock. Soaring energy prices, rising wages, and broader supplier-driven price hikes were widely reported. Average input costs across both manufacturing and services consequently rose globally at the steepest rate since July 2008. Average prices charged for goods and services also rose at the fastest rate recorded since comparable data were first available in 2009, signalling a further pass-through of higher costs to customers, with rates of inflation rising in both manufacturing and services.

Optimism deteriorates

Russia's invasion of Ukraine has also hit business confidence across much of the world, the impact spreading much further than Europe to represent a bigger jolt to worldwide business optimism than anything recorded over the last decade with the sole exception of the onset of the pandemic.

Of the 45 countries for which PMI data are available around the world, some 84% saw confidence about the outlook decline between February and March. While most of the largest downgrades to expectations were seen in European countries, where the economic links to Russia and Ukraine are strongest, downturns in business confidence were seen in the US and Japan as well as all four 'BRIC' emerging markets, with respondents commonly citing the escalating geopolitical uncertainty and the additional supply or price shocks emanating from the Ukraine invasion to have darkened the outlook.
The survey data therefore point to global economic growth being buoyed by the further reopening of economies from the pandemic, but reveal an overriding concern that the Ukraine war and ongoing impact of COVID-19 – most notably in China, which is pursuing a 'zero-COVID' policy, is subduing the overall pace of expansion while simultaneously adding to global inflationary pressures. The key question for the coming months will be the extent to which the fading effect of the pandemic will offset the headwinds from inflation and the effects of the Ukraine-Russia war, as well as the intensifying pressures for central banks to tighten monetary policy in order to restrain inflation expectations. At present, growth is proving encouragingly resilient, but the March survey data indicate that risks have tilted to the downside.

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Special Focus

Australia and India Agree New Bilateral Trade Deal

On 2nd April 2022, Australia and India signed a new Economic Co-operation and Trade Agreement (ECTA) which will substantially liberalize bilateral trade flows. The trade deal is an important strategic step for Australia towards the long-term diversification of its export markets. India is already the sixth largest economy in the world and the third largest in the Asia-Pacific region.

For India, the ECTA is also an important new initiative for liberalizing its trade flows with other APAC nations, following India’s decision not to proceed with negotiations to join the Regional Comprehensive Economic Partnership (RCEP) mega trade deal. Australia-India bilateral trade in goods and services is already substantial, having reached USD 27.5 billion in 2021.

New ECTA trade agreement

Bilateral negotiations between Australia and India for a free trade agreement had originally started in 2011 but were suspended in 2015 due to lack of progress after nine rounds of negotiations. However, strengthening bilateral ties in recent years, driven by the Prime Ministers of both nations, allowed the restart of trade negotiations in September 2021. This has delivered an interim ECTA agreement in a remarkably short timeframe of around six months. Negotiations for a full ECTA are planned to start in mid-2022, including for a new digital trade chapter and a government procurement chapter.

Under the interim agreement, Indian tariffs will be eliminated on 85% of Australian goods exports to India immediately, with this share rising to 91% over ten years. Australian tariffs will be immediately eliminated on 96% of Indian goods exports to Australia, including for textiles, leather and furniture. India’s Commerce and Industry Minister Piyush Goyal has set out a vision for bilateral trade flows between India and Australia to reach USD 100 billion by 2030, which would be around four times higher than current bilateral trade flows.

Australian commodities exports are important beneficiaries from the new agreement, with tariffs on Australian LNG exports to India bound at zero percent. Tariffs will be eliminated for Australian exports to India of coal, alumina, metallic ores, including manganese, copper and nickel; and critical minerals including titanium dioxide and zirconium.

However, Australia’s opportunities to increase exports in the minerals sector are not limited to exports of physical commodities. Australia will also benefit from opportunities to export mining equipment, technology and services as well as mining consultancy services, exploration technologies; mining software; and environmental technologies and safety equipment.

Australia also has significant agricultural exports to India, including a 20% share of the market for sheep meat. The new agreement will eliminate tariffs on Australian exports of sheep meat and wool to India, which is already the third largest global market for Australian wool. Australia will also benefit from tariff reduction or elimination for a wide range of other agricultural exports to India.

Indian manufacturing sector rebounds

Once the new ECTA is implemented, which is expected during 2022, it should provide a near-term boost to bilateral trade flows. This will be helped by the economic recovery underway in India and the considerable complementarities in bilateral trade.

The Indian manufacturing sector has shown a strong rebound from the severe economic downturn caused by the COVID-19 pandemic in 2020. The near-term outlook is for continued economic recovery during 2022, with India's COVID-19 vaccination rollout having helped to mitigate the impact and severity of the pandemic in recent months. This will help to support demand for Australian raw materials imports. For example, Indian imports of Australian metallurgical coal rose by 27.6% y/y in 2021, as Indian steel production rebounded after pandemic-related lockdown restrictions were eased.

Latest PMI survey data from Indian industry signal economic recovery is continuing in early 2022. The seasonally adjusted S&P Global India Manufacturing Purchasing Managers’ Index® (PMI®) was at 54.0 in March, indicating continued firm
expansion in the manufacturing sector, albeit it slightly below the February reading of 54.9.

**India Manufacturing PMI**

Survey index, 50 = no change on prior month

[Graph]

Indian manufacturers increased purchasing of inputs in March, reflecting the positive rate of expansion, helped by stock-building.

Over the medium term, as the sophistication of Indian manufacturing products continues to strengthen in sectors such as electronics, pharmaceuticals and autos, Australia will be a significant export market opportunity as one of the largest Asia-Pacific economies.

**Long-term outlook for Australia-India bilateral trade**

**Australia's Trade Policy Perspectives:** Mainland China has become by far the largest export market for Australia, accounting for 39 per cent of Australia's total goods exports by 2019-20, according to the Australian Bureau of Statistics. The importance of mainland China as an export market for Australia has increased dramatically over the past two decades, with Australian exports of goods and services to mainland China having grown from just AUD 8.8 billion in the 2000-01 financial year to AUD 168 billion in the 2019-20 financial year.

Consequently, Australia has become increasingly vulnerable to trade sanctions by China on its exports. Due to escalating frictions on a wide range of issues, bilateral trade tensions between mainland China and Australia have increased significantly since 2020.

A key strategic priority for Australian trade policy over the next decade is therefore to diversify its export markets, to reduce the current high geographic concentration of exports to mainland China.

Australia has a growing network of free trade agreements with key trade partners, including through Australia's membership of the RCEP and CPTPP, which will help Australia's export diversification. Despite the tremendous challenges of significantly diversifying its export markets, Australia will benefit from its proximity to many large consumer markets across the Asia-Pacific region. One important recent FTA is the bilateral free trade agreement with Indonesia, the Indonesia-Australia Comprehensive Economic Partnership Agreement, which is expected to significantly improve market access for Australian exports to this nation, which is one of the world's largest emerging markets.

**India & Australia GDP size, 2010-2030**

The new ECTA trade deal will provide a springboard for Australian exporters to access the Indian market. India is already the world's sixth largest economy, with GDP estimated at around USD 3.2 trillion in 2021, with its consumer market forecast to grow strongly over the next decade. India's GDP is already double the size of Australian GDP, which was estimated at USD 1.6 trillion in 2021. By 2030, India GDP is forecast by S&P Global Market Intelligence to rise to USD 8.3 trillion, more than triple the size of Australia's economy by that time.

Based on the long-term GDP forecast, India will become the world's third largest economy by 2030, overtaking the UK.
Germany and Japan. Consequently, the ECTA trade deal strategically positions Australia to be a key trade partner as India’s economy ascends to being one of the world’s top three economies. The Australian government projects that India could become one of Australia’s top three global export markets by 2035. India is expected to be a fast-growing market for Australian goods exports of energy, minerals and agricultural products.

India’s rising per capita GDP over the next two decades will also make it a fast-growing market for Australian exports of education and tourism. As India’s GDP per capita moves above the USD 5,000 per capita threshold by 2030, this is expected to trigger rapid growth in demand from upper middle class urban households in India for Australian tourism and education services.

India, which had been one of the nations involved in the RCEP negotiations at an earlier stage, eventually decided in 2019 not to join the RCEP deal. India’s decision not to join the RCEP deal reflected considerable domestic concerns amongst political parties as well as industry groups in India about the potential economic shocks to Indian industries from dismantling tariff barriers for trade with the other RCEP member nations.

While India would likely have benefited from many parts of the RCEP agreement, such as the common rules of origin provisions, India finally decided that the net costs outweighed the potential benefits for the Indian economy. A particular concern was that India’s manufacturing sector could face a flood of low-cost manufacturing imports from other RCEP countries that would result in the loss of Indian manufacturing jobs to East Asian countries. This became a highly charged political issue in India eventually resulting in the Indian government decision not to proceed with RCEP negotiations. This was very similar to what played out in the US over the TPP trade agreement, which triggered a political backlash during the 2016 US Presidential Election over fears that US jobs would be lost to Asian countries.

Consequently, the ECTA shows an important success for India’s bilateral approach to trade liberalization with Asia-Pacific economies. Australia’s resources-rich economy offers considerable trade complementarities for India, with a wide range of minerals and agricultural commodities that will provide important raw materials for India’s industrial development and rapidly growing consumer market.

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India’s Trade Policy Perspectives: For India, the ECTA trade deal is an important bilateral trade liberalization agreement with one of the Asia-Pacific’s largest economies. This is a particularly important milestone since India decided not to continue negotiations to join the RCEP mega trade deal for Asia-Pacific economies.
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