

Week Ahead Economic Preview

US, eurozone Q1 GDP data and China's manufacturing PMI release

22 April 2022

A string of Q1 GDP data will be released in the coming week across the **US, eurozone**, South Korea and Taiwan. The **Caixin China General Manufacturing PMI** will also offer a first look into China's manufacturing health amid the latest COVID-19 disruptions. The **flash eurozone inflation** reading will also be eagerly awaited while Australia and Singapore CPI figures will likewise be released. The Bank of Japan meanwhile convenes and updates their forecast figures.

As the equity markets continue to grapple with the implication of higher inflation amid the string of Q1 earnings releases, we see next week offering some return of the focus to fundamentals with a series of tier-1 economic data updates. Specifically, both the US and eurozone will release flash estimates for first quarter GDP, a period that had seen easing COVID-19 restrictions and the Ukraine war having had mixed effects upon growth. The extent of slowdown from the fourth quarter of 2021 amid increasingly uncertain conditions will be watched.

Flash inflation data from the eurozone will also be due in the week following the S&P Global Flash Eurozone Composite PMI release, which offers a first look into the price trends in April. The inflation update comes as ECB policymakers are increasingly worried about anchoring inflation expectations. Likewise in Australia and Singapore, inflation numbers will be updated with particular focus on the Australia Q1 CPI given recent remarks from the Reserve Bank of Australia with regards to faster inflation and the potential for quicker rate-rises.

In APAC, China's COVID-19 conditions remain severe and the April China Manufacturing PMI will offer the earliest insights into manufacturing sector conditions amid persistent stringent measures to deal with the spread of the Omicron variant. The Bank of Japan will be the sole central bank meeting held in this part of the world. Although no changes are expected on the monetary policy front, the central bank's projections will be closely scrutinised.

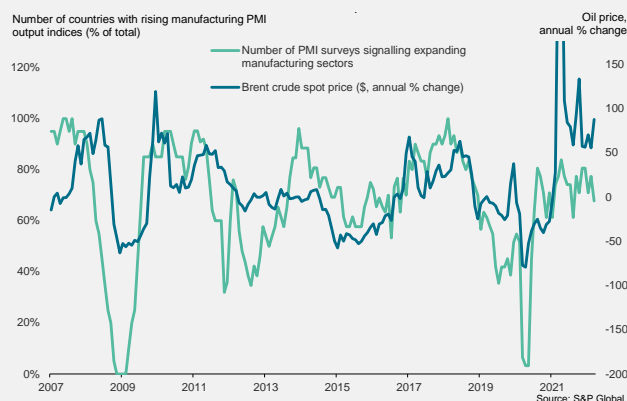
European inflation on the rise as Ukraine war adds to price pressures

After the latest flash PMI surveys showed elevated inflation pressures persisting into April, the heat on policymakers at European central banks has turned up. The survey data showed an unprecedented rise in average prices charged for goods and services across the eurozone, and the UK recorded the second-highest ever rise, with April's jump only exceeded over the past two decades by that seen in March. Existing pandemic related price pressures have been exacerbated by the impact of the Ukraine war, most notably via energy prices.

This week's official inflation update for the eurozone is therefore likely to bring further bad news. The PMI data out of China will also be eagerly assessed, as traders and policymakers seek to gauge the likely impact of China's latest lockdowns on trade and supply chain delays over the coming months, which could add to global price pressures.

One potential source of easing price pressures could come from oil. While the Russia-Ukraine war has put upward pressure on oil and energy costs, it is possible that some alleviation of this upward pressure could come from a slowing in the global manufacturing economy. As our chart below shows, the oil price has risen far more than is consistent with the current global manufacturing expansion, with March's PMI data showing just two-thirds of all economies covered by the PMIs to be reporting rising output, down from over 80% at the end of last year. If this weakness spreads further, prices for commodities such as oil may only be deviating further from demand fundamentals.

Oil prices and the global manufacturing expansion



Key diary events

Monday 25 Apr

Australia, New Zealand Market Holiday
Thailand Manufacturing Production (Mar)
Singapore CPI (Mar)
Germany Ifo Business Climate (Apr)
Taiwan Industrial Output (Mar)

Tuesday 26 Apr

South Korea GDP (Q1, advance)
Japan Unemployment Rate (Mar)
Singapore Manufacturing Output (Mar)
United States Durable Goods, New Home Sales (Mar)
United States Consumer Confidence (Apr)

Wednesday 27 Apr

Australia CPI (Q1)
Germany GfK Consumer Sentiment (May)
United States Pending Sales Change (Mar)

Thursday 28 Apr

New Zealand Trade Balance (Mar)
Japan Industrial Output, Retail Sales (Mar)
Australia Export and Import Prices (Q1)
Taiwan GDP (Q1, prelim)
Eurozone Business Climate, Consumer Confidence (Apr)
Germany CPI (Apr, prelim)
United States GDP Advance (Q1)
United States Initial Jobless Claims
Japan JP BOJ Rate Decision (28 Apr)

Friday 29 Apr

Japan, Indonesia Market Holiday
South Korea Industrial Output (Mar)
Australia PPI (Q1)
Germany Import Prices (Mar)
United Kingdom Nationwide House Price (Apr)
Switzerland Retail Sales (Mar)
Germany GDP (Q1, flash)
Thailand Current Account (Mar)
Norway Unemployment (Apr)
United Kingdom Mortgage Lending and Approvals (Mar)
Eurozone HICP (Apr, flash)
Eurozone GDP Flash Prelim (Q1)
United States Personal Income and Consumption (Mar)
United States Core PCE Price Index (Mar)
Canada GDP (Feb)
United States UoM Sentiment (Apr, final)

Saturday 30 Apr

China (Mainland) NBS Manufacturing PMI (Apr)
China (Mainland) Caixin Manufacturing PMI* (Apr)

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

What to watch

North America: US Q1 GDP, personal income and consumption, Canada February GDP

The first estimate of US Q1 GDP will be released next week with the consensus pointing to 1.0% growth for the first three months of 2022. That said, our US economics team is expecting a below-consensus print. Recent data pointed to a weaker performance in the months immediately preceding the Russian invasion of Ukraine, leading to expectations for a sharp slowdown of GDP growth from the strong 6.9% annualised pace registered previously. March personal income and consumption data will also be released, as well as durable goods orders, consumer confidence and new home sales.

Canada's February GDP will also be due with recent manufacturing PMI data having indicated that operating conditions strengthened on the back of solid output growth.

Europe: Eurozone Q1 GDP, April flash HICP, German Ifo

Eurozone Q1 GDP will also be updated in the coming week alongside Germany's flash Q1 GDP figures. First quarter growth performance will be closely watched given the spill over effects from the Russia-Ukraine conflict. March PMI data showed that, while growth persisted, overall growth momentum fell as business sentiment slumped alongside rising prices on the back of the Ukraine war.

Perhaps more importantly for monetary policy, flash April inflation figures from the eurozone will be released on Friday.

Asia-Pacific: China manufacturing PMI, BoJ meeting, Australia, Singapore CPI, South Korea, Taiwan GDP

In APAC, China's manufacturing PMI will be due in the coming week commencing with the Caixin Manufacturing PMI and NBS Manufacturing PMI released over the weekend. March's [Caixin Manufacturing PMI](#) slipped below the 50.0 neutral point to show the steepest contraction since the initial months of the pandemic. Whether the trend persists with continued Omicron impact on mainland China will be key to watch with the upcoming release.

The Bank of Japan (BoJ) convenes in the coming week though no change to monetary policy is expected for the central bank that remains committed to their ultra-loose monetary policy stance, even as many of their developed economies' peers proceed to raise rates.

Special reports:

Eurozone Growth Accelerates as Reviving Services Demand Offsets Near Stalling of Manufacturing, but Prices Rise at Record Rate | Chris Williamson | [page 4](#)

APAC Electronics Sector Moderates as Global Headwinds Hit | Rajiv Biswas | [page 7](#)

Recent PMI and economic analysis from S&P Global

Global	Tide of rising prices stems economic recovery in Sub-Saharan Africa	8-Apr	David Owen
	Inflation outlook worsens as PMI data show steepest rise in global business costs since 2008	7-Apr	Chris Williamson
	Monthly PMI Bulletin: April 2022	7-Apr	Chris Williamson, Jingyi Pan
	War in Ukraine leads to drop in global business confidence	6-Apr	Andrew Harker
	Global growth slows as boost from pandemic-reopening is offset by Ukraine war and Omicron	6-Apr	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
Asia-Pacific	Easing COVID-19 disruptions boost private sector output in Japan and Australia but business confidence declines on inflation concerns	22-Apr	Jingyi Pan
	Off sick: wave of COVID-19 infections in Vietnam hits workforce numbers	1-Apr	Andrew Harker
Commodities	Weekly Pricing Pulse: Commodity prices stay flat despite excitement in energy markets	20-Apr	Tal Dickstein

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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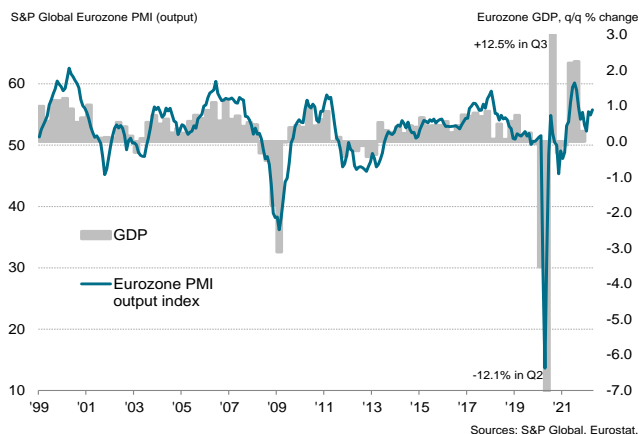
Special Focus

Eurozone Growth Accelerates as Reviving Services Demand Offsets Near Stalling of Manufacturing, but Prices Rise at Record Rate

Eurozone economic growth accelerated in April as a rebounding service sector, benefitting from loosened COVID-19 restrictions, helped compensate for a near-stalling of manufacturing output. Hiring also picked up and business expectations for the year ahead lifted from March's 17-month low, albeit with confidence remaining subdued by recent standards as concerns over the Ukraine war, rising prices and the lingering effects of the pandemic continued to dampen optimism, especially in manufacturing. Prices charged for goods and services meanwhile rose at an unprecedented rate in April amid another near-record rise in firms' costs, hinting that inflation has further to rise.

Business growth accelerates

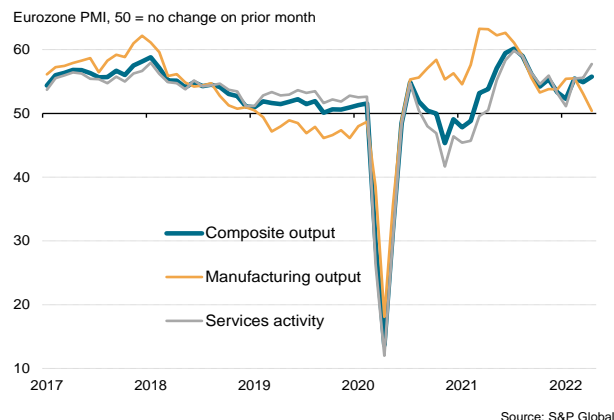
S&P Global Eurozone PMI and GDP



The S&P Global Eurozone PMI® Composite Output Index rose from 54.9 in March to 55.8 in April, according to the preliminary 'flash' reading, signalling the strongest rate of expansion since last September and confounded consensus expectations of the economy slowing during the month. The

latest reading is broadly indicative of GDP rising at a solid quarterly rate of just under 0.7%.

Manufacturing and service sector output growth



Service sector buoyed by looser restrictions

Growth trends varied markedly by sector. Business activity among service providers rose at the fastest rate since last August amid falling COVID-19 case numbers and an associated relaxation of health restrictions. April has seen virus containment measures relaxed across the eurozone to the loosest since the start of the pandemic, according to S&P Global's COVID-19 Containment Index.

Eurozone services output v. official data



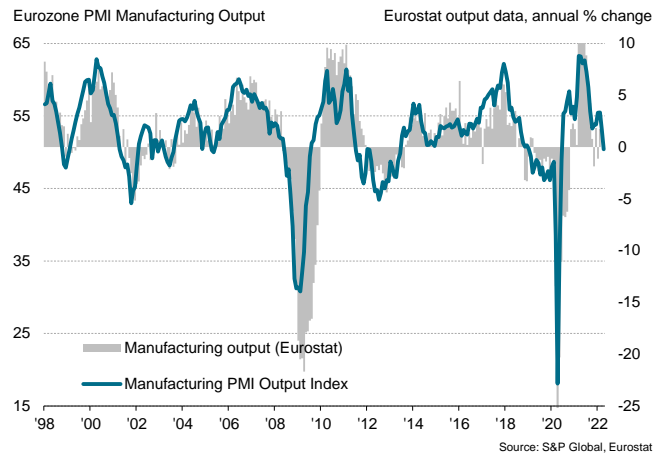
The service sector upturn was led by a boom in tourism & recreation activity, which reported an unprecedented surge in business activity.

Manufacturing close to stalling

In contrast, manufacturing output growth came close to stalling in April, registering the smallest monthly expansion

since the initial pandemic downturn during the second quarter of 2020. The autos sector was particularly hard hit, recording a steepening and marked loss of output, though all other major manufacturing sectors barring tech equipment reported either slower growth, stagnation or outright falls in output.

Eurozone manufacturing output v. official data



Many companies suffered production curbs due to ongoing supply constraints, with April seeing further widespread reporting of longer supplier delivery times. Disruptions emanating from the Ukraine war and fresh lockdowns in China exacerbated existing supply issues.

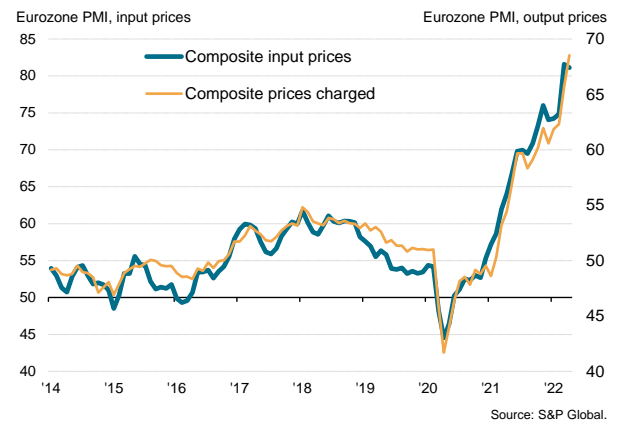
However, demand was also reported to have cooled in the manufacturing sector. New orders for goods rose at the weakest rate since June 2020, registering only a modest increase. Lost orders were blamed on soaring prices, the cost of living squeeze and signs of increased risk aversion due to the Russia-Ukraine war, as well as the shift of spending to service sector activities.

Prices rise at new record rate

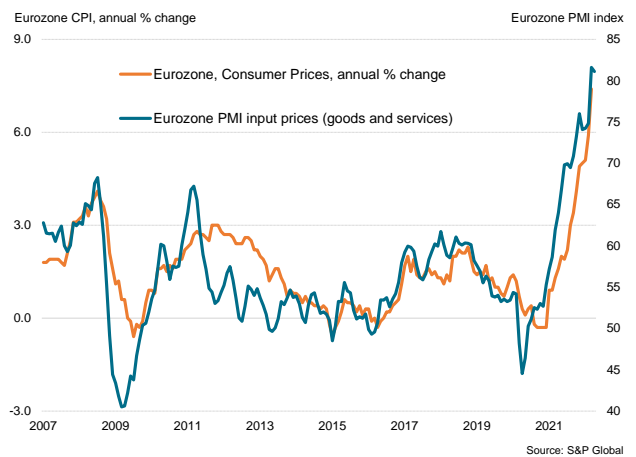
Although input cost inflation eased slightly, the rise was still the second largest ever recorded by the survey since comparable data were first available in 1998, led by a new record high in Germany. In addition to rising raw material prices, firms widely reported upward pressure on costs from energy and wages.

Higher costs were passed on to customers resulting in the largest rise in prices charged for goods and services yet recorded by the survey, the rate of increase accelerating markedly from the prior all-time high seen in March. New record rates of inflation were seen for both goods and services.

Input costs and selling prices



PMI input prices and eurozone CPI inflation



Outlook

Future output expectations



Despite increasing inflationary pressures, supply chain disruptions and the war in Ukraine, business optimism about

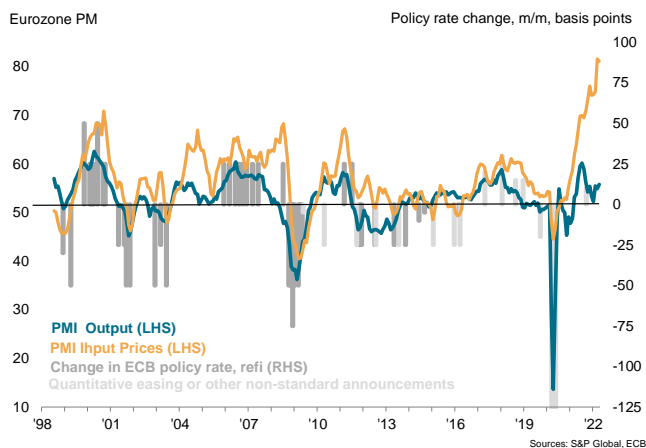
the year ahead improved slightly compared to March, albeit remaining considerably gloomier than at the start of the year.

The brightening picture was led by the service sector, principally reflecting hopes of further growth benefits from pent up demand from the pandemic. While optimism also picked up in manufacturing, prospects in the factory sector remain far bleaker than seen over the past two years.

The eurozone has therefore started the second quarter on a stronger than anticipated footing, confounding consensus expectations of a slowdown. However, the weakness of the manufacturing sector is a major concern as it points to an economy that is not firing on all cylinders. Similarly, the ever-rising cost of living suggests that service sector growth could cool sharply once the initial rebound from the opening up of the economy fades, especially if business confidence fails to revive.

Policymakers may nevertheless tilt to a more hawkish stance, reflecting the persistence of unprecedented inflationary pressures at a time of encouragingly robust economic growth.

Eurozone PMI prices and output vs. ECB policy decisions



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Special Focus

APAC Electronics Sector Moderates as Global Headwinds Hit

The global electronics industry has experienced some moderation in growth momentum during recent months. This reflects a number of headwinds related to both demand and supply factors. Tighter COVID-19 containment measures have contributed to weaker consumer demand in China, with a number of Chinese cities and districts in temporary lockdown during March. The global electronics industry also continues to struggle with protracted supplier delivery times and pricing pressures for critical materials.

Despite these headwinds, electronics exports from major Asia-Pacific (APAC) economies have remained very strong in early 2022, helped by continued buoyant demand in key global markets. Large backlogs in deliveries of new orders for electronics products are expected to underpin expansion in the global electronics industry during 2022.

APAC electronics exports remain buoyant

Electronics exports have shown strong growth in a number of major APAC electronics manufacturing hubs in the first quarter of 2022. South Korea's exports of information and communications technology (ICT) goods grew by 33.6% to USD 23.3 billion in March 2022. ICT exports accounted for 36.6% of South Korean merchandise exports in March. Exports of semiconductors rose by 38% year-on-year (y/y) in March, boosted by exports of memory chips, which rose 34% y/y while exports of system chips rose by 54% y/y. Exports of displays also showed rapid growth of 45% y/y, as exports of OLED panels grew by 69% y/y.

In Japan, exports of semiconductors rose by 16% y/y in March. Taiwan's export orders rose by 16.8% y/y in March, boosted by a 31.7% y/y rise in export orders for electronics products and a 23.3% y/y rise in export orders for telecommunications products. The value of exports of electronics products reached USD 18.2 billion in March, up 35.6% y/y.

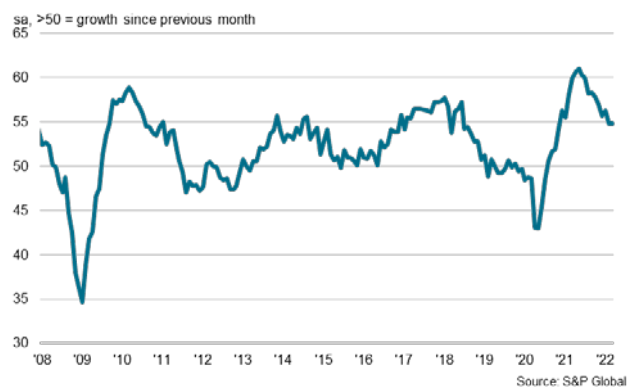
Southeast Asian economies also recorded strong growth in electronics exports in March 2022. In Singapore, electronic exports grew by 11.5 per cent y/y in March 2022. Singapore's exports of integrated circuits grew by 21% y/y in March, while exports of disk drives rose by 70% y/y. In

Malaysia, exports of electrical and electronics products grew by 33% y/y in March 2022, accounting for around 40% of total merchandise exports.

Global electronics manufacturing continues to expand

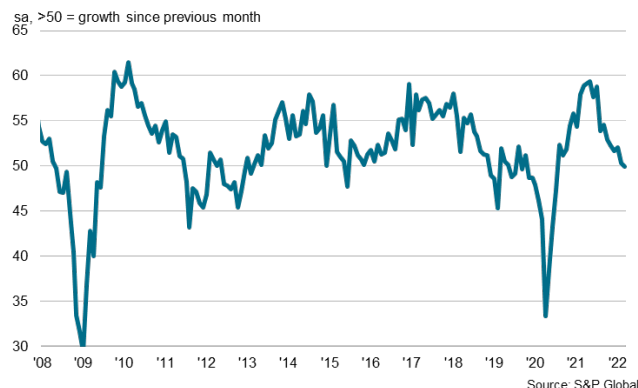
The global electronics manufacturing industry has continued to show expansion in the first quarter of 2022, albeit moderating from recent highs. The latest survey results for March continued to show positive expansionary conditions for global electronics producers. The headline seasonally adjusted PMI in March was unchanged from February's 15-month low, recording 54.8 for a second month in a row.

S&P Global Electronics PMI



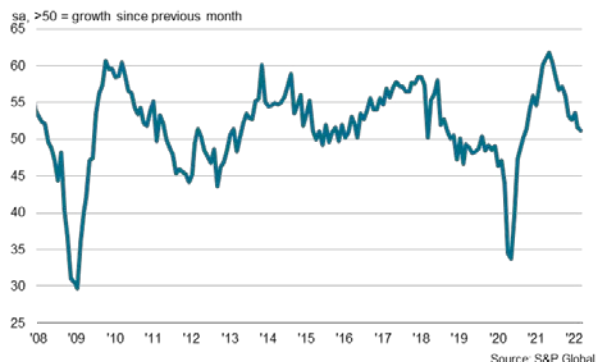
However, for the first time since July 2020, the survey of global electronics producers recorded a decline in output, as raw materials and component shortages were compounded by staff absences due to COVID-19. The Electronics PMI Output sub-index moderated to 49.9 in March compared to 50.7 in February, dipping slightly below the neutral mark. Some companies surveyed reported that restrictive COVID-19 measures in China, including lockdowns in some major cities, impacted on demand. Although new orders increased in March, the rate of growth was the weakest for 18 months.

S&P Global Electronics PMI Output Index



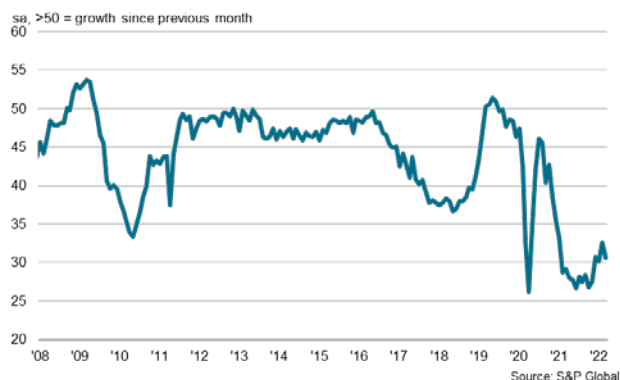
The latest survey data for March signalled continued positive growth in new orders at global electronics producers, albeit the pace of expansion has moderated significantly in recent months. In March, the rate of expansion in new orders was the slowest for a year-and-a-half, reflecting weaker demand in China due to pandemic-related restrictions, as well as the impact of Russia's invasion of Ukraine and the associated uncertainty of war, which weighed on consumer sentiment and demand in some markets.

S&P Global Electronics PMI New Orders 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.

S&P Global Electronics Suppliers' Delivery Times Index



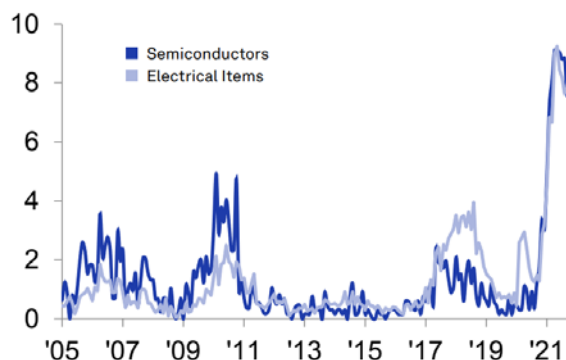
There were sustained pressures on global electronics supply chains during February, as signalled by the seasonally adjusted Suppliers' Delivery Times Index posting 33.4, far below the 50.0 no-change mark. The supplier delivery times continued to be very protracted, with firms primarily attributing this to insufficient inventories levels at suppliers.

However, average lead times narrowed somewhat, to the shortest for 14 months amid reports of easing bottlenecks.

Industry supply shortages for the semiconductors and electrical products industries remained far above their long-run average. Although there had been some early signs of easing pressures, the latest survey data indicates a renewed upturn in supply shortages following the latest COVID-19 restrictions in some parts of China.

Global electrical and electronics industry supply shortages

Supply shortages, multiple of long-run average

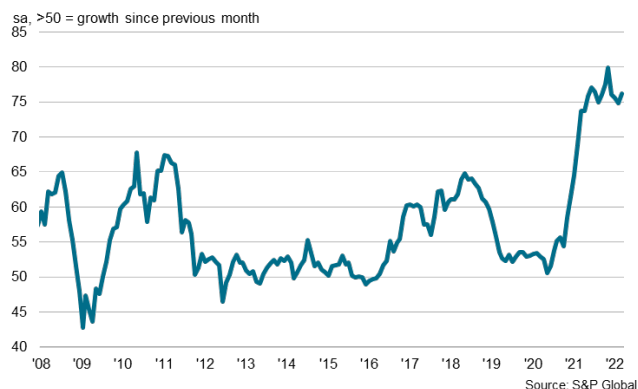


Source: S&P Global

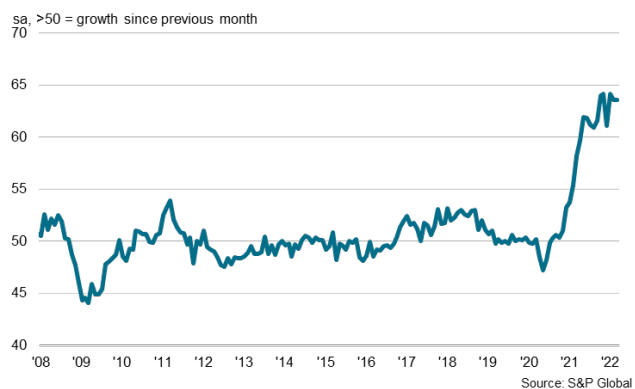
Input price pressures escalate further

Global electronics manufacturers continue to face intense cost pressures, having recorded another steep monthly increase in their input costs during March. The Input Prices PMI sub-index rose to 76.2 in March, compared with 74.7 in February, accelerating to a four-month high. This reading was among the fastest in the series history, which commenced in 1998. There were widespread reports of increasing raw material prices due to substantial supply and demand imbalances. Plastics, chemicals, electronic components, metals, energy and oil were all widely cited by firms as sources of rising input prices. Reflecting rising input costs, prices charged by global electronics manufacturers increased sharply in March. Approximately 30% of companies lifted their output prices, compared with less than 2% that offered discounts.

Input Prices Index



Output Prices Index



Electronics sector outlook

A number of headwinds are impacting upon the near-term outlook for the APAC electronics industry. The protracted lockdown in Shanghai is expected to continue to dampen demand in China during April, after China's retail sales contracted by 3.5% year-on-year in March due to COVID-19 related restrictive measures in a number of other Chinese cities.

However, despite headwinds, prospects for the global electronics industry are for continued expansion, as signalled in the March S&P 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 global economic expansion forecast over 2023-2024. 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 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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