

Week Ahead Economic Preview

US, China retail sales and production data, plus UK inflation and jobs

13 May 2022

The week ahead finds a busy economic calendar alongside a series of **Fed appearances** which remain in focus given uncertainties over the pace of monetary policy tightening. Both **US and China** will update **retail sales and industrial production** figures for April, providing insights into second quarter GDP performances. In Europe, **eurozone Q1 GDP and inflation** numbers will be due. Meanwhile **UK inflation and labour market data** will be released to add clues as to the challenges facing the Bank of England. **GDP** data releases from some **Japan**, Thailand and Singapore are also lined up for the week.

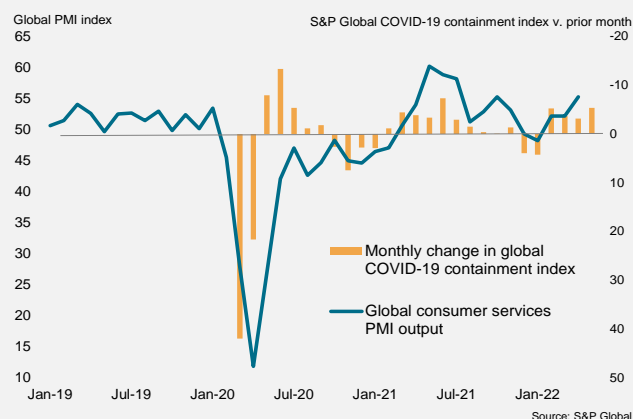
Market sentiment remains weak into mid-May amid concerns over inflation, interest rates and economic growth outlooks. According to the latest [S&P Global Investment Manager Index](#), investors remained risk averse in early May, citing monetary policy and geopolitics as the biggest drags on US equity performance. Following the latest Q1 earnings season, US equity investors also further downgraded their corporate earnings expectations for Q2, speaking to both the sensitivity of earnings to interest rates and the worries over demand destruction as a result of higher inflationary pressures and ongoing global developments. As such, official April data due from the US and China – including retail sales and industrial production – will be keenly watched in the week ahead before we get May flash PMI figures from major developed economies in the following week.

Meanwhile, UK inflation and labour market data for April will be released in the coming week for a check on whether inflationary pressures further worsened, as indicated by PMI data. Also watch out for UK retail sales and consumer sentiment data to gauge the degree to which households are being squeezed by the cost-of-living crisis. This comes after the Bank of England raised rates once again at its May meeting.

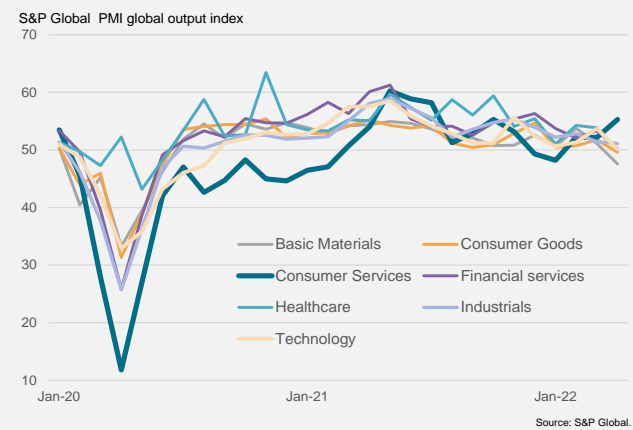
Looking back into Q1 performance, a series of GDP data will also be due from the eurozone, Japan, Thailand and Singapore, with the focus on Japan's data for indications of the extent to which GDP likely contracted in the first quarter.

Global economy dependent on consumer services

Our [special report](#) featuring the latest detailed sector PMI data shows the global economy being driven by a rebound in spending on consumer services. Having been hit especially hard during the pandemic prior to vaccine availability, consumers in April were spending at one of the fastest rates seen over the past decade as worries over the Omicron wave eased in most major economies.



The problem is that all other major sectors of the global economy have either stalled or are back in decline, having been hit by soaring prices, supply bottlenecks and the diversion of spending to services. That leaves the global economy reliant on a rebound in consumer services, which by definition is temporary. Robust growth will therefore likely require the supply shock and inflation to moderate.



Key diary events

Monday 16 May

Singapore, Indonesia, Thailand Market Holiday
Japan Corporate Goods Prices (Apr)
South Korea Export and Imports (Apr)
China (Mainland) Retail Sales, Industrial Output, Urban Investment (Apr)
Eurozone Reserve Assets Total (Apr)
Canada Housing Starts (Apr)
United States New York Fed Manufacturing (May)
Canada Manufacturing Sales (Mar)
Canada Wholesale Trade (Mar)

Tuesday 17 May

Norway Market Holiday
Australia RBA Meeting Minutes (May)
Singapore Non-Oil Exports (Apr)
Thailand GDP (Q1)
Indonesia Trade (Apr)
United Kingdom Labour Market Report (Apr)
India WPI Inflation (Apr)
Eurozone GDP (Q1, flash estimate)
United States Retail Sales (Apr)
United States Industrial Production (Apr)
United States NAHB Housing Market Index (May)

Wednesday 18 May

New Zealand PPI (Q1)
Japan GDP (Q1)
Australia Wage Price Index (Q1)
United Kingdom Inflation (Apr)
Eurozone HICP (Apr, final)
United States Housing Starts and Building Permits (Apr)
Canada CPI Inflation (Apr)

Thursday 19 May

Japan Machinery Orders (Mar)
Japan Trade (Apr)
Australia Employment and Unemployment Rate (Apr)
Malaysia Trade (Apr)
United States Initial Jobless Claims
Canada Producer Prices (Apr)
United States Existing Home Sales (Apr)

Friday 20 May

New Zealand Trade (Apr)
United Kingdom GfK Consumer Confidence (May)
Japan CPI (Apr)
Singapore GDP (Q1, final)
Germany Producer Prices (Apr)
United Kingdom Retail Sales (Apr)
Taiwan Export Orders (Apr)
Canada Retail Sales (Mar)

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

What to watch

North America: US retail sales, industrial production data, Fed speakers, Canada April inflation

More Fed appearances are lined up in the coming week, in focus amid persistent concerns over inflation and the monetary policy outlook. Some key US economic data will also be released, including April retail sales and industrial production. S&P Global US PMI suggest that manufacturing output continued to expand at a strong rate in April while services business activity growth moderated from March, albeit remaining at a solid pace, as activity continued to rebound after the loosening of pandemic restrictions, though business confidence had deteriorated amid worries about inflation, supply disruptions, and the Ukraine war.

Europe: Eurozone Q1 GDP, inflation data, UK inflation and labour market reports

Revised Q1 GDP and April HICP readings from the eurozone will be updated after preliminary data showed the economy growing just 0.2% in the first three months of the year while inflation accelerating to 7.5%.

In the UK, inflation and labour market data will take centre stage. According to the [S&P Global / CIPS UK Composite PMI](#) data, inflationary pressures worsened in April while private sector firms continued to expand staffing levels rapidly, though at a softer pace. Consumer confidence and retail sales data will also be eagerly assessed for the impact of inflation.

Asia-Pacific: China retail sales, industrial production data, Japan, Thailand, Singapore GDP

Following trade and inflation data, China releases April industrial production and retail sales figures in the coming week, shedding more light on the impact of recent COVID-19 restrictions on economic performance at the start of the second quarter. Amid widespread lockdowns that continue affect the region, both retail sales and industrial production data are expected to have deteriorated compared to March. Early PMI data across both the manufacturing and services showed output contracting very sharply in April.

Separately, GDP figures from Japan, Thailand and Singapore will also be released. Japan's Q1 performance will be watched for the extent of the slowdown with our forecast pointing to a 0.6% quarter-on-quarter (q/q) decline.

Special reports:

Economic Downturn Spreads as More Sectors Report Falling Output | Chris Williamson | [page 4](#)

APAC Region Faces Headwinds from China Slowdown and Rising Inflation Pressures | Rajiv Biswas | [page 8](#)

Recent PMI and economic analysis from S&P Global

Global	Global PMI - special Russia-Ukraine war report	9-May	Chris Williamson, et al.
	Monthly PMI Bulletin: May 2022	9-May	Chris Williamson, Jingyi Pan
	Economic downturn spreads as more sectors report falling output and record price rises	6-May	Chris Williamson
	Global PMI surveys show further acceleration of inflation amid supply shocks in April, but demand shows signs of waning	6-May	Chris Williamson
	China and Russia drag global growth to 22-month low, push price inflation to record high	6-May	Chris Williamson
	Worldwide factory output falls for first time since June 2020 as supply conditions worsen	3-May	Chris Williamson
Europe	UK economic growth slows in April as outlook darkens and inflation pressures mount	22-Apr	Chris Williamson
	Eurozone growth accelerates as reviving services demand offsets near stalling of manufacturing, but prices rise at record rate	22-Apr	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
Commodities	Weekly Pricing Pulse: Softening demand pushes commodity prices lower	5-May	Thomas McCartin

S&P Global Economics & Country Risk highlights

Supply resilience is key to avoiding a global recession



Recovery from the COVID-19 recession has been characterized by resilient demand amid a series of supply disruptions. The results have been the highest inflation rates in decades in the advanced economies. As monetary and fiscal policies pivot away from active stimulus to restraint, growth in aggregate demand will slow. Success in taming inflation and averting a global recession will depend on supply resilience.

[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

Economic downturn spreads as more sectors report falling output

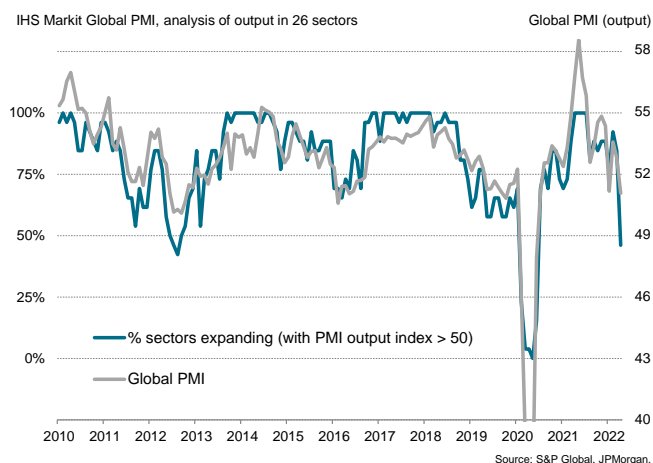
Detail sector PMI data compiled by S&P Global, derived from information provided by panels of over 30,000 companies in 45 countries, revealed a broadening of the global economic slowdown in April. With the exception of the downturn seen in early 2020 during the initial phase of the pandemic, April saw more sectors reporting falling output than at any time since 2012.

With the Ukraine war ongoing and mainland China locking down some of its major cities to fight the Omicron variant of COVID-19, supply chain disruptions have increased, damaging vast swathes of the global manufacturing economy, while price pressures have intensified, eroding spending power.

While growth outside of China has shown some encouraging resilience, losing only marginal momentum in April on average, this can be linked to resurgent spending on consumer services amid to loosened COVID-19 restrictions. However, demand for consumer goods has almost stalled as household spending is diverted to services, suggesting there is a risk that the global economy is reliant on a potentially short-lived rebound in consumer service spending to support sustained growth in the coming months.

Prices are meanwhile rising for all goods and services, though of particular concern is a record rise in food prices amid falling food production, which is likely to add to the global cost of living crisis.

Using sector PMI data to track the breadth of the global economic slowdown



Output growth reliant on consumer services

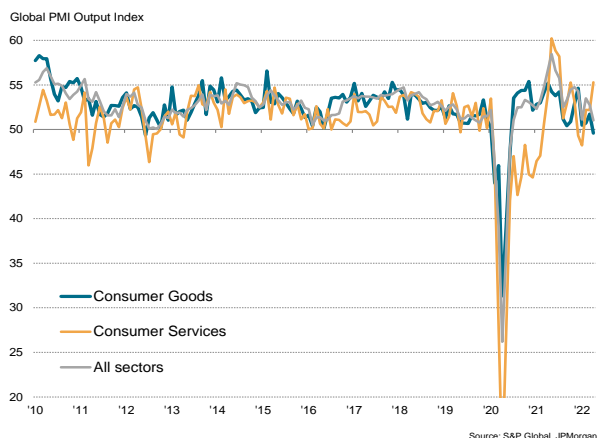
April saw the weakest pace of global economic growth since the initial pandemic lockdowns in early 2020, according to the JPMorgan Global Manufacturing Purchasing Managers' Index™, compiled by S&P Global.

The expansion was largely reliant on a surge in consumer services activity, in turn attributable to an easing of COVID-19 containment measures on average globally during April. Output of consumer services industries rose worldwide at a rate not exceeded since last July, driven by the steepest rise in demand for nine months. Excluding prior pandemic growth spurts as economies relaxed COVID-19 restrictions, the latest jump in consumer services activity was the strongest since data were first available in 2009.

In contrast, consumer goods manufacturers felt the pinch, as household spending was diverted to services, reporting only a modest expansion and the weakest performance since June 2020. New orders placed for consumer goods likewise came close to stalling, with companies often also reporting that higher prices were deterring customers.

Continued...

Global PMI output index



But the slowdown was not limited to consumer goods production. Growth in all other major industries either slowed or faltered: basic materials, healthcare and financial services all fell into decline for the first time since June 2020, the tech sector saw growth weaken to the slowest since January 2021 and industrials reported the smallest output gain since February 2021.

Thus, while rising consumer spending on services helped to sustain broader service sector growth in April, the rate of expansion in the service sector fell to the second-weakest seen over the past 15 months due to the deteriorating picture in business and financial services.

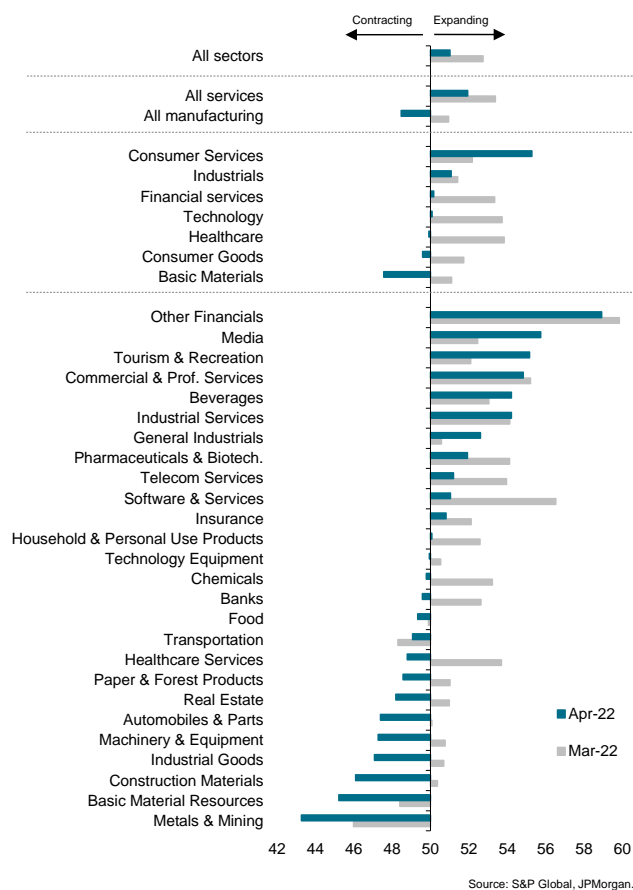
Manufacturing output as a whole meanwhile, fell into decline in April for the first time since June 2020.

Downturn spreads to 14 sectors from just four in March

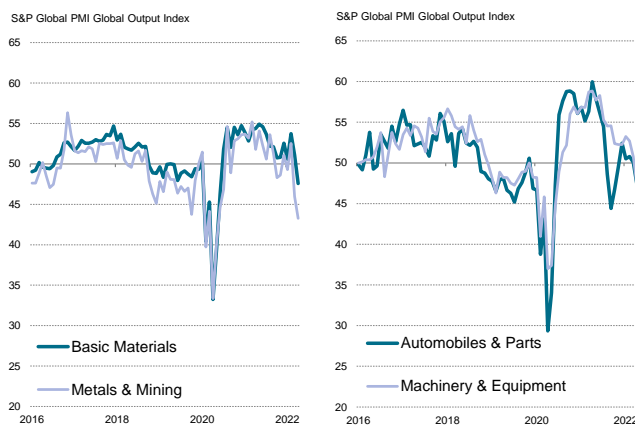
Looking into the PMI data at a more detailed sector level, some 14 of the 26 sectors covered by the PMIs reported falling output in April, up sharply from just four in March. The steepest declines were seen in basic material manufacturing sectors, including sustained downturns in mining & metals and basic materials resources, as well as renewed downturns for construction materials and industrial goods, often linked to deteriorating supply chains.

Worsening supply chain delays meanwhile contributed to renewed output falls for autos & parts and machinery & equipment manufacturing.

Global output by industry and sector



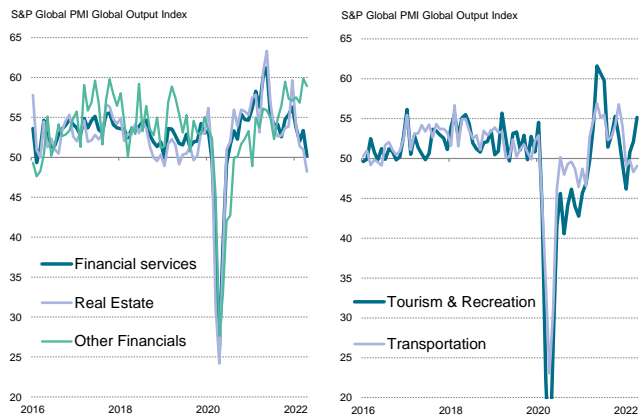
Manufacturing output, global



The service sector slowdown was led by the first drop in global real estate activity since May 2020, though banking services, transportation and healthcare services all also declined.

Growth rates varied markedly among the 12 sectors reporting output growth in April, ranging from sustained near-record growth in 'other financials' and reviving expansions for media and tourism & recreation, to near-stalled output of household products.

Service sector output, global

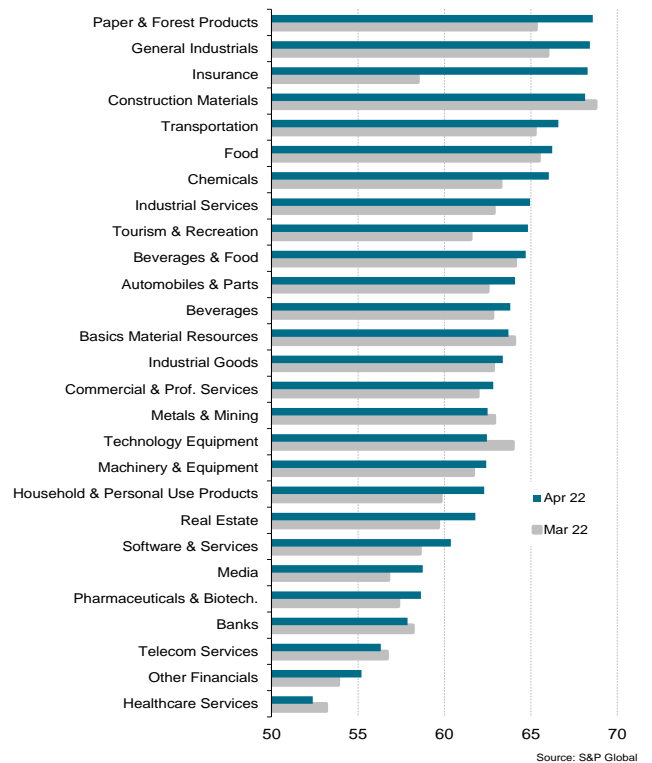


Source: S&P Global.

Record price rises seen in half of all sectors

Selling prices meanwhile rose in all 26 sectors during April, with rates of inflation accelerating in all but six. Around half of all sectors reported unprecedented rates of increase. In the service sector, these included transportation, commercial & professional services, industrial services, insurance, real estate, 'other' financials, media and tourism & recreation. In manufacturing, new record selling price increases were reported for autos & parts, general industrials and food & drink.

PMI prices charged indices, global

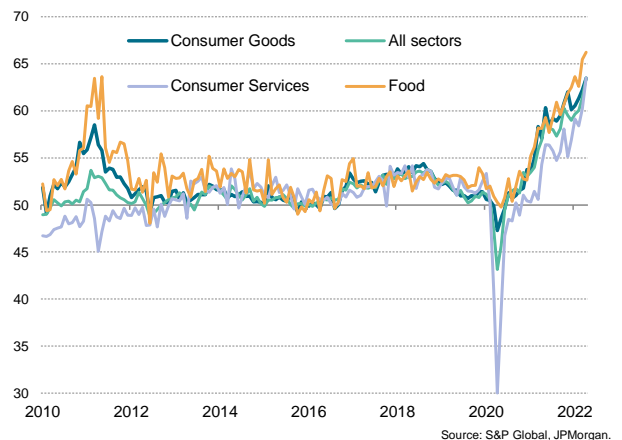


Source: S&P Global

Food prices surge at record pace amid falling production

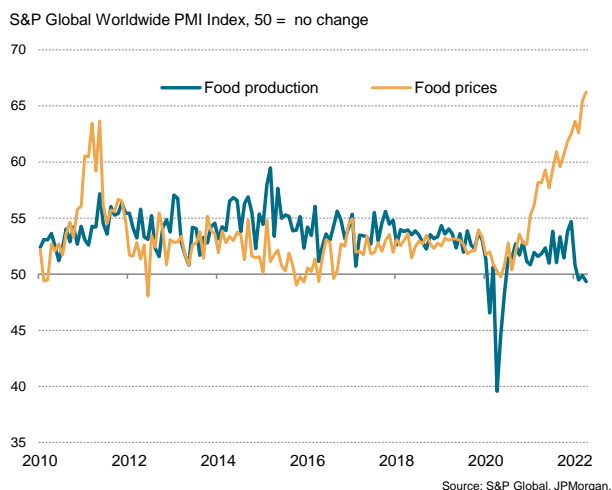
The record rise in food prices is a particular concern, especially given that that the sector has also reported falling output continually now for three months, with the worsening trend linked to the Ukraine war. The growing scarcity of food and associated price rises, combined with persistent elevated energy prices, threatens to exacerbate the global cost of living crisis, tending to hit the poorest the hardest.

PMI output prices, global



Source: S&P Global, JPMorgan.

Global food production and prices



Outlook

The broadening economic malaise is being triggered by the lockdowns in China and Ukraine war, both of which are exacerbating existing pandemic-related supply chain disruptions and price rises. Whether more sectors fall into decline depends on how long these two headwinds persist for, but is also a function of how well spending on consumer services can be sustained amid the intensifying cost of living crisis and growing concerns about the economic outlook.

PMI updates to track the course of supply and demand over the coming months are available to all.

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Special Focus

APAC Region Faces Headwinds from China Slowdown and Rising Inflation Pressures

Although the Asia-Pacific (APAC) region has shown resilient growth momentum in early 2022, headwinds to growth have increased in recent months. Slowing economic growth momentum in China due to COVID-19 containment measures has become an increasingly significant downside risk to the near-term growth outlook for China, with broader transmission effects throughout the Asia-Pacific region. China accounts for over half of Asia-Pacific GDP and is a key export market for many other APAC economies, including Japan, South Korea and Australia.

Furthermore, the negative economic impact of the Russia-Ukraine war on GDP growth in the EU in 2022 will be a drag on APAC exports, since the EU is also an important export market for APAC economies. There are further headwinds from higher world prices for a wide range of mineral and agricultural commodities due to disruptions caused by the Russia-Ukraine war and related sanctions on Russia. This has resulted in surging oil, LNG and coal prices, as well as higher world food prices. These are contributing to rising inflation pressures for many APAC nations, with a growing number of APAC central banks responding by tightening monetary policy.

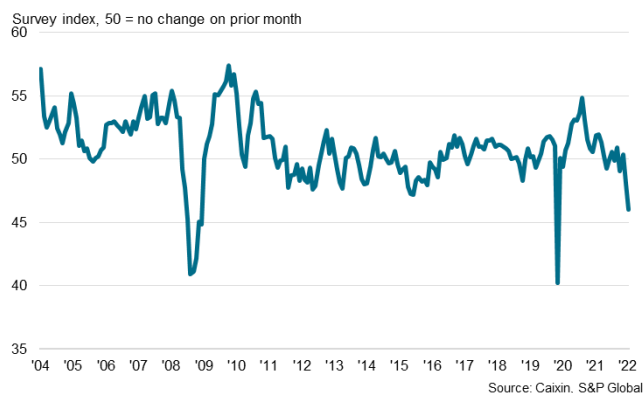
China's COVID-19 restrictions have weakened near-term growth momentum

Latest PMI survey data for April point to a sharp slowdown in economic growth momentum in China for both the manufacturing and services sectors. The negative economic shocks from COVID-19 restrictions and lockdowns in March have intensified in April, with the protracted lockdown in Shanghai having hitting consumption spending during April and May.

The headline Caixin China Manufacturing Purchasing Managers' Index fell further into contraction territory, declining from 48.1 in March to 46.0 in April. The figure pointed to a second successive monthly contraction in overall business conditions faced by Chinese manufacturers, at the most rapid pace of decline since February 2020.

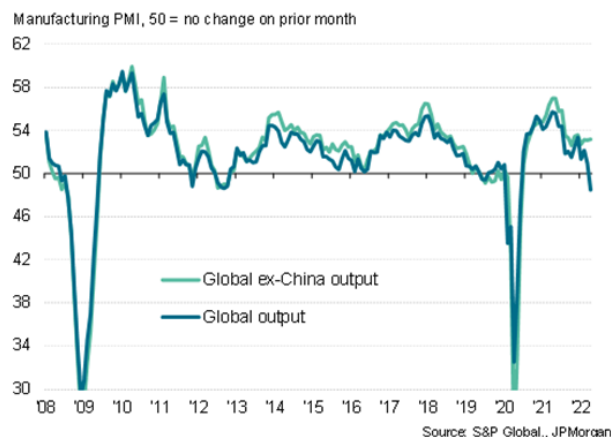
The manufacturing output fell at the second-steepest rate since the survey began in early-2004 (beaten only by February 2020 when the COVID-19 pandemic lockdown hit the Chinese economy). Companies reported that the downturn reflected the tightening of COVID-19 restrictions and subsequent impact on business operations, supply chains and demand.

China General Manufacturing PMI



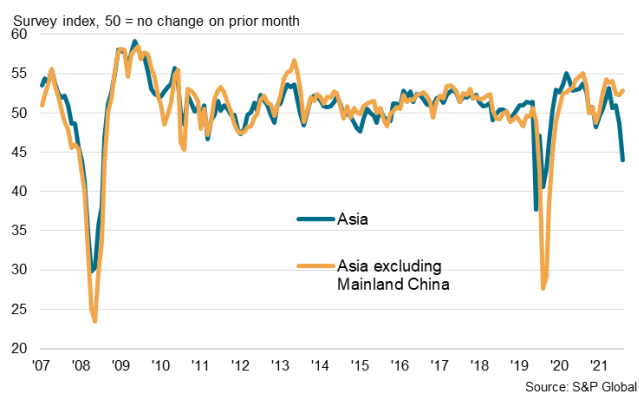
The impact of the slowdown in China's manufacturing output has already become evident in the global manufacturing output PMI, which has fallen into contraction territory in the April survey.

Global output excluding China



Similarly, due to the high weight of China in Asia's manufacturing output, the Asia manufacturing output PMI has also slumped sharply in April, signalling significant contraction in overall Asian manufacturing output. However, the Asia ex-mainland China manufacturing output index has remained resilient in April, still signalling moderate expansion.

Asia manufacturing output excluding China



The services sector in China has been even more heavily impacted by the COVID-19 lockdowns and other containment measures. Further tightening of COVID-19 containment measures in China led to quicker reductions in service sector business activity and overall sales in April. The seasonally adjusted headline Caixin China General Services Business Activity Index fell sharply from 42.0 in March to 36.2 in April, indicating severe contractionary condition in the services sector. The pace of decline was the second sharpest seen in the survey history (behind only February 2020). Companies attributed the decline to tighter COVID-19 restrictions and subsequent disruption to operations.

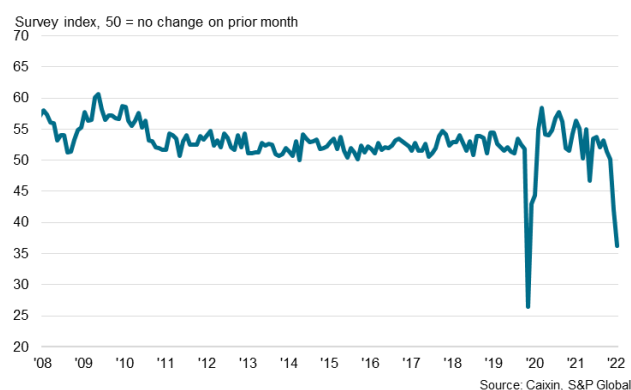
Notably, both activity and new orders fell at the second-sharpest rates since the survey began in November 2005 and were exceeded only by those seen at the initial onset of the pandemic in February 2020.

Other economic data has also reflected this downturn in services activity, with China's retail sales declining by 3.5% year-on-year (y/y) in March. China's passenger car retail sales were estimated at 1.1 million units in April, down 31.9% y/y, according to the China Passenger Car Association (CPCA). The lockdowns in major cities such as Shenzhen and Shanghai have also resulted in temporary supply chain disruptions for the auto manufacturing sector, with a number of automakers having reduced or suspended production due to supply chain disruptions for auto parts. Tesla is among the automakers which have reduced production at its Shanghai plant due to supply chain disruptions during the lockdown. Apple has also indicated that the impact of COVID-19 lockdowns in China and supply chain disruptions for electronics suppliers will lower production and sales in China for the second quarter of 2022. Microsoft has also said that its production of laptops and consoles in China has been impacted by the lockdowns.

According to S&P Global Market Intelligence Commodities at Sea analysis, although Shanghai port congestion has

softened after peaking in April 2022, the vessel queue in major alternative cities such as Tianjin and Zhoushan increased further as many vessels have diverted to avoid Shanghai port. The overall level of congestion in mainland China remained high with ongoing lockdown measures.

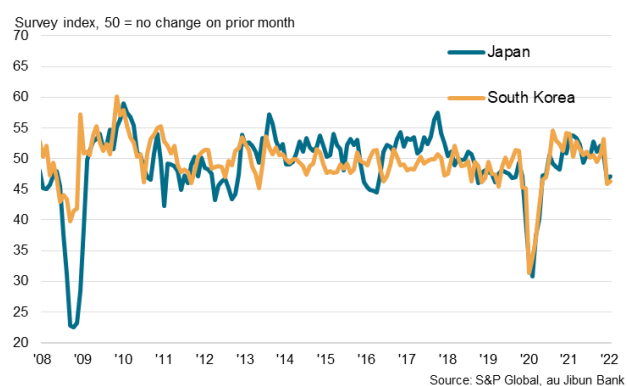
China General Services Business Activity Index



The impact of weakening Chinese demand is starting to be felt in the export sectors of other APAC economies. South Korea's manufacturing PMI export orders sub-index has signalled contraction for new export orders in both March and April. Japan's manufacturing export orders sub-index also showed contraction for March and April.

South Korean merchandise exports to China were down 3.4 percent y/y in April, with exports of petroleum products down 63.2 percent y/y while exports of general machinery were down 24.4 percent y/y. The decline in South Korean merchandise exports to China was the first year-on-year contraction for in 18 months.

Japan and South Korea Manufacturing PMI Export Orders

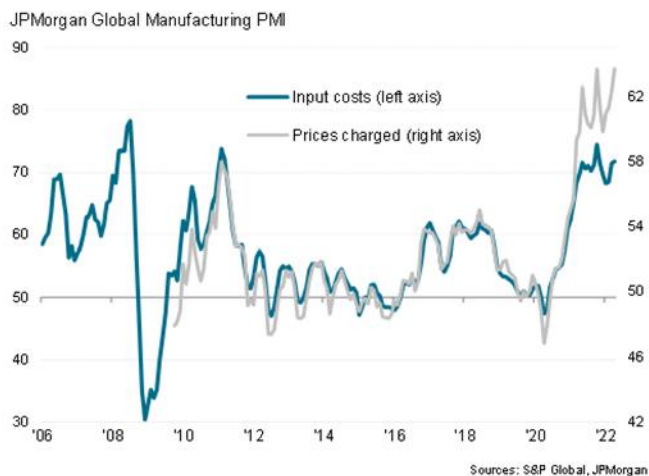


Inflation pressures

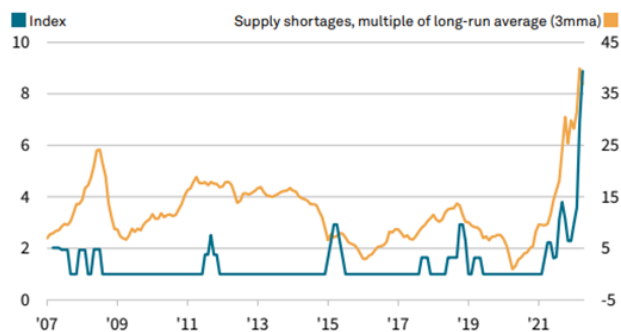
Although inflationary pressures in most APAC economies have been relatively moderate at the outset of 2022 compared with the US and EU, concerns amongst many APAC central banks about rising inflation have been

increasing. The Russia-Ukraine war has heightened these concerns as world commodity prices, notably for energy and food commodities, have risen further.

Global manufacturing input and output prices



Energy short supply indicator



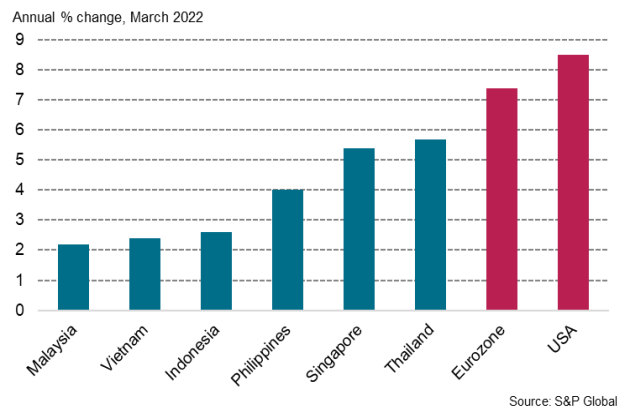
The upturn in global inflationary pressures has resulted in tightening of monetary policy by a growing number of APAC central banks during the first five months of 2022. This includes the Bank of Korea, the Reserve Bank of Australia, the Reserve Bank of New Zealand, Bank Negara Malaysia and the Reserve Bank of India. Due to the Hong Kong dollar peg to the USD, the Hong Kong Monetary Authority has also been tightening monetary policy in lockstep with the US Fed rate hikes this year. The gradual tightening of monetary policy by many APAC central banks will also act as a brake on growth, adding to the headwinds to APAC growth.

The Bank of Thailand is confronted with rising CPI inflation pressures amidst a weak economic recovery, with annual CPI inflation in March having risen to 5.7%, the fastest pace in 13 years.

In the Philippines, both manufacturing input and output price inflation remained elevated, with rates of increase easing

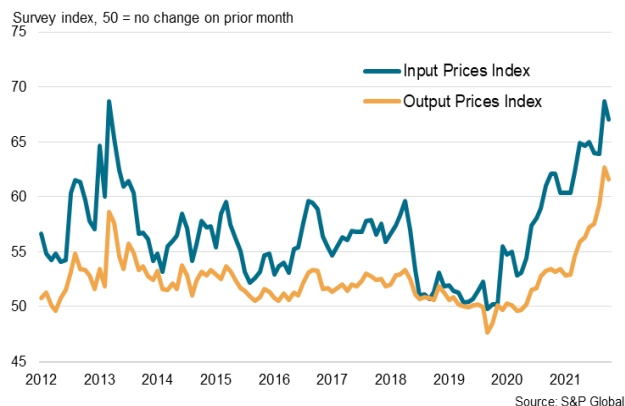
only slightly from the record highs seen in March. Bangko Sentral ng Pilipinas (BSP) is facing escalating headline CPI inflation pressures driven by rising energy and food prices, with the April CPI surging to 4.9% y/y, well above the BSP inflation target range of 2% to 4%.

ASEAN CPI inflation compared to US and EU



According to the April S&P Global ASEAN Manufacturing PMI survey, price pressures for ASEAN manufacturers remained elevated as ongoing input shortages, higher fuel and raw material prices, global inflation and supply-side challenges persisted. Companies surveyed reported that part of the cost burden was shared with clients through higher output prices.

ASEAN PMI Input and Output Prices



APAC economic outlook

A combination of headwinds to APAC economic growth are impacting on the near-term economic outlook. Firstly, the COVID-19 pandemic-related disruptions to economic activity in China have resulted in a significant slowdown in both manufacturing and services output in China during March, April and May.

Secondly, the global macroeconomic shocks from the Russia-Ukraine war are continuing to reverberate through the world economy. While the APAC region has been

relatively resilient to the initial shocks, the duration and potential further escalation of the war create considerable uncertainties for the near-term outlook. As Russia and Ukraine account for a relatively low share of total exports for most APAC economies, the direct vulnerability of the APAC region to deep economic recessions in Russia and the Ukraine in 2022-23 is relatively limited. However, a much greater vulnerability for the APAC region is from the macroeconomic shocks to major economies in the EU from the Russia-Ukraine war, notably through higher energy prices and the potential disruption of Russian oil and gas supplies to the EU. Due to the importance of the EU as a key export market for many APAC economies, a significant slowdown in EU economic growth would be a key vulnerability for APAC exports.

Thirdly, global transmission effects through higher prices for energy, metals and agricultural commodities are also impacting APAC economies, pushing up inflation and increasing import costs, notably for Asian energy-importing nations. A number of APAC central banks have tightened monetary policy during the first half of 2022. Furthermore, several fragile Asian developing countries – Pakistan and Sri Lanka – that have weak external accounts, large external debt burdens and low foreign exchange reserves, are already experiencing social unrest at rising energy and food prices. The State Bank of Pakistan and the Central Bank of Sri Lanka have tightened monetary policy sharply in recent weeks in response to political turmoil and domestic economic crises reflecting rising inflation, weak external account balances, high external debt repayment pipelines and low foreign exchange reserves.

Therefore, while the base case scenario is for continued resilient growth in the APAC region in 2022, there are still considerable downside risks to the global and APAC outlook from China's slowdown and rising global inflation pressures. The Russia-Ukraine war also remains an important downside risk, with potential for further dangerous escalation of the geopolitical confrontation between military powers in Europe.

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