

Week Ahead Economic Preview

May flash PMIs, Fed minutes, RBNZ, BoK, BI meetings

20 May 2022

Flash PMI data for May will be released next Tuesday for a first look into economic conditions midway into Q2. Meanwhile central bank updates will be in abundance with the **May Fed FOMC minutes** due while **monetary policy meetings unfold in New Zealand, South Korea and Indonesia**. Key data to watch also include **US, German and Taiwan GDP** data, while **April US personal income and consumption** figures are also expected.

Inflation and growth concerns remain centre stage this week. Despite a solid US retail sales reading in April, disappointing earnings performance reported by US retailers dampened sentiment this week. This again heightens concerns over slowing growth, casting a cloud over global equities. Meanwhile Fed speakers, including Fed chair Jerome Powell, reiterated their focus on taming inflation, which adds to concerns over slowing economic growth.

Given this backdrop, next week's flash PMI data and US economic data may be watched extra carefully for insights into growth and inflation conditions while the Fed minutes will be scrutinised for the Fed's thoughts on upcoming rate hikes. As far as April's PMI figures suggested, the [US had seen surging inflationary pressures amongst the developed economies](#) and the trend into May will be closely watched with the flash PMI figures. The Fed's preferred inflation gauge, the core PCE reading for April, will also be updated on Friday after core CPI surprised on the upside.

In APAC, central bank meetings will be held in Indonesia, New Zealand and South Korea. While the RBNZ may continue on their rate hike cycle, and BI could pave the way for their first hike in June, the BoK will be watched with heightened uncertainty after the new central bank chief suggested that a 50-basis point hike should not be ruled out in the coming week. A string of economic data including Taiwan's Q1 GDP and Singapore's inflation reading are also lined up for APAC's week ahead.

Flash PMI surveys: What to watch

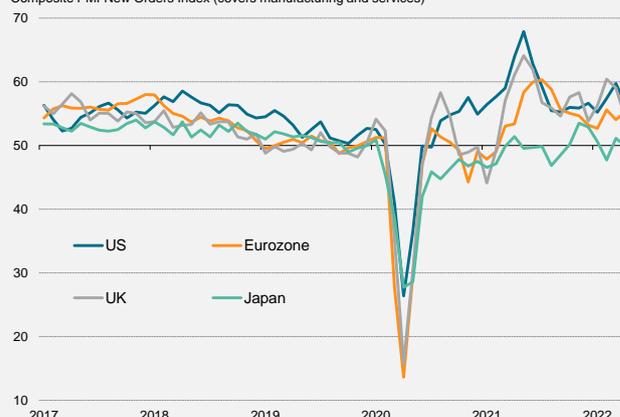
Flash PMI data for the US, eurozone, UK, Japan and Australia will provide the first major clues as to the health of the world economy in May. [April's data](#) had shown economic growth slowing in the US and UK as strong pandemic rebounds showed signs of fading. In contrast, a reopening of economies in the eurozone and Japan helped drive improvements, helping to offset weakened manufacturing performances arising from fresh supply delays. Shortages of inputs were linked to the Ukraine war and lockdowns in mainland China. China's downturn meant that, [measured globally](#), supply delays worsened and global factory output fell into decline for the first time since June 2020.

May's PMI data will therefore add further insights into the extent to which the Ukraine invasion and China's lockdowns are damaging supply chains and adding to inflationary pressures. However, the service sector data will also be of great interest in assessing the degree to which price pressures are feeding through from goods to services, notably via wages, as these second-round inflation effects could have a major influence on monetary policy.

Importantly, the PMIs will also reveal just how resilient economies have been amid the growing headwinds of geopolitical uncertainty, supply chain issues and soaring inflation. The key leading indicators to watch in this respect be the strength of demand signalled by the survey's new orders indices as well as the level of business confidence indicated by the future expectations indices.

PMI new orders indicators

Composite PMI New Orders Index (covers manufacturing and services)



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

Key diary events

Monday 23 May

Canada Market Holiday

Thailand Customs-Based Trade Data (Apr)

Thailand Manufacturing Production (Apr)

Singapore Consumer Price Index (Apr)

Germany Ifo Business Climate (May)

Taiwan Industrial Output (Apr)

Taiwan Jobless Rate (Apr)

United Kingdom CBI Trends (May)

Tuesday 24 May

Indonesia, Switzerland, Norway Market Holiday

Australia S&P Global Flash PMI, Manufacturing & Services*

Japan au Jibun Bank Flash Manufacturing PMI*

UK S&P Global/CIPS Flash PMI, Manufacturing & Services*

Germany S&P Global Flash PMI, Manufacturing & Services*

France S&P Global Flash PMI, Manufacturing & Services*

Eurozone S&P Global Flash PMI, Manufacturing & Services*

US S&P Global Flash PMI, Manufacturing & Services*

Indonesia 7-Day Reverse Repo (May)

Wednesday 25 May

New Zealand Cash Rate (25 May)

Germany GDP (Q1)

Germany GfK Consumer Sentiment (Jun)

Norway Labour Force Survey (Mar)

United Kingdom CBI Distributive Trades (May)

United States Durable Goods (Apr)

United States Fed FOMC Minutes (May)

Thursday 26 May

South Korea Bank of Korea Base Rate (May)

Australia Capital Expenditure (Q1)

Singapore Manufacturing Output (Apr)

United States GDP 2nd Estimate (Q1)

United States Initial Jobless Claims

Canada Retail Sales (Mar)

United States Pending Sales Change (Apr)

Friday 27 May

Japan CPI, Overall Tokyo (May)

Australia Retail Sales (Apr, final)

Taiwan GDP (Q1, revised)

Eurozone M3 Annual Growth (Apr)

United States Personal Income and Consumption (Apr)

United States Core PCE Price Index (Apr)

United States UoM Sentiment Final (May)

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

What to watch

Flash manufacturing and services PMIs for May

The global economy continued to expand for the twenty-second straight month in April but [the rate of growth slowed amid a steep downturn in mainland China](#). While services activity sustained its expansion, the manufacturing sector recorded the first output contraction since June 2020. This was amid worsening supply chain conditions, aggravated by the lockdowns in China and the Ukraine war. As a result, inflationary pressures intensified, fuelling further expectations for policy tightening by central banks.

As such, the focus in the coming week will be on the growth, supply and inflation, studying the flash PMIs released for major developed economies including the US, UK, eurozone, Japan and Australia.

Refer to our [PMI release calendar](#) for the full schedule of monthly releases.

North America: Fed minutes, US Q1 GDP, April core PCE, personal income and consumption data

The May Fed FOMC meeting minutes will be released in the coming week following a gathering which saw a 0.5% hike by the Fed. Subsequent comments from Fed speakers including FOMC chair Powell retained the inflation focus, highlighting the need to tackle rising prices even if that meant growth slowing. With further 50 basis point rate hikes not off the table, the minutes will be scrutinised for the Fed's plans going forward. PCE data will likewise be under scrutiny for indicators of consumer spending and inflation.

Europe: Germany Q1 GDP, Ifo business climate index

Besides the flash PMI data, detailed Q1 GDP data from Germany and the Ifo business climate figures will be released next week, as well as consumer confidence data.

Asia-Pacific: BI, RBNZ, BoK meetings, Taiwan GDP, Singapore CPI

Central bank meetings in Indonesia, New Zealand and South Korea will unfold in the coming week with the Reserve Bank of New Zealand (RBNZ) expected to raise rates according to our forecasts. A further rate increase since a change of Bank of Korea (BoK) chief is also not ruled out for the May meeting while Bank Indonesia (BI) may pave the way for their rate increase in June.

Special reports:

Global PMI: What to Watch in the Flash PMIs for May | Chris Williamson | [page 4](#)

Malaysian Economy Continues to Rebound in Early 2022 | Rajiv Biswas | [page 7](#)

Recent PMI and economic analysis from S&P Global

Global	Understanding... PMI new export orders index: Tracking worldwide trade flows and changing demand, by country and sector	19-May	Chris Williamson
	Global commodity price and supply indicators signal semiconductor shortage showing signs of peaking	17-May	Jingyi Pan
	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
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: Commodity prices continue to retreat	12-May	Michael Dall

S&P Global Economics & Country Risk highlights

Regime shift: Is higher inflation here to stay?



What was initially expected to be a transitory period of moderately higher consumer price inflation across the globe has morphed into a phase of persistent, exceptionally high inflation rates, captured in the evolution of annual forecasts for 2022. Upward pressures stemming initially from a range of primarily coronavirus disease 2019 (COVID-19)-related effects are now being aggravated by various spillover effects following Russia's invasion of Ukraine. Focusing on Europe, we assess various arguments for and against such a shift.

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

Lockdowns and labor issues – the next wave of PMI insights



Local COVID-related lockdowns in mainland China, the war in Ukraine, labor shortages, and supply chain disruptions continue to negatively impact the global economy – especially in China and surrounding geographies. Our PMI surveys are showing some of the steepest reductions in overall Chinese business activity and new orders since the initial wave of the pandemic in 2020. Digging deeper into the underlying numbers, our PMI team discusses what this all means for manufacturing health, labor markets, and local policy. [Click here to listen to this podcast by S&P Global Market Intelligence](#)

For further information:

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Special Focus

Global PMI: What to Watch in the Flash PMIs for May

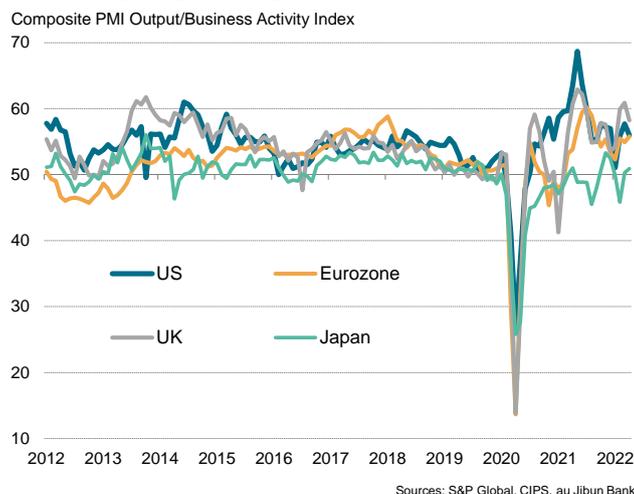
Inflation pressures and GDP resilience under scrutiny

Flash PMI data for the US, eurozone, UK, Japan and Australia will provide the first major clues as to the health of the world economy mid-way through the second quarter. April's data had shown economic growth slowing in the US and UK as strong pandemic rebounds showed signs of fading. In contrast, a reopening of economies in the eurozone and Japan helped drive improvements, assisting in offsetting weakened manufacturing performances arising from fresh supply delays.

May's PMI data will therefore provide further insights into the extent to which the Ukraine invasion and China's lockdowns are damaging supply chains and adding to inflationary pressures. However, the service sector data will also be of great interest in assessing the degree to which price pressures are feeding through from goods to services, notably via wages, as these second-round inflation effects could have a major influence on monetary policy.

Importantly, the PMIs will also reveal just how resilient economies have been amid the growing headwinds of geopolitical uncertainty, supply chain issues and soaring inflation. The key leading indicators to watch in this respect will be the strength of demand signalled by the survey's new orders indices as well as the level of business confidence indicated by the future expectations indices.

PMI survey output comparisons

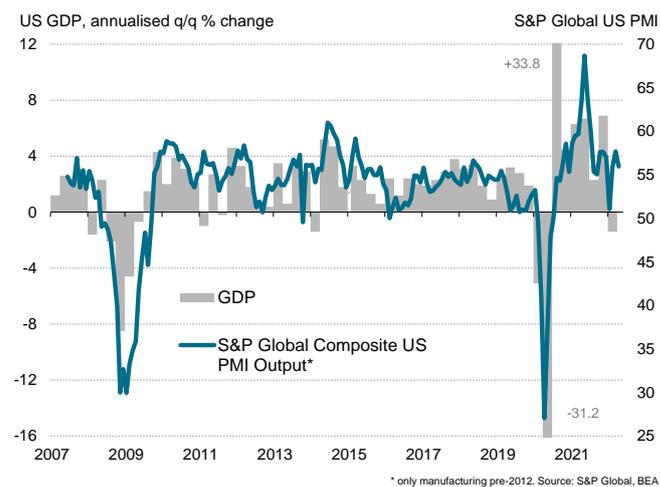


United States

May's flash PMIs follow a resilient picture of growth accompanied by elevated inflation pressures from the April surveys. While the overall pace of expansion lost some steam, that was largely linked to a cooling in the service sector after a surge in demand for services in March due to the reopening of the economy. Encouragingly, manufacturing growth remained robust, mirroring a strong picture subsequently sent by official factory production numbers, which showed output up 0.8% in the month. The survey also showed strong hiring, later corroborated by the non-farm payroll data. All of which added to the view that the first quarter 1.4% annualized drop in GDP sent a misleading signal of the economy's underlying health, having been driven by trade and inventory factors rather than domestic demand.

Hence the May output and order book data from the PMIs will be important in assessing whether GDP will rebound in the second quarter, or whether a further GDP downturn could be on the cards, heralding a technical recession.

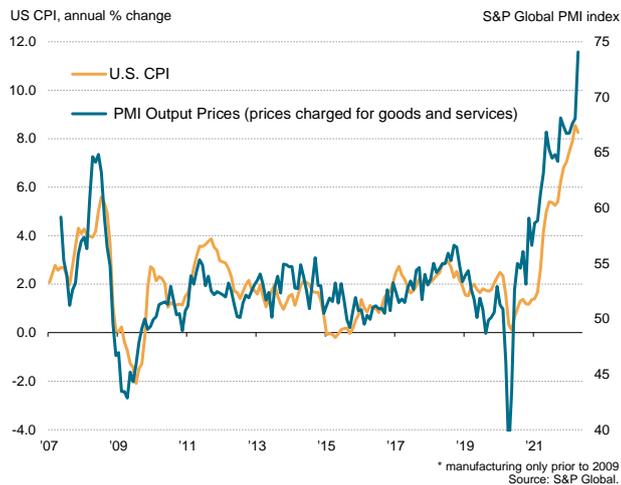
US PMI output and GDP



Perhaps of most concern from the April PMI data was a record surge in prices charged for goods and services. While the annual rate of inflation may be peaking due to base effects, any stubborn elevated PMI price index readings will fuel worries over the persistence of elevated inflation and an accompanying aggressive Fed rate hike path, all of which links back to recession jitters that had plagued the US equity market of late.

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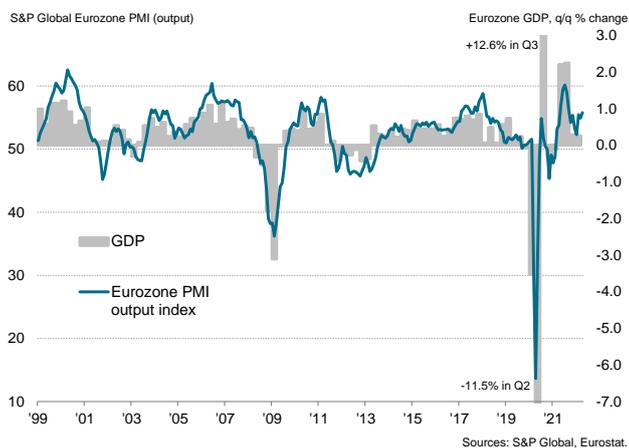
US PMI price and inflation



Eurozone

Growth in the eurozone [surprised on the upside in April](#). Economists had been expecting the PMI to show a marked weakening linked to the war in Ukraine, but instead growth of business activity and new orders accelerated. While weakness was evident in manufacturing, which saw output growth almost stagnate, a strong rebound in service sector activity offset the factory sector's woes, with spending on services rebounding as COVID-19 related restrictions were eased. Two big questions for May will therefore be, first, the extent to which supply disruptions continue to weigh on the manufacturing sector and, second, the sustainability of the rebound in service sector growth, especially given rising inflationary pressures.

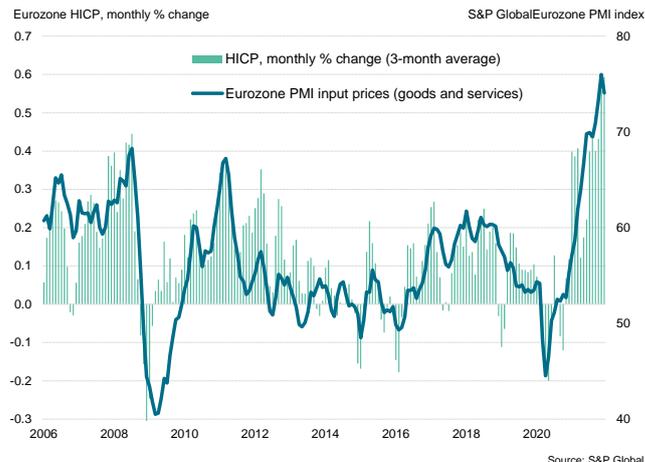
Eurozone PMI output and GDP



On the prices front, eurozone companies reported a record increase in average selling prices for goods and services in April as input cost inflation remained elevated at a near-record level. However, the rate of input cost inflation in fact

eased slightly compared to March. If sustained, this easing could hint at a peaking of inflation, but any such easing looks unlikely as Europe remains especially vulnerable to rising energy prices in the wake of Russian sanctions

Eurozone PMI prices and inflation



Thus, while April's data calmed concerns over a possible GDP decline in the second quarter, the business activity, new orders and future business expectations indices from the eurozone PMI will be eagerly assessed for clues as to the degree to which the economy might be slowing. These will be [crucial pieces of information to assess for the FX market](#) as investors mull the possibility of the euro's glide to parity with the dollar amid concerns over the growth outlook.

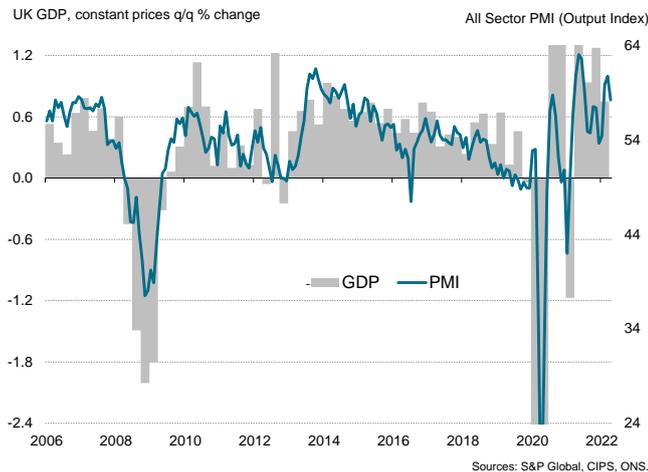
At the same time, supply chain and price indices – which correctly signalled the acceleration of CPI inflation to unprecedented heights in recent months – will be key in assessing the inflation outlook, especially in terms of any spill-over from manufacturing to services.

United Kingdom

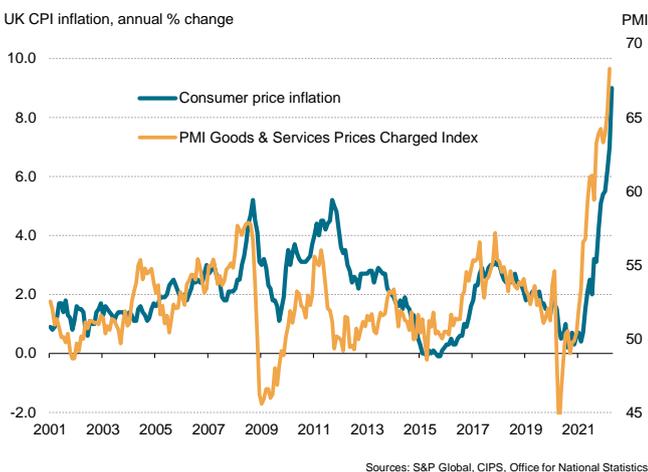
At 9%, the UK is grappling with the highest CPI inflation rate of the major developed economies, piling further pressure on the Bank of England to hike interest rates. Solid PMI output readings have added to scope for policy tightening. However, while [April's PMIs remained relatively buoyant in the UK](#), [cracks have appeared](#) in the form of waning business confidence, falling exports and a stagnation of order book backlogs

Continued...

UK PMI output and GDP



UK PMI prices and inflation



May's UK flash PMI surveys will therefore provide much needed clues as to whether further imminent rate hikes might fuel an economic downturn, or whether the UK has enough pent-up demand and savings to sustain its recovery.

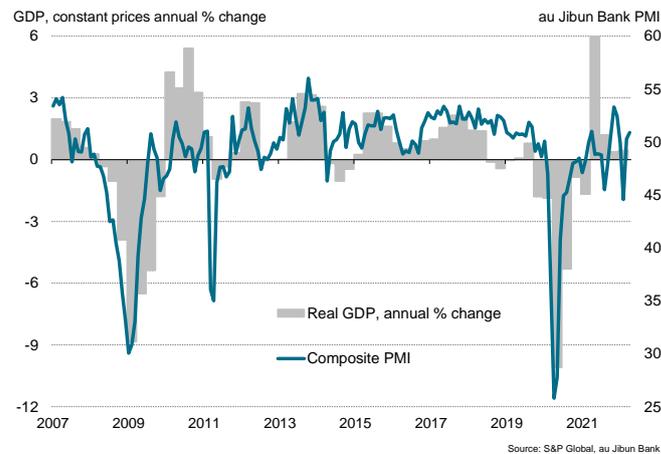
Japan

A lifting of COVID-19 restrictions facilitated a rebound in business activity across Japan in April, albeit with the service sector merely eking out a marginal gain and manufacturing growth weakening slightly. Nevertheless, the survey data hint at the economy returning to growth in the second quarter after GDP slipped 0.2% in the first quarter.

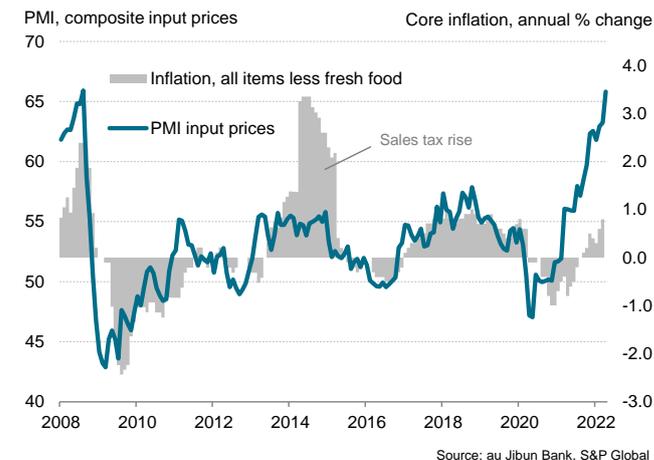
Price pressures meanwhile intensified, linked to shortages emanating from China's lockdowns, plus rising energy and food prices – all factors which the weakened yen exacerbated. Looking to the May data, the weaker yen may help to boost exports, but businesses are growing more concerned about the effect on import prices. Meanwhile, the

service sector should hopefully further benefit from the tailwind of the economy reopening from the Omicron wave, so any weakening of the services PMI will be a big disappointment.

Japan PMI and GDP



Japan PMI prices and inflation



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

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Special Focus

Malaysian Economy Continues to Rebound in Early 2022

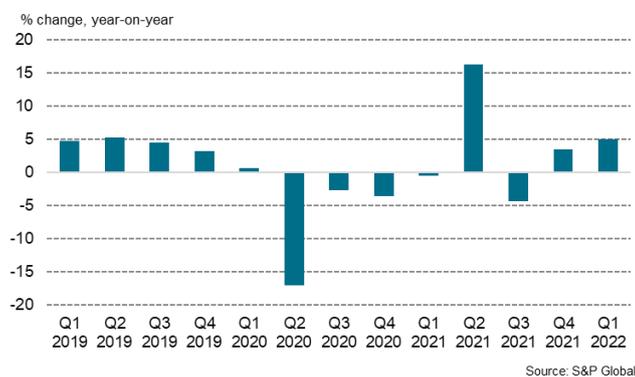
The Malaysian economy has continued to recover from the protracted impact of the COVID-19 pandemic, with GDP in the first quarter of 2022 up 5.0% year-on-year (y/y). Easing of COVID-19 restrictions during early 2022 has helped to underpin a recovery in private consumption, while strong external demand has supported buoyant growth in exports.

However, the Malaysian economy faces continuing uncertainties and downside risks in the near-term from China's economic slowdown, the transmission effects of the Russia-Ukraine war and rising global inflation pressures.

Malaysian economy rebounds

The Malaysian economy grew at a pace of 5.0% y/y in the first quarter of 2022, supported by a 5.5% y/y increase in private consumption and an 8.0% y/y increase in exports.

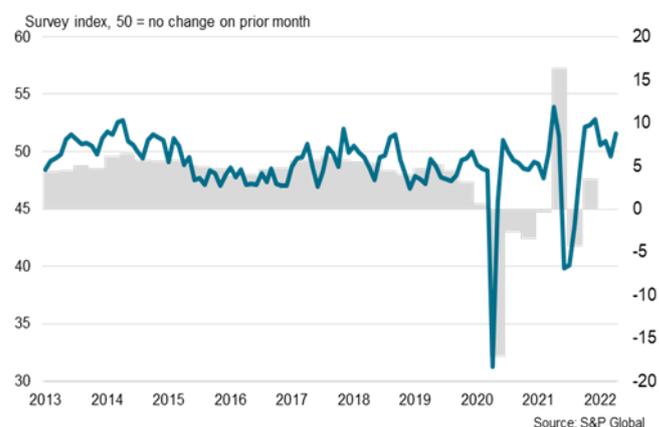
Malaysia GDP growth



Helped by improving domestic demand, the Malaysian services sector grew at 6.5% y/y and the manufacturing sector grew at a pace of 6.6% y/y in the first quarter of 2022.

The seasonally adjusted S&P Global Malaysia Manufacturing Purchasing Managers' Index rose from 49.6 in March to 51.6 in April, indicating a return to expansion for the manufacturing sector. The April survey showed a surge in demand for manufactured goods with producers reporting the strongest inflow of new orders for eight years, reflecting a combination of improving sales at home and abroad.

S&P Global Malaysia Manufacturing PMI

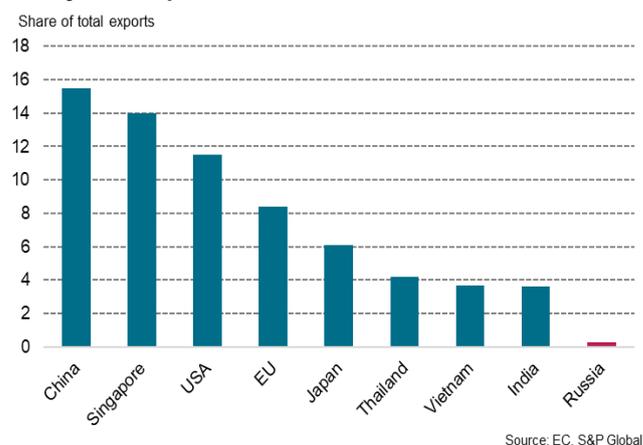


Malaysian export sector has performed strongly in early 2022, with exports of goods and services having grown by 22.2% y/y in first quarter of 2022. For the first quarter of 2022, exports of manufactured goods grew by 17.8% y/y, helped by rising exports of E&E products, petroleum products as well as chemicals products.

Rising world oil and gas prices also boosted merchandise exports of oil and gas products, which rose by 44% compared to a year ago. Meanwhile exports of palm oil and palm oil-based agricultural products rose by 70% y/y, as Malaysian palm oil prices have surged since late 2021.

The economic impact of the Russia-Ukraine war is expected to be felt in Malaysia's export sector due to the negative shock to world economic growth. Malaysia's direct exports to Russia are very small, accounting for around 0.3% of total Malaysian merchandise exports. However, a more significant vulnerability is from the negative economic shock of the Russia-Ukraine war on the economies of Western Europe, since the EU accounts for 8.4% of Malaysia's merchandise exports.

Malaysia's export markets

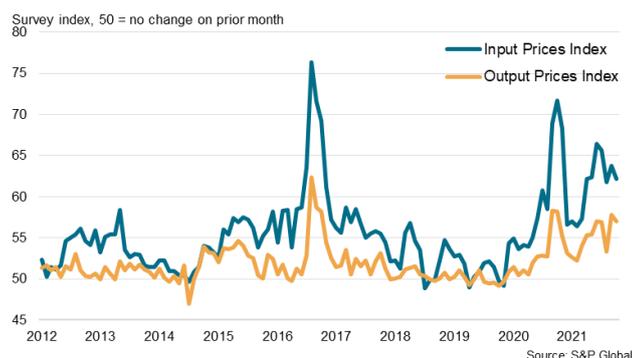


Inflation pressures

Despite the upturn in world commodity prices due to the Russia-Ukraine war, Malaysian CPI inflation pressures still remain contained, with the March CPI reading up only 2.2% y/y, while core CPI inflation rose by 2.0% y/y.

The latest Malaysia Manufacturing PMI survey showed that input costs increased for the twenty-third month running in April, reflecting higher raw materials and transport prices. The rate of input price inflation eased from March but remained marked overall. Manufacturers partially passed these higher costs to clients through higher output charges, which increased steeply once again.

Malaysia Manufacturing PMI: Input and Output Prices



With domestic economic growth momentum improving, Malaysia's central bank, Bank Negara Malaysia (BNM), decided to begin reducing the degree of monetary accommodation. At its 11th May meeting, the Monetary Policy Committee decided to increase the Overnight Policy Rate (OPR) by 25 basis points to 2.00 percent.

In its May Monetary Policy Statement, BNM assessed that headline inflation is projected to average between 2.2% - 3.2% in 2022. BNM assessed that given the improvement in economic activity amid lingering cost pressures, underlying inflation, as measured by core inflation, is expected to trend higher to average between 2.0% - 3.0% in 2022.

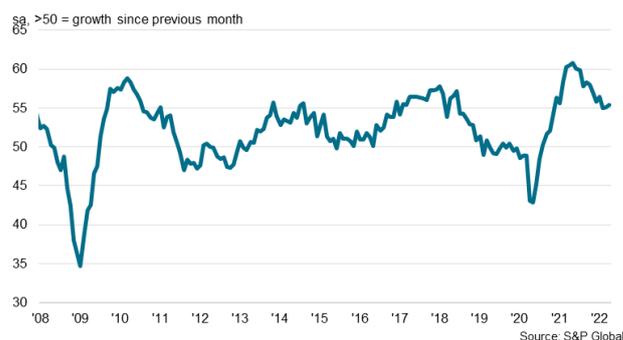
Strong global demand continues to boost Malaysia's electronics industry

The electrical and electronics (E&E) sector has been an important driver of Malaysia's manufacturing exports. Exports of E&E products, which accounted for 41% of merchandise exports, rose by 27% y/y in the first quarter of 2022. This rapid growth was driven by robust global demand for semiconductors, reflecting technological trends such as 5G rollout, cloud computing, and the Internet of Things.

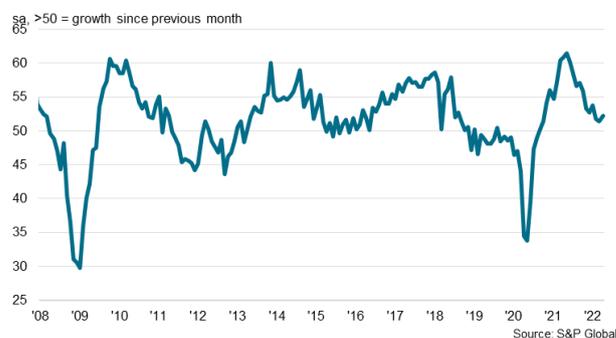
Latest S&P Global survey data indicates that the global electronics manufacturing industry has continued to show

buoyant demand conditions in early 2022, albeit moderating from 2021 peak levels. The headline seasonally adjusted PMI rose to 55.4 in April, from 55.0 in March and signalling the fastest improvement in operating conditions across the global electronics manufacturing sector for three months.

S&P Global Electronics PMI

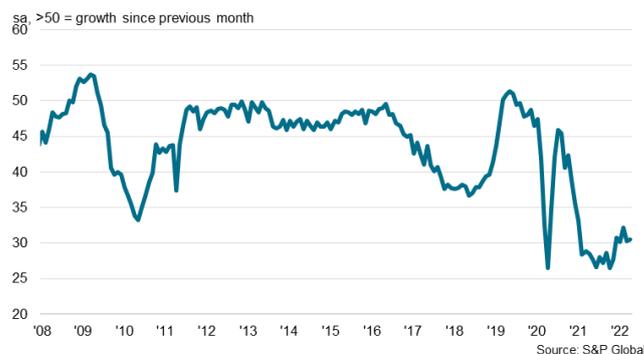


S&P Global Electronics PMI New Orders Index



Latest survey data signalled a further monthly increase in new orders received by global electronics producers. Although the upturn strengthened since March, it remained much weaker than the average seen across 2021. While some companies observed an improvement in demand for their goods, order book growth at others was reportedly restrained by the war in Ukraine, lockdowns in China and shipping issues.

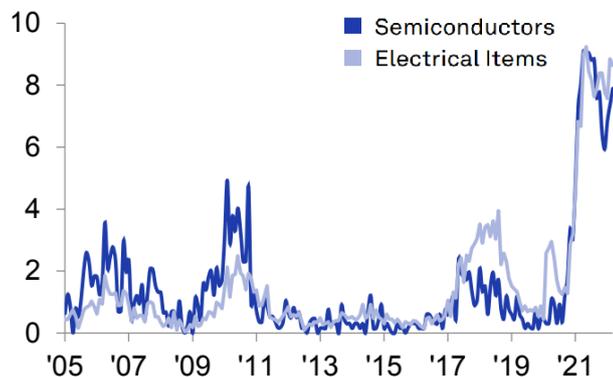
S&P Global Electronics Suppliers' Delivery Times Index



There were sustained pressures on global electronics supply chains in April, with average input lead times lengthening sharply. Lockdowns in China, port congestion, labour shortages and low supply levels at vendors were cited as reasons for longer delivery times. Approximately 44% of survey respondents recorded a decline in supplier performance, compared to just 1% noting an improvement.

Global Electrical and Electronics Industry Supply Shortages

Supply shortages, multiple of long-run average

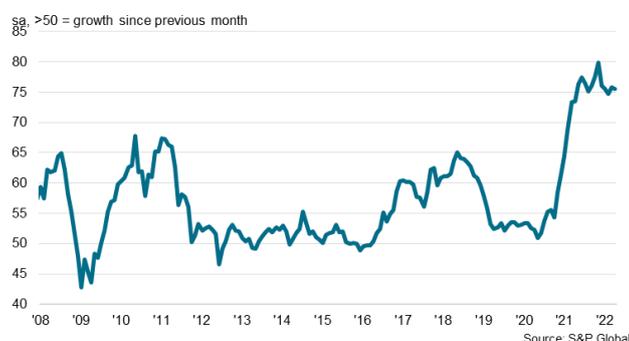


Source: S&P Global

Inflation pressures remain severe

Global electronics producers continued to face intense cost pressures according to April survey data, at a pace far higher than the long-term average. These cost pressures were often attributed to higher raw materials and electronic component prices, as well as an increase in logistics and labour costs.

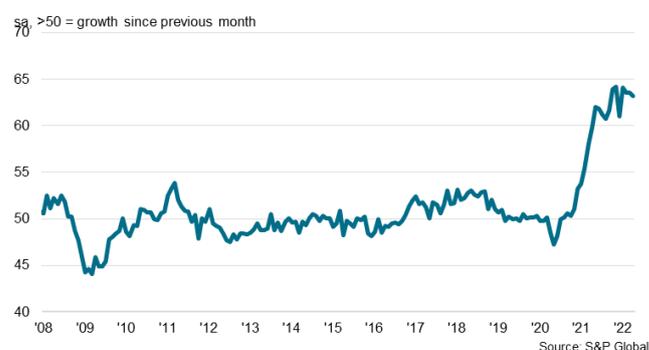
S&P Global Electronics Input Prices



Source: S&P Global

Output prices charged by global electronics producers rose further during April. The pace at which output prices were raised was among the steepest on record, in response to severe cost pressures faced by firms.

S&P Global Electronics Output Prices



Source: S&P Global

Economic outlook

The Malaysian economy has rebounded during the first half of 2022, with economic growth momentum boosted by the easing of COVID-19 restrictive measures as well as buoyant exports of E&E products, palm oil products as well as oil and gas exports.

The reopening of international borders is also helping the gradual recovery of the international tourism industry, which was an important part of the Malaysian economy prior to the pandemic. Easing of restrictions on entry of migrant labor will also gradually help to support industry sectors that are reliant on foreign workers.

However, there are a number of downside risks to the near-term growth outlook. As China is Malaysia's largest export market and accounts for around 15% of total exports, Malaysia's export sector is vulnerable to the impact of China's economic slowdown.

Malaysia also faces some transmission effects from the Russia-Ukraine war. Although direct exports to Russia are very low, a more significant vulnerability is from the negative economic shock of the Russia-Ukraine war on the economies of Western Europe, since the EU accounts for 8.4% of Malaysia's merchandise exports.

However higher world oil and gas prices as a result of the Russia-Ukraine war are also boosting Malaysian energy exports and contributing to higher fiscal revenues. Malaysia is also benefiting from higher palm oil prices, due to disruptions to world edible oil markets, including Ukrainian exports of sunflower oil.

Malaysia is also benefiting from its large E&E export industry, due to very strong global demand for electronics equipment. 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.

The medium-term economic outlook is also supportive for Malaysia's 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. Malaysia's competitiveness as a global electronics hub has been highlighted by the decision of Intel to invest USD 7 billion in a new semiconductors packaging plant in Penang, which is estimated to be completed by 2024.

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