

# Week Ahead Economic Preview

UK, Singapore and China GDP figures set to shed lights on Q2 performance

11 July 2022

A busy week sees the release of a series of GDP data for the UK, China and Singapore, which will no doubt take centre stage. At the same time, industrial production data for Japan, Eurozone, India, China and the UK will be eyed for clues as to whether growth rates have slowed. The week will end with retail sales and sentiment data for the US.

The global trend of aggressive monetary policy tightening meanwhile looks set to continue, with Bank of Canada widely expected to deliver a 75 basis point rate hike this week, following two consecutive 50 basis point rises.

The spotlight however likely lays with China, which has seen lockdowns persist into the second quarter, for which GDP data are released. While the latest PMI revealed a return to growth following some recent relaxations of COVID-19 restrictions, demand growth remains weak amid the ongoing zero-COVID policy. Our forecasts currently see China (mainland) contracting in Q2 at an annualised quarterly rate of 0.17%, taking the year-on-year growth rate to 0.8%, the weakest since the pandemic lockdowns of Q1 2020.

The UK will also issue Q2 GDP estimates on Wednesday, alongside services and industrial output data, which are also likely to show an economy in decline. Although recent PMI data for the UK pointed to business activity growth, the surveys also show the cost of living crisis having hit demand growth, adding to the risk of a further UK economic contraction, and technical recession, in Q3.

A relatively quiet week for the US with only retail sales and sentiment data due on Friday. That said, retail sales figures will be watched intently to assess whether surging fuel costs have added to price pressures and forced consumers to cut back on spending, as hinted [by the latest PMI data](#).

Elsewhere, industrial production data for the Eurozone, Japan and India will be closely watched. The former two have seen industrial production contract in recent months which is expected to be the case yet again. Meanwhile, India's manufacturing sector continues to perform strongly.

## Has inflation peaked?

The latest [global PMI data compiled by S&P Global](#) showed companies' input costs rising at the slowest rate for four months, signalling a cooling of global consumer price inflation. While input cost inflation has moderated on previous occasions during the pandemic only to reaccelerate again, this time looks different.

First, the recent slowing of demand is greater than at any time during the pandemic other than the initial lockdowns and, importantly, has this time not been caused by pandemic containment.

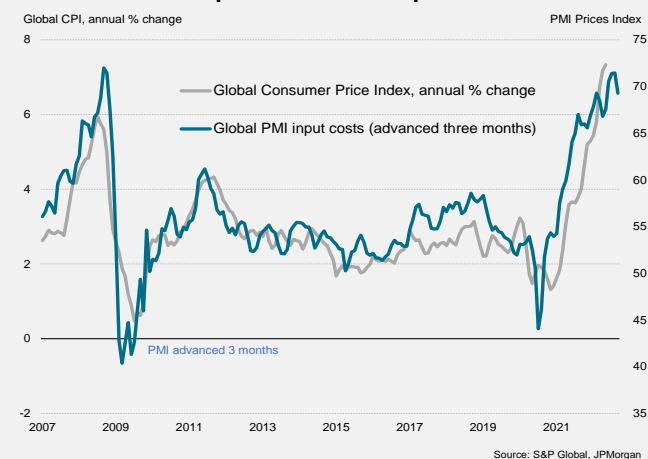
Second, the recent easing of price pressures is associated with a substantial moderation of supply chain delays.

Third, the cooling of final demand is being accompanied by a shift away from inventory building, which will further reduce demand-pull pressure in input prices.

Fourth, the recent slowdown is driving a steep pull-back in firms' expectations of growth prospects, which have now fallen to their lowest since September 2020. This drop in confidence is in turn likely to take pressure off labour demand, and wages, as well as feeding through to weaker output growth in coming months, all of which will further help reduce inflationary pressures.

A key uncertainty remains the energy prices, especially in Europe, but even energy prices are now coming under pressure from the worsening economic outlook, providing further evidence to suggest that the annual rate of CPI inflation will start to moderate - potentially substantially - in the second half of 2022.

## Global consumer prices and PMI input costs



## Key diary events

### Monday 11 July

*Singapore Market Holiday*

Japan PPI (Jun)

Italy Retail sales (May)

Norway Consumer Price Index (Jun)

Canada Manufacturing Sales (May)

China New Yuan Loans, Loan Growth (Jun)

United States Budget Statement (Jun)

### Tuesday 12 July

Philippines Exports, Imports (May)

United Kingdom Retail Sales Monitor (Jun)

Germany ZEW Economic Sentiment, ZEW Current Conditions (Jul)

United States NFIB Business Optimism Index (Jun)

India Industrial Output, Manufacturing Output (Jun)

Australia Business Confidence (Jun)

### Wednesday 13 Jul

New Zealand Food Price Index (Jun)

South Korea Unemployment Rate (Jun)

New Zealand Cash rate (Jun)

China (Mainland) Imports, Exports (Jun), Trade Balance USD (Jun)

Germany CPI Final, HICP (Final) (Jun)

United Kingdom GDP (May), GDP Estimate (Jun) Services (May), Industrial Output (May), Goods Trade Balance GBP (May)

Euro Zone Industrial Production (May)

France CPI (Jun)

United States Mortgage Market index (Jul), Core CPI (Jun)

Canada BoC Rate Decision (Jul)

### Thursday 14 Jul

Singapore GDP Growth Rate (Q2)

Australia Consumer Inflation Expectations (Jul),

Unemployment Rate, Employment Change (Jun)

Japan Industrial Production (May)

India WPI Inflation, CPI (Jun)

China FDI (Jun)

United States PPI (Jun)

New Zealand Business PMI (Jun)

### Friday 15 Jul

China GDP Growth Rate (Q2), House Price Index (Jun),

Industrial Production (Jun), Retail Sales (Jun)

Indonesia Balance of Trade, Imports, Exports (Jun)

Japan Tertiary Industry Index (May)

Italy CPI (Jun)

Euro Area Balance of Trade (May)

United States Retail Sales (Jun), Michigan Consumer Sentiment (Jul)

India Balance of Trade (Jun)

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

\*\* Includes Composite PMI

## What to watch

### China, UK and Singapore GDP data to reveal economic performance for Q2

Second quarter GDP data are set to shed light on economic performance for the UK, Singapore and China this week. Last week's [PMIs](#) pointed to diverging trends across the three economies with China recording a return to expansion in June, the UK registering sluggish growth and Singapore seeing a weaker – albeit marked – improvement. This week will reveal how these economies are faring in the midst of supply chain disruptions and a worsening cost of living crisis. Our forecasts point to slowdowns in growth rates across the three countries for Q2 with growth in China expected to have ground to a near halt.

### Americas: US Retail Sales, Sentiment, PPI and Canada Rate decision

This week will see the Bank of Canada (BOC) update its monetary policy and is set to raise its rate by a hefty 75 basis points. The latest tightening follows back-to-back 50 basis point hikes with the overnight rate set to be 2.25%. The market's pricing of the Fed's interest rate path could meanwhile be influenced by new US retail sales, consumer confidence and PPI data.

### Europe: UK GDP, Industrial Production, Eurozone Industrial Production, France CPI and Germany CPI

In Europe, second quarter growth indicators will be eagerly assessed for recession risks. May's GDP data, including Q2 estimates, and Industrial production, services and construction output data will reveal how the UK has been faring with the cost of living crisis. Eurozone Industrial production data will follow with the [latest PMI](#) having indicated a slowdown in activity. Meanwhile, CPI figures are set to be released for France and Germany.

### Asia-Pacific: China GDP, Industrial Production, Retail Sales, Japan Industrial Production and Singapore GDP

There will be lots to digest this week following the release of a plethora of Chinese data on Friday. GDP figures for Q2 will arguably be the most closely followed after China's economy suffered from lockdowns for the bulk of Q2, which hit production hard.

At the same time, Singapore has performed well in recent months with a strong upturn expected in Q2 GDP figures.

## Special reports:

**China** | Rajiv Biswas | [page 4](#)

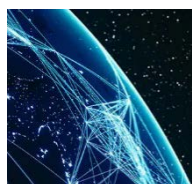
**Global Economy** | Chris Williamson | [page 7](#)

## Recent PMI and economic analysis from S&P Global

Global	<a href="#">Global real estate choked by rising interest rates, leads economic slowdown</a>	7-Jul	Chris Williamson
	<a href="#">Global inflation peak signalled as supply delays ease and demand falters</a>	6-Jul	Chris Williamson
Asia-Pacific	<a href="#">Mainland China manufacturing surges back into growth in June, supplier performance improves, prices fall</a>	1-Jul	Chris Williamson
	<a href="#">Business activity revives across manufacturing and services in June, but demand headwinds persist amid ongoing COVID-19 restrictions</a>	5-Jul	Chris Williamson
Europe	<a href="#">Eurozone PMI signals growth in June but downturn risks rise amid weakening leading indicators</a>	5-Jul	Chris Williamson
America's	<a href="#">US PMI data show demand for goods and services falling in June, taking pressure off prices</a>	6-Jul	Chris Williamson

## S&P Global Economics & Country Risk highlights

### US Monthly GDP Index for May 2022



Monthly US GDP declined 0.1% in May on the heels of 0.2% declines over the prior two months. The April decline was revised materially lower from a previously estimated, 0.5% increase. The decline in May reflected declines in personal consumption expenditures, fixed investment (residential and non-residential), and net exports that were partially offset by an increase in nonfarm inventory investment. Averaged over April and May, monthly GDP was 1.4% below the first-quarter average at an annual rate. Implicit in our latest estimate of a 1.5% annualized decline of GDP in the second quarter is roughly no change in monthly GDP in June.

[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, labour 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:

For more information on our products, including economic forecasting and industry research, please visit the Solutions section of [www.ihsmarket.com](http://www.ihsmarket.com). For more information on our PMI business surveys, please visit [www.ihsmarket.com/products/PMI](http://www.ihsmarket.com/products/PMI)

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

Special Focus

# China

## China’s Greater Bay Area Becomes Key Mega Region in Global Economy

The Greater Bay Area comprises 11 major cities of the Pearl River Delta in southeastern China, including Hong Kong Special Administrative Region (SAR), Macao SAR, as well as nine key cities in Guangdong Province of mainland China, including Guangzhou and Shenzhen.

The Greater Bay Area has become one the three key mega-regions of China, with a total GDP that reached USD 2 trillion in 2021, equivalent to the GDP of Canada. Large-scale investment in key transport infrastructure such as bridges, ports, railways and highways has helped to drive the region’s economic integration and economic development.

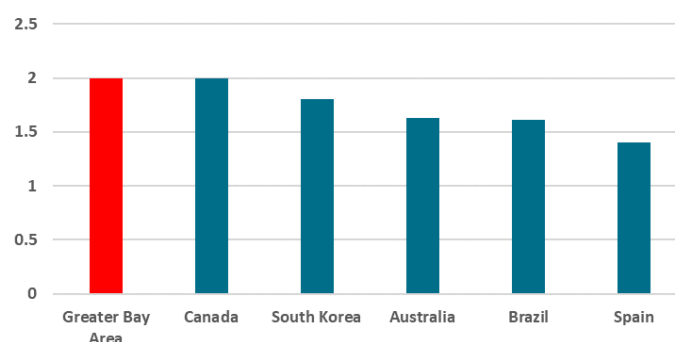
### Mainland China’s Economic Ascendance

The rapid growth of mainland China’s economy over the past two decades has been a major driving factor for the increasing economic weight of APAC in the world economy. Mainland China’s weight in world GDP has risen from 3.6% in 2000 to 18.6% by 2021, measured in nominal USD terms. The development of the Greater Bay Area as a key mega-region of the Chinese economy has been an important driver contributing to China’s rapid economic growth since 2000. The Pearl River Delta has been an important industrial powerhouse for China’s manufacturing exports over the past three decades. The other leading mega-regions of China are the Yangtze River Delta region centered on Shanghai and the Capital Economic Zone centered on the Beijing-Tianjin economic corridor.

By 2021, the Greater Bay Area’s GDP was estimated at USD 2 trillion, which was equivalent to 11% of the combined GDP of mainland China, Hong Kong SAR and Macao SAR. When the Greater Bay Area GDP is benchmarked globally, its GDP was equivalent to Canada’s GDP in 2021. When compared with large APAC industrial nations, the GDP of the Greater Bay Area exceeded the GDP of South Korea in 2021.

### Greater Bay Area GDP, 2021

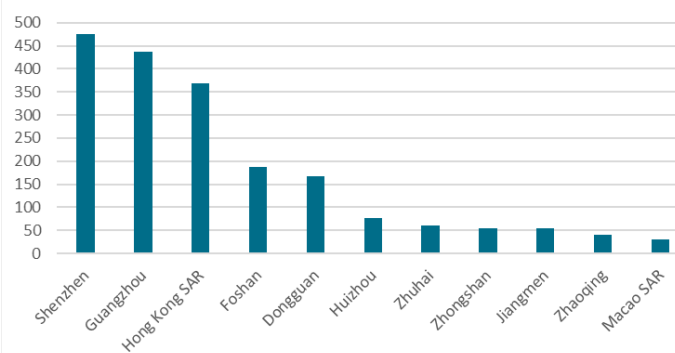
USD trillion, nominal terms Source: S&P Global



Hong Kong SAR and Macao SAR have also become important markets for Guangdong Province. Trade between Guangdong Province with Hong Kong SAR and Macao SAR accounted for 14.2% of Guangdong’s total trade outside of mainland China in 2021.

### GDP of Key Cities in Greater Bay Area

USD billion Source: HKTDC

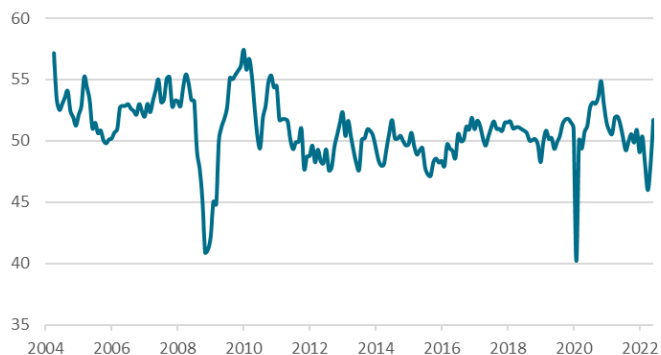


However, the COVID-19 pandemic has also created tremendous disruptions to the pattern of mainland China’s economic growth during 2020–22. In the first half of 2021, a number of cities in the Greater Bay Area have been hit by recent outbreaks of COVID-19 clusters. Shenzhen and Dongguan were among the cities that faced strict COVID-19 containment measures during March 2022, impacting on economic activity.

However, the latest Caixin PMI surveys of manufacturing and services in mainland China showed a strong rebound in economic activity for the month of June. Business confidence regarding the 12-month outlook for manufacturing output improved to a four-month high in June. Companies were generally upbeat in their forecasts as they anticipated more increases in production and further improvements in client demand as the recent pandemic outbreaks recede.

### Mainland China General Manufacturing PMI

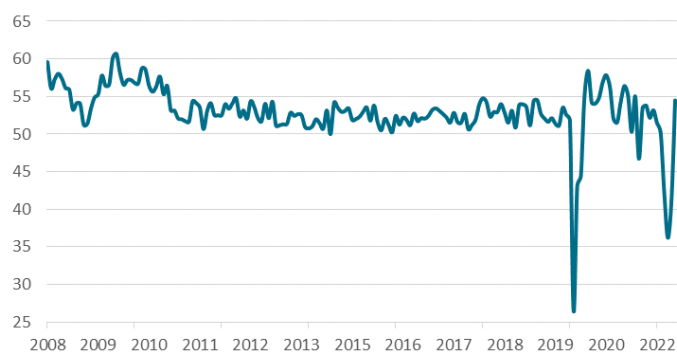
sa, >50 = improvement since previous month



Sources: Caixin, S&P Global.

### Mainland China Services Business Activity Index

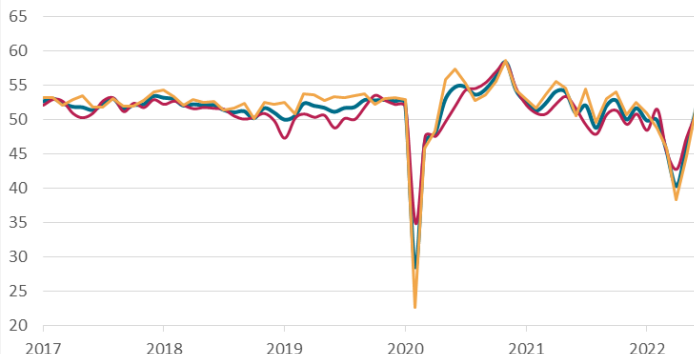
sa, >50 = growth since previous month



Sources: Caixin, S&P Global

### Mainland China Manufacturing and Services New Orders

sa, >50 = improvement since previous month



Sources: Caixin, S&P Global.

## The Role of Hong Kong SAR

Hong Kong SAR has the third largest economy amongst the major cities of the Greater Bay Area, after Shenzhen and Guangzhou. Hong Kong's international financial centre plays an important role in the economic development of the Greater Bay Area, as an international banking and insurance hub, as well as an important international capital markets centre. This has helped to facilitate international financing flows for the Greater Bay Area, complementing the role of Shenzhen and Guangzhou as important domestic financial centres in mainland China.

Hong Kong SAR continues to play a key role in capital markets financing for mainland Chinese companies, through bank lending, debt issuance and equity capital raising.

Hong Kong SAR also continues to be an important logistics hub for the Greater Bay Area for shipping and commercial aviation.

Despite severe disruptions to economic activity in 2020-22 during the COVID-19 pandemic, the headline seasonally adjusted S&P Global Hong Kong SAR Purchasing Manager's Index™ (PMI™) posted 52.4 in June, down from 54.9 in May. June data indicated a third consecutive month of expansion in output amid looser pandemic restrictions. New order volumes increased for a third successive month, but at a slower rate than in May. The recent COVID-19 outbreaks weighed negatively on new business, as firms recorded a thirteenth successive month of contraction in new orders from mainland China. The effects of COVID-19 also continued to impact vendor performance, according to surveyed firms. June data signaled a fourteenth consecutive month in which delivery times lengthened.

### S&P Global Hong Kong PMI

sa, >50 = improvement since previous month



Sources: Caixin, S&P Global.

## Economic Outlook for the Greater Bay Area

The COVID-19 pandemic has created tremendous disruptions to the pattern of economic growth worldwide during 2020-22, including for China. In the near-term, a key downside risk for China's economic outlook is from new COVID-19 outbreaks, which could continue to act as a significant drag on economic growth momentum, including for the Greater Bay Area. Even though economic activity has rebounded in June after pandemic

restrictions in Shanghai and Beijing were eased, new COVID-19 cases have been reported in early July in some cities.

The city of Xi'an, capital of Shaanxi Province in Northwestern China, with a population of 13 million, has escalated pandemic restrictions for the week starting 6 July, after detecting domestic cases of Omicron BA.5.2 variant. Shanghai has announced plans to complete two rounds of mass testing for most residents in 12 out of 16 districts over 5-7 July, aiming to stamp out further transmission after a number of new infections were detected.

However, despite the uncertainties caused by near-term disruptions due to the pandemic, over the medium to long-term, the Greater Bay Area will continue to be a key driver of China's economic growth. The Greater Bay Area will continue to be a leading APAC mega-region for manufacturing production, financial services as well as for shipping and logistics.

Nevertheless, the Greater Bay Area will also face structural economic challenges. The pace of mainland China's economic growth has slowed significantly since 2010, as ageing demographics and the declining marginal productivity of capital have contributed to a gradual moderation in the pace of growth.

As mainland China's ageing demographics increasingly impact on the nation's long-term potential growth rate, the outperformance of mainland China's economic growth relative to world growth is expected to gradually narrow over the next decade and beyond. Whereas mainland China's GDP growth rate significantly exceeded world GDP growth over the period from 2000–21, this gap is forecast to narrow significantly over the next two decades.

This will also impact upon the future development path of the Greater Bay Area, increasing the competitive challenges to transition its manufacturing sector from being a low-cost "factory of the world" to a higher value-added manufacturing hub. Consequently, large-scale investment in physical infrastructure such as bridges, railways, ports and airports have been an important priority for government spending, in order to build competitive advantage. Investment in technology and innovation has also been an important driver for improving competitive advantage, through development of universities and research institutes.

Despite these competitive challenges, the GDP of the Greater Bay Area is projected to reach USD 5.8 trillion by 2040. This would be equivalent to around 2.3% of world GDP in 2040 and would slightly exceed the GDP of France. Within the APAC region, the Greater Bay Area will have an even larger economic footprint, with its GDP projected to be 5.5% of total APAC GDP by 2040.

## **Rajiv Biswas**

Asia-Pacific Chief Economist  
S&P Global Market Intelligence  
Singapore

[rajiv.biswas@spglobal.com](mailto:rajiv.biswas@spglobal.com)



Special Focus

# Global economy

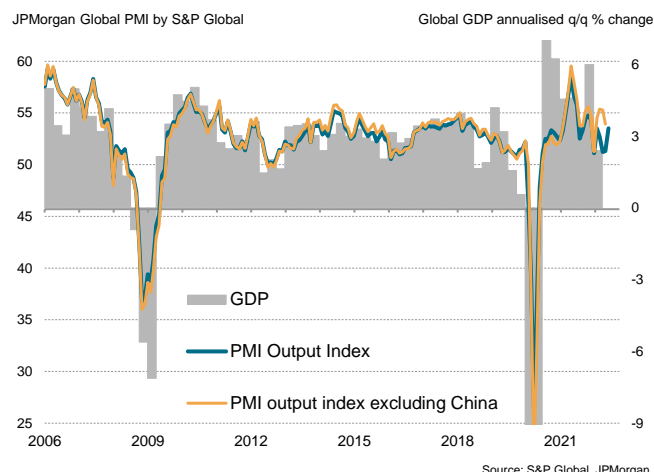
## Global growth buoyed in June by China upturn, but worldwide demand growth hits weakest for nearly two years and business prospects sour

Global economic growth accelerated in June thanks primarily to rebounding business activity in mainland China after lockdowns related to the Omicron wave were eased. However, trends elsewhere were mixed: other major emerging markets reported further solid or reviving growth, but developed world output growth slowed to the second-weakest since January 2021 led by worsening performances in the US and eurozone. June consequently saw the strongest outperformance of the emerging markets relative to the developed world for a decade.

Demand growth, as measured by inflows of new orders, meanwhile slowed globally to a reach a near two-year low and hint at a further developed-market-led weakening of global growth in the coming months. A stalling of backlogs of orders also hints at slower employment growth in the coming months.

Such a slowdown of growth and employment is also signaled by a further souring of business confidence in the outlook to the lowest for 21 months, with companies growing gloomier on the back of the rising cost of living and tightening financial conditions.

### JP Morgan Global composite PMI



### China revival boosts global economy

Global economic growth accelerated in June, according to PMI survey data compiled by S&P Global and sponsored by JPMorgan. The headline PMI, covering output of both manufacturing and services, rose from 51.3 in May to 53.5. Both sectors saw improved rates of expansion, with the service sector growing at the fastest rate for four months and the factory sector returning to growth after two months of falling production.

### Global manufacturing and services output



The big change compared to May was the resumption of strong growth in mainland China after three months of severe downturns due to restrictions imposed to halt the spread of the Omicron variant. China's expansion in June was one of the strongest recorded over the past decade and reflected resurgent business activity levels in both manufacturing and services.

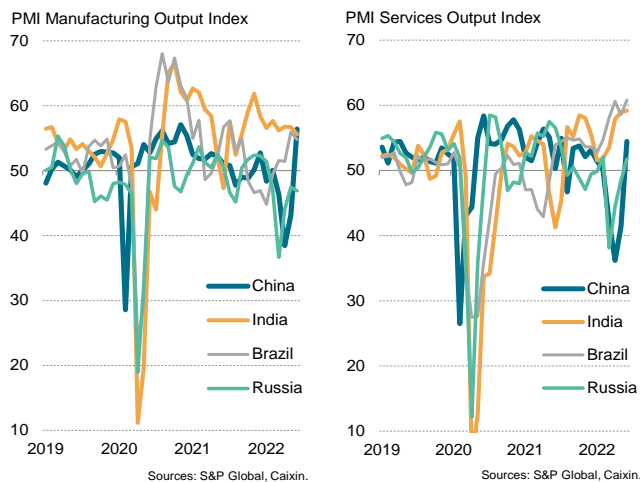
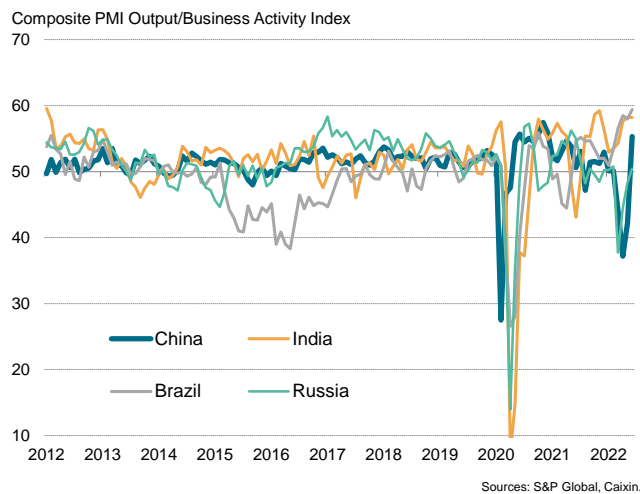
If China is excluded, global growth slowed in June, down to the slowest since January to register the second-weakest performance since the Delta wave impact at the end of 2020.

## Emerging market growth hits highest since 2011

However, the improvement was not confined to China. Russia also saw a return to growth after three months of war-related contraction thanks to a revival of service sector growth, albeit registering only a marginal expansion of output thanks mainly to falling exports. Growth also picked up in Brazil to hit the highest since April 2007 and remained impressively strong in India.

The major emerging markets consequently enjoyed the largest collective monthly increase in output since January 2011.

### Emerging market PMI output indices

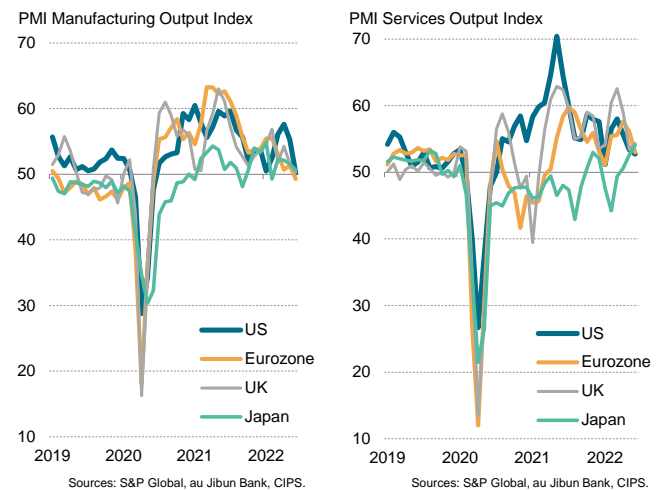
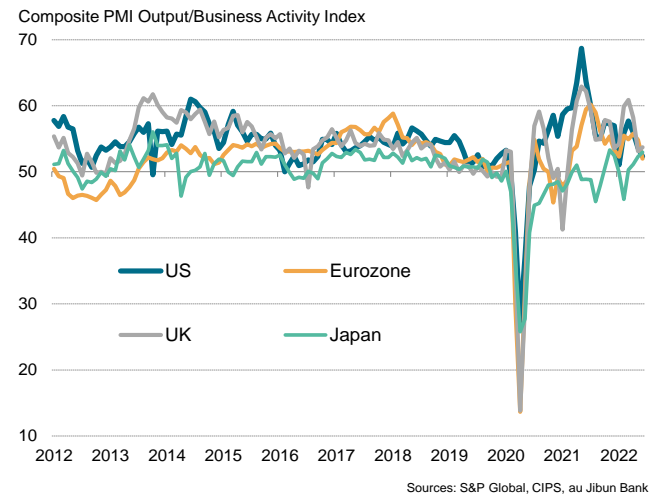


## Developed world growth slows

In contrast, output growth in the developed world slowed in June to the second-weakest since January 2021, with only the Omicron-related hit to output at the start of 2020 seeing a worse performance. Especially slow rates of expansion were seen in the US and eurozone, with more robust rates of increase recorded in

the UK and Japan thanks to better service sector performances. The latter notably recorded the strongest overall expansion since last November. However, even in the UK and Japan growth rates remained subdued, with manufacturing broadly stagnant in all four major developed markets.

### Developed market PMI output indices

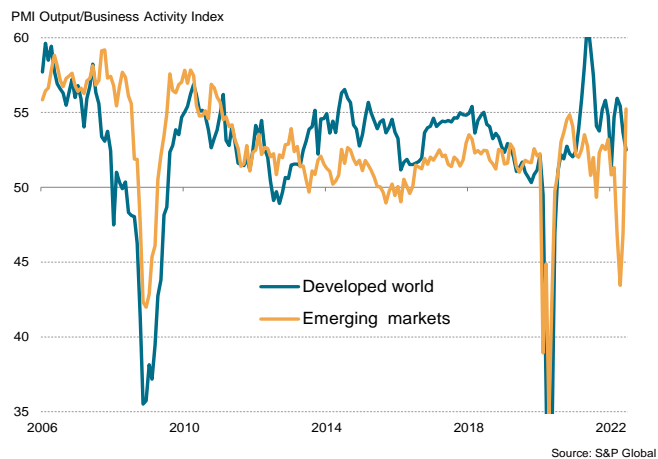


## Best emerging market outperformance for a decade

Barring the initial days of the pandemic, June consequently saw the strongest outperformance of the emerging markets relative to the developed world for a decade.



## Developed vs. emerging market output



## Emerging market new orders



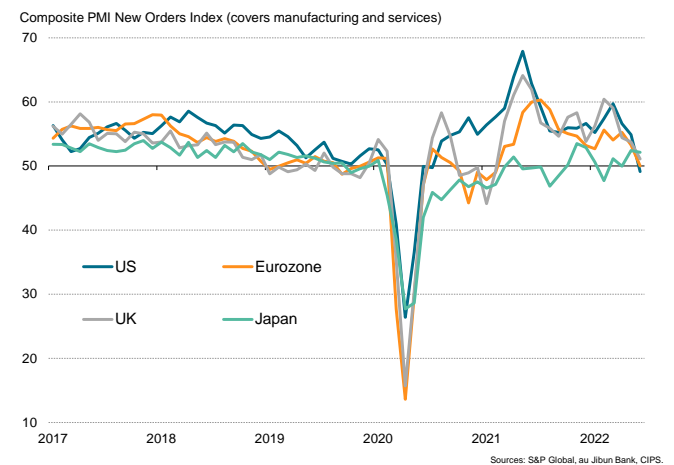
## Demand growth at near two-year low

Trends in demand, as measured by inflows of new orders, pointed to an even greater developed-emerging market divergence, but also signalled an increased risk of global growth weakening further in coming months. Measured globally, new orders for manufactured goods rose only fractionally in June, the near-stalling of demand representing the worst performance since the initial COVID-19 downturns of early-2020. New business placed at service providers meanwhile rose globally at the slowest rate since January 2021.



Although new orders growth accelerated in all four of the largest BRIC economies, led by near-record rises in Brazil and India, demand growth faltered in the four largest developed markets. New orders for goods and services fell in the US, stagnated in the eurozone, fell to only a very modest rate in the UK and cooled in Japan.

## Developed market new orders



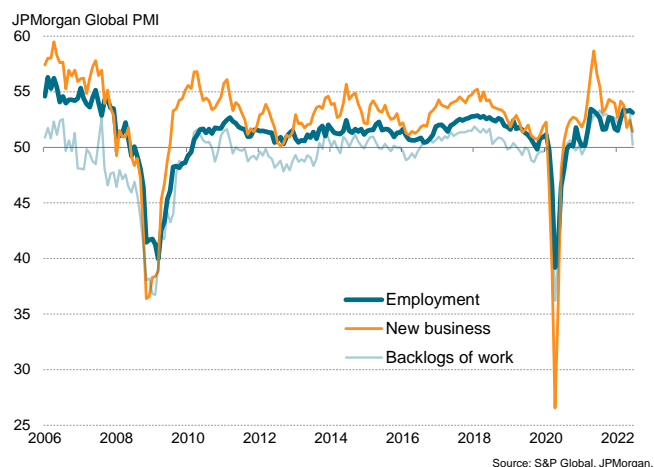
The resulting combined global increase in new orders for goods and services was the smallest registered since July 2020.

This weakening of new business growth meant that, unlike prior months, companies' backlogs of orders failed to increase to any material degree in June, the marginal increase in backlogs being the smallest recorded since February 2021.

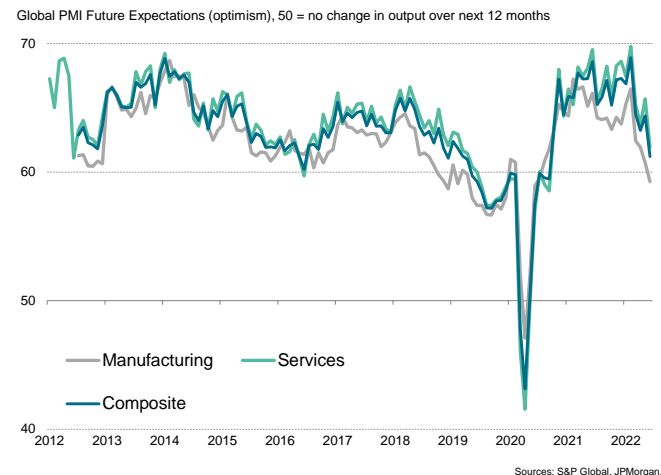
## Hiring slowdown?

Although employment meanwhile continued to rise at a solid rate globally in June, this stalling of demand typically precedes a slowdown in hiring.

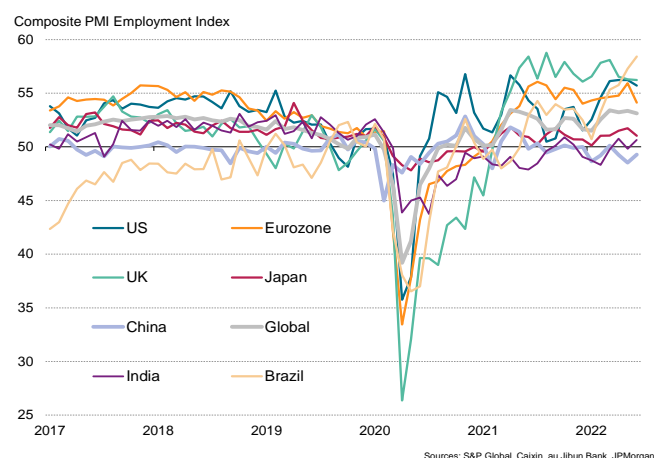
## Order books and employment



## Global future output expectations

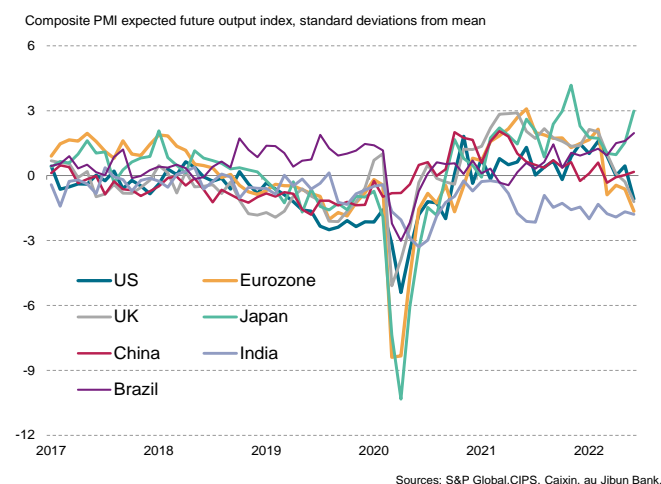


## Employment by major economy



Future expectations are running especially weak by historical standards in India and the eurozone, the US and the UK. On the other hand, sentiment is particularly buoyant in Brazil and Japan and has lifted slightly above its long run trend in China.

## Future output expectations



## Year-ahead optimism at 21-month low

Slowdowns in hiring and a further weakening of output growth are also indicated by the PMI survey's gauge of business expectations about the next 12 months. Optimism fell in June to the lowest since September 2020, deteriorating markedly in both manufacturing and services.

Gloomier prospects were most commonly associated with companies growing increasingly concerned about the impact of rising prices on spending power, but also reflecting concerns over tightening financial conditions as policymakers seek to subdue inflation by hiking interest rates to cool demand. The surveys also saw increasing cases of companies worrying about the impact of raw material and staff shortages, albeit with these supply-side concerns moderating compared to prior months.

## Links to press releases

[Global manufacturing PMI](#)

[Global services PMI](#)

**Chris Williamson**  
Chief Business Economist  
S&P Global Market Intelligence,  
London

T: +44 779 5555 061  
[chris.williamson@spglobal.com](mailto:chris.williamson@spglobal.com)

## Links to more resources

- [Sign up to receive updated commentary in your inbox here.](#)
- [Calendar of upcoming PMI releases](#)
- [Running commentary on the PMI survey findings](#)
- [PMI Frequently Asked Questions](#)
- [Background to the PMIs \(video\)](#)
- [Understanding the headline PMI and its various subindices](#)
- [PMI data use-case illustrations](#), from nowcasting to investment strategy
- [PMI podcasts](#)
- [How to subscribe](#) to PMI data

## CONTACT US

### Chris Williamson

Chief Business Economist  
S&P Global Market Intelligence  
London

T: +44 779 5555 061  
[chris.williamson@spglobal.com](mailto:chris.williamson@spglobal.com)

### The Americas

+1-877-863-1306

### EMEA

+44-20-7176-1234

### Asia-Pacific

+852-2533-3565

[ihsmarkit.com/products/pmi](https://ihsmarkit.com/products/pmi)