

Week Ahead Economic Preview

Payrolls and PMIs add to policy perspectives

3 October 2022

With global recession risks rising, upcoming PMI survey data for the world's major economies will come under close scrutiny in the week ahead, as will Friday's US nonfarm payroll report in providing important guidance on the Fed's policy stance. While a scheduled meeting at the RBA is the main event from a policy-setting perspective, markets will be closely monitoring potential interventions by the Bank of England amid volatility in the gilt and FX markets, as well as UK political developments.

The week commences with a flood of manufacturing PMIs. Markets will be evaluating the potential for an easing of global factory price pressures following a recent moderation of supply chain pressures and the weakening demand environment. However, the softening of demand, ongoing COVID-19 containment measures in mainland China, uncertainty regarding Russia and energy supply issues in Europe all remain major concerns for the economic outlook.

Later in the week come the service sector PMIs, where the impact of the cost-of-living crisis on consumer spending will be a key development to watch. However, the surveys will also help understand the impact of tightening financial conditions on financial services around the world (see box), as well as any pass-through of rising prices to wages.

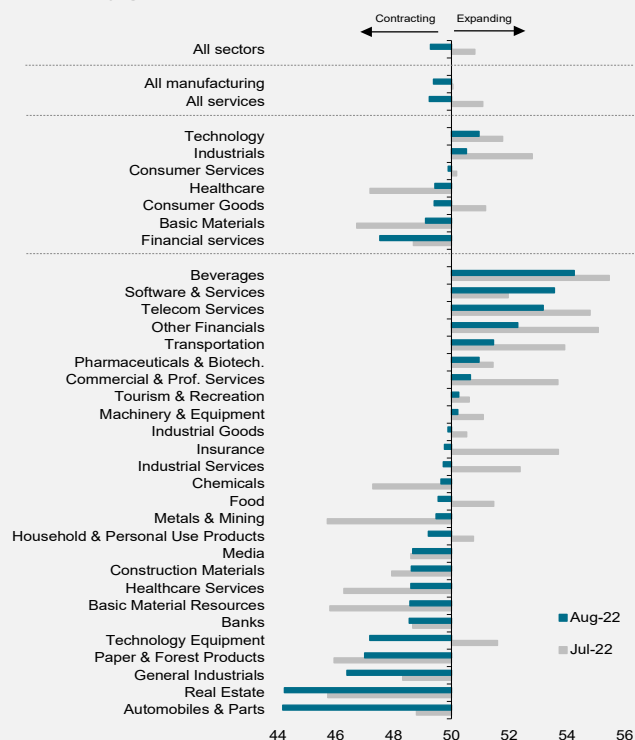
The week rounds off with the US employment report, for which markets are expecting nonfarm payroll growth to slow from a 315k gain in August to 250k in September. That would be the worst performance since December 2020, though the slowing pace of job gain in part reflects a natural moderation in hiring amid the current tightness of the labour market. The unemployment rate is expected to hold at 3.7%. Average hourly earnings growth is anticipated to hold at 0.3%. Any stronger than anticipated labour market trends will naturally add further to the growing view of a more aggressive Fed tightening, and notably a higher restrictive peak in the funds rate which may need to be maintained for longer.

In a crowded week, also watch out for US factory orders data and industrial production numbers out of Germany, France and Spain, as well as Japan's Tankan survey.

Financial services lead global downturn

PMI survey data published in the coming week will provide timely insights into macroeconomic trends around the world at the end of the third quarter, covering both manufacturing and services. However, the survey data can also be used to analyse economic trends by industry sector. August's data showed that the industry exerting the biggest drag on global growth is now financial services, with real estate activity falling especially sharply, reflecting the recent tightening of financial conditions. However, there has also been a major deterioration in the performance of consumer-facing service sectors, and notably travel & tourism, where a post-vaccine rebound in demand has stalled globally amid the surge in energy costs and rising cost of living, which has diverted spending away from non-essentials. Autos have also continued to suffer amid supply shortages. September's data will be [published by S&P Global](#).

PMI survey global output indices



Source: S&P Global, JPMorgan.

Key diary events

Monday 3 October

Worldwide manufacturing PMI surveys (Sep)
Japan Tankan survey (Q3)
ISM US manufacturing survey (Sep)
Indonesia inflation (Sep)
Switzerland inflation (Sep)
India trade balance (Sep)
Brazil trade balance (Sep)

Tuesday 4 October

Australia home loans, building permits (Aug)
Australia RBA policy decision
Spain unemployment (Sep)
Eurozone PPI (Aug)
US factory orders, JOLTS (Aug)
Russia GDP (Aug)

Wednesday 5 October

Worldwide services & composite PMI surveys (Sep)
ISM US non-manufacturing survey (Sep)
S Korea inflation (Sep)
New Zealand RBNZ policy decision
Philippines inflation (Sep)
Thailand inflation (Sep)
Australia retail sales (Aug)
Germany trade balance (Aug)
France industrial production (Aug)
ECB non-monetary policy meeting
Spain consumer confidence (Sep)
US MBA mortgage applications/30-year mortgage rate
Brazil industrial production (Aug)
US trade balance (Aug), ADP employment (Sep)
Canada trade balance, building permits (Aug)
Poland policy decision

Thursday 6 October

Detailed global PMI sector data (Sep)
Australia trade balance (Aug)
Taiwan inflation (Sep)
Netherlands inflation (Sep)
Germany factory orders (Aug)
Spain industrial production (Aug)
UK & eurozone construction PMIs (Sep)
Eurozone retail sales (Aug)
France retail sales (Aug)
US jobless claims

Friday 7 October

Japan household spending (Aug)
Germany industrial production (Aug)
UK Halifax house prices (Sep)
France trade balance (Aug)
Italy retail sales (Aug)
Canada labour market statistics (Sep)
US employment report (Sep)
US consumer credit, wholesale inventories (Aug)

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

What to watch

Americas: US nonfarm payrolls, unemployment & wages, factory orders, consumer credit, PMIs and ISM

The US week kicks off with PMI and ISM surveys and ends with the employment report, providing plenty of fresh insights in the economic growth path and inflation trends. [Flash PMI data](#) showed a weak September rounding off the worst quarter since 2009 – barring the initial pandemic lockdowns – albeit with a cooling of the service sector downturn evident, linked in part to easing inflation pressures and some bottoming out of consumer sentiment. ISM non-manufacturing surveys have meanwhile remained buoyant, so a drop will likely be seen in September.

Slower growth is also expected for non-farm payrolls, with a 250k gain currently the consensus against a 315k August rise. Also watch out for US factory orders, job openings and consumer credit data, plus Canada's labour market statistics.

Europe: Manufacturing, construction and services PMIs, retail sales, industrial production and trade updates

Final manufacturing and services PMIs will be updated for the [Eurozone](#), [UK](#) and other struggling eastern European countries, alongside detailed PMI sector indices to provide additional insights into economic trends amid recession risks across the region. Industrial production data for Germany, France and Spain will also be eagerly awaited to gauge the impact of the region's energy crisis on factories. Also look out for UK house price data plus German factory orders and trade numbers, as well as Eurozone retail sales and a policy decision in Poland.

Asia-Pacific: RBA and RBNZ interest rate decisions, mainland China and other APAC PMIs

PMI data for mainland China will be high on the agenda amid concerns that global trade growth is slowing while domestic demand remains subdued due to ongoing COVID-19 containment measures. Other PMI data for APAC economies have shown varying trends, with India and Vietnam notably bucking a wider global slowdown. In Japan, services growth has likely been buoyed by loosened COVID restrictions while the factory PMI and Tankan survey will be scoured for the impact of the weakened yen on goods exports.

The main policy meeting of the week takes place in Australia, accompanied by a rate setter gathering in New Zealand. The RBA has hiked in each of the past five months to take its policy rate to 2.35%, yet inflation has continued to rise and the job market remains tight. Another hike, potentially of 50 basis points, is therefore widely anticipated.

Special reports:

US | Chris Williamson | [page 4](#)

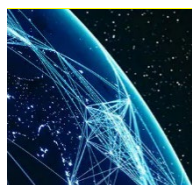
Singapore | Rajiv Biswas | [page 7](#)

Recent PMI and economic analysis from S&P Global

Global	Tightening financial conditions will slow global economic growth and inflation	22-Sep	Sara Johnson
Americas	Using SP Global PMI survey data as an indicator corporate earnings	16-Sep	Chris Williamson
	US downturn eases in September amid cooling price pressures and fewer supply delays	26-Sep	Chris Williamson
	US Weekly Economic Commentary: Worsening financial conditions likely to tip US into recession	26-Sep	Akshat Goel Ben Herzon Chris Varvares Ken Matheny
APAC	APAC Electronics Industry Faces Global Headwinds	15-Sep	Rajiv Biswas
Europe	Eurozone downturn deepens in September as price pressures intensify	23-Sep	Chris Williamson
	UK recession risks rise as flash PMI surveys signal deepening downturn in September	23-Sep	Chris Williamson

S&P Global Economics & Country Risk highlights

Weekly Pricing Pulse: Commodity prices rise in a calm week for energy markets



Our Materials Price Index (MPI) increased 0.8% last week, with six of the ten sub-components rising. The scale of week-to-week price changes was much smaller than 3.6% average change over the last four weeks. The lower volatility reflected a comparatively quiet week in energy, steel, and nonferrous metals markets.

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

Insight from our Purchasing Managers' Index data: Australia, Taiwan and more



Our economists discuss dominant themes through the lenses of our Purchasing Managers' Index data sets. What are the recent trends in the Australian private sector economy? What does the data from Taiwan, a bellwether of global manufacturing, tell us? How is tighter monetary policy impacting real estate and other sectors? Where are we seeing supply constraints? [Click here to listen to this podcast by S&P Global Market Intelligence](#)

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Special Focus

United States

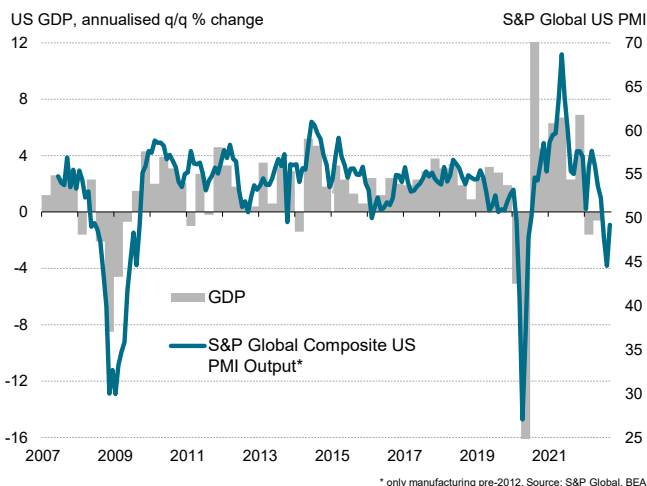
US downturn eases in September amid cooling price pressures and fewer supply delays

US businesses reported a third consecutive monthly fall in output during September, rounding off the weakest quarter for the economy since the global financial crisis if the pandemic lockdowns of early-2020 are excluded. However, while output declined in both manufacturing and services during September, in both cases the rate of contraction moderated compared to August, notably in services, with orders books returning to modest growth, allaying some concerns about the depth of the current downturn.

There was also better news on inflation, with supplier shortages easing to the lowest since October 2020. These improved supply chains, accompanied by the marked softening of demand since earlier in the year, helped cool overall the rate of inflation of both firms' costs and average selling prices for goods and services to the lowest since early-2021.

Inflation pressures nevertheless remain elevated by historical standards and, with business activity in decline, the surveys continue to paint a broad picture of an economy struggling in a stagflationary environment.

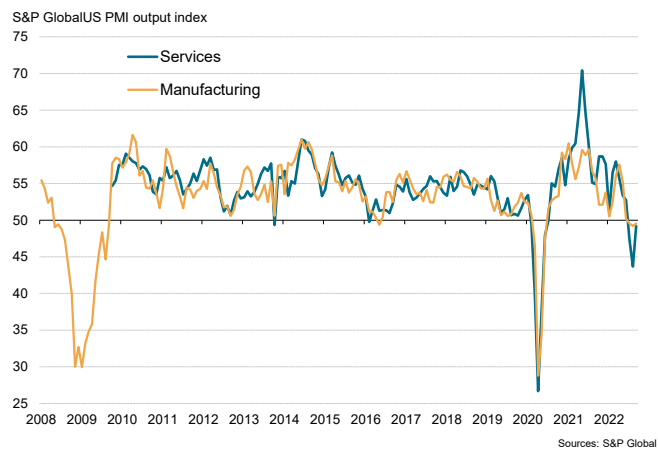
US composite PMI vs. GDP



Third quarter woes ease a little

S&P Global's headline Flash US PMI Composite Output Index registered 49.3 in September, up from 44.6 in August, but nonetheless signalling a third successive monthly fall in private sector business activity. The decrease was the smallest in the current three-month sequence of contraction as, although manufacturers continued to register lower production, service providers saw a markedly slower pace of decline in output.

US manufacturing and services output

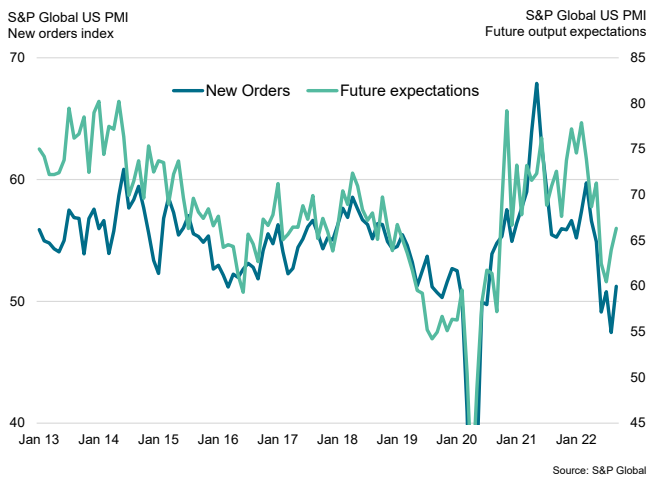


Improved forward-looking indicators

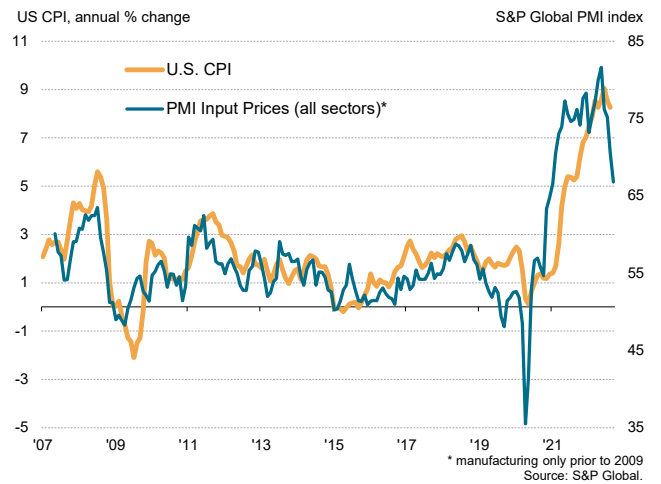
While new orders returned to growth, with gains reported across the manufacturing and service sectors, the upturn in demand was only mild and subdued by historical standards. New export orders remained in contraction, with the rate of decrease the second-fastest since May 2020, linked to weakening economic trends in key markets, notably Europe.

Encouragingly, the upturn in the survey's new orders gauge was accompanied by a lifting of business expectations for the year ahead, which – like new orders – had sunk over the early summer months to the lowest since the initial pandemic shock. While both gauges remain subdued, the lack of further declines in the face of tightening monetary policy are especially welcome.

US new orders and future output expectations



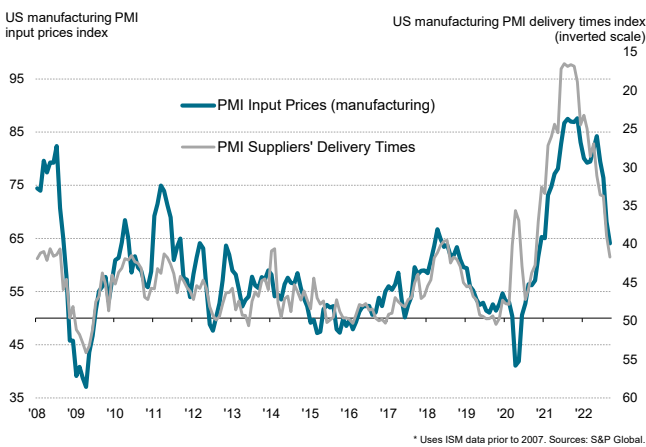
PMI input costs and CPI inflation



Better news on supply chains and inflation

The September survey brought some other positive developments, notably in terms of inflation, which likely had a bearing on production and demand growth during the month. Supplier delivery delays, which have contributed to upward pressure on prices during the pandemic, eased further, with September seeing the fewest delays since October 2020. Price pressures for manufacturing inputs cooled sharply further as a result, with input cost inflation in the goods-producing sector now down to its lowest since November 2020, having now fallen for four straight months.

Manufacturing input costs and supplier delays

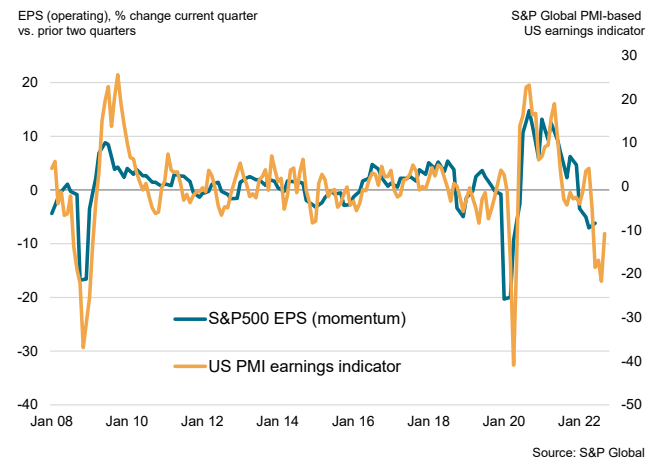


Service sector input cost inflation also moderated sharply in September, likewise down for a fourth month running. Input costs across both sectors consequently rose in September at the slowest rate since January 2021, which in turn suggests that consumer price inflation, currently running at 8.3%, has further to fall from its June peak of 9.1%.

Stagflationary environment persists

The bottom line from the S&P Global survey data is that the business environment remains one of modestly contracting economic output at a time of still elevated inflationary pressures. Both are clearly adverse to corporate earnings, albeit with the cooling of price pressures and moderating rate of decline of output (and modest return to growth of demand) taking some of the downward pressure off business profits.

US PMI and corporate earnings



Comparisons with other surveys

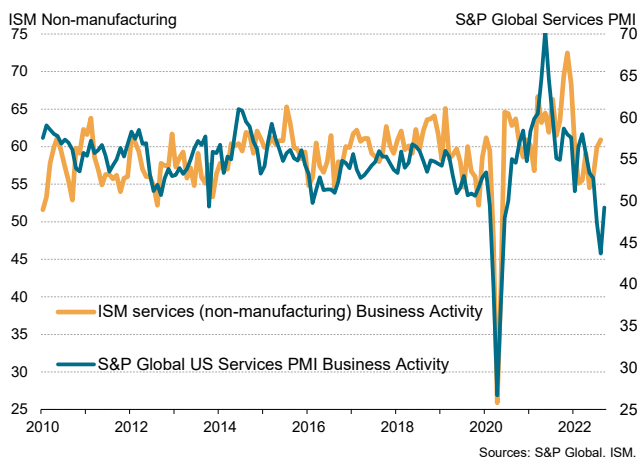
The rise in the S&P Global's service sector business activity index still leaves a discrepancy against the ISM services (or, more accurately, non-manufacturing) business activity index readings in recent months. Through the summer, the ISM survey has shown booming business conditions despite the soaring cost of living, worsening financial conditions and ever-rising interest rates.

The relative weaker performance of the S&P data likely rests in its greater weight towards financial services and consumer services (which have both fared especially poorly in recent months) as well as its sole focus on private sector services activity. Importantly, note that the ISM non-manufacturing survey includes government services and utilities, which are likely to be showing counter-cyclical trends at the moment.

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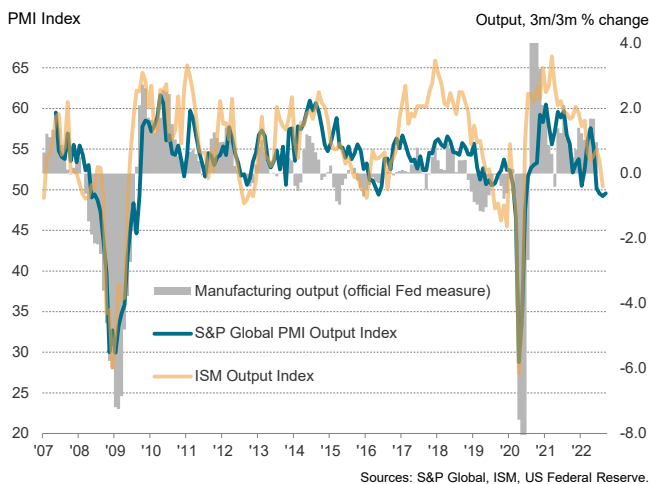
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US service sector survey comparisons



From a manufacturing perspective, the S&P global and ISM surveys are more closely aligned, both in terms of sector coverage and recent data trends. Both are showing a manufacturing sector that has gone from a position of strength earlier in the year, after the fading of the Omicron COVID-19 concerns, to one of falling or, at best, near-stalled manufacturing output.

US manufacturing survey comparisons



Singapore

Singapore Manufacturing Sector Moderates as Global Headwinds Bite

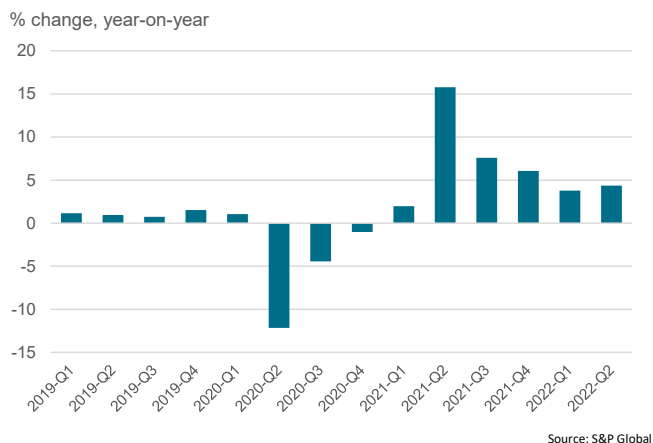
The Singapore economy has shown continued expansion since the beginning of 2022, helped by significant easing of pandemic-related restrictions. However, Singapore's manufacturing sector is facing increasing headwinds due to the slowdown in the US, EU and China. This has been mitigated by improving conditions in the service sector, notably the rebound in international tourism, business conventions and air travel as border restrictions are easing across much of the Asia-Pacific region.

The upturn in inflation pressures and slowing world growth are expected to create increasing headwinds to growth in the remainder of 2022 and into early 2023.

Singapore economy shows some moderation

The Singapore economy grew at a pace of 4.4% y/y in the second quarter of 2022, after growth of 3.8% y/y in the first quarter of 2022. This follows a strong economic rebound from the pandemic in 2021, when GDP growth rose by 7.6% y/y.

Singapore GDP growth



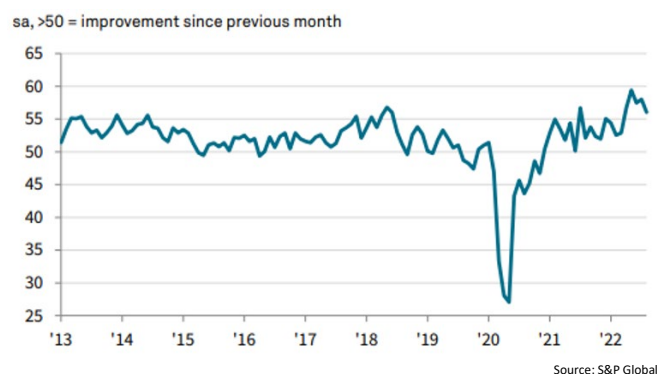
Helped by improving domestic demand, Singapore's services sector grew at 4.8% y/y and the manufacturing sector grew at a pace of 5.7% y/y in the second quarter of 2022. Service sector output in the second quarter was buoyed by surging output for food and beverage services, as pandemic-related restrictions were eased significantly during the quarter.

The headline S&P Global Singapore Purchasing Managers' Index™ (PMI™) posted 56.0 in August, down from 58.0 in July. The latest reading remained above the 50.0 no-change mark for a twenty-first successive month to signal continued expansion in overall operating conditions. Despite staying historically high, the rate of

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improvement eased to a five-month low amid slight softening in both output and demand growth.

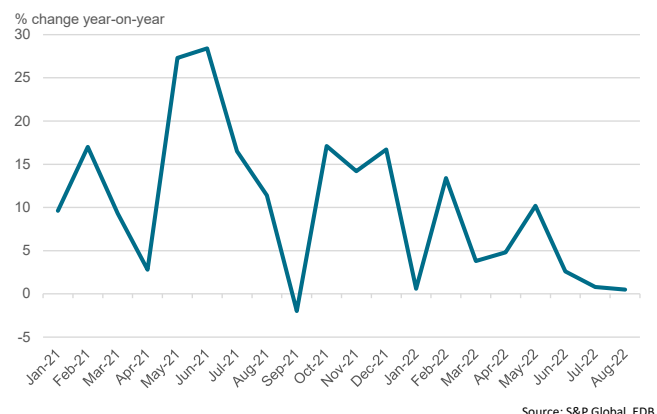
S&P Global Singapore PMI



Manufacturing sector slowdown

Singapore's manufacturing output growth slowed to just 0.5% year-on-year in August, although production rose by 2.0% month-on-month.

Singapore manufacturing output



A key factor driving the slowdown of manufacturing output growth has been weakening growth momentum in the electronics sector, which accounts for 40% of total manufacturing sector output. Electronics output in August contracted by 7.8% y/y, with semiconductors output down by 6.6% y/y. The downturn in electronics reflects a broader global weakening in electronics new orders, as economic growth momentum has slowed in the US, EU and China in recent months. Declining chemicals output, which fell by 11.2% y/y, also contributed to the weak outturn.

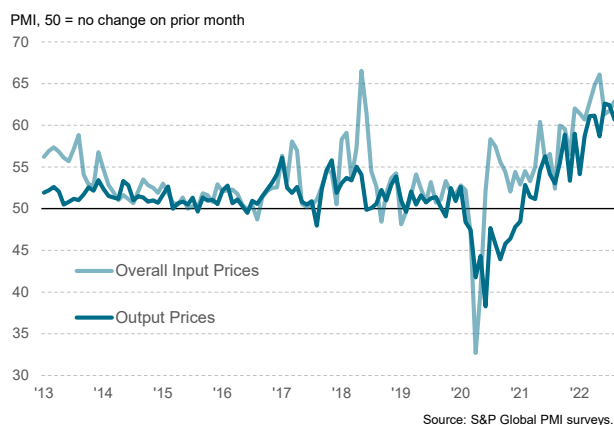
Declining output in electronics and chemicals was mitigated by strong growth in biomedical manufacturing, which rose by 11.1% y/y, as well as buoyant growth in transport engineering, which rose by 32.8% y/y. This reflected strong growth in both the aerospace engineering segment, which rose by 42.3% y/y, as well as 42.8% y/y growth in the marine and offshore engineering segment.

Overall, total manufacturing output growth during the first eight months of 2022 was up 4.4% y/y, with the electronics sector still recording positive growth of 4.9% y/y. However, the electronics sector will face growing headwinds in the near term due to continued weakening growth momentum expected for the US and EU in the remainder of 2022 and into 2023.

Inflation pressures

According to the August S&P Global Singapore PMI survey, input and output price inflation remained historically sharp and among the highest on record. The rate of input cost inflation accelerated from August, driven by rises in both purchase costs and average staff expenditure. Higher fuel, energy and raw materials costs were all reported. Moreover, staff costs increased, and at a rate which was the second-sharpest on record. Anecdotal evidence suggested that commission and overtime pay-outs, higher headcounts, and salary adjustments all contributed to sharp wage growth

Singapore PMI: Input and Output Prices



Singapore’s CPI inflation rate has risen significantly since the beginning of 2022. CPI-All Items inflation came in at 7.5% y/y in August, up from 7.0% y/y in July and 4.0% in January 2022. The Monetary Authority of Singapore’s (MAS) measure of Core Inflation rose to 5.1% y/y in August, from 4.8% in July.

For calendar 2022, the MAS and Ministry of Trade and Industry estimate that CPI-All Items inflation is expected to come in at 5.0–6.0%, while MAS Core Inflation is projected to average 3.0–4.0%.

Moderating global electronics demand adds to headwinds

The electronics manufacturing industry is a key segment of Singapore’s manufacturing sector, accounting for 40% of the total weight of manufacturing output, dominated by semiconductor-related production. The latest S&P Global survey data indicates that the global electronics manufacturing industry is facing headwinds from the weakening pace of global economic growth.

According to the headline S&P Global Electronics PMI, the global electronics composite index fell to 49.4 in August. The latest survey results indicate that the global electronics industry is now experiencing contractionary conditions for the first time in 26 months.

S&P Global electronics PMI



The two principal sub-components of the Global Electronics PMI – new orders and output – both slipped deeper into contraction territory during August, while inventory levels increased due to sluggish sales and falling production requirements. Weakening economic growth momentum in the US and EU has impacted on consumer demand for electronics, with the economic slowdown in mainland China also contributing to the downturn in new orders.

S&P Global Electronics PMI



Singapore's economic outlook

There are a number of significant downside risks to Singapore's near-term growth outlook. Notably, Singapore's export sector is vulnerable to weakening global economic growth momentum, notably in the key export markets of the US, EU and China. Rising inflation pressures are also an important risk to the near-term outlook, particularly as there are signs that wages growth is rising.

However, the medium-term outlook for Singapore's manufacturing sector is supported by a number of positive factors.

In particular, the medium-term global demand outlook for Singapore's electronics industry remains favorable. 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.

In the biomedical manufacturing sector, significant new manufacturing facilities are being built by pharmaceuticals multinationals. This includes a new vaccine manufacturing facility being built by Sanofi Pasteur and a new mRNA vaccine manufacturing plant being built by BioNTech.

The aerospace engineering sector is currently experiencing rapid growth as the reopening of international borders in APAC is boosting commercial air travel across the region. Singapore's role as a leading international aviation hub is likely to continue to strengthen over the medium-term, helped by strong growth in APAC air travel and its role as a key Maintenance, Repair and Overhaul (MRO) hub in APAC.

In the service sector, Singapore is expected to continue to be a leading global international financial centre for investment banking, wealth management and asset management. Singapore will also continue to be a key APAC hub for shipping, aviation and logistics, as well as an important APAC hub for regional headquartering.

However, an important long-term challenge for the Singapore economy will be from ageing demographics, which will result in rising social welfare costs and could gradually reduce Singapore's long-term potential GDP growth rate.

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