

Week Ahead Economic Preview

Services PMIs plus BOC, RBA, RBI policy meetings and key China data

2 December 2022

Worldwide services PMI data will be due at the start of a busy week that includes **central bank meetings** in **Canada, Australia and India**. **Inflation** data will also be in abundance from mainland **China, the Philippines and Thailand** while the **US PPI** figures are set to be updated. Helping assess the global economic environment, **Germany's industrial output** and **China's trade** numbers will also offer deeper insights into conditions within the goods producing sector.

Stocks gained this week with Federal Reserve Chairman Jerome Powell taking to the podium to signal a potential slowdown in interest rate rises, thereby enthusing markets. Prior to which, flash PMI released last week reinforced the picture of recent aggressive policy tightening doing its job in bringing down inflationary pressures.

All said, the risks remain that rates may lift higher before the Fed take a definitive pause, and this is amid [a divergence between resilient official data and softer business survey statistics that has historically shown to be providing important advance signs](#). The coming week's worldwide services PMI figures will therefore be closely watched for a fuller picture on the health of the global economy, including the US with additional data from the ISM. Details from sub-indices such as on employment will be particularly scrutinised after the Fed indicated that the further cooling of the heated labour market is required.

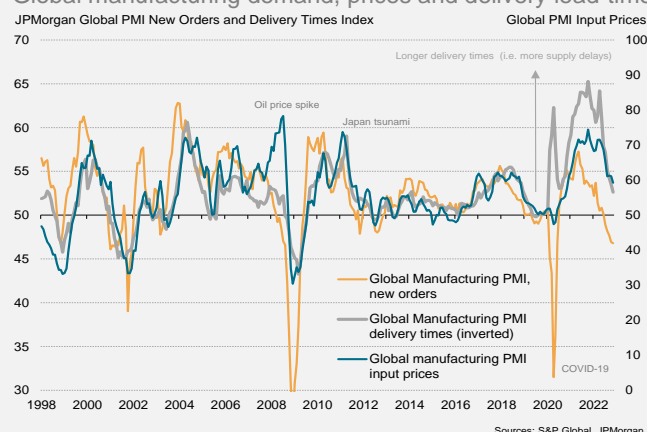
Meanwhile a series of central bank meetings unfold in Canada, Australia and India, each their last monetary policy meeting for 2022. Our country economists have pencilled in hikes expected from all three central banks with the Bank of Canada widely forecast to deliver their final outsized policy hike in December. Following a series of interest rate hikes across major central banks, many are joining the Fed, in tightening at a slower pace. Latest November flash manufacturing PMI data had certainly pointed to prices easing in the current weakened economic environment, backing the need for further policy fine-tuning.

Finally, China's trade and inflation figures will be eagerly watched in APAC after the latest Caixin manufacturing PMI data reflected a slighter deterioration in conditions midway into the final quarter of 2022.

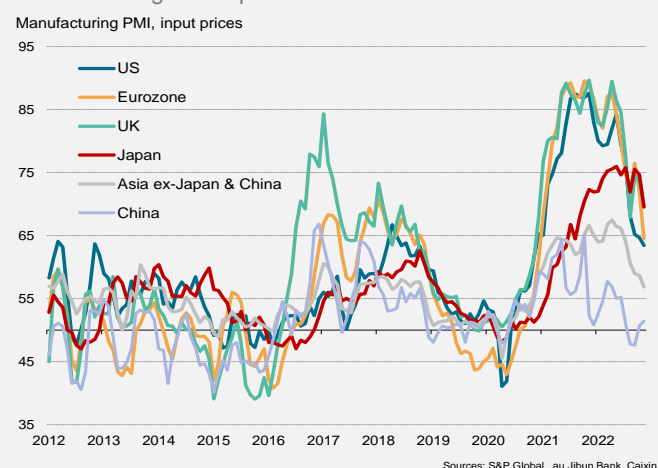
Demand cools, constraints ease, prices fall

Worldwide manufacturing PMI data revealed that goods producers faced a slowdown in demand in November, though supply constraints and price pressures simultaneously cooled. While uncertainties persist, particularly on the energy prices front and China's latest COVID response, the present fall in industrial prices bodes well for consumer goods prices in the coming months. This also suggests that policymakers may have greater room to manoeuvre in their endeavours to douse the inflation fire.

Global manufacturing demand, prices and delivery lead-times



Manufacturing PMI input cost indices



Key diary events

Monday 5 December

Thailand Market Holiday

Worldwide Services & Composite PMI* (Nov)
Australia Business Inventories (Q3)
Eurozone Sentix Index (Dec)
United Kingdom Reserve Assets (Nov)
Eurozone Retail Sales (Oct)
United States Factory Orders (Oct)
United States ISM Non-manufacturing PMI (Nov)

Tuesday 6 December

Japan All Household Spending (Oct)
Australia Current Account Balance (Q3)
Philippines CPI (Nov)
Australia RBA Cash Rate (Dec)
Thailand CPI (Nov)
Germany Industrial Orders (Oct)
Germany Manufacturing Output (Oct)
Taiwan CPI (Nov)
Eurozone S&P Global Construction PMI* (Nov)
Germany S&P Global Construction PMI* (Nov)
United Kingdom S&P Global/CIPS Construction PMI* (Nov)
United States International Trade (Oct)
Canada Trade Balance (Oct)
S&P Global Sector PMI* (Nov)

Wednesday 7 December

Australia GDP (Q3)
China (Mainland) Trade (Nov)
India Repo and Reverse Repo Rate (7 Dec)
Switzerland Unemployment Rate (Nov)
Germany Industrial Output (Oct)
United Kingdom Halifax House Prices* (Nov)
Norway Manufacturing Output (Oct)
Taiwan Trade Balance (Nov)
Eurozone GDP Revised (Q3)
Canada BoC Rate Decision (7 Dec)
S&P Global Metals PMI* (Nov)
S&P Global Electronics PMI* (Nov)

Thursday 8 December

Philippines Market Holiday
Japan Current Account (Oct)
Japan GDP (Q3, revised)
Australia Trade Balance (Oct)
United Kingdom S&P Global/REC Report on Jobs* (Nov)
Canada Leading Index (Nov)
United States Initial Jobless Claims

Friday 9 December

Japan M2 Money Supply (Nov)
China (Mainland) CPI, PPI (Nov)
Norway Consumer Price Index (Nov)
United States PPI (Nov)
Canada Capacity Utilization (Q3)
United States UoM Sentiment (Dec, prelim)
United States Wholesale Inventories (Oct)

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

What to watch

Worldwide services PMI for November

Following the manufacturing PMI release, services figures will be awaited at the start of the week for indications on the health of the global economy beyond the goods producing sector. [Flash PMI data for major developed economies](#) pointed to output declining across both manufacturing and service sectors with reduced price pressures now evident even in the service sectors. Concurrently, jobs growth softened, altogether suggesting more limited scope for further monetary policy tightening although it remains to be seen if central bankers will be persuaded so. Headline services PMIs will therefore be eyed for the degree of slowdown in activity while the sub-indices provide a fuller picture on prices, employment, business confidence and more.

Americas: Bank of Canada meeting, US PPI, UoM sentiment

Bank of Canada policymakers convene on Wednesday for their December meeting. The BoC is expected to deliver their final outsized policy hike at this yearend meeting, lifting the policy rate from the current 3.75%, thus balancing inflation concerns with the focus on wage growth and employment.

Meanwhile in the US, final PPI readings for November will be due alongside the preliminary December UoM sentiment survey. Latest composite flash PMI readings showed improved sentiment across private sector firms in the US despite [growing impact from rate hikes on the economy](#).

Europe: Eurozone Q3 GDP, retail sales, Germany industrial output

Besides the slew of PMI data, revised Q3 GDP from the eurozone will be released. A few tier-2 data releases such as eurozone retail sales and German industrial output figures will also be updated providing indications on the degree of slowdown in the economic bloc.

Asia-Pacific: RBA, RBI meetings, China trade and inflation figures

In APAC, the economic calendar is packed with central bank meetings in Australia and India while China's October trade and inflation figures will also be tracked after the latest [Caixin China General Manufacturing PMI](#) indicated a slower deterioration in manufacturing conditions.

Special reports:

Global Manufacturing Downturn Intensifies as Firms Cut Capacity in line with Slumping Demand | Chris Williamson | [page 4](#)

Taiwan Economy Faces Headwinds from Slowing Exports | Rajiv Biswas | [page 7](#)

Recent PMI and economic analysis from S&P Global

Global	Flash PMI survey data signal growing impact from rate hikes on economy and inflation	28-Nov	Chris Williamson
	Flash PMI data signal falling output in the US, Europe and Japan, but price pressures also cool	24-Nov	Chris Williamson
	Business activity down sharply in Ghana amid inflationary pressures	18-Nov	Andrew Harker
	New inflation trackers decipher key trends driving global prices	17-Nov	David Owen
Europe	Eurozone manufacturing downturn helps cool inflationary pressures	1-Dec	Chris Williamson
	Flash UK PMI data flash recession signals amid steepening drop in demand	23-Nov	Chris Williamson
	Flash PMI point to rising Eurozone recession risks, but price pressures cool as supply improves	23-Nov	Chris Williamson
	Germany leads steepening eurozone downturn in October	24-Oct	Chris Williamson
Asia-Pacific	Japanese service sector activity picks up following recent roll-out of National Travel Discount Programme	18-Nov	Laura Denman
	Flash PMIs show renewed contraction of the Australian economy in October while Japan's service sector powers growth	24-Oct	Jingyi Pan
Commodities	Weekly Pricing Pulse: Tighter COVID-19 containment measures in mainland China pour cold water on market sentiment	1-Dec	Thomas McCartin

S&P Global Economics & Country Risk highlights

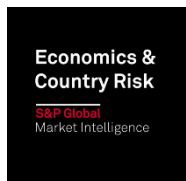
Purchasing Managers Index (PMI) Global Webinar, 7 December 2022 (Wed), 10AM EST



Join our webcast to learn about the latest economic trends from the world's leading survey data. Based on a global survey of more than 28,000 companies, our Purchasing Managers' Index™ (PMI™) provides a unique and comprehensive picture of worldwide economic growth, employment, and inflation across both manufacturing and services in all major economies, with a special focus on supply chains and pricing.

[Click here to register for the webinar](#)

Purchasing Managers Index: Stocks of finished goods and a new data set



Tune in for the latest trends seen in our Purchasing Managers Index data. Our economists discuss the strength of Middle East economies and challenges facing economies within Africa. They also look at what's driving the rise in global manufacturing stocks of finished goods and highlight a new data set within the PMI offering that aims to quantify the impact of common themes like demand inflation and delivery times.

[Click here to listen to this podcast by S&P Global Market Intelligence](#)

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Special Focus

Global Manufacturing Downturn Intensifies as Firms Cut Capacity in line with Slumping Demand

Global manufacturing business conditions worsened for a third successive month in November, with the [JPMorgan Global Manufacturing Purchasing Managers' Index™ \(PMI™\)](#), compiled by S&P Global, dropping from 49.4 in October to 48.8; its lowest level since June 2020.

The survey's sub-indices recorded an increased rate of loss of factory production which looks set to gain momentum in coming months. Order books continued to weaken at a rate far outstripping the pace at which manufacturers are cutting output, meaning firms are seeing unprecedented build-ups of unsold stock. This production decline has in turn necessitated a marked decline in input buying, a shift to inventory reduction and a renewed fall in employment, the latter representing the first time that producers have cut staffing levels for two years and an important sign of growing retrenchment among manufacturers worldwide.

Global factory output decline accelerates

The global manufacturing PMI survey's Output Index, which acts as a reliable advance indicator of actual worldwide output trends, signalled a fourth consecutive monthly fall in worldwide factory production in November, with the rate of decline accelerating to the fastest since June 2020. Excluding the early months of the pandemic, the latest decline was the steepest since May 2009, during the global financial crisis.

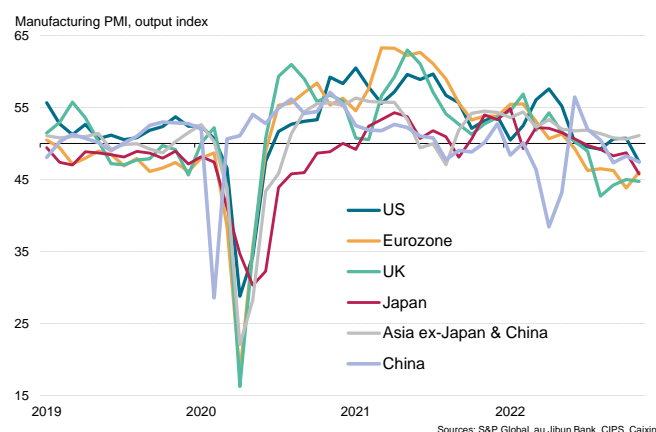
Asia leads manufacturing, but trends vary markedly across the region

Of the 31 economies for which S&P Global PMI data are available, only eight reported higher production volumes in November, down from ten in October, and – of these – only marginal growth was seen in three economies. Thailand reported the strongest output growth followed by India, helping Asia outperform the global economy, albeit still declining. Four of the top five performing manufacturing economies were found in Asia in November, but both China and Japan saw increased rates of contraction, the former hit by further COVID-19 related restrictions.

Global manufacturing output



Manufacturing output in key economies



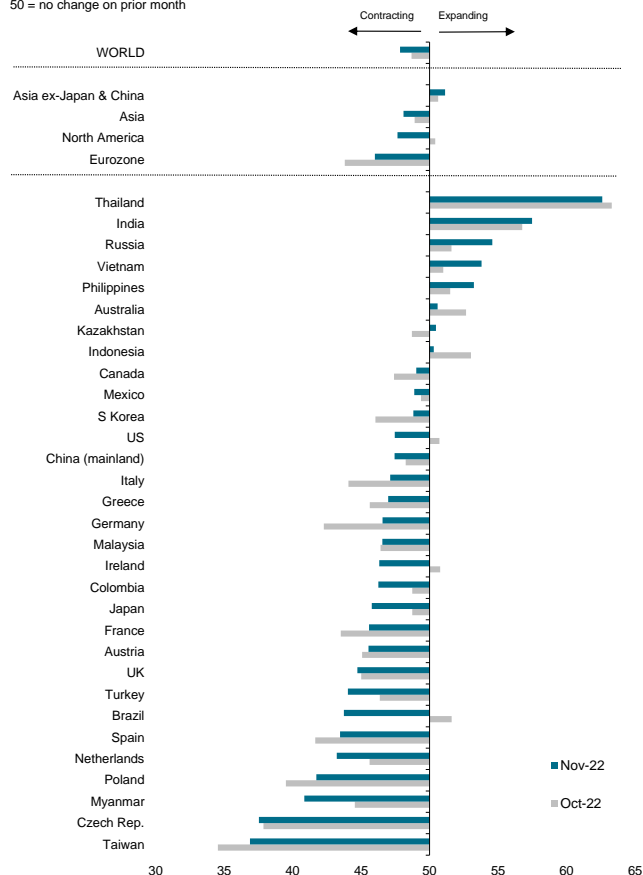
Output fell for a third successive month in China, with the rate of decline gathering pace to end the worst three-month spell since 2015. COVID-19 restrictions in mainland China also showed a knock-on effect in Taiwan, which reported the sharpest downturn of all economies surveyed, albeit also reeling from a downturn in export demand.

Across broad regions of the world, Europe saw the steepest downturn in manufacturing during November, with a deepening downturn in the UK contrasting with signs of the rate of contraction easing in the eurozone. Companies in Germany in particular benefitted from improved supply conditions. Both the UK and eurozone are nevertheless reporting some of the worst performances seen since the global financial crisis and 2012 debt crisis respectively.

The US also slipped into contraction, a downturn which – barring the initial COVID-19 lockdowns – was the steepest since the global financial crisis. Brazil likewise saw a renewed fall in production, and manufacturing remained in decline across Canada and Mexico.

Manufacturing PMI output index

50 = no change on prior month



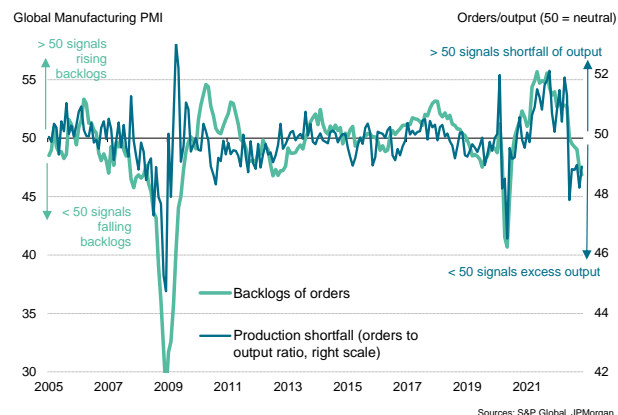
Sources: S&P Global, JPMorgan, CBA, ISO, CIPS, au Jibun Bank, NEVI, BME, Bank Austria, AIB, AERCE, Caixin, HPI, Istanbul Chamber of Industry, Tengri Partners.

Falling demand

One of the key concerning metrics from the PMI surveys in terms of the near-term outlook was the extent to which new orders fell compared to production. New orders have been falling at a notably faster pace than output in recent months, in fact more quickly than at any time since the global financial crisis, barring initial pandemic months. This divergence suggests that, despite recent production cuts, manufacturers continue to operate with excess capacity relative to current demand.

This dearth of demand was likewise reflected in an increased rate of decline of backlogs of orders at manufacturers. These outstanding orders are now also falling at a rate not seen since 2012 (excluding the downturn seen at the start of the pandemic), to hint strongly at the development of excess operating capacity.

Global manufacturing order books



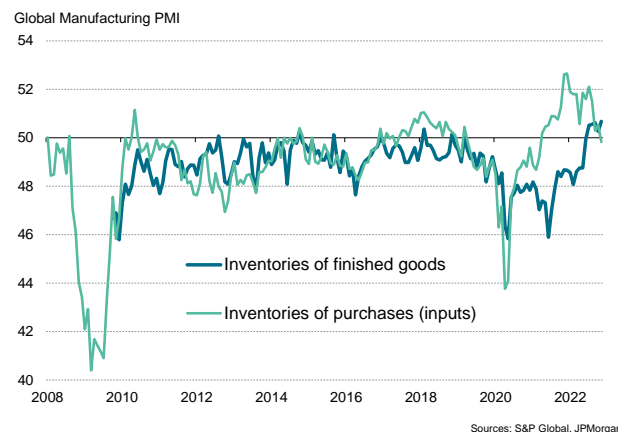
Two worrying inventory signals

The PMI survey's two gauges of manufacturing inventories meanwhile moved in different directions, both providing further worrying signals on the health of the factory sector.

First, inventories of raw material inputs fell in November for the first time since March 2021, as increasing numbers of factories deliberately reduced their input buying for cost considerations in line with reduced production requirements. November's drop in input buying was in fact the fifth quickest since comparable global data for this series were first available in October 2009, exceeded only by the declines seen during the initial phase of the pandemic in early 2020.

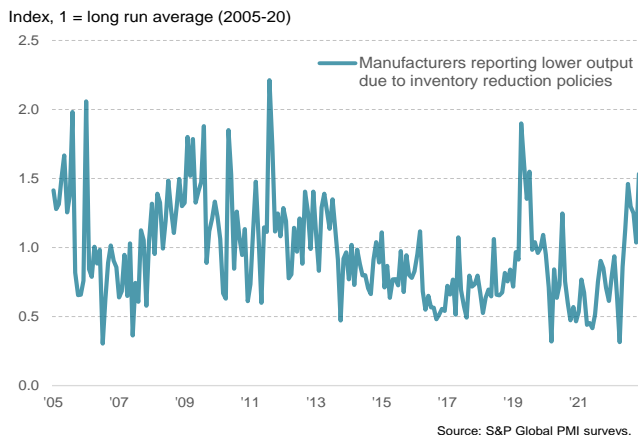
Second, November saw the largest increase in inventories of finished goods stock recorded since comparable global PMI survey data were available in 2007, representing a fifth consecutive month of unusually high stock-piling. While some periods can see inventories rise as companies build stock to meet strong demand in coming months, this has not been the predominant factor behind the rise in inventories in recent months. Instead, and in contrast, the survey has seen a sharp rise in firms reporting higher inventories due to weaker than anticipated sales.

Global manufacturing inventories



With companies deliberately reducing inventories of raw materials, and becoming increasingly worried about the build-up of unsold warehouse post-production stock, November saw a commensurate spike upwards in the number of companies worldwide reporting that output was being cut as part of deliberate efforts to reduce inventories. This therefore indicates that the detrimental impact of falling final demand from customers is being exacerbated by a switch from inventory building to inventory reduction.

Worldwide manufacturing output cuts due to inventory reduction policies

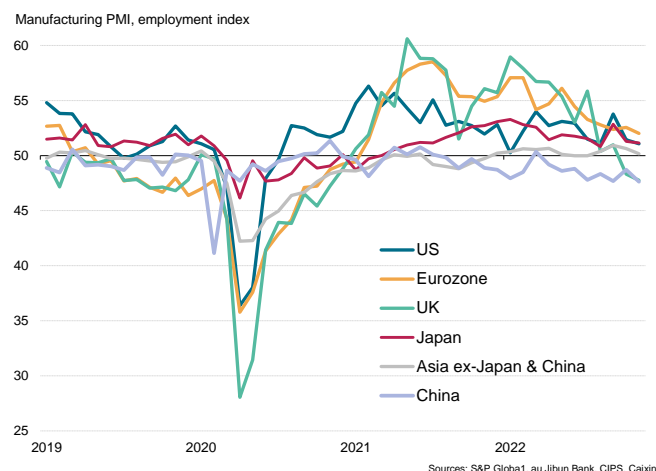
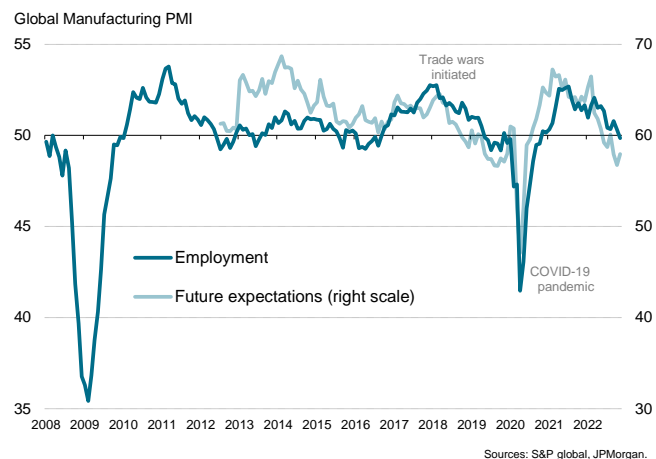


Lacking confidence, producers start cutting employment

Two other survey sub-indices brought discouraging news on the outlook for manufacturing. First, expectations of output over the year ahead remained among the lowest recorded since comparable data were available in 2012, picking up slightly from October amid signs of improving supply chains and reduced fears over the recent energy market crisis, yet continuing to run at a distressed level.

Second, producers cut headcounts on balance in November, often citing the lack of demand, concerns over excess capacity, rising costs and gloom about future prospects. Although only marginal, the reduction in employment was the first recorded since October 2020 and potentially represents a shift to a more cost-reduction focus for global manufacturing, which the future output expectations index suggests has further to run.

Future output expectations



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

T: +44 779 5555 061
chris.williamson@spglobal.com

Special Focus

Taiwan Economy Faces Headwinds from Slowing Exports

Taiwan's export-driven economy is facing headwinds from slowing exports, which recorded contractions in year-on-year growth in September and October. A key factor driving the export slowdown has been weak demand from mainland China due to ongoing COVID-19 restrictions.

With the US and EU also forecast to experience mild recessions in 2023, Taiwan's economic outlook is for some moderation in the pace of economic growth in the near-term.

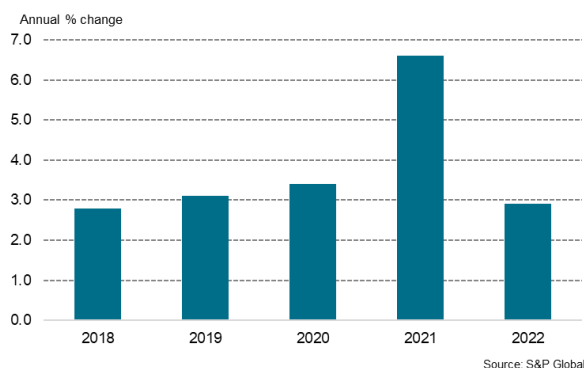
Taiwan's economy has shown sustained expansion in 2022

Taiwan's economy recorded very rapid growth in 2021, with annual GDP rising by 6.5 percent year-on-year (y/y). This was the fastest pace of annual economic growth since 2010, boosted by export growth of 29% y/y, with exports of semiconductors up by 27% y/y.

Continued economic expansion at a pace of 2.9% is estimated for calendar 2022, helped by strong global demand for electronics exports during most of 2022. GDP growth in the third quarter of 2022 was 4.0% y/y, buoyed by rapid growth of real private final consumption, which rose by 7.0% y/y.

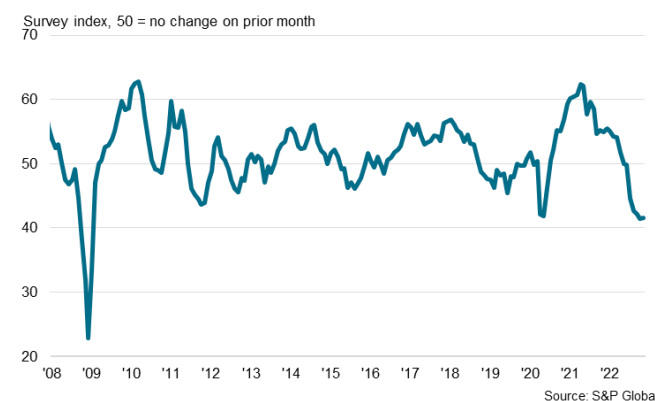
However, weakening growth momentum in mainland China due to COVID-19 related restrictions has increasingly impacted on Taiwan's exports, with new export orders from mainland China down 26.7% y/y in October. This was a key factor driving the 6.3% y/y decline in total export orders in October. Nevertheless, total electronics export orders remained resilient in October, rising by 9.6% y/y.

Taiwan: GDP growth rate



Taiwan's manufacturing sector continued to record significant contraction in overall operating conditions during November, according to latest PMI survey data from S&P Global. Companies registered further substantial falls in both output and new business, with firms frequently linking this to weaker demand conditions at home and abroad. At 41.6 in November, the S&P Global Taiwan Manufacturing Purchasing Managers' Index was similar to the reading of 41.5 in October and indicated contractionary manufacturing conditions for the sixth successive month. Manufacturing export orders fell sharply, with firms citing weak demand conditions across the globe, but particularly from mainland China, the US and EU.

S&P Global Taiwan Manufacturing PMI



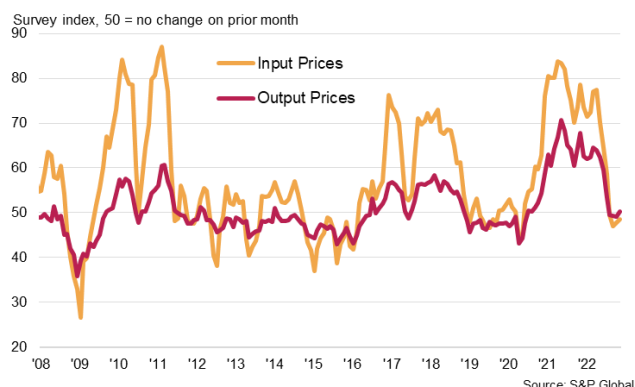
Strong exports have been a key driver of Taiwan's rapid economic growth during 2021 and the first half of 2022. However, in September 2022, the value of Taiwan's exports fell by 5.3% year-on-year, with a further 0.5% y/y contraction in October. Taiwan's exports to mainland China and Hong Kong SAR fell by 9.2% year-on-year in October due to weak economic growth in mainland China as a result of ongoing COVID-19 restrictions. Mainland China is Taiwan's largest export market, accounting for 28% of Taiwan's total exports, while Hong Kong SAR accounts for a further 14% of Taiwan's total exports.

The volume of outstanding business at Taiwanese manufacturers fell again in November. Although not as quick as that seen in October, the rate of depletion remained rapid overall, with firms often mentioning that slowing new orders had enabled them to clear backlogs. Firms meanwhile took a more cautious approach to hiring, with staffing levels falling for the first time in seven months, albeit marginally. Waning demand for inputs helped to ease pressure on supply chains, with average lead times for purchased items increasing only modestly in November. Nevertheless, there were still reports of stock shortages at vendors and delayed shipping schedules.

Average manufacturing input prices fell for the fourth month in a row, with firms often mentioning lower prices for raw

materials. That said, the rate of deflation has softened since October and was only mild. At the same time, factory gate charges rose fractionally, thereby ending a three-month sequence of discounting. Although not as downbeat as that seen in October, goods producers in Taiwan maintained a pessimistic view regarding the 12-month outlook for output in November. Around 38% of the panel anticipate lower production, compared to 12% that forecast an increase. A number of firms reported that they expected a further deterioration in global demand as many regions face strong cost pressures and tighter financial conditions.

Taiwan Manufacturing PMI prices



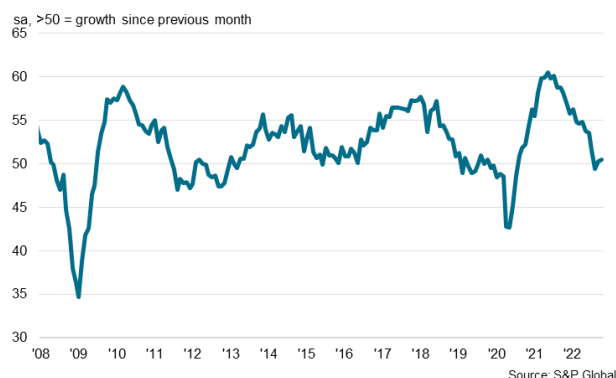
Taiwan's CPI inflation rate rose by 2.7% y/y in October, while core CPI excluding energy and food rose by 3.0% y/y, indicating retail inflationary pressures remain contained. Taiwan's central bank has nevertheless acted pre-emptively with a series of modest tightening steps to contain inflation pressures, having increased its benchmark rate by 12.5 basis points on September 23rd to 1.625%, following a 25bp hike at its March monetary board meeting and a 12.5 bp increase in June.

The March tightening step had been the first rate hike since June 2011, with the previous most recent change to policy rates having been a rate cut in March 2020 in response to the global COVID-19 pandemic.

Global headwinds facing electronics industry

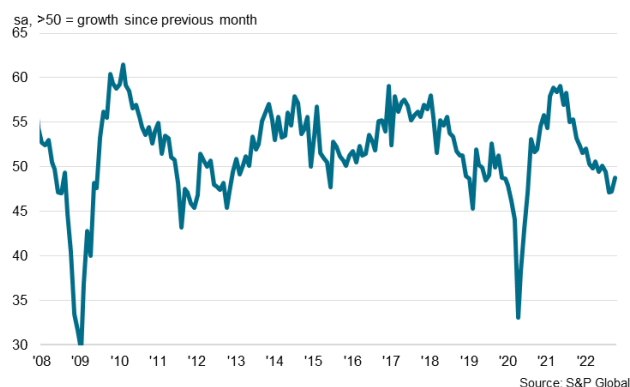
The headline seasonally adjusted S&P Global Electronics PMI survey posted 50.5 in October, up marginally from 50.3 in September, and above the 50.0 no-change mark to signal a marginal improvement in business conditions for global electronics manufacturers.

S&P Global Electronics PMI

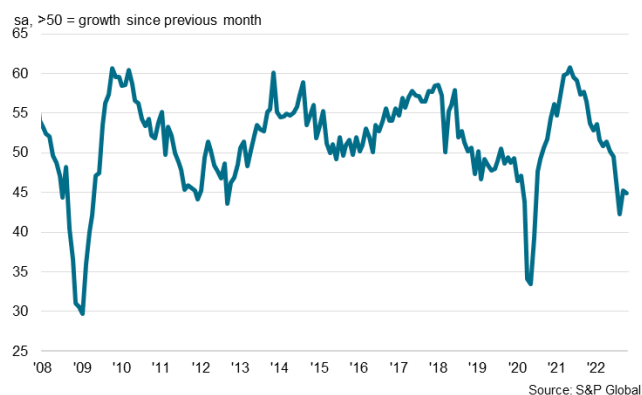


However, the two principal sub-components of the Global Electronics PMI – new orders and output – both remained in contraction territory during October. Global electronics manufacturers lowered their purchasing activity once again in October, thereby stretching the current sequence of decline to three months. According to survey evidence, firms trimmed input buying amid lower new orders. However, despite the reduction in new orders, firms were building safety stocks in anticipation of further price increases and raw material shortages.

S&P Global Electronics PMI Output Index



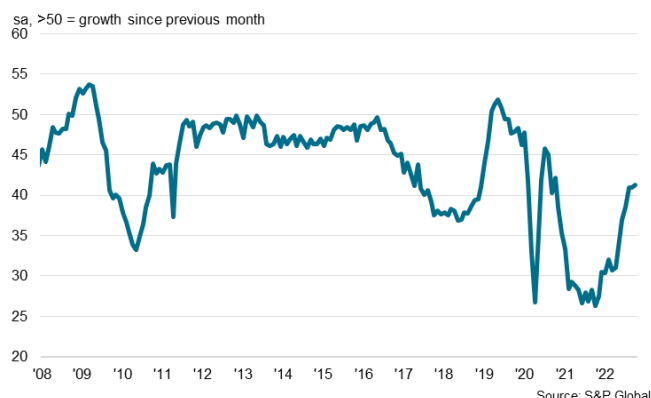
S&P Global Electronics PMI New Orders Index



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.

There were continuing pressures on global electronics supply chains during October, as signalled by the seasonally adjusted Suppliers' Delivery Times Index posting 41.3, still well below the 50.0 no-change mark. However there has been a significant reduction in delivery times since the beginning of 2022, as supply conditions in the sector have gradually improved.

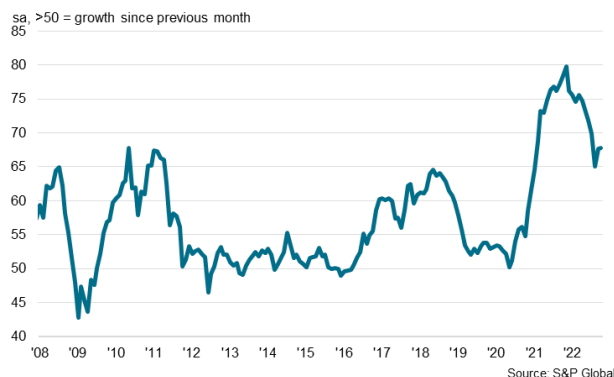
S&P Global Electronics Suppliers' Delivery Times Index



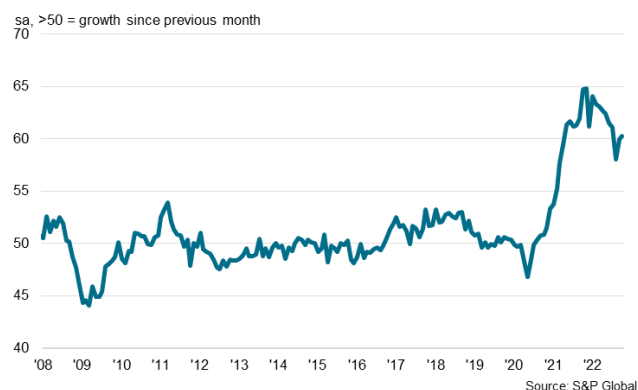
Inflation pressures remain significant

Average cost burdens faced by global electronics manufacturers rose further in October, with the rate of inflation accelerating for the second month running. There were widespread reports of increasing raw materials costs. Some panel members mentioned that currency weakness against the US dollar added to price pressures.

S&P Global Electronics Input Prices Index



S&P Global Electronics Output Prices Index



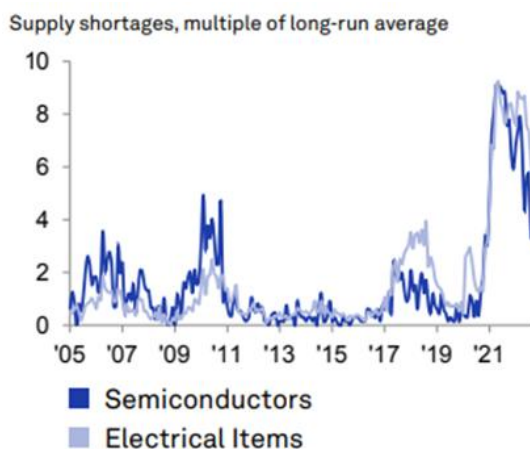
As has been the case since August 2020, prices charged by global electronics firms increased in October. The rate of inflation was the fastest in three months and reportedly reflective of greater input costs. For the eighth month running, the rate of selling price inflation at industrial electronics firms outpaced those seen in the other monitored sectors.

Economic outlook

After rapid economic growth in 2021 and continued firm expansion in 2022, Taiwan's economy is forecast to moderate in 2023, due to weakening export growth momentum, with recessions expected in the US and EU. A key downside risk for 2023 would be from protracted weakness in mainland Chinese domestic demand if significant COVID-19 restrictions continue.

Global industry supply shortages for the semiconductors and electrical products industries have moderated in recent months, but still remain far above their long-run average, although these shortages showed some signs of easing in recent months.

Global Electrical and Electronics Industry Supply Shortages



Taiwan's medium-term outlook remains for sustained positive expansion at a moderate pace, underpinned by global electronics demand. 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 medium-term 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. Taiwan's electronics industry will continue to benefit from its leading role in production of advanced semiconductors as well as from its production of a wide range of other electronics products for consumer and industrial electronics.

Rajiv Biswas

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

rajiv.biswas@spglobal.com

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CONTACT US

Chris Williamson

Chief Business Economist
S&P Global Market Intelligence
London

T: +44 779 5555 061
chris.williamson@spglobal.com

Jingyi Pan

Economics Associate Director
S&P Global Market Intelligence
Singapore

T : +65 6439 6022
jingyi.pan@spglobal.com

The Americas

+1-877-863-1306

EMEA

+44-20-7176-1234

Asia-Pacific

+852-2533-3565

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