

Week Ahead Economic Preview

US and UK inflation data to guide policy outlooks

10 February 2023

A busy data week ahead contains inflation updates from both the US and UK. The US also releases official retail sales and industrial production data for January which, following prior soft numbers and weak PMI indications, will be closely watched. In Europe, industrial production figures from the eurozone are also lined up alongside a key UK labour market update. On central banks, Fed comments will likely be the highlights while Bank Indonesia (BI) and Bank Sentral ng Pilipinas (BSP) may raise rates. Finally in Asia, GDP from both Japan and Singapore round up fourth quarter growth conditions in the respective economies.

Another appearance by Fed chair Jerome Powell enthused markets earlier in the week as investors took away the message that the Fed is seeing inflation on the decline. This was especially so for US tech stocks, which rallied into the close on Tuesday though choppiness later ensued. As much of these risk-on views remain hinged on inflation developments, next week US CPI and PPI data will again be of high interest. As far as PMI data are concerned, price pressures regained momentum at the start of 2023, which supports the ongoing consensus for higher CPI readings to start the year. Any surprises, both on the upside or downside, may lead to market reactions in the coming week. This is alongside several other Fed appearances expected through the week.

Meanwhile in the UK, elevated inflation had encouraged the Bank of England to raise rates for a tenth meeting in a row to 4.0%, the highest since 2008. Although inflation in the UK has been trending lower, it remains sticky and concerns persist around the tightness of the labour market. Hence, although the official January CPI data will be eagerly watched in the coming week, it may be the labour market data which garner most attention, especially the wage growth numbers. Retail sales data on the other hand will meanwhile be tracked in the UK for the extent that consumption is being eroded by the current cost-of-living crisis.

Also watch out for the S&P Global Investment Manger Index (IMI) update to gain further insights into what investors see as driving the markets over the coming month.

Confidence buoyed by China's re-opening

S&P Global's PMI surveys brought encouraging news of a stabilization of the global economy in January, calming recession worries in the US and, in particular, in Europe. Even better news came from the global PMI's future output index, which monitors companies' expectations of their own business activity levels in the coming year. This index jumped to an eight-month high. The improvement had the noteworthy effect of pulling confidence above its long-run average for the first time since last May and is consistent with global activity growth accelerating as we head through the first quarter.

Sentiment was lifted in the US and Europe in part by the anticipation of improved global demand and supply emanating from the relaxation of COVID-19 restrictions in mainland China, which also pushed future output expectations in mainland China itself to the joint-highest for a decade, matched by a similar high in Hong Kong SAR. Signs of a peaking of inflation also helped boost sentiment worldwide.

Global future output expectations



As for the inflation outlook, survey data in the coming months need to be watched for the impact of mainland China's re-opening. On one hand, the return to business as normal bodes well for a further alleviation of global supply chain pressures and could even lead to discounting. On the other hand, reviving demand in mainland China could fuel higher inflation, especially for commodities.

Key diary events

Monday 13 February

Singapore GDP (Q4, final)
Switzerland CPI (Jan)
India CPI (Jan)
United Kingdom Natwest Regional PMI* (Jan)

Tuesday 14 February

Japan GDP (Q4)
India WPI (Jan)
United Kingdom Labour Market Report (Jan)
Norway GDP (Q4)
Eurozone GDP (Q4)
United States CPI (Jan)
GEP Global Supply China Volatility Index* (Jan)

Wednesday 15 February

South Korea Import and Export Growth (Jan)
Indonesia Trade (Jan)
United Kingdom Inflation (Jan)
Eurozone Total Trade Balance (Dec)
Eurozone Industrial Production (Dec)
United States Retail Sales (Jan)
Canada Manufacturing Sales (Dec)
Canada Wholesale Trade (Dec)
United States Industrial Production (Jan)
United States Capacity Utilization (Jan)
United States Business Inventories (Dec)
United States NAHB Housing Market Index (Feb)

Thursday 16 February

Japan Machinery Orders (Dec)
Japan Trade Balance (Jan)
Australia Employment (Jan)
Philippines Policy Interest Rate
United States Building Permits (Jan)
United States Housing Starts (Jan)
United States Initial Jobless Claims
United States PPI (Jan)
Indonesia 7-Day Reverse Repo (Feb)

Friday 17 February

Singapore Non-Oil Domestic Exports (Jan)
United Kingdom Retail Sales (Jan)
United States Import Prices (Jan)
Canada Producer Prices (Jan)

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

What to watch

Americas: US January CPI, PPI, retail sales and industrial production data, Fed appearances

US January inflation figures will be awaited keenly following the Federal Open Market Committee (FOMC) meeting, whereby Fed chair Powell noted that inflation has started to cool but expected 'ongoing' hikes. The consensus currently points to a forecast of 0.5% month-on-month (m/m) for the headline figure and 0.4% m/m for core CPI, which are higher than prior readings. According to the [S&P Global US Composite PMI](#), price pressures regained momentum at the start of 2023. Several Fed appearances through the week will also be of interest to gauge central bankers' latest views towards the expected persistence of elevated inflation rates.

Meanwhile retail sales and industrial production data will also be due in the US, and the consensus has indicated expectations of better consumption and production in January. As far as the [S&P Global US Sector PMI](#) reflected, consumer goods and services activity remained in contraction in January but fell at a slower rates compared to December. Concurrently, overall US manufactured goods production also shrank in January amid muted demand, though the rate of decline likewise moderated.

Europe: UK inflation, labour market and retail sales data, Eurozone industrial production

Key releases from the United Kingdom include January inflation, employment and retail sales data. While the latest [S&P Global / CIPS UK Composite PMI](#) outlined persistent contraction, one other thing that stood out was the moderation of input cost inflation to the lowest since May 2021. Employment conditions meanwhile appeared largely unchanged at the start of the year though the [KPMG and REC UK Report on Jobs](#) outlined the dampening of recruitment activity due to an uncertain outlook and a shortage of candidates.

Asia-Pacific: BI and BSP meetings, Japan, Singapore Q4 GDP, Australia employment data

In APAC, central banks in Indonesia and the Philippines convene with further rate hikes likely to unfold.

Separately, Japan and Singapore release fourth quarter GDP. Consensus expectations point to faster growth at 0.5% quarter-on-quarter (q/q) annualised for Japan amid the easing of restrictions in Q4 supporting output, a trend we have witnessed with early PMI data.

Special reports:

Global Recession Risk Eases as PMI Climbs to Six-month High in January | Chris Williamson | [page 4](#)

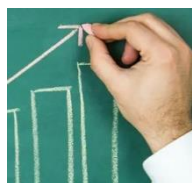
Taiwan Economy Hit by Slump in Exports | Rajiv Biswas | [page 7](#)

Recent PMI and economic analysis from S&P Global

Global	Recession-resistant recruitment set to continue as business confidence picks up	8-Feb	Andrew Harker, Joseph Hayes
	Wage growth cools as labour market softens further in January, but jobs outlook brightens	8-Feb	Chris Williamson
	Monthly PMI Bulletin: February 2023	7-Feb	Jingyi Pan
	Global factory downturn shows signs of easing as China re-opens	1-Feb	Chris Williamson
Americas	US PMI survey data hint at first quarter GDP contraction	3-Feb	Chris Williamson
Europe	Eurozone recession risks fade as PMI returns to growth territory in January	24-Jan	Chris Williamson
	Flash UK PMI data signal steeper economic decline at start of year, but prospects brighten	24-Jan	Chris Williamson
	UK labour market cools as recruitment downturn intensifies	11-Jan	Chris Williamson
Asia-Pacific	Mainland China's resurgent service sector growth and near-record confidence fuel economy hopes for 2023	3-Feb	Chris Williamson
	Hong Kong businesses start 2023 in most optimistic mood for over a decade	3-Feb	Chris Williamson
	South Korea's economy faces rising headwinds in 2023	3-Feb	Rajiv Biswas
	Taiwan leads global trade downturn at start of 2023, but rate of export decline eases	1-Feb	Chris Williamson
Commodities	Weekly Pricing Pulse: Falling energy prices mark the start of a New Lunar Year for commodity markets	1-Feb	S&P Global Market Intelligence

S&P Global Economics & Country Risk highlights

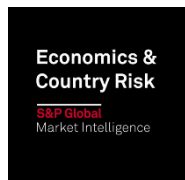
Top US regional economic predictions for 2023



A mild recession is coming in the US. Unemployment and migration trends are shifting. How will these factors play out across different states and regions? Read on for our top regional economic predictions for 2023.

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

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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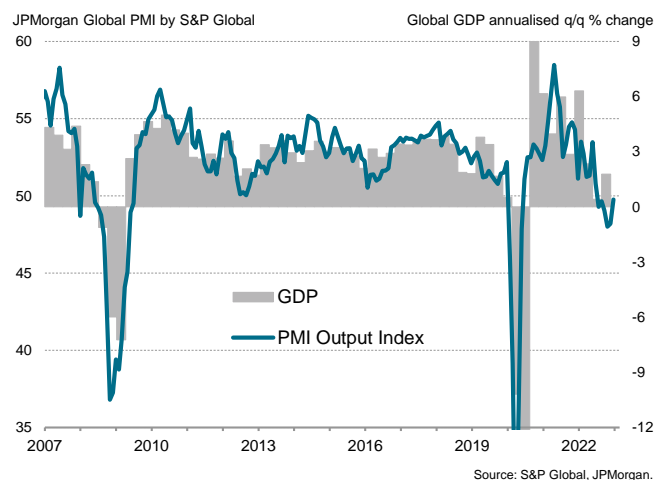
Special Focus

Global Recession Risk Eases as PMI Climbs to Six-month High in January

Global business activity fell for a sixth straight month in January, according to the S&P Global PMI surveys, based on data provided by over 30,000 companies, though the rate of decline was only marginal and the smallest seen over the past six months. As such the data helped allay concerns of near-term global recession risks.

The outlook has also brightened, as forward-looking business expectations data showed prospects to have brightened globally, rising sharply to reach the highest since last May. Brighter prospects were linked to lowered inflation expectations as well as the reopening of the Chinese economy.

JP Morgan Global composite PMI



Global business activity steadies in January

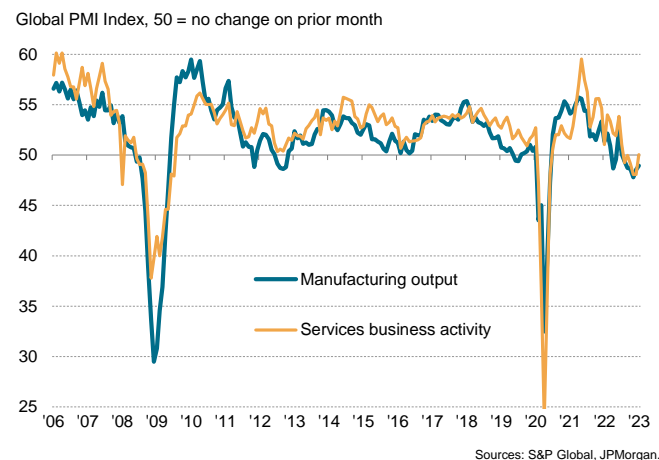
A second successive monthly rise in the global PMI's headline output index has helped to allay worries of a worldwide recession. At 49.8, up from 48.2 in December, the Global PMI – compiled by S&P Global across over 40 economies and sponsored by JPMorgan – signalled the smallest drop in output seen over the past six months.

By edging closer to the 50.0 no change level, the index points to a near-stabilisation of business activity after a downturn in the fourth quarter which had been the steepest recorded since the global financial crisis, if the initial pandemic lockdown months of early 2020 are excluded. In fact, model-based comparisons of the PMI with GDP suggest

that January's survey index upturn is consistent with a marginal growth in global GDP.

Particularly welcome news came from the service sector, where business activity edged back into growth territory for the first time since last July, albeit only registering a marginal expansion. However, there were also encouraging news from the manufacturing sector where, although output fell for a sixth straight month, the decline was only modest and the smallest recorded for five months.

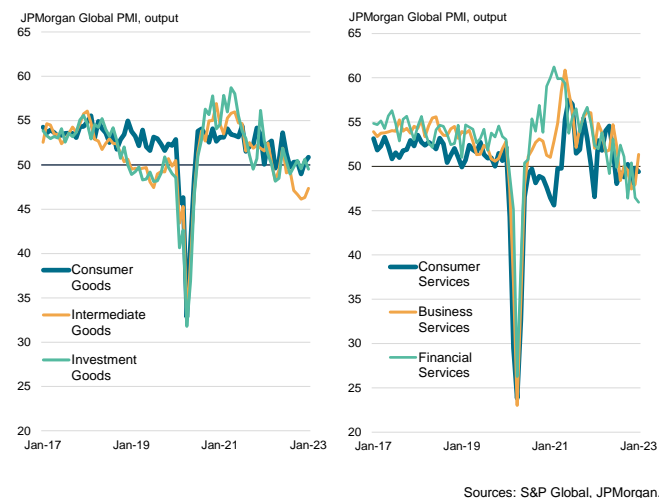
Global output and new orders



Weakness led by financial services

Broad industry data show the weakness of the global economy to have been again led by financial services and producers of intermediate goods (products sold to other manufacturers as inputs), respectively reflecting higher interest rates and destocking as manufacturers seek to adjust its inventory holdings in the face of weaker demand and fewer supply worries.

Global PMI output by broad industry



Lower output was recorded for consumer services and in the production of investment goods, but consumer goods output and business services activity both showed modest expansions according to Global sector PMI data.

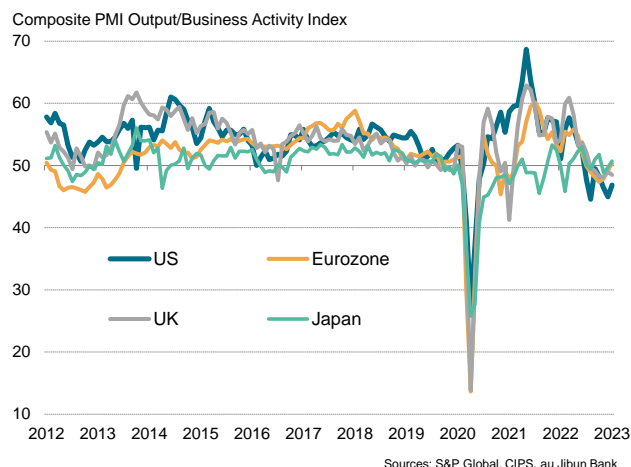
Eurozone and Japan show signs of reviving growth, US and UK downturns cool

Looking at the major developed economies, the most encouraging signals came from Europe. The eurozone edged back into growth territory, albeit only marginally, for the first time in seven months, while the UK reported only a minor drop in output, registering the smallest decline for six months. These data suggested that recessions could be avoided in Europe, or might at least be less severe than thought likely earlier in the winter.

While the S&P Global PMI for the US meanwhile pointed to a sustained robust downturn, raising the possibility of GDP falling in the first quarter, the rate of contraction moderated to likewise encourage views that any recession may not necessarily be as deep as previously feared.

Business activity in Japan joined the eurozone in expansion territory, with output growing for the first time in three months as a robust expansion of service sector activity offset a substantial manufacturing decline. However, the overall rate of growth remained only modest.

Developed world PMI output indices



India leads emerging markets, China returns to growth

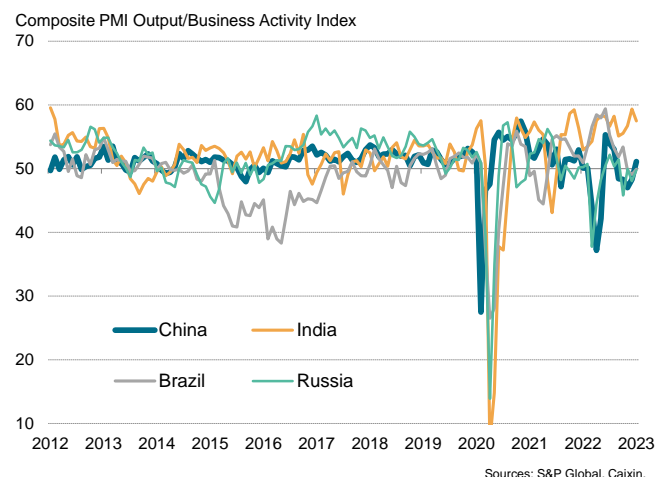
India, meanwhile, continued to lead the major emerging markets, its rate of expansion cooling but remaining among the highest seen over the past decade.

Growth was also reported in mainland China, with business activity rising for the first time since last August attributed to

reviving spending amid the reopening of the economy. Leading the upturn in China was the service sector, though the manufacturing sector's recent decline also moderated.

While falling output was again reported in Brazil and Russia, the contractions were very marginal, with the pace of deterioration having moderated in both cases.

Emerging market PMI output indices



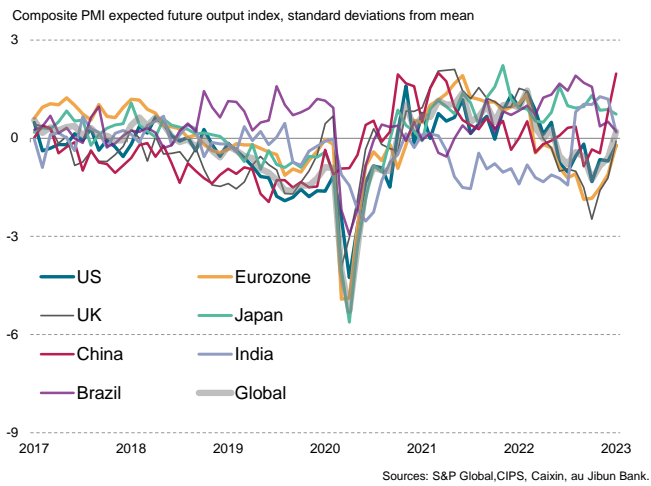
Confidence lifts higher

As for what the future holds, the PMI survey's gauge of companies' expectations of their own output in the coming year provides some source of encouragement. Business confidence lifted higher worldwide in January, rising to an eight-month high. The improvement had the noteworthy effect of pulling confidence above its long-run average for the first time since last May.

Sentiment was lifted by expectations of inflation to have peaked, meaning the cost-of-living squeeze and interest rates will also likely peak, though the anticipation of improved global demand and supply emanating from the relaxation of COVID-19 restrictions in mainland China was also often reported. Sentiment in mainland China rose to the joint-highest for a decade, matched by a similar high in Hong Kong SAR. Improved confidence in the US, eurozone and UK was not, however, matched by brighter outlooks in India, Japan and some other parts of Asia, in part reflecting some diversion of trade back to China.

Continued...

Future output expectations



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Special Focus

Taiwan Economy Hit by Slump in Exports

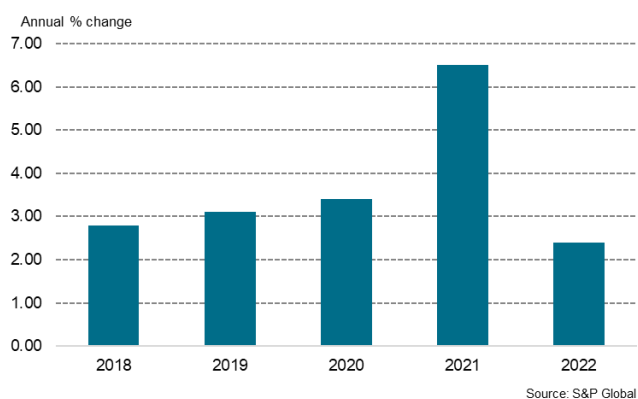
Taiwan's export-driven economy has been hit by slumping exports, resulting in GDP contracting by 0.9% year-on-year (y/y) in the fourth quarter of 2022. A key factor driving the export slowdown has been weak demand from mainland China, due to the impact of COVID-19 restrictions during 2022. With the US and European Union (EU) also forecast to experience weak growth in 2023, Taiwan's economic outlook is for some moderation in the pace of economic growth in the near-term.

Taiwan economy moderated in 2022

After very rapid growth at a pace of 6.5% y/y in calendar year 2021, Taiwan's GDP growth rate moderated to an annual pace of 2.4% y/y in calendar year 2022. The strong growth rate recorded in 2021 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.

A key factor driving the moderation in growth momentum in 2022 was the intensifying slowdown in the global electronics industry during the second half of 2022. Taiwan's real GDP contracted by 0.9% y/y in the fourth quarter of 2022 and fell sharply by 4.2% quarter-on-quarter (q/q) measured on a seasonally adjusted annualized rate. Real exports of goods and services fell by 5.1% y/y in the fourth quarter, although private final consumption remained resilient, rising by 2.9% y/y.

Taiwan GDP growth rate



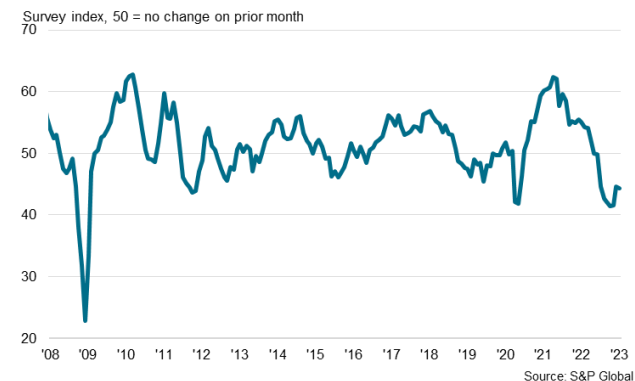
Weakening growth momentum in mainland China due to COVID-19 related restrictions increasingly impacted on Taiwan's exports during the second half of 2022, with new export orders from mainland China and Hong Kong SAR down 37.7% y/y in December. This was a key factor driving

the 23.2% y/y decline in Taiwan's total export orders in December.

The S&P Global Taiwan Manufacturing Purchasing Managers' Index (PMI) edged down from 44.6 in December to 44.3 in January, to signal continued contractionary business conditions for the eighth consecutive month. The pace of contraction was among the steepest seen since the survey began nearly two decades ago.

Firms signalled further substantial declines in both output and new business amid reports of weaker global demand conditions. Moreover, the downturn in new export orders quickened in January, with firms noting that high inventory levels at some clients and weak global economic conditions had weighed on sales. This led companies to cut back on their purchasing activity and inventories again at the start of 2023. When assessing the 12-month business outlook, manufacturers generally anticipate output to decline further.

S&P Global Taiwan Manufacturing PMI



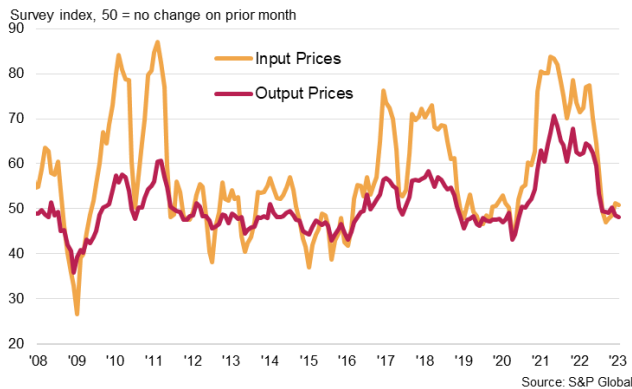
Strong exports had been a key driver of Taiwan's rapid economic growth during 2021 and the first half of 2022. However, export growth slowed in the second half of 2022. In December 2022, the value of Taiwan's exports fell by 12.1% y/y, following a 13.1% y/y contraction in November. Exports to mainland China and Hong Kong SAR fell by 16.4% y/y in December 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.

Subdued demand conditions and a lack of new work to replace current orders enabled firms to reduce their levels of unfinished business in January. The rate of backlog depletion was considerable and quicker than that seen in December.

Manufacturing input price pressures were also relatively muted at the start of the year. Average input costs rose only slightly, linked to higher prices for some raw materials. Meanwhile, goods producers cut their selling prices for the

second month in a row as a result of customer requests and efforts to pass on any cost savings to clients.

Taiwan Manufacturing PMI input and output prices



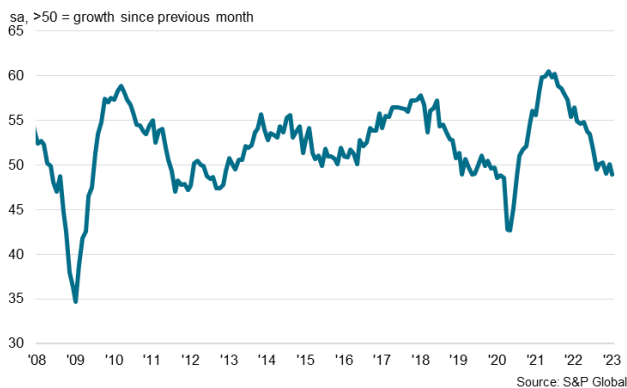
Taiwan’s CPI inflation rate rose by 2.7% y/y in December, while core CPI excluding energy and food rose by 2.7% y/y, slightly lower than the 2.9% y/y pace in November. Taiwan’s central bank has acted pre-emptively with a series of modest tightening steps in 2022 to contain inflation pressures. The central bank increased its benchmark rate by 12.5 basis points on December 15th, to 1.75%, following a 12.5bp hike on September 23rd, a 12.5 bp increase in June and 25bp hike at its March monetary board meeting.

The March 2022 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 has slowed significantly since mid-2021, although the headline figure for December 2022 was at 50.4, up from 49.1 in November. This signalled a marginal improvement in operating conditions across the global electronics manufacturing sector at the end of 2022.

S&P Global Electronics PMI

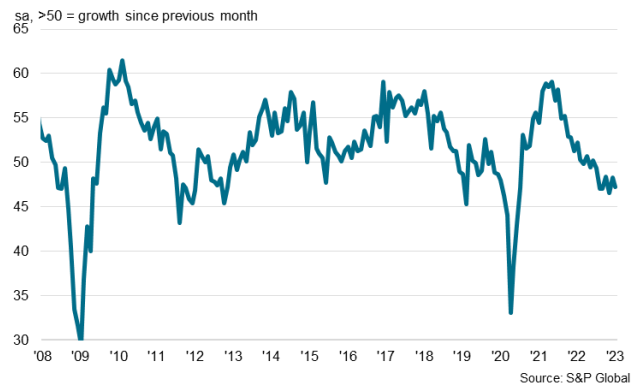


However, the two principal sub-components of the Global Electronics PMI – new orders and output – both remained in contraction territory during December. Global electronics production continued to contract at the end of 2022, thereby extending the current sequence of decline to six months. The fall in output was only marginal, however, and the slowest since July.

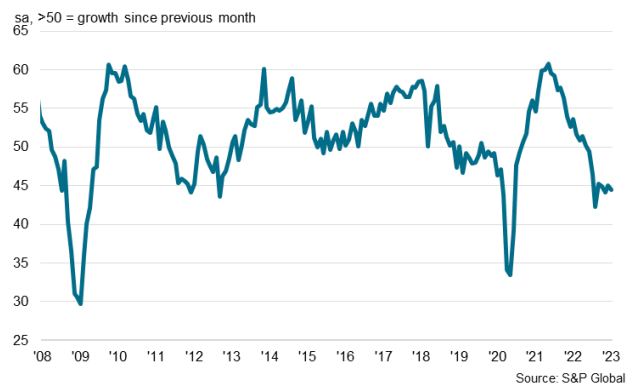
Weakening economic growth momentum in the US and EU has impacted on consumer demand for electronics, with the economic slowdown in mainland China during late 2022 also contributing to the downturn in new orders.

Overall, total new export orders for Taiwan’s consumer electronics products fell by 20.9% y/y in December, while orders for information and communications products fell by 21.4% y/y.

S&P Global Electronics PMI output



S&P Global Electronics PMI new orders

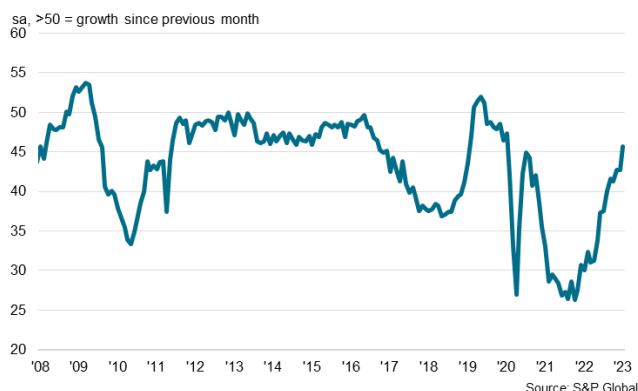


Global electronics producers continued to show significant delays in suppliers’ delivery times in December. However, the extent of delays has diminished in recent months as electronics demand has cooled. Where longer lead times were reported, global electronics firms often mentioned the lingering impacts of COVID-19, input shortages among suppliers and shipping delays.

December data indicated a further marked deterioration in vendor performance across electronics manufacturing.

Delays to input deliveries were commonly linked to logistics issues, material shortages including semiconductors, and COVID-19 lockdowns in mainland China.

S&P Global Electronics suppliers' delivery times



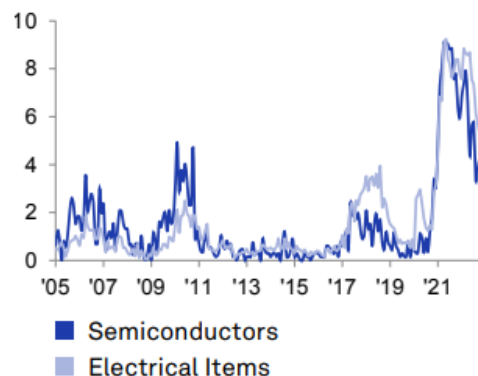
Economic outlook

After rapid economic growth in 2021 and continued albeit moderating expansion in 2022, Taiwan's economic growth rate is expected to moderate further in 2023. A key factor is expected to be soft export growth momentum to the key US and EU markets, due to the economic slowdown underway in both export markets. However, this is expected to be mitigated by improving exports to mainland China, as economic growth gradually strengthens during 2023 due to the easing of COVID-19 restrictions.

The slowdown in the global electronics industry has been a key factor impacting on Taiwan's industrial economy during the second half of 2022 and early 2023 due to its importance in overall industrial production and exports. Global industry supply shortages for the semiconductors and electrical product industries have moderated in recent months, but still remain above their long-run average, although these shortages have continued to ease in recent months.

Global Electrical and Electronics Industry supply shortages

Supply shortages, multiple of long-run average



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.

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