

Week Ahead Economic Preview

Worldwide PMI, US NFP and central bank meetings in focus

31 March 2023

The turn of the month brings about a new set of worldwide PMI data ahead of the US labour market report on Friday. Meanwhile central bank meetings will be held in various APAC economies including Australia, New Zealand and India, although the focus will be on comments from Fed speakers in the week for further insights after the March FOMC meeting. German output data and Japan's Tankan survey figures will also be due in a busy week of economic releases, in addition to several CPI figures.

As the headlines appear to quieten down on banking sector risks, attention returns to economic fundamentals this week as concerns persist over the impact of rising interest rates. Flash PMI, for which the survey period covered the eruption of the banking sector issues, indicated [that growth remained resilient in March](#), though driven primarily by service sector improvements. Trends across the rest of the world will be eagerly anticipated with the full set of manufacturing, services and composite data out in the coming week. The degree to which growth has continued to rebound in mainland China will be a particular area of attention. Furthermore, S&P Global Sector PMI due on Friday will offer insights into the financial sector's performance in March after financial stability issues came to light.

An additional key piece of data in the coming week shedding light on the path forward for the Fed will be the US labour market report. Flash PMI data revealed that greater wage bills had added to cost burdens for private sector firms in March, contributing to higher selling price inflation (see special report). Strong labour market showings alongside recent elevated price inflation indications may validate the Fed on their tightening path, especially as banking sector concerns appear to have abated.

Finally in APAC, central bank meetings will be in the spotlight with three central banks – Reserve Bank of Australia (RBA), Reserve Bank of New Zealand (RBNZ) and the Reserve Bank of India (RBI) – all set to update monetary policy. Hikes are not ruled out in each of these central banks next week as inflation concerns remain front and centre. CPI data in Indonesia and South Korea are also on the cards in the coming week.

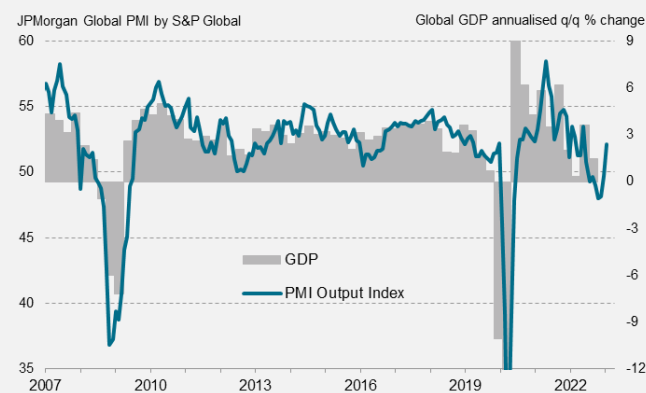
Tracking recession risks in the PMI

Upcoming worldwide PMI data will be eagerly assessed in the light of recent banking sector turmoil and ongoing interest rates hikes on both side of the Atlantic. To recap, February's surveys showed a third successive monthly rise in the global PMI output index, pushing it well into expansion territory. The rise in output was the largest recorded since last June and indicative of GDP rising at a quarterly annualized rate of approximately 2.5%. Flash PMI data suggest this upturn gained further momentum in March, at least in the major developed economies.

This return to growth marks an encouraging reversal of the downturn recorded late last year, which had seen output fall globally at the steepest rate recorded since the global financial crisis, if the initial pandemic lockdown months of early 2020 are excluded.

There are concerns, however, that this global growth rebound could prove temporary, with the data so far this year having been buoyed by the initial kick to demand from China's reopening, milder than usual weather in the US and Europe, and better supply chains (which are to some extent a symptom of weak demand). These are therefore key factors to seek further insights into, and thereby better gauge recession risks, from the March PMI updates.

Global PMI vs. GDP



Source: S&P Global Market Intelligence, JPMorgan.
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Key diary events

Monday 3 April

Taiwan Market Holiday

Worldwide Manufacturing PMIs, incl. global PMI*
Japan Tankan Survey (Q1)
Indonesia Inflation (Mar)
Switzerland CPI (Mar)
United States Construction Spending (Feb)
United States ISM Manufacturing PMI (Mar)
Germany Industrial Orders (Feb)
Germany Manufacturing Output (Feb)
Canada Unemployment Rate (Mar)

Tuesday 4 April

India, Taiwan Market Holiday

South Korea CPI (Mar)
Australia RBA Cash Rate (Apr)
Germany Trade (Feb)
Eurozone Producer Prices (Feb)
Canada Trade Balance (Feb)
United States Factory Orders (Feb)
United States JOLTS Job Openings (Feb)

Wednesday 5 April

China (Mainland), Hong Kong, Taiwan, Norway, Market Holiday

Worldwide Services, Composite PMIs* (5-6 Apr)
Philippines CPI (Mar)
New Zealand Cash Rate (5 Apr)
Thailand CPI (Mar)
Norway Manufacturing Output (Feb)
United Kingdom Reserve Assets (Mar)
Canada Leading Index (Mar)
United States ADP National Employment (Mar)
United States International Trade (Feb)
United States ISM Non-manufacturing PMI (Mar)

Thursday 6 April

Australia, China (Mainland), Thailand, Philippines, Norway Market Holiday

Hong Kong S&P Global PMI* (Mar)
China (Mainland) Caixin Services PMI (Mar)
India Repo and Reverse Repo Rate (6 Apr)
Switzerland Unemployment Rate (Mar)
Germany Industrial Output (Feb)
United Kingdom Halifax House Prices* (Mar)
United States Initial Jobless Claims
Australia Trade Balance (Feb)

Friday 7 April

Australia, New Zealand, China (Mainland), Hong Kong, Singapore, Indonesia, Philippines, India, Germany, Switzerland, Norway, UK, US, Canada Market Holiday
Japan All Household Spending (Feb)
United States Non-Farm Payrolls, Unemployment, Average Earnings (Mar)

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

What to watch

Worldwide manufacturing and services PMI releases

After [flash PMI data brought positive news in the form of accelerating developed world economic growth in March](#), worldwide manufacturing and service PMI data will be released in the coming week for deeper insights into global economic conditions at the end of the first quarter.

The preliminary PMI figures revealed that services growth powered the latest improvement in economic conditions in the G4 economies. Whether this is the case for the other economies will be examined with the upcoming releases. Supply conditions and price trends will also be assessed for indications of further pressures for central bank action. This is especially as the recent banking sector stresses have yet to abate.

Americas: US labour market report, Fed speakers

The US labour market report for March will be due at the end of the week, coming on the heels of [S&P Global Flash US Composite PMI](#) which revealed that employment growth accelerated in March on the back of stronger overall demand. This supports the consensus expectations for another robust 240k addition to non-farm payrolls in March. A confirmation of the strong labour market situation, coupled with the recent signs of ongoing elevated inflation rates, is expected to add pressure to the Fed to keep tightening rates. Any surprise on the upside for payrolls may invite the market to interpret it as greater urgency to lift rates, even amidst lingering banking sector concerns.

Europe: Germany manufacturing output, trade data

The key focus is expected to be with the series of PMI data due in the coming week after flash PMI indicated that the eurozone grew faster than expected in March. Besides which, a series of output and trade data will be due from the eurozone's largest economy, Germany, with producer price data for the single currency area also updated. UK house price data will also be eagerly awaited as analysts assess the impact of higher interest rates.

Asia-Pacific: RBA, RBNZ, RBI meetings, Japan Tankan survey, Indonesia, South Korea CPI

Central bank meetings across Australia, New Zealand and India will unfold next week. Besides the monthly PMI surveys, Japan's Tankan survey offer quarterly updates on conditions at manufacturers. Other tier-1 data to watch includes inflation figures from Indonesia and South Korea.

Special reports:

US flash PMI Signals Faster Economic Growth in March, but also Warns of Rising Price Pressures | Chris Williamson | [page 4](#)

Singapore Manufacturing Output Weakens in Early 2023 | Rajiv Biswas | [page 6](#)

Recent PMI and economic analysis from S&P Global

Global	Flash PMI data signal accelerating developed world economic growth in March	28-Mar	Andrew Harker
	Nigeria cash crisis hits activity in February	7-Mar	Andrew Harker
	Monthly PMI Bulletin: March 2023	7-Mar	Jingyi Pan
	Surging demand for consumer services drives global economic expansion in February	7-Mar	Chris Williamson
	Global employment picks up but persistent staff shortages drive up salary costs	7-Mar	Chris Williamson
Americas	US PMI data highlight ongoing plight of manufacturing amid falling demand and inventory reduction	1-Mar	Chris Williamson
Europe	UK economic resilience in March signalled by flash PMI	24-Mar	Chris Williamson
	UK wage growth cools amid uncertain economic outlook	17-Mar	Chris Williamson
Asia-Pacific	Thailand's tourism sector drives economic recovery	28-Mar	Rajiv Biswas
	APAC region expected to be resilient to global headwinds in 2023	17-Mar	Rajiv Biswas
Commodities	Weekly Pricing Pulse: Commodities down amid market turmoil	23-Mar	Michael Dall

S&P Global Economics & Country Risk highlights

Banking stresses amplify economic risks



The S&P Global Market Intelligence forecast calls for world real GDP growth to slow from 6.0% in 2021 and 3.0% in 2022 to 2.2% in 2023 before picking up to 2.8% in 2024 and 2.9% in 2025. The slowdown in 2023 is centered in Europe and the Americas—regions that are fighting high inflation.

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

PMI Insights: Inflation trends, China re-opening, top 10 indicators



Tune in for the latest trends seen in our Purchasing Managers Index data. Economists on our Purchasing Managers' Index team use the prism of our PMI datasets to look at some of the most important themes in the global economy at the start of 2023. These include inflation, the recent reopening of China's economy, and supply chain risks.

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

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Special Focus

US flash PMI Signals Faster Economic Growth in March, but also Warns of Rising Price Pressures

March saw a welcome acceleration of output growth to the fastest since May of last year, according to the flash PMI surveys. The upturn is uneven, however, being driven largely by the service sector. Although manufacturing eked out a small production gain, this was mainly a reflection of improved supply chains allowing firms to fulfil backlogs of orders that had accumulated during the post-pandemic demand surge.

Tellingly, new orders have now fallen for six straight months in manufacturing. Unless demand improves, there seems little scope for production growth to be sustained at current levels.

In services, there are more encouraging signs, with demand blossoming as we enter spring. It will be important to assess the resilience of this demand in the face of the recent tightening of interest rates and the uncertainty caused by the banking sector stress, which so far only seems to have had a modest impact on business growth expectations.

There is also some concern regarding inflation, with the survey's gauge of selling prices increasing at a faster rate in March despite lower costs feeding through the manufacturing sector. The inflationary upturn is now being led by stronger service sector price increases, linked largely to faster wage growth.

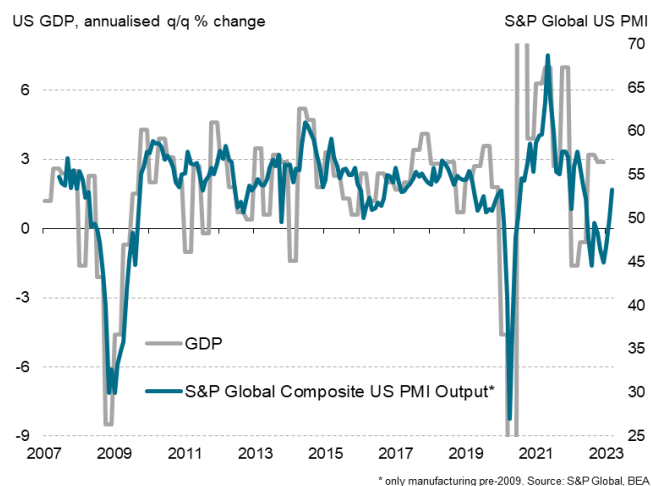
Below we list five key charts from the latest survey data.

1. US output returns to growth

The headline S&P Global Flash US PMI Composite Output Index registered 53.3 in March, up notably from 50.1 in February. The latest index reading was the highest for almost a year, and signalled a solid expansion in private sector activity.

The latest PMI is broadly consistent with annualized GDP growth approaching 2%, painting a far more positive picture of economic resilience than the declines seen throughout the second half of last year and at the start of 2023.

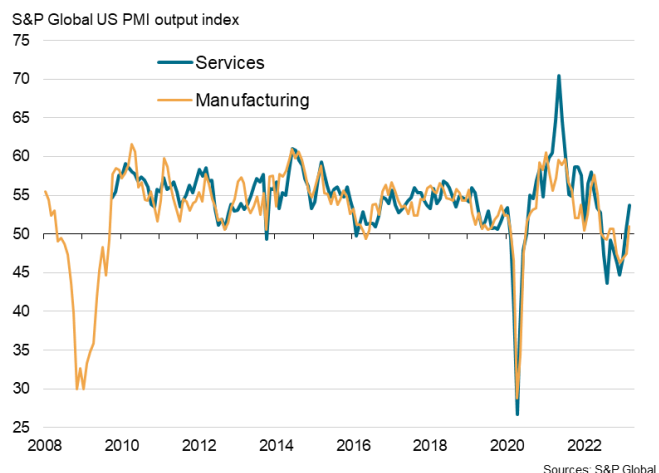
US composite PMI output index vs. GDP



2. US service sector stabilizes but remains subdued

Goods producers recorded the first rise in production since October 2022, partially stemming from improving supply chains, but it was service providers that reported the main thrust to growth, seeing a notable acceleration of business activity to register the quickest expansion since April 2022.

US sector output



3. Producers reduce their backlogs as supply chains improve to greatest extent in survey history

In manufacturing, any increase in output was often associated with improving supply of raw materials rather than any fundamental improvement in the demand picture. In fact, new orders continued to fall in the manufacturing sector during March while supplier lead times quickened to the greatest extent on record (since May 2007), allowing firms to

process backlogs of work which had in many cases built up as a consequence of the supply squeeze during the pandemic. Backlogs fell solidly as a result, though this of course bodes ill for production in coming months in the absence of new order inflows.

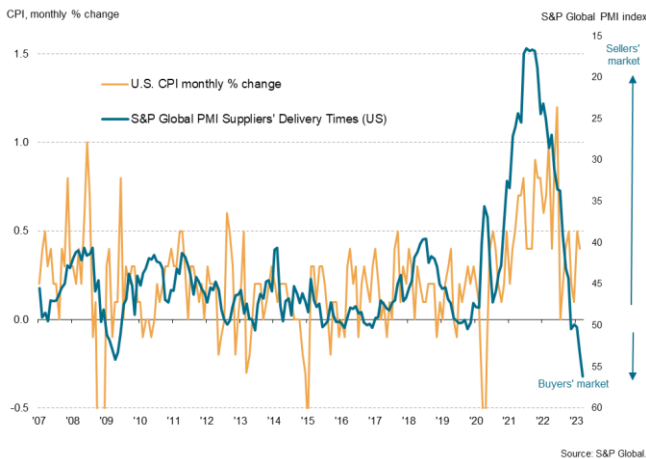
In the service sector, in contrast, backlogs of work rose as firms struggled to meet the rise in demand, as new business inflows hit the highest for ten months.

US Flash PMI order books



4. Supply improvements drive down raw material price inflation

US supplier delivery times vs. monthly CPI



The sustained downturn in demand for manufactured goods, signalled by the survey in March facilitated a further easing of supply chain constraints. Combined with improved logistics compared to the problems seen during the pandemic, notably container shortages and port congestion, the drop in demand contributed to the greatest improvement in supplier delivery times recorded since survey data were available in 2007.

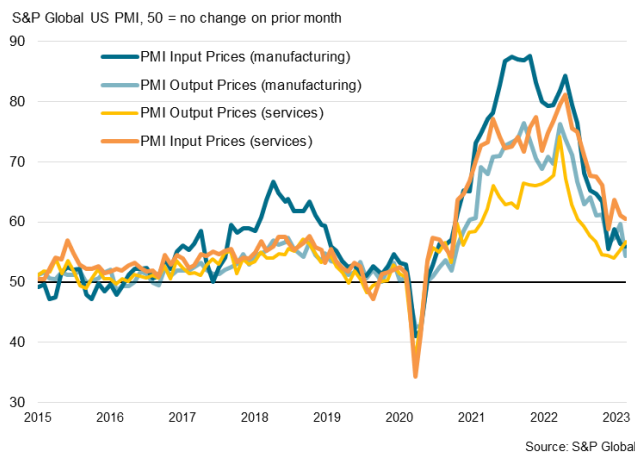
The reversal of widespread supply delays to a situation of improving availability of inputs over the past year has in turn alleviated supply chain price pressures, and in the past is consistent with a shift from a sellers' to a buyers' market which will help cool consumer price inflation.

5. Service sector inflation pushes higher

Producer input costs rose at the second-slowest rate for 32 months in March according to the flash manufacturing PMI, reflecting the moderation of supply chain price pressures. Selling prices for goods leaving the factory gate also rose at a slower rate, the rate of increase down to a 29-month low, as producers sought to boost sales by pricing more aggressively and passing lower cost growth on to customers.

However, whereas manufacturing inflation rates cooled, average prices charged for services rose at an increased rate for a second successive month in March, rising at the sharpest rate since last October, suggesting some worrying stickiness to inflation, linked in many cases to upward wage pressures.

US PMI input cost and selling price gauges



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Special Focus

Singapore Manufacturing Output Weakens in Early 2023

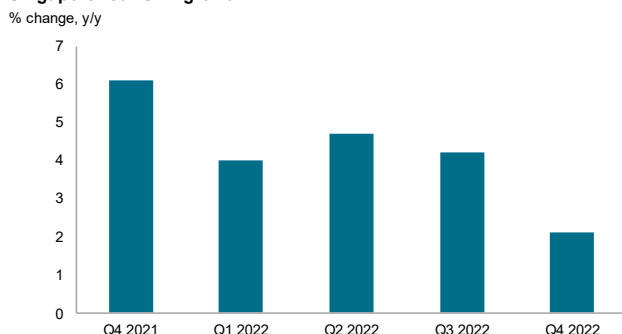
The Singapore economy recorded GDP growth of 3.6% year-on-year (y/y) in 2022, with quarterly growth momentum having moderated to 2.1% y/y in the fourth quarter of 2022. Singapore’s manufacturing sector has continued to slow down in early 2023, with manufacturing output declining by 8.9% y/y in February. Singapore’s Ministry of Trade and Industry (MTI) has maintained its GDP growth forecast for 2023 in the range of 0.5% to 2.5%.

The near-term outlook is expected to remain constrained by weak demand in several important export markets for manufactures, notably the US and European Union (EU). However, the gradual recovery expected for mainland China’s domestic demand during 2023 should help to mitigate the impact of weak US and EU orders. The service sector economy is expected to be more resilient, with Singapore’s services exports boosted by the continued recovery of international tourism travel in the APAC region.

Singapore economy shows some moderation

Singapore’s estimate for fourth quarter GDP for 2022 showed a moderation in the pace of growth to 2.1% y/y, compared with 4.0% y/y in the third quarter. On a quarter-on-quarter (q/q) basis, GDP growth slowed to 0.1% q/q in Q4 2022, compared with 0.8% q/q in Q3 2022.

Singapore real GDP growth



Source: MTI

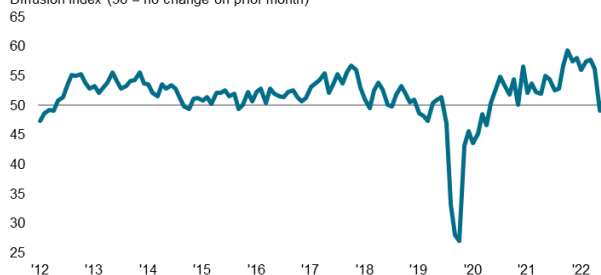
The service sector recorded a small contraction of 0.2% q/q in Q4 2022, although showing positive growth of 4.0% y/y. The gradual removal of many COVID-19 related restrictions since April 2022 supported buoyant growth in the accommodation segment, which grew by 7.8% y/y.

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New orders and output continued to expand in the Singapore private sector in February according to the headline seasonally adjusted S&P Global Singapore Purchasing Manager’s Index (PMI). However, the overall headline index declined from 51.2 in January to 49.6 in February. While the January PMI reading had risen above the 50.0 neutral threshold, which had signalled a renewed improvement in private sector conditions at the start of 2023, the February reading edged back down below the 50.0 mark, indicating a renewed contraction – albeit marginal – in private sector conditions.

S&P Global Singapore PMI

S&P Global PMI (Purchasing Managers’ Index) Index
Diffusion index (50 = no change on prior month)



Source: S&P Global Market Intelligence, S&P Global PMI surveys
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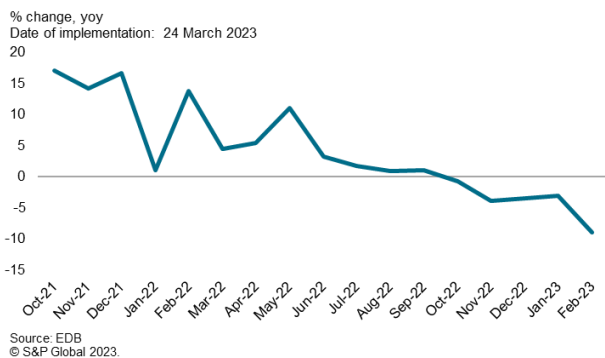
Manufacturing sector slowdown continues in early 2023

Latest statistics from Singapore’s Economic Development Board (EDB) showed that manufacturing output continued to weaken in February 2023, declining by 8.9% y/y and by 11.7% month-on-month (m/m). This sharp downturn reflected contraction in output of electronics, chemicals and biomedical manufacturing. Electronics output fell by 10.0% y/y while biomedical manufacturing fell by 33.6% y/y, the latter mainly reflecting a 59% y/y decline in pharmaceuticals output. Chemicals output contracted by 14.9% y/y, due to a combination of weak demand and plant maintenance shutdowns.

That said, transport engineering showed strong growth of 22.9% y/y, helped by a 41% y/y rise in output of the marine and offshore engineering sector, while aerospace engineering was up 26.1%.

Reflecting the weakness of manufacturing sector new orders in recent months, Singapore’s non-oil domestic exports (NODX) fell by 15.6% y/y in February, following a 25.0% y/y contraction in January. This was according to latest data released by Enterprise Singapore. The data marked the fifth successive month of year-on-year contraction in Singapore’s merchandise exports.

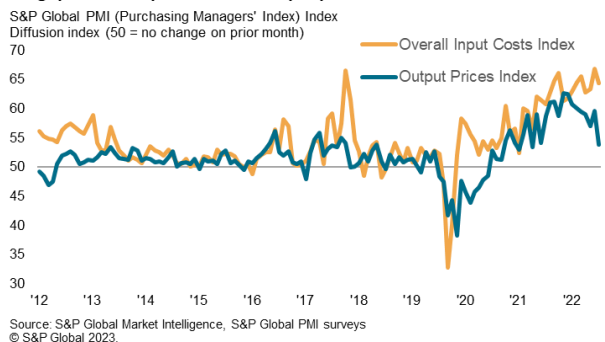
Singapore manufacturing output



Inflation pressures

According to the February S&P Global Singapore PMI survey, input cost inflationary pressures eased from January’s record level, reflecting softer producer price inflation and lower labour costs. However, bank charges, raw materials and transportation costs continued to rise, with the overall rate of input price inflation still among the highest on record. Due to lower input price inflation and weak new business growth, the private sector raised output prices at the slowest rate in 15 months.

Singapore PMI input cost and output prices



Singapore’s CPI inflation rate eased to 6.3% y/y in February from 6.6% y/y in January. The Monetary Authority of Singapore’s (MAS) core inflation measure remained at 5.5% y/y in February, the same pace as in January.

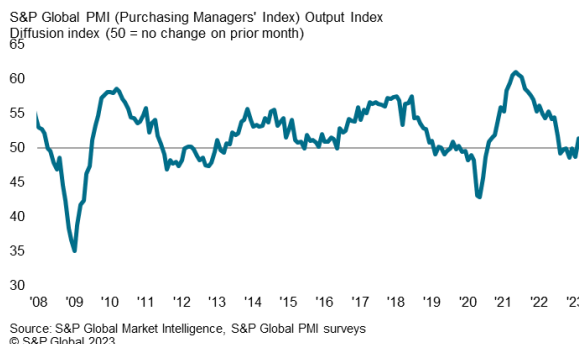
The MAS and MTI estimate that for calendar 2023, taking into account the 1% increase in goods and services tax (GST) that took effect on 1st January 2023, headline and core CPI inflation are projected to average 5.5%–6.5% and 3.5%–4.5% respectively.

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 semiconductors-related production. S&P Global PMI survey

data since mid-2022 indicates that the global electronics manufacturing industry is facing headwinds from the weakening pace of global economic growth.

S&P Global Electronics PMI

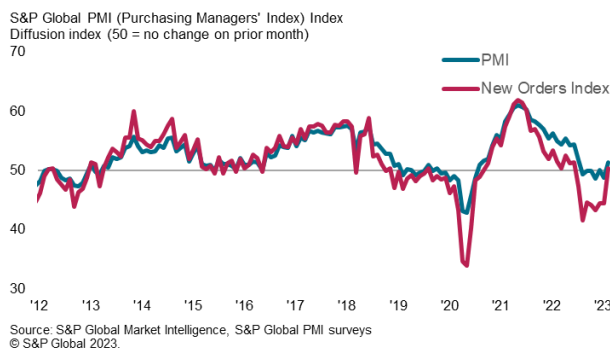


The headline seasonally adjusted PMI posted 51.4 in February, up from 48.7 in January, to reflect a return to expansion territory for the global electronics sector midway through the first quarter. The rate of growth was also the fastest since last July and was supported by improvements in new orders and output.

The level of work outstanding at global electronics manufacturers fell for an eighth straight month in February, though the rate of contraction eased to the slowest since last October. Anecdotal evidence suggested that higher production supported the clearing of manufacturing backlogs in February.

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

S&P Global Electronics PMI and new orders



Singapore’s non-oil domestic exports of electronics fell by 26.5% y/y, according to exports data for February released by Enterprise Singapore. Exports of integrated circuits fell by 34.2% y/y, while exports of disk media products fell by 45.5% y/y. Exports of electronics products to mainland China remained very weak, declining by 32.2% y/y. Electronics exports to Japan were also weak, falling by 38.0% y/y.

Singapore's economic outlook

The Singapore economy recorded a second year of economic recovery from the pandemic in 2022, growing by 3.6% y/y, after growth of 8.9% y/y in 2021. Singapore's GDP growth in 2022 was buoyed by strong growth in domestic consumption and an upturn in international tourism expenditure, as COVID-19 restrictions were progressively eased in Singapore as well as a growing number of other Asia-Pacific economies.

With increasing headwinds to global growth momentum in 2023 due to expected weak growth in the US and EU, the outlook for Singapore's manufacturing sector and some trade-related services is for weaker growth in 2023. However there are early signs that domestic demand in mainland China is gradually improving, which should help to mitigate the impact of slowing export orders for Singapore's manufacturing sector in the US and EU during 2023. Stronger exports of services, notably due to rising international tourist arrivals, will also help to partially offset the impact of weaker growth in merchandise exports.

The increase in Singapore's GST by 1% from 7% to 8% implemented on 1st January 2023 will also act as a slight drag on economic growth in 2023, raising fiscal revenue by an estimated 0.7% of GDP per year. Singapore's MTI has maintained its GDP growth forecast for 2023 in the range of 0.5% to 2.5%.

In 2023, taking into account the 1% increase in GST from 1st January 2023, headline and core CPI inflation are projected to average 5.5%–6.5% and 3.5%–4.5% respectively. MAS Core Inflation is projected by the MAS and MTI to remain elevated over the next few quarters, with risks still tilted to the upside, due to factors such as potential renewed shocks to world commodity prices and persistent global inflation pressures. Although prices of energy and food commodities have eased from their peaks, businesses will face higher utility prices and rising unit labour costs in the near-term. The MAS and MTI expect that MAS Core Inflation will moderate in the second half of 2023, as tightness in the domestic labour market eases and global inflation pressures moderate.

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

The overall medium-term global demand outlook for Singapore's electronics industry remains favourable, 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 (IoT) boosts rapidly growth in demand for industrial electronics. Singapore also remains an attractive hub for

supply chain diversification for some high value-added segments of the electronics industry, as electronics manufacturers continue to diversify their supply chains for production of critical electronics products, notably semiconductors. Reflecting these trends, Singapore attracted significant new foreign direct investment inflows into electronics manufacturing in 2022.

In the biomedical manufacturing sector, a number of 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. In Budget 2023, the finance minister stated that a key issue for the Singapore economy over the medium to long term will be from demographic ageing, with Singapore having one of the world's fastest ageing populations. The proportion of Singapore's population that is currently aged over 65 years is one-sixth of the population, but this will rise to an estimated one-quarter by 2030. This will result in rising healthcare and social welfare costs and could gradually reduce Singapore's long-term potential GDP growth rate. The role of fiscal policy in addressing demographic ageing will continue to be a key focus for government policy over coming years as the economic impact of demographic ageing intensifies.

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