

Week Ahead Economic Preview

Flash PMI for June, Fed testimony and BOE meeting in view

16 June 2023

Flash PMI for June will offer a first look into economic conditions across major developed economies while central bank meetings continue in Europe and APAC. This includes the Bank of England, Swiss National Bank, Norges Bank, Bank Indonesia and Bangko Sentral ng Pilipinas.

Fed chair Jerome Powell's semi-annual testimony to Congress will meanwhile provide further updates from the US central bank after the FOMC 'skipped' a rate hike at its June meeting. Inflation readings from the UK, Japan, Singapore and Malaysia will also be in focus.

The first pause after 10 straight rate hikes in the US was no surprise, but the fact that it was accompanied by more hawkish than expected projections and rhetoric raised eyebrows after the latest US FOMC meeting. Powell signalled that more needs to be done to bring inflation down to target, with the committee members' 'dot plots' signalling two more 25 basis points (bps) hikes by the end of 2023. The headscratcher here was the Fed's choice to pause when they have become more resolved in further raising rates. The takeaway here is perhaps that uncertainty continues to surround the Fed's path forward, making the FOMC increasingly data dependent. Next week's testimony to Congress by Fed Powell will be another opportunity to download more of the Fed's thoughts, but the emphasis on data-dependency by the Fed also places more focus on flash PMI data due next week, including from the US, for the earliest look at growth and inflation trends in June (see box).

In comparison, next week's Bank of England (BOE) meeting may be more clear cut with the BOE expected to lift rates again by 25 basis points (bps) and potentially taking things further thereafter. In the same week, the official inflation reading from the UK for May and flash PMIs for June offer further insights into economic conditions in the UK and help to shape expectations on the monetary policy front.

Finally in APAC, more central bank meetings are due though no surprises are expected from the Southeast Asian central banks meeting next week. Meeting minutes from June's RBA meeting and inflation numbers from Japan, Singapore and Malaysia will be closely watched instead. Japan's PMI data will be particular focus after [May's ten-year survey high](#).

The descent of US inflation

Among the flash PMI releases due on 23rd June will be the updated US manufacturing and survey data from S&P Global. The 'composite' data, which weights the data from the two surveys together according to their GDP contributions, are especially useful in providing advance guidance on economic growth and inflation trends. The composite input cost index from the two sectors, mapped here against consumer price inflation in the US, has been a particularly valuable indicator.

As the survey measures firms' costs, it naturally tends to lead retail price changes. It anticipated the sharp slowing of inflation, and hints of a further slowing to some. June's flash PMI price data are therefore highly anticipated, especially as there have been some signs of service sector cost inflation remaining stubbornly elevated, limiting the speed of descent (ironically, in part linked to higher interest rates – see special report).

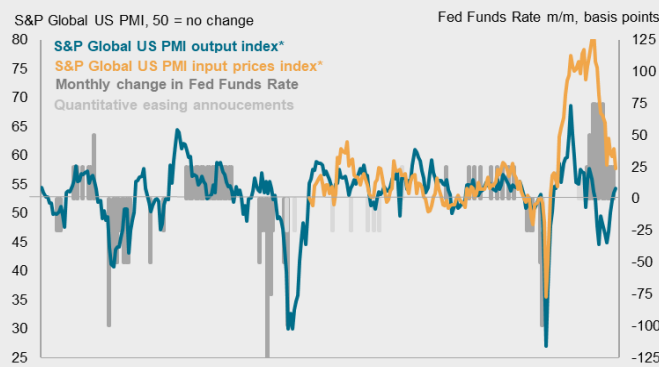
US inflation



Data compiled Jun 06, 2023.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month, covers manufacturing and services.
Source: S&P Global PMI.
© 2023 S&P Global.

The same PMI price index is overlaid below with the survey's output data, and FOMC policy changes. Clearly, history shows us that how these two survey indicators develop will provide important insights into whether we have reached terminal Fed Funds rate.

FOMC monetary policy vs. PMI indices



P*MI (Purchasing Managers' Index) value of 50 = no change on prior month, covers manufacturing & services.
Source: S&P Global PMI, S&P Global Market Intelligence.
© 2023 S&P Global.

Key diary events

Monday 19 Jun

US Market Holiday

Hong Kong Unemployment Rate (May)

Canada PPI (May)

Tuesday 20 Jun

China (Mainland) Loan Prime Rate (Jun)

Australia RBA Meeting Minutes

Malaysia Trade (May)

Japan Industrial Production (Apr, final)

Japan Capacity Utilization (Apr)

Germany PPI (May)

Eurozone Current Account (Apr)

Taiwan Export Orders (May)

Hong Kong SAR Inflation (May)

United States Building Permits (May, prelim)

United States Housing Starts (May)

Wednesday 21 Jun

South Korea PPI (May)

Japan BOJ Meeting Minutes (Apr)

United Kingdom Inflation (May)

Canada Retail Sales (Apr)

Thursday 22 Jun

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

New Zealand Trade (May)

Philippines BSP Interest Rate Decision

Indonesia Loan Growth (May)

Indonesia BI Interest Rate Decision

Norway Norges Bank Interest Rate Decision

Switzerland SNB Interest Rate Decision

United Kingdom Bank of England Interest Rate Decision

Eurozone Consumer Confidence (Jun)

United States Current Account (Q1)

United States Initial Jobless Claims

United States Fed Powell Testimony

United States Existing Home Sales (May)

Friday 23 Jun

China (Mainland), Taiwan Market Holiday

Australia Judo Bank Flash PMI, Manufacturing & Services*

Japan au Jibun Bank Flash Manufacturing PMI*

Germany HBOB Flash PMI, Manufacturing & Services*

France HCOB Flash PMI, Manufacturing & Services*

Eurozone HCOB Flash PMI, Manufacturing & Services*

UK S&P Global/CIPS Flash PMI, Manufacturing & Services*

US S&P Global Flash PMI, Manufacturing & Services*

Japan Inflation (May)

Thailand Trade (May)

Malaysia Inflation (May)

Singapore Inflation (May)

United Kingdom Retail Sales (May)

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

What to watch

June flash PMI

Based on around 85% of responses, the flash PMI surveys covering US, UK, Eurozone, Japan and Australia will offer a first look into economic conditions across major developed economies in June. The upcoming releases will be especially closely watched ahead of the mid-year market assessment.

The latest batch of PMI data from May indicated that the global expansion hit the fastest pace in 18-months, albeit driven primarily by services as the [gap between services and manufacturing new orders opened to the widest since 2009](#).

Any changes on this front will be eagerly watched especially as the longevity of the ongoing services expansion – typically highly sensitive to interest rate changes – remains in question. Developments on the inflation front will also be scrutinised amid easing price pressures globally, though still elevated by historical standards in the service sector.

Americas: Fed Powell testimony, US building permits, housing starts data, Canada retail sales

Following the Fed meeting this week, US Fed chair Jerome Powell will be appearing before the US Senate Banking Committee next Thursday for the Fed chair's twice-yearly report to Congress. While expected, the latest pause by the Fed still leaves questions on the monetary policy path going forward and any further guidance from the Fed chair next week will add colour to the latest terminal rate projection.

Europe: BOE, SNB, Norges bank meetings, UK inflation

A series of central bank meetings continues to be anticipated next week. Of special focus will be the Bank of England (BOE) interest rate decision with another 25 basis points (bps) hike anticipated according to consensus. Recent official and PMI data revealed that [tight labour market conditions continue to keep wage inflation elevated, particularly in the UK](#), providing impetus for the BOE to act. UK May inflation data will also be released with further easing of the headline and core inflation rates expected according to forecasts. Also watch out for UK retail sales.

Asia-Pacific: China loan prime rate, BOJ, RBA minutes, BI, BSP meetings, Japan, Singapore, Malaysia CPI

A series of central bank updates will be due from the APAC region including mainland China's loan prime rate, which is expected to shift following the lowering of short-term lending rate. Inflation data will also be updated for Japan, Singapore, Hong Kong SAR and Malaysia.

Special reports:

Financial Services Lead Global Growth Higher in May, Stoking Inflation | Chris Williamson | [page 4](#)

Taiwan Economy Continues to be Hit by Slumping Exports | Rajiv Biswas | [page 7](#)

Special Focus

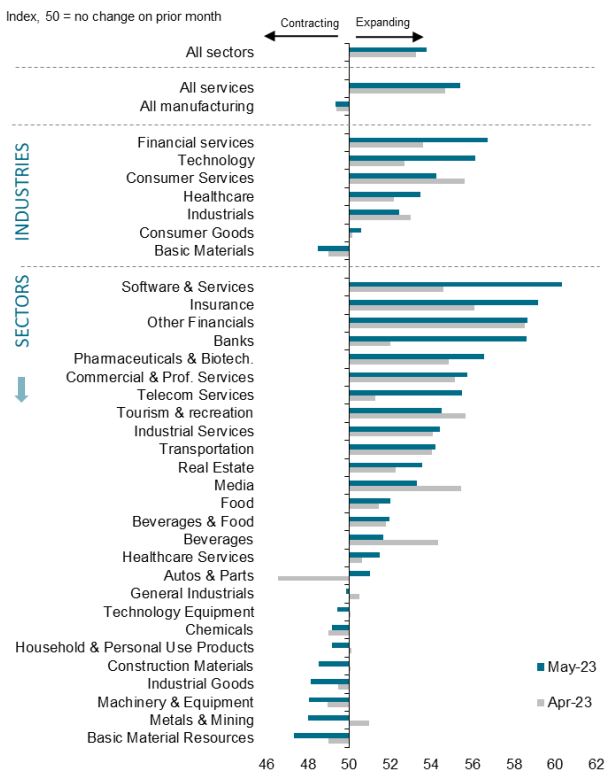
Financial Services Lead Global Growth Higher in May, Stoking Inflation

S&P Global PMI survey data show global growth to have been led by the financial services industry in May, for which a broad-based upturn was recorded across the US, Europe and Asia. Demand for financial service grew at the steepest rate since 2014, with new business placed at banks surging at rate amongst the quickest since comparable data were available in 2009.

The upturn is accompanied by rising charges for financial services, however, which also rose at a rate well above anything seen prior to the pandemic, representing a major source of upward pressure on overall inflation in the global economy.

The revival of the financial service sector corresponds with rising financial markets and improving financial conditions from the lows seen late last year but, with the full impact of higher interest rates yet to be felt, the outlook remains highly uncertain.

Global PMI sector new orders



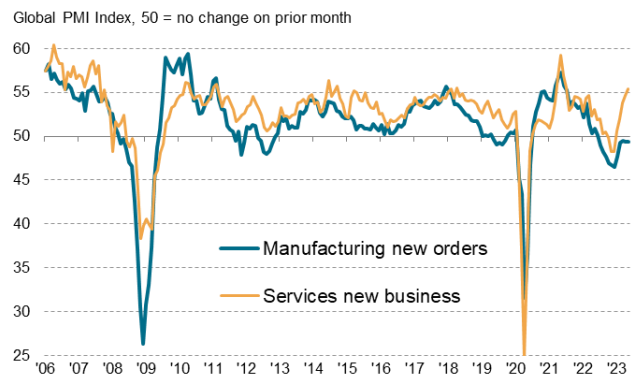
Source: S&P Global, JPMorgan. © S&P Global 2023.

Reviving demand for services

The Global PMI – compiled by S&P Global across over 40 economies and sponsored by JPMorgan – rose for a sixth straight month in May from 54.2 in April to 54.4, climbing to its highest for one and a half years. Driving the upturn was a revival of demand, as measured by new orders, which rose for a fourth successive month in May, increasing at the steepest rate since March 2022.

However, the pattern of demand growth varies by sector. Resurgent demand for services contrasts with falling demand for goods. While new business placed at service providers rose globally at the sharpest rate for 22 months in May, new orders received by factories were down for an eleventh straight month.

Global PMI new orders by sector



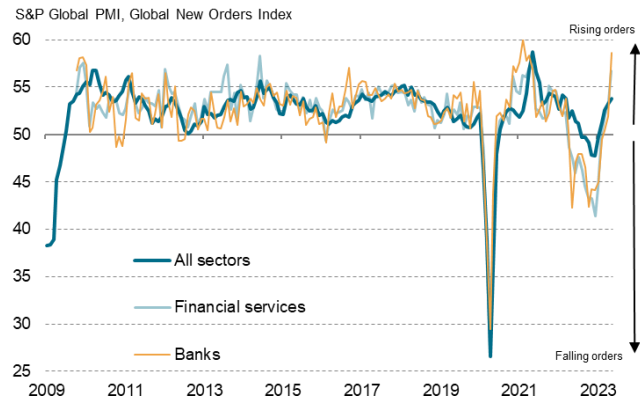
Source: S&P Global Market Intelligence, JPMorgan. © S&P Global 2023.

Near-record surge in demand for banking services

Digging deeper by broad industry, the strongest growth of demand was recorded for financial services, where new orders growth hit the highest since May 2021. Within financial services, new orders growth for insurance, 'other financials' and banking were the fastest growing of all detailed subsectors tracked by the PMI bar only Software & Related Services.

Measured overall, financial services activity grew in May at the fastest rate since 2014 barring the post-vaccine pandemic reopening in early 2021. The latest increases in new business for Banking Services was especially notable in being the largest since comparable data were first available in 2009, barring early 2021. Moreover, Insurance registered the strongest growth in new business on record.

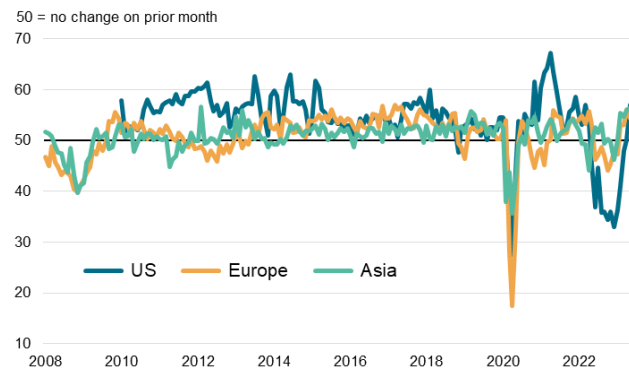
Global PMI sector new orders



Source: S&P Global, JPMorgan. © S&P Global 2023.

An interesting feature of the recent improvement in demand for financial services is the broad-based nature of the revival geographically, with new orders for financial services rising sharply across the US, Europe and Asia, in all three cases recovering from downturns seen during 2022.

Financial Services PMI, New Orders Index

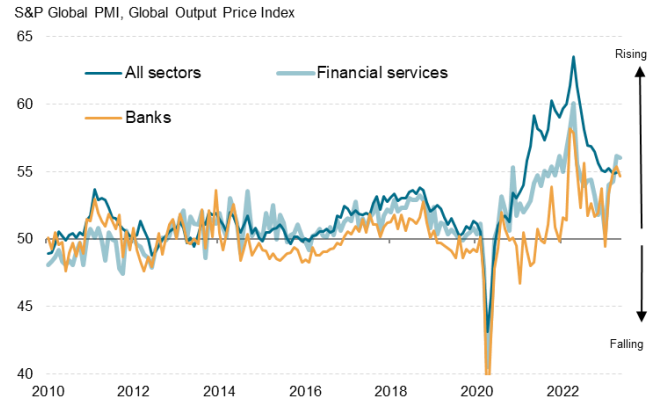


Source: S&P Global Market Intelligence. © S&P Global 2023.

Higher prices for services

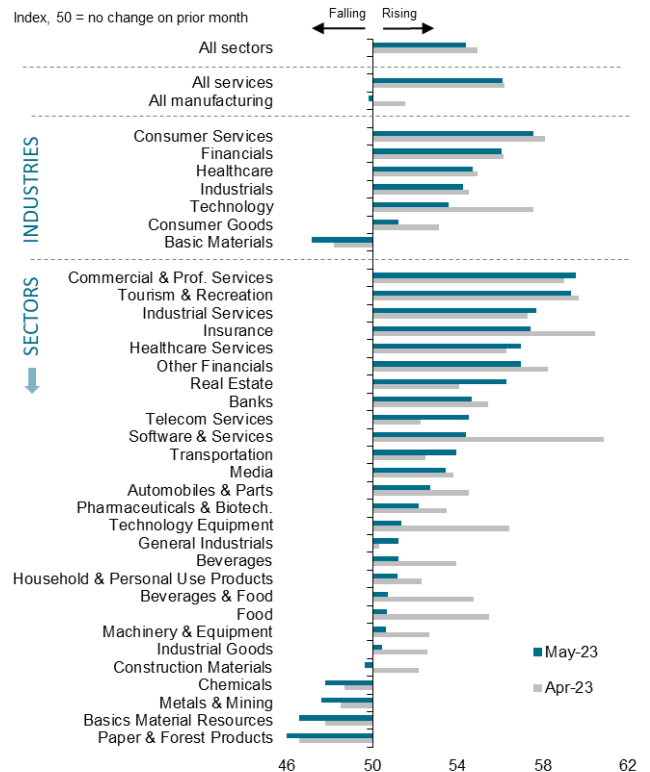
The resurgent demand for financial services also means that these companies have been able to charge higher prices. In fact, the rate of inflation for financial services products ran above the global average for all goods and services in May for a second successive month, with the rate of inflation exceeded only by that seen in the Consumer Services industry. Charges for financial services are in fact now rising at a rate far in excess of anything seen prior to the pandemic, with only the immediate post lockdown reopenings of 2021 having witnessed steeper rates of price increase.

Global PMI sector output prices



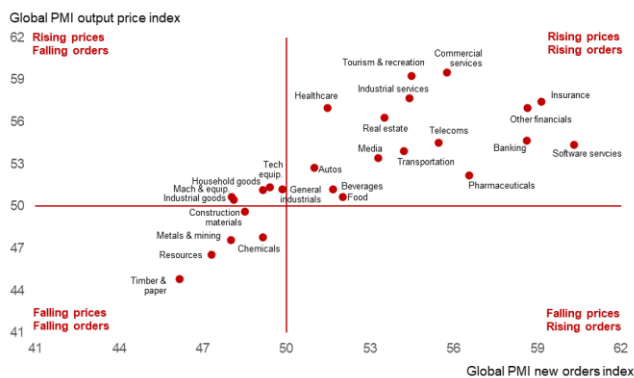
Source: S&P Global, JPMorgan. © S&P Global 2023.

Global PMI sector prices charged

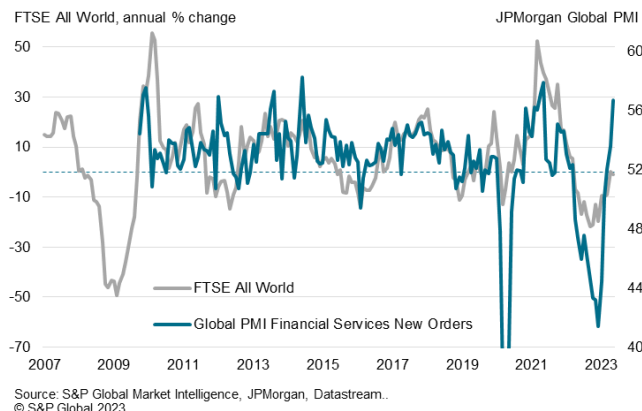


Source: S&P Global, JPMorgan. © S&P Global 2023.

Global sector PMI new orders and selling price mapping



Global equity markets and the PMI



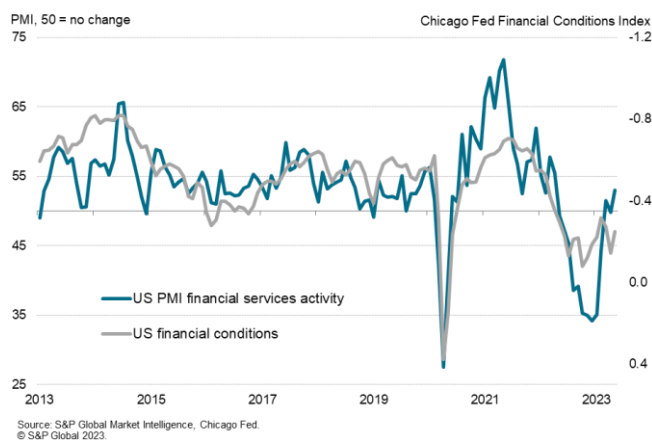
Financial conditions

The steep upturn in the PMI new orders index for the global financial services sector from a low point seen last December has corresponded with an improvement in financial conditions since late last year. Global equities, for example, as measured by the FTSE All World Index, were up almost 17% from the low plumbed last September on average in May. Financial conditions in the US, as measured by the Chicago Fed, have likewise lifted off the low seen last October.

Markets have improved, but companies also report that recent hikes in interest rates, although cooling demand for loans and mortgages, are driving more interest from savers.

However, the recent hikes in interest rates will act with a lag, and undoubtedly the full impact of rate rises in the US and Europe will have yet to take their full toll on economic activity and demand for financial services. There also remains a great deal of uncertainty as to when rates will peak in the US and Europe, adding risk to the outlook. While we have no crystal ball, the sector PMI data will be a key instrument to help assess this rate hike impact as we head into the summer months.

US PMI financial services activity vs. financial conditions



Chris Williamson
 Chief Business Economist
 S&P Global Market Intelligence
 London
 T: +44 779 5555 061
chris.williamson@spglobal.com

Special Focus

Taiwan Economy Continues to be Hit by Slumping Exports

Taiwan's export-driven economy has continued to be hit by slumping exports, which fell by 16.9% year-on-year (y/y) in the first five months of 2023. Reflecting the significant downturn in exports, Taiwan's GDP contracted by 3.0% y/y in the first quarter of 2023, following negative growth in the fourth quarter of 2022.

With two consecutive quarters of negative GDP growth recorded, Taiwan's economy entered a technical recession in the first quarter of 2023. A key factor driving the export slowdown has been weak demand for Taiwan's electronics exports in key global markets, notably the US, EU and mainland China.

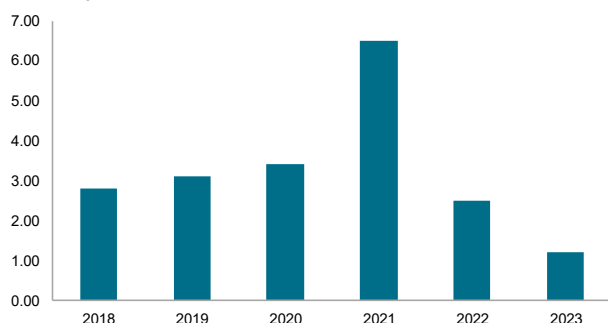
Taiwan's exports continue to slump

Taiwan's economy recorded two successive quarters of negative growth during the fourth quarter of 2022 and the first quarter of 2023. This follows a period of strong economic expansion in 2021 and 2022. In 2021, annual GDP rose by 6.5% 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.

This was followed by continued positive GDP growth at a pace of 2.5% in calendar 2022, helped by strong global demand for electronics exports during most of 2022. Taiwan's merchandise exports rose by 7.4% y/y in 2022, buoyed by strong expansion in exports of electronics components, which rose by 16.4% y/y, while semiconductors exports rose by 18.4% y/y.

Taiwan: GDP growth rate

Annual % change



Source: S&P Global Market Intelligence

However, Taiwan's electronics sector exports, which are a key export, have weakened significantly during the second half of 2022 and early 2023, due to weak electronics demand in the US, EU and mainland China. The downturn in Copyright © 2023 S&P Global Market Intelligence. All Rights Reserved.

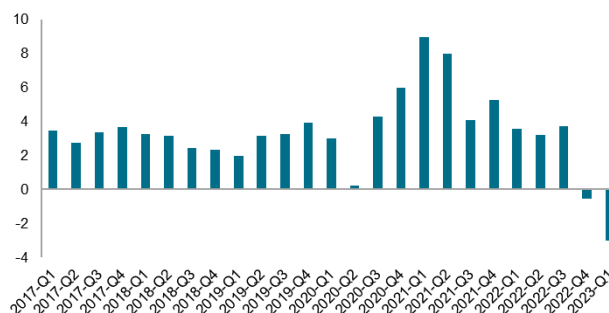
Taiwan's exports has been a key factor contributing to the economic slowdown.

Total merchandise exports fell significantly in the fourth quarter of 2022, contracting by 8.6% y/y. Taiwan's exports have remained weak during the first five months of 2023, with merchandise exports in May 2023 contracting by 14.1% y/y. Exports to mainland China and Hong Kong SAR declined by 19.4% y/y in May. 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.

Taiwan's total exports to the US showed a modest decline in May, down by 3.5% y/y, with recent export data showing a gradual improvement in the value of exports to the US over the past three months. Taiwan's exports of semiconductors to the US rose by 9% y/y in May, while Taiwan's exports of semiconductors manufacturing equipment to the US rose by 59% y/y.

Taiwan GDP growth

% change, year-on-year

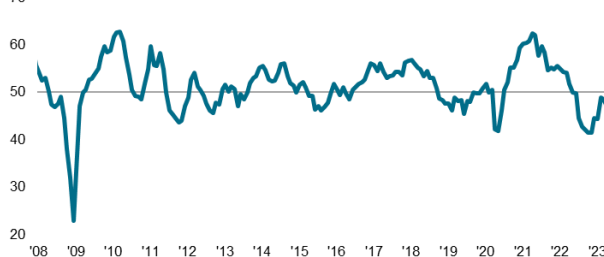


Source: S&P Global Market Intelligence

Taiwan's manufacturing sector business conditions have remained weak in mid-2023. Industrial production fell by 22.9% y/y in April, with manufacturing output down by 23.5% y/y.

S&P Global Taiwan Manufacturing 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 © S&P Global 2023.

Business conditions across Taiwan's manufacturing sector deteriorated at a faster rate in May, according to the latest S&P Global PMI data. The S&P Global Taiwan Manufacturing Purchasing Managers' Index (PMI) declined from 47.1 in April to 44.3 in May, to signal a sharp

deterioration in business conditions midway through the second quarter.

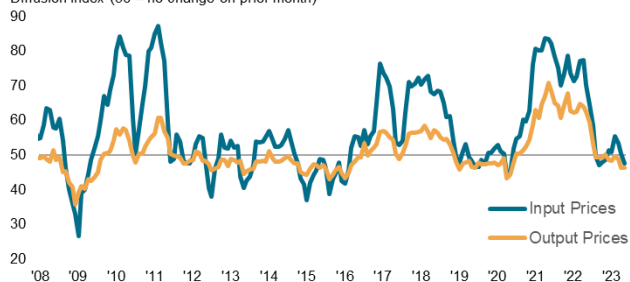
Companies signalled the steepest reductions in output and total new business since the start of 2023 amid reports of weaker customer demand. Consequently, firms cut back on their buying activity and inventories, and trimmed their staffing levels at the quickest rate in over three years.

Total new business likewise fell at the sharpest rate since the start of 2023, with firms citing lower intakes of new work across both domestic and international client bases. Concurrently, the downturn in new export business gathered pace, with companies often citing reduced sales across key export markets such as mainland China, Europe and the US.

The improved availability of inputs and muted demand environment added downward pressure on purchasing costs. Notably, average input prices fell for the first time in six months in May. Cost savings were often passed on to clients, as firms cut their selling prices at a solid pace as part of efforts to stimulate sales.

Taiwan manufacturing PMI: Input and output prices

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 © S&P Global 2023.

Taiwan's CPI inflation rate moderated to 2.0% y/y in May 2023, while core CPI excluding energy and food rose by 2.6% y/y, indicating retail inflationary pressures remain contained. Although inflation has been moderating in recent months, Taiwan's central bank raised its policy rate by 12.5% on 23 March 2023 in order to limit potential further inflation pressures, after having acted pre-emptively during 2022 with a series of modest tightening steps to contain inflation pressures.

The March 2022 tightening step of 25 basis points (bps) 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. This was followed by a 12.5 bps increase in June 2022, a 12.5 bps hike in September 2022 and another 12.5 bps in December 2022.

Global headwinds facing electronics industry

The near-term outlook for Taiwan's electronics sector remains weak, based on the latest S&P Global Electronics PMI survey results. The headline seasonally adjusted S&P Global Electronics PMI fell to 47.9 in May, down from 48.2 in April, to signal a third consecutive deterioration in operating conditions across the global electronics manufacturing sector. The latest reduction was moderate but the sharpest seen since June 2020, underpinned by a solid decline in new orders.

S&P Global Electronics PMI

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



Source: S&P Global Market Intelligence, S&P Global PMI surveys © S&P Global 2023.

S&P Global Electronics PMI Output Index

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 © S&P Global 2023.

S&P Global Electronics PMI New Orders Index

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



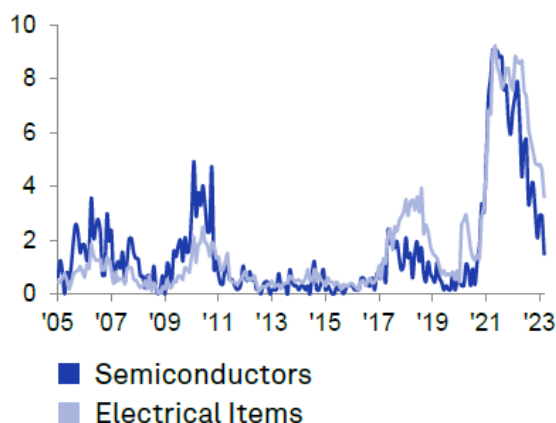
Source: S&P Global Market Intelligence, S&P Global PMI surveys © S&P Global 2023.

Global industry supply shortages for the semiconductors and electrical products industries have moderated in recent months, as supply-side bottlenecks have eased while weaker demand conditions have also contributed to improving supplier delivery times. Recent S&P Global Taiwan Manufacturing PMI Surveys for the first five months of 2023 indicated that the weaker demand environment supported a further improvement in supply chain performance.

The level of work outstanding at global electronics manufacturers declined for the eleventh month running during May, according to the S&P Global Electronics PMI survey. The rate of depletion was steep and unchanged from April, therefore being the joint-quickest for four months. Lower new orders and the easing of supply constraints allowed firms to work through unfinished business, according to panellists.

Global electrical and electronics industry supply shortages

Supply shortages, multiple of long-run average



Source: S&P Global Market Intelligence

Economic outlook

After rapid economic growth in 2021 and continued firm expansion in 2022, Taiwan's economy is forecast to moderate in 2023, mainly due to the downturn in exports. This reflects continued weakness in key markets for Taiwan's electronics exports, notably the US, EU and mainland China. Taiwan's export orders fell by 25.7% y/y in March 2023, signalling continued near-term weakness for the manufacturing export sector.

Taiwan's medium-term outlook remains for sustained positive expansion at a moderate pace, underpinned by improving global electronics demand during 2024 and 2025. 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

Links to more resources

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

CONTACT US

Chris Williamson

Chief Business Economist
S&P Global Market Intelligence
London

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

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

spglobal.com/marketintelligence/en/mi/products/pmi.html