

Week Ahead Economic Preview

Mainland China GDP under scrutiny

12 January 2024

In addition to the US earnings season coming into full flow, the week ahead will see some key insights into growth and inflation trends at the close of 2023 for some of the world's largest economies, providing key inputs to policy making decisions at some of the largest central banks.

High-frequency indicators of economic growth are provided in the form of updates to industrial production and retail sales for the United States and mainland China, with the former also published for the eurozone. Inflation data are meanwhile issued for the UK, Eurozone and Japan.

The data follow increased caution among investors at the start of 2024, as indicated by a renewed mood of risk aversion prevailing in the [latest S&P Global Investment Manager Index \(IMI\)](#). After reporting strong risk appetite late last year, the mood has soured into 2024, albeit with some mixed signals for different equity markets for the year ahead.

Investors are most positive about Japanese equities for 2024, so the upcoming release of inflation data will be important in helping justify recent multi-decade stock market highs and speculation that the Bank of Japan will be able to sustain its ultra-loose monetary policy stance, a by-product of which should be an export boost via a weaker yen.

At the other end of the scale, investors in the IMI survey are least bullish regarding mainland China equities – albeit less so than late last year. Whether this stance is justified will be tested by the release of Q4 GDP data (see box), which could add some optimism to mainland China's prospects.

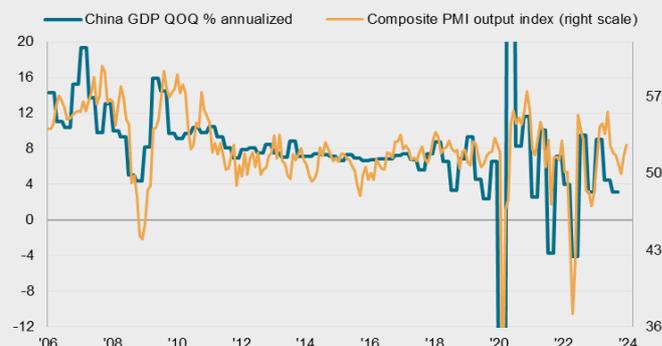
The timing and extent of any Fed pivot meanwhile remains the main driver of overall market sentiment, and US data in the form of industrial production, retail sales, housing starts and consumer confidence will provide further insights into soft landing prospects. Consensus beats could cause markets to pare back expectations more in line with the three 25 basis point cuts being pencilled in for 2024 by the FOMC.

In Europe, the Bank of England's policy outlook will be guided by fresh labour market, retail sales and inflation data, with wages under particular scrutiny amid policymaker concerns over second-round inflation effects. The eurozone also releases revised inflation data for December, as well as GDP data for Germany.

Mainland China GDP to show improvement

A highlight of the week will be fourth quarter GDP for mainland China. After GDP rose at a modest 3.1% quarterly annualized rate in the three months to September, one of its weakest expansions in recent history outside of the pandemic, the are broad-based hopes that growth has revived. S&P Global Market Intelligence is estimating a 7.2% annualized growth rate for the fourth quarter. The Caixin PMI, compiled by S&P Global, has also shown some improvement. The composite PMI, covering the output of both manufacturing and services, hit a ten-month low of 50.0 in October, signaling no change in output on the prior month, but has since risen to 52.6, a seven-month high. The PMI therefore adds to signs that the economy is starting to revive again, albeit from a low base.

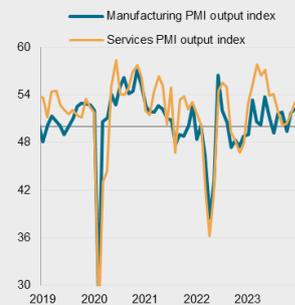
China (mainland) GDP and the Caixin PMI



Data compiled January 2024 including PMI data to December 2023. PMI covers manufacturing and services, 50 = no change on prior month. Source: S&P Global PMI with Caixin, NBS via S&P Global Market Intelligence. © 2024 S&P Global.

The details of the PMI also offer some encouragement. The PMI clearly tracked the rebound of post-pandemic demand for consumer-orient services such as travel, recreation and tourism, but also showed this rebound fading rapidly as 2023 progressed. More recently, the service sector has shown a welcome upswing, in part fueled by a simultaneous rise in factory output, the latter boosting demand for industrial services.

China (mainland) PMI output by sector



Data compiled January 2024 including PMI data to Dec. 2023. PMI level of 50 = no change on prior month. Source: S&P Global PMI with Caixin. © 2024 S&P Global.

The high-frequency monthly official data will therefore be eagerly awaited for further insights into the health of China's of China's so-far unconvincing recovery.

Key diary events

Monday 15 Jan

United States Market Holiday

South Korea Trade (Dec)

Indonesia Trade (Dec)

India WPI (Dec)

Germany Wholesale Prices (Dec)

Germany Full Year GDP Growth (2023)

Eurozone Balance of Trade (Nov)

Eurozone Industrial Production (Nov)

Brazil Business Confidence (Jan)

Canada Manufacturing Sales (Nov)

Tuesday 16 Jan

Australia Westpac Consumer Confidence (Jan)

Japan PPI (Dec)

Germany Inflation (Dec, final)

United Kingdom Labour Market Report (Dec)

Germany ZEW Economic Sentiment Index (Jan)

Canada Inflation (Dec)

Wednesday 17 Jan

Singapore Non-oil Domestic Exports (Dec)

China (Mainland) GDP (Q4)

China (Mainland) Industrial Production (Dec)

China (Mainland) Retail Sales (Dec)

China (Mainland) Fixed Asset Investment (Dec)

China (Mainland) Unemployment Rate (Dec)

United Kingdom Inflation (Dec)

Indonesia BI Interest Rate Decision

Eurozone Inflation (Dec, final)

Brazil Retail Sales (Nov)

United States Retail Sales (Dec)

United States Industrial Production (Dec)

United States Business Inventories (Nov)

Thursday 18 Jan

Japan Machinery Orders (Nov)

Australia Employment Change (Dec)

Australia Unemployment Rate (Dec)

Eurozone Current Account (Nov)

United States Building Permits (Dec)

United States Housing Starts (Dec)

Friday 19 Jan

Japan Inflation (Dec)

Malaysia Trade (Dec)

Germany PPI (Dec)

United Kingdom Retail Sales (Dec)

Canada Retail Sales (Nov)

United States UoM Sentiment (Jan, prelim)

United States Existing Home Sales (Dec)

* Access press releases of indices produced by S&P Global and relevant sponsors [here](#).

What to watch

Americas: US retail sales, industrial production, building permits and UoM sentiment, Canada inflation

Key releases to watch in the US next week include a series of tier-2 data. Specifically, US retail sales and industrial production will be due on Wednesday for the latest update on economic activity at the end of 2023. Despite improvements observed for the US economy in December via S&P Global PMI data, [growth was uneven with growth reliant on the service sector amid looser financial conditions to offset a manufacturing downturn](#).

Canada's inflation readings will also be due in the early half of the week with the latest December 2023 PMI prices data pointing to further easing of inflationary pressures amid a steep downturn in business activity.

EMEA: UK inflation, employment data, Germany GDP, Eurozone inflation and industrial production

The UK releases inflation, employment and retail sales data in the week to help assess recession risks and the next move from the Bank of England. According to UK PMI price data, [some stickiness in inflationary pressures may be anticipated in the coming months](#). Employment figures will also be keenly followed with the latest [KPMG/REC UK report on Jobs having suggested that recruitment activity declined at a softer pace at the end of 2023](#).

Germany GDP will also be out Monday for an official update on 2023 growth conditions, while eurozone inflation and industrial production figures are released through the week.

APAC: China Q4 GDP, activity data, Japan CPI

In APAC, GDP data from mainland China will be the highlight on Wednesday alongside higher-frequency official updates such as retail sales, industrial production and unemployment numbers. [Recent Caixin PMI data showed that mainland China ended 2023 on a positive note](#) as composite output growth rose to a seven-month high. This was with [manufacturing output growing for a second straight month in December as new orders rose](#).

Separately, Japan's December inflation reading will be released on Friday. PMI prices data, with its leading-indicator properties, indicated further room for inflation to fall in the coming months, though [some stickiness may be seen with the latest December data showing a slight acceleration in the rise of charges](#).

Special reports:

Global PMI ends 2023 on brighter note, but wide divergences persist | Chris Williamson | [page 4](#)

ASEAN economic outlook in 2024 | Rajiv Biswas | [page 8](#)

Recent PMI and economic analysis from S&P Global

Global	Trade conditions remain in decline at end of 2023	8-Jan	Jingyi Pan
	Global PMI ends 2023 on brighter note, but wide divergences persist	5-Jan	Chris Williamson
	Global PMI data point to stalled descent of inflation	4-Jan	Chris Williamson
	Global factory job losses gather pace as demand weakness persists at close of 2023	2-Jan	Chris Williamson
	Flash PMIs point to widening growth divergences as 2023 draws to a close	18-Dec	Chris Williamson
	Monthly PMI Bulletin: December 2023	14-Dec	Jingyi Pan
	Deterioration of global trade conditions ease in November	7-Dec	Jingyi Pan
EMEA	Flash PMI points to UK economy ending 2023 on a more positive note	15-Dec	Chris Williamson
	Recession indicated as eurozone flash PMI signals deepening decline in December	15-Dec	Chris Williamson
Americas	Looser financial conditions boost economic growth in December and add hope to 2024 US outlook	5-Jan	Chris Williamson
	US factories end 2023 on soft note amid signs of excess operating capacity	2-Jan	Chris Williamson
Asia-Pacific	APAC economic outlook for 2024 remains bright	5-Jan	Rajiv Biswas
	Philippines economy shows robust growth into the new year	22-Dec	Rajiv Biswas

S&P Global Market Intelligence highlights

Shifting Sands: Economic Trends Impacting Global Economies in 2023-4



We study history to learn lessons from the past, helping us better understand the current environment and assess the likely future. Read this detailed review of some of the key signals from the Purchasing Managers' Index™ (PMI®) business survey data in 2023. With global and region-specific coverage and insights giving you an indication of what these trends mean for the global economy as we head into 2024.

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

PMI Insights: A look at the Americas



The economists see quite a subdued picture in Canada from their latest survey results. Firms are concerned about high interest rates and how they may squeeze clients' budgets. The newly launched PMI for the Canadian service sector, which covers private sector services accounting for about half of the country's GDP, offers additional insights into business activity, new orders, employment and more.

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

For further information:

For more information on our products, including economic forecasting and industry research, please visit <https://www.spglobal.com/>. For more information on our PMI business surveys, please visit [here](#).

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Special Focus

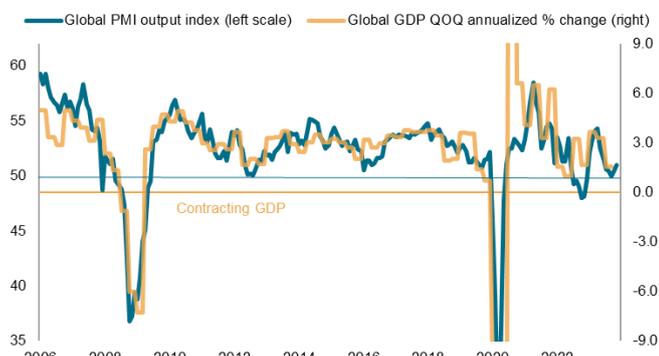
Global PMI ends 2023 on brighter note, but wide divergences persist

Global output growth accelerated slightly in December, according to the S&P Global PMI surveys, spurred by improved inflows of new orders. Confidence about the year ahead also lifted higher. However, all of these three gauges remain weak by historical standards, consistent with only modest global GDP growth and subdued hiring, the latter having largely stalled.

Recession risks remain most elevated in the eurozone, and business activity stagnated in Japan. But modest expansions were seen in the US and UK, and growth accelerated in mainland China, though it was India's performance which was again by far the most impressive.

Sector variations have meanwhile widened: looser financial conditions have buoyed consumer and financial services, but the factory sector remains in decline, led by steep losses in primary manufacturing industries.

Global economic growth and the PMI



Data compiled January 2024 including PMI data to December 2023. PMI (Purchasing Managers' Index) value of 50 = no change on prior month. Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence. © 2024 S&P Global.

Global PMI signals modest strengthening of economic growth at year-end 2023

Worldwide business activity rose modestly in December, according to the Global PMI data compiled by S&P Global. The headline PMI, covering manufacturing and services across over 40 economies and sponsored by JPMorgan, edged higher for a second month, up from 50.5 in November to 51.0 in December, its highest since last July.

Despite the rise, the PMI remains well below the survey's long-run average of 53.2 and is broadly consistent with annualized quarterly global GDP growth of approximately 1.5% (half the pre-pandemic ten-year average of 3.0%). As such, the PMI signals much-reduced global growth momentum in the closing months of 2023 compared to the growth spurt seen around the second quarter of last year.

Sector divergences widen

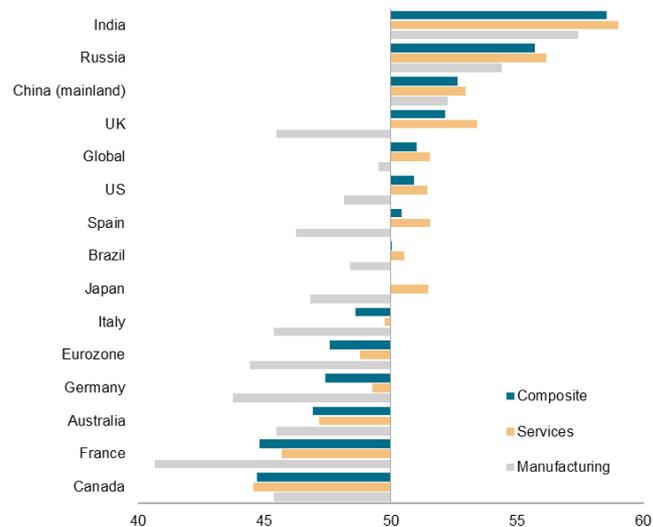
By sector, manufacturing remained a key drag on the global economy, with factory output dropping marginally in December for a seventh successive month. Of the 13 largest economies for which composite PMI data are available, only India, Russia and mainland China reported higher manufacturing production in December. Especially steep falls in factory output were seen across the eurozone nations and in Canada and Australia.

Global PMI output by sector



Data compiled January 2024 including PMI data to December 2023. PMI (Purchasing Managers' Index) value of 50 = no change on prior month. Sources: S&P Global PMI with J.P.Morgan, S&P Global Market Intelligence. © 2024 S&P Global.

PMI output index



Data compiled January 2024 including PMI data to December 2023. Japan uses flash readings. PMI index 50 = no change on prior month. Sources: S&P Global PMI, J.P. Morgan, HCOB, au Jibun Bank, Judo Bank, Caixin. © 2024 S&P Global.

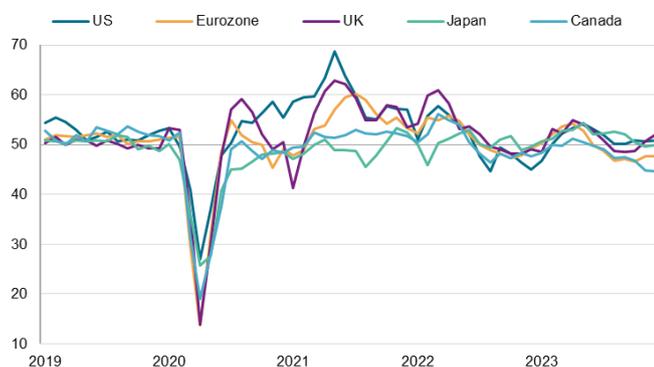
Although service sector growth accelerated globally, the rate of expansion remained far below that seen earlier in the year. Of the 13 largest economies, eight reported higher service sector output in December, led by India. The steepest falls were seen in Canada, France and Australia.

Developed world output falls for fifth month in December

Output across the **developed world** fell marginally in December for a fifth successive month. The deepest gloom was seen in Canada, where output fell sharply in both manufacturing and service sectors, down for a seventh straight month.

A marked pace of contraction also continued to be recorded in the eurozone, fuelling recession worries as a steep manufacturing downturn continued to be accompanied by falling service sector activity.

Major developed economies, output (manufacturing & services)



Data compiled January 2024 including PMI data to December 2023. PMI index value of 50 = no change on prior month, covers manufacturing and services. Sources: S&P Global PMI, S&P Global Market Intelligence, HCOB, au Jibun Bank. © 2024 S&P Global.

In contrast, a sustained – albeit modest – expansion continued to be reported in the US, where output rose for an eleventh straight month. Faster service sector growth offset a renewed fall in manufacturing output.

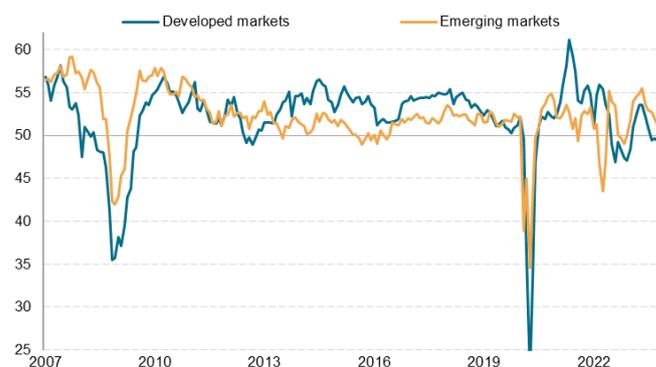
An acceleration of output growth in the UK to a six-month high helped allay recession worries, albeit the pace of expansion remaining modest, dampened by sharply falling goods production.

Japan's output meanwhile stabilised after contracting slightly in November, as improved services growth countered a steepening manufacturing decline, rounding off a broadly flat fourth quarter.

Emerging market expansion gains momentum

The sustained developed market decline contrasted with emerging market growth, accelerating to a six-month high.

Global PMI output by market

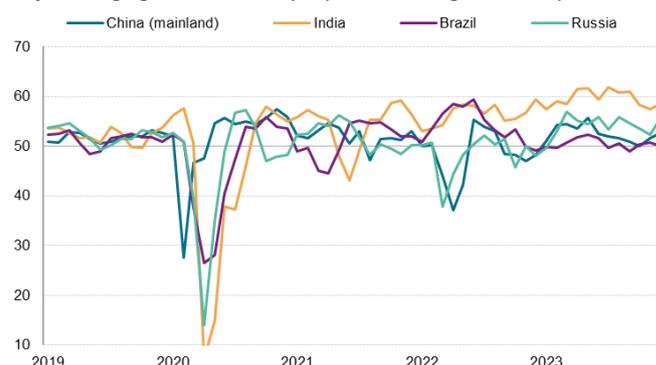


Data compiled January 2024 including PMI data to December 2023. PMI index value of 50 = no change on prior month. Sources: S&P Global PMI, S&P Global Market Intelligence, J.P. Morgan. © 2024 S&P Global.

India remained the fastest-expanding economy, a re-acceleration of growth helping to sustain its best spell for 15 years. Although factory output grew at the slowest rate for 14 months, the pace of expansion remained impressive, accompanied by an improved service sector expansion.

Russia's expansion also regained momentum, with faster manufacturing and services growth resulting in one of the strongest upturns seen since the pandemic.

Major emerging economies, output (manufacturing & services)



Data compiled January 2024 including PMI data to December 2023. PMI index value of 50 = no change on prior month, covers manufacturing and services. Sources: S&P Global PMI, S&P Global Market Intelligence, Caixin, HSBC. © 2024 S&P Global.

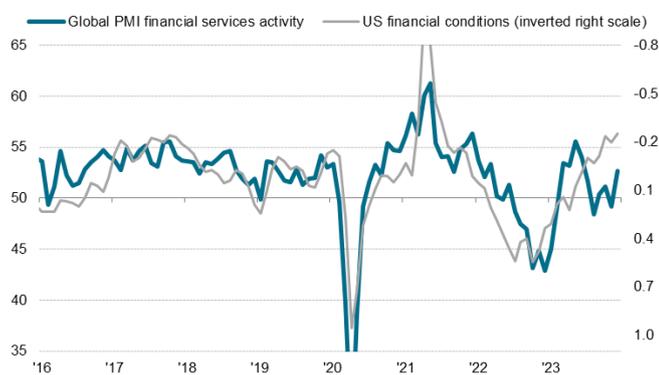
China's mainland expansion likewise picked up further pace after having stalled in October, with growth reviving in both manufacturing and services.

Brazil bucked the improving trend, with output unchanged in December. Manufacturing output contracted for the thirteenth time in the past 14 months and growth in the service sector cooled to near-stagnation.

Looser financial conditions buoy output, but industrial sectors continue to lag

Looking across broad global industries, output rose most sharply for healthcare in December, though one of the most important developments was a marked revival of growth in financial services activity. The latter in part reflected looser financial conditions in many countries, notably the United States, as markets reassessed the outlook for interest rates in 2024.

Global PMI financial services activity vs. financial conditions



Data compiled January 2024.
 PMI (Purchasing Managers' Index) value of 50 = no change on prior month.
 Source: S&P Global Market Intelligence, Federal Reserve Bank of Chicago.
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Encouragingly, some signs of renewed consumer demand were also evident, reviving output growth for both consumer goods and services compared to November. Rates of increase nevertheless remained subdued.

The steepest decline was meanwhile recorded for basic materials, reflecting ongoing inventory reduction policies amid falling global trade flows and weak manufacturing demand. Industrials, which includes goods producers and B2B services, also reported a renewed fall in output.

Drilling down into more detailed sub-sectors, the top eight fastest growing sectors were all services-related, led by insurance, pharma & biotech, and software.

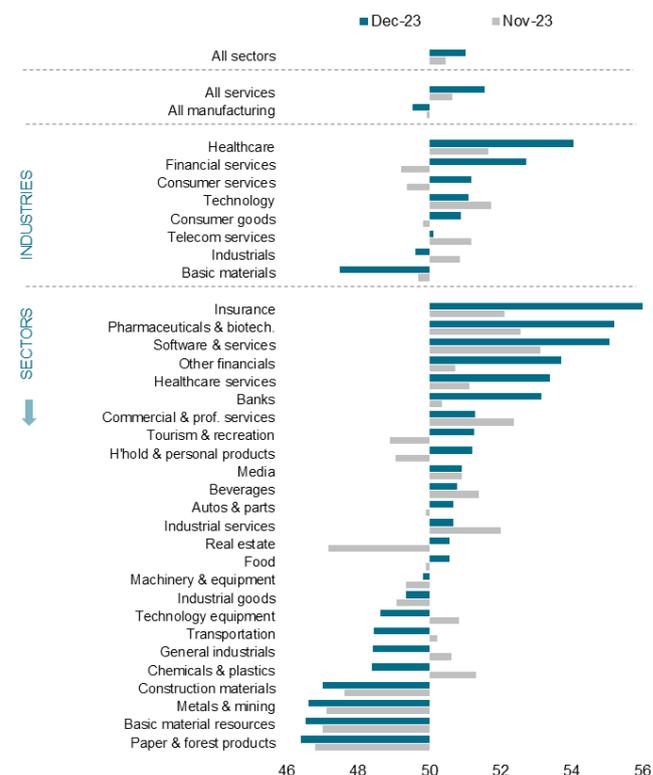
Three of the top six fastest growing sectors were from the broader financial services industry, and even real estate activity returned to growth, underscoring the revival of financial-related activities amid hopes of lower interest rates.

The bottom six slots of the rankings were meanwhile all held by manufacturing-focused sector, and in particular input producers, such as paper & forest products, basic materials, metals & mining, construction materials and chemicals & plastics.

The relative poor performance of these primary manufacturing sectors again largely reflected ongoing

aggressive inventory reduction policies, with reduced buying activity causing global stocks of inputs to fall at one of the fastest rates seen over the past decade if the initial pandemic period is excluded.

Global PMI output index



PMI (Purchasing Managers' Index) value of 50 = no change on prior month.
 Source: S&P Global PMI, JPMorgan.
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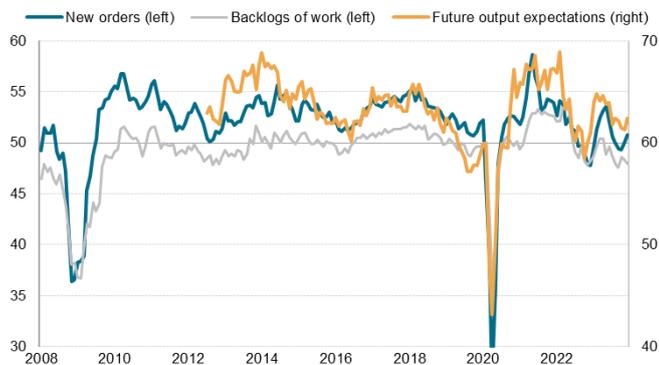
Cloudy outlook

Some encouragement regarding the near-term global growth trend can be derived from the slight acceleration in growth during December, having been driven by an increased in new order inflows, which showed the largest rise since last June. Similarly, business expectations about the year ahead lifted higher in December, also striking the most optimistic tone since last June.

However, both of these forward-looking gauges remain weak by historical standards, hinting at sustained sub-par growth. Furthermore, the recent rise in new work was insufficient to prevent backlogs of work falling at an increased rate – and one of the fastest rates seen since the global financial crisis.

The steep decline in backlogs of work hints that companies' order books are becoming increasingly depleted, meaning – unless demand picks up to a more substantial degree – firms will be prone to focus on capacity reduction.

Global new orders, backlogs of work and business confidence



Data compiled January 2024 including PMI data to December 2023.
PMI index value of 50 = no change on prior month, covers manufacturing and services.
Source: S&P Global PMI with J.P. Morgan.
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More insights will be available with the flash January PMI data, published on 24th January, in which we will be especially eager to assess the order book trend. However, from an inflation perspective, we will also be keen to evaluate any impact from recent supply chain stress, notably from global shipping.

Access the Global Composite PMI press release [here](#).

Access the Global Sector PMI press release [here](#).

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Special Focus

ASEAN Economic Outlook in 2024

The near-term economic outlook for the ASEAN region in 2024 remains positive, supported by the continued expansion of domestic demand in a number of large Southeast Asian economies. Foreign direct investment inflows are also expected to remain strong, as multinationals continue to diversify their manufacturing supply chains towards Southeast Asian industrialized nations.

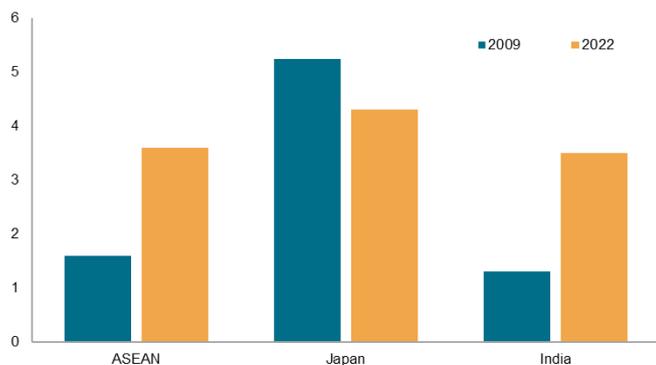
The ASEAN tourism industry, which is an important part of the economy for a significant number of nations in the region, is expected to continue to recover during 2024, as international tourism flows continue to normalize towards pre-pandemic levels in many Southeast Asian countries.

Over the next decade, the ASEAN region is therefore expected to continue to be one of the fastest-growing regions of the global economy and an increasingly important growth engine for the Asia-Pacific (APAC).

ASEAN outlook remains robust

The total nominal GDP of the ten ASEAN nations measured in US dollar terms amounted to USD 3.6 trillion in 2022, more than doubling compared with total GDP of USD 1.6 trillion in 2009. The total size of the ASEAN economy was slightly larger than India in 2022, which had an estimated GDP of USD 3.5 trillion in that year.

ASEAN GDP compared to Japan and India

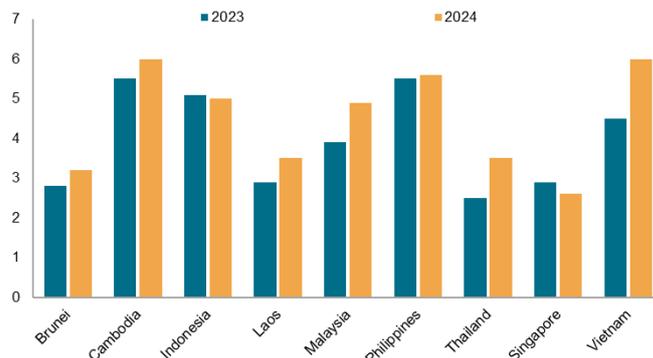


Data compiled January 2024.
Nominal GDP, USD trillion.
Source: S&P Global Market Intelligence.
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The near-term outlook is for continued strong growth in the ASEAN region in 2024, helped by resilient domestic demand and some improvement in exports of goods and services. A gradual upturn in merchandise exports is expected during 2024, after a significant downturn in exports of goods in many Asian industrial nations during 2023 due to weakness in key consumer markets in Western Europe and mainland China.

A number of ASEAN central banks are also expected to commence easing monetary policy during 2024, which will help to provide some stimulus for economic growth.

ASEAN GDP growth forecasts



Data compiled January 2024.
Annual % change in real terms.
Source: S&P Global Market Intelligence.
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Indonesia

Indonesia's GDP growth rate in 2023 is estimated at around 5%, with a similar pace of economic growth forecast for 2024. Private consumption is a key driver of economic growth, accounting for around 53% of total GDP and growing at a pace of 5.1% year over year (y/y) in the third quarter of 2023. The outlook for 2024 is for continued robust growth in private consumption and fixed investment. During 2023, foreign direct investment inflows remained strong, buoyed by large investment inflows into base metals sector, notably new nickel smelter projects, as well as into downstream projects for manufacturing of electric vehicle batteries for which nickel is an important input.

The S&P Global Indonesia Manufacturing Purchasing Manager's Index (PMI) rose to 52.2 in December, up from 51.7 in November, to signal that manufacturing sector conditions continued to improve and at the fastest rate since September. This extended the current period of manufacturing sector expansion to 28 months.

Indonesia Manufacturing PMI



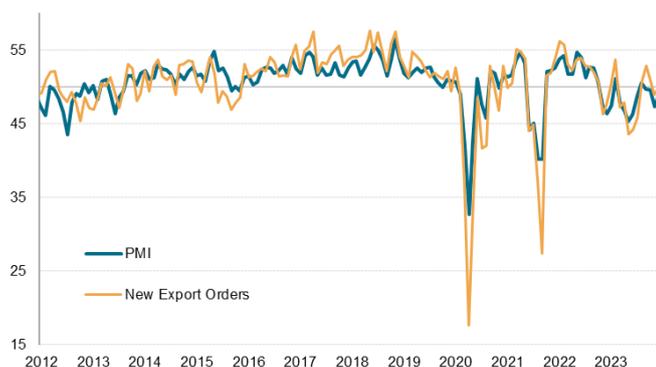
Data compiled January 2024 using PMI data updated to December 2023.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month
Source: S&P Global PMI.
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Vietnam

Vietnam's GDP growth rate in 2023 was estimated at 5.1%, with economic growth momentum having been impacted by weak demand in key export markets, including the US, EU and mainland China. However, the pace of economic growth improved in the fourth quarter of 2023, rising to 6.7% y/y compared with 5.5% y/y in the third quarter. This was helped by a gradual recovery in exports, which rose by 6.7% y/y in November.

The S&P Global Vietnam Manufacturing PMI posted 48.9 in December, improving from 47.3 in November, although remaining slightly below the 50.0 no-change mark and signalling a fourth consecutive monthly decline in business conditions in the sector. In December, new export orders neared stabilization after having shown considerable weakness earlier during 2023.

Vietnam Manufacturing PMI

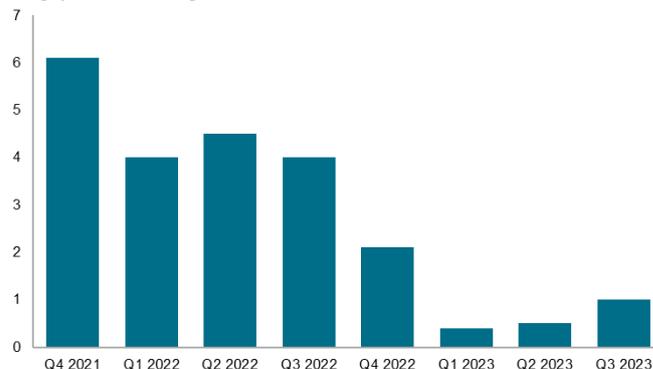


Data compiled January 2024 using PMI data updated to December 2023.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month
Source: S&P Global PMI.
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Singapore

Singapore's GDP growth rate improved to a pace of 2.8% y/y in the fourth quarter of 2023 according to the advance estimate of GDP from the Ministry of Trade and Industry (MTI). This compared with GDP growth of 1.0% y/y in the third quarter of 2023. For calendar 2023, GDP growth was 1.2%, significantly slower than the growth rate of 3.6% recorded in 2022, when the economy rebounded strongly after the COVID-19 pandemic.

Singapore real GDP growth



Data compiled January 2024.
Annual % change.
Source: MTI via S&P Global Market Intelligence.
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The S&P Global Singapore PMI posted 55.7 in December, edging lower from 55.8 in November. The latest reading signalled a tenth consecutive monthly expansion of Singapore's private sector economy and signalled continued strong business conditions. New orders continued to rise at the end of 2023, growing at the fastest pace in seven months on the back of better underlying demand conditions.

S&P Global Singapore PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 06-18 December 2023.

Malaysia

Malaysia's economy showed resilient economic expansion in 2023 at an estimated rate of around 4%, albeit the pace of growth moderated after the buoyant 8.7% GDP growth rate recorded in 2022.

Malaysian GDP growth improved to a pace of 3.3% y/y in the third quarter of 2023, compared with growth of 2.9% y/y in the second quarter of 2023. When measured on a quarter-on-quarter (q/q) basis, the pace of growth strengthened to 2.6% q/q, compared with 1.5% q/q in the second quarter of 2023 and just 0.9% q/q in the first quarter of 2023.

The S&P Global Malaysia Manufacturing PMI was unchanged at 47.9 in December, indicating that business

conditions remained challenging for manufacturing firms. Demand conditions in international markets remained contractionary, with new export orders falling for the eighth month in a row, but at the softest rate since May.

Malaysia Manufacturing PMI



Data compiled January 2024 using PMI data updated to December 2023.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month
Source: S&P Global PMI.
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Philippines

Philippines economic growth remained strong in 2023, with GDP growth improving to a pace of 5.9% y/y in the third quarter of 2023, compared with GDP growth of 4.3% y/y in the second quarter of 2023. The outlook for 2024 is for continued rapid economic growth, helped by expected gradual easing of monetary policy during 2024.

The S&P Global Philippines Manufacturing PMI was at 51.5 in December 2023, continuing to indicate expansionary conditions in the manufacturing sector, albeit moderating from November's nine-month high of 52.7.

Philippines Manufacturing PMI



Data compiled January 2024 using PMI data updated to December 2023.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month
Source: S&P Global PMI.
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Thailand

In Thailand the manufacturing PMI fell to 45.1 in December, down from 47.6 in November. This signalled a fifth successive monthly contraction in manufacturing sector conditions and at the sharpest pace since June 2020.

Thailand Manufacturing PMI



Data compiled January 2024 using PMI data updated to December 2023.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month
Source: S&P Global PMI.
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Thailand's total GDP also showed weakness in the third quarter of 2023, slowing to a pace of 1.5% growth y/y, following moderate growth of 1.8% y/y in the second quarter. Monetary policy tightening by the Bank of Thailand has acted as a drag on economic growth, with eight rate hikes having been implemented since August 2022, which has raised the policy rate by a cumulative 200 basis points.

Due to the important contribution of international tourism to Thailand's GDP, a key factor that constrained the rate of recovery of the Thai economy in 2022 was the slow pace of reopening of international tourism, although this gathered momentum in the second half of 2022 and during 2023. Total international tourism arrivals in 2023 reached 28 million, compared with 11.5 million in 2022. Further recovery in the tourism sector is expected during 2024, helped by the decision of the Thai government to allow visa-free entry for tourists from mainland China and India.

ASEAN medium term economic outlook

The medium-term growth outlook for the ASEAN region remains very positive, underpinned by sustained expansion in private consumption in some of the largest consumer markets in Southeast Asia, including Indonesia, Philippines, Vietnam and Malaysia. Strong government investment in infrastructure is also expected to boost the overall pace of growth in domestic demand. Southeast Asia is also expected to become an increasingly important destination for foreign direct investment inflows, as multinationals diversify their supply chains to benefit from a growing number of competitive advantages in the ASEAN region.

The favourable ASEAN outlook for foreign direct investment inflows is supported by a number of key factors.

- Continued strong expansion in domestic consumer markets in large APAC economies, notably mainland China and India, will be an important factor supporting further growth in demand for ASEAN's raw materials, intermediate goods and final manufactured products. Sustained firm economic growth is driving rapid growth in per capita GDP in many of Asia's largest emerging markets, which will help to boost demand for a wide range of ASEAN exports. Intra-ASEAN trade is also expected to show sustained rapid growth, buoyed by rapid growth in large and fast-growing Southeast Asian nations, notably Indonesia, Philippines, Malaysia and Vietnam.
- Electronics production is an important part of the manufacturing export sector for many ASEAN economies, including Malaysia, Singapore, Philippines, Thailand and Vietnam. Furthermore, the electronics supply chain is highly integrated across different economies in East Asia. The medium-term outlook for Asian electronics manufacturing is supported by many key growth drivers. This includes continued 5G rollout over the next five years, which will continue to support demand for 5G mobile phones, as well as demand growth for electronics products that integrate artificial intelligence capabilities. 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.
- The ASEAN auto manufacturing industry will benefit from the global transition to electric vehicles (EV), which is driving demand for EVs. In early 2023, Hyundai started assembly of Ioniq 5 EVs at its new Hyundai Motor Group Innovation Center in Singapore. Indonesia is already a key Asian automotive manufacturing hub and has also benefited from strong foreign direct investment flows from multinationals to build new nickel smelters and electric vehicle battery plants. In Thailand, the Board of Investment has approved investments by 16 electric battery vehicle manufacturers amounting to a total of around Baht 40 billion.
- With international tourism travel recovering strongly following the COVID-19 pandemic, the tourism industry is expected to be another important growth driver for ASEAN exports over the medium-term. Overall international tourism flows are expected to show strong growth as per capita household incomes in large Asian consumer markets continue to grow rapidly, driving international tourism travel to ASEAN tourism destinations. This will help a number of ASEAN

economies where tourism contributes a significant share of total GDP, including Thailand, Malaysia, Philippines and Singapore.

- The rapid growth of ASEAN exports is also expected to be strengthened by the APAC regional trade liberalization architecture. This includes the large Regional Comprehensive Economic Partnership (RCEP) in which all ten ASEAN nations are members, as well as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) multilateral trade agreement which has a number of ASEAN members. The ASEAN region also benefits from the ASEAN Free Trade Area (AFTA) as well as a growing network of major free trade agreements (FTAs) involving APAC economies.

The ASEAN region is hence expected to remain one of the fastest growing regions of the world economy over the decade ahead. Indonesia, which is already ASEAN's largest economy, will become one of the world's leading emerging markets over the next decade, with the size of its GDP forecast to rise from USD 1.3 trillion in 2022 to USD 4.1 trillion by 2035. Vietnam and Philippines are also expected to join the ranks of the world's largest emerging markets by 2035. Meanwhile Malaysia is set to become one of the advanced economies of the APAC region as measured by per capita GDP, with its per capita GDP projected to reach around USD 26,000 by 2035.

Consequently ASEAN, together with mainland China and India, will be one of the three main growth engines for the APAC economy over the next decade.

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