PMI®

by S&P Global

Week Ahead Economic Preview

ECB, BoC, BoJ meetings and January flash PMI releases

19 January 2024

Central bank meetings in the eurozone, Canada and Japan will be the highlights through the week as the market looks for hints of monetary policy changes. The first set of flash PMI surveys for 2024 will also be released on Wednesday, providing insights into economic conditions across major developed economies. Additional economic data will be in abundance, including the release of US Q4 GDP, core PCE figures and various inflation updates across the globe. US earnings will also add to a busy week for the markets.

The ECB and BoC meetings will be economic events to watch closely after market optimism about lower rates has started to waver into the new year. The stalling of market enthusiasm was not unexpected, with the January S&P Global Investment Manager Index having previously signalled reduced risk appetite and lower expected returns in the near term. Importantly, the market still sees central bank policy as a positive market driver, tied to the lowering of interest rates, and any dovish rhetoric coming through from policymakers at major central banks may again fuel hopes for more supportive financial conditions for equity returns.

The question of course is when rates will start to be lowered, and by how much. Insights into these questions will be provided by the first set of flash PMI releases for 2024. The flash PMI figures are set to provide the earliest indications for growth and price trends in the new year (see box), with rising inflationary pressures in certain regions over December 2023 posing challenges for some of the most optimistic forecasts for rate cuts. Additionally, recent 'good news is bad news' reaction towards US economic releases, such as the stronger-than-expected retail sales figures (see page 3), may also mean that any upside surprises in flash PMI readings out of the US may not be taken in a positive manner. However, with looser financial conditions having helped to boost US growth in December 2023, the bias seems to be for more positive readings in the coming months.

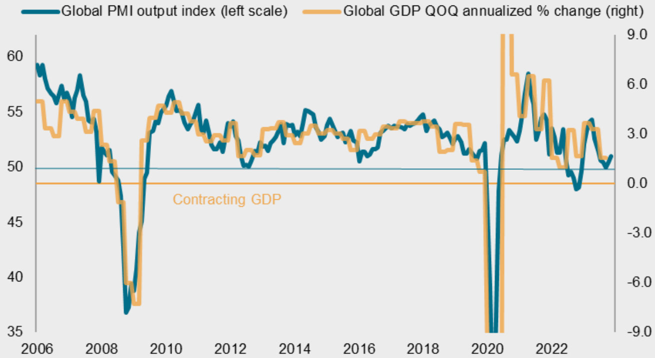
Finally, the Japanese equity market continued to trend in line with it being the most favoured market according to IMI respondents. That said, the Nikkei 225 has started to diverge from the PMI output index, with which it has a strong correlation, reinforcing concerns that the market is becoming heated. A sense check of Japan's growth conditions will therefore be anticipated with the flash PMI.

Flash PMI updates in focus

Flash PMIs will provide fresh insights into growth and inflation trends at the start of 2024, and the extent to which regional divergences are persisting.

December saw the Global PMI rise to 51.0, its highest since last July. However, this is clearly not an economy firing on all cylinders. Despite the rise, the PMI remains below the survey's long-run average of 53.2, pointing to much reduced global growth momentum compared to earlier in the year.

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.
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Manufacturing output dropped for a seventh month in December and service sector growth remained well below that seen earlier in the year due in part to waning demand for travel and tourism.

A further downturn in the Eurozone, which saw output fall for a seventh month running in December, likely means the region is in recession. In contrast, a sustained – albeit modest – expansion continued to be reported in the US, where output rose for an eleventh month. An acceleration of output growth in the UK meanwhile helped allay recession worries, and Japan's output stabilised after contracting in November.

Inflation pressures, as measured by selling prices for goods and services, meanwhile continued to run well below levels of a year ago, but lifted higher in the eurozone, UK and Japan, and showed signs of stubbornness in the US. Official inflation data have since also edged higher.

The January PMI data could therefore provide important insights into macroeconomic developments at a time of heightened speculation about the timing of future rate cuts.

Key diary events

Monday 22 Jan
China (Mainland) Loan Prime Rate (Jan)
Malaysia Inflation (Dec)
Taiwan Export Orders (Dec)
Hong Kong SAR Inflation (Dec)
United States CB Leading Index (Dec)

Tuesday 23 Jan
South Korea PPI (Dec)
Australia NAB Business Confidence (Dec)
Japan BoJ Interest Rate Decision
Japan BoJ Quarterly Outlook Report
Singapore CPI (Dec)
Taiwan Industrial Production (Dec)
Eurozone Consumer Confidence (Jan, flash)

Wednesday 24 Jan
Australia Judo Bank Flash PMI, Manufacturing & Services*
Japan au Jibun Bank Flash Manufacturing PMI*
UK S&P Global/CIPS Flash PMI, Manufacturing & Services*
Germany HCOB Flash PMI, Manufacturing & Services*
France HCOB Flash PMI, Manufacturing & Services*
Eurozone HCOB Flash PMI, Manufacturing & Services*
US S&P Global Flash PMI, Manufacturing & Services*
New Zealand Inflation (Q4)
Japan Trade (Dec)
Thailand Trade (Dec)
Malaysia BNM Interest Rate Decision
South Africa Inflation (Dec)
Canada BoC Interest Rate Decision

Thursday 25 Jan
South Korea GDP (Q4, adv)
Australia RBA Bulletin
Hong Kong SAR Trade (Dec)
Germany Ifo Business Climate (Jan)
Norway Norges Bank Interest Rate Decision
South Africa PPI (Dec)
Turkey TCMB Interest Rate Decision
Eurozone ECB Interest Rate Decision
United States Durable Goods Orders (Dec)
United States GDP (Q4, adv)
United States Wholesale Inventories (Dec)
United States New Home Sales (Dec)

Friday 26 Jan
Australia, India Market Holidays
Japan BoJ Meeting Minutes (Dec)
United Kingdom Gfk Consumer Confidence (Jan)
Germany Gfk Consumer Confidence (Feb)
United States Core PCE Price Index (Dec)
United States Personal Income and Spending (Dec)
United States Pending Home Sales (Dec)

* Access press releases of indices produced by S&P Global and relevant sponsors here.

What to watch in the coming week

Flash PMI for January

January flash PMI data will be released for major developed economies including the US, UK, Eurozone, Japan and Australia on Wednesday. Latest global PMI data revealed that the global economic expansion accelerated in December, though masking the widening of divergences by region and sectors. Additionally, as major central banks including the Fed and ECB are set to lower interest rates in 2024 with inflation lowering, recent PMI prices data showed the descent stalling, highlighting the “last mile” challenge for policymakers.

Americas: BoC meeting, US Q4 GDP, core PCE data

The Bank of Canada (BoC) convenes on Wednesday, January 24, with monetary policy pivots not expected until mid-2024. That said, central bankers’ views, especially towards inflation, will be scrutinised for hints of when rate cuts may begin. The latest official CPI data out of Canada showed inflationary pressures easing in line with the trend hinted by PMI data, though remaining above the central bank’s target, thus proving no rush for the BoC to move.

In the US, a series of economic releases will be updated in the week including the fourth quarter GDP reading. Consensus expectations point to slower growth in the fourth quarter of 2023, down from the 4.9% quarter-on-quarter (q/q) figure in Q3. Other noteworthy data releases include core PCE, personal income and spending and home sales data.

EMEA: ECB meeting, German Ifo and GfK data

Besides flash PMI data, the key highlight out of the eurozone in the coming week will be the European Central Bank (ECB) meeting on Thursday. When the ECB is likely to start lowering interest rates remains an ongoing debate for the market. While a Bloomberg consensus pointed to four 25 basis points (bps) cuts starting June, as inflation and economic conditions moderates, signs of the inflation descent stalling for the eurozone have started to show via PMI prices data, hinting at uncertainties in the path ahead.

APAC: BoJ, BNM meetings, Japan trade data, Singapore, Malaysia inflation

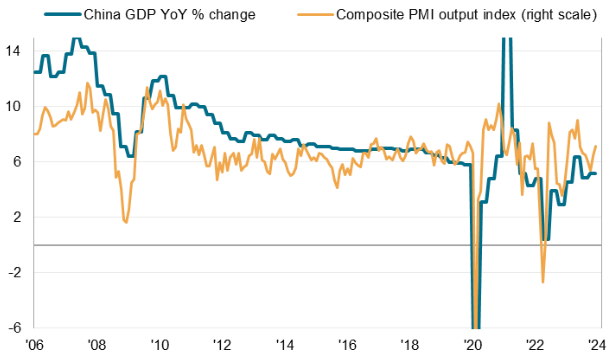
In APAC, the Bank of Japan meeting unfolds on Tuesday with the minutes from the December meeting, where a continuation stance was communicated, also due at the end of the week. Although no changes are expected in the upcoming monetary policy meeting, the consensus expectation points to the BoJ exiting current accommodative monetary policy settings as early as April. Latest PMI data, with its leading-indicator properties for inflation, have pointed to moderating inflationary pressures for Japan in the coming months, potentially even past the 2% level, thereby creating some uncertainties on the pace of exit.

Week in review | Key economic developments from the past week

China's GDP disappoints

Mainland China's GDP rose at a quarterly annualized rate of 5.2% in the three months to December, up from 4.9% in the third quarter but slightly below consensus expectations of a 5.3% rise. Growth for the full year also came in at 5.2%, up from 3.0% in 2022 and above the government's 5% target, but this represents a weak post-pandemic recovery, and led analysts to worry about future growth in the absence of fresh stimulus measures. The GDP growth rate lagged that of the PMI manufacturing and services signal, largely reflecting the latter not including the worryingly weak property sector.

China (mainland) GDP and the Caixin PMI



Data compiled 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.
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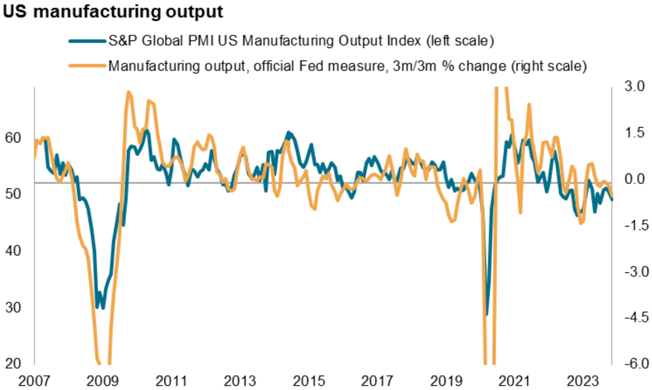
US manufacturing output barely rises but retail sales beat expectations

US industrial production rose 0.1% in December, as did manufacturing output, putting in another mediocre performance, leaving factory output 0.6% down in the fourth quarter – in line with the S&P Global PMI data. Retail sales, in contrast, beat expectations with a 0.6% rise, underscoring how consumers continue to buoy the US economy and raising questions about how much the FOMC may cut rates in the coming year.

US manufacturing output



Data compiled January 17, 2024.
PMI (Purchasing Managers' Index), 50 = no change on prior month. All data seasonally adjusted.
Sources: S&P Global PMI, US Federal Reserve via S&P Global Market Intelligence.
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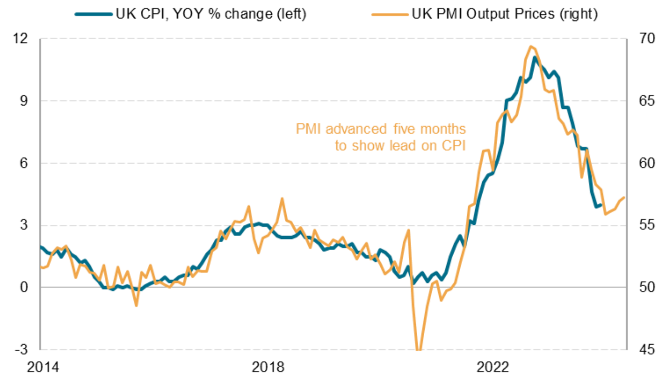
UK inflation 'unexpectedly' ticks higher

Markets were caught out by a rise in the headline rate of inflation in the UK, which rose to 4.0% from 3.9% instead of falling. Bets of Bank of England rate cuts were pared back as a result. However, the levelling off of inflation around the 4% mark is something that the PMI selling price index for the UK has been signaling in recent months, and a further uplift may even be in store for early 2024.

UK inflation



Data compiled January 17, 2024.
PMI based on 50 = no change on prior month, covers manufacturing and services.
Source: S&P Global PMI with CIPS, ONS via S&P Global Market Intelligence.
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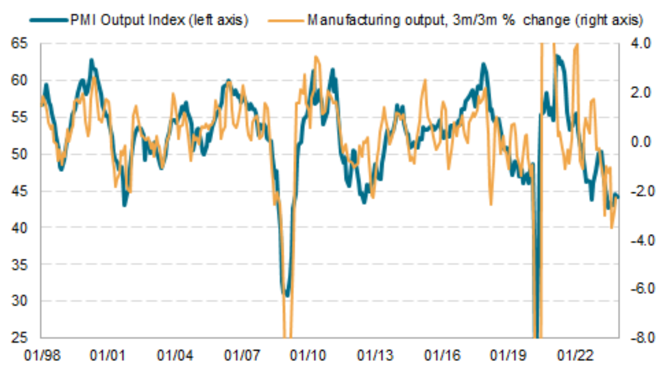
Eurozone industrial production falls again

A 0.2% drop in Eurozone manufacturing output during November, the fourth production decline in the past five months, means output is running 6.9% below that of a year ago. The official data therefore confirm the earlier signal from the PMI that the current situation in euro area manufacturing is the worst since the global financial crisis if the early pandemic months are excluded. While the December PMI data signalled a further marked loss of output, January's flash PMI data will add some colour to the situation at the start of 2024.

Eurozone manufacturing



Data compiled January 15, 2024.
PMI (Purchasing Managers' Index), 50 = no change on prior month.
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	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
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
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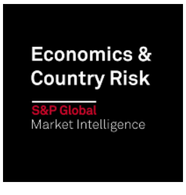
PMI Insights: A look at the Americas



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.

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