

Week Ahead Economic Preview

Worldwide services PMI, RBA, RBI meetings and China inflation

2 February 2024

January's services PMI, plus detailed sector data, will be unveiled at the start of the week to kickstart a busy data calendar. Notably, inflation figures will be due across several economies including mainland China. Central bank meetings in Australia, India and Thailand will also be highlights.

Insights into service sector conditions will be sought from worldwide services PMI and US ISM numbers, all due at the start of the week. The evolution of services inflation may arguably be more important than how activity fared at the start of the year. This is especially with bullish market sentiment having been built on rate cut expectations. Central bankers, including the Fed, ECB and Bank of England, have continued to telegraph their data-dependent approach to lowering interest rates, all keen to see more evidence that inflation will not just drop to target but also remain there.

Detailed sector data will also be unveiled as we track the key areas of growth, notably in respect to the impact of looser financial conditions and the inventory cycle. The data will also add more evidence as to which industries are seeing supply pressures build up on the back of the Red Sea crisis.

In the UK, the PMI data are accompanied by recruitment industry survey data, which have been closely monitored by the Bank of England as it searches for clues as to whether wage growth pressures could keep inflation elevated. Two of the BoE's nine policymakers still voted to hike interest rates at the January meeting.

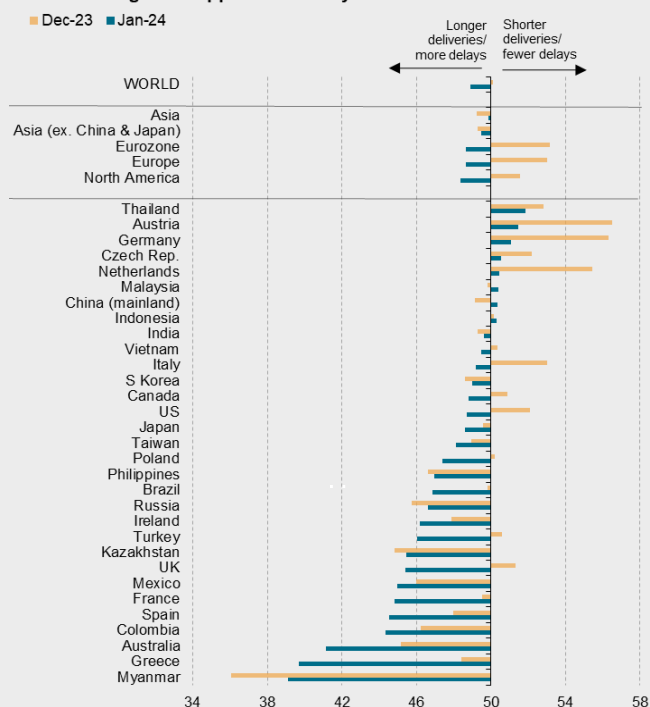
Additional central bank meetings unfold in Australia, India and Thailand in the week. While no changes to monetary policy settings are expected from the former two (see page 2), the Bank of Thailand's monetary policy meeting is seen as a 'live' meeting amid political pressure to lower rates. The decision will therefore be widely watched on Wednesday, but the RBA and RBI will similarly be scrutinised for their views with regards to inflation and the policy path forward.

Ahead of the Lunar New Year holidays, we will also be receiving a slew of economic releases in APAC including inflation figures out of mainland China. Factory gate inflation is expected to stay muted, as precluded by the latest Caixin Manufacturing PMI release. GDP figures will meanwhile be due from Indonesia.

Red Sea delays hit manufacturing

Supplier delivery times lengthened globally in January for the first time in a year, according to S&P Global's PMI surveys. Supply delays were most pronounced in areas affected by disruptions to Red Sea shipping routes, notably in Europe.

Manufacturing PMI Suppliers' Delivery Times Index



Data compiled February 2024.
PMI index 50 = no change on prior month.
Sources: S&P Global PMI, S&P Global Market Intelligence, CBA, ISO, HCOB, au Jibun Bank, NEVI, BME, Bank Austria, AIB, AERCE, Caixin, HPI, Istanbul Chamber of Industry, Tengri Partners, JPMorgan.
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However, even in the most badly affected European economies, the supply delays are a far cry from those seen during the pandemic. The concern is that tensions around the Israel-Gaza war could disrupt shipping in the Red Sea at least into the second quarter, and any potential escalation of the war in the Middle East may drive up energy prices. Also, if ships and containers become unavailable due to changes to shipping routes and schedules, this could feed through to problems for other countries beyond Europe.

These data therefore need to be monitored closely in the months ahead, as any protracted shipping disruption could add to global price pressures at a time when central banks are considering the appropriateness of lower interest rates.

Key diary events

Monday 5 Feb

Worldwide Services, Composite PMIs, inc. global PMI* (Jan)
 Australia Trade (Dec)
 Indonesia GDP (Q4)
 Thailand Inflation (Jan)
 Singapore Retail Sales (Dec)
 Germany Trade (Dec)
 Turkey Inflation (Jan)
 Eurozone PPI (Dec)
 United States ISM Services PMI (Jan)

Tuesday 6 Feb

Japan Household Spending (Dec)
 Philippines Inflation (Jan)
 Australia RBA Interest Rate Decision
 Germany Factory Orders (Dec)
 Taiwan Inflation Rate (Jan)
 Eurozone Retail Sales (Dec)
 Global Sector PMI* (Jan)

Wednesday 7 Feb

New Zealand Unemployment Rate (Q4)
 Philippines Unemployment Rate (Dec)
 Japan Leading Index (Dec)
 Switzerland Unemployment Rate (Jan)
 Germany Industrial Production (Dec)
 Thailand BoT Interest Rate Decision
 United Kingdom Halifax House Price Index (Jan)
 France Trade (Dec)
 Taiwan Trade (Jan)
 Italy Retail Sales (Dec)
 Brazil Retail Sales (Dec)
 Mexico Consumer Confidence (Jan)
 Canada Trade (Dec)
 United States Trade (Dec)
 Global Metal Users and Electronics PMI* (Jan)

Thursday 8 Feb

Taiwan, Indonesia Market Holiday
 Japan Current Account (Dec)
 China (Mainland) CPI, PPI (Jan)
 India RBI Interest Rate Decision
 Brazil Inflation (Jan)
 Mexico Inflation (Jan)
 United States Initial Jobless Claims
 United States Wholesale Inventories (Dec)
 United Kingdom KPMG / REC Report on Jobs (Jan)

Friday 9 Feb

China (Mainland), South Korea, Taiwan, Hong Kong SAR (partial), Singapore (partial) Market Holiday
 Germany Inflation (Jan, final)
 Turkey Industrial Production (Dec)
 Italy Industrial Production (Dec)
 Mexico Industrial Production (Dec)
 Canada Unemployment (Jan)

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

What to watch in the coming week

Worldwide services and sector PMI for January

January's services PMI figures will be due at the start of the week to complete the picture following indications of a renewed improvement in global manufacturing output. Besides monitoring service sector growth momentum in key economies, the service sector price data – a key area of concern to policymakers – will need to be assessed for the overall wage growth and inflation trend.

Additionally, we will also have detailed sector PMI data for insights into changing performance across the US, European, Asian and global economies. Activity within the financial services sector improved at the end of 2023 as financial conditions loosened and it will be of particular interest to watch if this trend has carried through into 2024.

Americas: ISM services, Canada trade and employment

The ISM services data will be under particular scrutiny after the survey's employment index collapsed 7.3 index points in December, signalling a jobs cull on a scale not seen since 2008 if pandemic months are excluded. The S&P Global services PMI for the US is also updated after [flash PMI numbers hinted at growth gaining momentum](#). Additionally, several releases will be due from Canada such as the services PMI plus trade and employment data. Business conditions were found to have further worsened at the end of 2023 according to [S&P Global Canada Composite PMI](#).

EMEA: Germany trade, industrial production and inflation data, Turkey inflation, UK jobs report

In Europe, Germany releases trade, industrial production and final inflation figures for January. [Latest PMI data](#) showed that manufacturing conditions continued to worsen in Europe's largest manufacturing economy, though the rate at which manufacturing output fell eased from December as new orders contracted at a slower, albeit still significant, pace, despite Red Sea related shipping delays.

In the UK, the services PMI is accompanied by the REC/KPMG recruitment industry survey, a key indicator watched by the Bank of England for pay growth.

APAC: RBA, RBI, BoT meetings, Indonesia GDP, China, Taiwan, Philippines inflation

In APAC, several central bank meetings unfold in the week including in Australia, India and Thailand. The Reserve Bank of Australia is expected to leave policy rates unchanged through the first half of 2024, with still elevated cost inflation observed in the latest [Judo Bank Flash Australia PMI](#). The Reserve Bank of India is meanwhile expected to hold rate cuts off until the second half of 2024, likewise watching inflation. The Bank of Thailand could buck the holding trend, however, with expectations having gathered for a rate cut.

In the data docket are also Indonesia's Q4 GDP release, in addition to inflation updates from mainland China, Taiwan and the Philippines. Attention will be on CPI and PPI figures out of mainland China with recent [January Caixin Manufacturing PMI](#) price indices showing inflationary pressures remained muted at the start of the year.

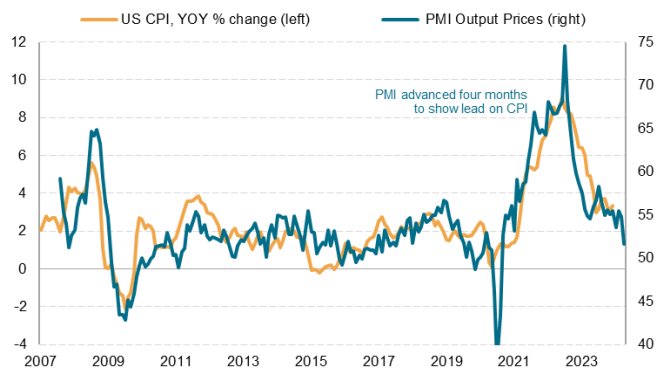
Week in review | Key economic developments from the past week

Central banks not March-ing ahead

The first Federal Open Market Committee (FOMC) meeting of the year saw chair Jerome Powell dousing expectations for an imminent rate cut in March. More data confirmation of a sustained downtrend in inflation is apparently needed. Certainly, the latest [S&P Global Flash US PMI](#) showed that output expanded at the fastest pace in seven months at the start of 2024, warranting some concerns that improving economic conditions may again spur higher prices. That said, [PMI price indicators signaled a steep fall in inflation](#), which suggests we may see CPI soon falling below the Fed's 2% target. The big question is whether it will stay this low.

The Fed's push-back on market expectations of early rate cuts has been accompanied by similar caution from the ECB and Bank of England, both of whom also stress the need to not only see inflation come down to target but to show clear signs of remaining suitably low. All three remain "data dependent", but market pricing of early rate cuts fell in all cases.

US inflation and the PMI output prices index



Data compiled January 24, 2024.
PMI covers manufacturing only prior to 2009 but manufacturing & services thereafter.
Source: S&P Global PMI, BEA via S&P Global Market Intelligence.
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Global manufacturing optimism revives despite shipping delays

Global manufacturing supply chains lengthened in January for the first time in a year, according to PMI survey data. Disruptions to shipping in the Red Sea compounded supply delays linked to constrained traffic in the Panama Canal and adverse weather in the US. Raised shipping costs fed through to price hikes.

However, even in economies most badly affected by the Red Sea crisis, notably the UK and Eurozone, the extent of supply delays and the impact on prices has so far been far less marked than seen during the pandemic. Globally, output also rose, albeit marginally, for the first time in eight months.

While there remains scope for Red Sea and wider Middle East tensions to intensify in coming months, the situation witnessed so far in January failed to deter manufacturers to become more optimistic about the year-ahead outlook. Confidence lifted worldwide to its highest since last April and moved above its long-run average. Despite the supply concerns, [manufacturers are looking to stronger demand and a shift in the inventory cycle to boost growth in 2024](#).

Global supply delays

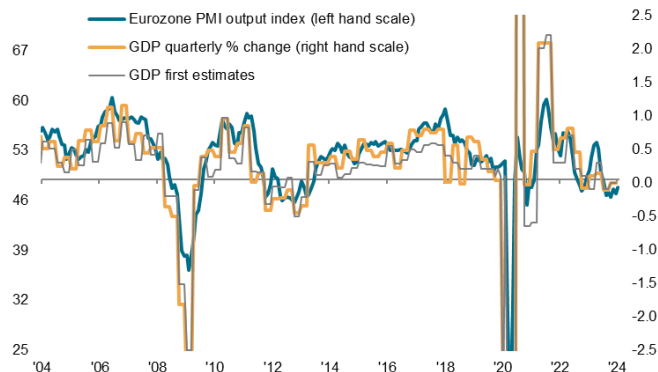


Data compiled February 2024 using PMI data updated to January 2024.
PMI (Purchasing Managers' Index) 50 = no change on prior month.
Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.
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Eurozone economy dodges recession

The eurozone economy skirted recession at the end of 2024, with GDP unchanged in the three months to December. Economists had been anticipating a 0.1% quarter-on-quarter (q/q) decline, which was broadly in line with the -0.15% signal from our PMI-based model. Coming on the back of a 0.1% drop in GDP in the third quarter, a fourth quarter deterioration would have put the single currency area in a technical recession.

Eurozone PMI vs. GDP



Data compiled January 30, 2024 including flash PMI data for January and GDP data to Q4 2023.
PMI (Purchasing Managers' Index) based on 50 = no change on prior month, covers goods and services.
Sources: S&P Global PMI with HCOB, Eurostat via S&P Global Market Intelligence.
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However, the eurozone may not be out of the woods yet. The GDP data are provisional at this stage, based on incomplete data for the quarter. History tells us that GDP tends to get revised in line with the PMI.

The first quarter of 2024 may also show a eurozone contraction. Flash PMI data remained in negative territory in January, suggesting a flat picture at best. However, the PMI has lifted from its recent lows, hinting that the region's prospects may be improving as inflation pressures subside and hopes of lower interest rates boost confidence among businesses and households. The eurozone may not yet be out of the wood, but daylight is appearing.

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Recent PMI and economic analysis from S&P Global

Global	Worldwide manufacturing confidence improves as factories shrug off Red Sea concerns	1-Feb	Chris Williamson
	Using GDP and business surveys to assess economic growth momentum	22-Jan	Chris Williamson
	Emerging markets conclude 2023 on better note than developed markets	16-Jan	Jingyi Pan
	Monthly PMI Bulletin: January 2024	12-Jan	Jingyi Pan
	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
EMEA	Eurozone prices rise at increased rate at start of 2024 as downturn moderates	24-Jan	Chris Williamson
	UK economy starts 2024 on stronger footing, but Red Sea shipping delays drive prices higher	24-Jan	Chris Williamson
Americas	US flash PMI signals steep fall in inflation at start of 2024	25-Jan	Chris Williamson
	Looser financial conditions boost economic growth in December and add hope to 2024 US outlook	5-Jan	Chris Williamson
Asia-Pacific	Japan's private sector returns to growth at start of 2024 while price pressures ease	24-Jan	Jingyi Pan
	ASEAN economic outlook in 2024	12-Jan	Rajiv Biswas

S&P Global Market Intelligence highlights

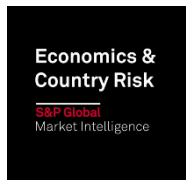
Shifting Sands: Economic Trends Impacting Global Economies in 2023-4



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.

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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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- [Background to the PMIs \(video\)](#)
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