

# Week Ahead Economic Preview

## February flash PMI releases and rates decisions in Asia

16 February 2024

Flash PMI surveys from S&P Global are the highlight of the coming week. January's data [helped dispel recession fears](#), while also providing fresh signs that [inflation continued its descent](#). With monetary policymakers eager to see more evidence that price pressures are falling, the latest data will be closely scrutinised. The data will also bring an update on the economic impact from attacks in the Red Sea, which thus far has been limited. Decisions on interest rates will come from Mainland China, Turkey, Indonesia and South Korea, while meeting minutes from the Federal Reserve and Reserve Bank of Australia mean it will be a busy week for central bank watchers. Other economic data releases include business and consumer confidence surveys such as Germany's Ifo, as well as a swathe of official inflation statistics from various countries.

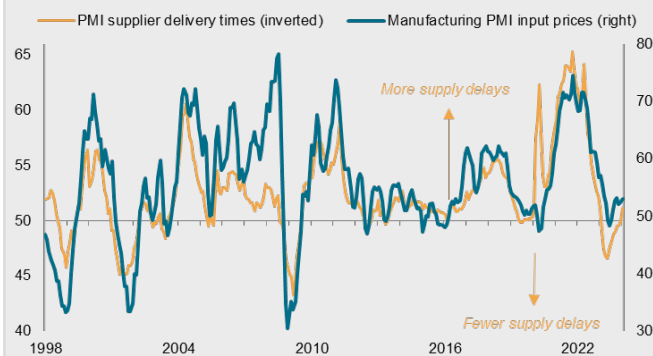
The release of the flash PMI surveys will be eyed for further signs of improvement in key economies around the world. In the US, January data showed growth hitting a six-month high, with accelerated upturns also seen in Japan, India and the UK. Germany and France saw contractions in business activity worsen, but the eurozone's downturn cooled. While further pick-ups would again play down talk of a recession, strengthening economic activity at a time of still-elevated inflationary pressures could cause central banks to push back on rate cut expectations. Broadly, January PMI data showed price pressures fading further, albeit with divergences. The PMI's gauge of prices for goods and services in the US was consistent with inflation below 2%, although for the eurozone and UK, comparable data were stuck at levels consistent with CPI running above 3%. As such, the flash surveys will provide a vital steer on regional price and monetary policy expectations for the coming months.

It promises to be a busy week for central bank watchers, with interest rate decisions from Mainland China, Turkey, Indonesia and South Korea. That said, the consensus is for no change on all four fronts. Minutes from recent Reserve Bank of Australia and Federal Reserve meetings may also provide fresh guidance for markets to digest. Fed chair Jerome Powell has already caused markets to pull back their expectations of a March rate cut with recent comments.

### Flash PMIs bring update on economic impact from Red Sea attacks

February's PMI surveys will be watched for any evidence that the disruption caused by the attacks in the Red Sea are affecting supply chains more broadly. In January, the Global Manufacturing Suppliers' Delivery Times Index signalled the first month of delays for a year as shipping containers were re-routed around the Cape of Good Hope. That said, spillover effects have thus far been contained, with manufacturing input price inflation remaining well below its historic average.

#### Global manufacturing supply conditions and prices



Data compiled February 2024 with PMI to January 2024.  
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.  
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However, [our analysis](#) showed that European manufacturers were the worst affected. The flash PMIs will therefore give an update on whether the disruption has dealt European factories a further blow in February, with risks of prices rising due to costlier shipping and squeezed supply. Still, with the overall incidence of delays falling well short of that seen during the pandemic, companies have resisted any temptation to panic, shying away from a return to safety stockpiling strategies.

Nevertheless, with disruption in the Red Sea persisting through February, supply-chain friction will serve as an unwanted, but ongoing risk to monitor at a crucial time for global monetary policymakers. Although central banks' lack the tools to influence these supply-side factors, they will be keen to ensure inflation expectations remain anchored.

## Key diary events

### Monday 19 Feb

Japan Machinery Orders (Dec)  
Thailand GDP (Q4)  
Canada PPI (Jan)  
Brazil Business Confidence (Feb)

### Tuesday 20 Feb

Australia RBA Meeting Minutes (Feb)  
China (mainland) Loan Prime Rate (Feb)  
Malaysia trade (Jan)  
Switzerland Balance of Trade (Jan)  
South Africa Unemployment (Q4)  
Canada Inflation (Jan)  
United States CB Leading Index (Jan)  
China (mainland) New Yuan Loans, M2, Loan Growth (Jan)

### Wednesday 21 Feb

South Korea Business Confidence (Feb)  
Japan Balance of Trade (Jan)  
Australia Wage Price Index (Q4)  
Turkey Consumer Confidence (Feb)  
Indonesia BI Interest Rate Decision  
South Africa Inflation (Jan)  
Eurozone Consumer Confidence (Feb, flash)  
United States Fed FOMC Minutes (Jan)

### Thursday 22 Feb

Australia Judo Bank Flash PMI, Manufacturing & Services\*  
Japan au Jibun Bank Flash PMI, Manufacturing & Services\*  
India HSBC Flash PMI, Manufacturing & Services\*  
UK S&P Global 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 Trade (Jan)  
South Korea BoK Interest Rate Decision  
France Business Confidence (Feb)  
Hong Kong SAR Inflation (Jan)  
Italy Inflation (Jan, final)  
Eurozone Inflation (Jan, final)  
Turkey TCMB Interest Rate Decision  
Mexico GDP (Q4, final)  
Canada Retail Sales (Dec)  
United States Existing Home Sales (Jan)  
United Kingdom Gfk Consumer Confidence (Feb)

### Friday 23 Feb

China (mainland) House Price Index (Jan)  
Malaysia Inflation (Jan)  
Singapore CPI (Jan)  
Germany GDP (Q4, final)  
Germany Ifo Business Climate (Feb)

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

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## What to watch in the coming week

### February flash PMI releases

February flash PMI data for a number of major economies will be released next week. The data will be closely watched to see if stronger growth noted at the start of the year can be sustained. Inflation, however, remains a lingering, albeit a subsiding concern. Thus, the price gauges will be eagerly awaited to see if latest data supports moves towards looser monetary policy.

Additionally, the flash PMI surveys will shed light on the impact of the Red Sea disruption, which so far has been limited. That said, the situation will be kept a close eye on, especially if the surge in shipping costs pushes prices up elsewhere.

### Americas: FED FOMC meeting minutes, Canada prices data, Brazil business confidence

Minutes from the latest January FOMC meeting will be released next Wednesday. Markets are currently pricing in the first cut to the fed funds rate to be around mid-2024. Our prices PMI data for the US suggests inflation should soon fall below the Fed's 2% target, supporting looser monetary policy.

For Canada, prices and retail sales data is due next week. Elsewhere, business confidence data for Brazil is also set to release early next week.

### EMEA: Eurozone consumer confidence and Flash PMI data, Italy inflation data, UK GFK confidence

Key data from EMEA will be the release of consumer confidence data for eurozone and the UK. The data will be accompanied by the release of the Flash PMIs for eurozone, Germany, France and the UK on Thursday. Additionally, final eurozone inflation figures are also due in the upcoming week.

### APAC: RBA minutes, BoK, BI meetings, Japan trade, Thailand GDP, Singapore CPI

In APAC, the Reserve Bank of Australia releases their minutes from the February meeting which saw them leaving rates unchanged. The Bank of Korea and Bank Indonesia meanwhile convenes in the week, though no changes in rates are expected until later in the year for both APAC centra banks.

Key data releases in the region includes trade data and machinery orders figures out of Japan. Thailand's Q4 GDP and Singapore's CPI are also anticipated.

## Special reports:

### PMI® Comment Trackers reveal Europe hardest hit by Red Sea crisis with food sector among most affected |

David Owen, Jingyi Pan

## Special Focus

# PMI® Comment Trackers reveal Europe hardest hit by Red Sea crisis with food sector among most affected

January's global PMI data signalled improving global economic conditions at the start of 2024, in addition to a brightened outlook, with the sun shining especially brightly upon the financial services sector amid a loosening of financial conditions.

However, further improvements hinge largely on the outlook for global interest rates and inflation. Although welcome news has been observed in the form of falling selling price inflation in January, signs of manufacturing costs rising amidst a renewal of supply constraints – especially in Europe due to the Red Sea crisis and in sectors such as construction materials and food – will need to be monitored carefully via the PMI data in the coming months.

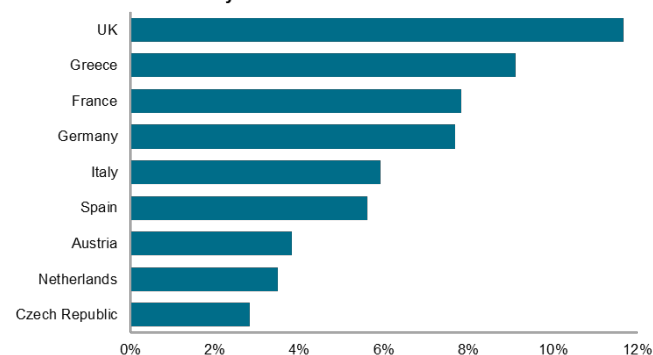
## Delivery delays return in Europe amid Red Sea attacks

S&P Global's PMI Comment Tracker data revealed that attacks on ships in the Red Sea had a notable impact on supply chains in January, affecting delivery times across a variety of manufacturing sectors. The impact was unsurprisingly the hardest hitting in Europe, as diversions to shipping lines around the circumference of Africa resulted in up to two weeks being added to average lead times for European producers. Consequently, supplier delivery times in the UK and eurozone lengthened for the first time a year.

Of the European countries monitored, UK manufacturers were the worst affected, with 12% of the survey panel seeing lead times deteriorate in January. Greek producers also commonly saw delivery delays (9%), followed by France and Germany (8%).

While Europe faced the longest delays, there were reports of other economies also experiencing sea-related disruptions to their supply chains, including South Korea, Australia and USA.

% of all surveyed manufacturers seeing delivery times lengthen due to the Red Sea crisis in January



Data compiled February 2024.  
Data drawn from representative panels of manufacturing firms in each country.  
Source: S&P Global PMI.  
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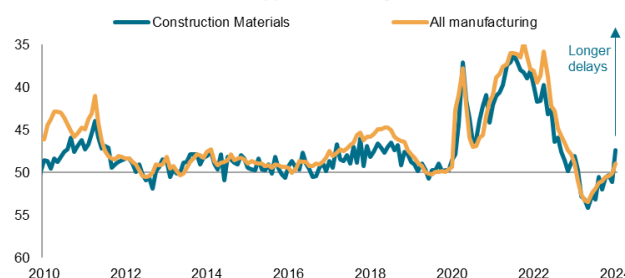
## Construction materials and food sectors face longest delays

To examine where supply delays were most prominent by sector, we dive into our January Global Sector PMI data for further insights.

At the broad industry level, producers of both basic materials and consumer goods witnessed suppliers' delivery times lengthening in January after having improved for 12 and 11 successive months respectively.

Detailed sector data further showed that half of the 14 sector and sector groups, for which suppliers' delivery times data are available, experienced a renewed lengthening of lead times in January. Of which, the construction materials sector saw the sharpest downturn in vendor performance. Anecdotal evidence revealed that disruptions in the Red Sea and supply shortages were the main drivers for the extension of delivery times at the start of 2024.

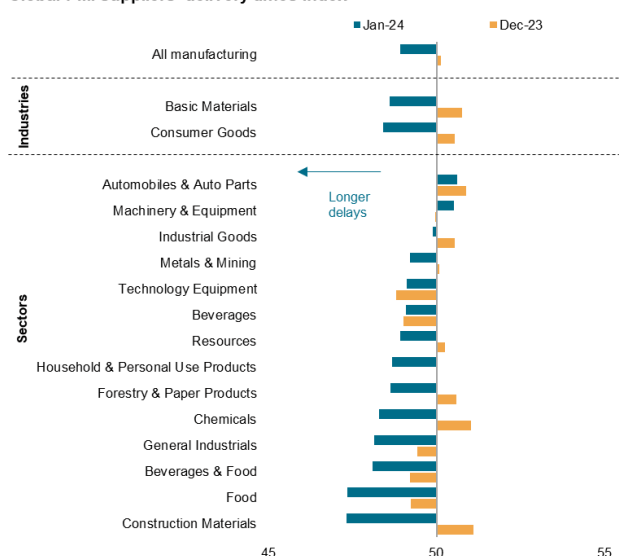
Construction materials PMI suppliers' delivery times index



Data compiled February 2024.  
PMI (Purchasing Managers' Index) value of 50 = no change on prior month  
Source: S&P Global PMI.  
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The beverage & food sector group followed with the second-highest incidence of global delays, with food manufacturers feeling an especially sharp worsening of supplier performance. Although rising demand partly contributed to the pressure on supply chains, geopolitical disruptions and shortages were again listed as the key reasons for delays in shipments of beverage & food products.

## Global PMI suppliers' delivery times index



Data compiled February 2024.

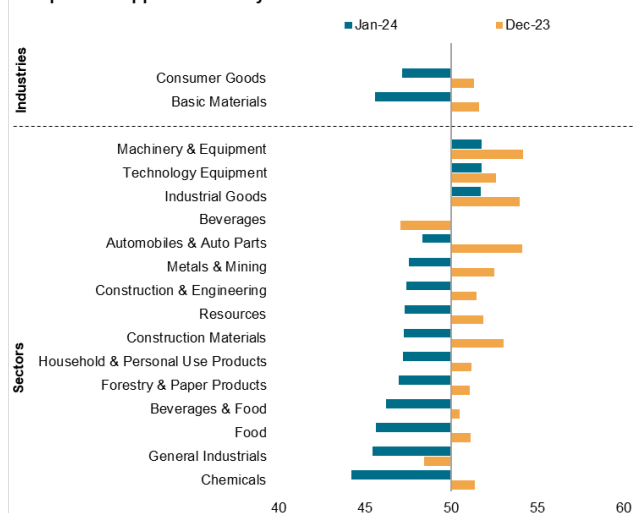
PMI (Purchasing Managers' Index) value of 50 = no change on prior month

Source: S&P Global PMI with J.P. Morgan.

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Looking specifically at Europe, where the disruptions from the Red Sea crisis had been most prominently reported by PMI respondents, both industries for which suppliers' delivery times are tracked - basic materials and consumer goods - experienced a renewed deterioration in vendor performance. This was likewise the case for two-thirds of the 15 detailed sectors tracked, with the respective suppliers' delivery times indices falling below the 50.0 neutral mark to signal a lengthening of lead times in January. However, in Europe it was not the construction materials but the chemicals sector that saw the most pronounced worsening of lead times in the beginning of 2024, corresponding to recent warnings from companies and observers of the sector.

## Europe PMI suppliers' delivery times



Data compiled February 2024.

PMI (Purchasing Managers' Index) value of 50 = no change on prior month

Source: S&P Global PMI with J.P. Morgan.

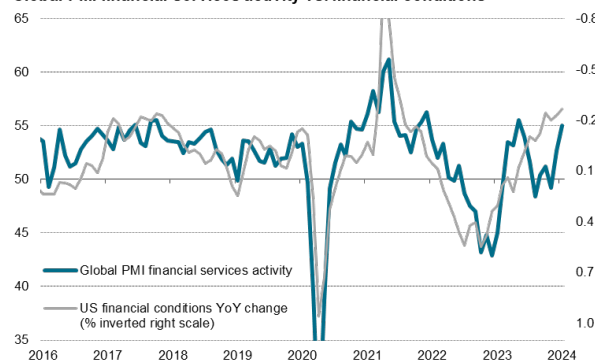
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## Most sectors shrug off Red Sea impact with optimism building

One important question to ask amid the presence of delays driven by the disruptions in the Red Sea is the extent to which this has affected business activity. Encouragingly, the overall picture presented is one of optimism among worldwide private sector firms so far being largely unaffected by the impact from the Red Sea, including convincing signs of [goods producers showing no inclination to build safety stocks](#) despite a renewed lengthening of worldwide manufacturing lead times.

To a large extent, the improvement in business optimism at the start of the year was buoyed by the loosening of financial conditions as private sector goods producers and service providers anticipate global central banks to lower rates in 2024, which is supportive of demand. This is especially evident in financial services activity, with financials having risen to rank first among the eight industry groups in January on the back of loosening financial conditions, as shown by the Federal Reserve Bank of Chicago's financial conditions index in the chart below.

## Global PMI financial services activity vs. financial conditions



Data compiled January 2024.

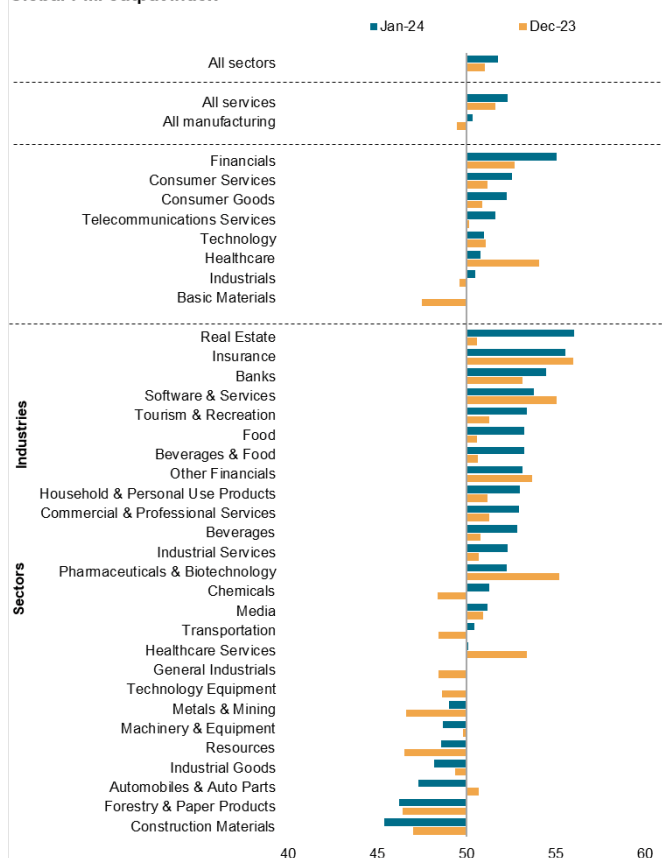
Source: Source: S&P Global Market Intelligence, Federal Reserve Bank of Chicago.

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A majority of the 26 detailed sector and sector groups also saw their respective business activity (output) index rise at the start of the new year, though unsurprisingly concentrated among services and services-related sectors.

On the flipside, the industrial goods sector group was notably the only sector group to experience a deepening of the downturn at the start of 2024, including for both construction materials and machinery & equipment sectors. While delivery delays played a part, such as for construction materials (which faced the sharpest deterioration in vendor performance among the sectors tracked), broadly softening demand conditions within the industrial goods sector group remained the key underlying reason for the downturn in output according to anecdotal evidence.

## Global PMI output index



Data compiled February 2024.

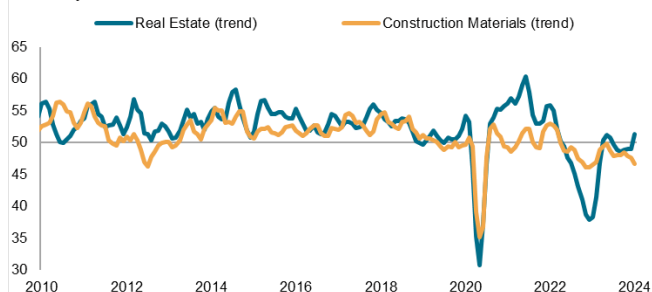
PMI (Purchasing Managers' Index) value of 50 = no change on prior month

Source: S&P Global PMI with J.P. Morgan.

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It must be added that the real estate sector, which has a strong correlation with the construction materials sector, has seen conditions improve at a more marked pace at the start of the year, thereby opening up a gap with the latter. It will be of interest to study how and when a convergence may take place for the two.

## PMI output index



Data compiled February 2024.

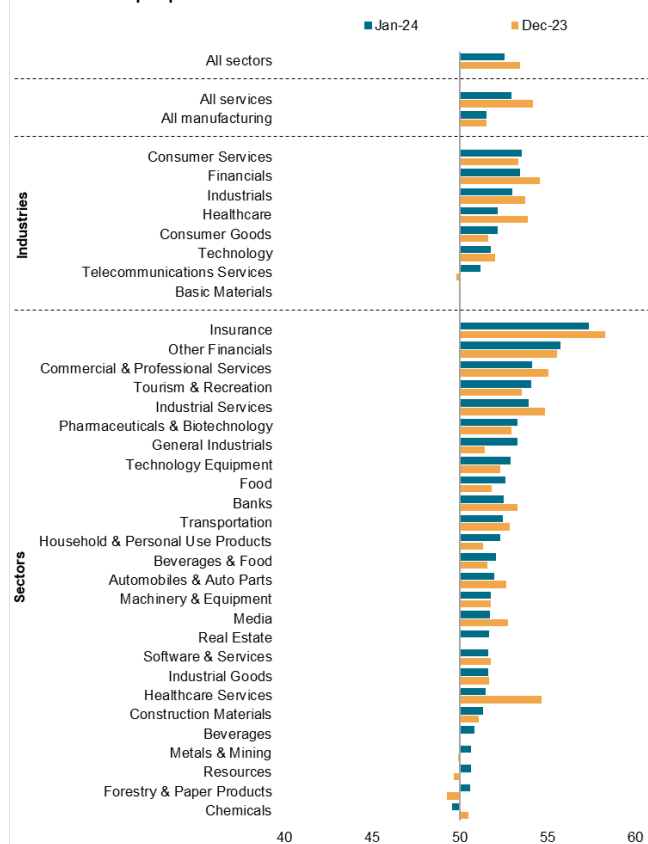
PMI (Purchasing Managers' Index) value of 50 = no change on prior month, 3-month moving average

Source: S&P Global PMI.

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## Manufacturing cost increases

### Global PMI output prices index



Data compiled February 2024.

PMI (Purchasing Managers' Index) value of 50 = no change on prior month

Source: S&P Global PMI with J.P. Morgan.

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Another important aspect to investigate is the impact of the recent Red Sea episode on inflation. As it is, increased [reports of higher shipping costs have surfaced among global manufacturers](#), though by no means to the extent seen during the pandemic. Service sectors remained at the head of the rankings in terms of cost increases, though various manufacturing sectors have also started to see a renewed increase in cost pressures.

The positive news is that the sector most affected by the Red Sea crisis - the construction materials sector - did not experience any cost spike as a result of increased shipping delays. However, given the reliance on sea shipping for bulky and heavy construction materials, the sector may well remain at risk, especially if demand and output for the sector should converge higher with real estate activity as earlier highlighted.

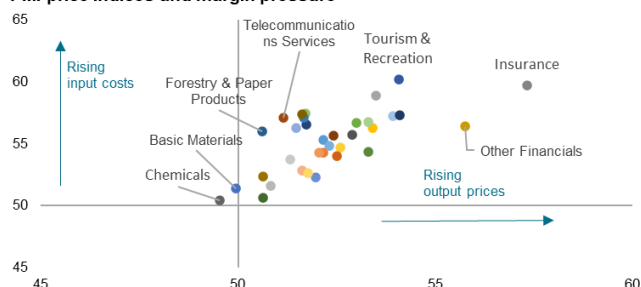
A quicker rise in beverage & food costs will meanwhile be worth monitoring given the impact this has for headline consumer inflation. Global food costs rose at the fastest pace in four months, sending output price inflation in the food-producing sector to the highest since September 2023. Although the rate of selling price inflation for food products



remain below the global average for all goods and services at present, with the prospect of increased supply constraints specifically in this sector could provide risks for higher inflation and induce greater caution among policymakers for the lowering of rates. As it is, warnings of potentially higher food prices as a result of Red Sea disputes have been getting onto media headlines, including from major food suppliers.

Finally, it is also the sectors that are seeing more elevated input price increases *but who are unable to pass on the cost burdens to clients* that should likewise be on the watchlist. These sectors are typically the most vulnerable from weak demand should cost inflation worsen on the back of geopolitical and other disruptions.

#### PMI price indices and margin pressure



Data compiled February 2024 with January 2024 data.  
PMI (Purchasing Managers' Index) value of 50 = no change on prior month  
Source: S&P Global PMI.  
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	<a href="#">Monthly PMI Bulletin: February 2024</a>	8-Feb	Jingyi Pan
	<a href="#">PMI® Comment Trackers reveal Europe hardest hit by Red Sea crisis with food sector among most affected</a>	8-Feb	Jingyi Pan
	<a href="#">Trade downturn eases at start of 2024 despite Red Sea disruptions</a>	7-Feb	Jingyi Pan
	<a href="#">Global PMI signals faster economic growth and brighter prospects at start of 2024</a>	6-Feb	Chris Williamson
	<a href="#">Global PMI signals lowest inflation rate since October 2020</a>	6-Feb	Chris Williamson
	<a href="#">Worldwide manufacturing confidence improves as factories shrug off Red Sea concerns</a>	1-Feb	Chris Williamson
EMEA	<a href="#">Eurozone prices rise at increased rate at start of 2024 as downturn moderates</a>	24-Jan	Chris Williamson
	<a href="#">UK economy starts 2024 on stronger footing, but Red Sea shipping delays drive prices higher</a>	24-Jan	Chris Williamson
Americas	<a href="#">US flash PMI signals steep fall in inflation at start of 2024</a>	25-Jan	Chris Williamson
	<a href="#">Looser financial conditions boost economic growth in December and add hope to 2024 US outlook</a>	5-Jan	Chris Williamson
Asia-Pacific	<a href="#">Japan's private sector returns to growth at start of 2024 while price pressures ease</a>	24-Jan	Jingyi Pan

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### 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.

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

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