

Week Ahead Economic Preview

Global overview

- US first quarter GDP
- Bank of Japan policy meeting and key data updates
- Euro area sentiment indicators
- Russia, Sweden and Indonesia central bank meetings

With increasing attention being focused on the US Federal Reserve, the advance estimate of first quarter GDP will be one of the major data releases for the week. Initial low nowcast estimates have gradually edged higher, such that IHS Markit's tracker produced by the team at Macroeconomic Advisers now points to 2.4%, which is in line with the [signal from the PMI surveys](#). Such robust growth calls into question the recent dovish twist by the Fed, but big doubts persist over whether growth will fade, especially as [manufacturing](#) (often a lead indicator of the wider economy) has slipped into contraction amid trade war worries.

The impact of trade wars will also be searched for in other releases such as South Korea's GDP, Japan's manufacturing production and Taiwan's export orders.

Industrial production numbers in Japan are accompanied by updated retail sales statistics, and preceded by the latest Bank of Japan policy meeting. Japan's policymakers face a dilemma whereby it is feared that ultra-loose policy, including negative interest rates, are damaging the functioning of the financial sector. The policy response will be eagerly awaited, especially as central banks in other slowing economies, notably the Eurozone, will be equally mindful to gauge how policy can be successfully simulated without doing more harm than good.

With economic forecasts for the euro area tending to be revised lower, economic sentiment surveys will be scoured for further clues as to whether the recent soft patch has persisted into the second quarter.

Other central bank policy meetings include Russia, Sweden and Indonesia.

Our special report this week looks at the economic outlook for Indonesia, which is set to become one of the developing world's largest consumer markets.

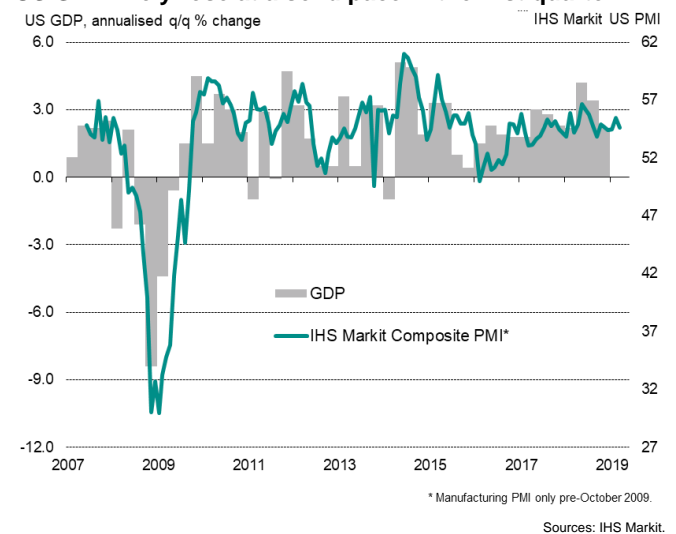
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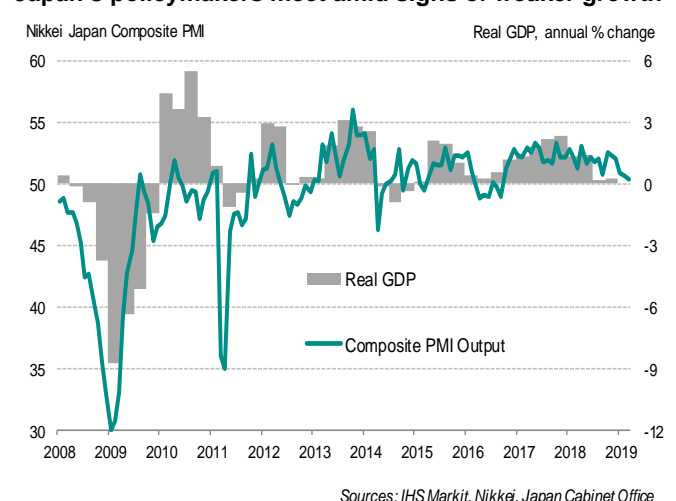
Special reports

- 6 Indonesia: ASEAN's Rising Economic Power

US GDP likely rose at a solid pace in the first quarter



Japan's policymakers meet amid signs of weaker growth



Key diary events

Monday 22 April

Thailand trade (Mar)
Taiwan export orders, jobless rate (Mar)
US existing home sales, Chicago Fed national activity index (Mar)
Brazil business confidence (Apr)

Tuesday 23 April

Singapore and Hong Kong inflation (Mar)
Taiwan industrial production, retail sales (Mar)
UK Household Finance Index (April)
Euro area government debt to GDP (2018)
Euro area consumer confidence (flash, Apr)
US new homes sales (Mar), Richmond Fed manufacturing index (Apr)

Wednesday 24 April

Australia inflation (Q1)
Malaysia inflation (Mar)
France business confidence (Apr)
Germany IFO surveys (Apr)

Thursday 25 April

South Korea GDP (adv, Q1)
BoJ monetary policy meeting, quarterly outlook
Indonesia interest rate decision
Germany consumer confidence (May)
Sweden interest rate decision
US durable goods orders (Mar)

Friday 26 April

South Korea consumer confidence (Apr)
New Zealand trade (Mar)
Japan industrial production, retail sales, jobless rate (Mar)
Singapore industrial output (Mar), unemployment rate (prel, Q1)
UK house prices, mortgage approvals (Mar)
Russia monetary policy decision
US GDP, PCE prices (adv, Q1)
US wholesale inventories (Mar), Michigan consumer surveys (final, Apr)

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United States Week Ahead

Advanced GDP estimates to add colour to first quarter data

By Siân Jones

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The latest GDP estimate leads the way in the upcoming key economic data releases for the US. Durable goods orders data, PCE prices and regional manufacturing surveys will also give an insight into the underlying economic conditions across the country.

First quarter GDP estimate (QoQ)

Following on from lacklustre industrial production numbers for March, the first estimate for GDP in the first quarter of 2019 will be eagerly anticipated. The release will be eagerly eyed for any decision-making implications at the increasingly data-dependent Fed, with analysts especially keen for insight into the resilience of service providers amid increasing headwinds seen at their goods-producing counterparts.

A first quarter decline in the manufacturing sector highlights the divide between the two contributing areas of the economy. That said, the IHS Markit's US economists continue to predict growth of 2.4% in Q1, slowing to 1.5% in the second quarter. US PMI data signalled the emergence of weakening domestic and foreign demand across the private sector as the trend of global economic gloom spreads across the Atlantic.

Durable goods orders

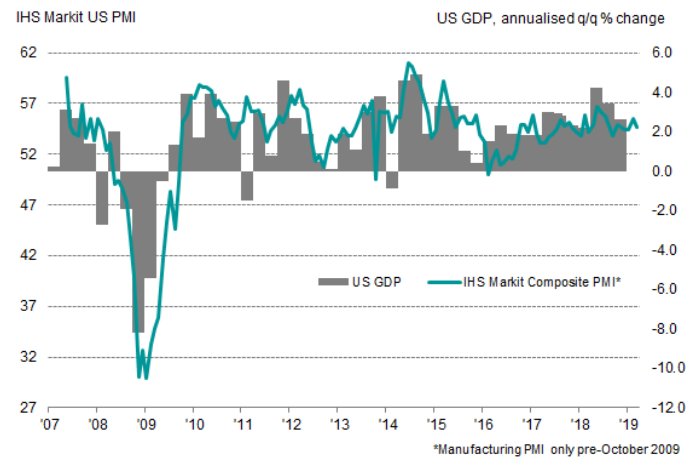
Alongside GDP data, the US durable goods orders release will be keenly noted. Early signals from the IHS Markit US PMI suggest data will continue to show stagnation in March, as domestic and foreign demand struggle to support new order book volumes.

PCE Price Index data release

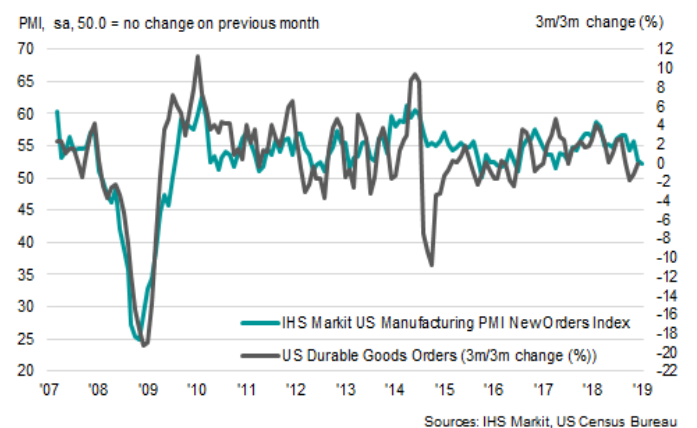
Another key upcoming data release is the quarterly figures for PCE (Personal Consumption Expenditure) prices. IHS Markit US PMI output price data suggests inflationary pressures have softened further over the first three months of 2019. Less intense price pressures will add to further speculation that the Fed will keep rates unchanged when they meet later in the month.

Other key data releases include the Redbook retail sales index, new home sales data, regional Fed surveys including Richmond and Kansas.

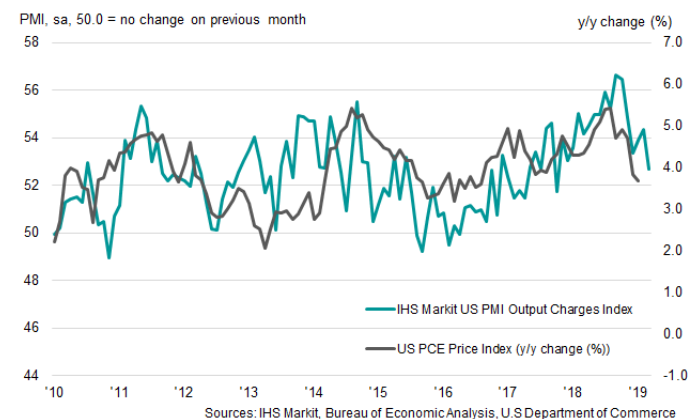
US GDP likely remained resilient in Q1



Durable goods orders stagnate



Inflationary pressures remain relatively subdued



Europe Week Ahead

Eurozone confidence indicators, rates decisions in Russia and Sweden

By **Joe Hayes**

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The key picks from upcoming European data releases are confidence indicators, with the 'soft' data providing additional evidence of how the challenging economic climate across Europe is impacting both business and consumers. Elsewhere, Sweden's Riksbank and the Bank of Russia will hold monetary policy meetings, while both mortgage approvals data and IHS Markit's Household Finance Index for the UK will also be released.

Confidence indicators

The European Commission release their 'flash' eurozone consumer confidence measure for April, which has recently showed signs of improving since December's low. GfK's measure of consumer confidence for Germany is also due, which in contrast, has dipped in recent months as manufacturing and global trade headwinds show no sign of abating.

Updates to Germany consumer sentiment will be flanked by the Ifo's business surveys on the current climate and expectations. Last time, both Ifo measures picked up slightly, ending a six-month sequence of decline.

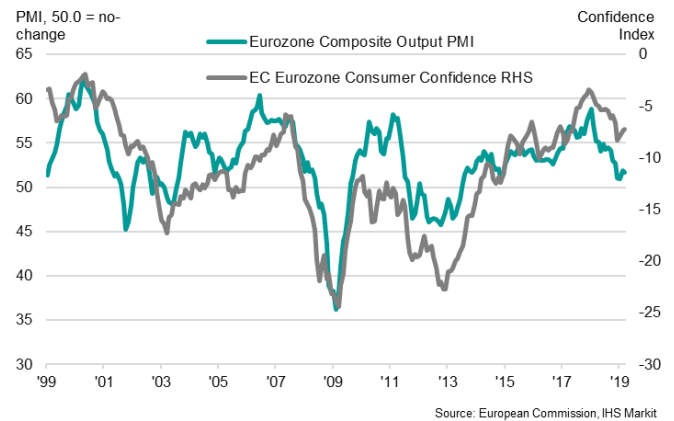
Business confidence data are also due for France, which has been softening in recent months amid domestic protests and spill-over effects from eurozone's slowdown.

Russia and Sweden monetary policy

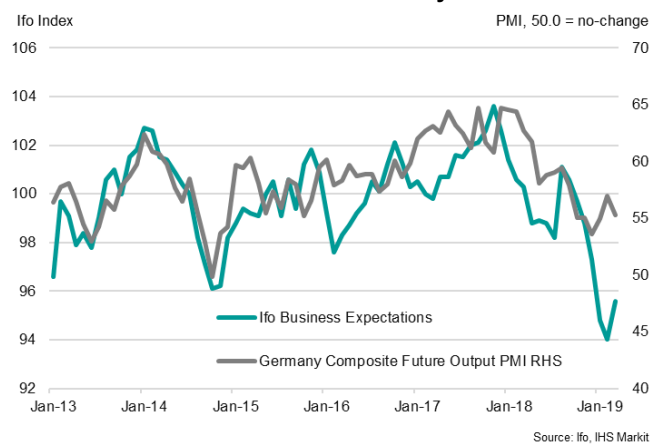
Two major policy meetings come with the Riksbank and then the Bank of Russia. The Riksbank surprised markets back in December with a quarter percentage point hike to -0.25%, the first increase in Swedish interest rates for seven years, and held rates steady in its previous meeting. The status quo is once again expected this time out.

The Bank of Russia is meanwhile expected to also hold policy, keeping its benchmark one-week repo rate at 7.75%, with inflationary pressures reportedly holding lower than policymakers expected following the recent VAT rise.

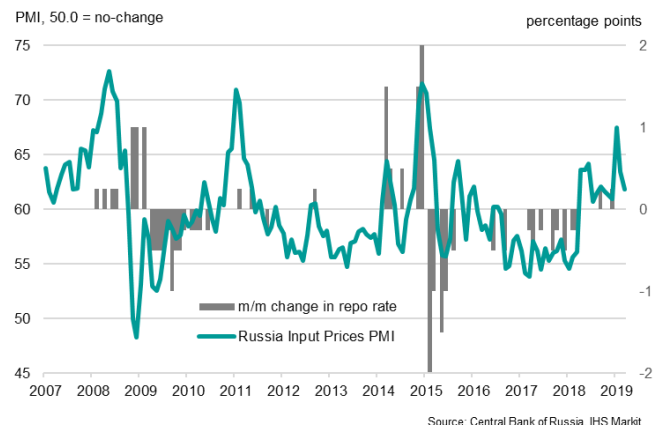
Eurozone consumer confidence has improved since late 2018...



...But business confidence in Germany remains weak



No change expected from Bank of Russia



Asia Pacific Week Ahead

Regional central bank meetings, plus Korea GDP dominate the week

By **Bernard Aw**

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Central bank policy meetings in Japan and Indonesia, alongside Korea's first quarter GDP are the highlights of the coming week. Slower global trade and trade wars are putting increasing pressure on the Korean economy, while the Bank of Japan and Bank Indonesia are unlikely to make any policy adjustments. Other key Asian data highlights include manufacturing output data from Japan, trade figures from Thailand and Taiwan, plus inflation data in Singapore, Malaysia, Hong Kong and Australia.

Japan and Indonesia monetary policy

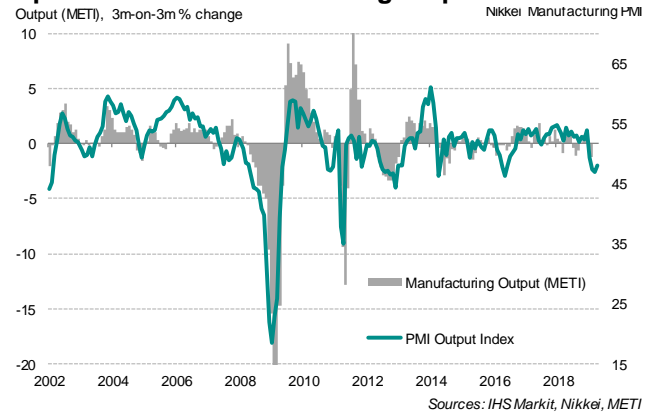
The Bank of Japan's policy meeting takes place amid a growing dilemma. Despite years of powerful monetary easing, prices remain subdued while ultra-accommodative central bank policies hurt commercial banks' [profits](#), raising concerns that their function in financial intermediation could be undermined. Deputy governor Masayoshi Amamiya [pledged](#) that the BOJ will do more to prevent the risk of a financial crisis. The meeting will be watched for signs as to what else can the central bank do.

Bank Indonesia is meanwhile expected to leave monetary policy unchanged in the forthcoming meeting as the conditions that initially triggered the rate hikes last year continued to improve, such as a global shift in central banks, particularly the Fed, towards a pause in monetary stance. Recent trade [surpluses](#) recorded in Indonesia were also positive for the rupiah, allowing BI to shift its focus to supporting economic growth.

Korea's first quarter GDP

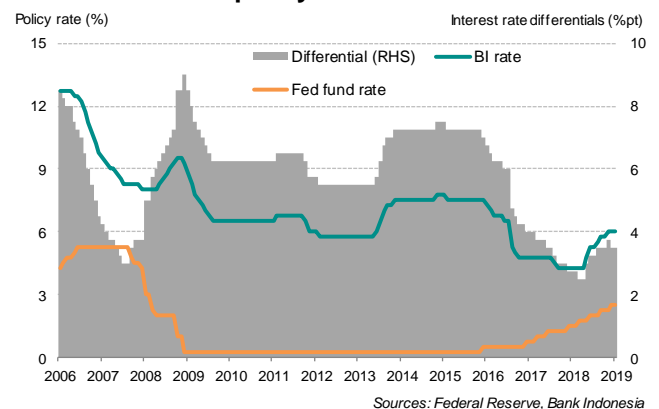
Following surprisingly solid growth of South Korea's economy in the final quarter of 2018, expectations are for a slower expansion during the first quarter, with IHS Markit forecasting an annual GDP rate of 2.3%, well below the 3.2% in Q4. Recent data were disappointing, with key measures such as exports and imports still declining, alongside signs of subdued production and consumption, as reflected by falls in industrial output and retail sales figures. The [Nikkei PMI surveys](#) indicated that the manufacturing sector could face further deterioration in business conditions in the coming months. New orders fell in March and business confidence was notably weak.

Japan PMI* and manufacturing output



*Latest manufacturing PMI is from April [Flash data](#)

Indonesia and US policy rate differential



South Korea PMI and GDP



Asia Pacific Special Focus

Indonesia: ASEAN's Rising Economic Power

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During President Jokowi's first term of office from 2014 to 2019, Indonesia has continued to ascend as one of the world's largest emerging markets. Indonesia's total GDP has surpassed the USD 1 trillion threshold since 2017, and the nation accounts for around one-third of Southeast Asia's GDP. Over the next decade, the rapidly growing size of the Indonesian middle class and strong growth in household consumption will transform Indonesia into one of the developing world's largest consumer markets, with per capita GDP forecast to rise from an estimated USD 4,200 in 2019 to around USD 11,500 by 2030.

Indonesia's economic ascendance

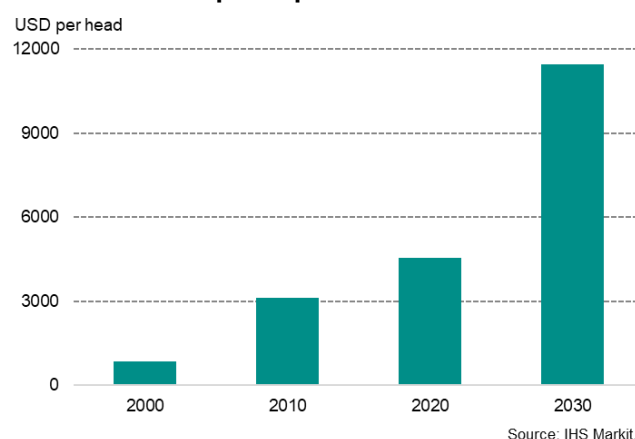
Indonesia is the third most populous nation in the Asia-Pacific, with a total population of 265 million persons, making it one of the most important potential growth markets in the region. Indonesia's economic ascendancy over the past decade has been founded on a protracted period of sustained economic growth under President Susilo Bambang Yudhoyono from 2004 until 2014, followed by continued steady economic growth under President Joko Widodo.

Indonesia's macroeconomic performance during President Yudhoyono's ten-year term of office was very impressive. Indonesian GDP trebled during this period, rising from USD 280 billion in 2004 to USD 890 billion in 2014. As President Jokowi's five-year term of office from 2014 until 2019 ends, Indonesian GDP is estimated to reach USD 1,139 billion in 2019. This fifteen-year period has brought considerable macroeconomic stability, as Indonesia has rebounded from the economic meltdown and banking sector crisis it experienced during the East Asian financial crisis in 1997-98.

A key factor contributing to this much improved macroeconomic picture has been the significant

reduction in government debt as a share of GDP, which has declined from 56% of GDP in 2004 to around 29% of GDP by early 2019. External debt as a share of GDP is also moderate, having declined from 53% in 2004 to around 36.9% of GDP in February 2019.

Indonesian GDP per capita



Foreign investment inflows

One of the most important economic achievements has been the improvement in foreign direct investment (FDI) inflows over the past two decades. In 2002 and 2003, FDI inflows into Indonesia were close to zero, and by 2004 had barely reached USD 1 billion.

By 2018, total annual FDI inflows had reached USD 27.8 billion, with investment inflows well-diversified in a range of industry sectors. Total FDI inflows into the industrial sector accounted for around 35% of total FDI in 2018, with significant investment into mining as well as electricity, gas and water supply infrastructure.

The improving business climate in Indonesia has been reflected in substantial improvements for Indonesia's position in the World Bank's Ease of Doing Business ranking over the past decade. Indonesia ranked at 73 in the world in the World Bank's 2019 ranking, compared with a ranking of 129th in the world in 2009.

Medium-term economic challenges

Despite the tremendous economic progress achieved by Indonesia since 2004, the nation still faces considerable economic hurdles to its future economic development.

A shortage of infrastructure remains a key bottleneck to economic growth, although President Jokowi has placed a high priority on public investment in

infrastructure. There have been substantial infrastructure achievements under President Jokowi, with significant investment in new ports and port expansion projects, construction of new airports and major investment in construction of new roads.

However, further large-scale investment in critical infrastructure such as power generation and transmission, water sanitation, ports and roads is needed in order to further improve Indonesia's competitiveness as a manufacturing hub.

As Indonesia is already a net oil importing nation and faces rapid future domestic demand growth for gas, its position as a large net exporter of LNG is also expected to be eroded over the next decade, with net gas exports gradually reducing. Therefore, manufacturing exports will have to grow rapidly in order to prevent Indonesia from suffering a chronic trade deficit.

Indonesia recorded a trade deficit of USD 8.6 billion in calendar 2018. A chronic and widening trade deficit would pose a significant economic vulnerability for Indonesia, and would increase the nation's reliance on foreign investment inflows, either in the form of foreign direct investment or portfolio capital inflows.

Another key economic challenge will be to generate sufficient employment for the large number of new workers entering the workforce each year, since Indonesia has a relatively youthful demographic profile over the next two decades. With an estimated 1.5 million new workers projected to enter the workforce each year over the next decade and unemployment and underemployment already high, generating jobs growth will be a key policy challenge.

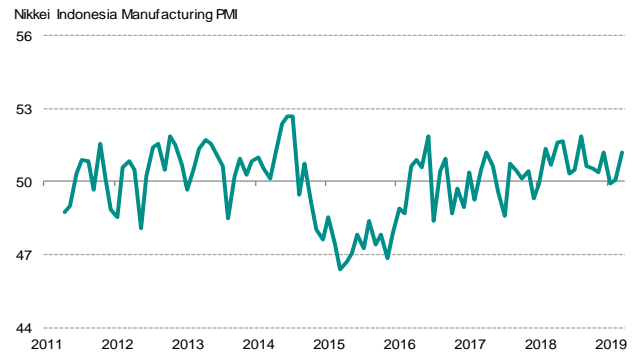
Over the next two decades, there will be substantial pressures on Indonesian government policymakers to generate rapid employment growth, in order to maintain social stability and economic progress. However, due to Indonesia's youthful demographic profile, the old age dependency ratio will remain relatively low over the next thirty years.

Economic outlook

Over the medium-term economic outlook for the 2019-2022 period, Indonesian real GDP is forecast to grow at an annual pace of around 5% per year if continued gradual economic liberalisation is sustained.

Nikkei Indonesia Manufacturing PMI™

Nikkei Indonesia Manufacturing PMI



Sources: IHS Markit, Nikkei

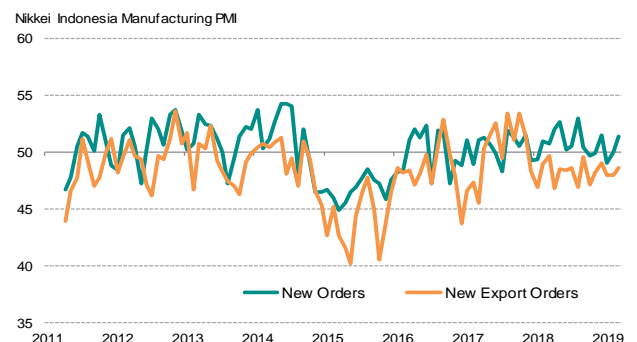
To gain an up-to-date insight into economic trends in Indonesia, the PMI business surveys provide valuable information on a wide variety of variables.

Purchasing Managers' Index™ (PMI®) surveys are the first indicators of economic conditions published each month and are especially valued in being available well ahead of comparable data produced by government bodies. PMIs are now produced for over 40 countries by IHS Markit and also for key regions including Asia and the eurozone. They generate economic indicators that are widely used by central banks, government bodies and the private sector.

The Indonesia Manufacturing PMI™ produced by IHS Markit from a representative panel of over 400 industrial companies, stratified by GDP and company workforce size.

The [March PMI data](#) highlight how manufacturing conditions in Indonesia rounded off the opening quarter of 2019 on a positive footing, largely supported by a rise in order book growth. Latest survey data are consistent with annual GDP growth rates of around 5%. Business expectations also remained upbeat, boding well for the sector in the coming months. Meanwhile, the PMI survey indicated the first decrease in input costs in the eight-year history amid reports of a stronger exchange rate and increased input supply.

Indonesia new orders



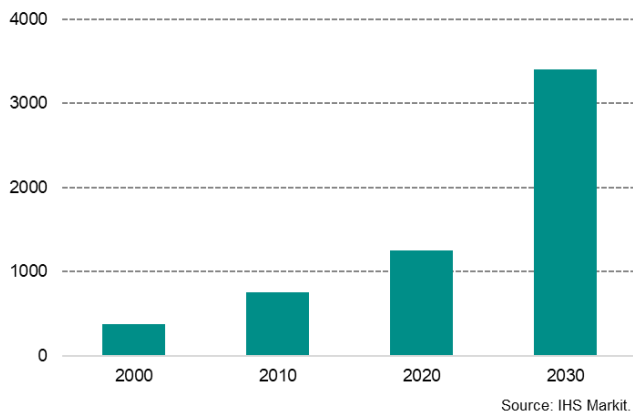
Sources: IHS Markit, Nikkei

For further information on PMI data, please contact economics@markit.com

IHS Markit forecasts that Indonesian GDP will rise from USD 1.04 trillion in 2017 to USD 3.4 trillion by 2030, creating strong growth in the total size of the Indonesian domestic consumer market over the next decade.

Per capita GDP in Indonesia is projected to rise from USD 3,900 in 2018 to USD 11,500 in 2030, which will be a key factor helping to drive the growth of the domestic consumer market.

Indonesian GDP (USD billions), 2000-2030



However, a key challenge for the Indonesian government will be to boost infrastructure development in order to reduce logistics costs and improve manufacturing export competitiveness, as well as strengthening human capital in order to tackle shortages of skilled workers. Generating strong industrial development is an increasingly important priority for Indonesia, in order to boost export growth and generate millions of new jobs over the next decade.

The further ascent of Indonesia as one of the world's largest emerging markets will be a key long-term factor underpinning the economic ascendancy of ASEAN as a regional economic bloc, with the rapidly growing Indonesian consumer market creating an important catalyst for intra-ASEAN export growth.

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