

# Week Ahead Economic Preview

## Global overview

- Worldwide PMI surveys
- US employment report
- US and UK central bank meetings
- Eurozone, Hong Kong and Korea GDP

The turn of the month always sees a hectic economic calendar, and the coming week is even busier than usual.

The release of worldwide PMI surveys will be eyed for signs that the manufacturing slowdown is bottoming out after March's [JPMorgan Global Manufacturing PMI](#), compiled by IHS Markit, held steady at 50.6. The number of countries that reported a deterioration or stagnation of manufacturing also remained steady at 13 out of the total of 30, but crucially business improved in China. April's data will provide especially important clues as to whether China's recent stimulus is helping the economy, in turn boosting global trade.

The outlook for trade and tariffs, blamed by many manufacturers for weakened business conditions in recent months, will also be in focus as the US and China restart trade discussions.

The PMIs will also be scoured for insights into whether the manufacturing slowdown has spread to services: [March data](#) saw the gap between the two sectors running at one of the largest in survey history, but flash PMI data for the US and Eurozone hinted at weakened service sector growth rates ([read more here](#)).

Markets will also be keeping a focus on the US, in a week which sees the FOMC meet amid PMI surveys and the monthly employment report. The Fed is widely expected to keep policy on hold, though markets will be eager to see how the outlook for growth and inflation have changed, with widespread expectations of an increasingly dovish stance (more on page 3).

Bank of England policymakers also meet, though are expected to once again sit on their hands as Brexit uncertainties continue to cloud the outlook. The *Inflation Report* will nonetheless hopefully help guide policy options in the event of differing Brexit outcomes.

Other key data releases include Eurozone GDP and inflation data, plus GDP for Hong Kong and Korea.

Our special report this week looks at the economic prospects for the Philippines (see page 6).

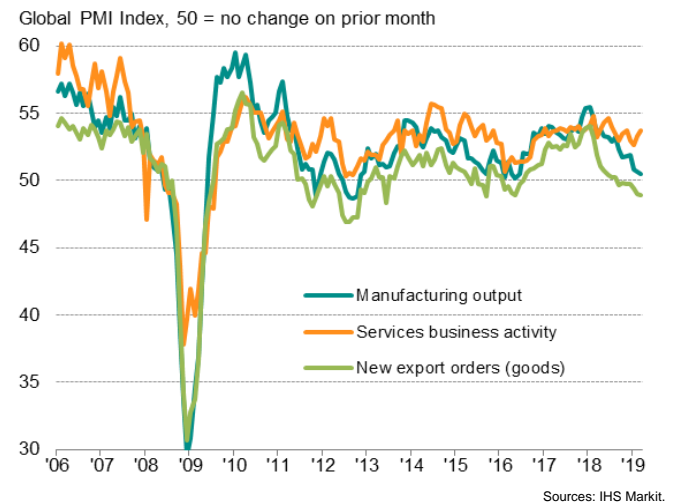
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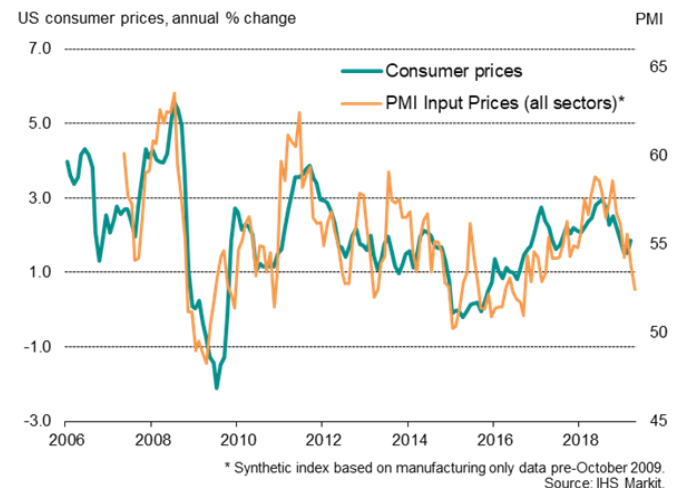
### Special reports

- 6 Philippines Tiger Economy Still Set for Dynamic Growth

### PMI data will be eagerly watched: has manufacturing bottomed-out, or has the slowdown spread to services?



### US policymakers look set to adopt a more dovish stance after weaker than expected inflation numbers



## Key diary events

### Monday 29 April

US-China [trade talks](#)  
Hong Kong trade (Mar)  
Euro area business confidence (Apr)  
US PCE price index (Feb, Mar), personal income and spending (Mar)  
Brazil consumer confidence (Q1)

### Tuesday 30 April

Caixin China manufacturing PMI (Apr)  
Korea business confidence (Apr), manufacturing production (Mar)  
China NBS manufacturing PMI (Apr)  
Australia private sector credit (Mar)  
Thailand industrial production (Mar)  
Taiwan GDP (adv, Q1)  
UK consumer confidence, housing prices (Apr)  
France GDP (1<sup>st</sup> est, Q1), inflation (Apr)  
Spain GDP (flash, Q1), inflation (Apr)  
Italy GDP (adv, Q1)  
Euro area GDP (flash, Q1), jobless rate (Mar)  
Germany consumer confidence (May), jobless rate (Apr), inflation (prel, Apr)  
US pending home sales (Mar)

### Wednesday 1 May

CBA Australia manufacturing PMI, IHS Markit manufacturing PMI for US, UK, Canada (Apr)  
Korea trade (Apr)  
Thailand inflation (Apr)  
UK consumer credit, mortgage lending (Mar)  
US ADP employment change, ISM manufacturing PMI (Apr), construction spending (Mar)

### Thursday 2 May

Worldwide release of Manufacturing PMI (Apr)  
FOMC interest rate decision  
Korea and Indonesia inflation (Apr)  
Hong Kong GDP (adv, Q1)  
Germany retail sales (Mar)  
BoE monetary policy meeting  
UK Construction PMI  
US factory orders (Mar), unit labour costs (prel, Q1)

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### Friday 3 May

IHS Markit services PMI for US, UK (Apr)  
Malaysia trade (Mar)  
Euro area inflation (flash, Apr)  
US nonfarm payrolls, jobless rate, average earnings, ISM non-manufacturing (Apr)  
US wholesale inventories (Mar)

# United States Week Ahead

## FOMC meeting, PMI data and labour market update

By Siân Jones

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PMI surveys for April, factory orders and non-farm payrolls are the data highlights in a week which sees the FOMC meet to set interest rates.

### US PMI releases and FOMC meeting

The publication of IHS Markit flash PMI data for April revealed signs of a weakening service sector. For a number of months, service providers have registered far stronger expansions than their manufacturing counterparts, but this has seemingly come to an abrupt end in April. According to flash figures, the IHS Markit Manufacturing Output Index and Services Business Activity Index have almost reached parity. The release of 'final' PMI data and similar ISM surveys will be eyed for confirmation of the weak start to the second quarter.

The PMI data will also give an insight into inflationary pressures ahead of the Fed meeting at the end of the month. Sharply reduced rates of input price and output charge inflation seen in recent months have added to growing sentiment that the Fed may have reached the end of its current rate hiking cycle. The Fed has hiked rate nine times since 2015 but, pivoting to a newly dovish bias, last month signalled that it no longer expected to hike rates again in 2019.

### Non-farm payrolls

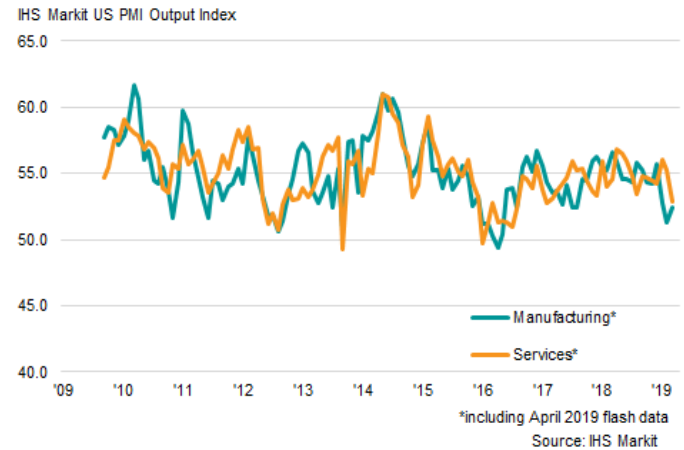
With Fed rhetoric suggesting that the bar for rate hikes has risen in recent weeks, even a solid labour market report could do little to change the policy outlook. Non-farm payrolls are indicated to rise by around 165,000 in April, according to IHS Markit US PMI data, below the first quarter average and corroborating the dovish stance. However, with an already tight labour market causing firms to note difficulties finding skilled and suitable candidates, and upward shift in average earnings could keep rate hike expectations alive, especially if payroll numbers surprise on the upside.

### Factory orders

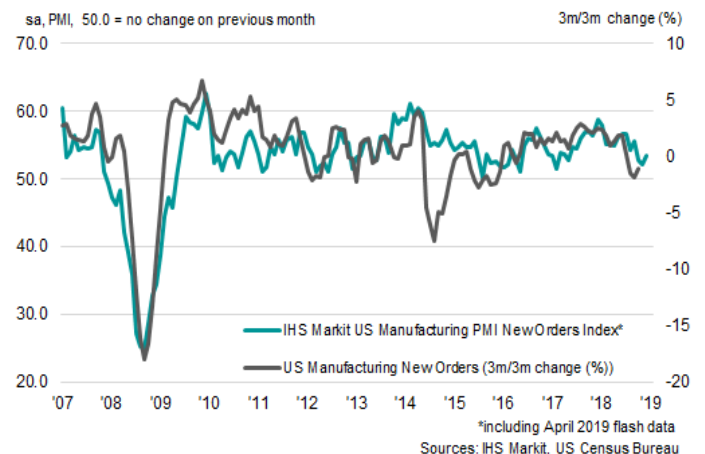
Lacklustre industrial production for March suggest manufacturing difficulties are not over quite yet, but recent growth in durable orders gave a ray of hope to goods producers. The upcoming factory orders data release will show whether the expansion has spread across the wider manufacturing sector.

Other key data releases include the PCE price index and the jobless rate.

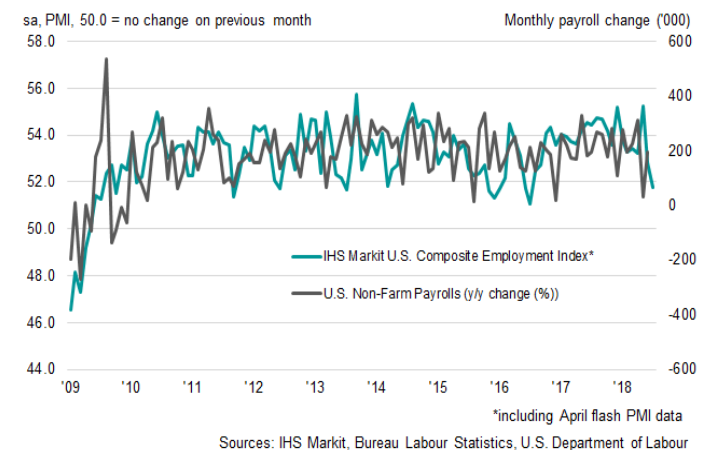
### Gap closing between manufacturing and services



### Factory orders broadly stagnate



### Non-farm payrolls to rise further



# Europe Week Ahead

## BoE meeting, April PMI data and Eurozone first quarter GDP

By **Joe Hayes**

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A slew of scheduled macroeconomic data releases notably includes initial estimates of first quarter GDP for the Eurozone and several constituent countries. The release of PMI data for all main European countries will also be closely watched for changes in the trajectory of Europe's languishing economy. Additionally, the Bank of England holds monetary policy meeting, where the focus will be on changes in the forecast outlook, with rates expected to remain on hold amid Brexit paralysis.

### Eurozone Q1 GDP

The initial estimate of first quarter GDP for the euro-area is expected to underwhelm with an unchanged 0.2% expansion, according to PMI data.

The 'flash' April reading for the eurozone indicated that weakness across the single-currency area has persisted into the second quarter. The final prints for the eurozone PMI are due, as well as other European countries, which will be closely watched for signs of further weakness spreading through Europe.

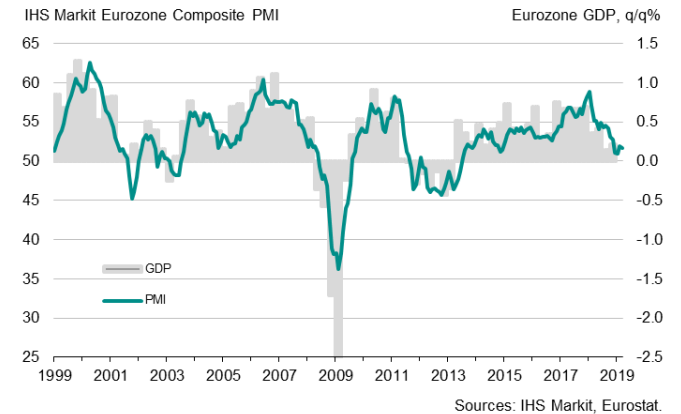
Elsewhere eurozone business and consumer confidence indicators for April will complement the PMI surveys with an update to sentiment, while labour market statistics and updates to inflation across the euro-area will provide insight into the potential direction the ECB is heading.

### Bank of England to update forecasts

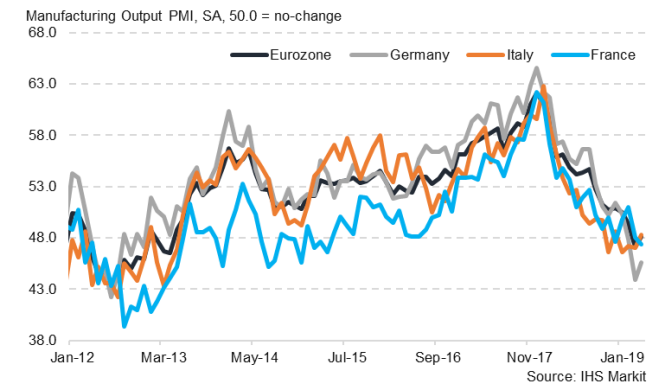
As well as the Bank of England's monetary policy decision, the latest *Inflation Report* and press conference will provide opportunities to digest revised forecasts for inflation and GDP, as well as potential changes to rates guidance and rhetoric. March PMI data for the UK revealed diverging trends across the manufacturing and service sectors. While the former received a pre-Brexit stockpiling boost, the latter observed the first decline in output for more than two-and-a-half years. The Bank expects the slowdown to be temporary, with a smooth Brexit allowing growth to accelerate, and rates to rise accordingly.

Housing market data, as well as consumer credit and confidence gauges for the UK are also due.

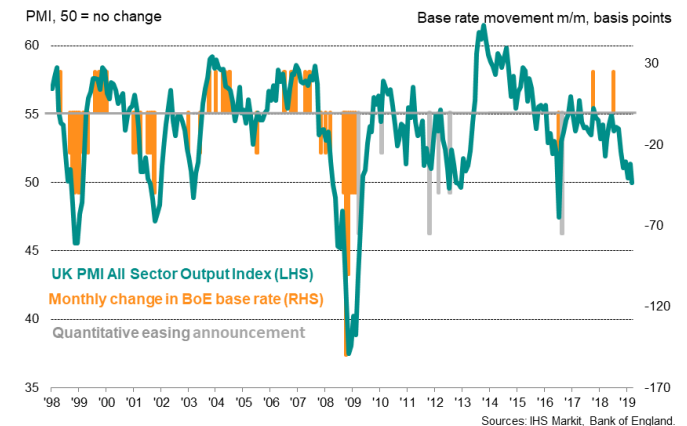
### Eurozone PMI data consistent with 0.2% quarterly rise for Q1



### Flash Eurozone Manufacturing PMI data indicate further woe at start of second quarter



### PMI data are updated as Bank of England's MPC meets to set interest rates



# Asia Pacific Week Ahead

## Pan-Asia PMI surveys plus GDP for Taiwan and Hong Kong

By **Bernard Aw**

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The FOMC policy meeting and the worldwide release of manufacturing PMI surveys will shape financial markets across Asia Pacific in the coming week, especially updates for China from Caixin/IHS Markit and NBS, but further US-China trade talks will also be in focus for hopes of an easing in trade tensions.

In Asia, Taiwan and Hong Kong will release their first quarter GDP figures, while trade data from South Korea and Hong Kong provide clues of regional trade conditions. Inflation updates in Korea, Indonesia and Thailand will also be of interest.

### Taiwan and Hong Kong GDP

Weakening trade flows led to a slowdown in the Taiwanese economy late last year, which acted as a key barometer of deteriorating regional trade conditions. Therefore, analysts will keenly watch the update to Taiwan's first quarter GDP. Nikkei PMI surveys point to a modest growth rate during the first three months of 2019, albeit with signs of the growth rate accelerating in March.

Hong Kong's economic growth is expected to slow further in the first quarter, with IHS Markit forecasting an annual GDP rate of 1%. Recent Nikkei PMI surveys continued to indicate a downturn in the private sector, dragged down in particular by weak Chinese demand.

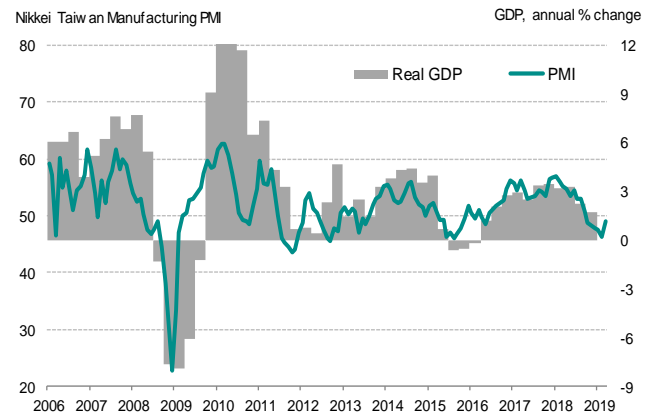
### Korea trade

Widely regarded as an indicator of global trade performance, Korea's trade update for April will be closely scrutinised. According to [Korea customs service](#), preliminary data showed exports contracting 8.7% in the first 20 days of April, led by a decline in semiconductor shipments.

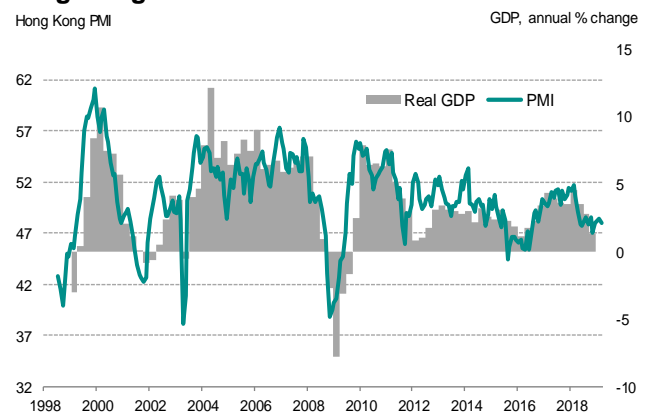
### Inflation

With higher crude prices, April updates to inflation for several Asian countries will be in focus, including Korea in particular. Korea's inflation rate slowed to a near three-year low in March, adding pressures for the Bank of Korea to undertake greater monetary stimulus. While BOK kept [monetary policy](#) unchanged in April, its projections for growth and inflation were lowered. IHS Markit expects April inflation to post an annual growth of just 0.2%.

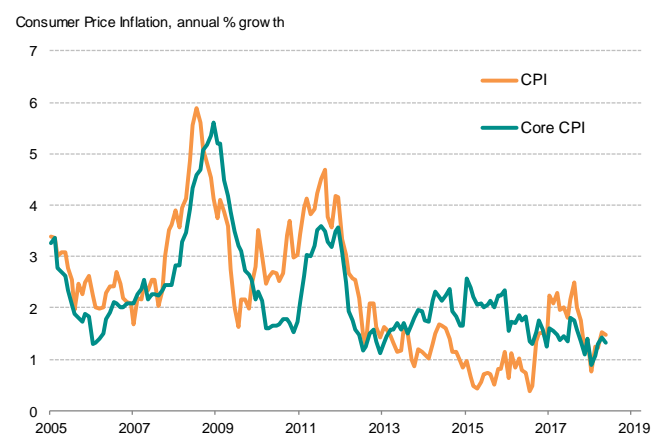
Taiwan GDP and PMI



Hong Kong GDP and PMI



South Korea inflation



# Asia Pacific Special Focus

## Philippines Tiger Economy Still Set for Dynamic Growth

By **Rajiv Biswas**

**Asia-Pacific Chief Economist, IHS Markit**

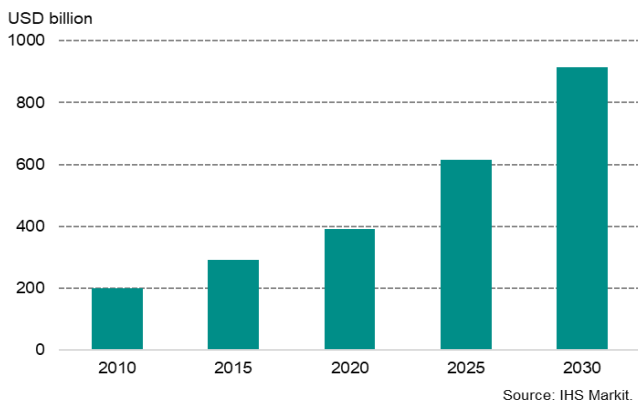
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*The Philippines economy has shown sustained rapid economic growth at an annual pace that has exceeded 6.0% for each of the past seven years. Strong GDP growth is projected to continue over the medium-term, with the total size of the Philippines economy expected to double between 2018 and 2026. However, significant challenges remain to the nation's economic development, including weak infrastructure and a relatively uncompetitive business climate compared to other East Asian peers.*

### Growth drivers for the economy

The Philippines economy has recorded a strong macroeconomic performance since the Global Financial Crisis, with the total size of national GDP having risen from USD 200 billion in 2010 to around USD 330 billion by 2018. The near-term outlook is for continued strong economic expansion, with GDP growth of around 6% per year over 2019 and 2020. Over the past two decades, successive governments have also made substantial progress in reducing government debt as a share of GDP, which stood at 41.9% of GDP in 2018, which is very low compared to most Asian developing countries and also considerably below the OECD average for advanced economies.

### Philippines GDP



The rapid pace of economic growth has been driven by a number of key growth engines. The first has been the sustained strong inflows of remittances from Filipino workers abroad, which is helping to underpin private consumption spending. Secondly, the rapid growth of services sector exports has become an important driver of overall export growth, notably from the IT-BPO sector, which has become a dynamic new growth industry that has become a key source of export earnings and new employment growth. Thirdly, the electronics industry has continued to be the largest merchandise export sector, boosted by the global upsurge in electronics order during 2016-18. Fourthly, the 'Build, Build, Build' program launched by the Duterte government has helped to ramp up infrastructure construction, which is supporting economic growth momentum.

- **Remittances remain strong**

Remittances from Filipino workers abroad have been one of the main pillars of the economy for decades. Remittances reached a record high of USD 32.2 billion in 2018, equivalent to around 9.7% of annual GDP. Although the pace of growth of remittances has moderated, growing by just 3% in 2018, the substantial size of remittances remains an important bulwark of domestic private consumption spending.

- **Buoyant services sector exports**

The IT-BPO sector has become one of the most dynamic sectors of the Philippines economy over the past decade, with total IT-BPO export estimated to have reached USD 22 billion in 2017, making the sector a key source of foreign exchange inflows. Meanwhile tourism has also been growing rapidly, with total tourism exports reaching USD 7 billion in 2017. Total tourist arrivals grew by 7.7% in 2018, reaching a total of 7.1 million visitors, driven by buoyant growth in Chinese tourism visits, which rose by 29.6% in 2018.

- **Electronics industry**

The electronics industry continues to be the largest export sector of the Philippines, with total electronics exports reaching USD 37.6 billion in 2018. While the pace of electronics export growth cooled to around 3% in 2018, this followed buoyant growth of 11% year-on-year in calendar 2017. Semiconductors accounted for around 74% of total electronics exports in 2018, with mainland China and Hong Kong together accounting for 33.4% of total electronics exports, while a further 13.6% of electronics exports were for the US market.

▪ **‘Build, Build, Build’**

The Duterte administration’s ‘Build, Build, Build’ program plans to spend Peso 8.4 trillion on infrastructure during President Duterte’s term of office, which ends in 2022. Under this program, public spending has already risen significantly, up by an estimated 50% year-on-year during the first eleven months of 2018. Total public spending on infrastructure is planned to increase from 4.5% of GDP in 2016 to 7.0% of GDP by 2022. The government plans to ramp up infrastructure spending to Peso 910 billion on infrastructure for 2019, Peso 1.222 trillion for 2020, Peso 1.542 trillion for 2021 and Peso 1.81 trillion for 2022. An estimated 35 out of 75 major infrastructure projects have already been approved by the government’s Investment Coordination Committee and the Board of the National Economic and Development Authority (NEDA), amounting to around Peso 2 trillion of infrastructure spending.

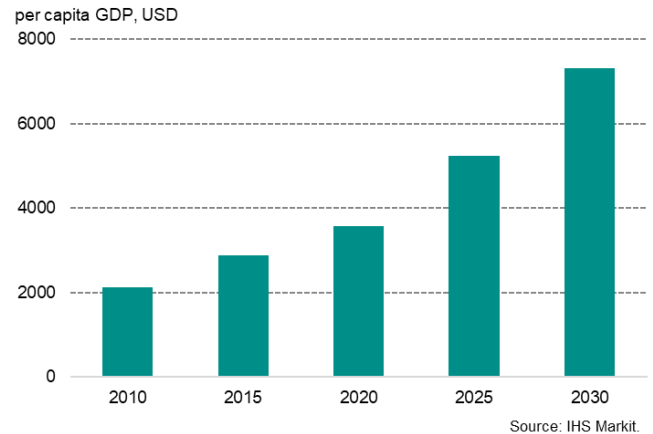
Significant bilateral infrastructure development assistance from Northeast Asian nations is contributing to this ambitious infrastructure development program, with Japan and China having committed about USD 9 billion each in investment and official development assistance, while South Korea has committed around USD 1 billion in official development assistance.

**Becoming an upper middle-income nation**

With per capita GDP having shown rapid growth since 2010, the total number of middle class households has been growing rapidly, driving consumption spending. By 2022, the Philippines is projected to reach per capita GDP exceeding USD 4,000 per person, which would push it into the ranks of upper middle-income developing countries, according to World Bank classifications.

The Duterte administration has been pressing ahead with a number of significant economic reforms during the early years of its term in office, including a major push to improve public infrastructure and the Comprehensive Tax Reform Program, which is expected to boost revenue growth. With a total population estimated at 107 million in 2018, the Philippines is also one of the most populous countries in Southeast Asia, and as per capita GDP levels rise above the upper middle-income threshold, this will create an increasingly substantial consumer market that will support the growth of the nation’s manufacturing, services and construction industries.

**Philippines per capita GDP**



**Development challenges**

Despite the significant progress in achieving higher living standards during the past decade, one of the key economic development challenges facing the Philippines is the high level of poverty, particularly in rural regions. The total number of persons estimated to be living below the national poverty line is 21.6% of the population, with the rural poverty rate considerably higher, at an estimated 36%. The vulnerability of the population to natural disasters is also high, due to the frequent incidence of destructive typhoons that devastate agricultural crops, as well as the nation’s vulnerability to earthquakes. Manila is located in an area near two major seismic fault lines.

Another major hurdle to economic development is the relatively weak business climate, with the Philippines ranked at just 124<sup>th</sup> out of 190 countries in the World Bank’s Ease of Doing Business ranking for 2019. The Philippines lags far behind regional competitor nations such as Malaysia, which is ranked 15<sup>th</sup> and Thailand, which is ranked 27<sup>th</sup>. Indonesia is also ranked considerably higher than the Philippines, at 73<sup>rd</sup> in the world.

The comparatively low ranking for the business climate of the Philippines compared to other large Southeast Asian developing countries is reflected in relatively weak foreign direct investment inflows. In 2018, the Philippines recorded FDI inflows of USD 9.8 billion, compared with FDI inflows of USD 29.3 billion in Indonesia and USD 19.1 billion in Vietnam.

With the Philippines having clocked up a record trade deficit of USD 41.4 billion in 2018, a key priority will be to make the Philippines more competitive as an investment hub for multinationals, in order to boost

exports of goods and services and narrow the trade deficit.

The Duterte administration's 'Build, Build, Build' program does recognize that decades of weak infrastructure investment have contributed to the weak business climate in the Philippines, and is therefore giving a high priority to narrowing the infrastructure gap by 2022.

**Long-term economic outlook**

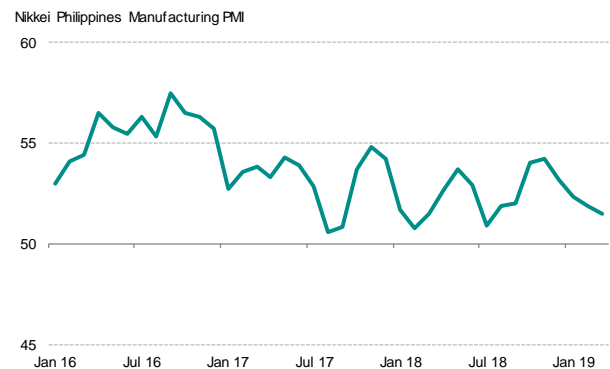
Despite the significant economic development challenges confronting the Philippines, both the Aquino and Duterte administrations have made considerable progress by delivering sustained rapid economic growth since 2012. With a strong commitment from the Duterte administration to continued positive economic reforms, the medium-term growth outlook remains for continued rapid economic growth. The Philippines is on the threshold of becoming an upper middle-income economy, which will help to drive strong growth in the size of the domestic consumer market and foster industrial development.

The long-term outlook for the Philippines economy is very positive, with total GDP projected to double from USD 330 billion in 2018 to USD 672 billion by 2026. The Philippines is forecast to become one of Asia's trillion-US-dollar economies by 2032, with per capita GDP reaching around USD 8,200. Over the next decade, sustained rapid economic development will result in a significant reduction in poverty levels and accelerate progress towards meeting the UN Sustainable Development Goals.

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**Nikkei Philippines Manufacturing PMI™**

**Nikkei Philippines Manufacturing PMI**



Sources: IHS Markit, Nikkei

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

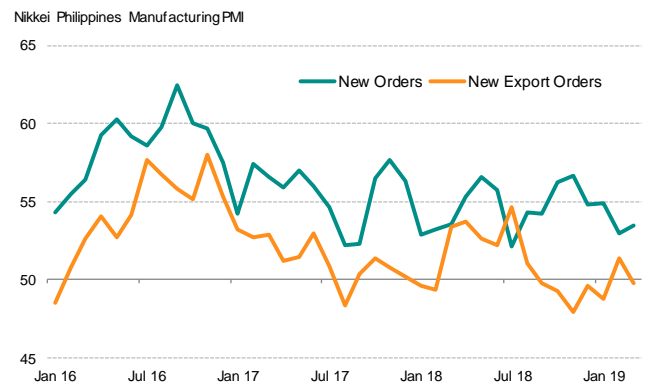
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The **Philippines Manufacturing PMI™** produced by IHS Markit from a representative panel of over 400 industrial companies, stratified by GDP and company workforce size.

The manufacturing upturn in the Philippines continued to lose momentum at the end of the first quarter, according to [March PMI data](#). Output growth was the softest for just over one-and-a-half years, alongside a slower expansion in total new order volumes, dragged down by a decline in new export sales. Encouragingly, business confidence remained elevated, while the PMI price indices continued to point towards a moderating inflation trend, with input cost growth coming in at a three-year low.

The next [release](#) for April data is on 2 May 2019.

**Philippines new orders and export orders**



Sources: IHS Markit, Nikkei

For further information on PMI data, please contact [economics@markit.com](mailto:economics@markit.com)