

Week Ahead Asia-Pacific Economic Preview

- Worldwide release of IHS Markit PMI surveys to provide important steers on Q1 growth
- Australia and India set monetary policy
- Asia inflation updates
- US employment report
- Special report on Asia-Pacific as the leading global growth engine in decade ahead

The week ahead includes PMI survey releases providing updates on business conditions across Asia and the rest of the world, as well as US non-farm payrolls, central bank meetings in India and Australia and key inflation updates in several Asian economies. Our special report this week looks at how the Asia-Pacific region is forecast to acts as the leading global growth engine in the next decade.

The worldwide release of March PMI surveys will provide insights into first quarter economic trends and will be parsed for clues into future macroeconomic policies. Flash surveys showed deepening manufacturing slowdowns in the US, Eurozone and Japan. The surveys will be scoured in particular for indications of whether the global trade-led slowdown spreading to the service sector ([see a brief overview of prior surveys here](#)).

With growing expectations that central banks across the world are shifting back towards accommodative settings, analysts will meanwhile watch keenly upcoming monetary policy meetings in Australia and India. The Reserve Bank of India unexpectedly cut its policy rate in its last meeting and there are market expectations of a further rate cut in coming months. In Australia, disappointing housing data and [softening manufacturing growth](#) highlighted a slowdown in economic activity that could pressure the central bank for more monetary policy support.

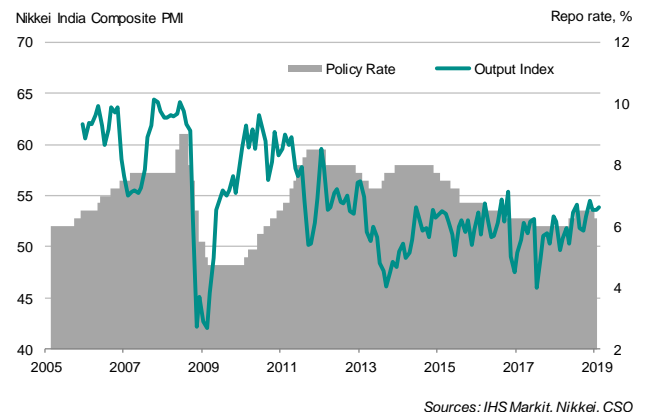
Generally considered a global trade barometer, a widely-predicted decline in South Korea exports during March would add to recent data showing deteriorating global demand. Of late, [PMI surveys](#) have been indicating a near-stagnation of manufacturing output driven largely by a further downturn in global trade.

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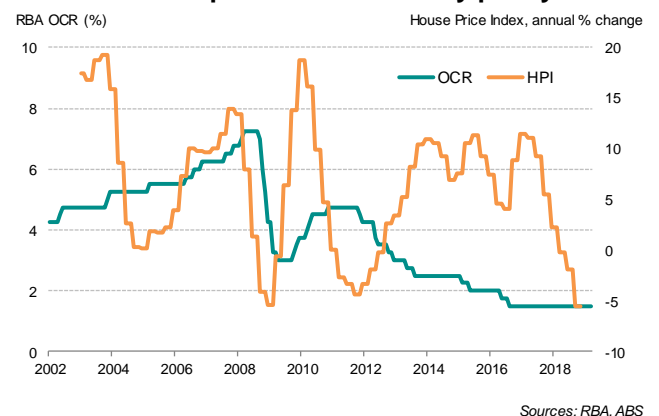
Global Manufacturing PMI Exports Index



India PMI and monetary policy



Australia house prices and monetary policy



In Asia, other key data releases will include inflation data from South Korea, Thailand, Indonesia and the Philippines. Analysts will also watch out for more clarity as to the political situation in Thailand following the disputed election results.

For Japan, the Nikkei PMI and Tankan surveys will provide insights into first quarter business trends, and the extent to which the global trade slowdown has impacted the economy.

Elsewhere, key US data releases include non-farm payrolls, unemployment and wages, retail sales, construction spending, vehicle sales, durable goods orders plus the ISM and IHS Markit PMI surveys. Key to investor concerns will be the extent to which the Fed has read the economy correctly in adopting a newly-dovish stance, effectively taking any rates hikes in 2019 off the table at its last policy meeting.

With the earnings season also about to start, the US data will also help steer corporate earnings guidance. The flash [IHS Markit data](#) for March suggested earnings are under the greatest pressure since 2016.

In the Eurozone, flash inflation data and an update to the unemployment rate will accompany the final PMI surveys, with [flash numbers for the latter](#) having been a key driver of marked falls in global financial markets in March.

In the UK, Brexit discussions will inevitably continue to dominate the markets, with PMI survey data for March providing an insight into the extent to which uncertainty surrounding the country's upcoming exit from the EU has impacted business growth.

The week ends with the release of IHS Markit's detailed sector PMI data for Asia, the US, Europe and global aggregates. February data showed global downturns gathering pace in key sectors such as autos and machinery and equipment making.

IHS Markit is also hosting a webcast summarising the March global, country and detailed sector PMI surveys on Friday 5th April. [Click here for further information.](#)

Key diary events

Monday 1 April

Worldwide release of IHS Markit manufacturing PMI surveys (Mar)

Japan Tankan survey (Q1)

South Korea trade (Mar)

Australia business confidence

Indonesia and Thailand inflation (Mar)

Euro area inflation (flash, Mar)

US retail sales (Feb), business inventories (Jan), US construction spending (Feb)

US ISM manufacturing (Mar)

Russia GDP (Q4)

Tuesday 2 April

South Korea inflation (Mar)

RBA monetary policy meeting

Australia building permits (Feb)

UK IHS Markit/CIPS construction PMI (Mar)

Euro area unemployment rate (Feb)

Euro area producer prices (Feb)

US durable goods (Feb), vehicle sales (Mar)

Brazil trade balance (Mar), industrial production (Feb)

Wednesday 3 April

Worldwide release of IHS Markit services PMI surveys (Mar)

Australia trade and retail sales (Feb)

Euro area retail sales (Feb)

US ADP employment (Mar), factory orders (Feb)

US ISM non-manufacturing (Mar)

Thursday 4 April

Malaysia trade (Feb)

Thailand consumer confidence (Mar)

Germany construction PMI (Mar), factory orders (Feb)

India monetary policy decision

Friday 5 April

Japan household spending, cash earnings (Feb)

Philippines inflation (Mar), industrial production (Feb)

Germany industrial production (Feb)

UK Halifax house price index (Mar)

US nonfarm payrolls, average hourly earnings, unemployment rate (Mar)

ASIA Special Focus

Asia-Pacific to be Leading Global Growth Engine in Decade Ahead

By **Rajiv Biswas**

Asia-Pacific Chief Economist, IHS Markit

Email: Rajiv.Biswas@ihsmarkit.com

The Asia-Pacific region will account for over half of the total increase in world GDP over the next decade, according to IHS Markit economic forecasts. China will continue to be the most important locomotive for the global economy, contributing 28% of the total rise in global GDP in the decade to 2030, while India is forecast to account for around 11% of global growth over this period.

This will make the APAC region an increasingly important target for foreign direct investment by global multinationals, as corporate boardrooms for a wide spectrum of industries across manufacturing and services increasingly focus on the APAC economies to boost global revenue growth and drive international sales.

Asia-Pacific growth hubs

Driven by continued rapid growth in the Asian emerging markets giants of China, India and the ASEAN region, the Asia-Pacific region (APAC) is forecast by IHS Markit to be the most important regional growth engine for the global economy in the decade ahead.

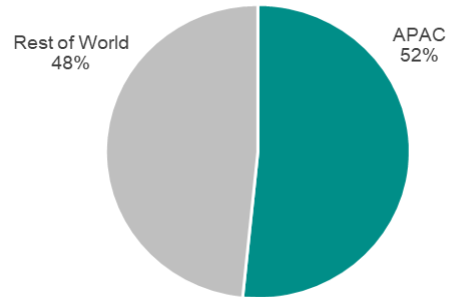
During the past decade, China has already played a crucial role as the key locomotive for global growth, accounting for around one-third of the total increase in world GDP since the global financial crisis of 2008-09. With the Chinese economy now accounting for 17% of world GDP, and forecast to grow at an average annual pace of around 6 per cent per year over the 2019-2021 period, China is projected to contribute around 28% of the total increase in world GDP during the next decade.

India's role in the global economy is also in the ascendancy. India is estimated to become the world's fifth largest economy in 2019, overtaking the UK, after having already surpassed France's GDP level in 2017. Over the decade ahead, India is projected to contribute around 10.7% of the total increase in world GDP, compared with only 6% of the increase in world GDP during the past decade.

However, Japan's contribution to regional and global growth momentum has faded, as the impact of

demographic ageing and the declining population act as a significant drag on Japan's long-term potential growth rate over the next decade and beyond.

APAC Contribution to Increase in World GDP, 2019-2030 (% share)



Source: IHS Markit.

ASEAN is APAC's third growth engine

ASEAN is forecast to continue to be one of the world's most rapidly growing regions over the next decade, with total regional GDP increasing from USD 3 trillion in 2019 to around USD 7.6 trillion by 2030. By 2030, total ASEAN GDP is forecast to exceed Japanese GDP, which is projected to be USD 6.8 trillion in that year.

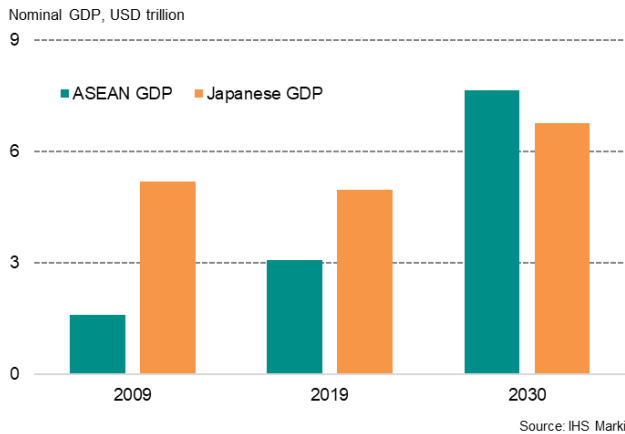
Indonesia is the largest economy in ASEAN, accounting for around one-third of regional GDP. Indonesian GDP surpassed the USD 1 trillion threshold since 2017. The further ascent of Indonesia as one of the world's largest emerging markets will be a key long-term factor underpinning the economic ascendancy of ASEAN as a regional economic bloc, with the rapidly growing Indonesian consumer market creating an important catalyst for intra-ASEAN export growth. The economies of Malaysia, Thailand and the Philippines are projected to be approaching the threshold of USD one trillion economies, further contributing to the rising economic importance of ASEAN as a growth engine for the APAC region.

Important factors underpinning this rapid pace of growth are expected to be strong growth in domestic demand, driven by private consumption and public infrastructure spending. ASEAN's role as an increasingly important global manufacturing hub for global multinationals is also expected to support regional growth. In particular, countries such as Vietnam, Philippines and Myanmar look set to attract increasing foreign direct investment into manufacturing segments, such as low value-added textiles and electronics, as China's competitiveness in such sectors is gradually eroded by rising manufacturing labour costs.

The ASEAN region is also expected to grow in importance as a key location for global manufacturing, boosted by the rapid growth of large domestic consumer markets in populous nations, notably Indonesia, the Philippines and Vietnam, as well as proximity to the vast Chinese consumer market. Strong ongoing investment in infrastructure connectivity will be an important factor helping to drive regional trade and investment flows.

Over the decade ahead, the economic ascendancy of the ASEAN region will therefore continue to build an increasingly important third growth engine for the APAC region, in addition to the emerging markets giants of China and India.

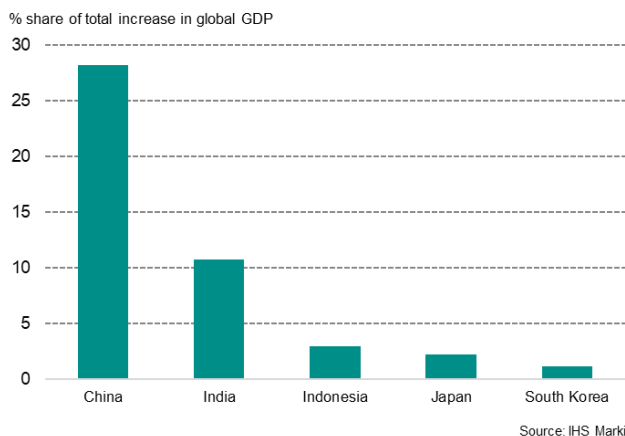
ASEAN GDP compared to Japan



Long-term economic implications

The APAC region is becoming an increasingly important growth engine for the global economy, with its share of world GDP having risen from 23.7% in 2005 to 34.6% in 2018. The growth engines for the global economy over the next decade will be dominated by the Asian emerging markets, notably China, India and ASEAN.

APAC contribution to rise in World GDP, 2019-2030



For corporate boardrooms of multinationals, the implications are that increasing strategic focus will be placed on the Asian emerging markets over the decade ahead. Many multinationals have already been shifting their global business strategies towards a greater focus on Asian emerging markets, but this trend is likely to gather momentum over the next decade.

Many fast-growing APAC markets offer strong revenue growth opportunities at a time when the consumer markets of the advanced economies of the European Union, US and Japan are facing more moderate economic growth prospects and relatively sluggish long-term growth in consumer demand. In contrast to these developed economies, the rapidly growing household incomes of middle class consumers in fast-growing Asian emerging markets are driving Asian consumer spending. This is being led by the Chinese consumer market, where annual per capita GDP in China has risen at a remarkable rate, reaching an estimated USD 10,262 in 2019, compared to just USD 944 per person in 2000.

India's consumer market is also projected to grow rapidly over the decade ahead, with per capita GDP forecast to rise from around USD 2,200 in 2019 to USD 7,400 by 2030.

However, multinationals from advanced economies will also face a rapidly evolving competitive landscape in APAC markets, as companies from Asian emerging markets such as China, India, South Korea, Singapore and Malaysia increasingly compete for market share across many sectors of manufacturing and services.

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Contacts for further APAC commentary:
Rajiv.Biswas@ihsmarkit.com or Bernard.Aw@ihsmarkit.com.

Editor and contact for European and US PMI commentary:
chris.williamson@ihsmarkit.com

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