

The Week Ahead: Major APAC central bank policy decisions and inflation data in the spotlight

The central banks of China, Thailand and the Philippines are to announce policy decisions this week, while Malaysia and Singapore will be releasing their consumer price index (CPI) data for May on Wednesday and Friday respectively.

In April, Malaysia's inflation rose 4.7% year on year — the highest since 2018.

In a statement last month, Department of Statistics Malaysia (DOSM) chief statistician Datuk Seri Dr Mohd Uzir Mahidin said the increase in the overall index was driven by the rise in the transport index (27%) because of the low base effect from the previous year. He said the trend is expected to continue until the first quarter of 2022.

ING Asia senior economist Prakash Sakpal highlighted that consumer price releases will help markets determine whether the latest inflation spikes are transitory.

"We think inflation in some countries has already peaked and should begin to recede, which should be a relief for Asian central banks as three of them chart their policy course next week," he wrote in a report last Thursday.

A decision on China's May one- and five-year loan prime rates (LPRs) will be announced on Monday (June 21). UOB Global Economics & Markets Research expects the status quo to be maintained.

"The People's Bank of China said there should be 'no sudden U-turn' of policy operations. While loan growth is set to moderate this year, we continue to expect the benchmark one-year LPR to stay flat at 3.85% for the rest of 2021," UOB said in a report last Friday.

Bank of Thailand (BoT) and Bangko Sentral ng Pilipinas (BSP) will be making their policy decisions on Wednesday and Thursday respectively.

According to a Bloomberg poll, as at June 18, all the analysts expect no change to the 0.5% policy rate in Thailand. UOB, in particular, is keeping its call for BoT to leave its benchmark rate unchanged for the rest of 2021.

The same poll also shows no policy change is expected in the Philippines this month.

"Given that BSP has dropped its concerns about the build-up of second-round inflationary pressures and remains confident that the domestic economy will continue to improve in the near term, we believe BSP will keep its powder dry and use its ammunition with caution as the year progresses," said UOB.

IHS Markit chief business economist Chris Williamson and economics associate director Jingyi Pan point out that the flash purchasing managers' indexes (PMIs) will be released in the coming week for the US, the UK, eurozone, Japan and Australia.

The surveys will offer a first look at worldwide economic conditions in June, and will be followed by central bank meetings in the UK, the Philippines and Thailand. Some key economic releases, such as the final US gross domestic product (GDP) and personal consumption expenditures (PCE) data, as well as the June eurozone consumer confidence, are also lined up.

"Divergences in performance were a key theme shining through in the May global PMI data releases, with record US and UK growth and a reviving eurozone contrasting with a renewed downturn in Japan. This was no surprise, given the wave of Covid-19 cases seen in various Asia-Pacific countries while the US and Europe enjoyed an easing of containment measures," the IHS economists wrote in a preview note last Thursday.

Williamson and Pan said they will be looking to see if this divergence has widened, and also whether demand is switching from goods to services as economies open up. In addition, supply constraints will also be closely scrutinised, both in terms of whether companies are reporting further labour and raw material shortages, which have shown signs of curbing output and driving prices higher.

"Commodity prices have been in firm focus in June. While certain raw materials, such as copper, saw prices ease following reports of China's scrutiny, crude oil prices have touched fresh multi-year highs, adding to concerns on factory gate inflation. For the likes of the US especially, what the flash PMIs have to say about economic conditions and the uncertain inflation story, which the Federal Reserve just alluded to, will be key," they elaborated.

On the corporate front, companies listed on Bursa Malaysia holding their shareholders' meetings this week include UEM Sunrise Bhd, AirAsia Group Bhd, KPJ Healthcare Bhd, WCT Holdings Bhd, Media Prima Bhd, DRB-Hicom Bhd, FGV Holdings Bhd, Dagang NeXchange Bhd (DNeX), Boustead Holdings Bhd, Astro Malaysia Holdings Bhd, Sunway Bhd and Leong Hup International Bhd.

The extraordinary general meeting (EGM) of DNeX, which will be convened on June 23, is expected to hog the limelight as its shareholders will decide on the company's proposed acquisition of 60% equity interest in state-owned semiconductor wafer foundry SilTerra Malaysia Sdn Bhd from sovereign wealth fund Khazanah Nasional Bhd for RM163.8 million cash.

Earnings results that may dominate the week ahead include that of Serba Dinamik Holdings Bhd, Sapura Energy Bhd, Notion VTec Bhd, Scientex Bhd, Gamuda Bhd, Hiap Teck Venture Bhd, MyNews Holdings Bhd, Eco World Development Group Bhd and Eco World International Bhd.

On Wednesday, the Federal Court will hear a challenge filed by former Selangor Menteri Besar Tan Sri Abdul Khalid Ibrahim over his inclusion in a suit by Puncak Niaga Holdings Bhd. The matter relates to the RM14 billion suit filed by Puncak Niaga following its sale of Syarikat Bekalan Air Selangor Sdn Bhd (Syabas) to Pengurusan Air Selangor Sdn Bhd.

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