

THE WEEK AHEAD, 12 JUNE 2026

Rising inflation, higher policy rates in Asia

Three months have passed but the Middle East conflict persists while the Strait of Hormuz stays effectively closed. Although the U.S. and Iran have agreed to a ceasefire and are negotiating an interim peace deal, the supply of crude oil, natural gas, naphtha, urea and many other products from the Middle East to Asia remains blocked. Global energy prices stay elevated, weighing on the world economy.

Asian economies that have no fuel subsidy measures in place saw **surging inflation**. The Philippines stands out in the region, with headline and core consumer price index (CPI) inflation rising. High inflation has prompted the Bangko Sentral ng Pilipinas (BSP) to make a 25bp (basis points) policy rate hike in April, which may hike further to pre-empt the potential spillover effects from the energy shock.



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Asian economies that have fuel subsidy measures in place saw less stress on prices but have effectively shifted the **pressure to the fiscal front**. Indonesia is a prime example, with its fuel subsidy spending expanded since the onset of the Middle East conflict in late February. Selloff on government bonds and the Indonesian Rupiah (IDR) persist, prompting the government to defend the 3% of GDP (Gross Domestic Product) statutory budget deficit limit and Bank Indonesia (BI) to make a surprise 50bp policy rate hike in May to maintain currency stability.

Asian Economies that have large energy import bills and **weak external balances** (current account deficits) also saw their currencies under pressure. India and the Philippines are among the most vulnerable, given their expanded energy import bills and weak current account balances.

Despite the growth drag caused by higher energy prices, Asian central banks are increasingly pressured to **tighten monetary conditions** to

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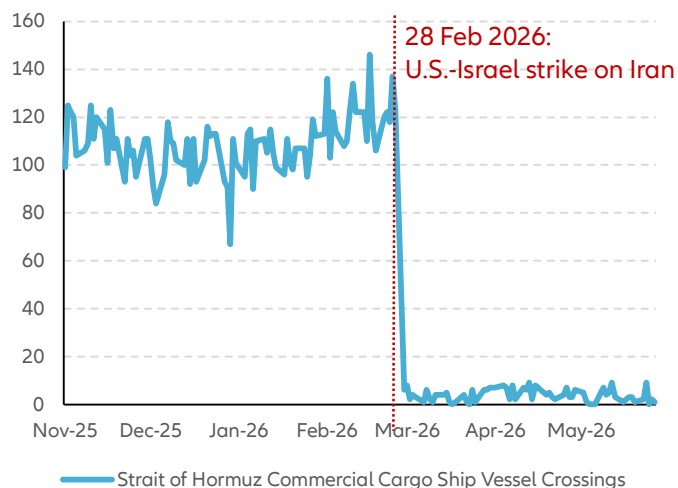
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maintain currency stability and stem inflation secondary passthroughs. We now expect the central banks of the Philippines, Indonesia, India and South Korea to continue hiking or start hiking policy rates this year. We also expect Bank Negara Malaysia, the Reserve Bank of Australia, and the Bank of Japan to hike policy rate this year.

From an investor's perspective, there appear to be diverging trends regarding the two issues of artificial intelligence (AI) and vulnerability to energy shortages in Asian markets: South Korea, Taiwan, Japan, Malaysia and Singapore could benefit from AI, while the Philippines, Indonesia, Thailand and India are disadvantaged by the energy shortages. As a result, performance trends are also likely to diverge accordingly.

Three months have passed but the Strait of Hormuz stays effectively closed



Source: Bloomberg, AllianzGI Global Economics & Strategy, as of May 2026. Past performance does not predict future returns.

The week ahead

Next week will mainly feature the Federal Reserve's policy rate decision in the U.S., the Bank of Japan's policy rate decision, the Euro-area's Consumer Price Index (CPI) inflation and China's macro activity data.

In the **U.S.**, June regional manufacturing surveys, from the New York Federal Reserve and the Philadelphia Federal Reserve, will help gauge the latest industrial momentum. The June National Association of Home Builders (NAHB) housing market index and May building permits and housing starts data will offer a timely read on the residential markets. On Wednesday, the Federal Open Market Committee's decision is widely expected to stay on hold, with markets focusing on Chair Kevin Warsh's comment in the press conference. Meanwhile, the latest initial jobless claims and weekly jobless claims will reveal the latest labor-market dynamics.

In the **Euro-area**, Monday will release the total trade balance and industrial production growth figures for April. Wednesday will feature the final CPI and core CPI inflation readings in May which are central for assessing the on-going price trend. Germany's economic sentiment and current-conditions indices for June will provide an additional forward-looking check on sentiment in the region's largest economy.

In **Japan**, June Tankan survey and April machinery orders will be read together to assess the latest business conditions. We will also have the May merchandise trade data to gauge the latest external trade conditions. Nationwide CPI inflation releases on Friday will reflect the latest price trend, following the Bank of Japan's potential 25 basis points policy rate hike on Tuesday. In **China**, macro activity data in May will be closely watched for gauging second-quarter growth momentum.

Yours,

Christiaan Tunto

UPCOMING POLITICAL EVENTS 2026

15–16 June	BoJ	Central Bank Meeting
15–17 June	FRA	G7 summit
16–17 June	FED	Central Bank Meeting
18 June	BoE	Central Bank Meeting
18–19 June	EU	European council
21 June	COL	Presidential runoff
25 June	ECB	General meeting

Calendar Week 25

			Consensus	Previous
Monday				
EC	Total Trade Balance SA	Apr	--	3.50B
EC	Industrial Production YY	Apr	--	-2.1%
EC	Reserve Assets Total	May	--	1.89T
JN	Tertiary Ind Act NSA	Apr	--	16.5%
US	NY Fed Manufacturing	Jun	--	19.60
US	Capacity Utilization SA	May	--	76.1%
US	NAHB Housing Market Indx	Jun	--	37
Tuesday				
CN	Industrial Output YY	May	4.2%	4.1%
CN	Retail Sales YY	May	0.0%	0.2%
GE	ZEW Economic Sentiment	Jun	--	-10.2
GE	ZEW Current Conditions	Jun	--	-77.8
JN	Chain Store Sales YY	May	--	1.1%
JN	JP BOJ Rate Decision	16 Jun	--	0.75%
UK	House Price Rightmove YY	Jun	--	-0.3%
US	Building Permits: Number	May	--	1.423M
US	Housing Starts Number	May	--	1.465M
US	Import Prices YY	May	--	4.2%
Wednesday				
EC	HICP Final YY	May	--	3.2%
EC	HICP-X F,E,A&T Final YY	May	--	2.5%
JN	Reuters Tankan N-Man Idx	Jun	--	29
JN	Machinery Orders YY	Apr	--	5.9%
JN	Exports YY	May	--	14.8%
JN	Imports YY	May	--	9.7%
JN	Trade Balance Total Yen	May	--	301.9B
UK	Core CPI YY	May	--	2.5%
UK	CPI YY	May	--	2.8%
UK	RPI YY	May	--	3.0%
UK	RPIX YY	May	--	3.0%
UK	PPI Input Prices YY NSA	May	--	7.7%
UK	PPI Output Prices YY NSA	May	--	4.0%
UK	PPI Core Output YY NSA	May	--	2.4%
US	Retail Control	May	--	0.5%
US	Fed Funds Tgt Rate	17 Jun	--	3.5-3.75
US	Fed Int On Excess Reserves	17 Jun	--	3.65%
Thursday				
UK	Claimant Count Unem Chng	May	--	26.5k
UK	ILO Unemployment Rate	Apr	--	5.0%
UK	Employment Change	Apr	--	148k
UK	Avg Wk Earnings 3M YY	Apr	--	4.1%
UK	Avg Earnings (Ex-Bonus)	Apr	--	3.4%
UK	HMRC Payrolls Change	May	--	-100k
UK	BOE Bank Rate	Jun	--	3.75%
US	Initial Jobless Clm	8 Jun, w/e	--	--
US	Cont Jobless Clm	1 Jun, w/e	--	--
US	Philly Fed Business Indx	Jun	--	-0.4
Friday				
GE	Producer Prices YY	May	--	1.7%
JN	CPI, Core Nationwide YY	May	--	1.4%
JN	CPI, Overall Nationwide	May	--	1.4%
UK	GfK Consumer Confidence	Jun	--	-23
UK	Retail Sales YY	May	--	0.0%
UK	Retail Sales Ex-Fuel YY	May	--	1.1%
UK	CBI Distributive Trades	Jun	--	-46

The calendar data for the current week comes directly from LSEG Datastream. They are published in the week in which "The Week Ahead" appears. These are economic data that come from official sources. Where available, the previous figure is collected together with the consensus estimate. The consensus estimate is collected by LSEG Datastream through a survey of analysts and economists. It is the average of all estimates submitted.

If not mentioned otherwise data and information sources are from LSEG Datastream.

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