

KERATAN AKHBAR

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'Inflation has passed its peak in most Asia Pacific Economies'

MOODY'S ANALYTICS REPORT

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KUALA LUMPUR: Inflation has passed its peak for much of the Asia-Pacific region, said Moody's Analytics.

Price rises are trending lower in Cambodia, India, Malaysia, Singapore, South Korea and Thailand. But other countries are stuck on the inflation train.

Moody's Analytics expects the combination of easing supply constraints and biting borrowing costs to push inflation lower in Asia Pacific this year.

This, however, will be a gradual process.

"We expect inflation to average around 2.8 per cent this year and 2.5 per cent next year," it said.

Moody's Analytics noted that

price pressures were pinching households and businesses alike where across the world, inflation was estimated to have jumped to 8.7 per cent through last year.

In Asia Pacific, prices rose a more muted 3.6 per cent, although the figure is flattered by China's exceptionally weak price rises through a Covid-19 lockdown-disrupted 2022.

"Taking China out of the mix, inflation in the region reached 4.5 per cent last year. For much of the Asia-Pacific region, inflation has passed its peak."

Moody's Analytics added that price rises had reached 8.4 per cent year-on-year in Australia in December, a three-decade high.

"Similarly, inflation accelerated to 8.1 per cent year-on-year in the same month in the Philippines, driven by surging food and accommodation costs."

It said in China, inflation came off its modest peak but it was expected to gain momentum as the country's reopening spurred domestic demand.

"In many respects, 2023 will see China confront challenges faced by the rest of the world last year."

Much of the region's price pressures initially came from constrained supply chains.

As the world came to a standstill through 2020 and 2021, supply snarls weighed on global production and disrupted the trans-

port of goods.

However, much of these pressures have passed.

"Just as global supply chains have eased, many global commodity prices have also come off their highs. Energy prices, which soared after Russia's invasion of Ukraine, are broadly trending lower while food prices have likewise seen a modest reprieve.

"Elsewhere, prices of raw materials, including timber, are now below pre-pandemic levels."

As supply problems faded, a new problem appeared whereby prices jumped as economies and demand bounced back last year.

In response, central banks pushed borrowing costs skyward

in a desperate attempt to tame domestic demand.

"In the Asia-Pacific region, the Reserve Bank of New Zealand has led the charge, hiking rates a cumulative 400 basis points (bps) since October 2021. Banko Sentral ng Pilipinas has likewise gone hard to combat inflation, hiking rates by 350bps while the Reserve Bank of Australia has pushed rates 300bps higher since May last year.

"With demand still outweighing supply in many parts of the world, interest rates will push higher in coming months, particularly in economies where inflation has yet to turn a corner," it added.