

What Do Rising Commodity Prices and Related Inflationary Pressures Mean for Asian Economies?

Special Webcast
Wednesday, May 2nd, 2021

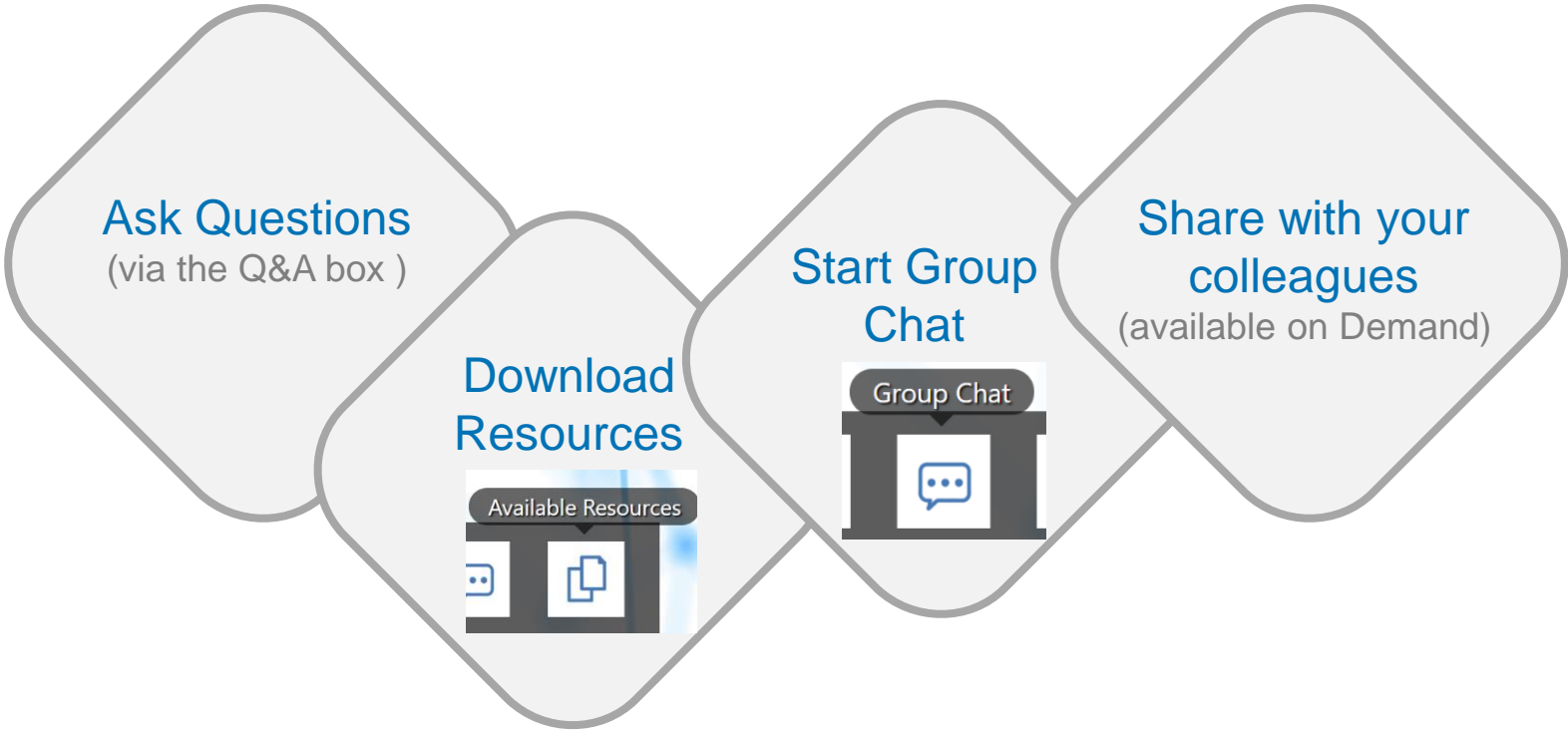


Questions we will be exploring today

- What are the causes of the current significant inflation in commodity prices?
- What is the outlook for oil prices in 2021 and beyond?
- How serious might inflationary pressures become?
- How are government's likely to respond in monetary policy?



Making the most of the webcast



Tell us about your experience to help us improve our future program



Panelists



Klaas de Vries
Economist, Europe
The Conference Board



Hiba Itani
Senior Economist, Gulf Center
The Conference Board



Yuan Gao
Senior Economist, China Center
The Conference Board



Anke Schrader (Moderator)
Research Director, Asia
The Conference Board



Poll 1

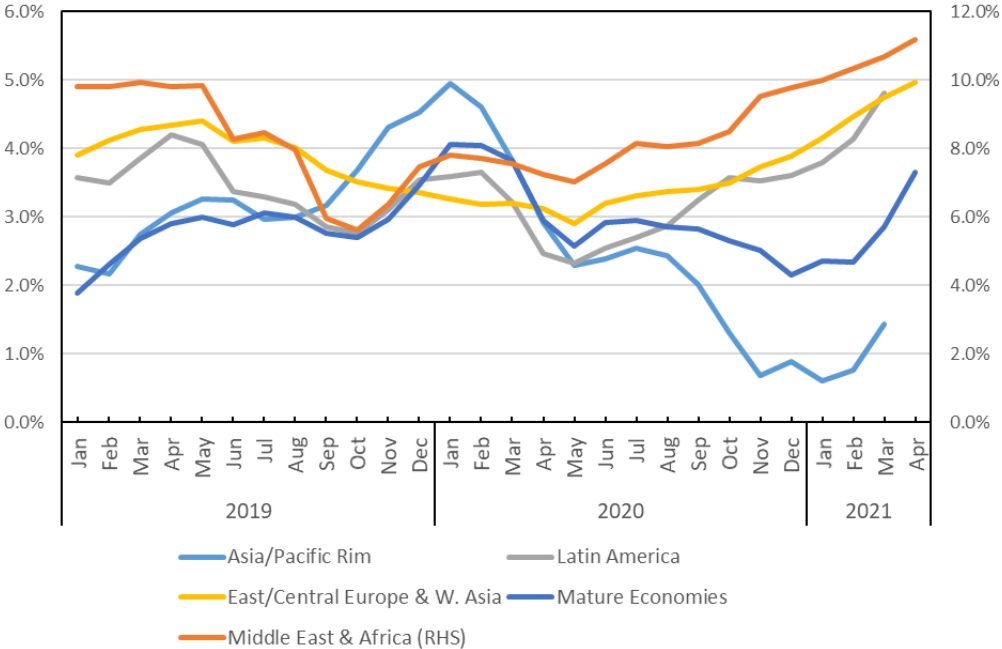
What's the main driver behind the current intensified inflation?

- a. Strong demand outpacing supply
- b. Disrupted supply by Covid-19
- c. Both A and B
- d. Neither A nor B; it is mostly due to speculation
- e. Don't know

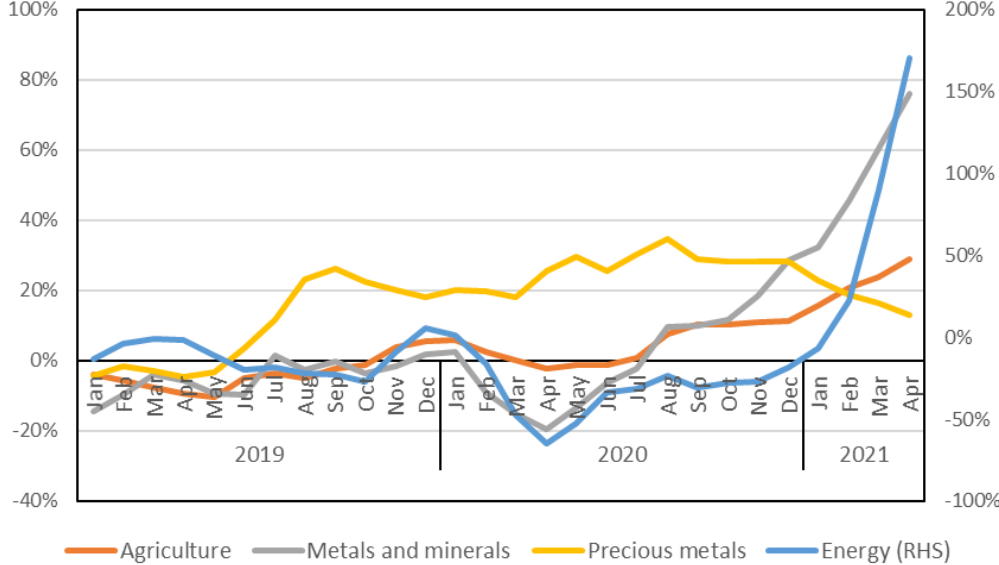


Inflation is rising everywhere, especially in commodities

Composite CPI, Regions
(y/y % change)



World Bank Commodity Price Indices, Emerging Countries
(y/y %)

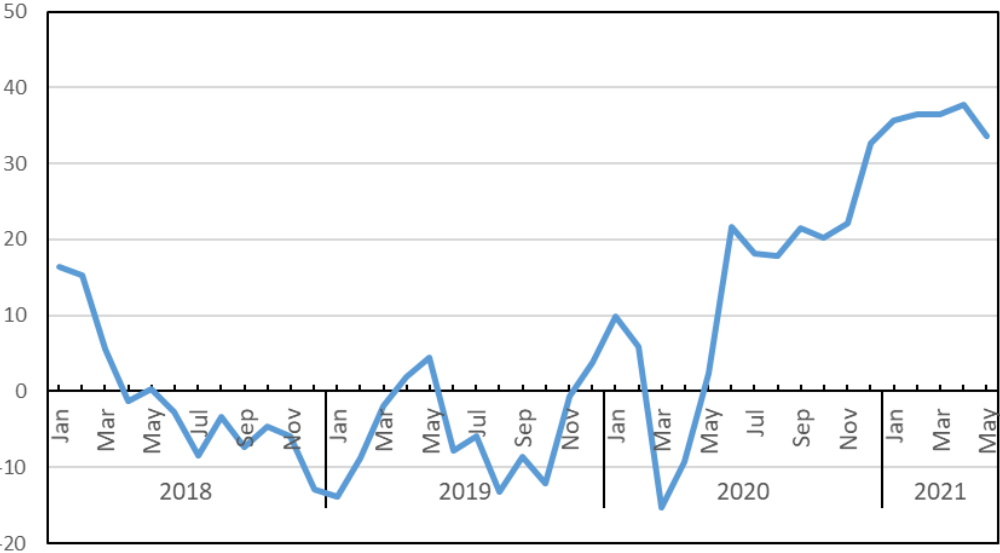


Notes: Asia/Pacific Rim includes China, Hong Kong, India, Indonesia, South Korea, Malaysia, Pakistan, Philippines, Singapore, Taiwan and Thailand; East/Central Europe & West Asia includes Albania, Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Kazakhstan, Latvia, Lithuania, North Macedonia, Poland, Romania, Russia, Slovakia, Slovenia and the Ukraine; Middle East & Africa include Egypt, Israel, Jordan, Mauritius, Nigeria, Saudi Arabia, South Africa, Tunisia and Turkey; Latin America includes Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela; Mature economies include Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, UK, US, Australia, Canada, Japan, New Zealand, Switzerland.
Source: Haver analytics; The Conference Board calculations

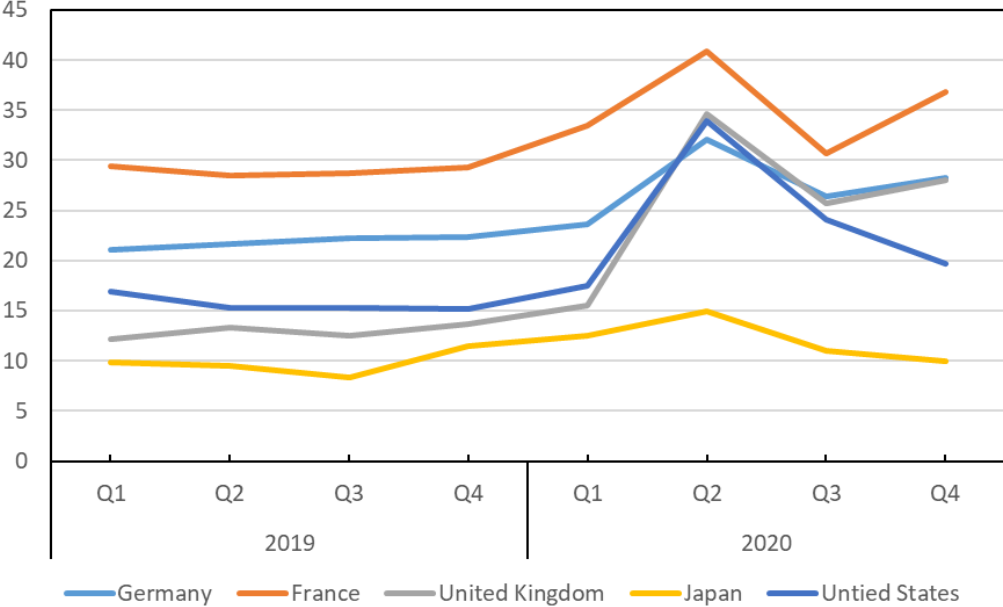


Improved sentiment and pent-up demand drive inflation expectations

Global: Sentix Economic Expectations/Sentiment Index (NSA, %Bal)



Net Household Savings (% of household disposable income)

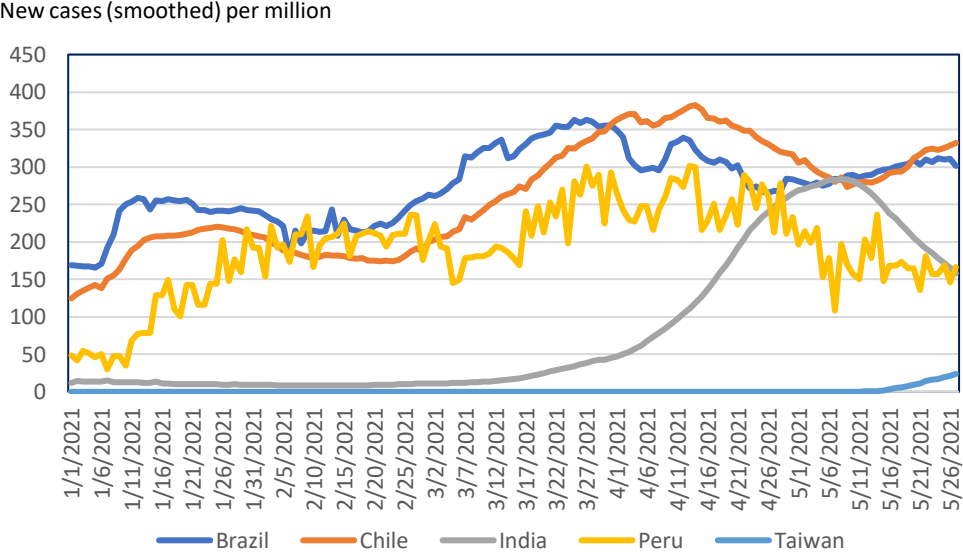


Source: Haver analytics; OECD; The Conference Board calculations



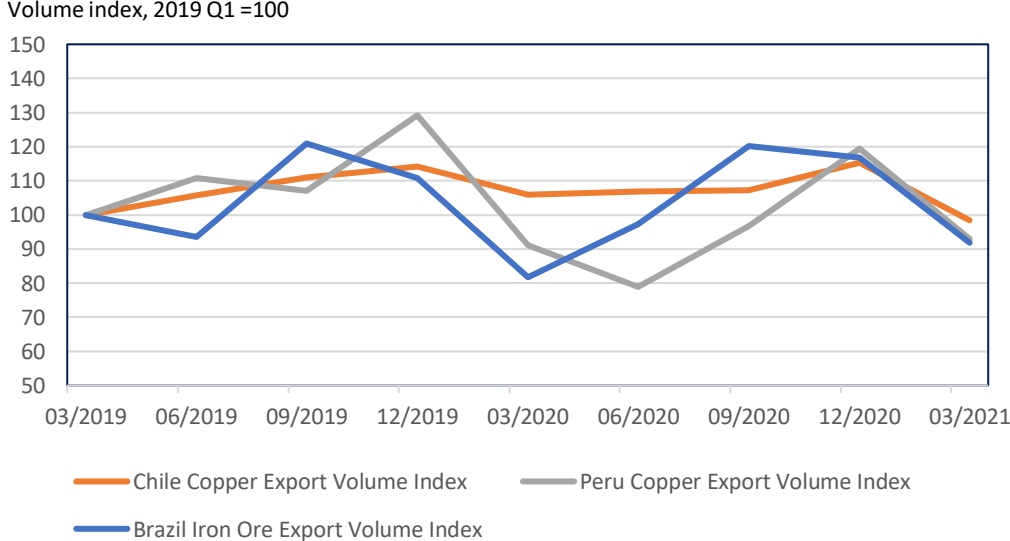
Supply chain pressures due to the Covid-disturbance

Resurgence of COVID-19 Hits Raw Material Exporters



Source: Our World in Data

Mineral Exports by Key Suppliers Declined in Q1

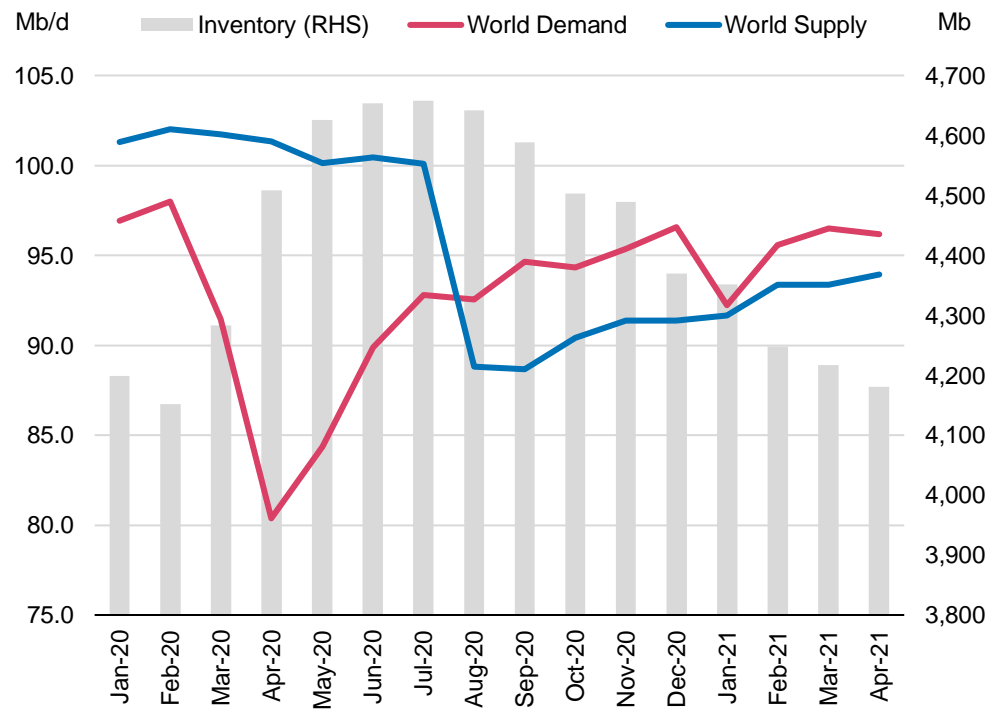


Source: CEIC; TCB



The rising COVID cases in India and Brazil negatively impacted oil demand recovery in the second quarter; the path remains wildly uncertain

Oil Market Dynamics



Source: EIA, IEA, OPEC

Total Demand May 2021 Forecast

mb/d	2020	1Q21	2Q21	3Q21	4Q21	2021	Growth
IEA	91.0	93.1	94.9	97.9	99.6	96.5	5.5
EIA	92.3	94.8	97.0	98.9	100.0	97.7	5.4
OPEC	90.5	93.3	94.8	97.8	99.7	96.5	6.0



Poll 2

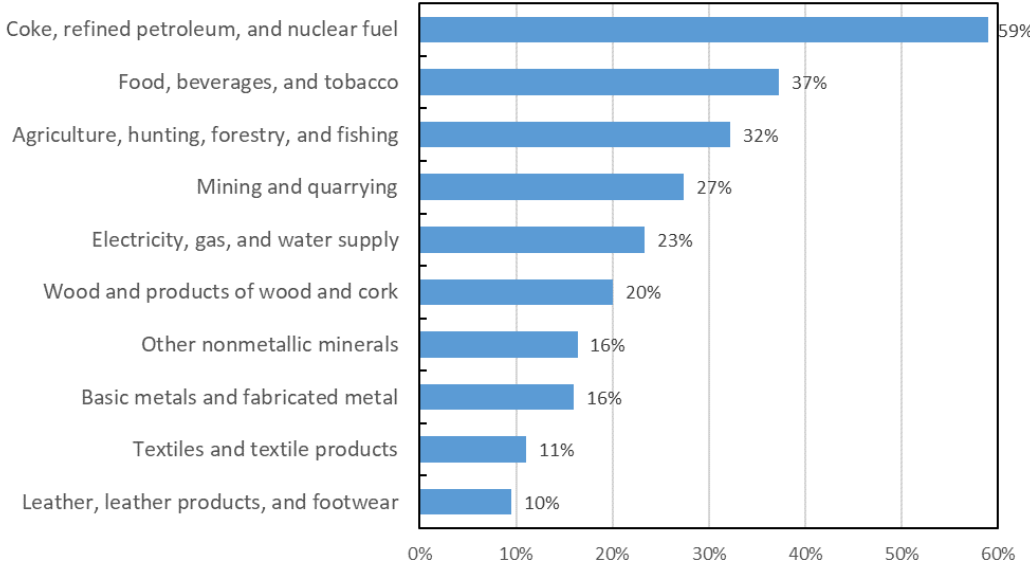
How big a problem for your business do you expect inflation to become over the next 12 months? – e.g. cost increases, margin compression, negative impacts on customer demand, supply shortages, etc.

- a. Really big
- b. Big
- c. Not too big
- d. I have no idea!

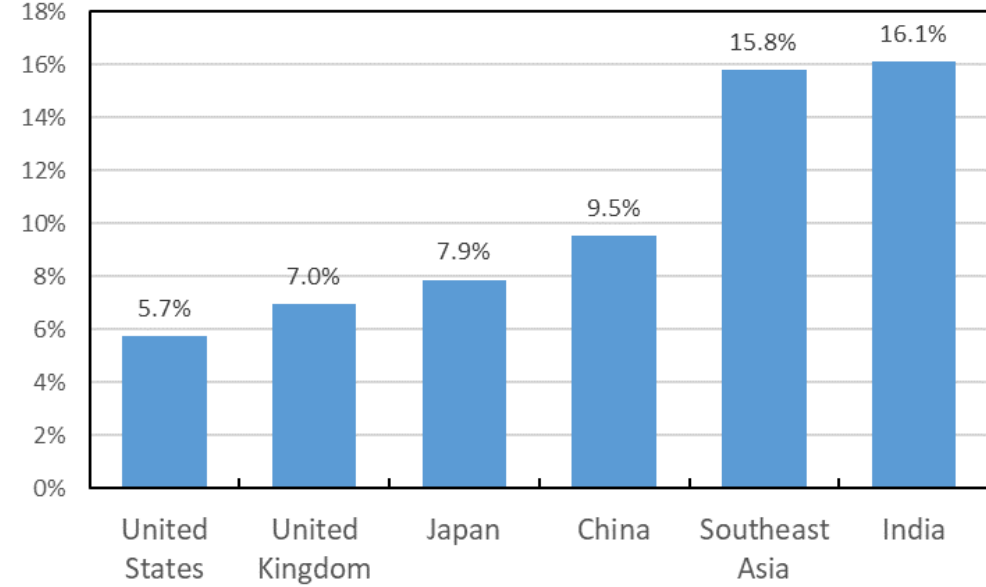


Rising commodity prices likely impacts on consumers and industries varies across regions

Top 10: Global: Commodity Inputs as a Share of Total Inputs, 2019



Spending on Food and Non-alcoholic Beverages, 2017 (% of consumption)

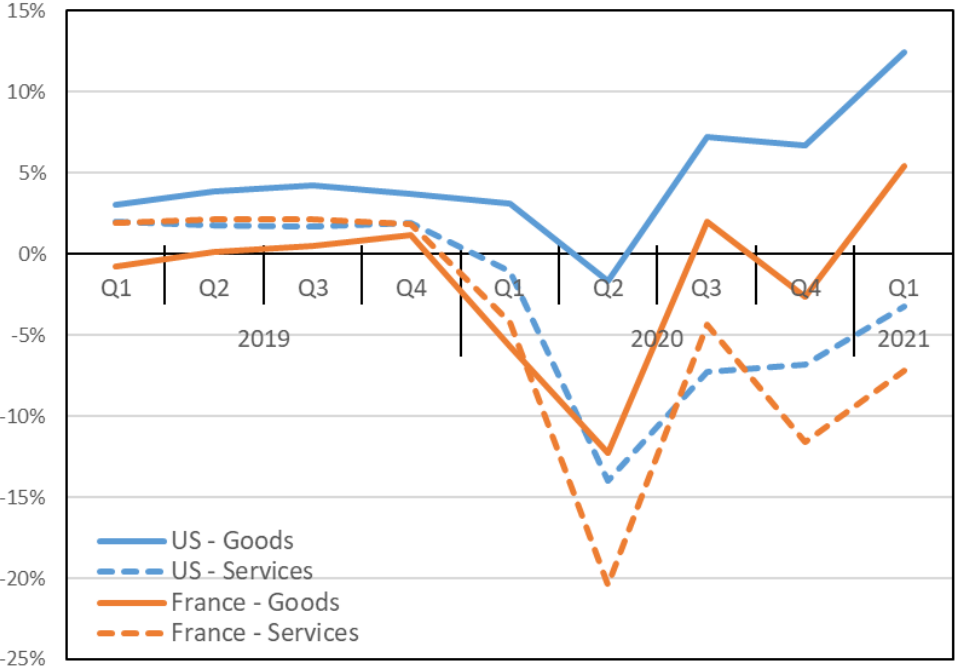


Notes: Commodity inputs refer to inputs sourced from the following industries: Agriculture, hunting, forestry, and fishing; Mining and quarrying.
 Source: Asian Development Bank Multi-Regional Input Output Tables; World Bank International Comparison Program (ICP); The Conference Board calculations



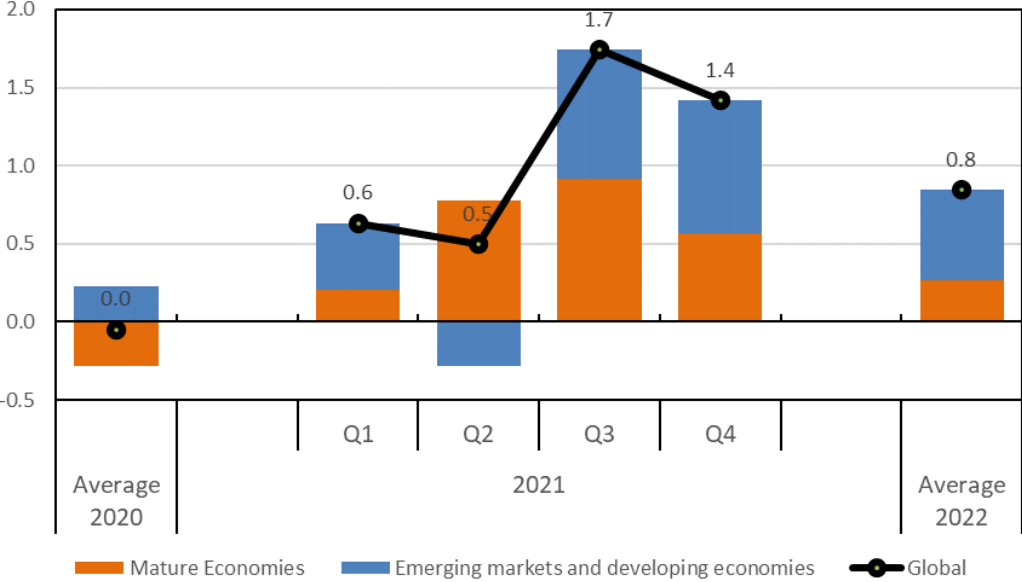
Global growth to pick up steam in the second half of the year as economies reopen

US and France: Real Household Consumption on Goods and Services (y/y % change)



Source: Haver analytics; The Conference Board calculations

Global GDP Growth Q/Q and Contributions (%)

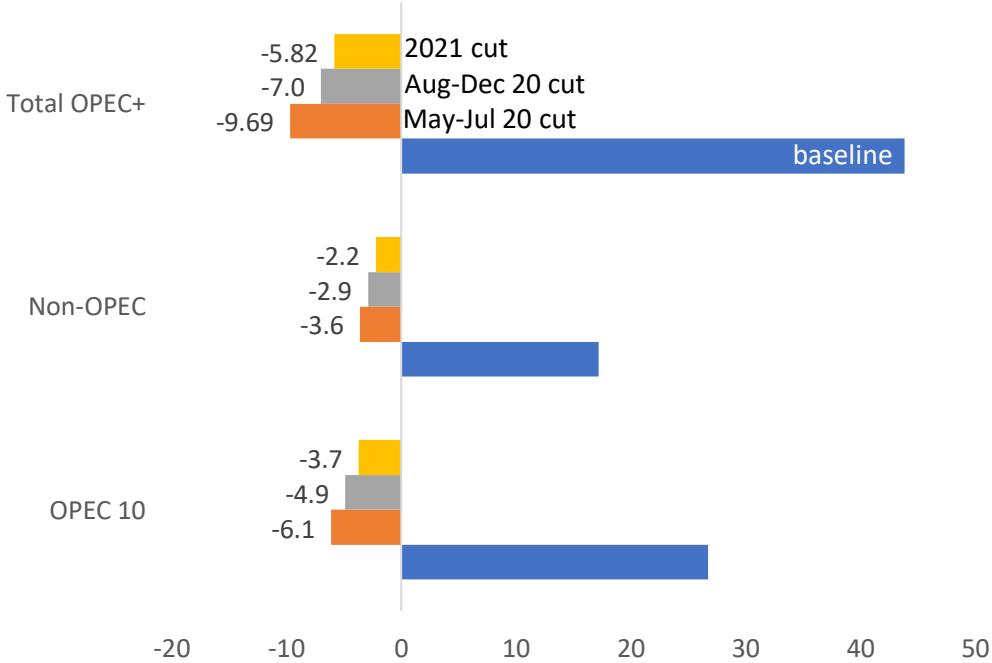


Source: The Conference Board, Global Economic Outlook, May 2021



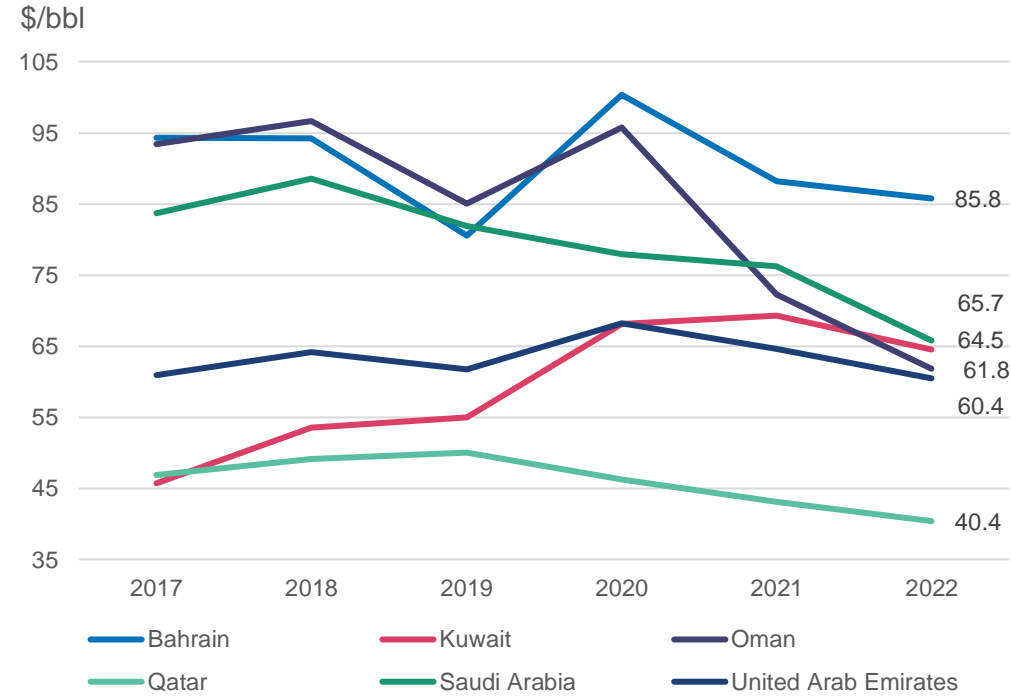
OPEC+ oil cuts helped support prices recover, but will it stall the return of pre-pandemic output in order to over control prices?

OPEC+ May 2020 Oil Cut Agreement



Source: OPEC

Breakeven Fiscal Oil Prices

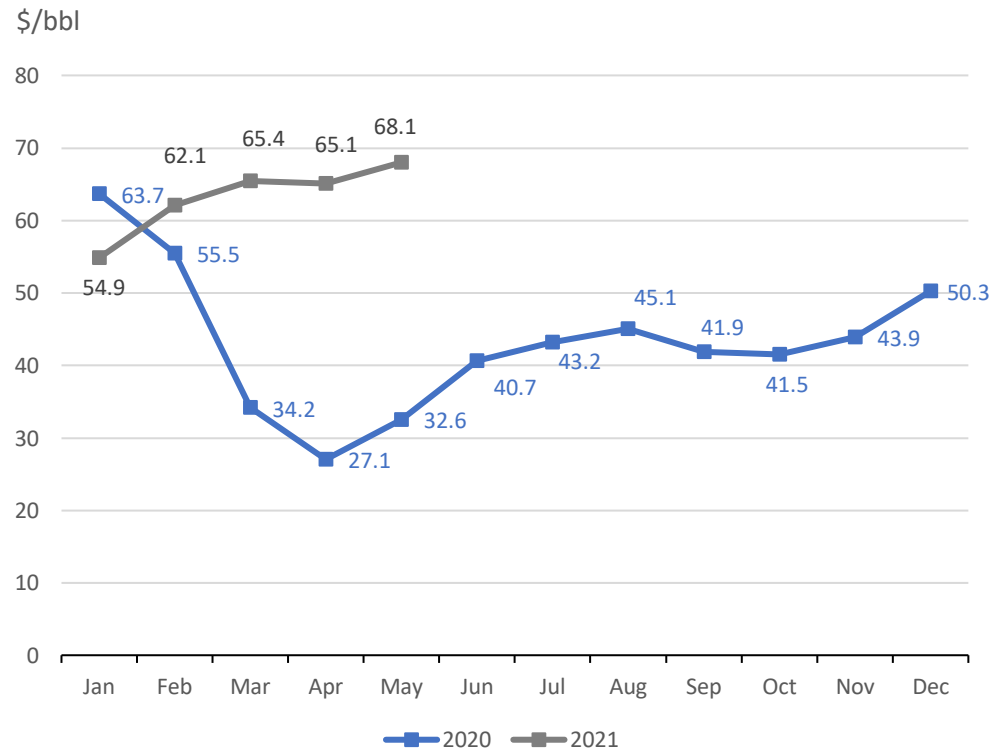


Source: IMF



Oil prices surpassed pre-pandemic level and are expected to peak by Q3 2021

Brent Prices 2021 vs 2020



Source: Haver Analytics

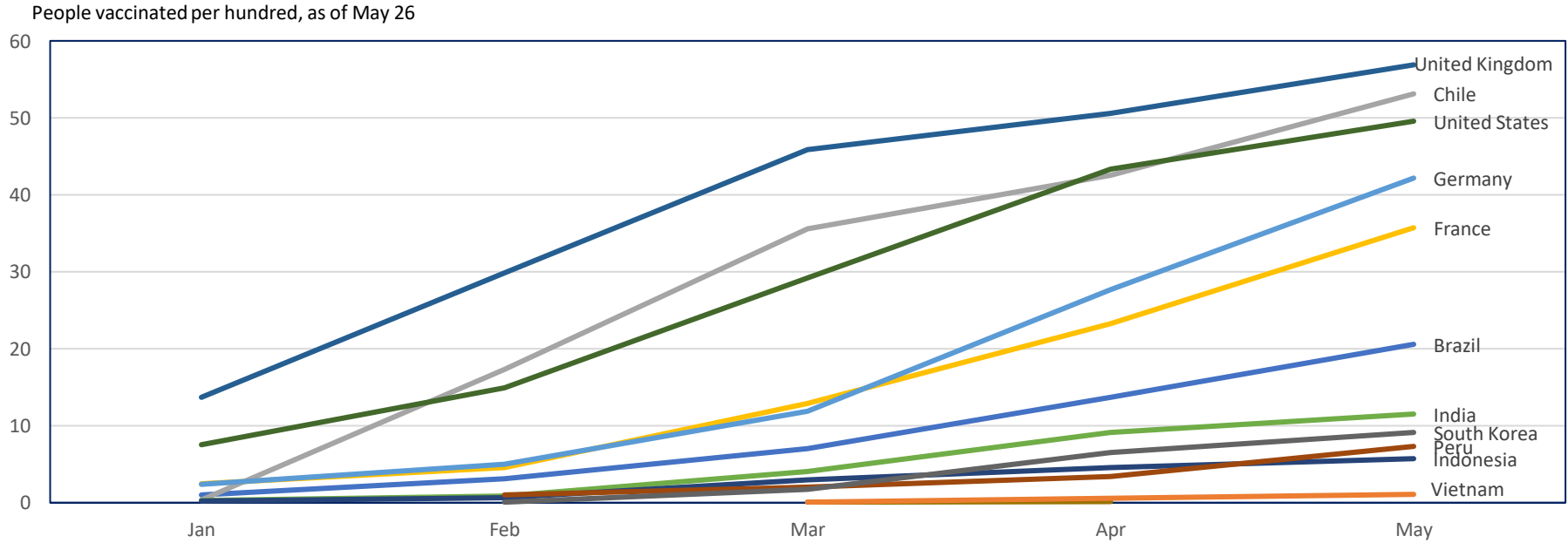
Downside risk to prices

- OPEC+ countries ramping up production faster than demand recovery
- Iranian oil coming to market
- India and Brazil rising COVID cases
- Possible new outbreaks



A cloudy outlook for supply: slow vaccination progress vs. abating Covid-impact on productions

Uneven vaccine distribution has exacerbated the imbalance in the economic recovery



Source: Our World in Data



Q&A

