

El Niño and Asia

The **Week Ahead** – 25 September 2026



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El Niño can cause drought, floods, heatwaves, water shortages, food insecurity and livelihood disruption across Asia-Pacific. By warming the central and eastern Pacific Ocean, El Niño alters rainfall, temperature and wind patterns across the region. In practical terms, this often means weaker monsoons, hotter growing conditions, lower reservoir levels and greater water stress in rice, sugar, palm oil, coffee, livestock and aquaculture systems. While some crops and geographic locations (e.g. South America) may benefit from better rainfall, Asia's major food staples and rural areas are generally more exposed to drought, heat and delayed planting.

We see the macroeconomic impact works through four main channels:

(1) **Growth:** El Niño affects gross domestic product (GDP) growth

through both direct and indirect channels. Agricultural output falls where rainfall and irrigation are inadequate, reducing farm incomes and rural consumption.

(2) **Inflation:** Inflation is the most visible macroeconomic consequence because food prices respond quickly to perceived shortages. Prices for staples with low short-term supply elasticity such as rice and sugar, or plantation crops like palm oil where drought affect yields, are particularly affected.

(3) **Monetary policy:** As food inflations surge, central banks need to tighten monetary conditions to pre-empt second-round inflation effects even as growth weakens. While higher rates do not create more food, they are necessary to curb domestic demand and keep inflation expectation in check.

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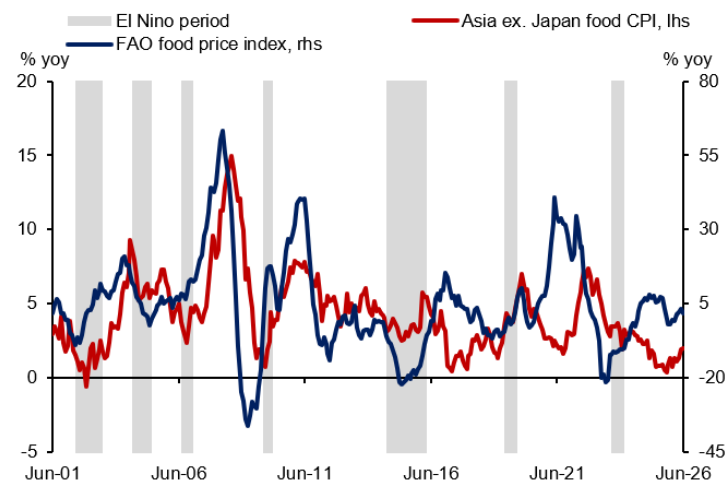
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(4) **Fiscal policy:** Governments face fiscal trade-offs: relief payments, irrigation support, food subsidies and import programs can cushion households, but they also raise budget costs and may crowd out longer-term climate adaptation investments. Fiscal authorities should protect vulnerable households and farmers but shift from broad subsidies to targeted support and long-term adaptation.

El Niño is unavoidable, but the scale of its economic damage is not. The best mitigation requires policy coordination: early-warning systems, transparent food-stock management, open regional trade, credible inflation communication and investments in water resilience.

On investment, we stay constructive on the macro conditions and markets of South Korea, Taiwan, Malaysia, Singapore and China/Hong Kong. These economies are less vulnerable to El Niño, the Middle East situation and higher U.S. policy rates when compared to other Asian peers, and benefit from the global artificial intelligence (A.I.) investment boom.

Asia ex. Japan food CPI inflation versus FAO food price index



Source: CEIC, Nomura, AllianzGI Global Economics & Strategy, as of September 2026

Note: FAO=Food and Agriculture Organization. To ensure consistency across Asia ex. Japan economies, we define food CPI as food excluding beverages and dining-out food/meals away from home. Asia ex. Japan food CPI inflation refers to the simple average of food CPI inflation across 10 Asia ex. Japan economies.

The coming week

In the U.S., September consumer confidence and August job openings data will be published on Tuesday.

Wednesday brings September private-sector employment and August headline and core personal consumption expenditure inflation. The final estimate of second-quarter gross domestic product and the September Chicago purchasing managers' index will be released on the same day as well. The week concludes on Friday with September non-farm payrolls, the unemployment rate and annual average earnings growth. The job-related data released in the week will be closely monitored by market participants as they reflect U.S. employment conditions.

In the Euro area, the European Commission's business climate, economic sentiment and services sentiment indicators for September will be released on Tuesday. The August unemployment rate is due on Thursday, followed on Friday by the September flash readings for headline and core inflation. Both the employment and inflation data will be closely watched to gauge the next move of the European Central Bank.

Upcoming political events 2026

- 1 Oct: EZB General meeting
- 4 Oct: BRA General elections
- 12–18 Oct: THA Worldbank Annual meeting
- 12–18 Oct: LVA Parliamentary elections

In Japan, the August services producer price index will be published on Monday. August retail sales and housing starts will be released on Wednesday. Thursday's third-quarter Tankan survey is expected to show the large manufacturers' index rising to 25 from 22 previously, while the large non-manufacturers' index is forecasted to ease slightly to 36 from 37 before. September Tokyo core inflation and the August unemployment rate are due on Friday.

In China, the official manufacturing purchasing managers' index for September will be released on Wednesday.

Wish you weather through market volatility and achieve great returns.

Christiaan Tuntono

Calendar Week 40

Day	Country	Indicator	Period	Consensus	Previous
Monday	JN	Service PPI	Aug	--	3.60%
Tuesday	EC	Business Climate	Sep	--	-0.22
	EC	Economic Sentiment	Sep	--	98.4
	EC	Services Sentiment	Sep	--	5.8
	UK	Mortgage Lending	Aug	--	4.292B
	US	CaseShiller 20 YY NSA	Jul	--	2.1%
	US	Consumer Confidence	Sep	--	89.4
	US	JOLTS Job Openings	Aug	--	7.271M
Wednesday	CN	NBS Manufacturing PMI	Sep	--	49.8
	GE	Retail Sales YY Real	Aug	--	-2.5%
	GE	Unemployment Chg SA	Sep	--	4k
	GE	Unemployment Rate SA	Sep	--	6.4%
	GE	CPI Prelim YY	Sep	--	2.90%
	GE	HICP Prelim YY	Sep	--	2.90%
	JN	Retail Sales YY	Aug	--	4.0%
	JN	Housing Starts YY	Aug	--	8.2%
	UK	GDP QQ	Q2	--	0.4%
	UK	GDP YY	Q2	--	1.2%
	US	ADP National Employment	Sep	--	38k
	US	Core PCE Price Index YY	Aug	--	3.3%
	US	PCE Price Index YY	Aug	--	3.7%
	US	GDP Final	Q2	--	1.5%
	US	Chicago PMI	Sep	--	47.1
Thursday	EC	Unemployment Rate	Aug	--	6.4%
	JN	Tankan Big Mf Idx	Q3	25	22
	JN	Tankan Big Non-Mf Idx	Q3	36	37
	JN	Tankan Small Mf Idx	Q3	11	9
	JN	Tankan Small Non-Mf Idx	Q3	15	15
	UK	S&P GLOBAL MANUFACTURING PMI	Sep	--	--
	US	ISM Manufacturing PMI	Sep	--	54.6
	US	ISM Mfg Prices Paid	Sep	--	71.1
	US	Initial Jobless Clm	21 Sep, w/e	--	--
Friday	EC	HICP Flash YY	Sep	--	3.2%
	EC	HICP-X F,E,A&T Flash YY	Sep	--	2.4%
	JN	CPI Tokyo Ex fresh food YY	Sep	--	1.8%
	JN	Unemployment Rate	Aug	--	2.4%
	US	Non-Farm Payrolls	Sep	--	162k
	US	Private Payrolls	Sep	--	127k
	US	Unemployment Rate	Sep	--	4.1%
	US	Average Earnings YY	Sep	--	3.1%

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.

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