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All Signal, No Noise

MARKET ANALYSIS

MNI Asia Pac Weekly Macro Wrap

15 August 2025 – By Jon Cavenagh, Jaime Grant, Maxine Koster, Stephen Petrie & Gavin Stacey

JAPAN

- Japan Q2 GDP beat expectations, aided by a stronger capex spending and modestly positive private consumption growth. The authorities remain cautious around the outlook, while recognising the continued recovery.

AUSTRALIA

- The RBA made the unanimous decision to cut rates 25bp to 3.60%, as expected, with a larger move was not discussed. Around another 75bp of easing is assumed in the updated staff forecasts which results in underlying inflation at around the 2.5% band mid-point from H2 2025.
- The July labour market data printed in line with consensus but also showed some normalisation in key data after June's deterioration. There was also a clear trend to more full-time jobs and hours signalling that demand was robust in the month.
- The Q2 WPI rose 0.8% q/q leaving annual inflation at 3.4% y/y after a recent trough at 3.2% in Q4 2024 and 4.1% in Q2 2024. Public sector quarterly wage gains outpaced the private sector for the third consecutive quarter. 2025 to date is showing some stabilisation in wage inflation.

NEW ZEALAND

- July NZ retail card transactions rose 0.2% m/m to be up 1.2% y/y, signalling a gradual recovery in nominal consumption. It has been trending higher since the March trough of -1.8% y/y. The RBNZ is likely to cut rates on August 20 as inflation is in the band and the economic recovery remains subdued.
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SHORT TERM RATES

- Interest rate expectations across the $-bloc were largely unchanged over the past week, despite several major data releases and a policy move by the RBA.

CHINA

- President Donald Trump extended a pause of sky-high tariffs on Chinese goods for another 90 days into early November, stabilizing trade ties between the world's two largest economies.
- The July release over the weekend for China's inflation data confirmed more of the same as deflationary pressures remain. July CPI release was 0.0%, from 0.1% in June and PPI was unchanged at -3.6%.
- July activity data, along with new loans, was weaker than forecast, casting a shadow over the early Q3 outlook.

SOUTH KOREA

- Korea's exports dropped 4.3 percent from a year earlier in the first 10 days of this month, due in part to sluggish shipments to the United States on an escalating tariff scheme.

ASIA

- The Bank of Thailand cut rates 25bp to 1.5% in line with consensus. the decision was unanimous as the MPC felt easing was needed to loosen financial conditions and thus support businesses and vulnerable groups, especially SMEs.

ASIA EQUITY FLOWS

- Taiwan inflow momentum slowed after a strong run in recent weeks. Indonesia flows have risen as the local benchmark rallied to fresh record highs.

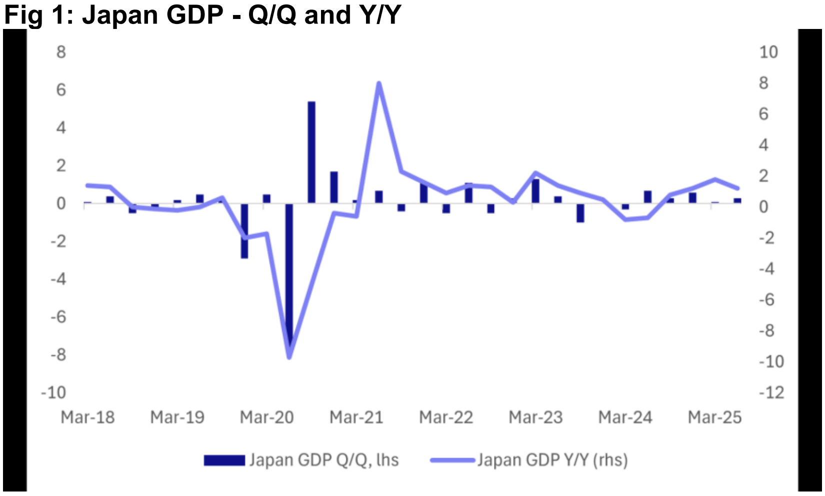
JAPAN

JAPAN DATA: Q2 GDP Beats, Aided By Strong Capex, Consumption Slightly Firmer:

Japan Q2 GDP was better than market expectations. Q/Q growth rose 0.3%, against a 0.1% forecast, while the Q1 outcome was revised up a touch to 0.1% from the original flat estimate. In terms of the detail, private consumption rose 0.2% q/q, versus 0.1% forecast, while Q1 was revised up to 0.2% (originally reported as 0.1%). Capex was up 1.3%, versus 0.7% expected (Q1 was revised down 0.1% to a 1.0% gain). Net exports contributed 0.3% to growth (0.1% was forecast), while inventories took 0.3% off growth, in line with forecasts. Nominal GDP rose 1.3%q/q, a touch below market forecasts of 1.4%.

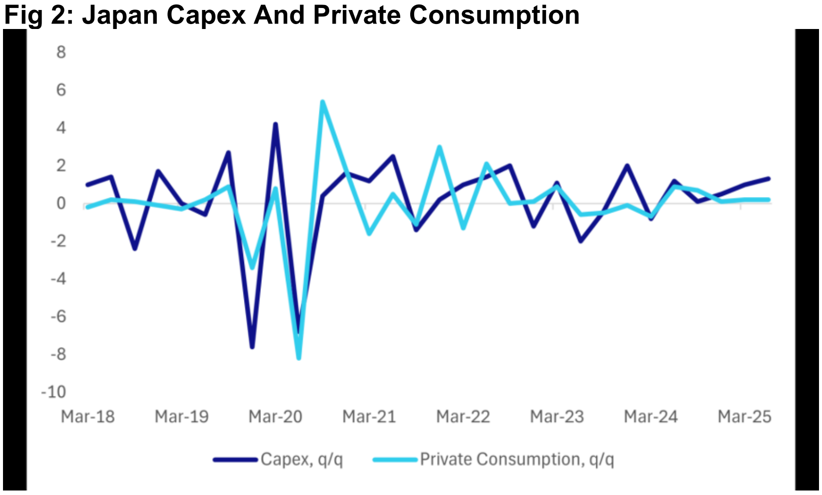
* The chart below plots the q/q and y/y profile for Japan GDP. Whilst not a surging picture, there were some concerns over H1 growth, particularly after Q1 printed negative in q/q terms (on an annualized basis).
* There will be caution around the H2 outlook given tariff levels, but Japan's deal with the US was seen as avoiding a worse case scenario outcome (per a recent Rtrs survey).
* The same survey noted the deal outcome didn't impact the capex outlook, which remains a firm source of growth for Japan, see the second chart below.
* Whilst consumption has been slightly stronger than forecast the authorities will be aiming for improving trends via continued wage gains over the next 12 months.

Fig 1: Japan GDP - Q/Q and Y/Y



Source: Bloomberg Finance L.P./MNI

Fig 2: Japan Capex And Private Consumption



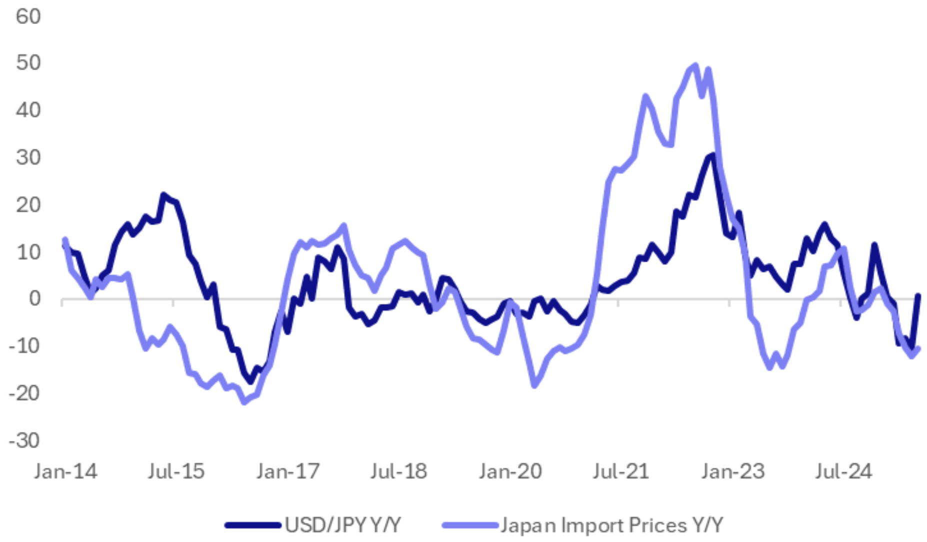
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Import Prices Up For First Month Since Jan, Y/Y Still Negative

For July, export and import prices both rose in m/m terms. Export prices were up 1.6%, while import prices were up 2.4%m/m. For import prices this was the first m/m rise since January of this year. In y/y terms, both export and import prices were still in negative territory, but up from the June levels. Export prices were -5.4%y/y, while imports were -10.4%.

- The chart below plots y/y changes in USD/JPY versus import prices y/y. To end July USD/JPY was up a touch in y/y terms. If current spot levels prevail, (currently around 147.80), USD/JPY will remain positive in y/y terms to end September (note USD/JPY was 152.03 end Oct last year).
- This implies some upside to import price y/y momentum in the near term, albeit fairly modestly. If USD/JPY holds around current level to end September, we would be up +2.9% in y/y terms.

Fig 1: Japan Import Prices & USD/JPY, Y/Y



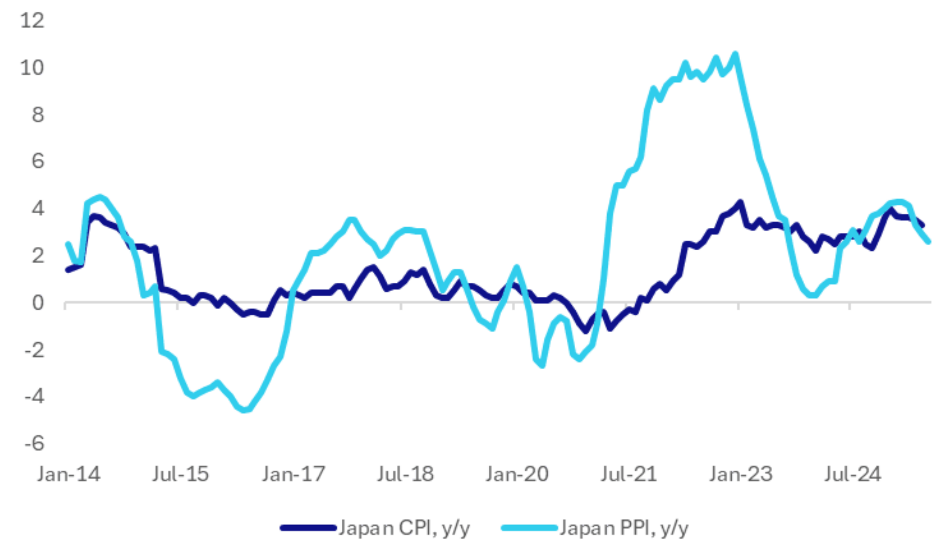
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: July PPI In Line, Suggests Further Moderation In Headline Y/Y CPI

Japan's July PPI was close to expectations. The m/m outcome printed at +0.2%, in line with expectations, while the June outcome was revised to 0.1%m/m (originally reported as -0.2%). In y/y terms we printed at 2.6%, versus 2.5% forecast and 2.9% prior.

- The chart below plots the headline PPI y/y, versus the National CPI, also in y/y terms. At face value it implies some further softening in y/y CPI momentum for July. Note that this print comes out on August 22nd.
- In terms of the detail, manufacturing was up 0.2%, while some commodities, most notably petroleum, coal, rose for the first time in a number of months (+1.8%)
- The data is unlikely to shift near term BoJ thinking around wait and see mode from a policy standpoint.

Fig 1: Japan PPI & CPI, Y/Y



Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Local Investors Buy Offshore Bonds, Overseas Investors Buy Equities :

Japan outbound flows last week saw local investors buy overseas bonds, ending a two week run of net selling for this segment. Cumulative outflows to overseas bonds remain strongly positive in recent months, but in recent weeks aggregate flows have been more modest compared to the first half of July. Local investors continued to sell overseas equities, albeit at a lower pace compared to the prior week.

* In terms of flows into Japan, we saw net buying from offshore investors for the first time in 4 weeks. Cumulative inflows into this space are only marginally positive going back to the start of May. JGB yields remain elevated, with the 10yr still eyeing a test above 1.60%. Fiscal concerns remain, with sentiment at longer dated JGB auctions still skittish.
* Offshore investors bought local stocks for the seventh straight week. The recent break higher in headline equity indices for Japan may be aiding momentum in this space.

Table 1: Japan Weekly Offshore Investment Flows

Billion Yen	Week ending Aug 8	Prior Week
Foreign Buying Japan Stocks	489.3	193.9
Foreign Buying Japan Bonds	733.2	-92.7
Japan Buying Foreign Bonds	254.9	-527.0
Japan Buying Foreign Stocks	-225.5	-752.1

Source: Bloomberg Finance L.P./MNI

AUSTRALIA

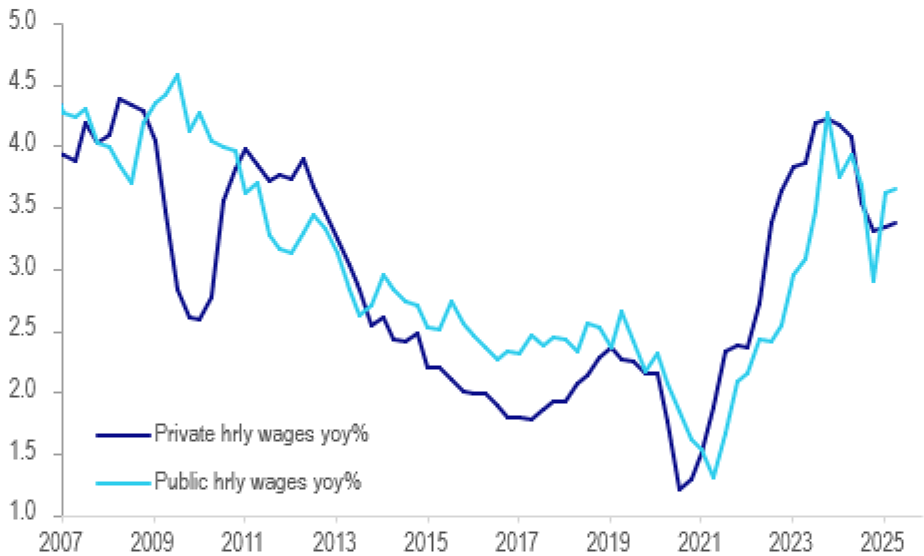
RBA: MNI RBA Review-August 2025: Target Achieved With More Cuts

- The RBA made the unanimous decision to cut rates 25bp to 3.60%, as expected, with a larger move was not discussed.
- Around another 75bp of easing is assumed in the updated staff forecasts which results in underlying inflation at around the 2.5% band mid-point from H2 2025. Thus, more rate cuts are likely going forward dependent on the data developing broadly as the RBA expects
- Governor Bullock said that the Board continues to take things at a "measured pace". While, she didn't rule out "back-to-back cuts", the next rate reduction is likely to again coincide with the Statement on Monetary Policy, which will be on November 4.
- RBA-dated OIS pricing has a 25bp rate cut in September is given a 37% probability, with a cumulative 52bps of easing priced by year-end.
- Download Full Report Here

AUSTRALIA DATA: Public Pay Growth Outpacing Private Sector

The Q2 WPI rose 0.8% q/q leaving annual inflation at 3.4% y/y after a recent trough at 3.2% in Q4 2024 and 4.1% in Q2 2024. Public sector quarterly wage gains outpaced the private sector for the third consecutive quarter at 1.0% q/q compared with 0.8%. Public wage growth is now up 0.1pp to 3.7% y/y, while private was 3.4% y/y. The RBA had forecast 3.3% for Q2 and in its August projections is expecting the WPI to trend lower to around 3% by Q2 2026. 2025 to date is showing some stabilisation in wage inflation.

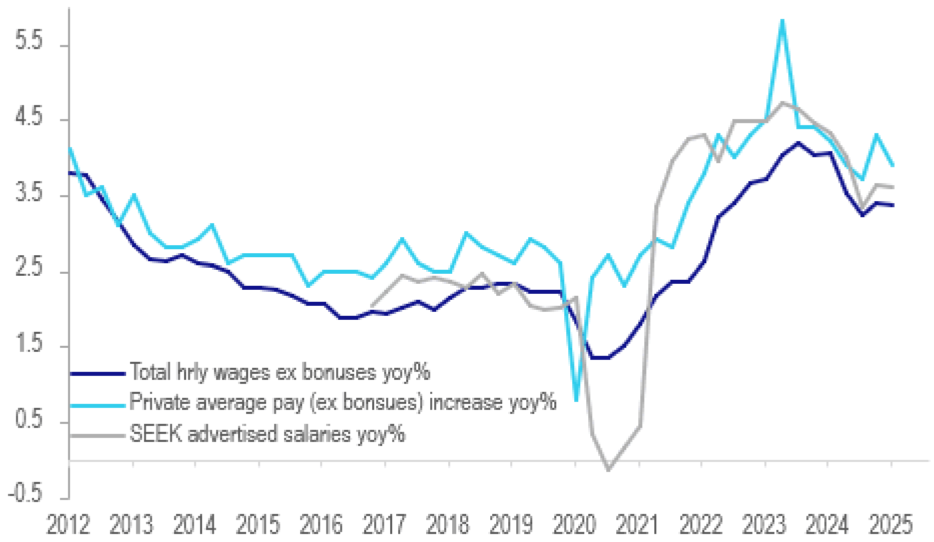
Australia private vs public wages ex bonuses y/y%



Source: MNI - Market News/ABS

- The share of large pay rises, above 4%, has declined substantially over the last year at 25% after 46% in Q2 2024.
- Private sector average wage rises in Q2 were 3.9% down from 4.2% a year ago. The share of employees receiving an increase was little changed at 12% compared to 11%.
- In the public sector, the share was 20% after 19% in Q2 last year with the average rise 3.5% down from 3.8%.
- SEEK advertised salaries rose 0.8% q/q in Q2, in line with the WPI result. Annual growth has trended lower since peaking at 4.9% y/y in September 2023 and was 3.5% in June this year.
- 55% of pay increases were covered by individual agreements. Awards tend to see changes scheduled for July 1, which will impact the Q3 data. The minimum wage rose 3.5% on July 1.

Australia wages ex bonuses y/y%

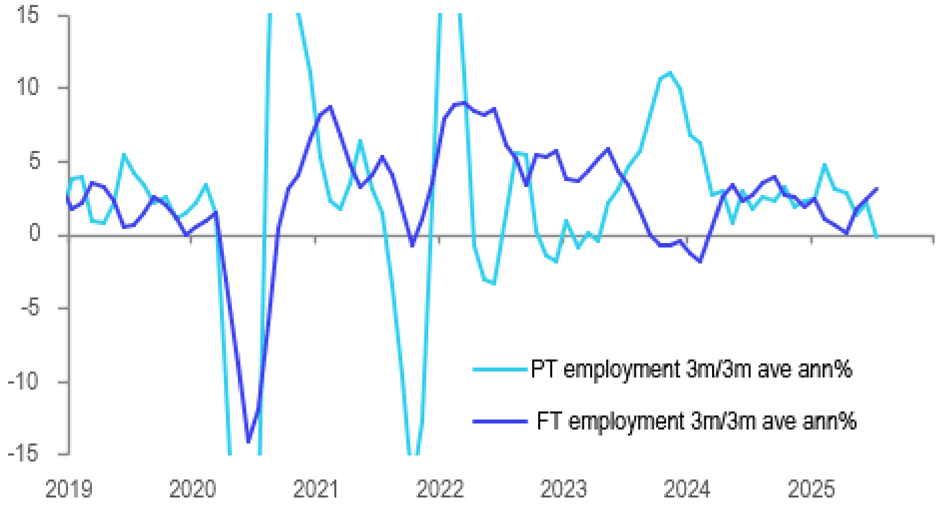


Source: MNI - Market News/ABS/SEEK

AUSTRALIA DATA: July Sees Some Normalisation In Labour Indicators

The July labour market data printed in line with consensus but also showed some normalisation in key data after June's deterioration. There was also a clear trend to more full-time jobs and hours signalling that demand was robust in the month. While "labour market conditions remain a little tight", as the RBA said in its August statement, they didn't appear to ease further in July.

Australia employment 3m/3m average annualised %



Source: MNI - Market News/ABS

- Employment rose 24.5k last month with the full-time component (FT) up 60.5k, the largest monthly gain since February 2024, while part-time (PT) fell 35.9k. The data can be volatile but the 3-month sum is consistent with this split at +63.7K and -41.1k respectively.
- Employment growth moderated to 1.8% y/y from 2% but FT rose to 1.9% from 1.7% while PT slowed to 1.8% from 2.7%. FT 3-month momentum picked up to its highest since September.

- Hours worked rose 0.3% m/m after declining 0.9% in June with FT up 0.7% but PT down 1.5%. Growth in total hours was stable at 2.1% y/y, while it picked up to 2.3% for FT but slowed to 1.1% for PT. Consistent with this underemployment fell back to May's rate.
- The unemployment rate dropped 0.1pp to 4.2%, as expected, but it was in the high 4.2s. The RBA expects it to peak at 4.3% in H2 and then remain there. Growth in the number of unemployed moderated to 3.1% y/y from 9.6%.
- YTD labour force numbers are up 162k while job gains are 113.3k and as a result the unemployment rate is slightly higher. While the employment/population and participation rates are off the January highs, they remain elevated signalling that the economy is still able to absorb most people into the jobs market.

Australia unemployment rate %

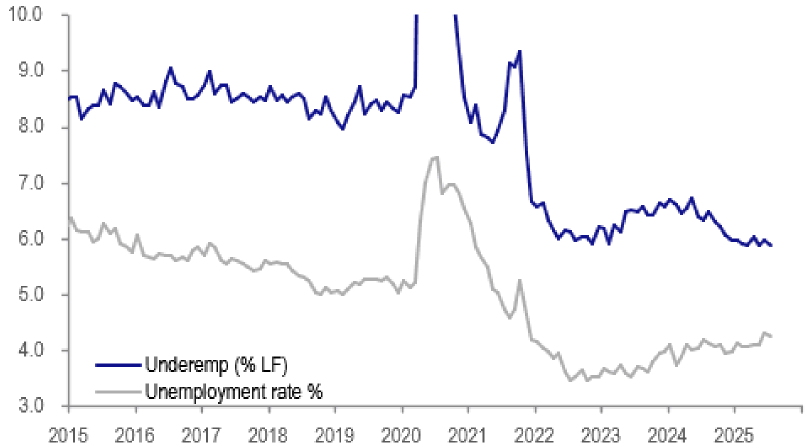
Source: MNI - Market News/ABS

AUSTRALIA: Some Indicators Signal Stabilisation In Labour Market Easing

The RBA eased its language regarding the labour market in its August meeting statement with conditions now "a little tight". In July, Governor Bullock spoke about the bank's dual mandate which includes full employment and showed some of the other jobs-related data that it follows. They show that the labour market has eased from the 2022-23 heights but may now be stabilising with some indicators still tighter than average.

- One indicator that hasn't shown an easing in the labour market is the underemployment rate which in July fell 0.1pp to 5.9% and has been just under the 2022 low on average this year. A pick up in underemployment would signal a weakening in labour demand resulting in people not working as much as they'd like.

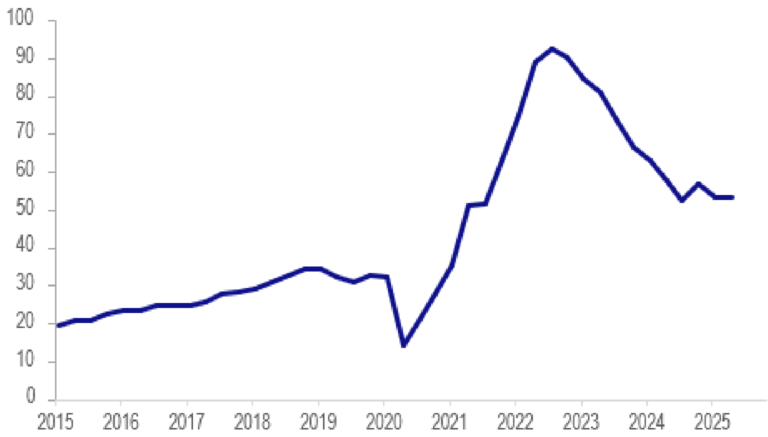
Australia underutilisation %



Source: MNI - Market/ABS

- Growth in hours worked has eased and was up 2.1% y/y in July down from January's 3.6% but momentum in full-time hours is recovering suggesting solid labour demand. It is easier for firms to adjust hours than change headcount and so the trend could reflect current elevated uncertainty.
- Bullock noted that the "quit rate" had returned to around pre-pandemic rates, also a sign of labour market easing. It tentatively appears to have stabilised around this level.
- The NAB business survey measure of labour shortages remains above the series average but continued to moderate over H1 2025.
- Vacancies-to-unemployment appears to have troughed in Q3 2024 and has been moving sideways since. It is down almost 40pp since its 2022 high of around 92% but remains about 15pp above the historical average.

Australia vacancies/unemployment %

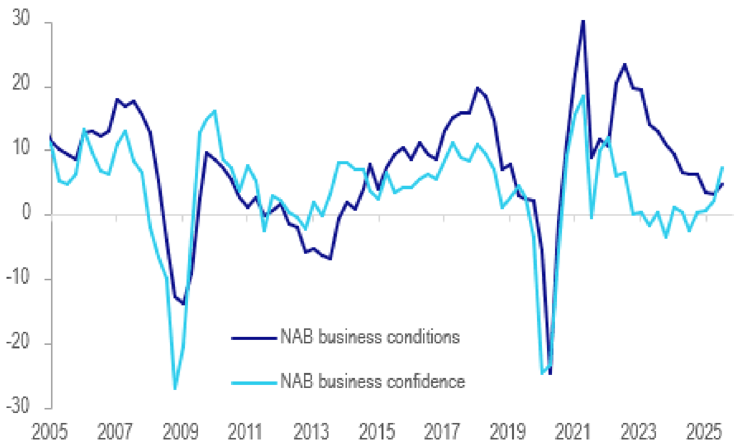


Source: MNI - Market News/LSEG

AUSTRALIA DATA: Business Outlook May Have Turned

NAB's measure of business confidence can be volatile but it has been trending higher since April and printed at 7 in July up from 5 in June and -2 in March signalling an improvement in how firms see the outlook. Business conditions moderated to 5, but are still above every month this year except June, which was revised down 2 points to 7. The activity components moderated in July but generally remained at levels above May.

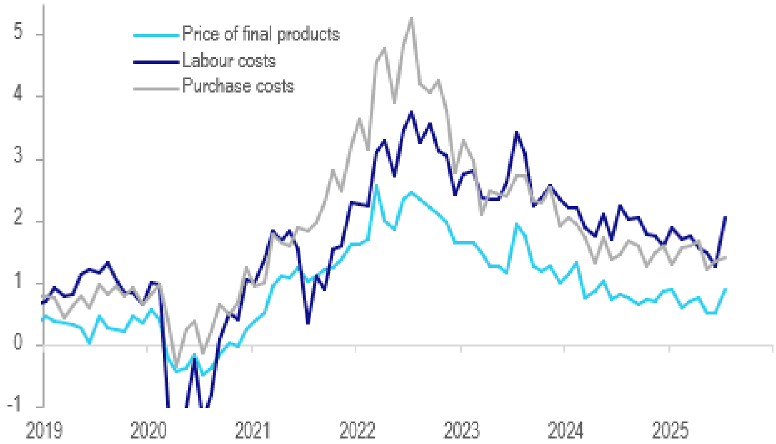
Australia NAB business confidence vs conditions



Source: MNI - Market News/LSEG

- The July price/cost components of the survey were consistent with other indicators suggesting that disinflation may have stabilised. Labour costs rose 2.1% 3m/3m but this measure usually picks up in July due to wage increases, including the minimum wage, scheduled for the July 1 start to the financial year. But prices of final products rose 0.9% 3m/3m, highest in over a year, and retail prices were up 1.1%. Purchase costs increased 1.4%, the highest in 3-months.
- After picking up to 3.6 in June, employment moderated back to 1.4 in July below the 2.7 series average. It has been trending down signalling lower labour demand. July jobs data print on Thursday and consensus is forecasting a 25k increase and 0.1pp drop in the unemployment rate to 4.2%.
- Forward orders continued to hover around neutral at -0.2 in July after +0.2 but above the -3.3 average of the last 24 months. Exporters sales were weak at -3.6 following June's -3.1.

Australia NAB business prices/costs 3m/3m%



Source: MNI - Market News/LSEG

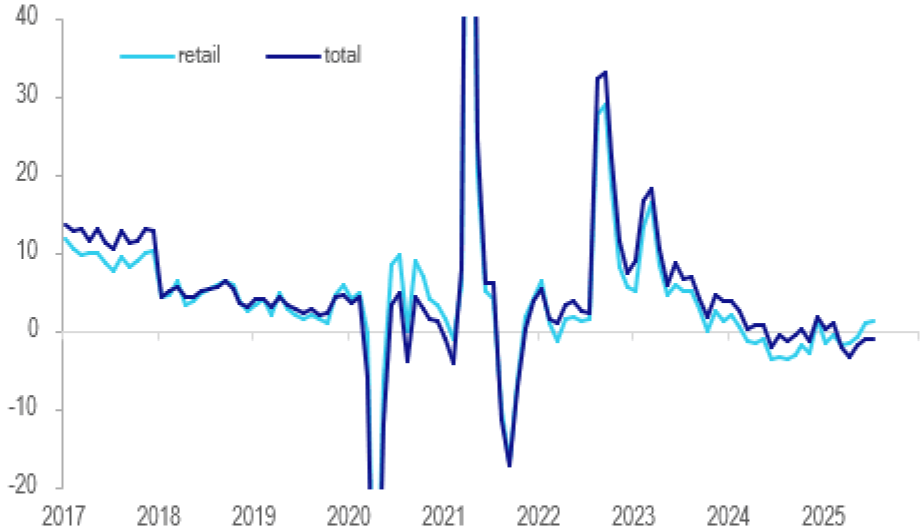
NEW ZEALAND

NEW ZEALAND: Gradual Recovery In Retail Card Spending

July NZ card transactions rose 0.6% m/m, the highest monthly increase this year, but the annual rate is still down 1.0%. Retail spending was up 0.2% m/m rising 1.2% y/y, signalling a gradual recovery in nominal consumption. It has been trending higher since the March trough at -1.8% y/y. The RBNZ is likely to cut rates on August 20 as inflation is in the band and the economic recovery remains subdued, and the July card data was consistent with this.

- While total retail spending rose slightly on the month, the core was close to flat. Statistics NZ noted that consumables transactions rose 0.5% m/m, while vehicles ex fuel jumped 5.2%. Apparel fell 1.9% and durables -0.8%.
- Non-retail ex services expenditure increased 1.6% m/m but services only 0.3%.

NZ card spending y/y%



Source: MNI - Market News/LSEG

NEW ZEALAND: Food Prices Up 5%y/y In July, Fuel, Travel & Accommodation Up M/M :

For July, New Zealand food prices rose 0.7%m/m, after June's +1.2% gain. Food prices are now up 5.0% y/y. Stats NZ noted: "Higher prices for the grocery food group, up 5.1 percent, contributed the most to the annual increase in food prices. The price increase for the grocery food group was due to higher prices for milk, butter, and cheese."

* Other monthly inflation components were up in July. Rents rose 0.1%, while electricity and gas also posted rises. Petrol and diesel prices also firmed (+1.2% and 2.3%m/m respectively). Air travel was also up firmly, along with accommodation services (+3.0%m/m).
* In y/y terms, trends were mixed, electricity and gas prices up over 10%, while fuel remained negative. Accommodation services are now +13.9%y/y.
* The utility strength in y/y terms fits with the RBNZ view around stronger headline inflation pressures in the near term.
* The strength in food and accommodation prices are likely to be watch points in terms of spill over risks to other parts of the economy.

NEW ZEALAND: PMI Bounces Strongly In July, Back In Expansion Territory :

The July BNZ manufacturing PMI rose to 52.8, from a revised 49.2 outcome in June (originally reported as 48.8). This puts the index back to March levels, with Feb's read of 54.0 the recent cycle high for the index. We did get as a low as 47.4 in May, so at face value this is a decent recovery in the index.

* In terms of the detail, production rose to 53.6 from 49.6, while new orders printed at 54.2 versus 51.8 prior. The employment sub index edged up to 50.1 from 48.0 (but this sub index is still below earlier 2025 highs).
* The chart below plots the PMI versus NZ GDP in y/y terms. BNZ noted: "Given the prevailing headwinds it is, perhaps, even more encouraging that the PMI has moved back into expansion": BNZ senior economist Doug Steel. PMI "simply had to lift to provide us with any confidence that the recovery we are forecasting will happen" (via BBG).
* Note next week we have the RBNZ decision, a 25bps cut is expected. The central bank has highlighted softer survey outcomes as a concern around the economic recovery, so today's result will help at the margin on this front.

Fig 1: NZ PMI Versus GDP Y/Y

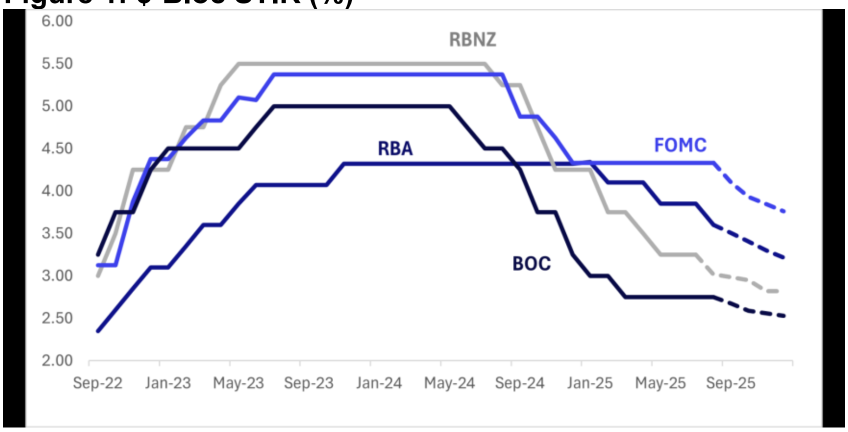
Source: BNZ/Business NZ/Bloomberg Finance L.P./MNI

SHORT-TERM RATES $-Bloc Markets Showed Little Net Change Over Past Week:

Interest rate expectations across the $-bloc were largely unchanged over the past week, despite several major data releases and a policy move by the RBA.

* In the US, July CPI and PPI data pulled market pricing in opposite directions. Softer CPI figures initially allowed markets to fully price in a 25bp Fed cut in September. However, that view was swiftly unwound after yesterday's hotter-than-expected PPI report (headline +0.9% M/M vs. +0.2% expected), challenging the post-CPI narrative that tariff effects were proving less severe than feared.
* In Australia, the RBA delivered a widely anticipated 25bp rate cut, bringing the cash rate to 3.60%. The Bank noted that inflation is continuing to moderate toward its 2-3% target, with trimmed-mean inflation at 2.7% and headline at 2.1% in Q2. Domestic demand is gradually improving, household incomes have risen, and while labour market conditions are easing, they remain relatively tight. Having cut rates by a cumulative 75bps this year, the Board signalled a cautious stance-remaining alert to global and domestic risks while keeping its dual focus on price stability and full employment.
* Looking ahead, the next key regional event is the RBNZ decision on August 20. 23bps of easing is priced for this meeting, with a cumulative 42bps by November 2025.
* Looking ahead to December 2025, current market-implied policy rates and cumulative expected easing are as follows: US (FOMC): 3.76%, -57bps; Canada (BOC): 2.53%, -22bps; Australia (RBA): 3.21%, -39bps; and New Zealand (RBNZ): 2.82%, -43bps.

Figure 1: $-Bloc STIR (%)



Source: Bloomberg Finance LP / MNI

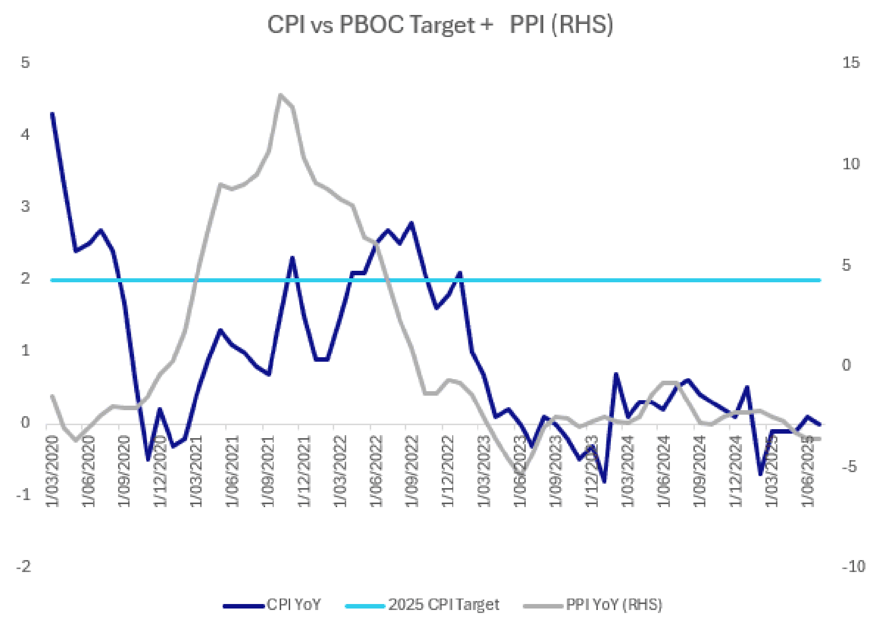
CHINA

CHINA: US Tariff Pause for 90 Days

- President Donald Trump extended a pause of sky-high tariffs on Chinese goods for another 90 days into early November, stabilizing trade ties between the world's two largest economies. Trump signed an order extending the truce through Nov. 10, deferring a tariff hike set for Tuesday. The de-escalation first took effect when the US and China agreed to reduce tit-for-tat tariff hikes and ease export restrictions on rare earth magnets and certain technologies. (source BBG)
- US President Donald Trump signed an executive order extending a tariff truce with China by another 90 days, a White House official said on Monday, hours before trade truce between Washington and Beijing was due to expire on Tuesday. (source China Daily)
- Three major Chinese financial institutions have announced coordinated measures to simplify account-opening procedures for overseas central banks and similar institutions, in a move aimed at optimizing China's bond market. The key institutions will no longer require a compliance commitment statement for account openings under both the Bond Connect and settlement agency models, according to official statements.
- The changes are expected to improve efficiency and convenience for foreign central banks and monetary authorities, while further advancing the internationalization of China's bond market, Securities Times reports (source BBG).

CHINA: Deflationary Pressures Remain in China

- The July release over the weekend for China's inflation data confirmed more of the same as deflationary pressures remain.
- China's July CPI release was 0.0%, from 0.1% in June.
- The July PPI release was -3.6%, in line with June's -3.6%. PPI has not produced a positive print since September 2022.
- The PBOC (People's Bank of China) has set a CPI (Consumer Price Index) inflation target of around 2% for 2025. This target was reaffirmed at the National People's Congress in early March, alongside a real GDP growth target of around 5%. Whilst the 1Q and 2Q GDP remain on target (2Q GDP printed at +5.2%) CPI continues to lag.
- The government is ramping up the 'anti-involution' approach aimed at curbing the price wars. It is currently viewed as one of the critical issues for the economy. The campaign is aimed at curbing intense, often unproductive, competition, particularly in industries with overcapacity, leading to price wars and declining profits. The campaign seeks to promote healthier competition, improve product quality, and enhance overall economic stability.



source: Bloomberg Finance LP / MNI

CHINA: Plans Afoot To Subsidize Consumer Loans

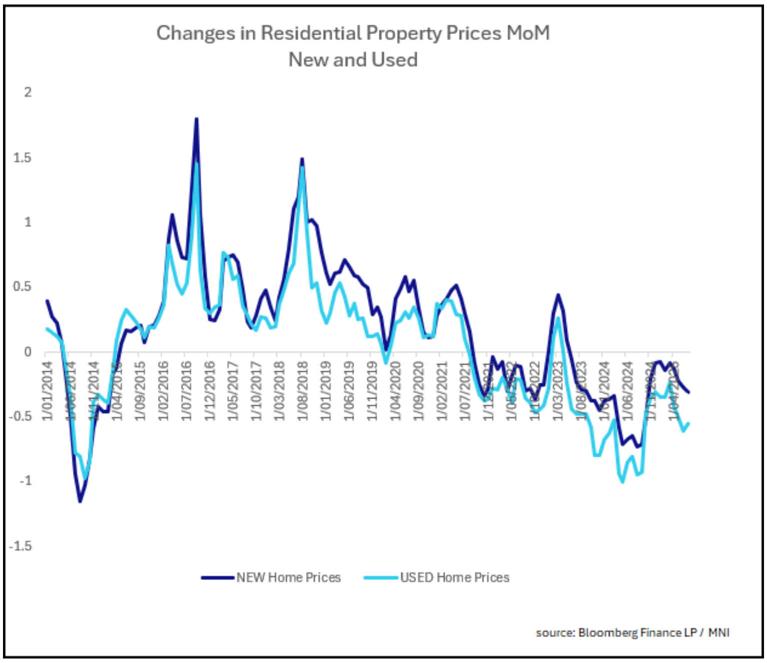
- China plans to subsidize interest payments on eligible personal consumer loans from Sept. 2025 to Aug. 2026, according to a statement from the Ministry of Finance. Subsidy applies to loans under 50,000 yuan for consumption, and designated big-ticket items over 50,000 yuan — including autos, education, and healthcare. China's consumer loan interest subsidy program is expected to support a recovery in lending, especially for operating loans in the consumer services sector, while benefiting major banks and enhancing their market share, according to analysts from brokerages including China Merchants Securities. (source BBG)
- President Xi Jinping and Brazilian President Luiz Inacio Lula da Silva have expressed their opposition to unilateralism and protectionism, and pledged to promote the greater development of bilateral ties. In a phone conversation between the two heads of state on Tuesday, Xi told Lula that China is ready to work with Brazil to set an example of unity and self-reliance among major countries of the Global South, and to jointly build a more just world and a more sustainable planet. (source China Daily)

CHINA: Credit Supply Sufficient Per PBOC

- China has allocated 188 billion yuan ($25.9 billion) from its 2025 ultra-long special treasury bond funds to support equipment upgrades across major economic sectors, the National Development and Reform Commission (NDRC) advised. The funds will support about 8,400 projects in industry, energy equipment, power, transportation, logistics, environmental infrastructure, education, culture and tourism, healthcare, elevators in aging residential buildings, electronics, agriculture, grain and oil processing, workplace safety and recycling, leveraging more than 1 trillion yuan in total investment. (source Global Times)
- The overall credit supply is sufficient to effectively meet the financing needs of the real economy. Data released by the People's Bank of China on August 13 showed that at the end of July, the scale of social financing and the growth rate of broad money (M2) both remained at a high level, providing a suitable monetary and financial environment for the real economy and reflecting a moderately loose monetary policy orientation. Experts say that in the first half of the year, the People's Bank of China introduced a package of monetary policies, which effectively supported the recovery of the real economy. The effects of these policies will become more apparent and continue to be released, providing strong support for achieving the annual economic and social development goals and tasks. (source China Securities Journal)

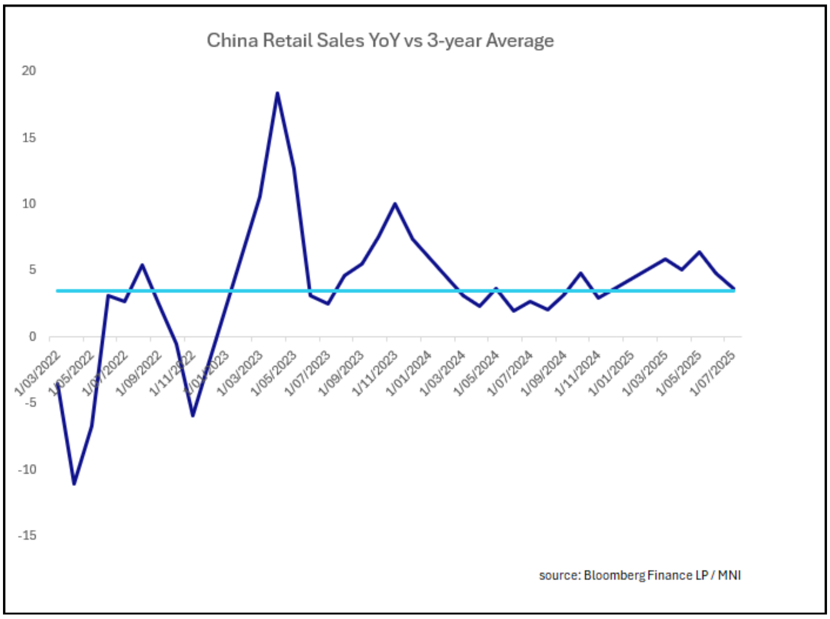
CHINA DATA: No Change in Trend for House Prices in July:

* The deflationary pressure seen in new and used home prices showed no sign of abating in the July release.
* New home prices fell further for both new and used homes.
* New prices were down -0.31% in July, from -0.27% in June.
* New home prices -3.37% YoY vs -3.69% in June and rose in 6 cities MoM, 5 cities YoY vs 14 cities MoM and 3 cities YoY in June.
* Beijing new home prices unchanged for July; down -3.6% YoY and Shanghai new home prices +0.3% for July; up +6.1% YoY.
* Used home prices were down -0.55% in July, from -0.61% in June.
* Used home prices down -5.85% YoY vs -6.09% in June and rose in 1 city MoM vs 1 in June.
* Beijing existing home prices -1.1% for July and down -2.9% YoY and Shanghai existing home prices down -0.9% for July and down -2.2% YoY
* The survey is conducted across 70 cities.



CHINA DATA: Retail Sales Moderate Further in July:

* China's retail sales for July missed forecasts and was weaker than the month prior.
* July retail sales expanded +3.7%, the slowest since November 2024 and a second consecutive month of moderation.
* Both Urban and rural sales moderated with consumer goods one of the largest falls.
* Online retail sales grew by +9.2% Year to date to be CNY8.68ttn
* The year to date release saw a moderation also at +4.8%, from +5.0% in June.
* A potential upside for retail sales comes from the policy announcement this week for subsidy plans on loan interest for individuals and businesses aimed at improving consumption. The new policy focuses on subsidies on interest for qualifying personal loans and eligible business loans located within the service sector. The policy is aimed at providing strong support for the sustained growth of the Chinese economy and this plan is aimed to boost it further.



CHINA DATA: Industrial Production Expansion Weakest Since November:

* July's industrial production expanded +5.7%, missing estimates of +6.0% and below June's result of +6.8%.
* This was the weakest monthly result since November 2024
* Both the mining and manufacturing sectors were weaker than June with the largest declines from major industries coming from autos, agri and food.
* Oil and gas was the only major sector to expand relative to June.

SOUTH KOREA

SOUTH KOREA: Unemployment Down In July

- South Korea's adjusted unemployment rate fell to 2.5% in July, compared to 2.6% last month, according to Statistics Korea statement. Estimate at 2.6% (range 2.5% to 2.8%, 10 economists). 171,000 jobs were added in July from a year earlier. Labor force participation rate at 65% in July. Population over 15 years old increased 0.4% from a year ago (source BBG).
- President Lee Jae Myung on Wednesday raised the possibility of supporting an expansionary fiscal policy, calling for measures to improve the efficiency in government spending to boost economic growth. Lee voiced concerns over limited financial resources to push forward government initiatives during a meeting with financial officials and economic experts to discuss ways to improve efficiency in budget spending. "Although fiscal policy should serve as a catalyst for growth, tax revenues are decreasing. The slowdown in economic growth has reduced revenue, making national finances vulnerable," Lee said. (source Korea Times)

SOUTH KOREA: Early Exports Down Sharply For August

- Korea's exports dropped 4.3 percent from a year earlier in the first 10 days of this month, data showed Monday, due in part to sluggish shipments to the United States on an escalating tariff scheme. Outbound shipments reached $14.7 billion in the Aug. 1-10 period, compared with $15.4 billion tallied a year earlier, according to the data from the Korea Customs Service. Imports shed 13.6 percent year-on-year to $15.9 billion during the period, resulting in a trade deficit of $1.2 billion. (source Korea Times)
- The government and the ruling Democratic Party (DP) agreed Sunday to deliberate on the Lee Jae Myung administration's recent proposal to broaden the definition of large shareholders to increase capital gains tax revenues. The two sides held a high-level meeting presided over by Prime Minister Kim Min-seok at his official residence and discussed the controversial proposal to lower the threshold for being classified as a

large shareholder from 5 billion won (US$3.59 million) to 1 billion won, DP senior spokesperson Rep. Park Soo-hyun said at a press briefing. (source Yonhap)

SOUTH KOREA: Fuel Tax Cut To Be Extended

- Korea will extend its fuel tax cut for an additional two months through the end of October in a bid to ease the financial burden on consumers amid ongoing volatility in global oil prices, the finance ministry said Thursday. Under the latest extension, the current fuel tax reductions — a 10 percent cut on gasoline and a 15 percent cut on diesel and liquefied petroleum gas (LPG) — will remain in place for an additional two months through Oct. 31, according to the Ministry of Economy and Finance. (source Korea Times)
- South Korea's fiscal deficit reached over 94 trillion won (US$68.2 billion) in the first six months of the year, the finance ministry said Thursday. The managed fiscal balance, a key gauge of fiscal health calculated on stricter terms, posted a deficit of 94.3 trillion won in the cited period, according to data from the Ministry of Economy and Finance. While the reading represents an improvement from the over 100 trillion-won shortfall recorded during the same period last year, it marks the fourth-largest on record, according to the Ministry of Economy and Finance. (source Yonhap)

ASIA

THAILAND: BoT Cuts With More Likely To Support Economy

The Bank of Thailand (BoT) cut rates 25bp to 1.5% in line with consensus but expectations were split given that it was Governor Sethaput's last meeting. In the end, the decision was unanimous as the MPC felt easing was needed to loosen financial conditions and thus support businesses and vulnerable groups, especially SMEs. The more dovish Vitai takes over as BoT Governor from October 1 with his first meeting October 8.

- Concerns regarding "limited policy space" were only mentioned at the end of the statement and took second place to the need for accommodative policy to support growth. With two meetings left in 2025 and the need for accommodation, another 25bp cut before year end is likely.
- BoT will be closely watching the impact of tariffs and increased competition from imports, as well as baht movements and credit growth.
- Headline inflation has been negative due to supply-side factors and BoT expects it to remain "subdued". However, it notes that stable core reflects that deflation is not "widespread".
- In June, BoT expected growth of 2.3% in 2025 slowing to 1.7% in 2026. This month it noted that its projections remain close to this. It expects the economy to slow due to the indirect and direct effects of US tariffs on exports, as well as lower tourist numbers due to competition and "subdued" private consumption from weaker confidence and income growth.
- BoT continues to worry about the contraction in lending and the deterioration in credit quality, especially in SME and housing loans.

INDONESIA: FTA Focus Continues For Indonesia

- The Ministry of Trade has announced that 90.68 percent, or around 7,257 categories of Indonesian goods, can now enter Peru tariff-free under the Indonesia-Peru Comprehensive Economic Partnership Agreement (CEPA). The products benefiting from the import tariff exemption include motor vehicles, footwear, textiles, palm oil and its derivatives, manufactured goods, and household appliances. (source Antara)
- Indonesia is hoping to ink a trade pact with Canada later this year, although the two governments have yet to set a date, according to a senior officials. Both countries had substantially concluded the negotiations for their bilateral comprehensive economic partnership agreement (CEPA) last December. Under this deal, Canada agrees to drop a significant chunk of tariffs on Indonesian goods. Jakarta will also enjoy a similar treatment for its Canada-bound exports. (source Jakarta Globe)

MALAYSIA: Local Bank Sees GDP At +4.3%

- The labour market is expected to remain steady, buoyed by a resilient employment trend and policy support, even as global trade risks intensify, say economists. They said sustained job creation and rising household incomes would continue to underpin domestic consumption, cushioning the economy against external uncertainties. According to Hong Leong Investment Bank (HLIB) Research, the country's labour market continued to demonstrate resilience against mounting external headwinds, suggesting that it remained relatively insulated from external pressures. (source: The Star)
- Malaysia's gross domestic product (GDP) growth for the second quarter of this year (2Q25) is projected to hit 4.3%, driven by the agriculture sector's recovery, and expansion in the services, manufacturing and construction sectors, says Hong Leong Investment Bank Research (HLIB Research). The projection is slightly below the Statistics Department's advance estimate and consensus median forecast of 4.5%. (source: The Star)

MALAYSIA: Underemployment On The Rise

- While Malaysia's unemployment rate has held steady at a decade low of 3% as of June, underemployment has been rising – inching close to the two million mark due to a persistent skills mismatch in the labour market. Skill-related underemployment climbed from 1.183 million in the first quarter of 2017 (1Q17) to 1.956 million in 2Q25, edging up from 1.954 million in the previous quarter. (source The Star)
- As Malaysia aims to become a high-income, value-creating economy under the 13th Malaysia Plan (13MP), five key trends are expected to shape the country's economic trajectory from 2026 to 2030, according to Maybank Investment Bank Research (Maybank IB). The five areas to watch, the research house said, are: a sustained investment upcycle; improvements in workers' and household incomes; fiscal consolidation and structural reforms; a push for productivity and innovation; and legislative reforms to strengthen governance. (source The Star)

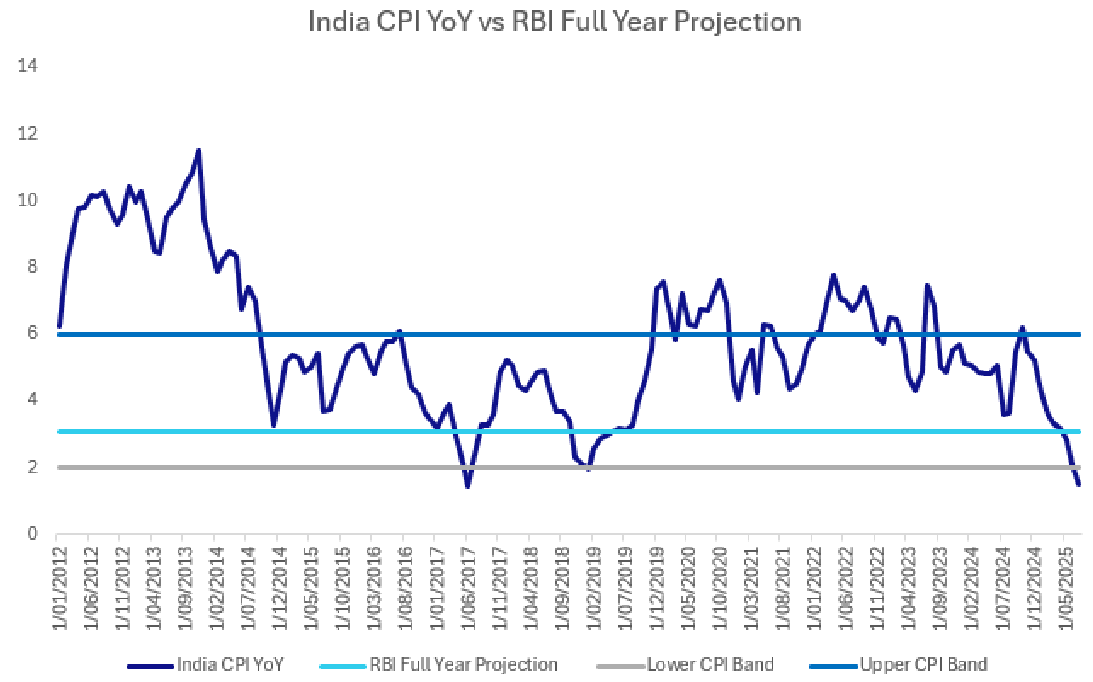
MALAYSIA: Growth Risk High For Malaysia

- Malaysia faces the steepest growth risk in Asia from the United States' looming sectoral semiconductor tariffs, as uncertainty over exemptions continues to cloud the sector's prospects, says Nomura. The Japanese investment bank noted: "Relative to our baseline gross domestic product (GDP) growth forecasts for 2025, Malaysia (minus 0.5 percentage points) and the Philippines (minus 0.4 percentage points) face the most significant downside risks, given their vulnerability to the incoming Section 232 chips tariffs." (source The Star)
- The third phase of the Sumbangan Tunai Rahmah (STR) will reach 8.6 million Malaysians starting tomorrow, the Finance Ministry said today. It added that the number of recipients is now 300,000 higher than the first phase in January. Prime Minister Datuk Seri Anwar Ibrahim, who is also the finance minister, attributed the increase to opening up applications indefinitely. "The year-round application and appeal process reflects the Madani government's commitment to the trust it holds in improving the welfare of the people, ensuring that no one is left behind from sharing in the nation's prosperity," he said in a statement. (source Malay Mail)

INDIA: CPI Declines Further in July

- Overnight India released its CPI for July and whilst short of market expectations the drop sees prices at the lowest print since 2019.
- Against a June result of +2.10%, the July result of +1.55% is significantly impacted by a high base effect.
- Food prices declined -1.76% YoY (last year there was a huge spike in vegetable prices) for the biggest decline in more than five years.
- Core inflation moderated to 4.4% in July from 4.7% in June again, driven by the high base last year which has offset the impact of the ongoing surge in gold prices.
- RBI Governor Sanjay Malhotra was quoted recently saying, "CPI inflation for the current year 2025-26 is now projected at **3.1%**. This is down from 3.7% that we had earlier projected in June." According to the RBI

Governor, headline CPI inflation declined for the eighth consecutive month, reaching a 77-month low of 2.1% in June.
- At this stage, that seems overly optimistic and specifically the decline in core could provide further downward pressure on rates.
- The market seems not prepared for this given the swaps market pricing in little change in rates over a 12 - month time horizon.
- As monsoon season kicks off in India, a period that delivers most of the annual rainfall, market observers will be monitoring the impact particularly with regard to vegetable production.



source: Bloomberg Finance LP / MNI

ASIA EQUITY FLOWS: Taiwan Inflow Momentum Slows, Indonesia Inflows Continue :

Outside of Indonesia, net equity flow trends were mostly negative yesterday. Outflows from South Korea and Taiwan were relatively modest, but Taiwan now has seen aggregate outflows in the past 5 trading days. This followed a very strong inflow period, whilst the Taiex index has climbed close to record highs. Some outflow pressure may reflect profit taking, with the broader backdrop still seen firm from a tech/AI outlook perspective. In South Korea, the Kospi is struggling to trend higher after consolidating around the 3200 region. Concern around the reform agenda and potential tax changes (relating to stock investments) have been factors driving a more cautious backdrop.

* In South East Asia, Indonesian inflows continued, with the last 5 trading days seeing $300mn in net inflows. This comes as the local JCI index reached fresh record highs yesterday. Broader risk tones, amid Fed easing hopes, have helped market sentiment. Today we have President Prabowo Subianto delivering the annual state of the nation address. The 2026 budget speech will also take place. The market will be looking for signs that the fiscal outlook is still being managed prudently but at the same time looking to foster firm GDP growth.
* Elsewhere, outflow trends were mostly evident, with the steady net selling of Malaysian stocks still evident.

Table 1: Asian Markets Net Equity Flows

	Yesterday	Past 5 Trading Days	2025 To Date
South Korea (USDmn)	-26	510	-4467
Taiwan (USDmn)	-122	-64	4490
India (USDmn)*	-258	-977	-12699
Indonesia (USDmn)	51	300	-3414
Thailand (USDmn)	-17	-220	-1919
Malaysia (USDmn)	-25	-129	-3314
Philippines (USDmn)	2	31	-594
Total (USDmn)	-395	-548	-21918
* Data Up To Aug 13			

Source: Bloomberg Finance L.P./MNI