

MNI Asia Pac Weekly Macro Wrap

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

JAPAN

- The BoJ held rates steady at 0.50%, as widely expected. The decision by the board was also unanimous. The central bank nudged down the degree of uncertainty surrounding the outlook. It doesn't appear in a rush for the next rate hike.

AUSTRALIA

- Australia's Q2 trimmed mean CPI printed only 0.1pp above the RBA's May Q2 forecast, which with the economy developing broadly in line with expectations since the July meeting should allow it to ease 25bp on August 12. Trimmed mean rose 0.6% q/q to be up 2.7% y/y, a moderation from Q1's 0.7% & 2.9%.
- RBA Deputy Governor Hauser noted that Q2 trimmed mean inflation and unemployment prints were in line with projections. The Q2 CPI data was "very welcome".

NEW ZEALAND

- June filled jobs rose a lacklustre 0.1% m/m but down 1.1% y/y following a downwardly-revised -0.1% m/m & -1.7% y/y. This left Q2 down 0.3% q/q and -1.6% y/y after -0.1% & -1.7% in Q1, suggesting that while the pace of deterioration has slowed, the labour market continues to struggle. Q2 labour data is on August 6.
- There was little change in ANZ business confidence and the outlook in July with the former rising 1.5 points to 47.8 but the latter falling 0.3 to 40.6. It signals that the recovery continues but at a gradual pace.

SHORT TERM RATES

- Interest rate expectations across the \$-bloc economies were broadly stable over the past week, except for the U.S., where rates firmed by 11bps.

CHINA

- In Q2 of 2025, the PBOC undertook a [survey](#) of households with 20,000 responders across 50 cities. The Income Perception Index fell 1.2% to 45.0% from the previous quarter with 20% of respondents believing their income had decreased, dragging the Income Confidence Index Lower.

SOUTH KOREA

- South Korea obtained a 15% reciprocal tariff rate from the US, although will make meaningful investments into the US (awaiting more details on this). July trade figures held up well.

ASIA

- US President Trump has announced a trade deal has been reached with South Korea. A 15% tariff rate will apply to exports to the US. Trump states that South Korea has also agreed to \$350bn in investments into the US, along with \$100bn worth of LNG or other energy purchases from the US.
- The MAS left policy settings unchanged at the July meeting, which was in line with the sell-side consensus, along with more elevated NEER. The tone of the MAS statement suggests it is in wait and see mode, particularly around trade/external risks.

ASIA EQUITY FLOWS

- South Korea and Taiwan equity flows were strong in July, can the momentum be maintained?

GLOBAL

- CPB global trade volumes fell for the second straight month in May, the month after the US announced significant reciprocal tariffs. There had been frontloading ahead of the announcement with global export volume growth peaking in March at 6.5% y/y.

JAPAN

MNI BoJ Review – July 2025: Cautious Amid Trade Uncertainty:

Executive Summary

- * Policy on Hold Amid Uncertainty: The BoJ kept its policy rate unchanged at 0.50% (9-0 vote), maintaining a cautious stance amid uncertainty over the economic impact of new U.S. tariffs and subdued inflation.
- * "Wait-and-See" on Tariffs and Inflation: Governor Ueda stressed that underlying inflation remains below target and emphasised the need for more data to assess the full impact of 15% U.S. tariffs on Japan's economy.
- * Outlook Slightly Upgraded, but Caution Remains: The BoJ revised up its FY2025 growth and inflation forecasts modestly, expecting improvements in wage growth and activity later in the fiscal year, while warning of near-term headwinds from global demand and trade frictions.
- * January 2026 Hike Still Base Case: Although some speculate an October hike is possible post-political uncertainty, the BoJ is likely to wait until early 2026, seeking clearer evidence of wage-driven inflation and minimal tariff disruption.

JAPAN DATA: Jobless Rate Steady, But Job-To-Applicant Ratio Falls To Fresh Lows:

Earlier data showed mixed June labor market conditions. The unemployment rate was steady at 2.5%. This was in line with market forecasts. The unemployment rate has been steady at 2.5% since March of this year. This is just up from cycle lows of 2.4%. However, the job to applicant ratio rose fell to 1.22 from 1.24 prior, which was also below the 1.25 consensus expectation. This is the lowest job-to-applicant ratio since 2022. The chart below plots this ratio (it is inverted on the chart) against Japan's unemployment rate (the orange line on the chart). Job offers fell by -1.2%/m/m, to be down 1.9%/y/y, which is around the recent pace.

- * The number of people employed fell by 50k after a surge of +330k in May. This metric has fallen in 4 out of the last 5 months. The number of people not in the labor force fell by 50k as well, helping keep the unemployment rate steady.
- * The still tight labor market is a positive for the wages outlook, all else equal but the weakness in the job-to-applicant ratio is implying some upside risks.

Fig 1: Japan Unemployment Rate & Job To Applicant Ratio (Inverted)

Source: Bloomberg Finance L.P./MNI

JAPAN DATA: IP Growth Exceeds Forecasts, Autos Nudges Higher Despite Tariffs

Japan June industrial production (IP) growth was better than forecast. We rose 1.7%/m/m, against a -0.8% forecast and May slip of 0.1%. The y/y outcome printed at +4.0%/y/y, versus 1.3% forecast and -2.4% for May. The y/y outcome was the strongest pace since May 2023. The June retail sales print was also better than forecast, up 1.0%/m/m versus 0.5% forecast, which left us at +2.0%/y/y, against a 1.8% forecast and 1.9% prior (which was revised down from the originally reported 2.2%).

- For IP, strength in production was for capital goods and construction. Consumer related production was negative in the month. In y/y terms capital goods production posted a healthy rise, +9.0%.
- Ex transport capital goods IP growth was -0.2%, but autos still managed a modest rise of 0.1%, despite tariff headwinds from the US.

- This is likely to be seen as a resilient result in the face the tariff threat, particularly as Japan managed to negotiate a lower reciprocal tariff rate (of 15%).
- On the retail side, most categories saw positive m/m outcomes, except for fuel and department stores. Y/Y total retail spend remains off recent highs and is around mid range for the past few years.

JAPAN DATA: Local Investors Sell Offshore Debt, But Recent Trends Still Positive

Offshore flows for Japan bond and equity markets were mixed last week. Local investors sold offshore bonds for the first time since early June. Since mid June we have had cumulative buying for this segment of over ¥5.6trln, including the modest outflow last week. Hence the trend still remains positive for Japan purchases of offshore debt. Global bond returns are off early July cycle highs but remain well up for the year. Local investors bought overseas equities for the second straight week, but the cumulative trend over recent months remains negative.

- In terms of inbound flows, offshore investors continued to buy local stocks. Indeed, since the start of April we have only had one week of outflows for this segment. Cumulative buying of Japan stocks over this period is nearly ¥10trln.
- Offshore investors sold local bonds last week, marking the third in the last four weeks we have seen net selling. Cumulative buying is still modestly positive for the past two months.

Table 1: Japan Weekly Offshore Investment Flows

Billion Yen	Week ending July 25	Prior Week
Foreign Buying Japan Stocks	743.3	571.9
Foreign Buying Japan Bonds	-184.6	-990.7
Japan Buying Foreign Bonds	-331.6	1643.8
Japan Buying Foreign Stocks	206.3	333.6

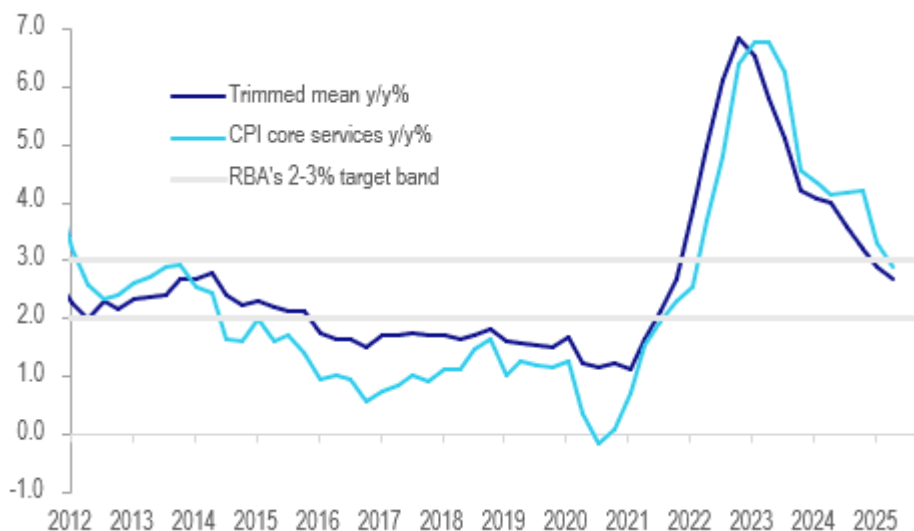
Source: Bloomberg Finance L.P./MNI

AUSTRALIA

AUSTRALIA DATA: Core Inflation Moderating Towards Band Mid-Point

Australia's Q2 trimmed mean CPI printed only 0.1pp above the RBA's May Q2 forecast, which with the economy developing broadly in line with expectations since the July meeting should allow it to ease 25bp on August 12 when it also releases its updated outlook. Trimmed mean rose 0.6% q/q to be up 2.7% y/y, a moderation from Q1's 0.7% & 2.9%.

Australia CPI y/y%



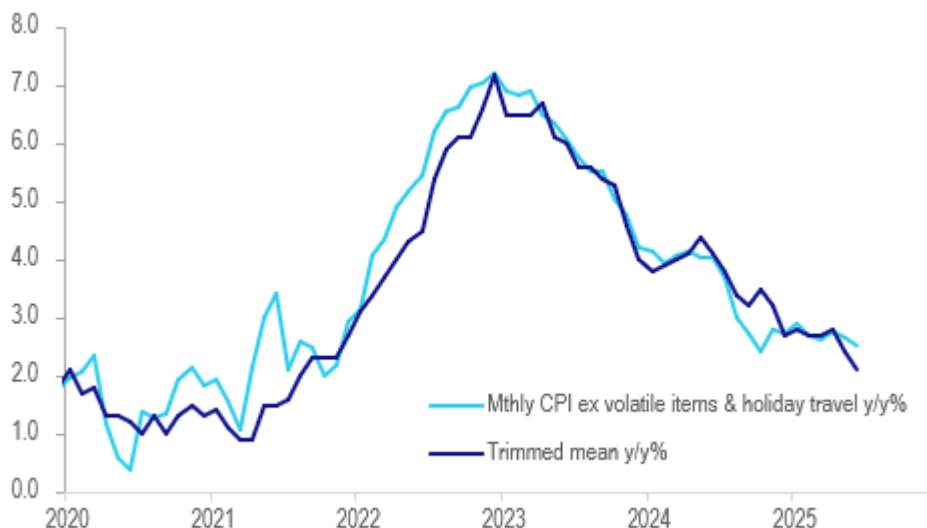
Source: MNI - Market News/LSEG

- The RBA assumed another 50bp of easing in H2 2025 in its May projections which resulted in underlying inflation close to the band mid-point at 2.6% in Q4. The Q2 CPI data should give the Board confidence that this can be achieved resulting in 25bp of that easing in August.
- Importantly services inflation continued to moderate after its 2024 stickiness. In Q2 it fell 0.4pp to 3.3% y/y while core services eased 0.4pp to 2.9%, the lowest since Q1 2022 and within the band, due to easing rental and insurance inflation. Non-tradeables was more stable at 3.1% y/y (-0.1pp). The RBA should be reassured that domestically-driven inflation is finally contained.
- Goods and tradeables inflation remain low and moderated further to 1.1% y/y (-0.2pp) and 0.2% y/y (-0.7pp) respectively.
- Headline CPI, which is still distorted by government electricity rebates, rose a less-than-expected 0.7% q/q and 2.1% y/y after 0.9% & 2.4% in Q1.
- The ABS cites housing as one of the main drivers of the quarterly CPI increase. It rose 1.2% q/q due to electricity prices +8.1% q/q due to rebates being used in Q1. Electricity is still down 6.2% y/y.
- Annual new dwelling and rental inflation continued to moderate at 0.7% and 4.5% respectively.
- Food prices rose 1.0% q/q due to fruit & veg +4.3% q/q. Health rose 1.5% q/q driven by annual insurance increase.
- Transport fell 0.7% q/q due to lower global crude driving auto fuel prices down 3.4% q/q.

AUSTRALIA DATA: Complete Monthly CPI In November, June Prints Around 2%

The RBA has been reluctant to rely on the monthly CPI series as it only covers around two thirds of the quarterly index. However, in November the ABS will move to a complete monthly CPI for the October release which will run alongside the quarterly series until full seasonal adjustment factors are included. In June, the current trimmed mean CPI moderated to 2.1% y/y from 2.4% in May, the lowest since August 2021, and headline to 1.9% from 2.1%.

Australia monthly core CPIs y/y%



Source: MNI - Market News/ABS

- Another measure of underlying inflation, CPI ex volatile items & holiday travel, continued to run above the trimmed mean at 2.5% y/y but did moderate from 2.7% in May. However, June remained above the 2024 low of 2.4% and the 3-month annualised rate is 3.8%.
- Services and non-tradeables also moderated in June to 2.7% y/y and 2.8% y/y respectively. Services is its lowest since January 2022's 2.4%.
- Goods inflation was steady at 1.1% and tradeables remained flat on the year.

Australia monthly goods vs services CPIs y/y%

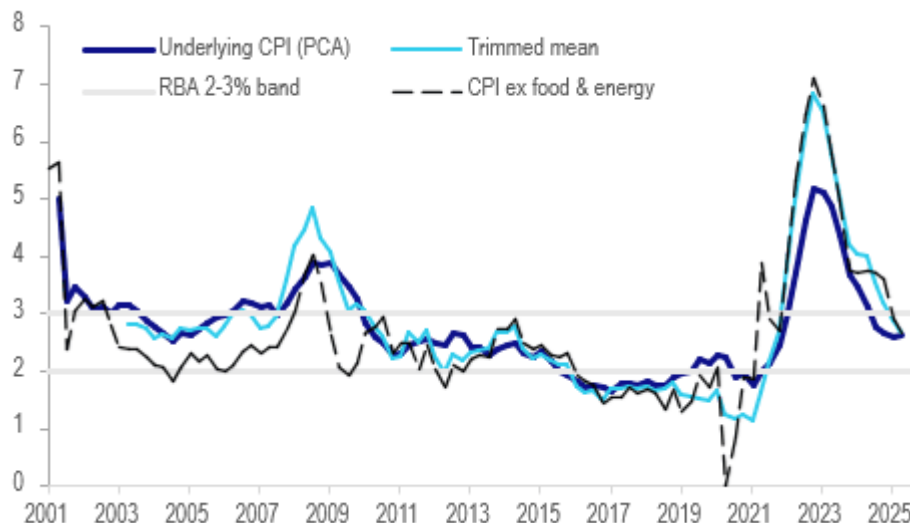
Source: MNI - Market News/ABS

AUSTRALIA: Core Inflation Measures Converging As Moderate Towards Mid-Point

The Q2 trimmed mean measure of inflation moderated further towards the RBA's target mid-point of 2.5%. It printed at 2.7% with the 2q/2q average annualised at 2.6%. Our PCA measure of underlying inflation came in at 2.6% for the second straight quarter, very close to the band mid-point. The downtrend in core inflation as well as market services inflation now within the 2-3% band should reassure the RBA that inflation is sustainably within target and result in a 25bp cut on August 12.

- There are different ways of measuring underlying inflation – trimmed mean, excluding volatile items such as food and energy, the median. We have another version using principal components analysis (PCA) based on Bank of Canada research. They are all now within the RBA's 2-3% band.
- PCA is useful for when there are a large number of variables, as it finds common patterns that explain most of the variance in the data. In this case, it extracts the common movement in prices and thus creates a measure that reflects underlying developments in inflation and not sector-specific shocks.
- The chart below shows PCA CPI against other inflation measures. It is less volatile, with a standard deviation below that of the trimmed mean. After running ahead of the trimmed mean from 2019 until mid-2021, the two have converged around 2.6-2.7% along with other underlying measures of inflation. The gap was as wide as 1.5pp in Q4 2022.

Australia underlying inflation y/y %



Source: MNI - Market News/ABS/LSEG

- The share of CPI components rising more than 3% in Q2 was slightly higher than in Q1 at 36.8% after 35.6%. However, this is below the historical average and low compared to 2022-2024. Little change to the share and unchanged PCA core inflation may be signalling a stabilisation.
- The median CPI moderated 0.1pp to 2.1% y/y in Q2, it has been within the RBA's band for the last 5 quarters.

RBA: Economy Developing As Expected, May Be “Scarring Effect” On Consumers

Deputy Governor Hauser's comments at the Barrenjoey economic forum suggest that the RBA currently views the economy as evolving as expected. He noted that Q2 trimmed mean inflation and unemployment prints were in line with projections. The Q2 CPI data was “very welcome”. In May, there was 50bp of H2 easing assumed in the outlook.

- The Board is debating about how much momentum the economy has and in this context he noted that consumption growth has been underwhelming despite real income growth and low unemployment. The misery index suggests that consumer confidence should have improved more than it has which could be because of a “scarring effect” from recently falling real incomes, but that is difficult to model and may reflect “something special now”.
- A pickup in consumption growth in other countries as well as Australia's positive real income growth is positive for the spending outlook. But if productivity growth stays weak, consumption could still disappoint.
- Unemployment remains historically low and firms are saying that while it is easier to find staff it still takes time and they have to pay the right rate. But there are signs that the labour market is rebalancing.
- His favourite charts have the cone around the base case for a variable, which in the case of the unemployment rate was very wide. So, it is easy to be surprised by unemployment but if it were to rise sharply, then the Board would have to react.
- In terms of tariffs, Hauser noted that the impact was less severe than feared as the worst duties and retaliation haven't happened and as such the rise in the effective global tariff has been modest. Also, the global economy may be more resilient with frontloading/diverting of shipments but should be careful as the impact could be seen over the longer-term.

RBA: Hauser Suggests Analyse RBA Forecasts Rather Than Focus On “Neutral”

- In terms of an estimate for “neutral”, Hauser said it is more useful to look at the RBA forecasts, read the statement/minutes and listen to the Governor.

- When asked about the surprise July decision, Hauser said that while RBA surprises are rare, they tend to occur at times of large global events which create significant uncertainty and makes it difficult to do the right thing by the data. He felt that markets reacted sensibly to the data over the last 18 months.
- He also pointed out that policy is a Board decision and not any individual's, therefore there is always uncertainty around the decision.
- No names will be attributed to the Board vote to keep the debate open and the focus on the discussion itself. He advised against labelling members dovish or hawkish. The split July vote reflected the diverse experience of the Board.
- The discussion around how public appearances of Board members will work is ongoing as it decides the best way for the communicating the outlook is determined. It realises that there is no point in "parroting" the view of meetings but also not constructive to have individual justifications for votes.

AUSTRALIA: "Misery Index" Suggest Consumer Confidence Should Have Improved More

RBA Deputy Governor Hauser talked today about how consumer confidence has not improved as much as the "misery index", combination of inflation and unemployment, implied. He wondered if this was due to a "scarring effect" from high inflation driving real disposable incomes lower in recent years, but noted that the RBA has been unable to model it suggesting that there may be "something special now compared with the past".

- Post-Covid, the misery index peaked at 11.7% in December 2022 with the unemployment rate at only 3.5% but headline inflation at 7.8%. It has come down to 6.2% in June 2025 with the unemployment rate only 0.8pp higher but headline inflation 5.7pp lower.
- Westpac consumer confidence began to improve mid-2023, following the misery index by six months. The pickup though stalled at the start of this year, even before US tariffs were announced and despite 50bp of RBA easing. In July it printed at 92.9 down slightly from December's 93.7. The misery index improved 0.3pp since end-2024.

Australia consumer confidence vs misery index



Source: MNI - Market News/LSEG

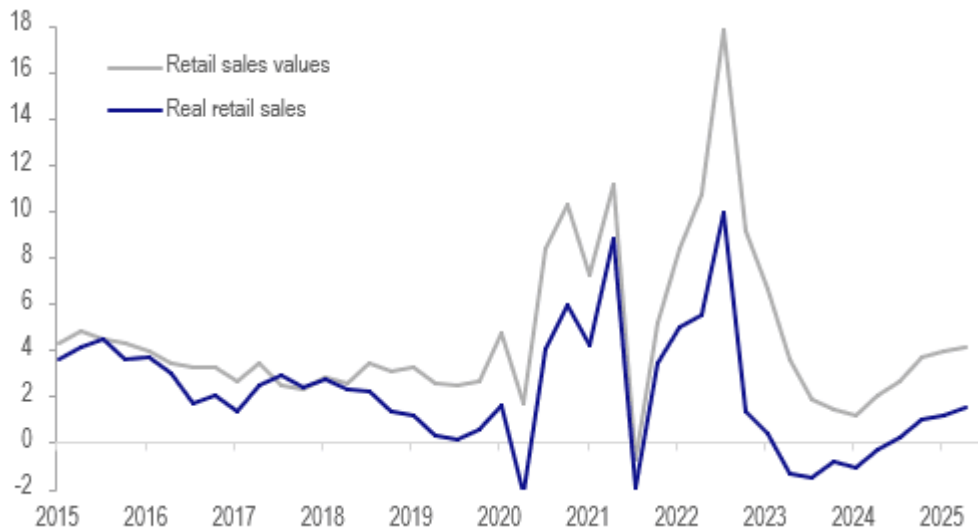
AUSTRALIA DATA: Discounting Boosts Q2 Spending But Still Down Per Person

Q2 retail sales volumes were stronger-than-expected rising 0.3% q/q after 0.1%, the fourth consecutive rise bringing annual growth to 1.5%, the highest in almost three years. RBA Deputy Governor Hauser noted today that consumption growth has not recovered as expected given the pickup in real disposable income growth and low unemployment. The ABS noted that per capita volumes fell again signalling that spending remains soft.

- Mid-year discounting boosted sales volumes in line with a trend seen over recent years that consumers are prepared to spend but at the right price. The release of the Nintendo Switch 2 also boosted sales. Q2 household goods volumes rose 1.8% q/q while other retailing was up 1.2% q/q.

- The 1.2% m/m jump in June retail sales values after 0.5% m/m brought annual growth to 4.9%, the highest since March 2023. The increase was broad based with all major categories posting an increase above 0.9% m/m except for restaurants which fell 0.4% m/m.
- Q2 retail values rose 1.0% q/q to be up 4.1% y/y.
- Retail sales will now be replaced by household spending data from the July release due on September 4. June is out on August 5.

Australia retail sales y/y%



Source: MNI - Market News/LSEG

AUSTRALIA DATA: Weak Iron/Coal Demand Drives Q2 Export Prices Down

Australia's Q2 export prices fell 4.5% q/q driven by non-rural goods, sharper decline than expected, but still above Q2 2024's -5.9% q/q. They are now down 3.3% y/y. Import prices were 0.8% q/q lower after rising 3.3% q/q in Q1 with the stronger AUD adding downward pressure. The terms of trade likely fell on the quarter, which will be released with the national accounts on September 3.

- Non-rural export prices fell 7.2% q/q and 8.7% y/y in Q2 driven by metal ores & scrap (iron ore) -9% q/q and coal -10.4% q/q as Chinese demand fell in line with a reduction in steel production, according to the ABS. An increase in coal supply in India and China also added to downward pressure.
- In contrast, the price for gold exports rose 12.1% q/q driven by an increase in global prices as geopolitical risks from increased protectionism and conflict rose over the quarter.
- Rural export prices rose 0.1% q/q to be up 5.6% y/y. The ABS reports that strong US demand for Australian beef drove prices up 2.8% q/q, which reflected some frontloading ahead of US tariffs but also due to US herd numbers at their lowest in 74 years.
- The fall in global oil prices contributed to the 2% drop in intermediate import prices. Consumer import prices were flat, while capex goods fell 0.2% q/q.

Australia trade prices y/y%



Source: MNI - Market News/LSEG

AUSTRALIA DATA: Multi-Dwellings Drove Approval Growth In Q2

The number of building approvals rose sharply in June driven by the volatile multi-dwelling component. They were up 11.9% m/m after a downwardly-revised +2.2% in May with private houses down 2.0% m/m but non-houses jumped 33.1% m/m. Both components are above Q4 2019 levels at 8.1% and 18.6% respectively but with housing shortages persisting, further rises in approvals are needed.

- Private house approvals have fallen in three of the last four months leaving annual growth at only 0.2% down from May's 2.2%. The June decline was broad based across most states with Queensland seeing the sharpest drop.
- Multi-dwelling units are now up 87.1% y/y after strong growth in May and June.
- Lower building costs saw house approval value growth moderate in FY 25 at +4.8% y/y compared with 6.4% y/y in FY24.

Australia number of dwelling approvals y/y%



Source: MNI - Market News/ABS

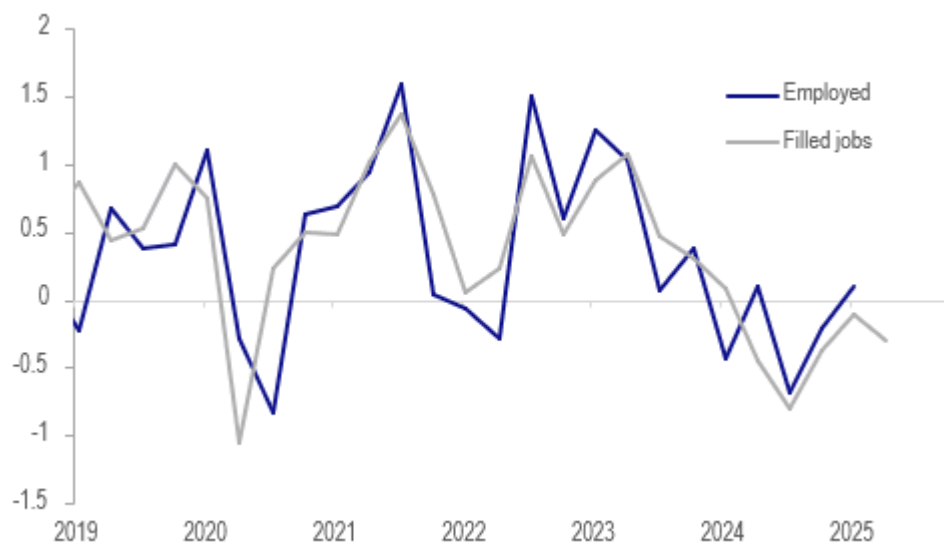
NEW ZEALAND

NEW ZEALAND: Labour Market Remained Weak In Q2

June filled jobs rose a lacklustre 0.1% m/m but down 1.1% y/y following a downwardly-revised -0.1% m/m & -1.7% y/y. This left Q2 down 0.3% q/q and -1.6% y/y after -0.1% & -1.7% in Q1, suggesting that while the pace of deterioration has slowed, the labour market continues to struggle. Q2 labour data is published on August 6 and this data implies (there is a 50% correlation between quarterly rates) that employment may have fallen again after rising 0.1% q/q in Q1, which would increase the chance of an August rate cut.

- The primary sector saw a strong rise in filled jobs in June up 0.9% m/m and services a moderate one of 0.2%. Goods-producing industries fell 0.2% m/m.
- Compared to a year ago construction jobs are still down 6%, professional & technical services -2.7% and manufacturing -2.5%. Education and training is 2.0% higher.
- Changes in youth unemployment tend to lead the labour market as a whole, and filled jobs for 15-19 year olds were down 10% y/y in June and for 20-24 years -3.5% y/y. In terms of age, the first group to see an increase is 35-39 years at 2% y/y.

NZ filled jobs vs employment q/q%



Source: MNI - Market News/LSEG/Statistics NZ

NEW ZEALAND: ANZ Business Survey Signals Continued Lacklustre Recovery

The ANZ survey showed little change in business confidence and the outlook in July with the former rising 1.5 points to 47.8 but the latter falling 0.3 to 40.6. It signals that the recovery continues but at a gradual pace. Inflation expectations were stable at 2.7% for the fourth consecutive month but up from February's 2.5%. Other price/cost components eased, which should reassure the RBNZ ahead of the August 20 rate decision.

- ANZ notes that most of the forward-looking components of the survey were little changed signalling that the economic recovery is unlikely to accelerate over Q3. Profits were steady around 17, employment rose 1 point to 11.8 (above 7 series average) and investment was stable around 20 (also above average). Exports were slightly higher at 14.6 after 13.9.

NZ ANZ business activity outlook vs confidence



Source: MNI - Market News/LSEG

- ANZ expects the RBNZ to become more concerned that medium-term inflation will be too low and as such there will be “more monetary easing than is currently envisaged”.
- Business pricing intentions moderated to 43.5 from 46.3, the lowest since December. Costs were also down at 75.9 after 79.0 but remain above the late 2024 low.
- Residential construction moderated to 16.7 from 44.8.

NZ ANZ business price/cost components



Source: MNI - Market News/LSEG

NEW ZEALAND: ANZ Consumer Confidence Down In July, Inflation Expectations Up :

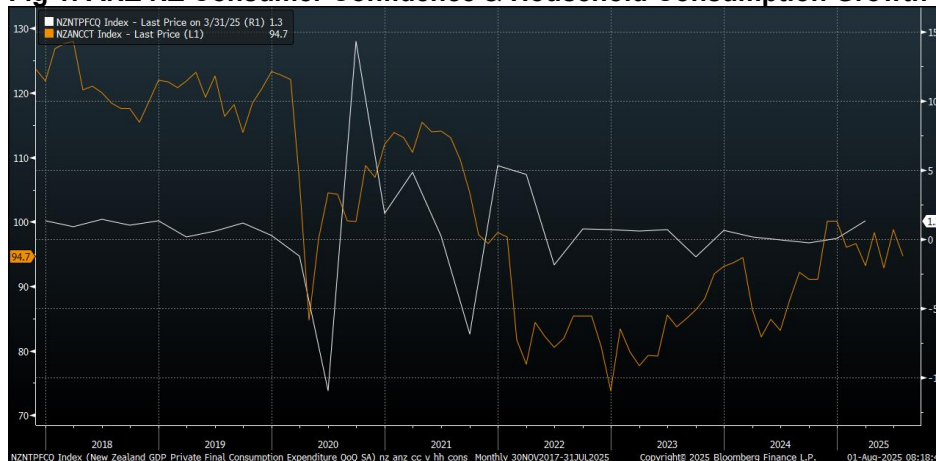
The New Zealand ANZ consumer confidence index fell by 4.1% in July, putting the index back at 94.7 (prior was 98.8). The trend in consumer sentiment since the start of the year has largely been sideways. The index peaked around 100.0 at the end of last year, after trending up from lows of 82 from earlier in the year. Since late 2021, the index has spent no time above the 100.0 level. See the chart below, the white line on the chart is NZ private consumption growth in q/q terms.

* Most of the sub indices ticked lower, with the economy 1yr ahead at -16, versus -13 prior (although we are still above recent lows). Family finances for the year ahead fell to 11 from 20 in June. Time to buy a major household

item eased to -8 from -7 (also above recent lows). Inflation expectations also rose to 5.1% from 4.9% prior. This was the highest read since 2023.

* ANZ noted: ""Soft consumer confidence is both a reflection of and a contributor to the sluggish economy": ANZ, "The economy is making hard work of recovering from last year's recession. Activity indicators have slipped in recent times and it's entirely possible that both GDP and employment went backwards in the June quarter" (via BBG).

Fig 1: ANZ NZ Consumer Confidence & Household Consumption Growth



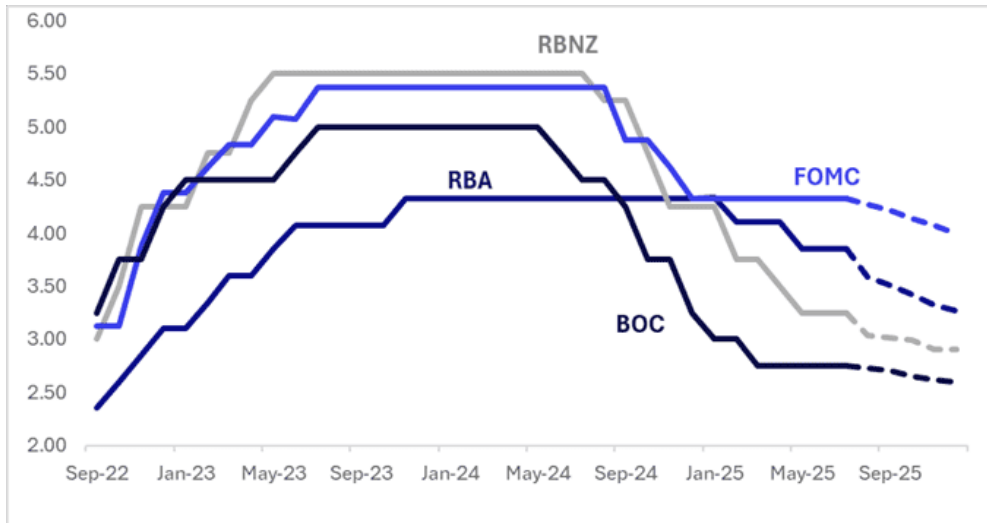
Source: Bloomberg Finance L.P./ANZ/MNI

SHORT-TERM RATES: \$-Bloc Markets Little Changed over Past Week Apart From US Firming

Interest rate expectations across the \$-bloc economies were broadly stable over the past week, except for the U.S., where rates firmed by 11bps.

- The July FOMC decision included a subtle shift, hinting that the Committee may be laying the groundwork for a potential rate cut in September. However, Chair Powell used much of the post-meeting press conference to downplay that possibility. As a result, markets scaled back expectations for near-term easing, with the probability of a September cut falling to around 50% by the end of the session, down from roughly 60% beforehand.
- In Canada, the Bank of Canada (BoC) held its overnight rate steady at 2.75% in July, as expected. Markets interpreted the decision as mildly dovish, with a modest increase in the likelihood of a rate cut by year-end. Although Governor Macklem stated that little had changed since the June meeting, the accompanying statement struck a more dovish tone when reviewing developments since the start of the year.
- Looking ahead, the next key regional event is the RBA decision on August 8. After this week's Q2 underlying CPI undershoot, the market is assigning a 97% probability to a 25bp rate cut at the upcoming meeting.
- Looking ahead to December 2025, current market-implied policy rates and cumulative expected easing are as follows: US (FOMC): 4.00%, -33bps; Canada (BOC): 2.60%, -16bps; Australia (RBA): 3.26%, -59bps; and New Zealand (RBNZ): 2.90%, -35bps.

Figure 1: \$-Bloc STIR (%)



Source: Bloomberg Finance LP / MNI

CHINA

CHINA: China Industrial Profits Decline In June

- Over the weekend, the release of China's Industrial Profits for the year provided limited positive news for the current state for China's corporates.
- Industrial profits year-on-year declined -4.3% in June, following the decline of -9.1% in May.
- The year-to-date number declined further to -1.8% YoY from -1.1% in May.
- Intensive competition between companies has exacerbated deflationary pressures at a time when exports to the US remain pressurized. The auto sector particularly is seeing increased competition as EV manufacturers vie for sales. State-owned automakers Guangzhou Automobile Group and JAC Group have posted losses driven by the intense pricing pressure in the auto sector.
- The data showed the gap widening between state owned enterprises and private companies. State-owned firms recorded a 7.6% decline in profits in the first half. Private-sector companies reported a rise of 1.7% while foreign firms logged a 2.5% increase.
- China's authorities have stated this month that efforts to regulate aggressive price-cutting will be forthcoming, fueling expectations that a fresh round of industrial capacity cuts might be approaching.

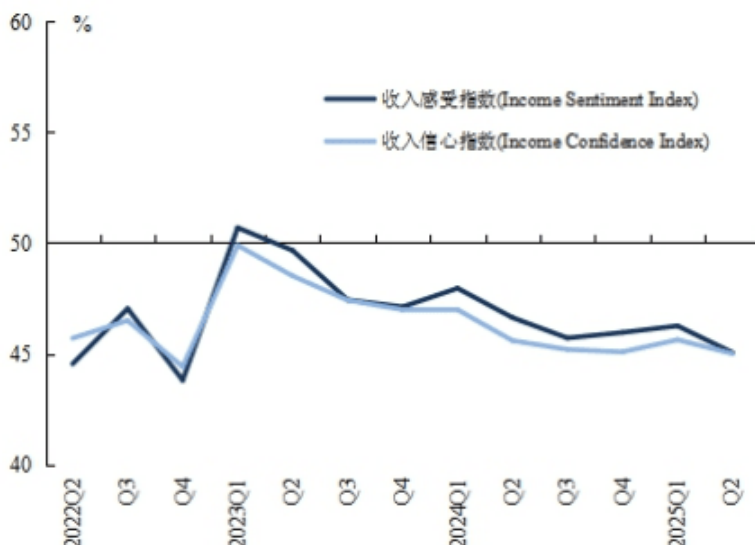


source: Bloomberg Finance LP / MNI

CHINA: PBOC Consumer Survey Shows Consumer Sentiment Poor

- In Q2 of 2025, the PBOC undertook a [survey](#) of households with 20,000 responders across 50 cities.
- The Income Perception Index fell 1.2% to 45.0% from the previous quarter with 20% of respondents believing their income had decreased, dragging the Income Confidence Index lower.

图 1：收入感受与收入信心指数

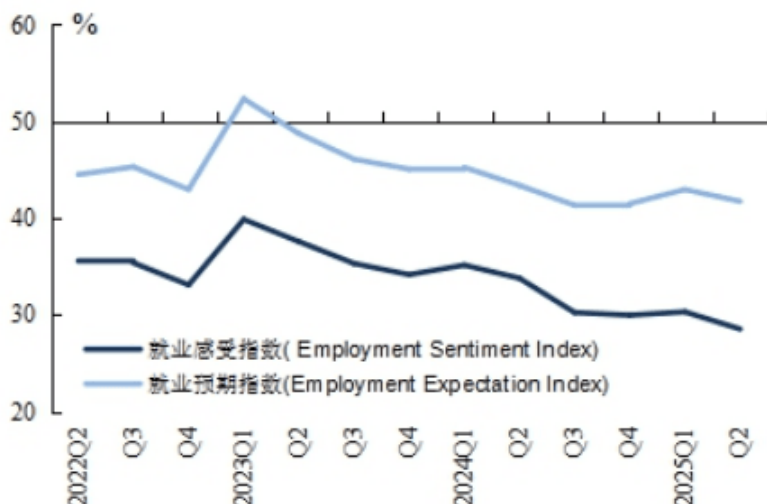


数据来源：中国人民银行调查统计司

Source: PBOC/MNI

- The Employment Feeling Index and the Employment Expectation Index also softened. The employment sentiment index declined 1.8% to 28.5% with 53.7% of respondents describing the 'situation for finding a job' as severe.

图 2：就业感受与就业预期指数



数据来源：中国人民银行调查统计司

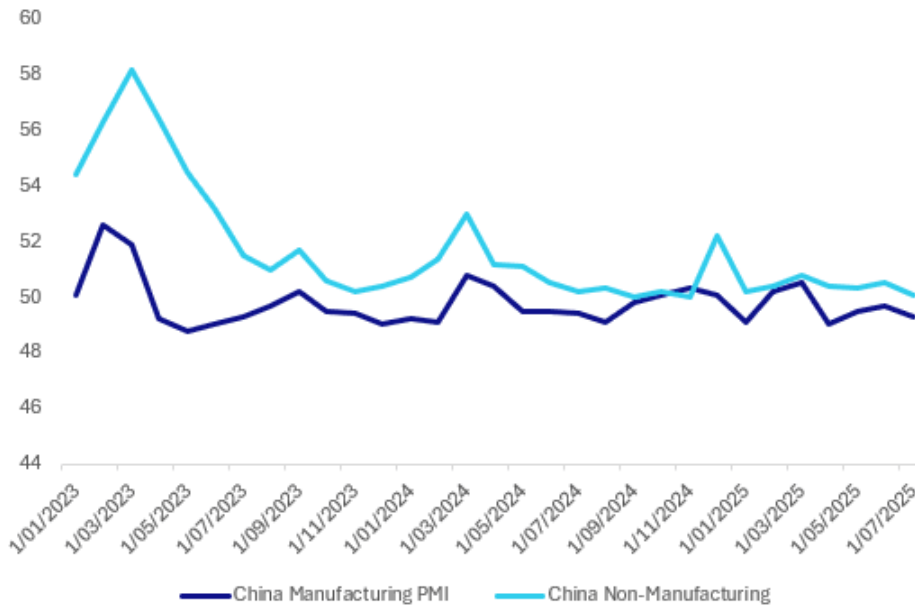
Source: PBOC/MNI

- The Price Expectation Index is a measure for inflation expectations and relative to the prior quarter was down 0.7% as 9% of respondents expected prices to fall and 60.1% expected no change and 77.9% of respondents expect house prices to either fall or remain the same.
- Respondents consumption, savings and investment intentions saw a preference for more savings by 63% and those that prefer to invest more falling. Top investment preferences were non principal guaranteed bank wealth management products which are provide fixed income type returns with a return kicker.
- The survey points to a pessimistic consumer, likely underpinned by the ongoing deflationary pressures in the housing market.

CHINA: Official PMIs Continue To Moderate

- China's National PMIs continued to moderate in July.
- In China, the two main Purchasing Managers' Indices (PMIs) are the National Bureau of Statistics (NBS) PMI and the S&P Global (formerly the Caixin PMI). The NBS PMI focuses on larger, state-owned enterprises, while the Caixin PMI emphasizes smaller and privately owned businesses.
- The PMI Manufacturing moderated to 49.3 against a market estimate of 49.7 and prior of 49.7. New orders and the employment component declined from last month, driven mainly by the impact from the larger businesses.
- China's Non-manufacturing PMI was 50.1 (estimate 50.2) bringing the Composite to 50.2.
- Ongoing weakness in domestic consumption and volatility in exports is exacerbating the concerns.
- Despite this, at China's Politburo on Wednesday, the nation's economic strength was saluted. That came after the country registered a record trade surplus in the first half of the year on soaring shipments to southeast Asia and stabilizing exports to the US.

CHINA Official PMIs

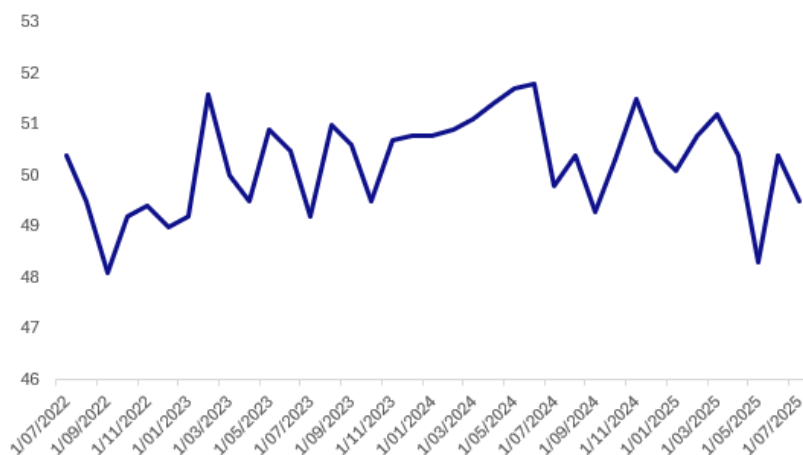


source: Bloomberg Finance LP / MNI

CHINA: S&P Global China PMI Manufacturing Suddenly Contracts:

- * The July PMI for private companies and exporters was expected to moderate, but remain in expansion.
- * The result of +49.5 was below estimates of +50.2 and down from June's result of +50.4.
- * Output fell dramatically to +48.5 from +52.1 and appears to be an adjustment to the increase in output by firms to get exports out ahead of tariffs.
- * New orders are down month on month also.

China S&P Global PMI Mfg



source: Bloomberg Finance LP / MNI

SOUTH KOREA

US-SOUTH KOREA: Trump States Trade Deal With South Korea, Tariff Rate Set At 15%

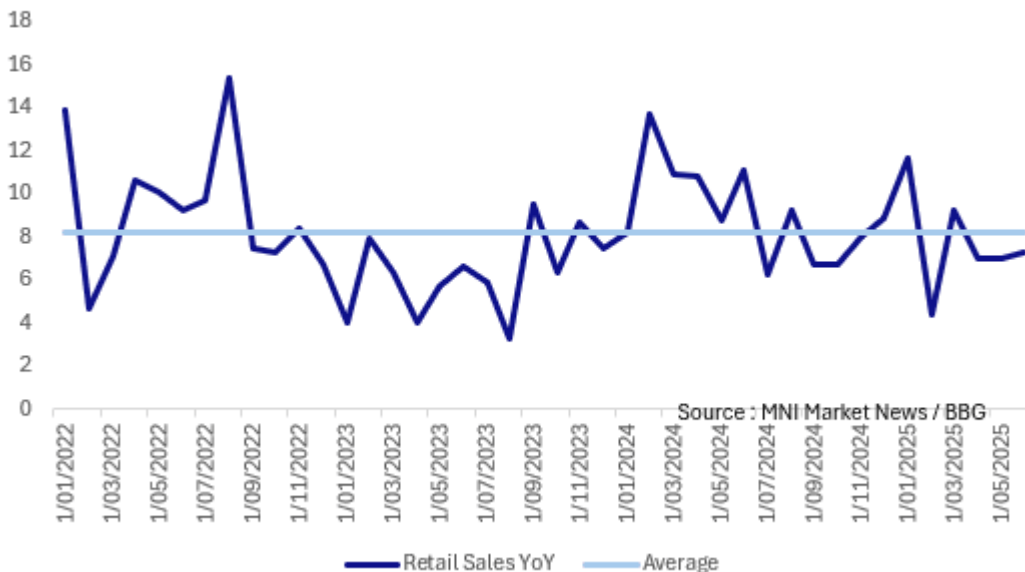
US President Trump has announced a trade deal has been reached with South Korea. A 15% tariff rate will apply to South Korean exports to the US. The full Truth Social post is outlined below. Trump states that South Korea has also agreed to \$350bn in investments into the US, along with \$100bn worth of LNG or other energy purchases from the US. Trump adds that South Korea has agreed to be completely open to trade with the US.

- "I am pleased to announce that the United States of America has agreed to a Full and Complete Trade Deal with the Republic of Korea. The Deal is that South Korea will give to the United States \$350 Billion Dollars for Investments owned and controlled by the United States, and selected by myself, as President. Additionally, South Korea will purchase \$100 Billion Dollars of LNG, or other Energy products and, further, South Korea has agreed to invest a large sum of money for their Investment purposes. This sum will be announced within the next two weeks when the President of South Korea, Lee Jae Myung, comes to the White House for a Bilateral Meeting. I would also like to congratulate the new President on his Electoral Success. It is also agreed that South Korea will be completely OPEN TO TRADE with the United States, and that they will accept American product including Cars and Trucks, Agriculture, etc. We have agreed to a Tariff for South Korea of 15%. America will not be charged a Tariff. I would like to thank the Trade Representatives who came forward today. It was an Honor to meet them, and talk about the Great Success of their Country!

SOUTH KOREA: Retail Sales Up

- June's retail sales data painted a different picture to the very strong consumer confidence index released earlier this month.
- Retail Sales YoY for June rose +7.3%, from 7.0% in May to remain below the 3-year average.

Retail Sales YoY

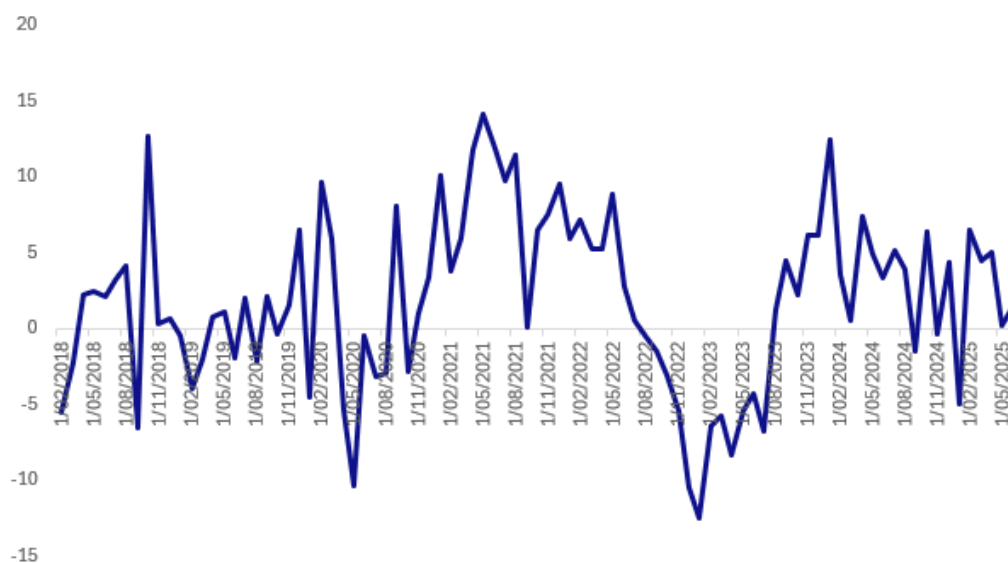


- Department store sales actually declined -0.9% YoY from the May expansion of +2.3% YoY.
- Discount Store Sales YoY also declined, down -2.8% YoY from May's result of +0.2%.
- July's consumer confidence rose to the highest level in seven years suggesting that the consumer is finding confidence given the rate cuts, new government and stable currency.

SOUTH KOREA: Industrial Production Up On Chip Demand

- After the revised date showed contraction in May, South Korea's June Industrial Production rebounded to +1.6%, but missed estimates.
- Industrial output rose 1.6% MoM (estimate +2.5%) versus revised -3.3% in May
- The recovery comes as exports rose +9.2% in June, despite the tariff threat still looming over the Korean economy.
- The demand for Korea's semi-conductor chips continues to buffet the economy, as chip exports jumped over 11% YoY in June offsetting the impact on the auto sector which is the most exposed to tariff risk.
- The miss versus expectations reflects the uncertainty that remains due to the trade war.
- The US President has threatened up to 25% tariffs on Korean goods. June's Industrial Production result quite likely reflects the need of exporters to ship product ahead of finalization of tariffs.

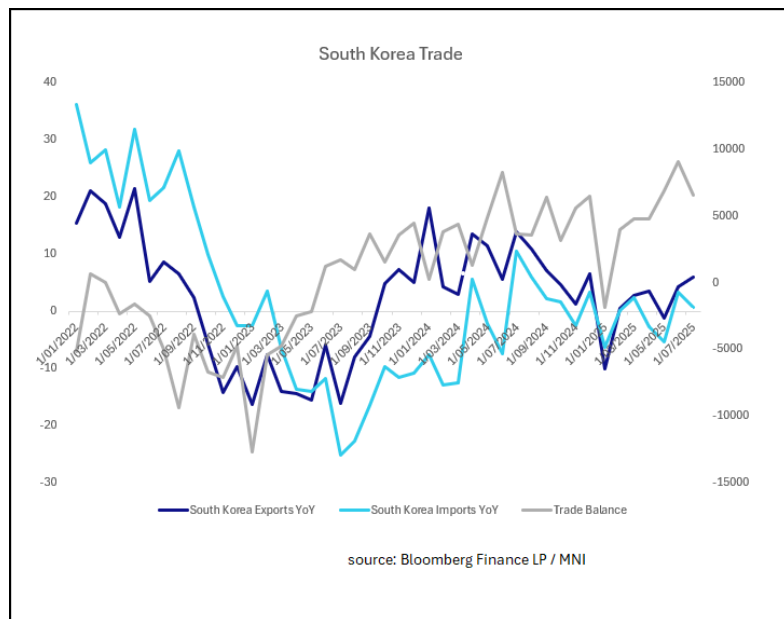
South Korea Industrial Production YoY



Source : Bloomberg Finance LP / MNI

SOUTH KOREA: Trade Data Strong in Face Tariffs:

- * July exports for South Korea beat expectations despite the ongoing threat of tariffs from the US.
- * Exports rose +5.9% in July beating expectations of +5.1% and an increase in +4.3% in June.
- * The July result are likely reflective of ongoing impacts of exporters looking to ship goods prior to the imposition of US tariffs, now set at 15%.
- * Imports rose a mere 0.7%, below expectations of 2.0% and down from June 3.3%.
- * The resulting trade balance was below expectations at US\$6.6bn and down from the June revised amount of \$9.08bn.



ASIA

INDONESIA: Government Focuses On Key Trade Agreements

- The government's multi-billion dollar ambition to move the production value chain across dozens of commodities will turn Indonesia into a powerful country, according to Energy Minister. Indonesia aims to process its abundant resources at home and turn them into higher-valued exports. For instance, the resource-rich country intends to turn its unprocessed nickel ores into stainless steel or even batteries to make more money in international trade. (source [Jakarta Globe](#))
- The Indonesian government is accelerating the finalization of key trade agreements to reduce tariffs and broaden export market access, amid looming import duties from the United States. Secretary of the Coordinating Ministry for Economic Affairs confirmed the efforts during the Bisnis Indonesia Mid-year Challenges 2025 event this week. The United States is planning to implement a 19 percent import tariff on most Indonesian goods, reduced from a 32 percent rate announced in April. Certain goods such as processed nickel and coffee beans may qualify for lower rates. The US was Indonesia's second-largest export market in 2024, accounting for 9.3 percent of total exports, or USD 28.18 billion. (source [Business Indonesia](#))

INDONESIA: New Loans Up in Q1

- Bank Indonesia reported on Friday that local currency transactions (LCT) surged to 11.7 billion U.S. dollars in the first half of 2025, more than double the 4.7 billion dollars in the same period last year. The number of LCT customers grew by 45 percent year-on-year during the first half of 2025, said the central bank. "Therefore, the National LCT Task Force will continue to encourage the use of local currencies in cross-border transactions to strengthen national economic resilience," said Bank Indonesia Deputy Governor on Friday. (source BBG)
- The latest Banking Survey conducted by Bank Indonesia indicates that new loan disbursements increased in the second quarter of 2025, despite moderating compared with the same period one year earlier. This was reflected by a Weighted Net Balance (WNB) of 85.22% in the second quarter of 2025, up from 55.07% in the first quarter of 2025 yet below the 89.11% recorded in the second quarter of 2024. Growth of new loan disbursements was driven by working capital loans and investment loans. Moving forward, respondents predict new loan disbursements to maintain growth in the third quarter of 2025, with the WNB predicted at 81.71%. (source BBG)

INDONESIA: EU Waves Tariffs on Indo Palm Oil

- Chief Economic Affairs Minister said Monday that Europe would let Indonesia sell its palm oil at 0 percent tariff as part of a last-minute trade deal negotiation. The European Union (EU) and Indonesia recently struck a political agreement to advance the Comprehensive Economic Partnership Agreement (CEPA). Palm oil trade has caused a setback in their relations, especially after Indonesia's top export commodity faced regulatory obstacles. The EU has decided to restrict palm oil imports by requiring traders to prove their products do not come from deforested land. This law, dubbed as the EUDR, will come into effect starting by the end of this year for large and medium companies. Jakarta revealed that the EU had agreed to bring its levies on Indonesian palm oil down to 0 percent under the yet-to-be-signed CEPA. (source [Jakarta Globe](#))
- The United States will support Indonesia in developing 17 modular oil refineries throughout the archipelago, as the country seeks to reduce its reliance on imported fuels, according to Coordinating Minister for Economic Affairs Airlangga Hartarto. Citing unnamed sources, Reuters recently reported that Indonesia's sovereign wealth fund Danantara will partner with Texas-based engineering firm KBR on the multi-billion-dollar project. The engineering, procurement, and construction (EPC) contract is estimated to be worth \$8 billion. While Airlangga on Monday confirmed both the EPC deal and Danantara's involvement, he declined to say whether KBR -- formerly Kellogg Brown & Root -- was indeed the US firm in question. (source [Jakarta Globe](#))

INDONESIA: Mining Industry Getting a Boost by EV Push

- Indonesia's downstream mineral industry has emerged as the country's top investment magnet in the first half of 2025, fueled by the government's push to build a regionally competitive electric vehicle (EV) ecosystem. The Investment Minister said on Tuesday that the downstream mineral sector drew Rp 280.8 trillion (\$17.2 billion) in realized investment during the first semester of 2025, accounting for nearly 30 percent of the country's total investment inflows in the period. (source [Jakarta Globe](#))
- Investment realization in the second quarter of 2025 reached IDR 477 trillion, marking an 11% increase compared to the same period last year, according to data released by the Ministry of Investment and Downstream Industry. The basic metal industry, including metal products excluding machinery and equipment, recorded the highest investment of IDR 67 trillion. The Minister of Investment and Downstream Industry stated that the increase was largely driven by domestic investment, which accounted for 57.7% or IDR 275.5 trillion. Meanwhile, 50.3% of the new investments, or IDR 240.2 trillion, were located outside the island of Java. (source [Business Indonesia](#))

MALAYSIA: Government Package to Pressurize Fiscal Position

- Local semiconductor players continue to navigate a period of heightened uncertainty as a convergence of tariff and trade uncertainty, supply chain dynamics and foreign-exchange (forex) volatility continue to cloud the outlook for the sector. Fortress Capital Asset Management Sdn Bhd chief executive officer Thomas Yong said the industry is likely to experience a period of "muted and uneven recovery" in the next two to three quarters. In particular, factory utilization rates in segments tied to consumer electronics may remain muted, and earnings for the second quarter of 2025 (2Q25) is expected to be "relatively stagnant on a sequential basis". (source [The Star](#))
- The Malaysian government's recent "Appreciation Package," while aimed at providing immediate relief to citizens and bolstering domestic demand, is poised to introduce fresh fiscal pressures, according to an analysis by Kenanga Research. The package, unveiled by Prime Minister Datuk Seri Anwar Ibrahim on Wednesday, includes a universal RM100 cash aid and a significant reduction in RON95 petrol prices for eligible Malaysians. Kenanga Research views these measures not as a conventional fiscal stimulus but rather a "redistribution of recent macro gains," such as a stronger Ringgit and stable inflation. While acknowledging their political popularity and positive impact on cost of living, the research house warns that they "heighten the tension between near-term social spending and medium-term fiscal discipline." (source [Business Today](#))

MALAYSIA: BNM Gov Optimistic on Economy

- Bank Negara Malaysia (BNM) Governor Datuk Seri Abdul Rasheed Ghaffour has expressed optimism that Malaysia's economy remains on a strong growth trajectory due to multiple factors, such as resilient domestic demand and encouraging exports of electrical and electronic (E&E) products, despite headwinds from impending tariffs. The central bank governor said today that among the combination of positive factors supporting the economy are the frontloading of exports in the first six months, robust tourism activity that could raise Malaysia's export prospects, low unemployment and rising wages. (source [The Star](#))
- Malaysia's economy is projected to expand by 4% to 4.8% in 2025, down from a previous forecast of 4.5% to 5.5%, its central bank said on Monday, warning that trade and tariff uncertainties could affect global growth. Headline inflation is expected to average between 1.5% and 2.3% this year, Bank Negara Malaysia said in a statement. The central bank said the global economic growth outlook was affected by shifting trade policies and uncertainties surrounding tariffs. (source [The Star](#))

MALAYSIA: Government Policy to Support Domestic Demand

- Malaysia and Indonesia have reaffirmed their commitment to strengthening bilateral relations across political, economic, and socio-cultural spheres at the 13th Annual Consultation held between Prime Minister Dato' Seri Anwar Ibrahim and President Prabowo Subianto. The two leaders touched on various issues while emphasizing the importance of continued cooperation rooted in deep historical and cultural ties. (source [Business Today](#))
- Malaysia is set to raise development spending over the next five years to boost domestic demand as its main engine of growth and fend off external risks, economists say, stressing the need for structural reforms, sustainable infrastructure, and improved human capital. The government is expected to announce on Thursday an allocation of between RM400 billion and RM450 billion for development expenditure over the next five years under the 13th Malaysia Plan (13MP), according to estimates from seven economists surveyed by [The Edge](#).

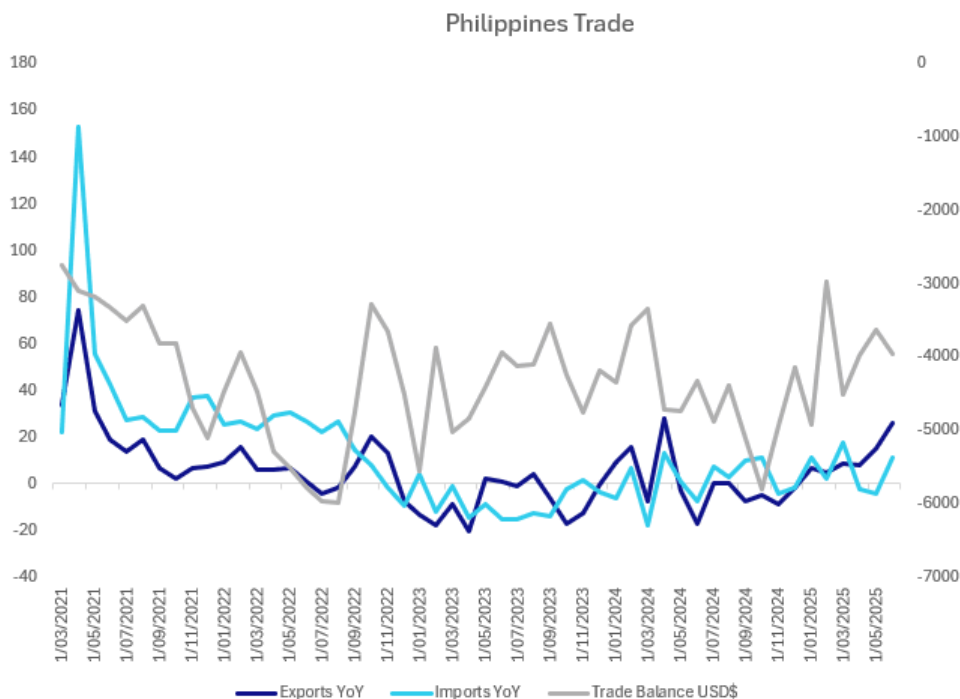
SINGAPORE: MAS Unchanged, In Wait & See Mode On Global Outlook

The MAS left policy settings unchanged at the July meeting, which was in line with the sell-side consensus, along with more elevated NEER levels (relative to the top side of the policy band) compared to the Jan and April meetings (where the central bank eased). The tone of the MAS statement suggests it is in wait and see mode, particularly around trade/external risks (see this [link](#) for the full statement).

- The central bank noted Q2 GDP growth was better than forecast, while the global backdrop has also been more resilient than anticipated. Growth conditions are expected to moderate as we progress through H2 though (with front loading of trade activity, which support H1 growth, likely to wane), while the 2026 outlook carries considerable uncertainty. MAS notes: "Changes in effective tariff rates worldwide could impact the performance of Singapore's externally-oriented sectors. Renewed trade conflict, financial or geopolitical shocks would also exacerbate the drags posed by the global slowdown, and in turn weigh on domestic GDP growth."
- On inflation, the central bank expects the current generally benign backdrop to persist, noting: "MAS Core Inflation is projected to edge up slightly from the later part of 2025, as the disinflationary impact of enhanced healthcare subsidies introduced late last year, as well as that of the global oil price decline, tapers. For 2025 as a whole, MAS Core Inflation and CPI-All Items inflation are forecast to average 0.5–1.5%." (This forecast on core inflation is unchanged from the April meeting. It notes upside and downside inflation risks for the outlook).
- The central bank concluded: "The global and domestic economies have been resilient thus far. GDP growth in Singapore is expected to slow in H2, with the level of output falling slightly below potential. However, for 2025 as a whole, the output gap is projected to average around zero percent."
- This leaves the door ajar for further easing at the October policy meeting (most likely via reduced SNEER appreciation), as any downside surprises on growth will likely push the output gap weaker and weigh on core inflation pressures.
- On balance this appears the greater risk, although a status quo outcome into year end can't be ruled out if global/external conditions hold up and we don't further downside in core inflation pressures.

PHILIPPINES: June Exports Surge

- The Philippines June exports YoY surged +26.1% against forecasts of +22.2% and against the prior month's revised result of +15.5%.
- Exports saw strong expansion from agricultural based products (+39.8%), forest products (+38%) and electronic products (+30%).
- Exports to the US jumped (+35.2%) whilst exports to China contracted (-15.5%). Exports to Japan rose (+30.5%) and to Germany (+45.4%).
- Imports rose +10.8% beating expectations of +3.6% with the prior month revised up to -1.1%.
- The result was a bigger trade deficit than forecast at \$3.95bn with the trade deficit with China \$2.37bn and a trade surplus with the US of \$645m.

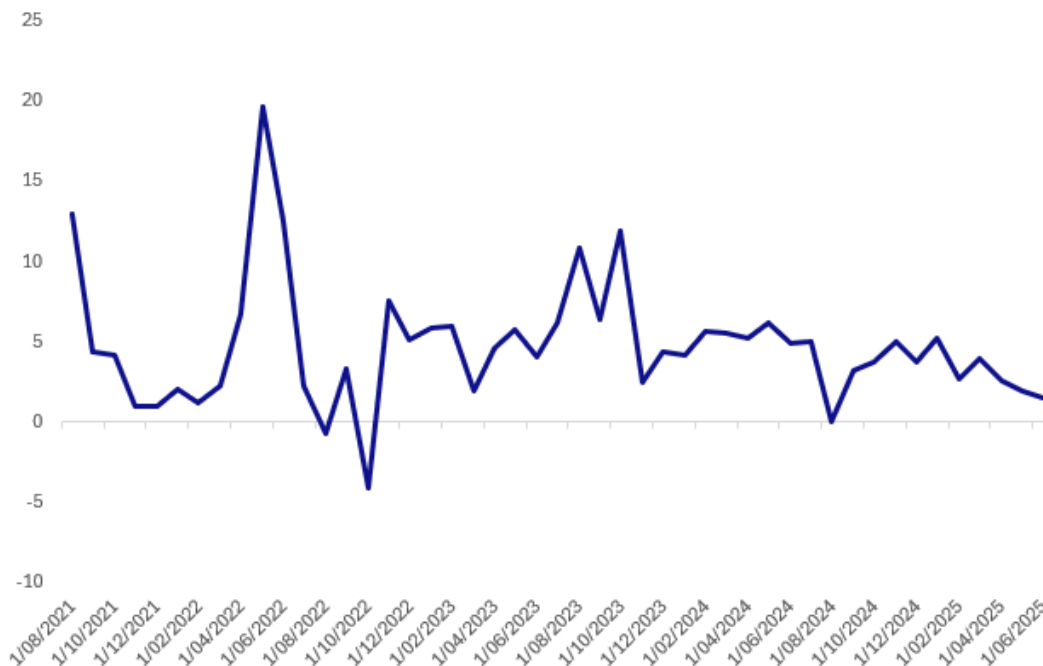


source: Bloomberg Finance LP / MNI

INDIA: June Industrial Production Misses Estimates

- India's June Industrial Production grew +1.5% YoY, below market expectations of +2.2%.
- The largest contributor to the miss was mining which declined -8.7% YoY along with a decline in electricity production of -2.6% YoY.
- Manufacturing was up 3.9% YoY, capital goods production up +3.5% YoY, infrastructure goods rose +7.2% YoY and consumer durables rose +2.9% YoY.
- The June result was the worst monthly performance since August 2024.

India Industrial Production YoY



source: Bloomberg Finance LP /MNI

INDIA: UK FTA To Add To GDP

- India's free trade agreement with UK can boost growth for Asia's third largest economy by a quarter point over the next five years, according to Elara Capital. "We see immediate benefit of 10-15 basis points on India growth over next two years," said economist Garima Kapoor in an interview with Bloomberg TV's Paul Allen on Friday, adding that gross domestic product could jump by about 25 basis points over five years. After three years of intense negotiations, the two nations sealed a trade pact on Thursday that will cut tariffs on goods from textiles to whiskey and cars, while allowing greater market access for businesses. Two-way trade between India and Britain stood at \$21.9 billion in 2024. (source BBG)
- RBI governor Sanjay Malhotra on Friday said the India-UK free trade agreement will have a beneficial impact on several sectors of the Indian economy and emphasized the need for more such agreements in the future. "Unfortunately, multilateralism seems to have taken a backseat. So, it's good that we already have one FTA in place. It should help various sectors in the manufacturing and services side, and perhaps we need to do more of them," Malhotra said at a summit organized by Financial Express in Mumbai. India and the UK signed the Comprehensive Economic and Trade Agreement (CETA) during Prime Minister Narendra Modi's visit to the UK. The agreement has been in the making for many years now and will open up markets for both countries across goods and services. (source [The Telegraph](#))

INDIA: 25% US Tariffs to Come

- US President Donald Trump's decision to slap India with a 25% tariff and additional punitive duties for trade with Russia will shave off some economic growth, but a weaker rupee may extend some support. Key sectors, including textiles, pharmaceuticals, electronics, agri-products, and machinery, are expected to feel the brunt. The recent weakness in the Indian rupee, if sustained, could cushion the impact by making Indian products more competitive (source [NDTV](#))
- After announcing a 25 per cent tariff and penalties for purchasing oil from Russia, US President Donald Trump said on Wednesday (local time) that Washington is continuing trade negotiations with New Delhi. He emphasized that India is one of the countries imposing high tariffs on the United States. (source [MINT](#))

ASIA EQUITY FLOWS: Can Positive Flow Momentum For South Korea/Taiwan Be Sustained?

At the end of July, offshore inflow momentum remained positive for South Korea and Taiwan. Taiwan's net inflows for July were close to \$8.3bn, while South Korea's were around \$4.5bn. As we enter a new month focus will be on if we can sustain these trends. US equity market sentiment looks a little less firm, after a strong rebound. South Korea's Kospi has fallen by over 3% today, with investors spooked by shifts in tax policies that have been announced recently. Already today offshore investors have sold \$363mn of local stocks.

* In Taiwan, the reciprocal tariff rate of 20% is higher compared to South Korea and Japan, with the authorities aiming to bring this down. Growth momentum will also be in focus after a surge in H1. PMI trends remain soft for Taiwan.

* For India, outflow momentum persists, albeit at a more moderate pace.

* Thailand remained a bright spot for South East Asia into end July. Indonesian markets saw consistent outflows (- \$511.3mn for July as a whole).

Table 1: Asian Markets Net Equity Flows

	Yesterday	Past 5 Trading Days	2025 To Date
South Korea (USDmn)	268	1742	-5213
Taiwan (USDmn)	489	981	2345
India (USDmn)*	-19	-1528	-10305
Indonesia (USDmn)	-77	-152	-3748
Thailand (USDmn)*	17	105	-1837
Malaysia (USDmn)	-20	-118	-2949
Philippines (USDmn)	4	-5	-623
Total (USDmn)	663	1025	-22331
* Data Up To July 30			

Source: Bloomberg Finance L.P./MNI

GLOBAL**GLOBAL MACRO: Trade Volume Growth Eased After Peaking In March**

CPB global trade volumes fell for the second straight month in May, the month after the US announced significant reciprocal tariffs. There had been frontloading ahead of the announcement with global export volume growth peaking in March at 6.5% y/y. Bloomberg container ship tracking data suggest that there was a pickup again in June ahead of the early July tariff deadline, which was shifted again to August 1. The Baltic Freight Index is also suggesting an improvement.

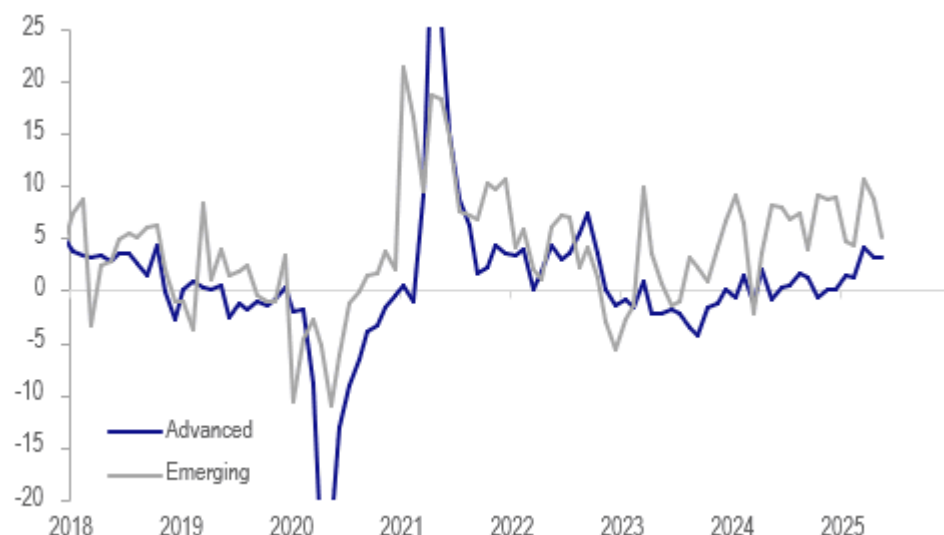
Global CPB trade volumes y/y% vs Baltic Freight Index



Source: MNI - Market News/LSEG

- Global trade volumes fell 0.9% m/m in May to be still up 3.4% y/y after -0.9% & +4.4% in April. Exports fell 1.2% m/m to be up 3.8% y/y down from 5.4% y/y, while imports shrank 0.6% m/m to be 3.2% y/y higher after 3.3%.
- The weakness in export and import volumes in May was across both developed and emerging markets. Both groups saw a peak in export growth in March at 4.1% y/y and 10.6% y/y respectively. In May those rates had eased to 3.1% y/y and 5.0% y/y. 3-month momentum remains robust for both though.

Global CPB export volumes y/y%



Source: MNI - Market News/LSEG

- Export volume growth from both developed and emerging Asia remained robust in May rising 7% y/y from China, 5.8% y/y from Japan and 15.2% y/y from advanced Asia ex Japan. Emerging Asia ex China moderated to 3.8% y/y from 11.5% in April. Export growth from the euro area and UK was weak at -1.6% y/y and +0.6% y/y but rose 4.1% y/y from the US after 8.5%.
- US reciprocal tariffs against Asia were originally between 10% and over 100% in the case of China. Negotiations have resulted in a significant moderation, especially for China with the tariff truce now delayed another 90 days from the August 12 deadline.

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