

MNI Asia Pac Weekly Macro Wrap

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

JAPAN

- This week's data showed still soft export trends, but a resilient capex backdrop. July national inflation figures were close to expectations, with headline pressures moderating further but core indices remaining sticky. This suggests the BOJ is still likely to raise rates, but the data didn't add any fresh urgency to such an outlook.

AUSTRALIA

- Australian data this week has largely been second tier, but outcomes were encouraging in terms of consumer confidence rising and better PMI outcomes. Inflation expectations also moderated from recent highs.

NEW ZEALAND

- The MPC believes that spare capacity is now greater and more persistent than expected in May. As a result, the MPC decided to cut rates 25bp to 3% and to give a distinctly dovish message with two members voting for a 50bp reduction.

SHORT TERM RATES

- Interest rate expectations across the \$-bloc were mixed over the past week: New Zealand fell sharply by 19bps, the US firmed by 7bps, while Australia and Canada remained largely unchanged.

CHINA

- Focus remains on China growth drivers, with infrastructure and fiscal policy still key. China equities continue to rally despite recent disappointing economic data.

SOUTH KOREA

- South Korea's early August export data suggests external demand held up, despite tariff headwinds. Fiscal spending is expected to rise further from here to support growth and longer term key initiatives.

ASIA

- BI surprisingly cut rates 25bp for a second consecutive month driven by global growth worries and further rupiah appreciation since the July decision.

ASIA EQUITY FLOWS

- Taiwan outflows were dominant this week as tech equity jitters drove fresh offshore selling. Indonesian inflow momentum remained firm.

JAPAN

JAPAN DATA Headline CPI Moderates, Core Measures Stay Sticky :

Japan July nationwide CPI was close to market expectations. Headline printed at 3.1%y/y, in line with market forecasts, while prior was 3.3%. The ex fresh food measure was slightly above expectations at 3.1% (3.0% was forecast and June printed at 3.3%). The ex fresh food, energy core measure was steady at 3.4%y/y, in line with the consensus estimate (3.4% was also the June outcome).

* The chart below plots the trends for these inflation metrics. Headline is now comfortably off 2025 highs (3.7%), but core measures are seeing less downside momentum in recent months.

* Still, the core measure which excludes all food and energy was steady at 1.6%y/y, which is where we have been on this metric since March of this year.

* In terms of the m/m outcomes, goods prices rose 0.2%, down slightly from the 0.3% pace seen in June. Services were up 0.1%, after a flat June outcome.

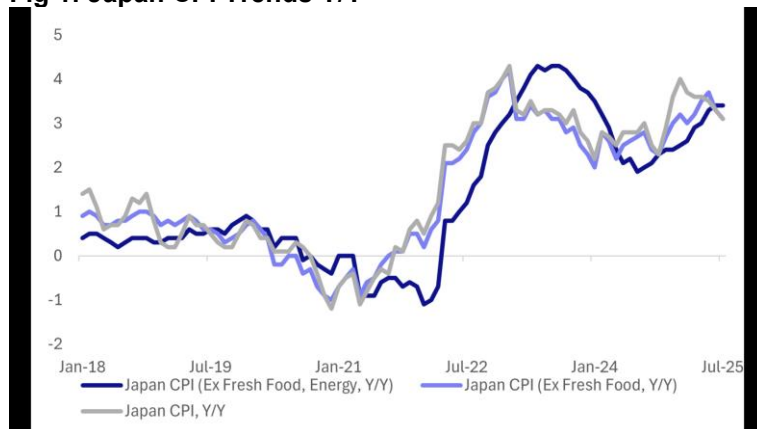
* By sub-category food prices rose 0.4% m/m, although fresh food was down slightly (-0.2%, continuing the recent trend for this sector) Utilities prices are back to falling in m/m terms, off a further 0.8% in July, helping lower headline inflation pressures.

* Clothing was the other soft point, down -1.0%, while other categories were mostly up in m/m terms. Notably entertainment rebound 0.8%, after a 1.0% drop in June. Transport, up 0.6% m/m, was the next strongest result.

* In y/y terms outside of utilities moving to -0.2% from 3.4% in June, there wasn't a big shift relative to June outcomes for the other categories.

* Underlying core pressures remain sticky, particularly the ex fresh food, energy measure. It keeps the BoJ towards further tightening, but it is unlikely to shift thinking ahead of the Sep policy meeting (i.e. that action needs to be taken at that meeting). Note we get August Tokyo CPI next Friday.

Fig 1: Japan CPI Trends Y/Y



Source: Bloomberg Finance L.P./MNI

JAPAN DATA: August Manufacturing PMI Rises But Still Sub 50.0

Japan preliminary PMIs for August were mixed. Manufacturing improved to 49.9 from 48.9, but services eased to 52.7 from 53.6. This left the composite index slightly higher at 51.9 (versus 51.6 in July).

- The manufacturing index is up from March lows (just under 48.5), but hasn't yet re-captured the expansion point. The index has spent little time above 50.0 in recent years. In terms of the detail, output rose to 50.5 from 47.6, while new orders were also up on July levels.
- On the services side, we are just off recent highs, but remain comfortably in expansion territory. BBG notes the employment sub index did contract to 49.6 though, from 50 in July.
- The data is unlikely to shift broader thinking around Japan's macro backdrop, with officials generally characterizing it as a continued modest recovery.

JAPAN DATA: Local Investors Sell Overseas Bonds, Inflows Continued For Equities

Japan outbound flows were muted in the week ending August 15. We saw selling of offshore bonds. Since a surge in buying off offshore bonds from mid June to mid July, we have now seen net selling in this segment in 3 out of the past 4 weeks. To be sure, these recent cumulative outflows only modestly pare back the net buying seen earlier in 2025. Since mid June we have still seen local investors buy just over ¥5.5trln in overseas bonds (up to the end of last week). On the equity side, Japan investors bought overseas stocks for the first time since the end of July.

- In terms of inflows into Japan assets, the standout was the purchases of local equities. This continued the winning streak of inflows into this space back to end June, while it was also the largest weekly inflow since early April this year. The focus will be on whether these trends are sustained given the recent equity market correction, led by the tech side. Japan markets are only modestly off recent record highs.
- Offshore investors also purchased local bonds, albeit in more modest size.

Table 1: Japan Weekly Offshore Investment Flows

Billion Yen	Week ending Aug 15	Prior Week
Foreign Buying Japan Stocks	1161.7	495.5
Foreign Buying Japan Bonds	197.9	733.2
Japan Buying Foreign Bonds	-313.6	254.7
Japan Buying Foreign Stocks	395.0	-225.6

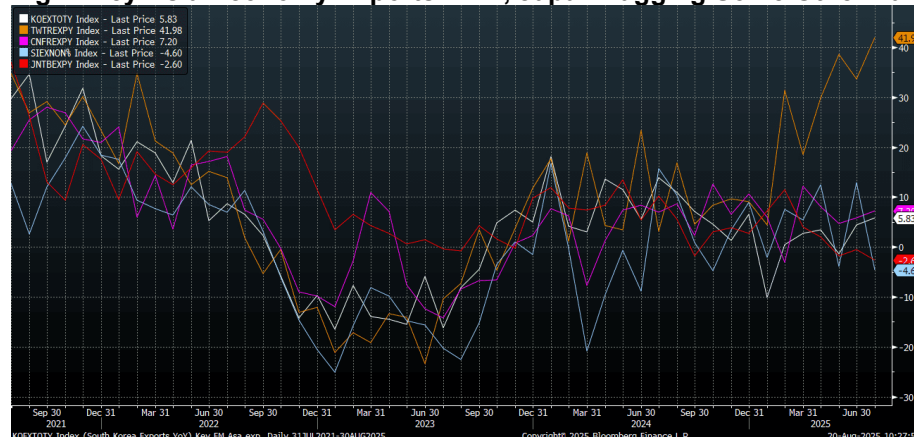
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Export Growth Negative, Lagging Other Parts Of Asia

Japan July export and import outcomes were fairly close to market expectations, but the trade balances were slightly weaker. Exports fell -2.6%/y/y (-2.1% forecast and -0.5% prior), while imports were -7.5%/y/y, (-10.0% forecast and 0.3% prior). The trade deficit was -¥117.5bn, against a ¥198.5bn forecast. In seasonally adjusted terms we printed at -¥303bn, against a -¥67.2bn forecast (June's outcome was -¥247.6bn).

- Exports to the US were down -10.1%/y/y, to China -3.5%/y/y, while to the EU -3.4%/y/y. In volume terms the falls weren't as large, -2.3%/y/y for the US. For aggregate exports we actually rose 1.2%/y/y. Import volumes were up 4.0%/y/y.
- Broader export trends are lagging nominal growth seen in the likes of Taiwan and South Korea, along with China (all of which remained in positive territory for July in y/y terms. See the chart below, where Japan is the red line. Taiwan, the orange line, remains the standout.
- Via BBG: "The downturn, led by cars, auto parts and steel, was the biggest since February 2021. Export volumes rose by 1.2%, suggesting exporters are continuing to absorb US tariff costs by cutting selling prices to preserve market share."
- Japan's trade surplus with the US was ¥585.1bn, down from recent highs (¥918.48bn recorded in Feb). The trade deficit recorded as a whole for Japan was within recent ranges for 2025.
- Whilst there is some relief around the trade deal struck with the US, it is yet to be fully implemented (as Japan awaits written documentation from the US).

Fig 1: Key Asia Economy Exports - Y/Y, Japan Lagging Some Other Parts Of Asia



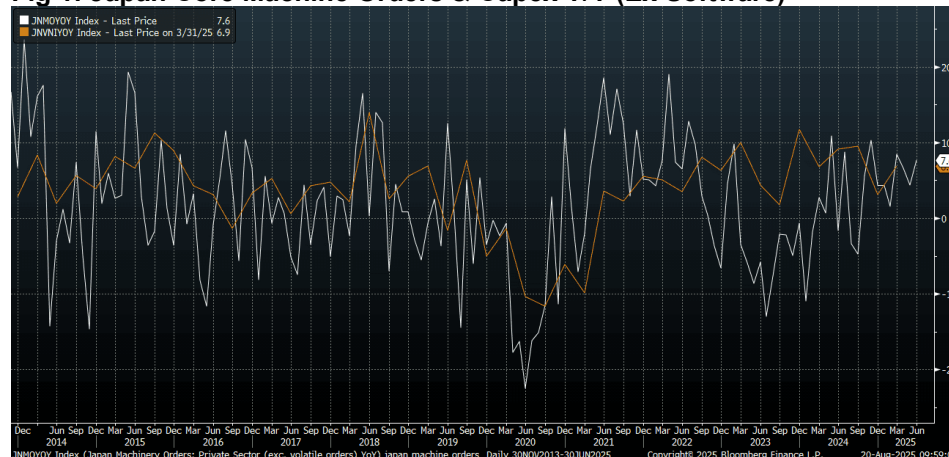
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Core Machine Orders Above Forecasts, Suggesting Resilient Capex

Japan June core machine orders were better than forecast. We rose 3.0%/m, versus -0.5% forecast and -0.6% prior. The y/y print was 7.6%, against a 4.7% forecast and 4.4% prior. The chart below overlays y/y core machine orders (the white line on the chart) against capex for Japan in y/y terms (ex Software). Today's machine orders print continues to paint a resilient capex picture for Japan's economy.

- We don't get the full capex read for Q2 until the start of Sep. Still, the recent Q2 GDP print (preliminary) showed business up 1.3% in Q2, which was above forecasts (+0.7%). So today's core machine orders result is consistent with that backdrop.

Fig 1: Japan Core Machine Orders & Capex Y/Y (Ex Software)



Source: Bloomberg Finance L.P./MNI

AUSTRALIA

AUSTRALIA DATA: Inflation Expectations Back Below 4%

In June, Melbourne Institute consumer inflation expectations jumped 1pp to 5%. They moderated to 4.7% in July and in August to 3.9%, the first print below 4% since March's 3.6%. Looking at the trend, the series has been moving sideways for around the last year. It is still too soon to say that inflation expectations are drifting down again with the next few months key in determining that. However, the August moderation in addition to S&P Global reporting an easing in the pace of output price inflation to just above the historical average are likely to reassure the RBA that inflation is sustainably within the target band.

Australia inflation %

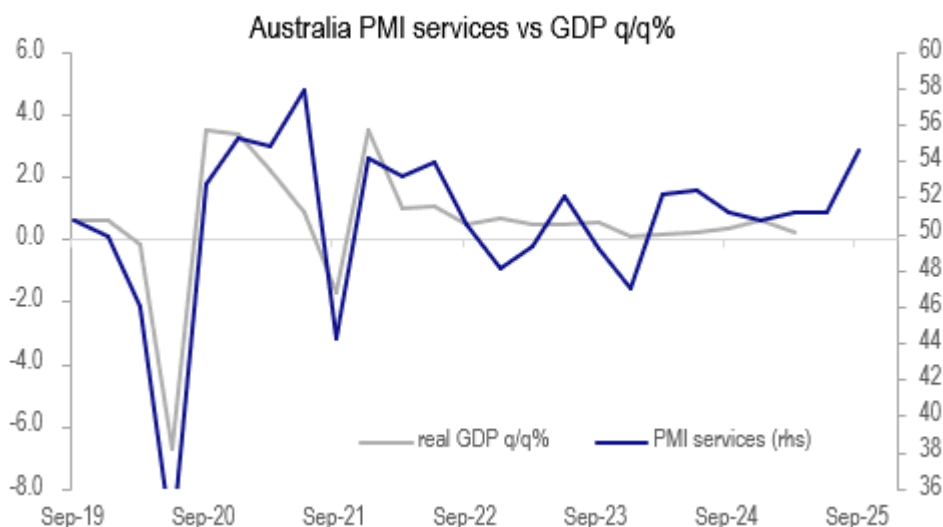


Source: MNI - Market News/LSEG/ABS

AUSTRALIA DATA: PMI Suggests H2 Pickup In Growth

The S&P Global PMI is suggesting that growth picked up in Australia in Q3. The preliminary August composite index rose to 54.9 from 53.8 driven by improvements in both the manufacturing and services sectors as well as higher new orders, including external, and increased hiring to fill them. This is the fastest growth in activity since April 2022, before the RBA began its tightening cycle. The PMI suggests that while Q2 growth could again be lacklustre there was probably an improvement in H2.

Australia GDP q/q% vs S&P Global services PMI

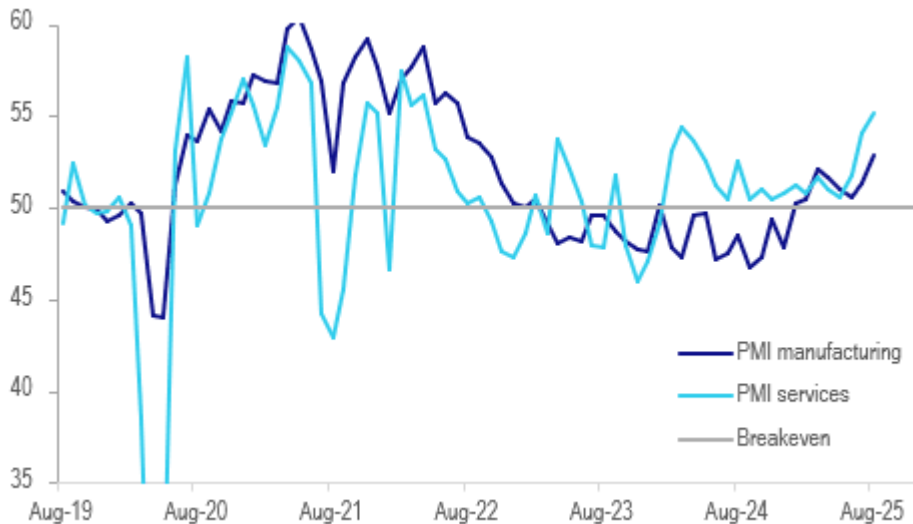


Source: MNI - Market News/ABS/Bloomberg Finance L.P.

- New export orders in August rose at their fastest pace in six months with increased demand from Europe, APAC and the US.
- While costs continued to rise driven by raw materials, labour costs and shipping, it was lower than in July for both services and manufacturing. This likely drove a slowdown in the pace of output price inflation to just above the historical average.
- Businesses are also more upbeat about the outlook with business confidence rising which has likely been helped by lower interest rates and a settling in global trade developments.

- The services S&P Global PMI rose to 55.1 from 54.1. Hiring increased at its fastest rate since April 2023.
- The manufacturing PMI increased to 52.9 from 51.3. Despite the pickup in new work, firms cut staff slightly.

Australia S&P Global PMIs



Source: MNI - Market News/ABS/Bloomberg Finance L.P.

AUSTRALIA DATA: Sentiment Improving Towards Neutral As Real Incomes Rise

Westpac's consumer confidence is trending towards the breakeven 100-level. Sentiment rose 5.7% m/m to 98.5 in August, the highest since February 2022, before the last tightening cycle began. The RBA's third rate cut this year on August 12 helped to boost confidence but the improvement was not just seen amongst mortgage holders. Governor Bullock also pointed out that further easing is consistent with inflation at the target mid-point.

Australia Westpac consumer confidence



Source: MNI - Market News/LSEG

- Westpac notes that with unemployment low and inflation in the band and signs the consumer is recovering, the RBA can remain cautious. It expects rates on hold in September with a cut in November.
- Deputy Governor Hauser noted in July that disappointing consumption growth may have been impacted by a "scarring effect" as sentiment had remained depressed. This data suggests that may have dissipated.

- The improvement was broad based across components with a particularly strong rise in the assessment of family finances with compared to a year ago +6.2% to 84.2 and expected in a year +5.4% to 106.8, positive territory. Lower inflation & rates as well as wage rises & tax cuts appear to be helping.
- In terms of mortgage rate expectations for the next year, just over 50% of those surveyed post the August RBA decision expect them to be lower.
- The "time to buy a major item" increased 4.2% to 101.7, also suggesting recovering purchasing power, but it remains below the historical average.
- Unemployment expectations improved 2.4% in August, the lowest since May. Westpac observes that it is signalling a "stable labour market".
- "Time to buy a dwelling" rose 10.5% m/m and 37% y/y, but is still below average. Prices though rose 0.9% to 164.2, close to the series high.

Australia Westpac "time to buy a major item"



Source: MNI - Market News/LSEG

NEW ZEALAND

RBNZ: MNI RBNZ Review-August 2025: RBNZ Signals Further Easing

- [Download Full Report Here](#)
- The MPC believes that spare capacity is now greater and more persistent than expected in May. As a result, the MPC decided to cut rates 25bp to 3% and to give a distinctly dovish message with two members voting for a 50bp reduction.
- The revised OCR path now troughs 30bp below the May assumption at 2.55%. The Q4 average is at 2.7%, which implies cuts at both the 8 October and 26 November meetings, assuming the economy develops broadly as the RBNZ expected this month.
- Headline inflation was revised higher over H2 2025 and H1 2026 and is forecast at 2.2% in Q4 2026 with it not returning to the 2% mid-point of the target band until H1 2027. It is now expected to be at the top of the band in Q3 2025.
- RBNZ dated OIS pricing has 19bps of easing is priced for October, with a cumulative 37bps by November 2025 versus 12bps before the decision.

NEW ZEALAND: First Trade Deficit Since January

After five consecutive merchandise trade surpluses, NZ recorded a deficit in July of \$578mn bringing the 12mth sum to \$3.94bn down from \$4.38bn. Export growth remains strong, which has been a bright spot in a soft economy.

- Goods exports rose 10% y/y in July with dairy products rising 17% y/y. The sector was helped by higher prices but also increased volumes for milk powder and butter. Beef exports rose 17% y/y with strong increases to the US and Canada but declining to China.
- Shipments to China, NZ's largest destination, were up 7.1% y/y, to Australia +4.7% y/y and US +7.7% y/y, which slowed from 21.8% y/y in April.
- Goods imports rose 2.6% y/y. Growth has been volatile but the 3-month average is showing a gradual trend higher supported by strong imports of machinery & equipment, vehicles and aircraft.

NZ merchandise trade balance 12-mth sum NZ\$bn



Source: MNI – Market News/LSEG

SHORT-TERM RATES: NZ Outperforms \$-Bloc Over Past Week:

Interest rate expectations across the \$-bloc were mixed over the past week: New Zealand fell sharply by 19bps, the US firmed by 7bps, while Australia and Canada remained largely unchanged.

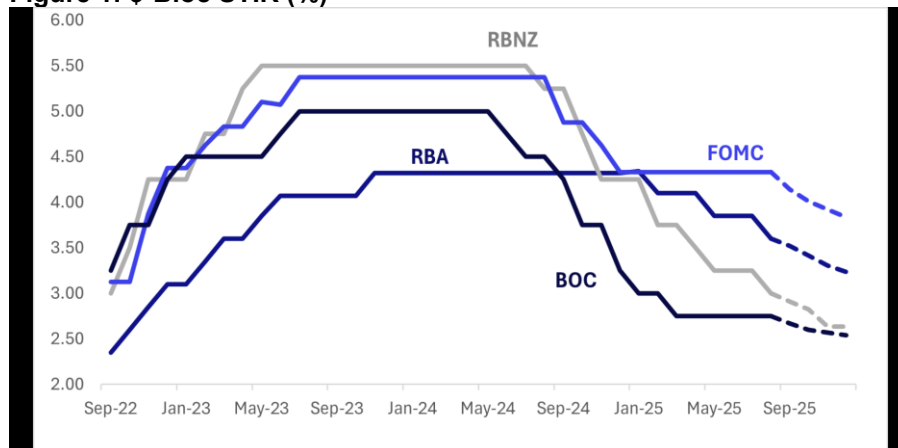
* In the US, all eyes are on Jackson Hole. Known WSJ Fed Watcher Nick Timiraos has published an article titled, "Divisions Grow Inside Fed Ahead of Decision on September Rate Cut - WSJ via BBG". The article presents contrasting views on the Fed outlook, with Cleveland Fed President Beth Hammack stating: "I see an inflation picture that is too high and rising, and moving in the wrong direction," while adding: "The labor market remains 'reasonably good,'" she said, creating no reason to lower interest rates at the Sept. 16-17 policy meeting."

* In New Zealand, the MPC believed that spare capacity is now greater and more persistent than expected in May. As a result, the MPC decided to cut rates 25bp to 3% and to give a distinctly dovish message with two members voting for a 50bp reduction. The revised OCR path now troughs 30bp below the May assumption at 2.55%. The Q4 average is at 2.7%, which implies cuts at both the 8 October and 26 November meetings, assuming the economy develops broadly as the RBNZ expected this month.

* Looking ahead, the next major regional events are the FOMC and BoC policy decisions on September 17, with markets assigning a 75% probability to a 25bp cut by the Fed and a 34% probability to a similar move by the BoC.

* Looking ahead to December 2025, current market-implied policy rates and cumulative expected easing are as follows: US (FOMC): 3.84%, -49bps; Canada (BOC): 2.54%, -21bps; Australia (RBA): 3.24%, -36bps; and New Zealand (RBNZ): 2.63%, -37bps.

Figure 1: \$-Bloc STIR (%)



Source: Bloomberg Finance LP / MNI

CHINA

CHINA: Fiscal Spend Ramping Up

- Nvidia is developing a new artificial intelligence chip for China based on its latest Blackwell architecture that will be more powerful than the H20 model it is currently allowed to sell there, two people briefed on the matter said. U.S. President Donald Trump last week opened the door to the possibility of more advanced Nvidia chips being sold in China. But the sources noted U.S. regulatory approval is far from guaranteed amid deep-seated fears in Washington about giving China too much access to U.S. AI technology. (source [Reuters](#))
- The Trump administration said it will step up scrutiny of imports of steel, copper, lithium and other materials from China to enforce a US ban on goods allegedly made with forced labor in the country's Xinjiang region. The announcement of new "high-priority sectors" targeted under the four-year-old Uyghur Forced Labor Prevention Act was included Tuesday in an annual update to the US government's enforcement efforts. It also dovetails with President Donald Trump's broader trade goals, as he seeks to lower the US trade deficit with China and pressures Beijing to curb shipments of fentanyl and precursor chemicals. "America has a moral, economic, and national security duty to eradicate threats that endanger our nation's prosperity, including unfair trade practices that disadvantage the American people and stifle our economic growth," US Homeland Security Secretary said in a statement. (source BBG)
- China's broad fiscal spending expanded at the fastest pace in almost three years, pushing the deficit to another record as the government steers an economy grappling with weakening demand and higher tariffs. Total expenditure rose over 9% to 21.5 trillion yuan (\$3 trillion) in the first seven months of 2025 from a year ago, according to data released by the Finance Ministry. That's the fastest increase since August 2022. As a result, the broad fiscal gap reached 5.6 trillion yuan in the January-July period, with the shortfall widening 49% from a year ago. (source BBG)

CHINA: Monetary Conditions to Remain Accommodative

- China's monetary conditions are likely to remain reasonably accommodative in the coming months, continuing to support credit expansion while contributing to steadier capital market expectations, analysts said on Monday. They said that the focus of the People's Bank of China, the country's central bank, on preventing idle capital circulation should not be seen as an effort to cool the recent stock market rally, but rather as a move to ensure funds flow into the real economy instead of idling within the banking system. (source [China Daily](#))
- Chinese Foreign Minister Wang Yi held talks with Indian Foreign Minister Subrahmanyam Jaishankar on Monday in New Delhi. Wang emphasized that both sides should earnestly draw lessons from the past 75 years, foster a correct strategic perception and regard each other as partners and opportunities rather than rivals or threats. Wang stated that China and India should strengthen confidence, move toward each other,

overcome disruptions, expand cooperation and consolidate the positive momentum in improving bilateral relations. (source [Global Times](#))

CHINA: Infrastructure Investment Leads

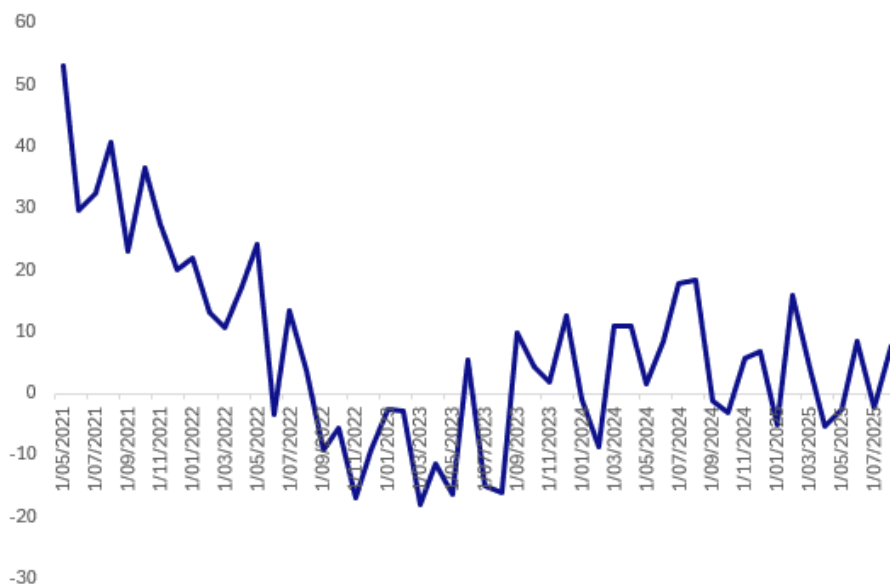
- China's infrastructure investment is gaining momentum in 2025, driven by an increase in issuance of local government special bonds according to an article in the Securities Daily. Year to date infrastructure investment rose over 3% YoY, outperforming the 1.6% growth by overall investment, report cites data by the National Bureau of Statistics. Local government issuers issued new special bonds totaling 2.8369 trillion yuan (\$395 billion) this year, up 39.7% from the same period in 2024, report cites data provided by Wind. (source [China Securities Daily](#))
- Local governments are increasing efforts to stabilize the real estate market by optimizing housing policies and accelerating urban renewal initiatives, Shanghai Securities News reported, citing analysts. Urban renewal has become a pivotal turning point in city development. By upgrading existing assets and stimulating domestic demand, it helps reinforce market stability and supports the transformation of the real estate industry: industry experts (source [Shanghai Securities](#))

SOUTH KOREA

SOUTH KOREA: Early August Exports Up +7.6% YoY

- South Korea First 20 Days of August Exports Rose +7.6% YoY.
- This compares to a contraction of -2.2% in June.
- Early exports have contracted four out of the eighth months of the year to date and continue to be highly volatile as the threat of tariffs have interrupted supply patterns.
- The first 20 days in August of imports were up +0.4% YoY.
- The result is a trade surplus of US\$833m.
- First 20 days chip exports rose +29.5% YoY
- First 20 days exports to China rose +2.7% YoY
- First 20 days exports to US fell -2.7% YoY.

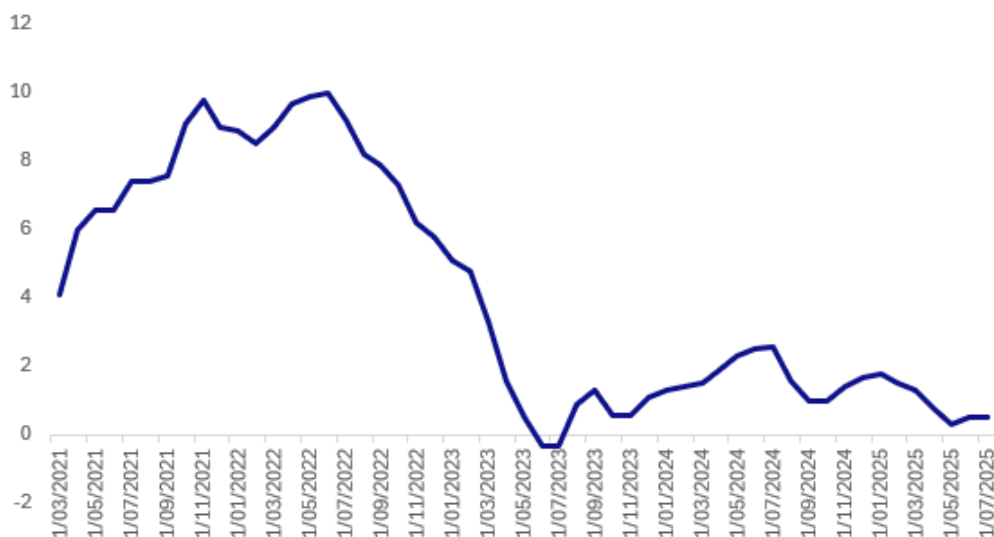
First 20-days Exports YoY



source: Bloomberg Finance LP / MNI

SOUTH KOREA: PPI Steady In July

- South Korea's July Producer Prices Rise 0.5% YoY, following a 0.5% rise in June.
- The ongoing decline in producer prices is a problem throughout the region as exporters are challenged to push through price increases.
- Agriculture, forestry and marine products index rose +5.6% MoM in July
- Manufacturing products index rose +0.2% MoM
- Electricity, water and gas index declined -1.1% MoM
- Services index were up +0.4% MoM.

South Korea PPI YoY

source: Bloomberg Finance LP / MNI

SOUTH KOREA: Korean Cos to Invest in US

- South Korea is set to unveil about \$150 billion in US investment plans by private companies during a summit between President Lee Jae Myung and US President Donald Trump, the Hankyoreh newspaper reported Thursday. The pledge is likely to include both ongoing and future projects and will be separate from the \$350 billion South Korea agreed to invest in the US as part of a trade agreement struck last month. While the \$150 billion package will be highlighted at the summit, officials don't expect further discussion of the \$350 billion investment fund, which was a centerpiece of last month's trade agreement, the newspaper said, citing unidentified government officials. The trade agreement between the two countries reached in July capped US tariffs on imports of Korean goods at 15%, one of the most favorable rates. Lee is set to meet Trump on Aug. 25 (source BBG)
- South Korea to roll out a 45.8t won support package this year to bolster supply chain resilience, combining low-interest financing and public-private funds to target at key industries such as batteries, semiconductors and critical minerals, according to a government statement. Govt to provide a total of 45.8t won in low-interest policy financing, which is composed of 10t won from the Supply Chain Stabilization Fund, 13.3t won from Export-Import Bank of Korea, 18t won from Korea Development Bank and 4.5t won from Industrial Bank of Korea. Additionally, 2 public-private investment vehicles will be launched: a 1.8t won fund, focusing on leading firms, and a 600b won fund aimed at SMEs and mid-sized companies in materials, parts and equipment. The measures will prioritize sectors deemed vital to economic security, including batteries, chips, critical minerals, energy, pharmaceuticals and biotech, as well as logistics infrastructure. (source BBG)

SOUTH KOREA: Government Debt on the Increase

- Government debt is expected to rise, accelerated by the expansionary fiscal policy under the Lee Jae Myung administration, observers said Sunday. Further straining the fiscal outlook is Korea's low potential growth, coupled with tariff uncertainties. This, along with years of tax shortfalls under the previous Yoon Suk Yeol administration, leaves debt financing as a source of government spending. Whether the expansionary fiscal drive can lead to growth and a subsequent increase in tax revenue remains to be seen. (source [Korea Times](#))
- Container shipping costs from Korea to the United States declined last month, largely due to a decrease in trade volume influenced by U.S. tariff policies, the customs agency said Monday. The average shipping cost for a 40-foot container from Korea to the U.S. east coast dropped 4.5 percent from a month earlier to 6.4 million won (\$4,610) in July, according to data from the Korea Customs Service. Shipping rates to the U.S. west coast dropped 8.5 percent to 5.53 million won during the same period. (source [Korea Times](#))

TAIWAN

TAIWAN: Exports Moderate In July

- Taiwan's July Export Orders were up +15.2% YoY in July, slightly behind estimates of +16.7%.
- That compares with a previously reported +24.6% YoY in June.
- Exports throughout the region have been volatile as exporters are impacted by US tariffs.
- The main contributors continue be electronics, infocomm, optical and mineral products
- Declines were seen in plastics and basic metals.

YoY %	July 2025	June 2025	May 2025	April 2025	March 2025	Feb 2025
Export orders	15.20%	24.60%	18.50%	19.80%	12.50%	31.10%
Chemicals	7.80%	-8.70%	-17.40%	0.00%	-8.70%	6.70%
Plastics (incl. rubber)	-10.30%	-11.40%	-14.30%	-8.80%	-6.10%	6.80%
Textile	0.80%	-2.60%	-8.80%	-1.10%	-6.70%	19.50%
Basic metals	-12.60%	-10.20%	-10.70%	-11.10%	-3.80%	3.20%
Electronics	24.80%	35.00%	27.70%	35.00%	21.80%	48.60%
Machineries	6.20%	10.60%	6.80%	5.80%	2.30%	13.40%
Electrical products	2.30%	7.40%	7.70%	9.20%	11.10%	28.80%
Infocomm	15.50%	37.40%	29.50%	20.00%	11.40%	31.80%
Transport equip.	1.10%	-9.40%	-6.50%	3.30%	15.40%	15.10%
Optical instru.	7.50%	6.70%	2.80%	4.20%	10.40%	16.60%
Mineral products	10.40%	3.00%	-30.40%	-8.70%	-6.50%	-4.80%
Others	19.40%	30.80%	32.70%	22.00%	18.10%	26.90%

source: Bloomberg Finance LP / MNI

ASIA**MALAYSIA: Exports Rebound Strongly in July**

- Malaysia's real estate market is expected to see reduced absorption rates across all commercial property segments with downward pressure on rental growth, following the introduction of the expanded sales and service tax (SST) framework, according to JLL Malaysia. The SST expansion, which took effect on July 1, 2025, introduced an 8% service tax on commercial property leasing and rental services, alongside a new 6% SST on previously exempt construction work services. It applies to offices, shopping malls, shop lots and warehouses for landlords with annual revenue exceeding RM1 million. (source [The Edge](#))
- Investment, Trade and Industry Minister said Malaysia can't afford to retaliate against the US over tariffs, even as a possible 300% tax on chips and semiconductors looms. The minister cited both its strategic position as a key trade and investment partner of Malaysia as well as its position as the world's largest export market as reasons for a more strategic and diplomatic approach. The US is the largest investor in Malaysia and second-largest trading partner behind China. (source [The Edge](#))
- Malaysia has concluded its free trade agreement (FTA) negotiations with South Korea and is expected to sign the document in October, said Investment, Trade and Industry Minister. Speaking at a Bursa Malaysia Invest Malaysia fireside chat session, he said the move is part of the country's continuous engagement with global partners to gain broader market access, particularly amid rising geopolitical uncertainty. (source [The Edge](#))
- The ongoing regional thematic of volatile export and import data continued today with the release of the July trade data in Malaysia. Exports expanded +6.8% following the decline of -3.6% in June. By country, exports softened to +3.8% (from +4.7%) to the US, China jumped to +6.8% (from -9.3%), Japan rose to +0.2% (from -1.6%) and Thailand was up +4.4% (from -13.4%). The biggest decline was to Hong Kong which contracted -11.5% in July from +1.8% in June. By product the largest expansion was electrical equipment which jumped +22.5% in July from +1.3% in June whilst other sectors trended in line with the prior month. Imports beat expectations for contraction with growth of +0.6%. The resulting trade balance was much larger than forecast at MYR14.98bn from MYR8.4bn in June. (source MNI)

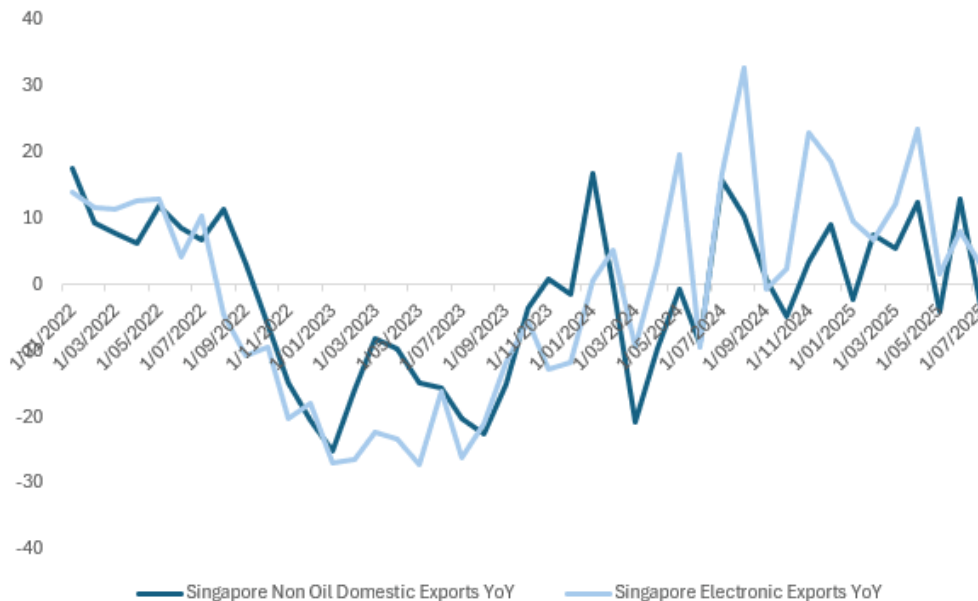
MALAYSIA CPI Up, Remains Below Target:

- * Malaysia's CPI release for July came in at +1.2%, slightly up on June's +1.1%.
- * Core CPI YoY is at +1.8%.
- * Food and alcoholic bevs +1.9%YoY, Housing Water and Electricity +1.3%, recreation services and culture +0.8%YoY and Transport +0.4% YoY.
- * The Bank Negara CPI target band for 2025 is 2.0% - 3.5% and this is the 12th consecutive print below the lower band.
- * The BNM cut rates by 25bps at their last meeting in July and does not meet again until September 04.

SINGAPORE: Exports Contract More than Expected

- Singapore's non-oil domestic exports contracted significantly more than market expectations in July.
- Following June's +12.9% (revised) result, the market expected a modest contraction of -1.0%. The result of -4.6% was much weaker.
- The realities at present in assessing the data is that exporters have sought to get product out over several periods ahead of new tariffs, resulting in huge uplifts (like June) followed by contraction (like July).
- Electronic exports softened also to +2.8%, from +8.0% in July.

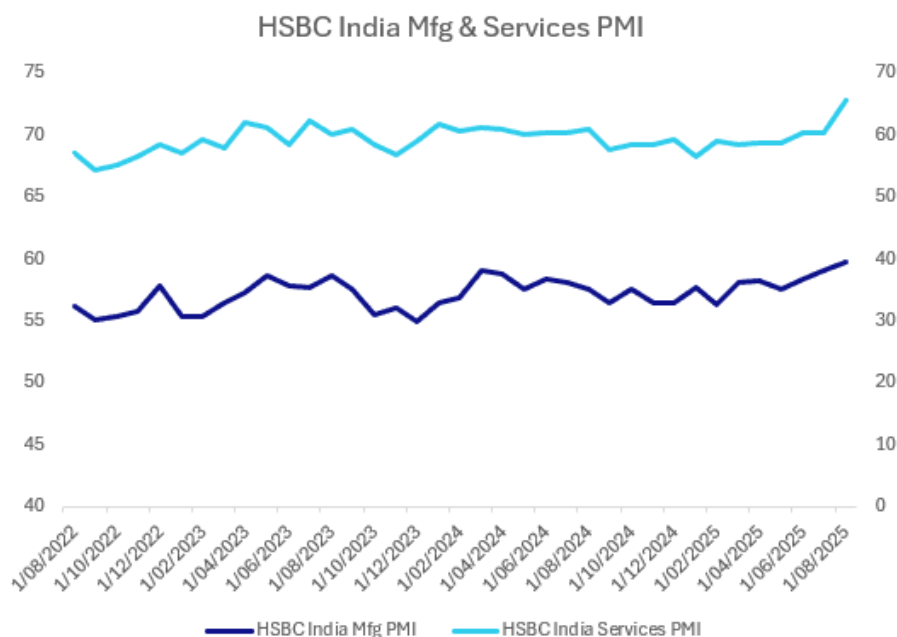
Singapore Exports YoY



source: Bloomberg Finance LP / MNI

INDIA: PMIs Ignore US Tariff Threat

- HSBC and S&P Global India's August flash manufacturing purchasing managers' index index rose to 59.8 from 59.1 in July.
- This is the highest reading since the beginning of 2008 and seemingly ignoring the US tariff threats.
- Output rose to +64.2 from +62.5 and New Orders were higher relative to last month and their highest since late 2020.
- The August services PMI expanded strongly also in July up +65.6 from +60.5 for the highest reading since the series began.
- The employment component rose to +52.7 from +561.4 and prices charged were at their highest since June 2012.



sources : Bloomberg Finance LP / MNI

INDIA: US Cancels Trade Visit

- New Delhi: A planned visit by US trade negotiators to New Delhi from Aug 25 to 29 has been cancelled, delaying talks on a proposed bilateral trade agreement, Indian business and financial news network NDTV Profit says, citing people familiar with the matter. The current round of negotiations for the proposed bilateral trade agreement is now likely to be deferred to another date, the report last Saturday said, dashing hopes of some relief before the Aug 27 deadline for the additional tariff on Indian goods kicks in. (source [The Star](#))
- India expects consumption tax cuts announced by Prime Minister Narendra Modi will give a boost to the economy without hurting the government's fiscal deficit, helping to offset the fallout from higher US tariffs. Officials in New Delhi said on the weekend the proposed changes to the goods and services tax — which will see the number of tax categories reduced to two from four — would benefit a broad range of sectors, including consumers and small businesses. The adjustments would have a limited effect on government revenue, officials told reporters, requesting anonymity in order to discuss the plans. (source BBG)

INDIA: India July Key Industries' Output Up 2.0% YoY

- Output from India's major industries rose 2.0% YoY in July, down from the revised +2.2% in June, according to a report released by the Central Statistics Office.
- Those industries that saw increases were fertilizer up +2.0% YoY, steel increased +12.8% YoY, cement rose +11.7% YoY and electricity output rose +0.5% YoY.
- Those industries that saw declines were coal down -12.3% YoY, crude oil fell -1.3% YoY, natural gas fell -3.2% YoY and petroleum refinery products fell -1.0% YoY

	YoY %	July 2025	June 2025	May 2025	April 2025	March 2025	Feb 2025	2025
Overall		2.00%	2.20%	1.20%	1.00%	4.50%	3.40%	5.10%
Refinery products		-1.00%	3.40%	1.10%	-4.50%	0.20%	0.80%	8.30%
Electricity		0.50%	-1.20%	-4.70%	1.70%	7.50%	3.60%	2.30%
Steel		12.80%	9.70%	7.40%	4.40%	8.70%	6.90%	4.70%
Coal		-12.30%	-6.80%	2.80%	3.50%	1.60%	1.70%	4.60%
Crude oil		-1.30%	-1.20%	-1.80%	-2.80%	-1.90%	-5.20%	-1.10%
Natural gas		-3.20%	-2.80%	-3.60%	-0.90%	-12.70%	-6.00%	-1.50%
Cement		11.70%	8.20%	9.70%	6.30%	12.20%	10.70%	14.30%
Fertilizers		2.00%	-1.20%	-5.90%	-4.20%	8.80%	10.20%	3.00%

source: Bloomberg Finance LP / MNI

ASIA EQUITY FLOWS: Taiwan Outflows Exceed \$3bn In Past Week, Thailand Flows Negative:

Despite a rebound in Taiwan equities yesterday, offshore investors continued to pare back recent inflows. We saw a further \$411mn in net outflows, bringing outflows in the past 5 day trading days to over \$3.2bn. This has also significantly curbed YTD inflows for the local market. South Korea also saw outflow pressures continue yesterday, albeit at a fairly modest pace. Key global tech equity indices finished down in Thursday trade, but losses weren't as large compared to earlier in the week. The key near term focus will likely rest with Powell's speech tonight at Jackson Hole, with focus on hints around whether the Fed will ease at the September meeting.

* Elsewhere, Indian flows have returned to modest outflow pressures, leaving the 5 -day sum as a touch negative.

* The recent bias has also been for outflow pressures from Thailand. Since Aug 13 we have had outflows each trading day. The SET index sits off recent highs but has stabilized somewhat in recent sessions. A series of three high-profile court cases scheduled to take place in quick succession over the next few weeks represents a critical juncture in Thailand's political cycle. See this link : https://media.marketnews.com/Lawfare_Against_Shinawatras_Fuels_Political_Instability_3f7590c0d4.pdf?utm_source=email&utm_medium=email&utm_campaign=20250821 for more details.

* Malaysian outflows continued, but Indonesian inflows remained a bright spot for the region yesterday.

Table 1: Asian Markets Net Equity Flows

	Yesterday	Past 5 Trading Days	2025 To Date
South Korea (USDmn)	-59	-925	-5392
Taiwan (USDmn)	-411	-3233	1257
India (USDmn)*	-34	-58	-12756
Indonesia (USDmn)	42	223	-3191
Thailand (USDmn)	-86	-153	-2073
Malaysia (USDmn)	-13	-156	-3470
Philippines (USDmn)*	3	-21	-617
Total (USDmn)	-559	-4323	-26243
* Data Up To Aug 20			

Source: Bloomberg Finance L.P/MNI

GLOBAL

POLITICAL RISK: Ukraine/Russia To Decide On Territory Issues

Ukrainian President Zelenskyy and key EU leaders have hailed the meetings with US President Trump as a success and positive progress towards ending the Russia-Ukraine conflict. Still, a degree of caution remains and seemingly many details still need to fall into place.

- The first is a meeting between Zelenskyy and Putin has to take place. No exact timeframe was given, but a number of officials suggested the aim was to have a meeting in the next 2-3 weeks between the two leaders. It is expected that a trilateral meeting including US President Trump would then take place after this.
- A focus point for the Zelenskyy/Putin meeting would be on territory claims falling out from any peace deal. A headline crossed via Rtrs: "UKRAINE'S PRESIDENT SAYS TERRITORIAL ISSUES WILL BE DECIDED BETWEEN RUSSIA AND UKRAINE - [RTRS]".
- This comes after earlier reports of Russia reportedly offering to hold its frontlines in Kherson and Zaporizhzhia in exchange for the Donbas, not all of which it currently occupies.
- The other focus point will be on security guarantees for Ukraine. This headline crossed earlier: "**RUTTE: WE'RE DISCUSSING ARTICLE 5 TYPE OF SECURITY GUARANTEES" (via BBG).
- Still, but Rutte (the NATO Secretary General) and French President Macron stated details on security guarantees need to be worked on/out with the US. Trump said that they will principally be provided by Europe but the US will also be "involved" and that "we'll give them good protection".
- Macron added that if Putin doesn't attend a meeting then more pressure will be needed on Russia. He also expressed pessimism on whether Putin actually wants a peace deal.
- Zelenskyy also agreed with Trump to buy \$100bn of US weaponry and to a \$50bn US-Ukraine drone manufacturing venture. The funding is likely to come from Europe.

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