MNI Asia Pac Weekly Macro Wrap

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

JAPAN

- The Tokyo August CPI print was in line with expectations, but some services components rose in the month. Other data outcomes were mixed today, while a BoJ speech this week emphasized the importance of the upcoming Tankan survey to gauge economic momentum.

AUSTRALIA

- The RBA was clear that further rate cuts were consistent with underlying inflation returning to the 2.5% mid-point of the target band. It was the pace of future easing that "was not yet possible to judge" with the risks around the outlook "in both directions".
- July trimmed mean CPI inflation jumped to 2.7% y/y from 2.1% and headline to 2.8% from 1.9%. There was a strong monthly rise in CPI ex volatile items & holiday travel at +0.6% m/m to be 3.1% y/y seasonally adjusted, highest in almost a year, after 2.5% y/y in June.

NEW ZEALAND

- NZ filled jobs rose for the second straight month in July, which is a tentative sign of some stabilisation in the labour market but the increases remain slight.
- The August ANZ business survey was consistent with a gradual but lacklustre recovery. The price components signalled that inflation should be stabilising and may not break above the top of the band.

CHINA

- China industrial profits improved in July, but y/y momentum remained negative. Local stocks continued to rally, while USD/CNH broke lower. China sent trade negotiators to the US.

SOUTH KOREA

- The Bank of Korea's Monetary Policy Board opted to keep the benchmark interest rate steady at 2.50% for the second consecutive meeting. The Governor noted that the decision reflected concerns about rapidly rising mortgage debt. Fiscal stimulus is also expected to be larger next year.

ASIA

- The BSP cut rates as expected, while trade data was slightly better than forecast. Thailand industrial production growth slowed noticeably.

ASIA EQUITY FLOWS

- Outflow pressures have mostly been evident in the past week.

GLOBAL

- Bloomberg container ship tracking data is showing some stabilisation in the number of vessels leaving for the US suggesting tariffs are yet to weigh on demand. While many details of trade deals still need working out, the signs of stabilisation in shipping suggest that exporters are less concerned.

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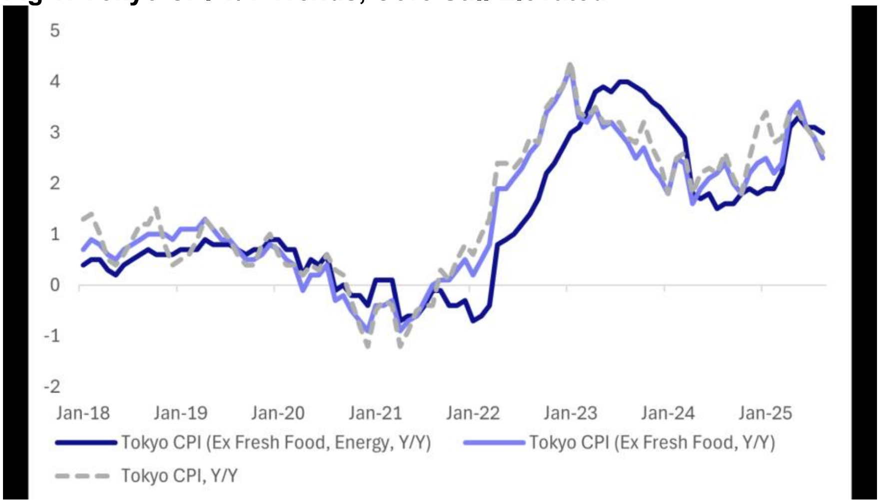
JAPAN

JAPAN DATA: Tokyo August CPI Y/Y In Line, But Services Inflation Edges Up M/M :

The August Tokyo CPI print was in line with market expectations in terms of the y/y outcomes. The headline rose 2.6%y/y, versus 2.9% prior (2.6% was also the consensus estimate). Ex fresh food CPI was 2.5%y/y (2.9% prior), while the measure excluding fresh food and energy was 3.0%y/y (prior was 3.1%). The chart below plots these inflation trends, with headline lower, but core sticky in terms of ex fresh food, energy.

* In terms of the m/m details, there were slightly stronger themes. In seasonally adjusted terms, we rose 0.1%m/m for the headline while ex fresh food and energy was up 0.2%m/m. Goods prices were flat, but services were up 0.2%.
* In non-seasonally adjusted terms, the ex food, energy index rose 0.4%m/m, the strongest gain since April.
* In terms of the sub categories we saw a sharp fall in utilities of 5.1%m/m. This reflected government utility subsidies. Clothing fell by another 0.6%m/m.
* Other categories were mostly firmly, with entertainment rising 2.2%m/m, which follows a 0.6% rise in July. Food prices were up 0.8%m/m, while fresh food rose 3.2%.
* So outside of the sharp fall in utilities, inflation pressures were mostly firmer in August on a m/m basis.

Fig 1: Tokyo CPI Y/Y Trends, Core Still Elevated



Source: Bloomberg Finance L.P./MNI

JAPAN DATA: U/E Rate Down, But Divergences From Steady Job-To-Applicant Ratio:

Japan's jobless rate surprised on the downside in July, printing at 2.3%, versus 2.5% forecast, which was also the June outcome. The job-to-applicant ratio ticked down a touch to 1.22, versus 1.23 forecast, while the June outcome was 1.22.

* The chart below shows the widening divergence between the jobless rate, which is now at fresh lows back to late 2019, and the job to applicant ratio (which is inverted on the chart).
* The labour force participation rate eased to 63.9% from 64.2% in June, with the m/m change for those not in the labour force rising by 150k. The number of people employed fell by -10k, after a -50k dip in June.
* So, whilst the jobless rate suggests a tight labour market, other indicators are painting a less hawkish picture.

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

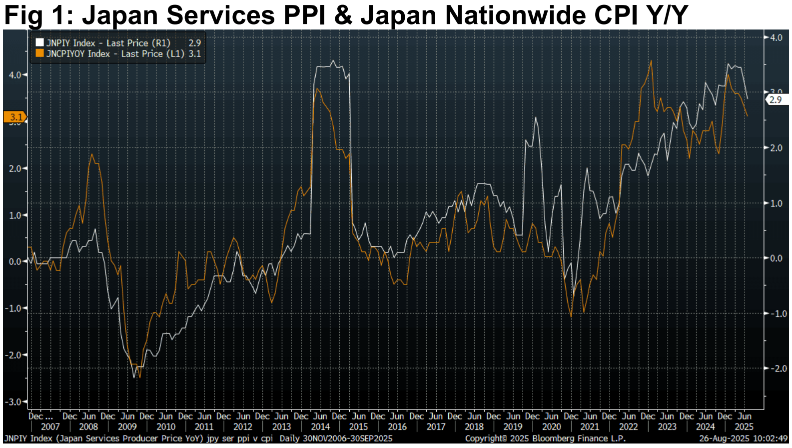
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: July Services PPI Weaker Than Forecast But In Line With Lower CPI

Japan's July PPI services print was below market forecasts. We printed 2.9%y/y, versus 3.2% forecast, which was also the June outcome. In m/m terms we rose 0.3%, the firmest gain since April and after a 0.2% decline in June.

- The chart below plots the services PPI y/y outcome against headline nationwide CPI for Japan, also in y/y terms. The two series have moved off recent highs, with last Friday the July CPI update.
- Broadly this data looks to be evolving as the BoJ expected. Core inflation pressures remain elevated, but the central bank appears to have time on its hands to assess such trends.

Fig 1: Japan Services PPI & Japan Nationwide CPI Y/Y



Source: Bloomberg Finance L.P/MNI

JAPAN DATA: Offshore Investors Sell Japan Stocks For First Time Since June

Japan offshore investment flows were all negative last week, albeit with aggregate moves not large. Most notably were offshore investors selling nearly ¥500bn of local stocks. This was the first such outflow since mid June and indeed since early April we have only had two outflow weeks (including the latest observation). Offshore investors had built up a healthy long position in Japan stocks, as onshore markets reached record highs. In recent weeks though momentum has stalled, likely driving some position squaring for some offshore investors.

- Offshore investors were also net sellers of local Japan bonds, leaving a modest outflow trend in place over the past month.
- In terms of Japan outbound flows, we saw net selling of both overseas bonds and equities. In four out of the last five weeks we have seen net selling of offshore bonds, although this is only paring back strong net inflows seen through much of May-July.
- Net selling of overseas stocks has also been evident in three out of the last four weeks.

Table 1: Japan Weekly Offshore Investment Flows

Billion Yen	Week ending Aug 22	Prior Week
Foreign Buying Japan Stocks	-496.8	1167
Foreign Buying Japan Bonds	-106.0	200.5
Japan Buying Foreign Bonds	-167.2	-310.9
Japan Buying Foreign Stocks	-306.1	395

Source: Bloomberg Finance L.P./MNI

AUSTRALIA

RBA: Too Much Uncertainty To Determine Pace Of Future Easing

Given the August decision to cut rates was unanimous, the discussion regarding the outlook was the important part of the RBA meeting minutes. They were clear that further rate cuts were consistent with underlying inflation returning to the 2.5% mid-point of the target band. It was the pace of future easing that "was not yet possible to judge" with the risks around the outlook "in both directions".

- It was noted by the Board that a continued gradual pace of rate cuts was warranted by the labour market remaining "a little tight", inflation forecast to be "marginally above the midpoint of the target range", private demand "showing signs of recovering", and uncertainty over where neutral is and the "degree of spare capacity". Gradualism buys them time to examine "incoming information".
- There were reasons to ease at a faster pace though, which included the labour market already in balance which risks an undershoot of the inflation target, and if the risks shift to the downside driven by global developments or a bumpy shift to market sector employment from the non-market sector.
- Too much uncertainty remains to determine the speed of future easing and so the RBA remains highly data and outlook dependent and will decide on a "meeting-by-meeting basis".
- It also discussed its bond holdings and decided to continue to reduce them as they mature.

AUSTRALIA: Analysts Split Over Where Cash Rate Expected To Trough

Bloomberg's updated consensus forecasts show that the RBA is widely expected to be on hold in September and that there will be one final cut for the year in Q4, likely November as that coincides with the RBA's revised outlook. The survey was taken over August 14-19, after the last RBA decision and updated forecast release. Forecasters are split over 2026 though and where rates will trough with most projecting either 3.35% with no moves in 2026 or 3.1% with one last cut early next year.

- One of the main outliers is Westpac, which expects another rate cut in Q2 2026 with the cash rate then stabilising at 2.85%. AMP is forecasting the same path.

Australia cash rate projections %

Rate expectations bp			
	2025 cuts	Next cut	Notes
ANZ	100	Nov '25	Final cut in Q4 2025
Bank of Amercia	100	Nov '25	
CBA	100	Nov '25	
Deutsche Bank	125	Nov '25	Expects 50bp easing in Q4
Goldman Sachs	100	Nov '25	Expects one more 25bp in Q1 2026
HSBC	100	Nov '25	Final cut in Q1 2026
ING	100	Nov '25	Final cut in Q1 2026
JP Morgan	100	Nov '25	
Macquarie	100	Nov '25	Final cut in Q1 2026
Morgan Stanley	100	Nov '25	Final cut in Q1 2026
NAB	100	Nov '25	Final cut in Q1 2026
Societe Generale	100	Nov '25	Last 25bp cut in Q2 '26
TD	100	Nov '25	Final cut in Q1 2026
UBS	100	Nov '25	
Westpac	100	Nov '25	Expects 25bp cuts in Q1 & Q2 2026

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

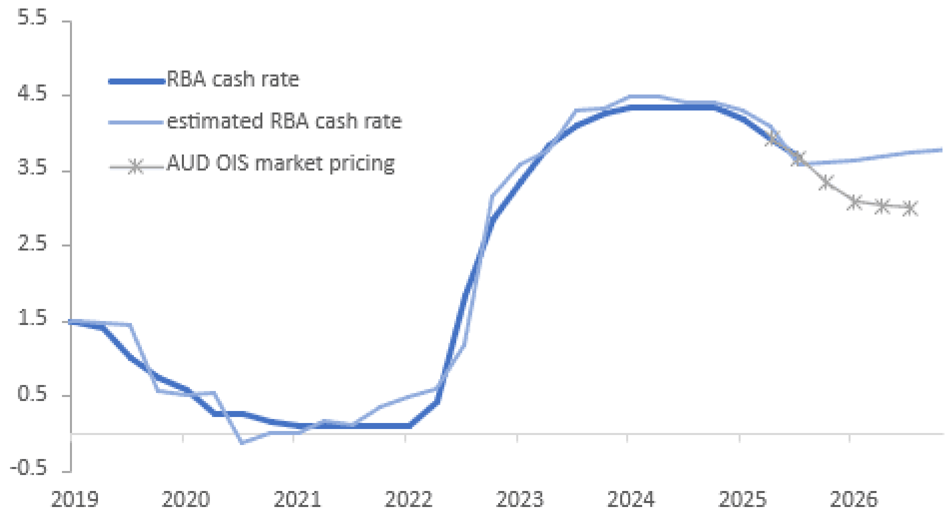
- There were only slight revisions to the RBA's August staff projections and it appears there was nothing in them or the statement for analysts to change their forecasts.
- Consensus still expects CPI inflation to be at 2.9% y/y in Q4 2025, 0.1pp below RBA, and 2.7% in Q4 2026, 0.2pp lower than RBA.
- Growth expectations are unchanged for 2025 with both Q2 and Q3 still forecast to rise 0.5% q/q and Q4 0.6%. Q4 2025 is in line with the RBA at 1.7% y/y but Q4 2026 is 0.2pp stronger at 2.3%. 2026 has been revised down 0.1pp to 2.2%, due to weaker expected GFCF, with 2027 unchanged at 2.5%.
- The unemployment rate is also little changed. It is forecast to end 2025 0.1pp higher at 4.4%, 0.1pp above the RBA, but then stay there until end 2026 when it moderates to 4.3%.
- The probability of a recession remains low at 15%.

AUSTRALIA: Policy Model Suggests Stable Rates

Our simple RBA policy reaction function is showing that based on the growth and inflation outlook rates should stay around 3.6% through H1 2026 with no further easing as underlying inflation remains above the 2.5% mid-point of the target band.

- The RBA's August forecasts show that core inflation can be around 2.5% and reach it by the end of the forecast horizon with rates continuing to fall. There is around another 75bp of easing by H2 2026 assumed in its forecast. Bloomberg consensus expects a 25bp rate cut in November but is split over whether there will be another in Q1 2026.
- The August meeting minutes are published today.
- With the 2.5% inflation mid-point not expected until Q4 2027 and the negative output gap gradually narrowing from Q3 2026, the equation implies a rate hike around end 2026/early 2027.
- The model includes a one quarter lead of the trimmed mean inflation gap, thus its return to zero in Q4 2027 is not yet factored in the output. As Governor Bullock has said previously, the further out a forecast is the more uncertainty there is around it.
- It is worth noting that econometric estimates are just a signal and not a prediction.

Australia OCR outlook %

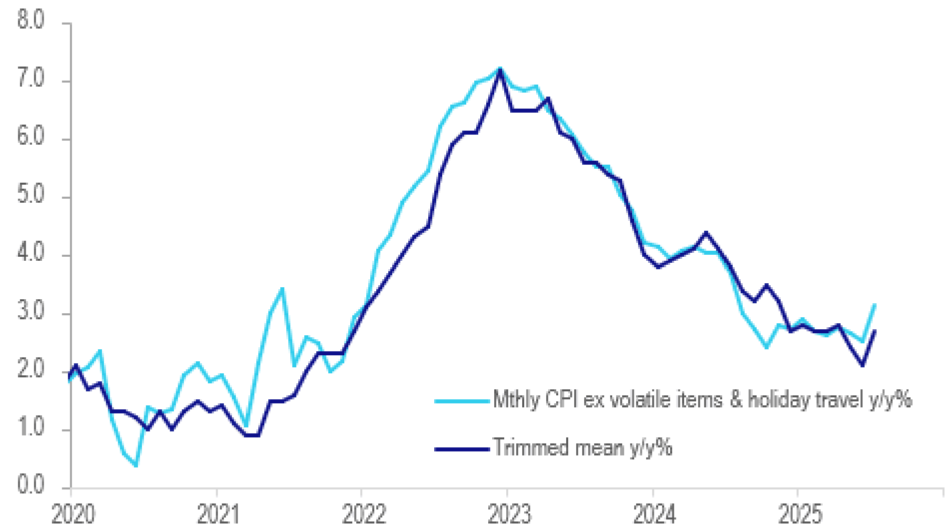


Source: MNI - Market News/Bloomberg Finance L.P./LSEG

AUSTRALIA DATA: Underlying Inflation Picks Up But Volatile

July trimmed mean CPI inflation jumped to 2.7% y/y from 2.1% and headline to 2.8% from 1.9%. The monthly data are incomplete, for instance services aren't updated in the first month of the quarter, and headline continues to be impacted in both directions by government electricity rebates. As a result, the RBA continues to focus on the quarterly data with Q3 not released until October 29. Comprehensive monthly CPI data is scheduled for November 26 but it will take time for seasonal trends to emerge.

Australia underlying inflation y/y%

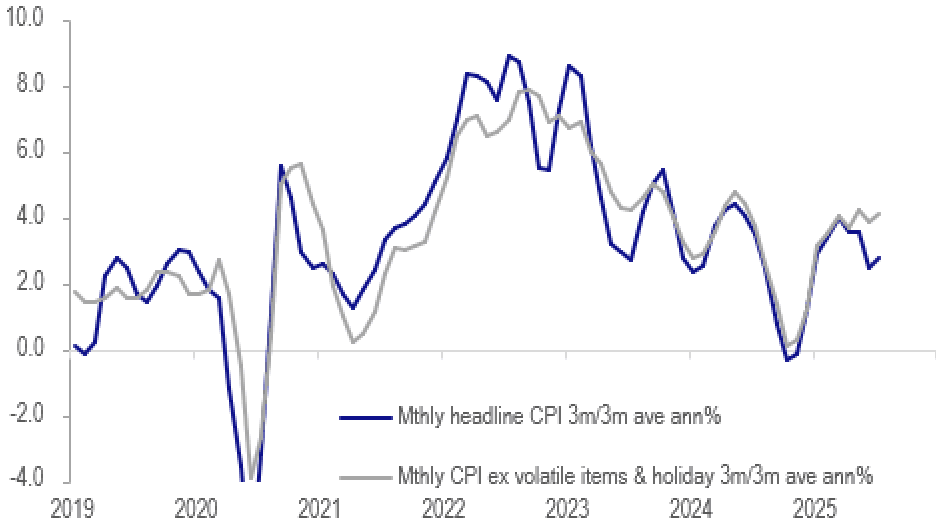


Source: MNI - Market News/ABS

- In terms of underlying inflation, the trimmed mean was its highest in July since April. There was a strong monthly rise in CPI ex volatile items & holiday travel at +0.6% m/m to be 3.1% y/y seasonally adjusted, highest in almost a year, after 2.5% y/y in June. The 3-month annualised momentum remains around 4%, where it has been over most of 2025, and 6-month is just over 3.5%.
- The headline was boosted by a 13.1% y/y rise in electricity prices in July after falling 6.3% in June. They rose 13% m/m due to Commonwealth rebates not paid to households in NSW and ACT which will occur in August. Outside of government payments, electricity rose 4.8% m/m due to the yearly review.

- Other components were contained with rents up 3.9% y/y down from 4.2%, new dwellings rose 0.4% in line with June, and food & non-alcoholic beverages 3% y/y after 3.2%.

Australia inflation 3-month momentum %

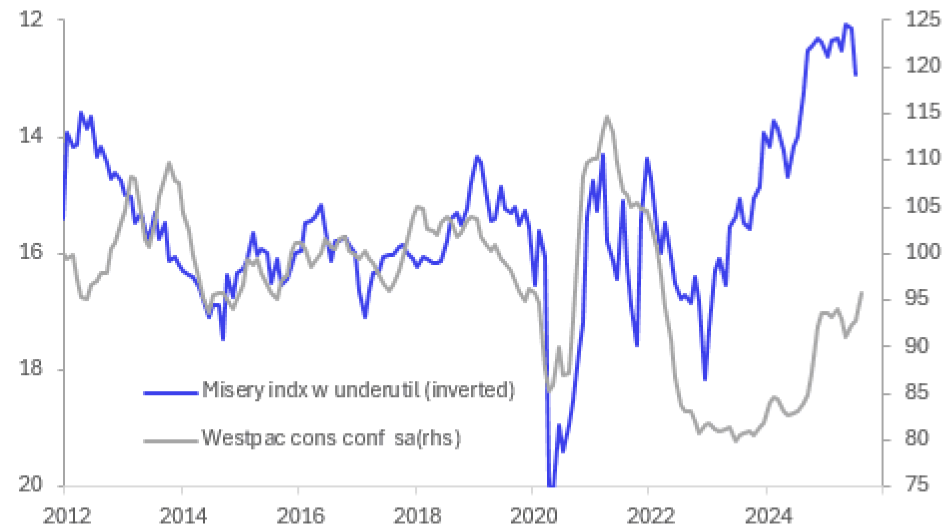


Source: MNI - Market News/ABS

AUSTRALIA: July Inflation Rise Drives "Misery Index" To Highest Since Aug 2024

The substantial pickup in inflation in July drove a deterioration in the "misery index" to its highest in almost a year. If this is sustained then it could impact consumer confidence, but as the latter tends to be less volatile it is still too soon to tell. The 0.2pp improvement in underutilisation in July was offset by a 0.9pp increase in headline inflation to 2.8%. September Westpac consumer confidence prints on September 9.

Australia "misery index" vs Westpac consumer sentiment



Source: MNI - Market News/LSEG

- In July, RBA Deputy Governor Hauser observed that the "misery index" suggested that consumer sentiment should be stronger than it is and wondered if there had been a "scarring effect" from previous contractions in real disposable incomes.
- August consumer confidence rose to 95.8 from 92.9 though boosted by the RBA's August 12 rate cut and signal that further easing is likely. Governor Bullock speaks on September 3 but there isn't a meeting

before the next sentiment data and rates are generally expected to be left unchanged at the September 30 decision.

- In July headline CPI was boosted by a 13.1% y/y rise in electricity prices in July after falling 6.3% in June. They rose 13% m/m due to Commonwealth rebates not paid to households in NSW and ACT which will occur in August. It is worth noting that outside of government payments, electricity still rose 4.8% m/m due to the yearly review.
- While headline inflation has been materially impacted in both directions due to state and federal government electricity rebates, it is likely the measure consumers "feel" and thus the best in the "misery index".

AUSTRALIA: SEEK Advertised Salary Increases Moderated Further In July

SEEK reported that July advertised salaries rose 0.2% m/m and 3.3% y/y, the slowest annual rate since July 2021 and down from June's 3.5% but still above inflation. It doesn't appear to have been impacted by the July 1 3.5% increase in the minimum wage with 3-month momentum moderating. SEEK salaries have been trending lower since they peaked at 4.9% in September 2023 and signal that wages remain contained as lower inflation expectations and less tight labour market conditions feed into wage demands. The WPI was stable at 3.4% y/y in Q2 and the RBA is projecting it to ease to 3.3% in Q4 and then be close to 3% over the rest of its forecast horizon.

Australia SEEK advertised salary index %

Source: MNI - Market News/SEEK

AUSTRALIA: Tentative Signs Of Stabilisation In Vacancies

RBA Governor Bullock noted that the vacancies/unemployment ratio was well off its highs and thus signalling that the labour market has eased. The quarterly ratio has been moving sideways for a year and remains above the historical average. However, monthly internet vacancies/unemployed appeared to stabilise in the 3 months to July around the series average. The SEEK new job ads index has moved sideways through most of 2025.

Australia SEEK new job ads index 2013=100

Source: MNI - Market News/SEEK

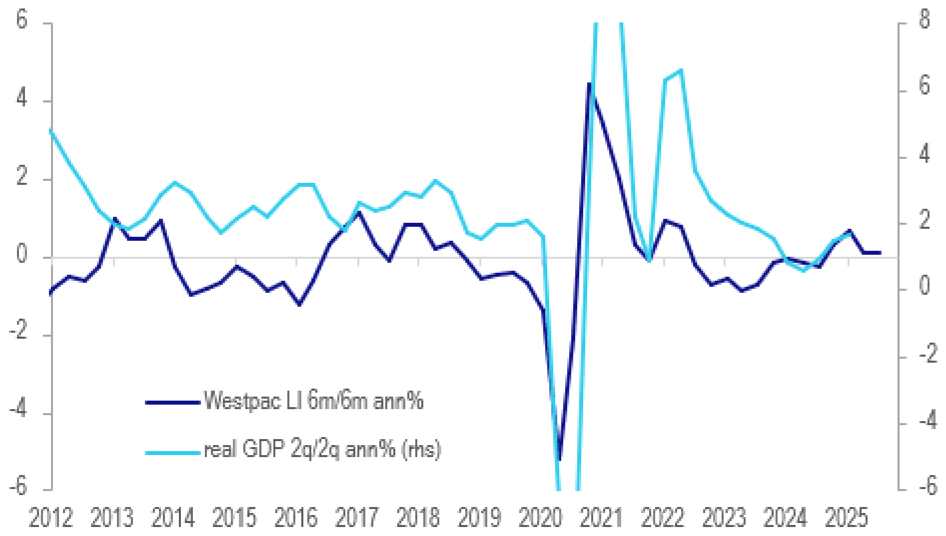
- SEEK reported that July vacancies rose a seasonally adjusted 0.8% m/m but are still down 4.8% y/y. However, the 3-month annualised rate turned positive for the first time since July 2022, consistent with some stabilisation. SEEK notes that the trend posted two consecutive monthly increases for the first time since mid-2022.
- There was strong job ad growth in SA and WA and in the medical and hospitality sectors. SEEK observes that skill shortages persist in mining and renewable energy.
- June applicants-per-ad also appears to have peaked after trending higher since the May 2020 trough. In June the measure fell 4% m/m but is still up 9% y/y with 3-month momentum robust. Labour supply remains elevated.
- The stabilisation in vacancies is consistent with the S&P Global PMI which noted in the preliminary August composite report that there was increased hiring to fill a pickup in new orders. August employment is released on September 18.

AUSTRALIA DATA: Lead Index Signals Continued Sluggish Growth

The Westpac leading index rose 0.12% m/m in July after being flat in June. This left the 6-month rate little changed at 0.06% signalling that the recovery is likely to remain gradual and lacklustre into year end. The RBA signalled that further rate cuts are consistent with inflation returning to the 2.5% mid-point of the target band and that is likely to remain the case while growth remains sluggish. Westpac expects rates to be on hold in September with November the next cut.

- Westpac is forecasting growth of 1.7% this year up from 1.3% in 2024. It is not expected to return to trend until the end of 2026 with 2.2% projected.
- Westpac notes that six of the eight lead index components contributed to the slowing in the indicator with commodity prices in AUD the main drag over 2025. Consumer confidence and unemployment expectations have also weighed. Equities, US IP and the yield gap have only helped slightly this year.

Australia Westpac lead index vs real GDP %

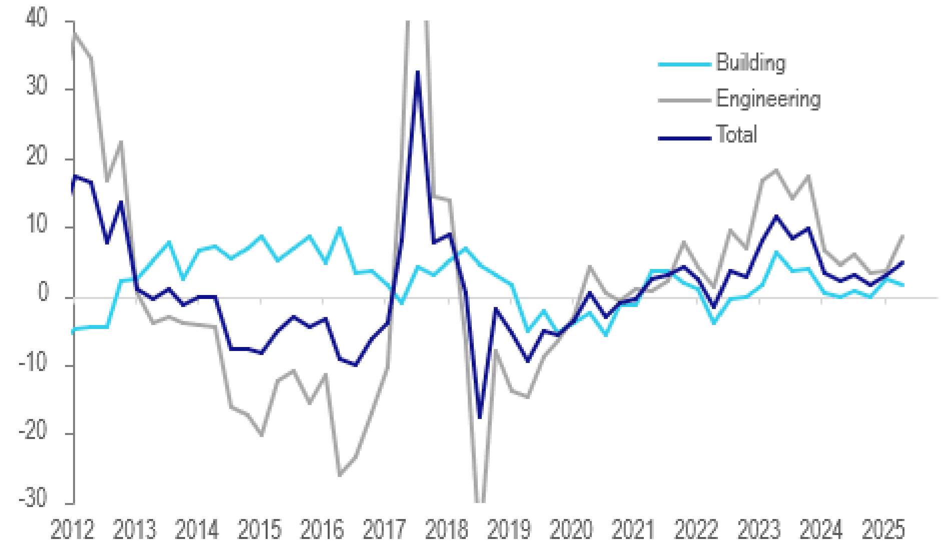


Source: MNI - Market News/LSEG

AUSTRALIA DATA: Narrow Rise In Construction Work

Q2 the real value of construction work done rose 3% q/q & 4.8% y/y, highest since Q4 2023 and , stronger than expected, after -0.3% q/q & 3.0% y/y. The rise was driven by engineering work with the building components lacklustre. Q2 GDP is released September 3 with private capex data Thursday, inventories September 1 and net exports and public demand contributions September 2.

Australia real value of construction work done y/y%



Source: MNI - Market News/ABS

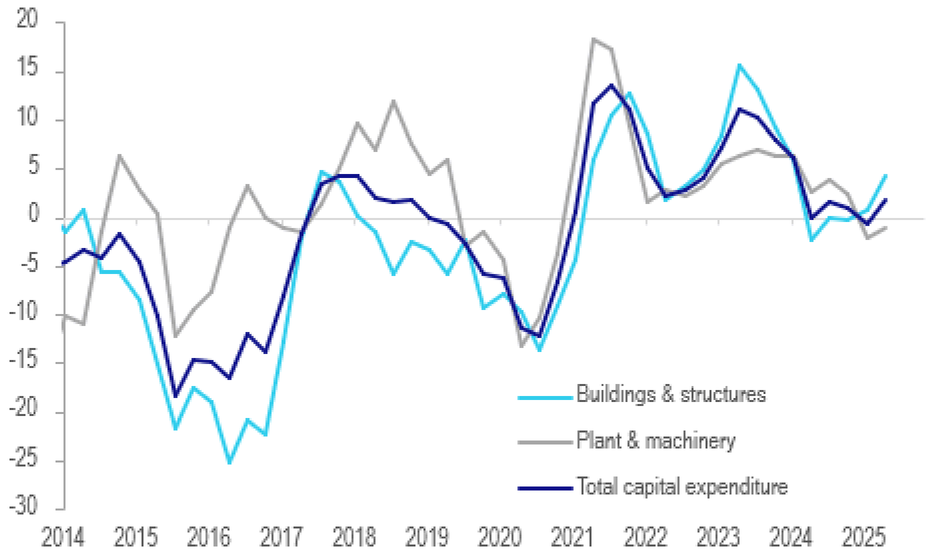
- The rise in construction was not broad based with only NT, ACT, SA and Tasmania recording quarterly increases and the NT rising 344.8% q/q.
- Engineering work rose 6.1% q/q to be up 8.5% y/y. This was predominantly done by the private sector leaving total private construction up 4.3% q/q & 6.6% y/y after 3.1% y/y.
- Building increased 0.2% q/q to be up 1.6% y/y with residential +0.1% & 5.3% y/y and non-residential +0.3% & -4.0%. New houses constructed fell 1.6% q/q to be up 2.3% y/y down from Q1's 6.5% y/y.

AUSTRALIA DATA: Private Capex Soft In Q2

Private sector capex remained soft in Q2 with volumes rising 0.2% q/q, driven by the non-mining sector, after falling 0.2% q/q to be up only 1.7% y/y although this was an improvement from Q1's -0.6% y/y. There has been talk that investment needs to rise in order to see progress on productivity, which has been weak. Q2 GDP is released September 3 with inventories September 1, and net exports and public demand contributions September 2.

- Private investment in buildings and structures rose 0.2% q/q, the fourth consecutive quarterly rise, to be up 4.3% y/y after 0.6% y/y in Q1. There was growth across transport, warehousing, telecoms and manufacturing.
- Machinery & equipment volumes remained weak rising only 0.3% q/q after two quarterly contractions. It is now down 1.1% y/y after -2.1%. There was strong investment in data centres and retail supply automation.
- Non-mining capex rose 0.9% q/q while mining fell 1.4% q/q with equipment up 0.5% q/q and down 0.8% respectively. Building rose 1.4% q/q and fell 1.6% respectively.
- Capex values are planned to rise over the current financial year with the third estimate revised up 12% with equipment +17.8% and building +8.4%. FY25 saw growth of 3.8%.

Australia real private capital expenditure y/y%



Source: MNI - Market News/ABS

NEW ZEALAND

NEW ZEALAND: Sales Volumes Supported By Lower Retail Prices

Q2 real retail sales were a lot stronger than expected rising 0.5% q/q after 0.8%. This was the fourth consecutive non-negative quarter bringing annual growth to 2.3% y/y from 0.7% and the sector now appears to be recovering. There will be manufacturing, trade and building volumes released before GDP prints on September 18.

- Nominal retail sales rose 0.1% q/q to be up 2.5% y/y after 1.5% q/q & 1.3% y/y in Q1. Therefore lower prices in the quarter supported real expenditure.
- Statistics NZ reported that 8 out of 15 retail sectors saw an increase in sales in Q2 with electronics, supermarkets and pharmaceuticals driving the rise. Clothing & footwear was the weakest with accommodation, fuel, hardware and food & beverage services also seeing lower sales volumes.

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NZ retail sales y/y%

Source: MNI - Market News/LSEG

NEW ZEALAND: NZIER Reduces Cash Rate Forecast Due To Disappointing Recovery

The NZIER has released its "Quarterly Predictions" and following the RBNZ's signalling last week, it is now projecting 25bp rate cuts in October and November bringing rates to 2.5%. It also expects inflation to exceed the 3% top of the RBNZ target band over the coming year due to food prices, which is higher than the central bank forecast but like them it expects it to come down due to excess capacity.

- The institute had previously expected the cash rate to trough at its current 3%.
- NZIER notes that the pace of the recovery has been disappointing given the degree of policy easing this cycle. Increased global uncertainty is believed to have impacted household and business spending decisions.
- In addition, consumers are wary because of the weakness of the labour market where there has been job shedding. With only around half of mortgages repriced for lower rates, households should see more relief going forward which may support a pickup in consumption.
- See press release here.

NEW ZEALAND: Inflation Stabilising, Weaker Employment But Exports Improve

ANZ business confidence for August rose to 49.7 from 47.8, the highest since March. However, the activity outlook deteriorated to 38.7 from 40.6, the weakest since May. ANZ noted that the August 20 rate cut drove some "isolated lifts in the data" but there was "no generalised confidence improvement". The survey remains consistent with a gradual but lacklustre recovery.

- Price/cost components improved, which is welcome given the risks that inflation will exceed the 3% top of the RBNZ's band in the short term.
- Inflation expectations were 0.1pp lower at 2.6% in August and pricing intentions were down 1 point to 42.5, lowest since November, with 3-month ahead up 0.1pp to 1.5% driven by retail at 2.4%. Costs remained elevated but moderated 2 points to 74. Cost expectations 3-months ahead fell 0.1pp to 2.3%, while wages a year ahead moderated 0.1pp to 2.4%.

NZ CPI y/y % vs business inflation expectations

Source: MNI - Market News/LSEG

- Activity compared to a year ago deteriorated to +1.3 from +5.9 driven by continued weakness in construction but retail improved sharply in late August. The series is an indicator of GDP growth and is signalling a soft Q3.
- Employment eased 1 point to 10.5 but ANZ noted that services rose for the third straight month. July filled jobs in services rose 0.3% m/m. The Q3 average of business hiring intentions is currently slightly below Q2's signalling that labour market conditions have remained soft.
- Investment and export intentions were bright spots. The former rose 0.5 point to 20.2, highest since December, driven by agriculture and services. Exports picked up 2 points, the highest since March before US reciprocal tariffs announced, with manufacturers strongest since February.

NZ ANZ business employment intentions vs activity outlook

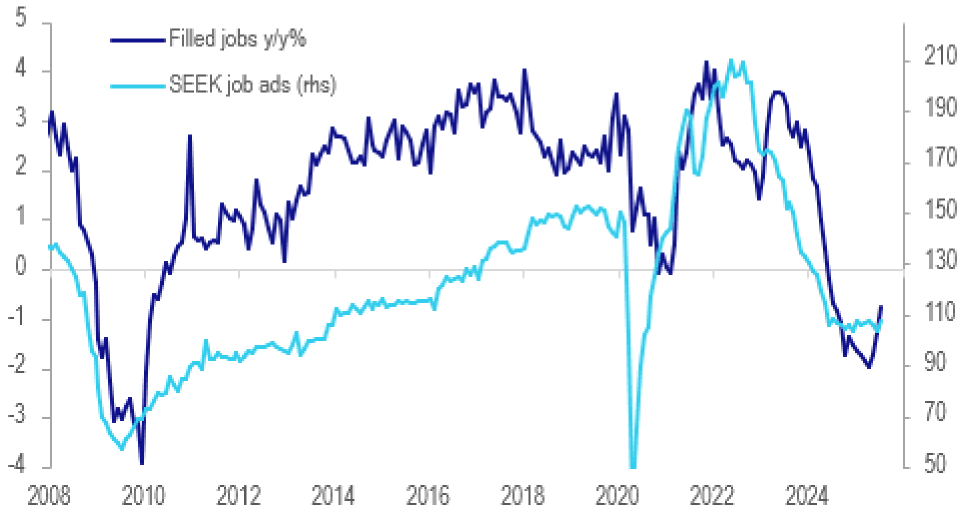
Source: MNI - Market News/LSEG

NEW ZEALAND: Labour Market May Be Stabilising

NZ filled jobs rose for the second straight month in July, which is a tentative sign of some stabilisation in the labour market but the increases remain slight. July was up 0.2% m/m after 0.1% but was still down 0.7% y/y but an improvement from June's -1.3% y/y and April's -2.0% y/y. Q3 labour market data is not out until 5 November and so August/September filled jobs will be monitored closely (29 Sep/28 Oct).

- SEEK reported a 3.9% m/m rise in July job ads to be down 0.5% y/y after -2.4% y/y in June and -30.7% in August 2024. It noted that vacancy levels have been going sideways for 10 months suggesting no further labour market deterioration - another sign of stabilisation but at weak levels.
- The services sector drove the increase in filled jobs rising 0.3% m/m. Primary industries also hired (+0.5%), while goods-producers cut by 0.1% m/m. Over the last year, construction, admin services and manufacturing drove job shedding, while the health and education sectors saw an increase in employment.
- Only the 35-39 year old age group has seen an increase in employment over the last year (+2.2% y/y), while 15-19 years fell 8.5% y/y and 20-24 years 3.2% y/y.

NZ labour market



Source: MNI - Market News/SEEK/Statistics NZ

CHINA

CHINA: China Sending Minister to US

- China is sending Vice Commerce Minister Li Chenggang to the US, a move that indicates some degree of interaction between the two sides is resuming after they agreed on a truce in their trade dispute. Li will meet with US deputy-level officials, US Trade Representative Jamieson Greer and Treasury Department officials, and US business figures, according to the Wall Street Journal, citing people familiar with the matter. (source BBG)
- President Donald Trump said the US has more leverage over China on trade than the other way around, citing airplane parts as a key item Washington has to counter Beijing's restrictions on rare earths. "We have much bigger and better cards than they do," he said Monday. "If I played those cards, that would destroy China. I'm not going to play those cards." China halted most shipments of rare-earth magnets to the US in April, weaponizing the nation's 90% grip on global production to squeeze American factories. Beijing agreed to normalize flows as part of a trade truce negotiated with the Trump administration, with shipments to the US reaching a six-month high in July. (source BBG)

CHINA: Industrial Profit Declines Continue

- China's Industrial Profit in July declined, marking a third consecutive month.
- China Industrial Profits YoY contracted -1.5%, following -4.3% in June.
- This is the seventh monthly decline out of the prior 12.
- The Year to date result of -1.70% was in line with the prior month's result of -1.8%.
- The Year to date Industrial Company's Profit was CNY4.02tn.

CHINA: Policies Coming To Expand Service Consumption

- The Vice Minister of Commerce revealed that the Ministry of Commerce will introduce several policy measures next month to expand service consumption, utilizing fiscal and financial measures to optimize and enhance service supply capacity and stimulate new growth in service consumption. The Director of the Department of Trade in Services of the Ministry of Commerce, stated that the Ministry of Commerce and relevant departments have jointly developed "Several Policy Measures to Promote Service Exports," and the relevant documents will be issued soon. (source: China Securities Journal)
- China's trade with other Shanghai Cooperation Organization (SCO) member states stood at around 512.4 billion U.S. dollars in 2024, up 2.7 percent year on year, a commerce official said Wednesday. Last year, China imported nearly 90 billion U.S. dollars worth of crude oil, natural gas and coal from other SCO members, along with 13.66 billion dollars worth of agricultural products, Ling Ji, vice minister of commerce, said at a press conference. Energy imports from other SCO members accounted for about one-fifth of China's total imports in 2024. (source Xinhua)

SOUTH KOREA

SOUTH KOREA: Key Highlights From The Statement

Key Highlights from the BOK Statement

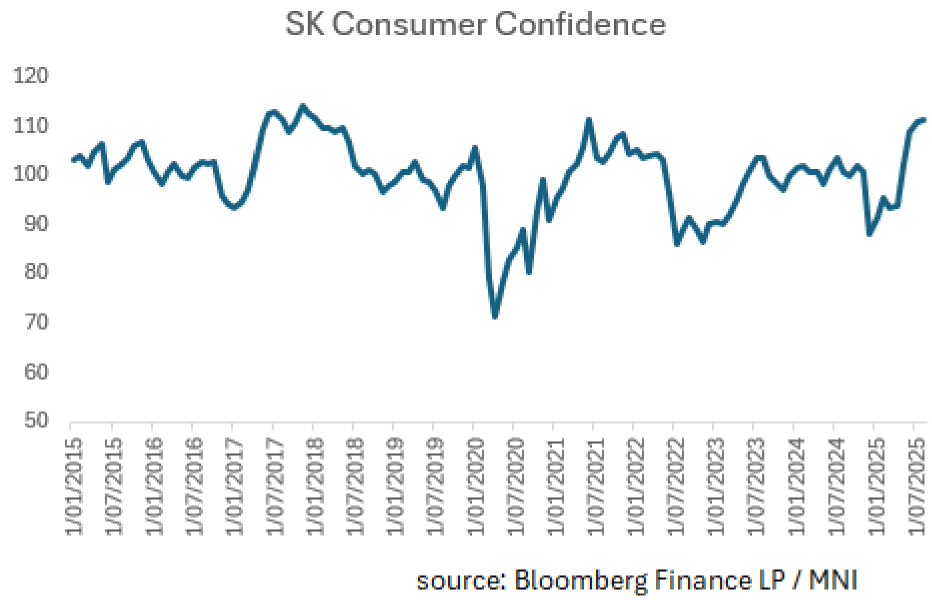
- The Bank of Korea's Monetary Policy Board opted to keep the benchmark interest rate steady at 2.50% for the second consecutive meeting.
- The Governor noted that the decision reflected concerns about rapidly rising mortgage debt, especially in Seoul, and ongoing financial instability from slowing growth, albeit with some early signs of improvement. Export growth remained solid for a second consecutive month, driven by strong demand in semiconductors and automobiles, aided in part by front-loading amid tariff concerns.
- Whilst growth projections were slightly upgraded—from 0.8% to 0.9% for the year—this still marks the slowest growth since 2020 . Inflation risks appear manageable, supporting the likelihood of a more gradual easing cycle.
- The press conference emphasized a balanced approach to monetary easing with market commentators now expecting a possible 25 basis point rate cut in October, contingent on economic developments.

SOUTH KOREA: Steel Exports To US Collapse

- The slump in the construction industry is expected to drag Korea’s growth rate down to 0.9 percent this year, offsetting gains in domestic demand and a smaller-than-expected deceleration due to eased U.S. tariffs, industry officials said Sunday. In its recently revised economic outlook, the government projected real gross domestic product (GDP) growth in 2025 at 0.9 percent, signaling the start of a prolonged low-growth era. The downgrade was driven primarily by a bleak construction sector. Government projections show investment in the sector shrinking 8.2 percent in 2025, following a 3.3 percent decline last year, as the recovery remains sluggish. (source Korea Times)
- Korea's steel exports to the United States tumbled 26 percent in July from a year earlier, hit by Washington's doubled tariffs, a trade association said Sunday. In June, U.S. President Donald Trump raised tariffs on all steel and aluminum imports to 50 percent, up from the 25 percent imposed in March. Korean steel shipments to the U.S. fell to $283 million last month from $382 million a year earlier, according to data from the Korea International Trade Association (KITA). (source Korea Times)

SOUTH KOREA: Consumer Confidence Continues To Rise

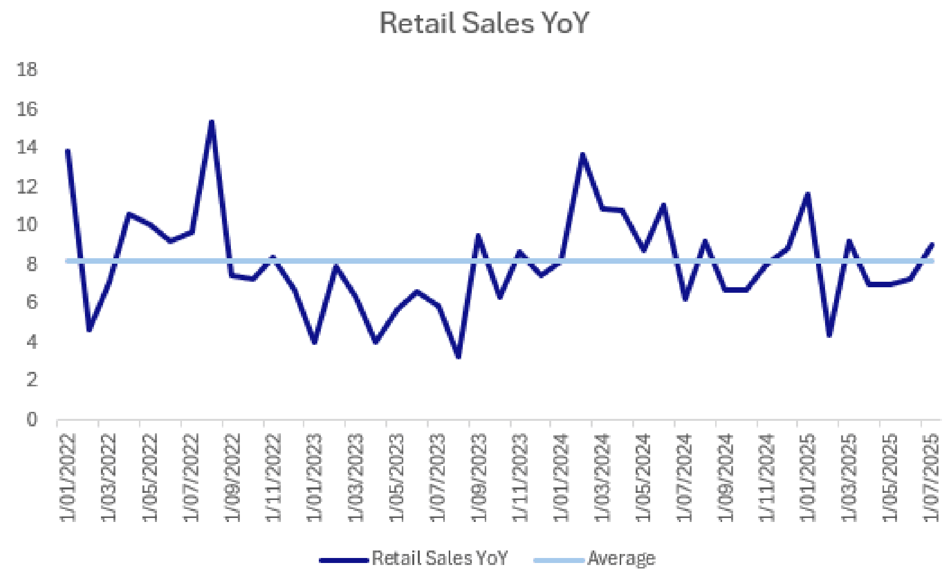
- Despite a weaker period for the KOSPI, tariff threats and government policies aimed at curtailing the Seoul housing market, consumer's continue to be positive with Consumer Sentiment hitting a 7-year high.
- The index was up marginally from July to 111.4, a seven year high.
- The Bank of Korea undertake a survey each month of up to around 2,000 households and for the last five months the confidence levels have continued to rise following the Presidential election.
- Ahead of this week's BOK meeting, this will be an important input into the decision that at this stage sees a consensus for no change.



SOUTH KOREA: July Retail Sales Post Strong Gains Ahead Of BOK Decision

- Korea's July Retail Sales YoY posted the strongest month in four as the recovery in consumer confidence becomes evident.
- July's result of +9.1% was marked uptick from June's +7.3%
- Department Store Sales YoY rose +5.1% for its strongest month since January.
- Discount Store Sales YoY contracted for a second month, this time by -2.4%.

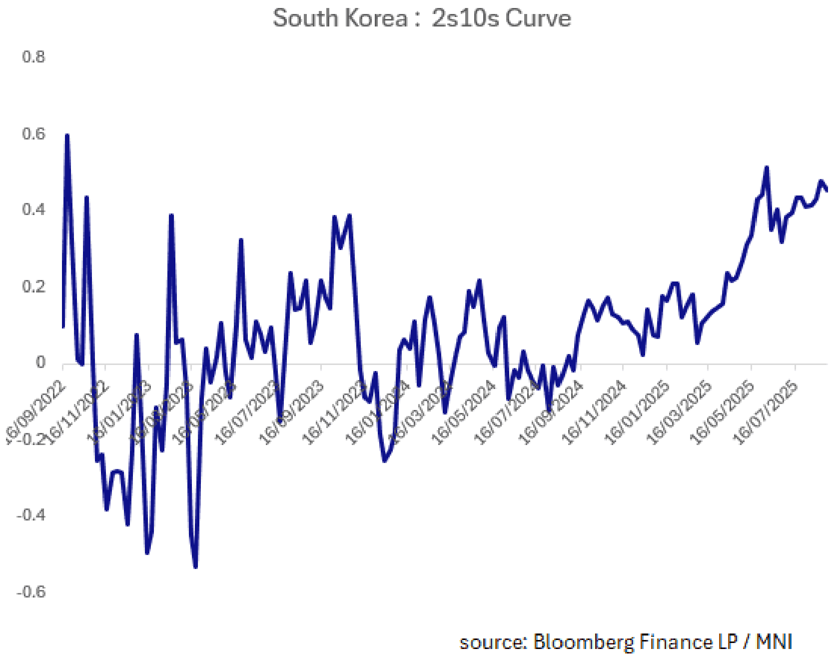
- The growing strength of the consumer gives the BOK something to think about as they approach the monetary policy decision tomorrow. Market consensus as this stage if for no change, following on from the July meeting where they remained on hold also.



sourcce: Bloomberg Finance LP / MNI

SOUTH KOREA: 2s10s Curve Update

- The steepening of the curve had taken a breather leading up to the BOK meeting this week having reached +48 late last week.
- After a year high of +51bps in early June, the 2s10s curve differential had backed off to +35bps by the end of June before issuance led-steepening in August.
- Following the BOK no change this week, the curve stands at +45
- Next week is a big week for data with exports, PMI Manufacturing, CPI and 2Q GDP preliminary.



- The Korean bond market has the highest correlation to the US bond market according to our analysis. The UST 10s2s steepening began at the start of April when the US curve started to move.
- The Korean curve could start to re-calibrate growth expectations for 2025, particularly with today's announcement from the Korean Government.
- Current forecasts suggest a mere +1.0% GDP growth for 2025 as South Korea's new government plans a significant increase of its annual budget to revive an economy under pressure from US tariffs, rising welfare costs and an aging population.
- The proposed budget for 2026 is an +8.1% increase and includes ramped-up defense spending and aims to spur an "economic transformation" by channeling support into sectors including artificial intelligence, semiconductors, shipbuilding and K-culture.
- The government plans to issue a record amount of bonds to fund the government spending and will target technology-driven growth, stronger small businesses and more balanced regional development.
- In 2020 the COVID impacted budget resulted in a deficit of -2.7% and GDP growth the following year of 4.6%. The deficit for 2024 was -3.4% with a skew towards the back end of the year. The 2025 budget forecast increase and would be two meaningful deficits in two years for the first time in some time following 2024's deficit of -3.4%.

	2018	2019	2020	2021	2022	2023	2024
Budget (% GDP)	3	1	-2.7	-0.3	-0.1	-1	-3.4
BOK Base Rate	1.75	1.25	0.5	1	3.25	3.5	3
KTB 2YR	1.84	1.37	0.89	1.67	3.79	3.24	2.77
KTB 10YR	1.96	1.67	1.72	2.26	3.74	3.18	2.87
KTB 10s2s curve	0.12	0.30	**0.83**	0.59	-0.05	-0.06	0.10

Source: Bloomberg Finance LP / MNI

ASIA

INDONESIA: BI Confident On Exports

- Indonesia's central bank expects exports to keep expanding in the second half of 2025 despite heightened global uncertainty from Washington's sweeping tariff hikes. The US recently imposed reciprocal tariffs to cover 70 countries, a move that has rattled emerging economies reliant on external demand. But Bank Indonesia (BI) officials struck an optimistic note on Friday, pointing out that Indonesia's tariffs were cut from 32 percent to 19 percent, easing the blow compared with other trade partners. However, Indonesia made some major trade concessions, including a commitment to import $15 billion worth of American energy products. Indonesia also agreed to get rid of 99 percent of tariff barriers for American industrial and food products. (source Jakarta Globe)
- The Trade Ministry on Monday urged the European Union to immediately remove countervailing duties on biodiesel imports, after the World Trade Organization backed the Southeast Asian country on several key claims in a complaint to the trade body. Indonesia brought its complaint to the WTO in 2023, alleging the EU's imposition of duties on imports of its biodiesel broke the body's rules. "We urge the EU to immediately revoke these countervailing import duties that are not WTO-compliant," said Indonesian Trade Minister Budi Santoso in a statement, after the WTO's ruling last week. (source Jakarta Post)

INDONESIA: Minister Hails Manufacturing

- Minister of Industry stated that the domestic manufacturing industry is the main powerhouse for the national economy, considering its large contribution to gross domestic product (GDP) and significant added value creation. He made this statement while holding a Ministerial Lecture with the theme of National Industrial Development Strategy, here on Tuesday. (source Antara)
- The Indonesian government is leading efforts to strengthen the micro, small, and medium enterprise (MSME) sector as the chair of the Southeast Asian subregional cooperation forum. The subregion includes Brunei Darussalam, Indonesia, Malaysia, and the Philippines-East ASEAN Growth Area (BIMP-EAGA) for the 2025-2028 period. "MSMEs are the backbone of the Indonesian economy. They have proven their competitiveness through flexibility, creativity, and resilience during times of crisis," said the Deputy for Medium Enterprises of the MSME Ministry in Badung, Tuesday. (source Antara)

MALAYSIA: Labour Market Resilience Expected

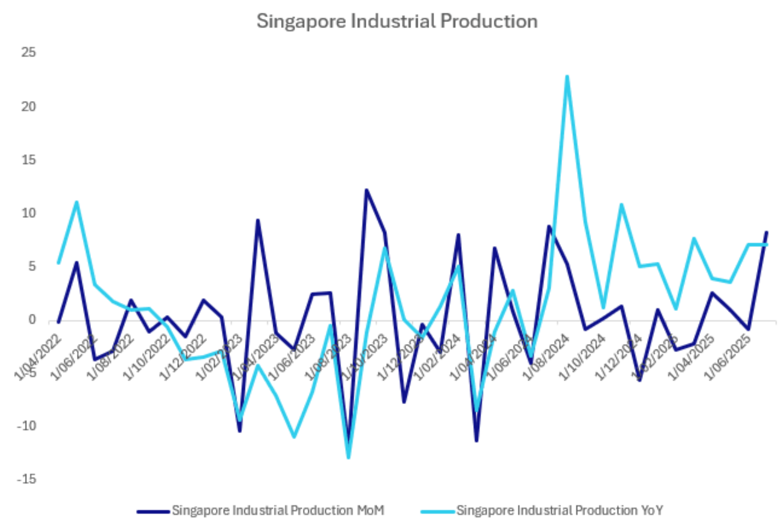
- Malaysia’s labour market is expected to remain resilient in the third quarter of 2025, supported by stable domestic demand and sustained policy measures, according to the Department of Statistics Malaysia (DOSM). The agency said the employment landscape continues to point towards a progressive trajectory, aligned with the nation’s broader transformation into a high-income, technologically advanced and inclusive economy. Policy adaptability, skills development, and workforce efficiency will be critical in further strengthening labour market resilience, it added. (source Business Today)
- The Manufacturing industry stood at 82.5 per cent rate of capacity utilization in the second quarter of 2025, increased by 0.4 percentage points compared to the same quarter of the preceding year (Q2 2024: 82.1%). In this quarter, all sub-sectors posted capacity utilization above 80 per cent, with the highest rate recorded by the Non-metallic mineral products, basic metal & fabricated metal products at 83.5 per cent, increased by 1.2 percentage points. (source Business Today)

MALAYSIA: BRICs Investment In Malaysia Rises

- Malaysia’s Producer Price Index (PPI) recorded a slower decrease of 3.8 per cent in July 2025 from a 4.2 per cent decline in the previous month, according to the Department of Statistics Malaysia (DOSM). Chief Statistician Datuk Seri Dr Mohd Uzir Mahidin said the decline in July 2025 was mainly attributed to the mining and manufacturing sectors, which have experienced a downward trend since the beginning of the year. "The mining sector went down by 8.7 per cent (June 2025: -8.0 per cent), dragged down by the extraction of crude petroleum (-9.8 per cent) and the extraction of natural gas (-4.7 per cent) indices. (source The Star)
- Malaysia has recorded an increase in total investments from BRICs countries, topping RM8.54bn according to the Ministry of Investment, Trade and Industry (source Bernama)

SINGAPORE: Industrial Production Very Strong In July

- July's Industrial Production in Singapore were well ahead of expectations and the MoM the largest expansion in a year.
- Singapore's MoM SA rose +8.2%, following a modest contraction in June and against expectations of +1.1%.
- The YoY figure rose +7.1% in July, in line with the month prior.
- The monthly expansion was the fastest since July 2024 with manufacturing leading. Pharmaceuticals rose +2.7% YoY whilst petrochemicals declined.



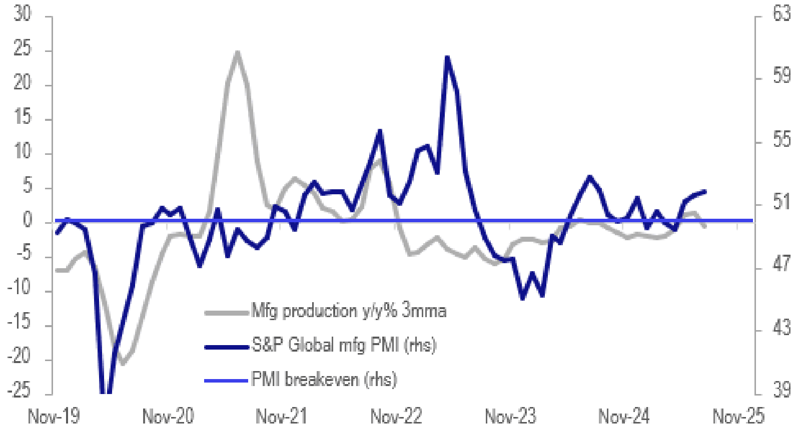
source: Bloomberg Finance LP / MNI

THAILAND: Manufacturing Contracts Sharply In July

July manufacturing production was very weak falling 4% y/y, the weakest since December 2023, after +0.4% y/y. Seasonally adjusted it fell 2.2% m/m. Capacity utilisation fell to 57.4 from 59.5 in June, also the lowest since end 2023.

- Bank of Thailand's business confidence fell in July but remained above May's low. In contrast, the S&P Global manufacturing PMI has been above the breakeven-50 level for the last three months with July at 51.9 implying growth in activity. Both series receive August updates on September 1.
- The industry ministry said that July's weakness was driven by softer auto production as well as debt levels.
- It has revised down its 2025 manufacturing forecast to 0-0.5% from 0-1% and expects it to continue to contract through H2.
- Bank of Thailand has been concerned about a slowdown in growth in H2 driven by increased US protectionism and payback for the frontloading of Thai exports to the US in H1. Weaker tourist arrivals are also likely to weigh on growth. It has cut rates 100bp this cycle.

Thailand manufacturing



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

PHILIPPINES: BSP Cuts Rates as Expected:

* Overnight the BSP cut the Overnight Borrowing Rate by 25bps as forecast, lowering the Standing Overnight Deposit Facility Rate by 25bps also.

* All 26 of economists surveyed on BBG forecast a cut to 5.00%.

* The Central Bank's cut was the third consecutive as the BSP expects inflation to remain largely where it is for the remainder of the year.

* In July, energy and food prices prompted inflation to moderate to +0.9% - the lowest recorded headline inflation since October 2019.

* The BSP did warn however that that possible electricity rate adjustments and higher rice tariffs could raise inflationary pressures later this year.

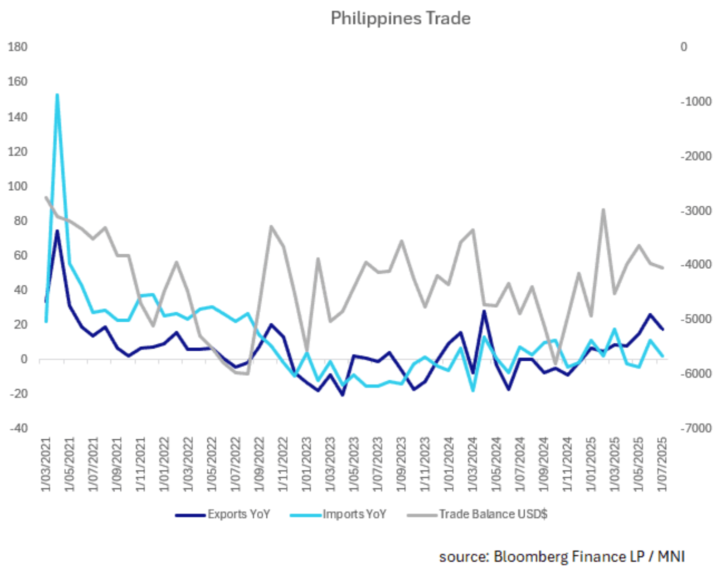
* The inflation forecast for 2025 his currently +1.7%, while projections for 2026 and 2027 are 3.3% and 3.4%, respectively.

* The BSP also noted that while domestic demand has remained firm, the global economic outlook is tempered by the impact of US policies on trade and investment.

* "Going forward, the BSP will safeguard price stability by ensuring monetary policy settings are conducive to sustainable economic growth and employment," the central bank said in a statement.

PHILIPPINES: July Exports Surprise to the Upside

- Against expectations for a rise of +10.5%, Philippines July exports rose +17.3% with June's release revised up to +26.9%.
- Regional exports have remained volatile for Asia's exporters yet since the period in April when tariffs were first announced, the Philippines is one of the few to not report a month of contraction.
- Mining and agriculture remain the main stay of exports, alongside electronic products and clothing.
- The largest contraction was in petroleum products.
- By country, the largest declines were to the US which at +9.7%, was materially down from June's result of +35.2%.
- Hong Kong and China saw significant rebounds whilst all others moderated month on month.
- Imports rose more than expected at +2.3%, but significantly down from the revised June result of +15.7%.
- The trade deficit rose to US$4.05bn with the US and Germany being the only major trading partners with a surplus (of $446m and $109m respectively). China's trade deficit increased to $2.5bn, whilst with the exception of Thailand, all others saw modest increases in their deficits.



INDIA: Conditions To Avoid Tariffs For Some Products Exist

- Certain Indian products can avoid the upcoming 50 per cent US tariff if they meet certain conditions, even as the deadline for the new levies draws near. The new tariffs on Indian products come into force from August 27. Ahead of the tariff implementation on Indian products, the Trump administration, in a notice, detailed its plan to impose the new tariffs, signaling its intent to move forward with the levies as the Russia-Ukraine conflict continues. (source MINT)
- State Bank of India chairman said the Indian Bank's Association (IBA) is preparing a formal recommendation to the Reserve Bank of India (RBI) to allow bank financing for mergers and acquisitions, particularly for listed companies with shareholder-approved deals. "We have been requesting the regulator, and will make a formal request from the IBA as well, to allow bank financing for acquisitions where transparency and governance are ensured," he said at the FIBAC 2025 conference. This marks a

strategic shift from earlier regulatory caution rooted in concerns over hostile takeovers, and reflects the industry's readiness to support corporate consolidation and strategic expansion. (source BBG)

INDIA: US Tariffs Hit 50%

- BofA research suggests that Indian companies are holding back on big investment decision pending clarity on domestic demand and the global trade outlook (source: NDTV Profit)
- U.S. President Donald Trump's 50% tariffs on Indian products took effect Wednesday, with the doubling of import taxes on the South Asian nation coming as Trump targets it over its purchases of Russian oil. The U.S. doesn't import as much from India as it does from trade partners such as China, Canada, Mexico or the European Union, but the increased levies will still be felt in certain industries. India's annual exports to the U.S. stand at about $86.5 billion, or about 2% of that country's gross domestic product, according to a report from the Global Trade Research Initiative, a research provider based in New Delhi. Around 66% of those exports are now facing a 50% tariff and will become uncompetitive, with apparel, textiles, gems, jewellery, shrimp, carpets and furniture among the categories being hit. (source BBG)

ASIA EQUITY FLOWS: Significant Outflows for the Week for Major Markets:

The outflows continue across the region with the 5-day total nearing $3bn .

* South Korea: Recorded outflows of -$122m yesterday, bringing the 5-day total to -$515m. 2025 to date flows are -$5,728. The 5-day average is -$103m, the 20-day average is -$44m and the 100-day average of +$15m.
* Taiwan: Had outflows of -$405m yesterday, with total outflows of -$823 m over the past 5 days. YTD flows are positive at +$434. The 5-day average is -$165m, the 20-day average of -$96m and the 100-day average of +$183m.
* India: Had outflows of -$644m as of the 26th, with total outflows of -$882m over the past 5 days. YTD flows are negative -$13,604m. The 5-day average is -$176m, the 20-day average of -$187m and the 100-day average of -$8m.
* Indonesia: Had outflows of -$17m yesterday, with total inflows of +$187m over the prior five days. YTD flows are negative -$3,005m. The 5-day average is +$37m, the 20-day average +$33m and the 100-day average -$12m.
* Thailand: Recorded inflows of +$2m yesterday, with outflows totalling -$313m over the past 5 days. YTD flows are negative at -$2,385m. The 5-day average is -$63m, the 20-day average of -$27m and the 100-day average of -$13m.
* Malaysia: Recorded outflows as of -$48m yesterday, totalling -$213m over the past 5 days. YTD flows are negative at -$3,683m. The 5-day average is -$43m, the 20-day average of -$37m and the 100-day average of -$13m.
* Philippines: Recorded outflows of -$13m yesterday, with net outflows of -$60m over the past 5 days. YTD flows are negative at -$680m. The 5-day -$12m, the 20-day average of -$3m the 100-day average of -$5m.

	Yesterday	Past 5 Trading Days	2025 To Date	
South Korea (USDmn)	-122	-515	-	5,728
Taiwan (USDmn)	-405	-823		434
India (USDmn)*	-644	-882	-	13,604
Indonesia (USDmn)	-17	187	-	3,005
Thailand (USDmn)	2	-313	-	2,385
Malaysia (USDmn)	-48	-213	-	3,683
Philippines (USDmn)	-13	-60	-	680
Total	-1246	-2932	-	31,000

* as of 26 AUG

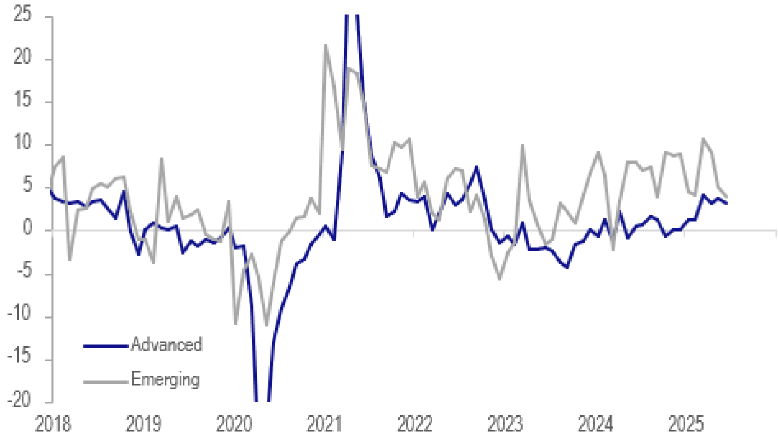
Source: Bloomberg Finance L.P / MNI

GLOBAL

GLOBAL MACRO: Global Trade Growth Slowing After Q1's Frontloading

CPB global trade data showed a continued slowdown in volumes in June after the frontloading earlier in the year to beat the initial US import tariff deadline. Global trade fell for the third straight month, while it was the second for exports. The bringing forward of shipments is likely to make interpreting trade data difficult for a while and some Asian central banks have warned the pullback could impact H2 2025 growth.

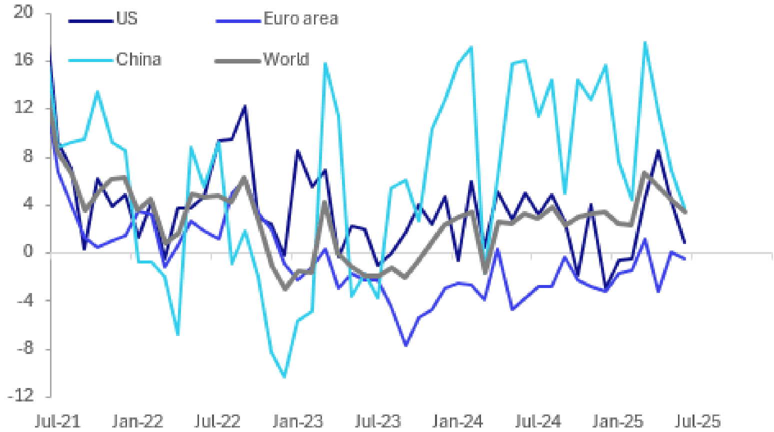
Global export volume growth y/y%



Source: MNI - Market News/LSEG

- Global trade volumes fell 0.4% m/m in June to be up 3% y/y after -0.4% m/m & +4.1% y/y. The Baltic Freight Index suggests they could recover in coming months but container rates suggest further slowing.
- Exports contracted 0.3% m/m to be up 3.4% y/y after -0.8% m/m & +4.4% y/y. 3-month momentum slowed over Q2 but remains robust. Growth peaked in March at 6.7% y/y.
- Developed markets saw their exports rise 0.1% m/m in June but annual growth slowed to 3.1% from 3.8% in May and 4.2% in March. Shipments are being driven by Japan and advanced Asian countries while they're weak from Europe. The US also appears to have frontloaded exports in case of retaliation for its trade policy.
- Emerging market export volumes fell 0.7% m/m to be up 4.0% y/y after -0.8% m/m & +5.1% y/y. They peaked in March at 10.7% y/y. China and emerging Asia have seen a considerable slowdown since March at 3.7% y/y from 17.5% and 3.6% y/y from 10.8% respectively. Eastern European export growth is weak while Latin America's remains solid.

Export volumes y/y%

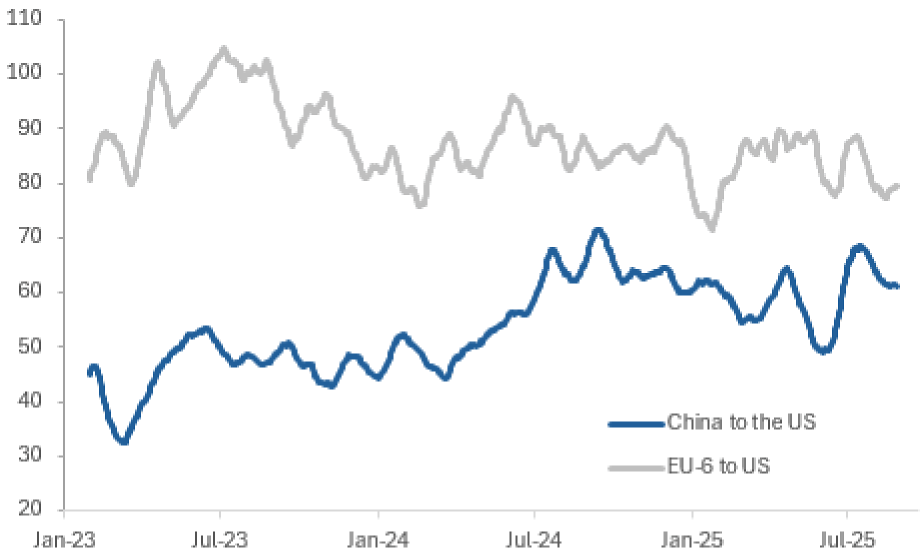


Source: MNI - Market News/LSEG/CPB

GLOBAL MACRO: Ship Departures To US Stabilise Around Averages

Bloomberg container ship tracking data is showing some stabilisation in the number of vessels leaving for the US suggesting tariffs are yet to weigh on demand. There was an increase in shipments ahead of the April and July US tariff deadlines. There is currently a US-China trade truce, an apparent US-EU deal and an agreed 15% US duty on imports from Japan and South Korea. While many details still need working out in these agreements, the signs of stabilisation in shipping suggest that exporters are less concerned.

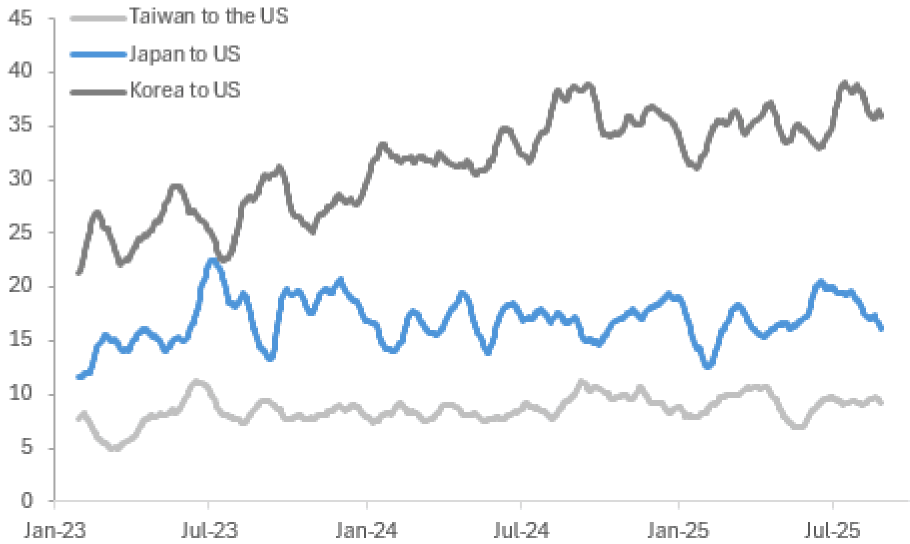
Bloomberg container ship count 30-day average



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

- Ships leaving for the US from China rose through March and then again through June. The numbers have moderated over July and August but it is more a normalisation with the 30-day average around the historical average to end-January 2025. They have tentatively stabilised.
- Vessels from the six largest EU countries picked up through Q1 and then again in June. They moderated in July and have stabilised in August but the 30-day average is below the historical average by almost 10 vessels.
- Container ships leaving South Korea and Taiwan also stabilised over July with some moderation in August. Both are slightly above average.
- Japan’s departures for the US have been trending lower since end June and that continued in August.
- Official trade data are going to be difficult to interpret in H2 2025 given the frontloading of shipments to the US to beat tariff deadlines in H1.

Bloomberg container ship count 30-day average



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