

MNI Asia Pac Weekly Macro Wrap

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

JAPAN

- This week delivered softer than expected labour earnings and household spending outcomes for June. It did remove some of the divergence seen in May though. The BoJ Summary Of Opinions noted inflation risks, but any shift to tighten rates is likely to be at the end of this year (rather than sooner).

AUSTRALIA

- June household spending printed at 0.5% m/m bringing the annual rate to 4.8% up from May's 4.4% though. Q2 consumption volumes rose 0.7% q/q, third consecutive gain, up from Q1's 0.5% signalling that private spending in the national accounts on September 3 could be slightly higher than Q1's 0.4%.
- The Melbourne Institute headline inflation gauge for July showed a material increase to 2.9% y/y from 2.4% in June. Its trimmed mean measure rose to 1.9% y/y from 1.2%, the highest since January. This can lead the monthly CPI trimmed mean by up to 6 months and thus could be signalling that it troughed in June.

NEW ZEALAND

- NZ employment was weaker in Q2 than the RBNZ projected in May declining 0.1% q/q and 0.9% y/y. The unemployment rate rose 0.1pp to 5.2%, highest since Covid-impacted Q3 2020, but as the RBNZ forecast. The next rate decision is on August 20 and will include an updated outlook. With job shedding continuing and activity indicators remaining lacklustre and inflation in the band, another 25bp rate cut is likely.
- Q3 inflation expectations were stable in the RBNZ's survey of forecasters, economists and industry leaders. 1-year ahead they remained at 2.4%, while 2-years ahead at 2.3%.

SHORT TERM RATES

- Interest rate expectations across the \$-bloc eased over the past week, led by the U.S., where year-end implied rates fell 26bps. Canada, Australia, and New Zealand saw more modest declines of around 5bps each.

CHINA

- China's S&P Global China PMI (formerly CAIXIN) came in ahead of expectations in July. Up at 52.6, it was material increase from June's result of +50.6 and estimates of +50.4.
- After a contraction in February ahead of the imposition of tariffs, China's exports have maintained positive momentum. Exports in USD terms were up +7.2% against estimates of +5.6% with June numbers revised up to +5.9%. In CNY terms exports expanded +8.0%, from +7.2% in June.

SOUTH KOREA

- South Korean CPI shows slight moderation to +2.1% vs +2.2% in June. The slight softening potentially provides opportunity for the Central Bank to cut rates again.

ASIA

- Thailand and the Philippines saw a further moderation in inflation in July.

ASIA EQUITY FLOWS

- Positive Taiwan inflow momentum remains the standout for the region. Trends are mixed elsewhere.

GLOBAL

- Looking at Asian trends, the 12-month sum of the US deficit with Japan has stabilised, narrowed with China and Korea, but deteriorated with India and especially Taiwan.

JAPAN

JAPAN DATA: June Real Household Spending Below Expectations :

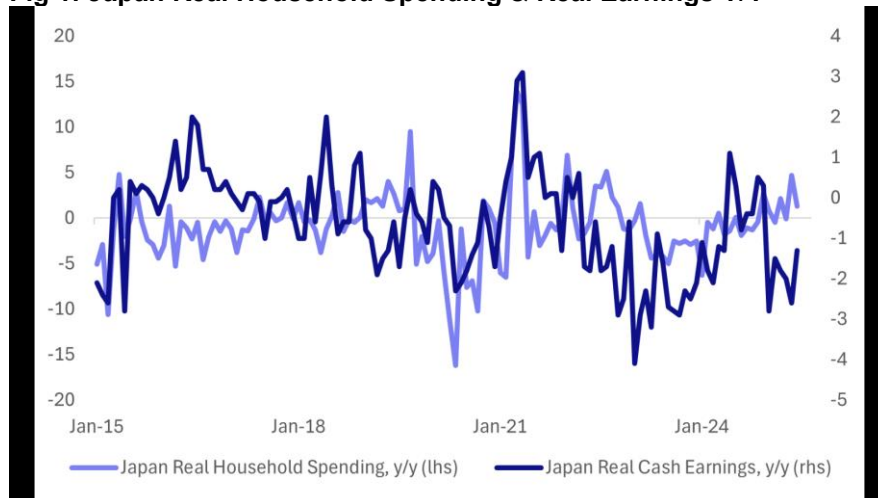
Japan's June real household spending outcome was below market expectations. In y/y terms we rose 1.3%, against a 2.7% forecast and 4.7% rise in May. In m/m terms spending was down 5.2%.

* This outcome brings the spending and real earnings trends somewhat back closer together, see the chart below. The two series diverged notably in May when spending was much stronger than the pace implied by a still negative real earnings backdrop. Earlier this week we saw June earnings data print below market expectations, with real earnings remaining in negative territory.

* This remains a key policy focus point in terms of driving positive real outcomes in this space, which would underpin a sustained rise in real household spending.

* In terms of the detail, food was down 2.1%y/y, along with furniture (-5.0%), clothing (-6.6%) and culture and recreation (-1.0%). Positives were seen in transport, and housing.

Fig 1: Japan Real Household Spending & Real Earnings Y/Y



Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Local Investors Sell Offshore Bonds & Stocks

Local investors sold offshore bonds for the second straight week, see the table below. This does fit with some slight easing in global bond returns in recent weeks. Cumulative net buying of offshore bonds has still been very strong in recent months (+¥9.3trln since the start of May). Local investors also sold offshore equities. We have now seen local investors sell offshore stocks in 3 out of the last 5 weeks (with cumulative outflows of nearly ¥1.5trln since late June).

- In terms of inbound inflows into Japan equities/bonds, offshore investors bought local stocks, albeit at a reduced pace. Since the start of April, or the past 18 weeks, we have only seen one week of net selling of local equities by offshore investors.
- On the bond side, we saw the third straight week of outflows, albeit at a fairly modest pace. Offshore investors have sold local bonds in four out of the last five weeks.

Table 1: Japan Weekly Offshore Investment Flows

Billion Yen	Week ending Aug 1	Prior Week
Foreign Buying Japan Stocks	193.0	743.3
Foreign Buying Japan Bonds	-87.5	-184.6
Japan Buying Foreign Bonds	-526.3	-326.3
Japan Buying Foreign Stocks	-752.1	207.3

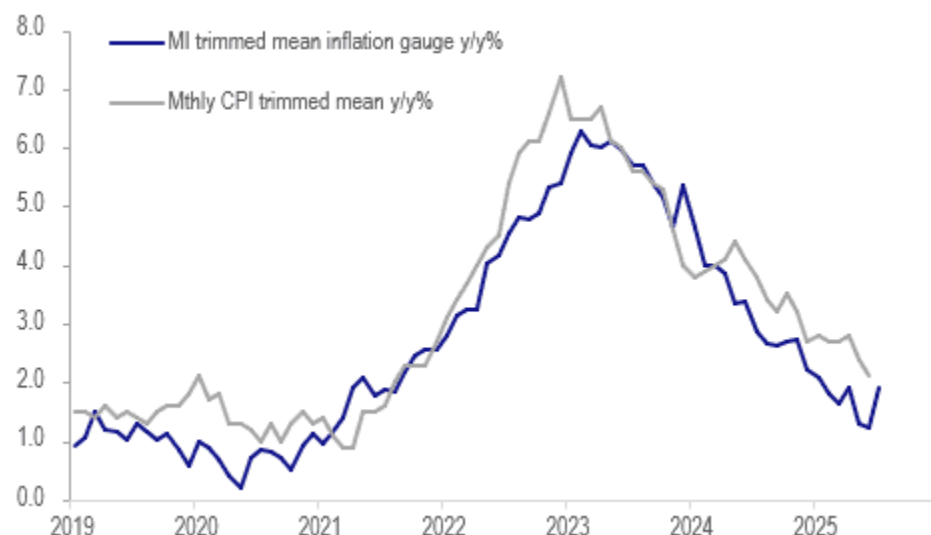
Source: Bloomberg Finance L.P./MNI

AUSTRALIA

AUSTRALIA DATA: MI Underlying Inflation Gauge Rises Signalling Possible Trough

The Melbourne Institute headline inflation gauge for July showed a material increase to 2.9% y/y from 2.4% in June as it rose 0.9% m/m. Its trimmed mean measure rose 0.8% m/m to be up 1.9% y/y from 1.2%, the highest since January. This can lead the monthly CPI trimmed mean by up to 6 months and thus could be signalling that it troughed in June around the bottom of the RBA's 2-3% target band and may rise in coming months. The headline inflation gauge has less signal to it. Currently the RBA remains focussed on quarterly CPI data but a more complete monthly series will be released in November.

Australia trimmed mean inflation y/y%

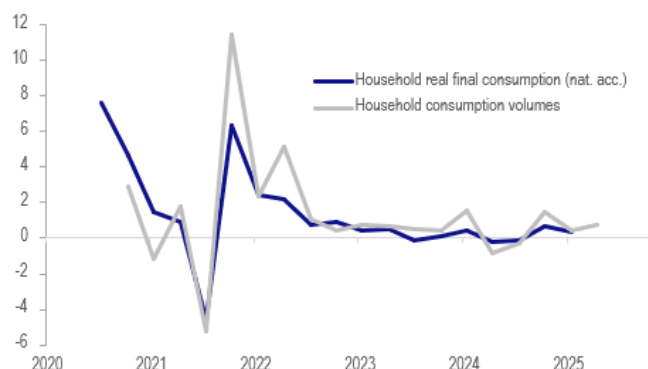


Source: MNI - Market News/LSEG

AUSTRALIA DATA: Q2 Spending Volumes Suggest Slight Pickup In Consumption Growth

June household spending printed lower than expected at 0.5% m/m bringing the annual rate to 4.8% up from May's 4.4% though. Q2 consumption volumes rose 0.7% q/q, third consecutive gain, up from Q1's 0.5% signalling that private spending in the national accounts on September 3 could be slightly higher than Q1's 0.4%. This is an area that has disappointed RBA expectations given the growth in real incomes and it is monitoring closely.

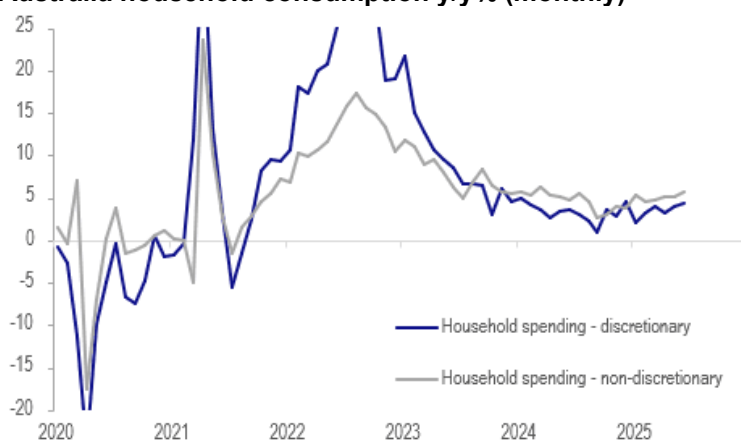
Australia real household consumption q/q%



Source: MNI - Market News/ABS

- Q2 real spending saw strength from recreation (+1.8% q/q), hotels & restaurants (+1.6%), transport (+1.5%), household goods (+1.5%), health (+1.0%) and food (+1.0%), while alcohol and tobacco fell for the 14th straight quarter and clothing & footwear was down 2.0% q/q.
- The 1.3% m/m increase in goods consumption was in line with ABS comments that retail sales were boosted in June by discounting. On the other hand, services expenditure fell 0.5% m/m but is still up 6.6% y/y outperforming goods growth at 3.4% y/y.
- Both discretionary and non-discretionary spending rose 0.5% m/m to be up 4.3% y/y and 5.8% respectively. Stronger consumer confidence is likely needed for discretionary growth to catch up.
- From the July release only household spending data will be published as retail sales has now been discontinued.

Australia household consumption y/y% (monthly)



Source: MNI - Market News/ABS

AUSTRALIA DATA: June Gold Exports Drive Increase In Trade Surplus

The June merchandise trade surplus widened more than expected in June to \$5365mn from a downwardly-revised \$1604mn. There was a jump in exports while imports contracted. The surplus remained in the range it has been in since March 2024.

Australia merchandise trade surplus A\$m

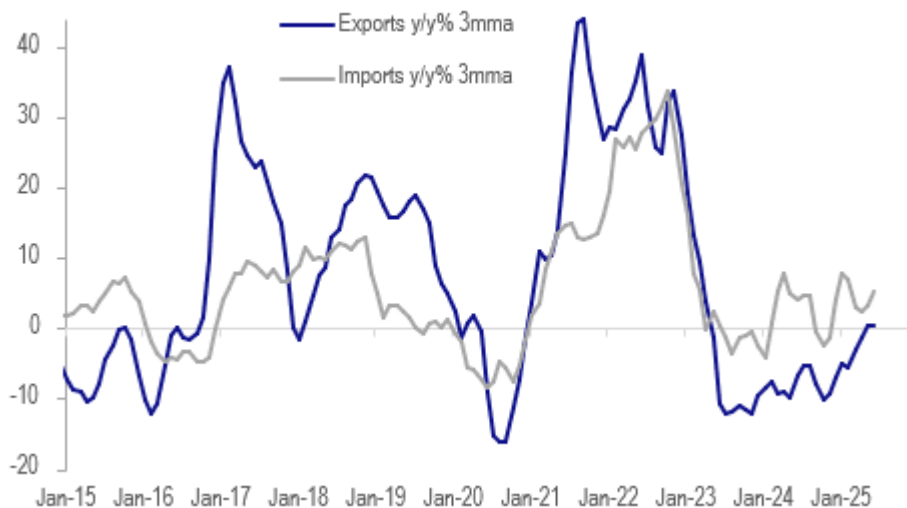


Source: MNI - Market News/ABS

- The 6% m/m rise in goods exports was driven by a 36.7% increase in non-monetary gold but there was also growth in metal ores (+2.3%) and coal (+17.3%). Rural exports fell 0.1% m/m to be up 11.7% y/y while non-rural rose 3.1% but are down 6.3% y/y. Total exports are up 2.6% y/y after declining 2.8% y/y in May.
- Merchandise imports fell 3.1% m/m with the weakness across the major sectors but they are still up 3.1% y/y down from May's 6.6% though.

- Capex fell 9.1% m/m driven by equipment & other goods to be flat on the year, while consumer items shrank 5.5% m/m due to vehicles but still grew 4.1% y/y. The data are volatile and the 3-month averages suggest some pickup on both components over Q2.

Australia goods exports vs imports y/y% 3-mth ma



Source: MNI - Market News/ABS

AUSTRALIA DATA: UK Becoming A More Important Export Destination

After frontloading of shipments to the US in Q1 to beat the early April tariff deadline, exports moderated in Q2 but while they remained at robust levels, the UK exceeded them in June. There was an improvement in growth to a number of Australia's major destinations. Iron ore & coal volumes were robust in June.

- Export growth to the US rose 19.6% y/y in June but the level was surpassed by the UK which saw shipments rise to their highest on record. They have been rising strongly since the Aus-UK FTA came into effect in May 2023 and were over 1000% higher in Q2 than in Q1 2023.

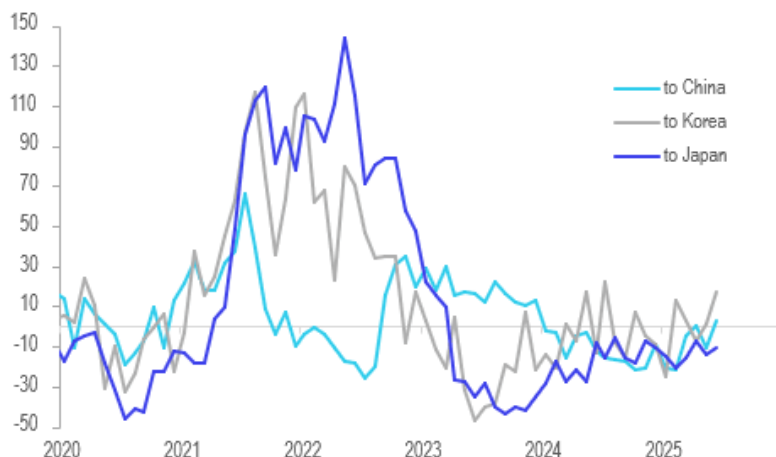
Australia goods exports to the UK A\$m 12-mth sum



Source: MNI - Market News/ABS

- Exports to China rose in June and annual growth picked up to 2.8% y/y, highest in 18 months. There was an increase in the volumes of iron ore shipments to China.
- There was also higher annual growth to NZ, Korea, India and Indonesia, while it was weak to Japan, Germany, Singapore and Taiwan.

Australia goods exports to Asia y/y%



Source: MNI - Market News/ABS

- Iron ore volumes rose in both May and June driven by China and Japan, while they fell to Korea, Vietnam and Indonesia. Prices fell for the fourth straight month.
- Coal export quantities were up in June driven by Japan, Korea, Taiwan and Europe after hard-coking and semi-soft both rose in May. Unit values also increased on the month.
- LNG saw volumes fall again in June, while prices have decreased in every mo

NEW ZEALAND

NEW ZEALAND: Q2 Sees Increased Labour Market Capacity

NZ employment was weaker in Q2 than the RBNZ projected in May declining 0.1% q/q and 0.9% y/y, in line with consensus, after a downwardly-revised 0.0% q/q & -0.7% y/y in Q1. The unemployment rate rose 0.1pp to 5.2%, highest since Covid-impacted Q3 2020, but as the RBNZ forecast. The next rate decision is on August 20 and will include an updated outlook. With job shedding continuing and activity indicators remaining lacklustre and inflation in the band, another 25bp rate cut is likely.

NZ unemployment %



Source: MNI - Market News/LSEG

- With excess supply in the labour market, wage inflation continues to moderate. April 1 pay rises are included in the Q2 data boosting the quarterly rates but they were below Q2 2024.

- Q2 labour costs rose 0.6% q/q to be up 2.4% y/y down from 2.9% y/y in Q1 and the slowest rate since Q2 2021. Private wages rose 0.6% q/q to moderate to 2.2% y/y from 2.5%, lowest since Q1 2021.

NZ wages y/y%



Source: MNI - Market News/LSEG

- Underutilisation continues to trend higher too. It troughed recently at 9% in Q3 2022 and rose 0.4pp to 12.8% in Q2, the highest since Q3 2020. It is up 0.9pp since Q2 2024.
- The participation rate fell 0.2pp to 70.5%. There was a 5% y/y rise in 15-24 year olds in education which is probably being driven by difficulties in finding employment. The employment rate for this age group is down 3pp to 53.1%.

NEW ZEALAND: Steady Inflation Expectations, August Cut Likely

Q3 inflation expectations were stable in the RBNZ's survey of forecasters, economists and industry leaders. 1-year ahead they remained at 2.4%, while 2-years ahead at 2.3% - both within the 1-3% target band but remaining above the mid-point. 1-year troughed at 2.1% in Q4 2024 while 2-year in Q3 2024 at 2.0%. With expectations stable, its measure of core moderating 0.1pp to 2.8% in Q2, wage inflation heading towards 2% and economic growth remaining lacklustre, the RBNZ seems likely to cut rates 25bp to 3% on August 20.

- Monetary conditions are expected to be less tight at the end of Q3, while they are believed to be easier in Q4 at -22.5 from -7.3. In terms of a year out, they are thought to still be accommodative but less than expected last quarter.
- Q3 household inflation expectations are released on August 14. They tend to be higher than the survey of forecasters results.

NZ inflation vs inflation expectations %



Source: MNI - Market News/LSEG

SHORT-TERM RATES US Leads Bloc Markets Rates Lower Over Past Week:

Interest rate expectations across the \$-bloc eased over the past week, led by the U.S., where year-end implied rates fell 26bps. Canada, Australia, and New Zealand saw more modest declines of around 5bps each

* Last Friday, US nonfarm payrolls growth underwhelmed at 73k in July (cons 104k) but the major headline was the -258k two-month downward revision, of which -139k came from the private sector and -119k from the public sector. Outside of April 2020, that's the largest two-month downward revision in at least forty-five years.

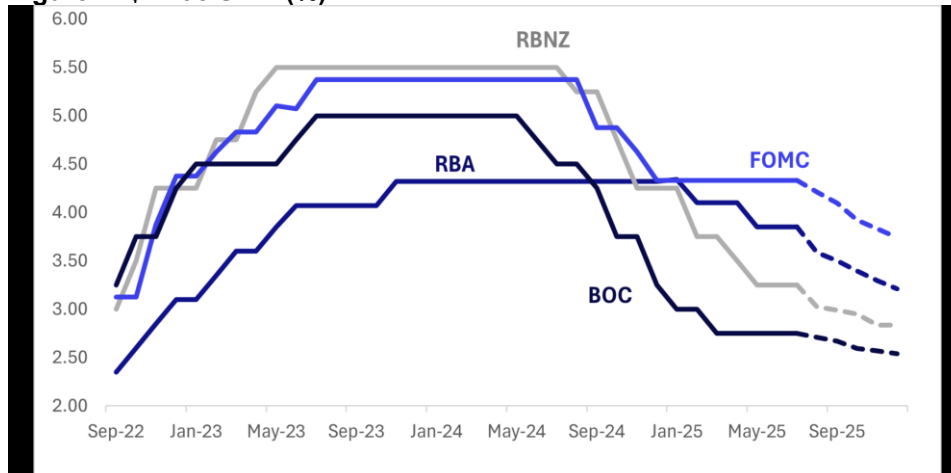
* We caution however that whilst jobs growth has soured sharply, it's doing so along with a significant slowing in labour supply under immigration curbs.

* As such, the unemployment rate may have technically ticked up to a new cycle high of 4.248% (exceeding the 4.244% in May) but it continues to roughly plateau in the 4.0-4.25% range seen since last July.

* Looking ahead, the next key regional event is the RBA decision on August 12. After last week's Q2 underlying CPI undershoot, the market is assigning a 97% probability to a 25bp rate cut at the upcoming meeting.

* Looking ahead to December 2025, current market-implied policy rates and cumulative expected easing are as follows: US (FOMC): 3.74%, -59bps; Canada (BOC): 2.54%, -21bps; Australia (RBA): 3.21%, -64bps; and New Zealand (RBNZ): 2.83%, -42bps.

Figure 1: \$-Bloc STIR (%)



Source: Bloomberg Finance LP / MNI

CHINA

CHINA: PMI Services Records Large Gains

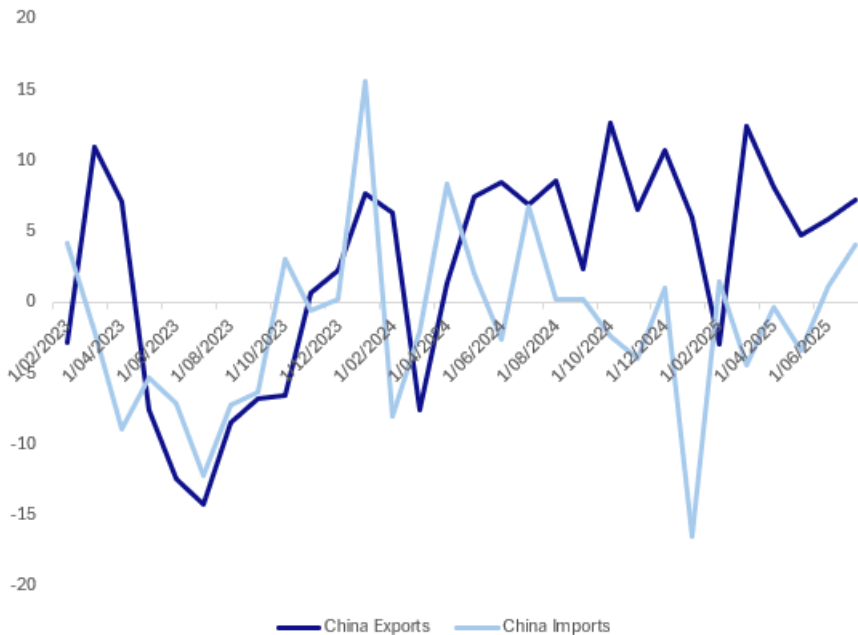
- China's S&P Global China PMI (formerly CAIXIN) came in ahead of expectations in July.
- Up at 52.6, it was material increase from June's result of +50.6 and estimates of +50.4.
- The result was the best since May 2024 with the employment index up to +50.9, from June's contraction.
- Prices charged rise vs the prior month in what will be welcome signs given the ongoing decline in CPI / PPI.



CHINA: Exports and Imports Beat Estimates for July

- The volatility in trade continued in China's July numbers which topped estimates considerably.
- Exports in USD terms were up +7.2% against estimates of +5.6% with June numbers revised up to +5.9%. In CNY terms exports expanded +8.0%, from +7.2% in June.
- After a contraction in February ahead of the imposition of tariffs, China's exports have maintained positive momentum.
- The rise in imports of +4.0% was unexpected as the market forecast for a contraction. The July import release is the strongest since mid-2024.
- The resulting trade balance of \$98.24bn missed estimates and was materially down from the month prior.

CHINA Exports v Imports YoY



source: Bloomberg Finance LP / MNI

CHINA: Nvidia Questioned By Authorities

- China is taking aim at low prices offered by companies to win market share and plans to expose those it deems the worst offenders to public scrutiny. Officials from China's powerful economic-planning agency — the National Development and Reform Commission — used a briefing on Friday to lay out a range of measures targeted at the firms and tactics it blames for fanning deflationary pressure in the economy. (source BBG)
- China state media is calling for Nvidia Corp. to prove that its H20 chip is secure, saying it can't allow flawed chips into the country. The Cyberspace Administration of China summoned Nvidia representatives to discuss significant security vulnerabilities in the H20 and to provide documents as needed. (source BBG)

CHINA: Financial Support For New Industrialization

- China has issued a set of guidelines to strengthen financial support for new industrialization, the country's central bank said on Tuesday. The guidelines, released by the People's Bank of China and six other government organs, state that a financial system for advanced, smart and green manufacturing should be largely in place by 2027. As of 2027, manufacturing enterprises should see their effective credit demand met in full, with steady growth in both the volume and diversity of corporate bond issuance, alongside substantial progress in equity financing, per the guidelines. (source [XINHUA](#))
- Southwest China's Xizang Autonomous Region has seen steady economic growth, with its regional gross domestic product (GDP) projected to surpass 300 billion yuan (about 42 billion U.S. dollars) this year, according to a press conference held on Tuesday. The region's GDP reached 276.5 billion yuan in 2024, 155 times that of 1965 -- when the autonomous region was established -- reaching an average annual growth rate of 8.9 percent, Wang Junzheng, secretary of the Communist Party of China Xizang Autonomous Regional Committee, told the press conference on the 60th founding anniversary of Xizang Autonomous Region. Wang noted that while it took the region 50 years to achieve its first 100 billion yuan in GDP, the second 100 billion yuan milestone was reached in just six years. Since 2021, sustained efforts have further expanded Xizang's economy while improving the quality and efficiency of growth. (source [XINHUA](#))

SOUTH KOREA

SOUTH KOREA: July CPI Moderates Again

- South Korean CPI shows slight moderation to +2.1% vs +2.2% in June.
- The slight softening potentially provides opportunity for the Central Bank to cut rates again.
- With the announcement of 15% tariffs on Korea, arguably with more clarity the economy can now begin to adjust.
- Estimates are for some softening of growth and with GDP forecasts already very low, the BOK may need to assist.
- The market has moved to price out rate cuts over recent weeks, this despite board members guidance being dovish.
- The BOK meets next on August 28 and whilst it is too early for forecasts, today's CPI potentially makes the meeting a live one for rate cuts.

South Korean CPI Yoy vs BOK Target



source: Bloomberg Finance LP / MNI

SOUTH KOREA: CGT Decision Pending

- South Korea's presidential policy chief said the country's \$350 billion investment pledge as part of the US trade deal is largely structured as loan guarantees rather than direct capital injections, seeking to ease domestic concerns over the scale and risks of the agreement. The most accurate way to understand the \$350 billion is as a credit guarantee ceiling," Kim said, referring to the role of state-backed Export-Import Bank of Korea and the Korea Trade Insurance Corp. in supporting Korean companies involved in US projects. "This isn't about financing everything unconditionally, but about investing in projects that are commercially viable." (source BBG)
- South Korea's ruling Democratic Party chief Jung Chung-rae said the party will determine its position on capital gains tax as quickly as possible and inform the public. Jung said in a meeting on Monday that the debate over gov't's proposed capital gains tax reform is heating up but it's not appropriate for lawmakers in the party to express different views openly. Jung asks lawmakers to refrain from making public statement on their views. (source BBG)

SOUTH KOREA: Government Seeking To Boost Consumption

- South Korea's trade deal with the US "helped ease a significant burden" before this month's rate decision, Bank of Korea Governor Rhee Chang Yong said. While Rhee declined to elaborate on the likely direction of policy at the Aug. 28 meeting, the BOK is emerging from a two-month pause in its easing cycle that

coincided with the trade talks. Economists remain divided on the outcome, with some expecting the central bank to hold rates and others forecasting a quarter-point cut. "Personally, I believe the tariff agreement was well-negotiated," Rhee told Finance Minister Koo Yun-cheol on Thursday, during Koo's first official visit to the BOK. "Had the tariff issue gone poorly before the decision, it could have created a very difficult situation." (source BBG)

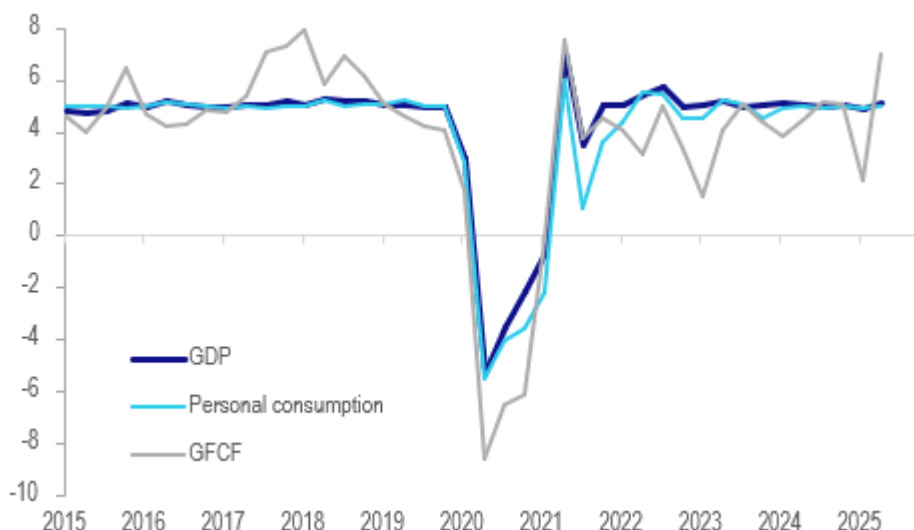
- The government on Thursday announced a series of measures aimed at boosting consumer sentiment in non-metropolitan regions as part of its broader economic stimulus plan. Under the latest plan, consumers who spend 50,000 won (\$36) or more using credit cards at small businesses outside the capital area, such as traditional markets and restaurants, will be eligible to enter a lottery, the finance ministry said. (source [Korea Times](#))

ASIA

INDONESIA: Q2 GDP Growth Rises, Stronger Than Expected

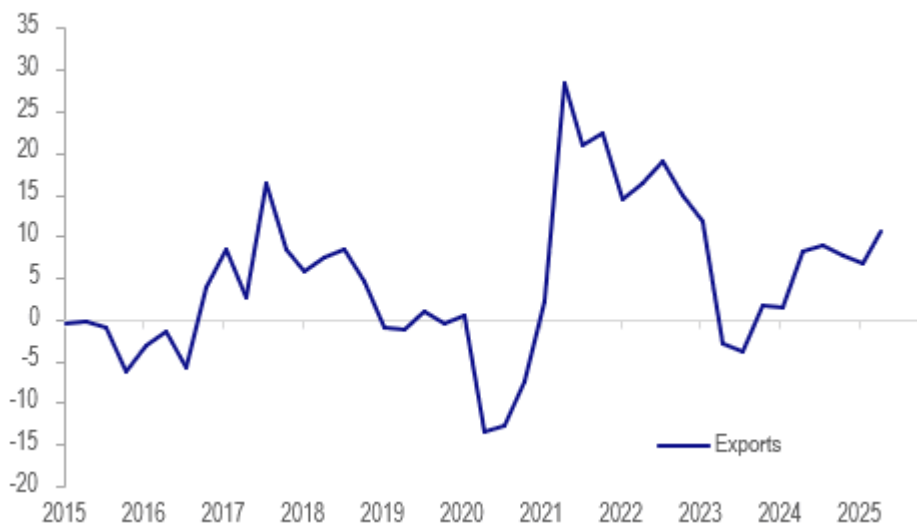
Q2 Indonesia GDP was stronger than expected rising 5.1% y/y up from 4.9% in Q1 and stronger than Bloomberg consensus at 4.8%. This result was back in line with Q4 after Q1's dip and was driven by improvements across components. Bank Indonesia cut rates 25bp in July to 5.25% which brought the total easing this cycle to 100bp, which may now be providing some support to growth. Fiscal policy has also been stimulatory.

Indonesia GDP y/y%



Source: MNI - Market News/LSEG

- Risks to the growth outlook persist, especially from global factors and their impact on confidence. Indonesia's government reduced its 2025 growth forecast to 4.7-5% from 5.2%. New fiscal measures are due to be announced on August 15.
- Private consumption growth picked up to 5.0% y/y from 4.9% and was stronger than implied by Q2 consumer confidence but this may weigh on spending in Q3.
- Private investment grew by 7% y/y, the highest in four years and up from Q1's 2.1%.
- Government spending continued to contract in Q2 but at a slower rate of -0.3% y/y after -1.4%.
- Exports growth jumped to 10.7% y/y from 6.8% as shipments to the US continued to be frontloaded ahead of the revised early July deadline. Originally a "reciprocal" tariff of 32% was to be imposed on Indonesia but that has been negotiated down to 19%. With exports to the US concentrated in H1, there is likely to be payback in H2.
- USDIDR is little changed today at around 16385 but is still 0.7% higher than it was when BI last met.

Indonesia exports y/y%

Source: MNI - Market News/LSEG

INDONESIA: Palm Oil Exports Strong

- Indonesia witnessed a double-digit rise in its palm oil exports in the first half of 2025, official statistics showed Friday as Jakarta unlocked greater market access to the European Union (EU). The Central Statistics Agency (BPS) announced that Indonesia's exports of crude palm oil (CPO) and its derivatives had surged 24.81 percent year-on-year (yoy) in the first half of 2025. The exports had totalled \$11.43 billion, up from \$9.16 billion the previous year (source [Jakarta Globe](#))
- Official statistics showed Friday that the trade gap between Indonesia and the United States continued to widen to \$8.57 billion in the first half of 2025, ahead of Washington's new tariffs. The Central Statistics Agency (BPS) revealed that the US continued to make up the lion's share of Indonesia's surplus. The overall positive trade balance has increased from \$6.45 billion in the same period last year. As for bilateral non-oil and gas trade alone, Indonesia's first-half surplus had jumped from \$7.70 billion to \$9.92 billion the following year. (source [Jakarta Globe](#))

THAILAND: Broad Based Weakness In Thai CPI Inflation

Thai inflation printed below expectations in July with headline down 0.7% y/y after -0.25% due to lower energy and local vegetable prices. It has been trending lower through 2025 and July was the fourth consecutive negative. Core was slightly lower than consensus at 0.8% y/y down from 1.1%. The Bank of Thailand left rates at 1.75% in June to allow it to time future easing. It has cut rates 75bp this cycle and with broad based moderation in inflation, it could ease again on August 13.

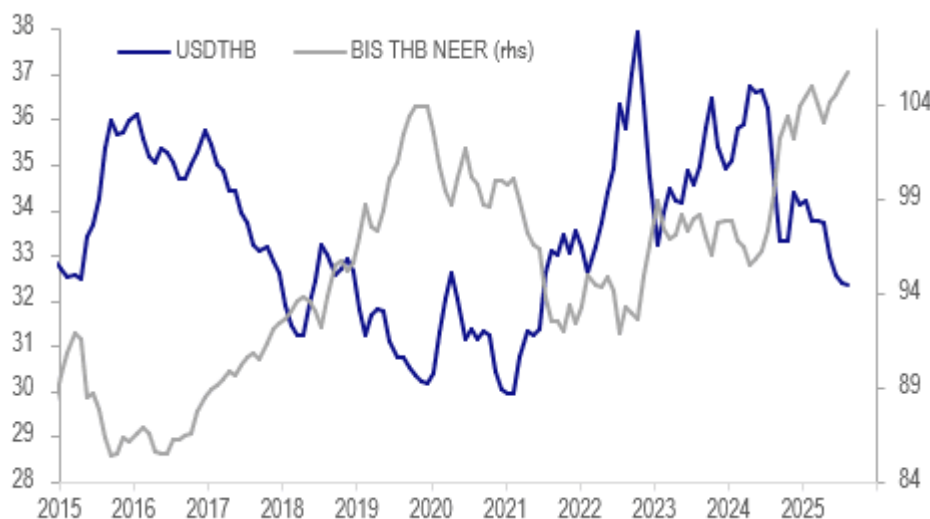
Thailand CPI y/y%



Source: MNI - Market News/LSEG

- The Trade Policy and Strategy Office said that there isn't deflation as consumer demand increased and prices rose for many items. It projects Q3 CPI to fall 0.5% y/y but return to positive territory in Q4.
- Food inflation moderated to 0.8% y/y from 1.6% in May driven by moderation across most items but especially a 9.4% y/y drop in fruit & vegetables.
- Non-food inflation was down at -1.7% y/y from -1.45% with all major components negative except recreation & education. Energy was down 7.3% y/y from -6.3% while transport & comms was -3.9% after -3.2%.
- USDTHB is slightly lower today at 32.37 and is down 0.9% since the last BoT decision on June 25. The THB NEER has also risen for four consecutive months with August up 0.5% m/m so far. With the stronger currency tightening financial conditions and inflation below target, an August rate cut is on the cards.

Thailand THB



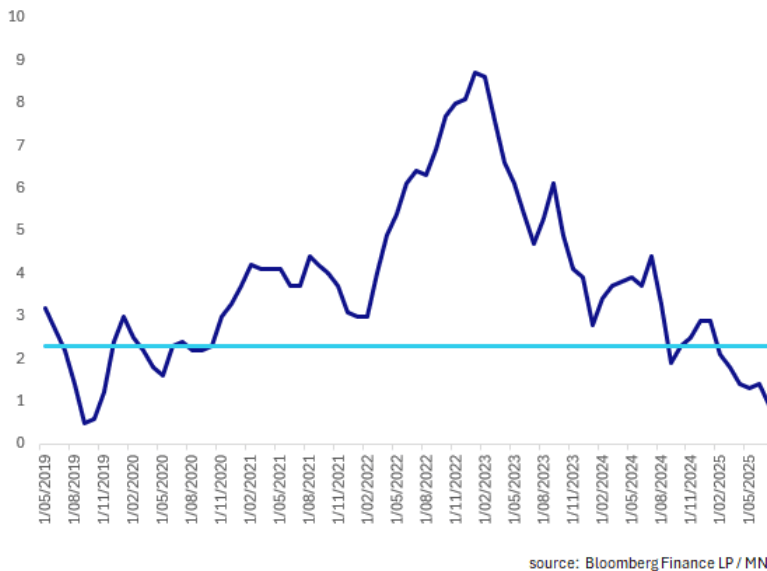
Source: MNI - Market News/LSEG

PHILIPPINES: A Further Decline In CPI

- CPI in the Philippines declined further in July to 0.9% YoY against an estimate of +1.1% YoY and prior of +1.4%.

- The month on month figure rose to +0.3% from +0.1% in June.
- Core CPI rose +2.3% YoY; CPI year to date +1.7%
- CPI in Manila rose +1.7% YoY.
- The BSP next meets on the 28th of August to decide on monetary policy. The ongoing decline in CPI and the 19% US tariffs likely brings a cut on the table for voting members.

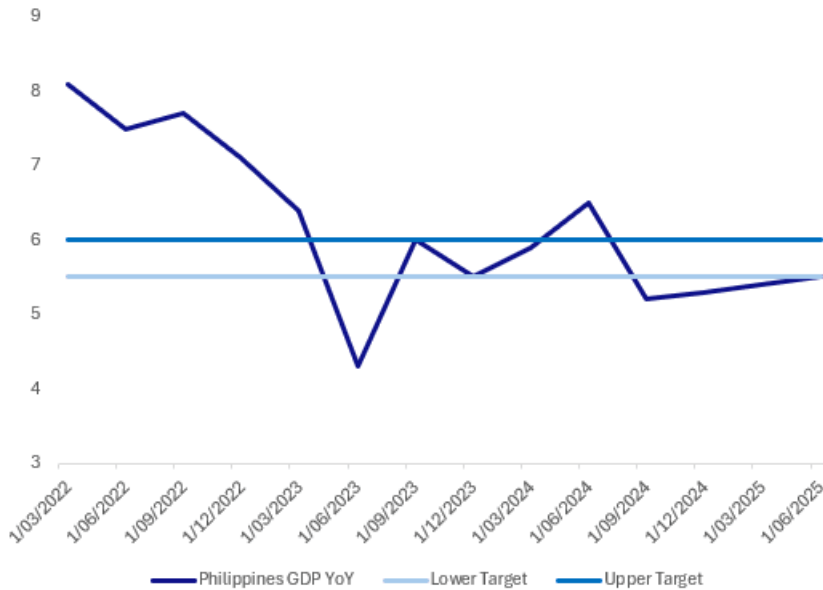
Philippines CPI vs 2025 Forecast



PHILIPPINES: Second Quarter GDP Beats Estimates

- The Philippines' GDP growth for Q2 grew 5.5% year on year in 2Q25, from 5.4% in the first quarter and ahead of forecasts.
- Domestic consumption has seen mixed signals with imports contracting, overseas cash remittances moderating whilst unemployment has fallen.
- PMI manufacturing bottomed out just prior to the tariff announcements in April, with the accompanying bounce in April and since has seen positive trends emerging. Exports have had one of their strongest six months in several years, underpinning hopes for a pick up in growth.
- The quarter on quarter trend is up also with Q2 rising to +1.5%, from 1.2% in Q1 and topping forecasts of +1.3%.
- The second quarter result still sees growth below the revised government target of 5.5% - 6% (from 6 - 8%) but the improvements will be encouraging. The BSP starting cutting rates ahead of regional peers last year and have reduced the base rate from 6.50% to 5.25%. They next meet on August 28 and have cut at their last two meetings.

GDP YoY vs Government Targets

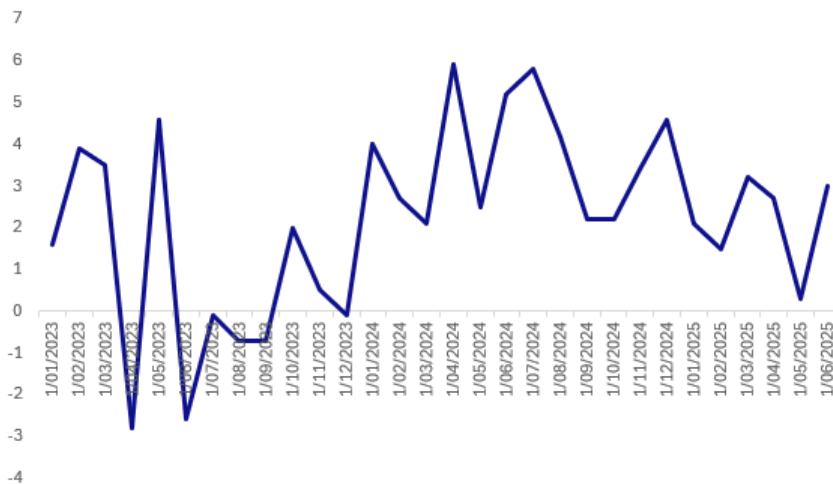


Source: Bloomberg Finance LP / MNI

MALAYSIA: Industrial Production Up Strongly In June

- Malaysia's June industrial production saw a healthy bounce relative to May.
- Industrial Production expanded +3.0% as it prepares for the imposition of 19% tariffs from the US.
- Having contracted heavily in May, the mining sector was flat whereas the manufacturing sector expanded further.
- The month on month outcome for the manufacturing sector was the strongest since March.
- Manufacturing sales rose +3.3%, from +2.4% in May.

Malaysia Industrial Production YoY



Source: Bloomberg Finance LP / MNI

MALAYSIA: Malaysia Seeks Clarity On CHIPS Tariffs

- Malaysia projects 104 billion ringgit (\$24.6 billion) in approved investments for the manufacturing and services sectors in 2025, according to Investment, Trade and Industry Minister. The forecast takes into account the gross domestic product projection, projects under evaluation and potential projects, he said in a parliamentary written reply on Wednesday. The government expects trade performance to experience a slight decline in the second half of 2025 on account of lower demand from the US due to tariffs. A more significant impact is expected to be felt in the first quarter of 2026 (source BBG)
- Malaysia has reached out to the US to seek an explanation on the 100% tariffs President Donald Trump said he would impose on some semiconductor imports, according to Investment, Trade and Industry Minister. The ministry is in regular communication with the US Trade Representative and Department of Commerce, he said in Parliament on Thursday. The tariff would have a big impact on exporting countries such as Malaysia. For now, Malaysia's semiconductors are exempted from tariffs, but this is subject to review and current policy developments in the US. (source BBG)

INDIA: RBI On Hold As Tariff Threat Hovers

- As we expected the Reserve Bank of India maintained the benchmark interest rate at 5.50% today, with a vote unanimous.
- The Governor spoke to the positive outlook for the economy the challenges from tariffs cloud the short term.
- The large reduction in June we felt needed time to wash through the economy at a time when inflation continues to moderate.
- Since the rate cutting began, the RBI has reduced its benchmark by 100bps and provided significant liquidity boost to the system.
- The RBI maintained its "neutral" policy stance, giving MPC members some flexibility amid global uncertainty.

INDIA: Trump Punishes India

- The Monetary Policy Committee on Wednesday decided to press the pause button on its benchmark interest rate and neutral stance as broadly expected, giving a clear signal that the central bank is keeping its powder dry for uncertainties arising out of any tariff threat from the US. The time limit for using the dry powder, however, will be short as the MPC decision came hours before US President Donald Trump's late evening tariff bombshell of an additional 25% tariff on India for buying Russian oil, after 21 days. Earlier in the day, Reserve Bank of India Governor Sanjay Malhotra said in his monetary policy statement, "The current macroeconomic conditions, outlook and uncertainties call for continuation of the policy repo rate of 5.50% and wait for further transmission of the front-loaded rate cut to the credit markets and the broader economy. Accordingly, the MPC unanimously voted to keep the repo rate unchanged." (source [Financial Express](#))
- US President Donald Trump, who imposed an additional 25 per cent tariff on India for New Delhi's ties with Russia, has again hinted at imposition of "secondary sanctions". However, it remains unclear whether Donald Trump has threatened secondary sanctions solely on India or on other countries as well. Donald Trump made the fresh 'secondary sanction' threat when he was asked why India was being "singled out" for its business ties with Russia, but not other countries that have been buying Russian energy. (source [MINT](#))

ASIA EQUITY FLOWS: Taiwan Inflows Surge On TSMC Gains, India Outflows Persist :

Surging inflows into Taiwan stocks from offshore investors was the standout EM Asia equity flow from yesterday. The nearly \$1.5bn added was the strongest daily inflow since the start of July this year. This came as onshore tech bellwether TSMC surged to fresh record highs. The Taiwan authorities stated chip sales from the company would be exempt from Trump's 100% chip tariff import (presumably as the company has invested in local US

manufacturing in Arizona). This brings YTD inflows to just over \$4.5bn. The Taiex ended yesterday's session above 24000, fresh highs back to mid last year.

* Elsewhere, South Korea saw modest outflows, leaving a softer trend for the past 5 trading days intact.

* For Wednesday's outflows from India were notably at just over \$500mn. The extra tariff hike due to Indian oil imports from Russia is a headwind for local equity market sentiment.

* In South East Asia, Indonesian flows have stabilized somewhat in the past 5 days, while Malaysian momentum remains negative.

Table 1: Asian Markets Net Equity Flows

	Yesterday	Past 5 Trading Days	2025 To Date
South Korea (USDmn)	-53	-127	-4977
Taiwan (USDmn)	1495	2209	4554
India (USDmn)*	-502	-1417	-11721
Indonesia (USDmn)	41	34	-3714
Thailand (USDmn)	-9	138	-1700
Malaysia (USDmn)	-69	-237	-3186
Philippines (USDmn)	3	-2	-625
Total (USDmn)	906	599	-21369
* Data Up To Aug 6			

Source: Bloomberg Finance L.P./MNI

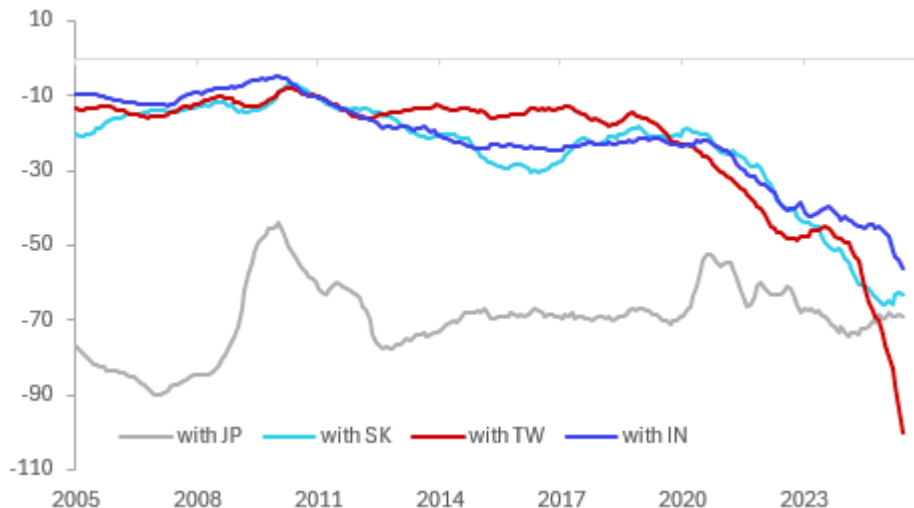
GLOBAL

GLOBAL MACRO: Sharp Narrowing In US Deficits With China, EU & Canada

In line with global export growth peaking in March, US data shows that its trade deficit peaked at the same time. Countries front loaded shipments to beat the early April reciprocal tariff announcement. Ship tracking data for May show that the number of container vessels moderated, and consistent with this the US June visible trade deficit fell to its lowest in over two years. Given the bringing forward of shipments, the data is going to be difficult to interpret over H2. It will take time to see what the impact from the increase in the US effective tariff rate to around 16% will be on the deficit.

- Bilateral balances have generally turned over 2025. The deficit with Canada narrowed around \$2.1bn in June from March but almost \$10bn since January, China's \$8.4bn and \$22.2bn respectively and the EU's \$37.6bn and \$13.4bn.
- Looking at Asian trends, the 12-month sum of the US deficit with Japan has stabilised, narrowed with China and Korea, but deteriorated with India and especially Taiwan.

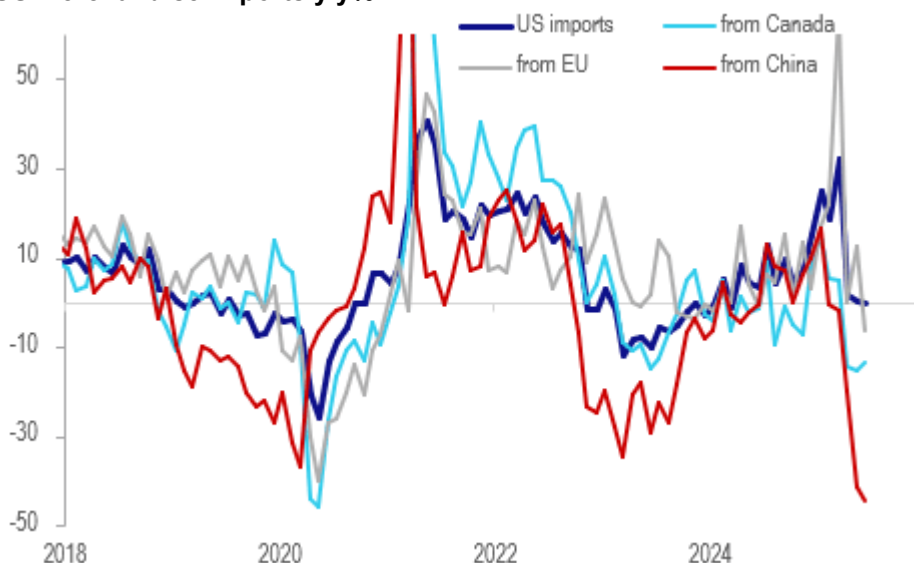
US merchandise trade deficit \$bn 12mth sum



Source: MNI - Market News/LSEG

- The monthly deficit with Taiwan has consistently widened over 2025 as negotiations with the US took place. Its reciprocal tariff was reduced to 20% from 32% but uncertainty over its key chip shipments continues. The number of ships leaving for the US has moderated since late July but remain around the recent average.
- US imports growth peaked in March at 32.3% y/y and fell 0.2% y/y in June driven by sharp declines from its main trading partners. Imports from Canada fell 13.7% y/y, 6.3% from the EU but a sharp 44.5% from China.
- There also seems to have been a frontloading of US exports with growth peaking at 10.8% y/y in April as firms were likely concerned about retaliation. This has moderated since with June only 3.4% y/y.

US merchandise imports y/y%



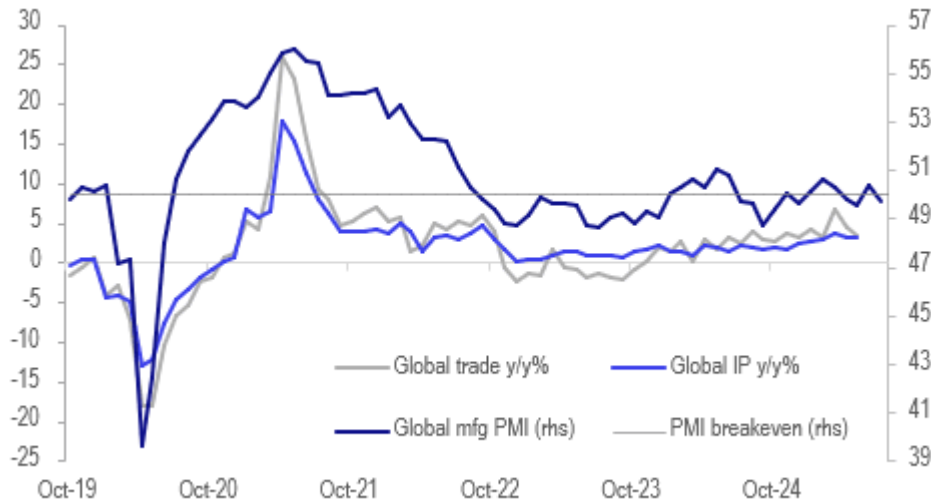
Source: MNI - Market News/LSEG

GLOBAL MACRO: Global PMI Suggests Weaker IP Growth In Q3

The JP Morgan global manufacturing PMI has been oscillating around the breakeven-50 mark since November as uncertainty remained high. In July it dipped below 50 at 49.7 after June's 50.4. Recently it has been consistent with

low but steady IP growth of 1.5-3%. The PMI is suggesting that after this event, industrial production growth is likely to slow back to within that range.

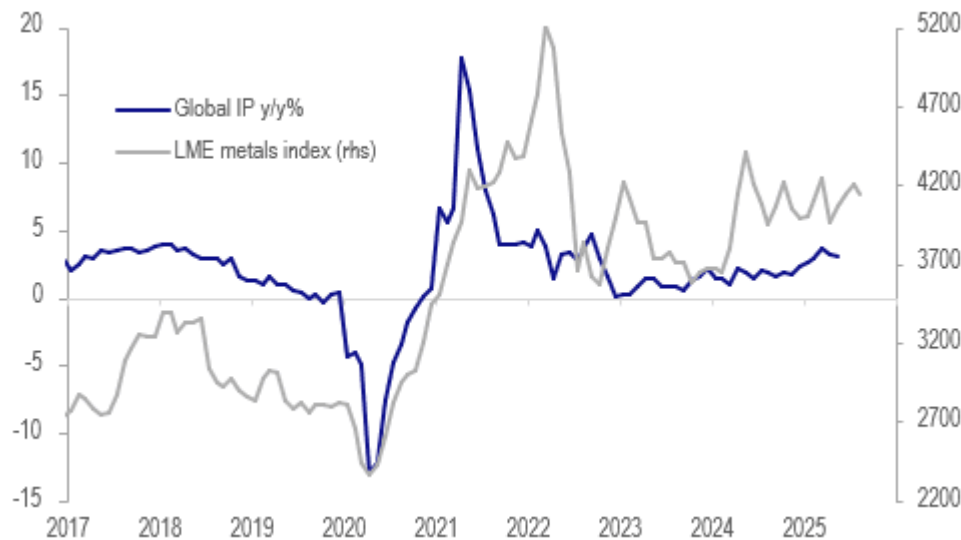
Global growth %



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

- CPB Global IP rose 0.3% m/m in May, the fourth consecutive increase, to hold annual growth at 3.1% y/y. It peaked in March at 3.6% y/y in line with the high in global export growth as shipments were frontloaded ahead of initial US tariff deadlines.
- The dip in the July manufacturing PMI was driven by output, orders and future output. The decline in orders was due to the exports contracting at a sharper rate with the index at 48.2 after 49.2, but still above both April and May.
- Growth in future output is still expect to be positive just less so than in June at 58.9 after 60.2 but is still above 2025's low of 57.1 in April.
- Production was down in July in consumer, intermediate and capex goods sectors.
- Employment contracted at a slightly stronger rate in July but was close to unchanged with the PMI at 49.4 in July down from 49.7, but the 12th consecutive cut in staffing.
- Both input and output inflation in the PMI were little changed.
- Emerging Asia continued to outperform with India's PMI showing the fastest growth followed by Vietnam and Thailand, according to JP Morgan/S&P Global. At the other end, Taiwan saw the worst contraction.
- Metal and wool prices as well as the Baltic Freight Index signal that global IP growth should remain close to recent rates around mid-year even if it does moderate after frontloading of exports.

Global IP y/y% vs LME metal prices



Source: MNI - Market News/LSEG

TARIFFS: Trump States 100% Tariff On Semiconductors, But With Caveats

Speaking from the White House, US President Trump stated that semiconductor imports would face a 100% tariff, however there were caveats. The announcement coincided with Apple CEO Tim Cook present, where he announced fresh investment into US manufacturing.

- Via Rtrs: " Trump told reporters in the Oval Office that the new tariff rate would apply to "all chips and semiconductors coming into the United States," but would not apply to companies that had made a commitment to manufacture in the United States. "So 100% tariff on all chips and semiconductors coming into the United States. But if you've made a commitment to build (in the U.S.), or if you're in the process of building (in the U.S.), as many are, there is no tariff," Trump said.
- BBG added: "The announcement amounts to a major victory for Apple and Cook, who have faced escalating threats from Trump's tariffs that threatened to ratchet up the cost of producing their signature phones and computers. Apple's \$100 billion US investment will include a new manufacturing program designed to bring more of Apple's production to the US." (see this [link](#) for more details).

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