

## MNI Asia Pac Weekly Macro Wrap

5 December 2025 – By Jon Cavenagh, Jaime Grant, Maxine Koster, Stephen Petrie & Gavin Stacey

### JAPAN

- When asked about the merits of a rate increase and the likelihood of a move this month, Ueda did not shy away from discussing specifics — including the probability of a hike — during the press conference. BOJ-dated OIS currently assigns an 80% probability to a 25bp hike in December, rising to 99% by March 2026.

### AUSTRALIA

- Q3 GDP was lower than expected at 0.4% q/q & 2.1% y/y after an upwardly revised 0.7% q/q & 2.0% y/y. However, the details are a lot stronger than the headline with domestic demand rising 1.2% q/q to be up 2.6% y/y, the strongest since Covid-impacted Q1 2022. The softer GDP print was due to a 0.5pp inventory detracting.
- With Governor Bullock saying yesterday that the output gap has likely closed, this strength on the demand side is another reason for the RBA to be on hold beyond the 9 December decision given that inflation is above the top of the band.

### NEW ZEALAND

- NZ's terms of trade fell 2.1% q/q in Q3 driven by a 1.6% q/q drop in export prices as the dairy component was down 1.6% q/q. Import prices rose 0.5% q/q to be up 1.8% y/y.

### CHINA

- The November RatingDog PMI Manufacturing declined to +49.9, missing estimates of +50.5. This breaks the run of four consecutive months of expansion.

### SOUTH KOREA

- South Korea's November CPI was unchanged at +2.4% YoY, marginally above expectations of +2.3% YoY, whilst the MoM figure declined less than forecast at -0.2% YoY. Core CPI moderated from the prior month to 2.0% YoY. Market pricing continues to suggest that the BOK could be on hold for some time.
- For a second consecutive month, PMI manufacturing in Korea contracted and now has contracted nine out of the eleven months for the year.

### ASIA

- S&P manufacturing PMIs across most of ASEAN were higher in November signalling stronger growth in activity across the sector. The aggregate ASEAN PMI rose to 53.0 from 52.7, the best performance since September 2022, with Thailand again posting the fastest growth followed by Vietnam.
- Indonesia's headline inflation moderated 0.2pp to 2.7% y/y as volatile fresh food inflation eased 1.1pp to 5.5% y/y in November. Core held steady at 2.4% y/y, which was slightly more than consensus forecast. Bank Indonesia Governor said today there is room for further easing and that it just depends on timing.

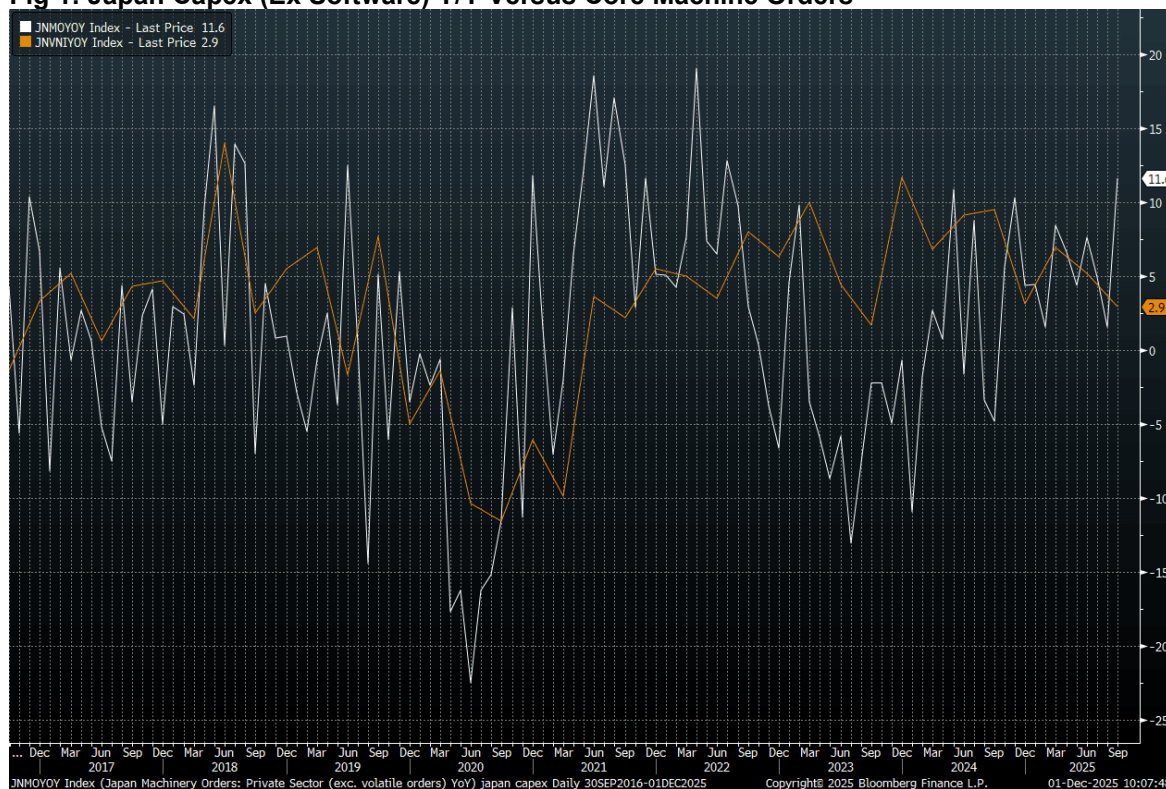
## JAPAN

## JAPAN DATA: Q3 Capex Weaker Than Other Indicators Suggested, Q4 Tankan Eyed

Japan Q3 capex data was weaker than forecast. Ex software we rose 2.9%y/y, against a 5.4% forecast (and 5.2% prior outcome). In q/q terms we fell by 0.3%. Headline capex was 2.9% y/y, against a 6.0% forecast and 7.6% Q2 outcome. The weakness in Capex is a little at odds with some other indicators. The chart below plots the capex y/y (ex software) against core machine orders, with orders generally painting a more upbeat picture. The last Tankan survey (out at the start of Oct) showed firm capex spending intentions as well. Note we get the Q4 Tankan survey on Dec 15. The authorities and the BOJ may wait until that outcome before extrapolating a weaker Capex outlook based off today's data.

- Recall for Q3 GDP (the preliminary release), saw business spending rise 1.0%q/q. Today's results point to downside revision risks to this outcome. GDP revisions for Q3 print on Dec 8.
- Other data showed company sales up 0.5%y/y, versus 0.1% forecast. The prior outcome was 0.8%.
- Company profits were much better than forecast up 19.7%y/y, versus 3.7% forecast and 0.2% prior. This points to space for firm pay rises as we progress into 2026.

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



## BOJ: To Consider A Hike In Dec, If Delivered Monetary Policy Still Accommodative

Headlines from BoJ Governor Ueda's speech have crossed. Notably the Governor states that the central bank will consider the pros and cons of a rate hike at the Dec meeting. Ueda also notes that even with higher rates it would be adjusting the degree of easing (given real rates are still very low). In considering a Dec hike, the BoJ will consider local economic activity and price developments, as well as though offshore. A potential con against not going in Dec may be to wait for more information on wages, although Ueda notes that firm minimum wage gains for the current fiscal year is likely to encourage broad based wage gains (see below for more details).

- In terms of overseas economic activity, Ueda notes activity has shown some signs of weakness, but gradually increasing as a whole, with downside fears from the impact of US tariffs not materializing so far

(via RTRS). Ueda added there is not change to the BoJ's view that overseas economies would see temporary weakness.

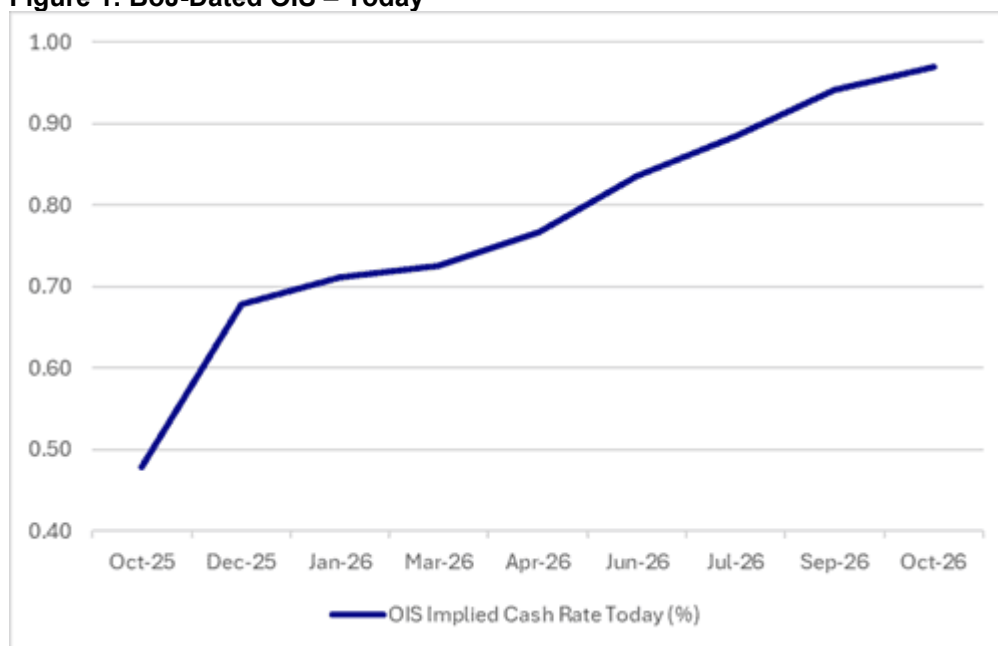
- Domestically, he noted that economic activity is recovering moderately (with negative GDP growth only expected to be temporary), while the likelihood of the baseline scenario for growth and prices being met is gradually rising. Uncertainty around the economic outlook is gradually diminishing Ueda added.
- Ueda added on wages: "BOJ GOV UEDA: IN PARTICULAR, IT WILL BE IMPORTANT TO CONFIRM THE MOMENTUM OF INITIAL MOVES TOWARD NEXT YEAR'S ANNUAL SPRING LABOR-MANAGEMENT WAGE NEGOTIATIONS - [RTRS]"
- "BOJ GOV UEDA: THE FACT THE MINIMUM WAGE FOR FISCAL 2025 ROSE BY MORE THAN 5 PERCENT YEAR ON YEAR IS HIGHLY LIKELY TO ENCOURAGE WAGE HIKEs AMONG A WIDER RANGE OF FIRMS - [RTRS]"
- On FX: "BOJ GOV UEDA: MUST PAY ATTENTION TO FACT THAT, WITH FIRMS' BEHAVIOR SHIFTING MORE TOWARD RAISING WAGES AND PRICES RECENTLY, EXCHANGE RATE DEVELOPMENTS ARE MORE LIKELY TO AFFECT PRICES THAN IN THE PAST - [RTRS]"

### STIR: BoJ Hike 80% Priced By Dec With Two By October 2026

Bank of Japan Governor Kazuo Ueda said on Monday that even if the policy rate were raised to 0.75% from 0.50%, overall financial conditions would remain accommodative.

- When asked about the merits of a rate increase and the likelihood of a move this month, Ueda did not shy away from discussing specifics — including the probability of a hike — during the press conference.
- BOJ-dated OIS currently assigns an 80% probability to a 25bp hike in December, rising to 99% by March 2026. As recently as 21 November, markets saw less than a 20% chance of a December move.
- Notably, investors are now pricing in two 25bp hikes by October 2026.

Figure 1: BoJ-Dated OIS – Today



Source: Bloomberg Finance LP / MNI

## AUSTRALIA

### RBA: RBA Says Still Needs To Work On Bringing Inflation “Sustainably” To Target

RBA Governor Bullock and Assistant Governor (Financial Markets) Kent have appeared before the Senate Economics Committee. There was little added to the November meeting's message that the persistence of Q3

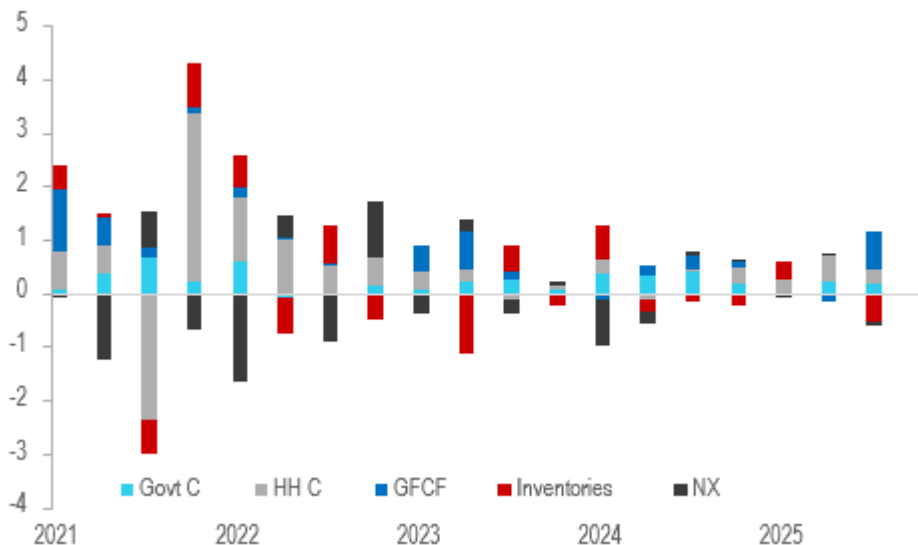
inflation is being monitored but the RBA expects the quarterly CPI changes to moderate over coming quarters. Bullock did note that if the rise proves more persistent then it would signal higher demand pressures and that there would be implications for monetary policy.

- The AUD OIS market has around a 50% chance of a rate hike priced in by the August 2026 meeting.
- Bullock admitted that inflation is “not yet sustainably” within the band and that the Board needs to keep “working on this”. While inflation has been above the 2.5% mid-point for a prolonged time, projections that it will be around that point within the forecast horizon and anchored inflation expectations reassure the bank. The risk is that they could become unanchored the longer it takes inflation to return to 2.5%.
- She noted that the Q3 rise in inflation may suggest a rebuilding in margins after they were squeezed earlier but still reflects demand strong enough to allow this.
- The unemployment rate at 4.3% is “a little bit below NAIRU”, a concept that is difficult to estimate. The underemployment rate also signals that the labour market remains a little tight.
- The RBA sees policy as well positioned to respond to overseas risks including a resumption of trade wars, geopolitical tensions, rising government budget deficits, elevated asset prices and China’s economy.
- Risks from China stem from its ongoing property sector problems, soft domestic demand growth and a resumption of its trade war with the US or other countries introducing trade barriers to cheap imports from China.

### AUSTRALIA DATA: Strong Domestic Demand Growth To Keep RBA Cautious

Q3 GDP was lower than expected at 0.4% q/q & 2.1% y/y after an upwardly revised 0.7% q/q & 2.0% y/y. However, the details are a lot stronger than the headline with domestic demand rising 1.2% q/q to be up 2.6% y/y, the strongest since Covid-impacted Q1 2022. The softer GDP print was due to a 0.5pp inventory detraction, largest since Q2 2023, which may reflect stronger demand driving a drawdown and which may be followed by a rebuild.

#### Australia contributions to q/q GDP pp



Source: MNI - Market News/ABS

- In November, the RBA forecast Q4 GDP growth of 2.0% y/y. Excluding revisions, this would require a 0.5% q/q rise and so growth is developing as it expects. However, it has been around the bank’s estimate of trend and today Governor Bullock said that while the output gap size is uncertain, it probably has closed, which increases risks to inflation from stronger demand. Thus, rates are likely on hold for some time and domestic demand strength poses an upside risk to inflation.



- Private consumption rose 0.5% q/q, concentrated in essential spending, and contributed 0.3pp to quarter GDP. The savings rate rose 0.4pp to 6.4%. A 1.7% q/q increase in disposable income supported expenditure.
- Public consumption rose 0.8% q/q contributing 0.2pp.
- Investment was strong up 3.0% q/q contributing 0.7pp with 0.2pp from the public sector and 0.3pp from private machinery & equipment, which rose 7.6% q/q. Data centre development was a major driver.
- Strong import growth is consistent with stronger domestic demand and especially capex. Imports were up 1.5% q/q & 4.2% y/y after Q2's 2.5% y/y. Exports were also solid at +1.0% & 3.6% but not enough to prevent net exports detracting 0.1pp.
- The statistical discrepancy made a -0.1pp contribution after Q2's +0.2pp.
- GDP per capita was flat but up 0.4% y/y.

### Australia GDP vs domestic demand y/y%



Source: MNI - Market News/ABS

### AUSTRALIA DATA: Gradual Productivity Recovery, ULC Growing Strongly

Productivity growth in Australia has been lacklustre for some time and concerning the RBA as it limits the rate of wage growth consistent with its inflation target over the medium-term. It appears to be slowly improving though with a 0.1% q/q rise in Q3, the third straight increase, bringing annual growth to +0.7% up from Q2's 0.1%. However, RBA Governor Bullock said in November that the Board is concerned about the pace of unit labour cost (ULC) growth and Q3 is likely to have added to these worries.

- Q3 ULC rose 1.3% q/q to be up 4.9% y/y, the highest growth rate since Q2 2024 and historically elevated. It was up 4.2% y/y in Q2. Q3 2024 saw a 0.7% q/q rise in ULC and so it was substantially higher this year.
- Bullock told the Senate Economics Committee on Wednesday that the Q3 rise in inflation may suggest a rebuilding in margins after they were squeezed earlier but still reflects demand strong enough to allow this. Given the strong rise in Q3 ULC, businesses may have had to increase prices.
- Hours worked rose 0.2% q/q in Q3, the seventh straight quarterly increase, but annual growth eased to 1.3% after Q2's 1.9%. The fact hours are still rising is consistent with the RBA's view that the labour is a little tight.

### Australia productivity vs ULC growth y/y%



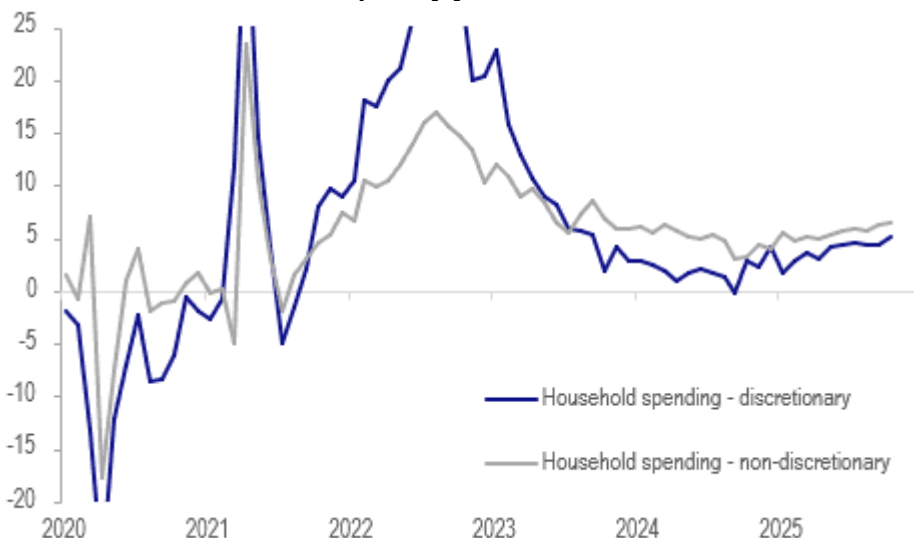
Source: MNI - Market News/ABS

### AUSTRALIA DATA: Consumer Recovery In Place, RBA On Hold

October household spending is another piece of data signalling robust domestic demand in Australia after Q3 showed it rose 1.2% q/q. With Governor Bullock saying yesterday that the output gap has likely closed, this strength on the demand side is another reason for the RBA to be on hold beyond the 9 December decision given that inflation is above the top of the band.

- Spending rose 1.3% m/m, highest since January 2024, to be up 5.6% y/y, fastest since September 2023 and up from the previous month's 5.1% y/y. The increase was broad-based across Australia.
- While both discretionary and non-discretionary spending were higher on the month, the former rose 1.6% m/m to be up 5.1% y/y after 4.5%.
- Expenditure on goods rose 1.7% m/m to be up 4.9% y/y after September's 3.5% y/y driven by discounting ahead of November's Cyber Week sales. There could be payback when promotions finish. Clothing & footwear jumped 3.5% m/m and household items +3.0%.
- Services rose 0.8% m/m and 6.4% y/y due to large concerts and festivals.

### Australia household consumption y/y%



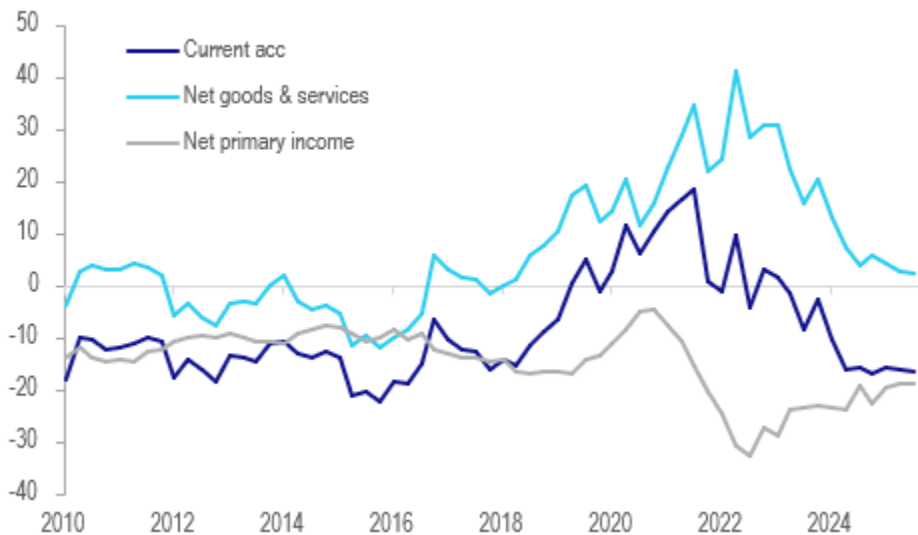
Source: MNI - Market News/ABS

## AUSTRALIA DATA: Slight Q3 Net Export Detraction As Trade Surplus Narrows

Net exports detracted 0.1pp from Q3 quarterly GDP growth, which with the inventory print would normally pose a downside risk to consensus' forecast of +0.7% q/q but public demand's 0.4pp contribution is an upside risk.

- Q3 balance of payments was also released and not only did the current account deficit widen, when a narrowing was forecast, but it was revised substantially higher in Q2 to \$16.2bn. Q3 was \$0.4bn higher at \$16.6bn, the highest since Q4 2024, as the trade surplus narrowed.

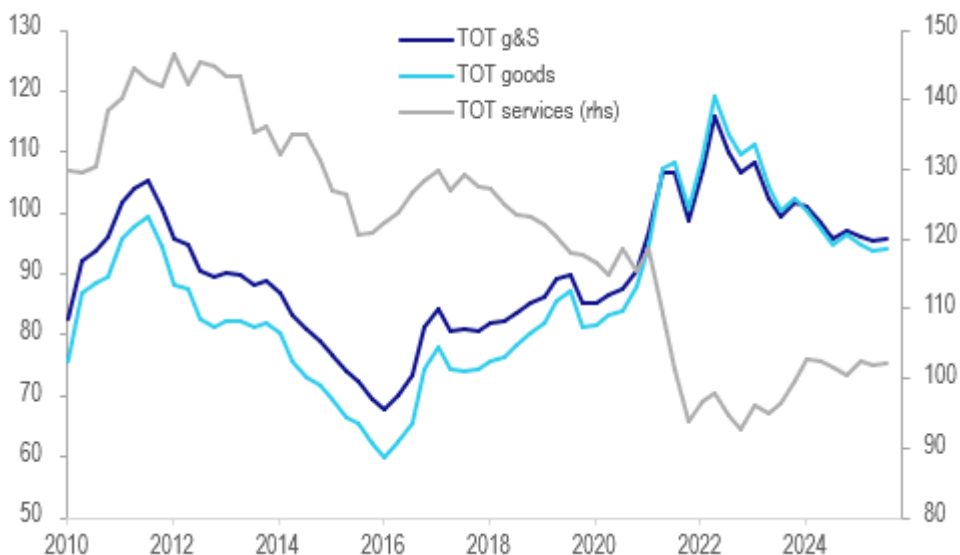
### Australia current account A\$bn



Source: MNI - Market News/ABS

- The Q3 terms of trade rose 0.3% q/q but was still down 0.2% y/y. It has been trending lower since H2 2022. Export prices fell 0.1% q/q but import prices were down 0.4% q/q due to the stronger AUD but prices were higher for key bulk commodity exports. There was a slight quarterly increase in both the goods and services terms of trade.

### Australia terms of trade



Source: MNI - Market News/ABS

- Goods exports rose 0.9% q/q, due to coal and ores, and services +1.0% q/q, while goods imports increased 1.4% q/q, driven by fuels, and services +0.5% q/q. Annual growth in goods shipments rose 3.9%, the first increase since Q1 2023, boosted by sharply higher gold prices increasing the value of non-monetary gold exports.
- The primary income deficit narrowed \$0.3bn to \$18.69bn due to higher profits for Australian direct equity investments and ongoing robust returns on overseas portfolio investments.
- There were also strong overseas inflows into Australian debt and equities in Q3 with \$66.6bn of domestically issued debt securities purchased, highest since Q4 2023, driven by ACGBs.

### AUSTRALIA DATA: Higher Gold Prices Supportive But Imports & Exports Rising

The October merchandise trade surplus widened to \$4.385bn after a downwardly-revised \$3.71bn but it remains in the range it has been in since the start of 2024. The move was driven by monthly export growth exceeding imports for the second consecutive month and both are showing upward momentum. Stronger exports add to activity while imports signal that domestic demand is robust. The RBA is likely to be on hold beyond the 9 December decision.

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



Source: MNI - Market News/ABS

- Goods export values rose 3.4% m/m in October to be up 11.3% y/y after 9.8% y/y. Both rural and non-rural were higher on the month but annual growth is very different at 22.1% y/y and 2.7% y/y respectively.
- Non-monetary gold was the main driver of the rise in both export and import values in October as global prices rose 10.6% m/m to be up 50.8% y/y.
- Consumer goods imports rose 1.6% m/m to be up 7.9% y/y driven by increases in food & beverages, clothing & footwear and other goods.
- There was some payback in October for strong capex imports with them falling 5.5% m/m driven by a 30% drop in ADP equipment but telecoms rose 3.9% m/m and machinery & equipment +6.8%.



### Australia merchandise imports y/y% 3-mth ma



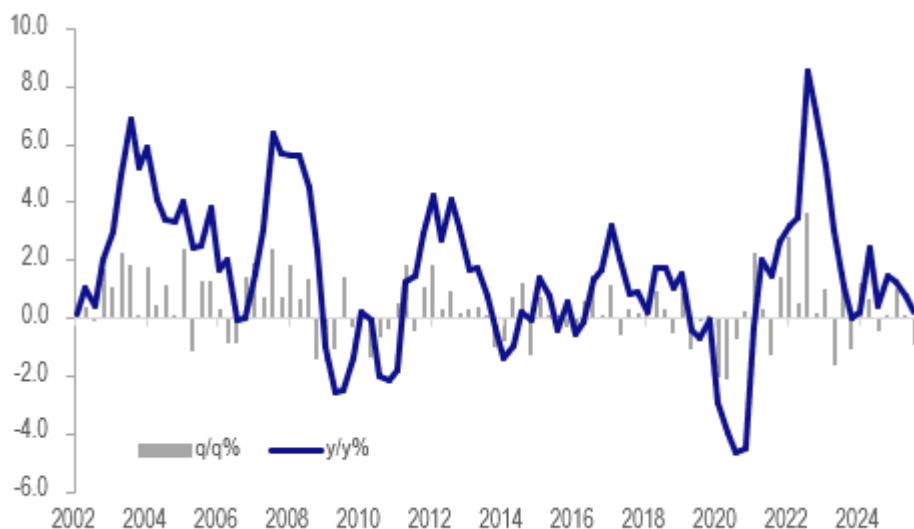
Source: MNI - Market News/ABS

- Goods exports to the US are moderating towards the 2024 average but are still up 15.8% y/y due to frontloading earlier in the year ahead of the introduction of US tariffs. Growth to China, Korea and India remains strong while it is still soft to Japan, Taiwan and has moderated to the UK and Indonesia.
- Metal ore shipments rose in October but coal & metals fell. Volumes were higher for iron ore, LNG and hard-coking & semi-soft coal. Prices were also generally higher, except for LNG.

### AUSTRALIA DATA: Wages Bill Continues Rising, Q3 Inventories Flat

Q3 Australian company profits were weaker than expected posting a flat outcome on the quarter after Q2's sharp fall of 2.6% q/q and are now up only 1.1% y/y (strongest since Q1 2023 though). Inventory volumes fell 0.9% q/q which is likely to be a small detraction from Q3 GDP growth currently expected to rise 0.7% q/q and released on Wednesday. The net export and public demand contributions are released Tuesday.

### Australia inventories %



Source: MNI - Market News/LSEG

- The decline in inventory volumes was mainly driven by a 4.8% q/q drop in the mining sector but retail was also 1.6% lower, which could reflect stronger-than-expected demand but also less purchasing driven by less optimistic confidence in the outlook.
- Total wages & salaries rose 1.5% q/q to be up 6.3% y/y in Q3, the highest since Q1 2024.
- Mining profits were up 0.2% q/q but wages fell 0.8%. Sales volumes rose 1.5% q/q.

#### Australia company profits vs wages & salaries y/y%



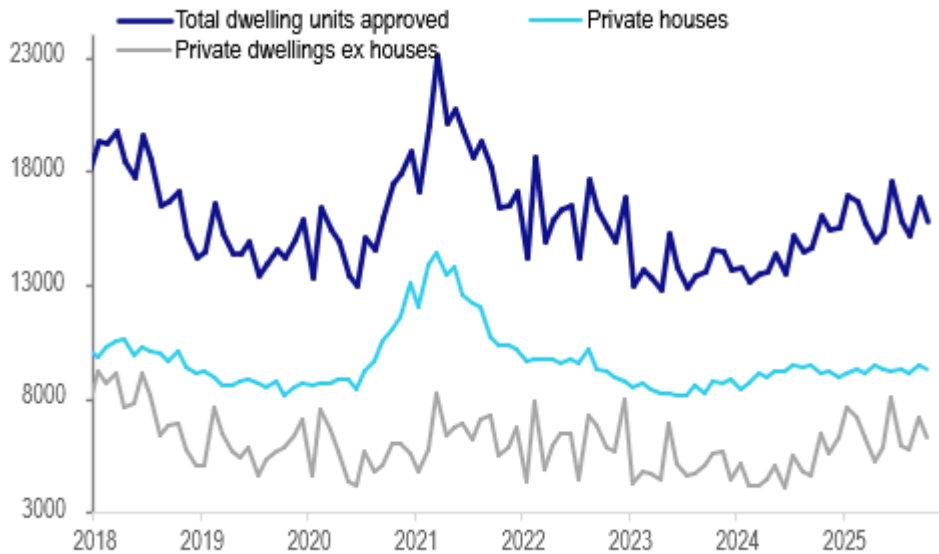
Source: MNI - Market News/LSEG

#### AUSTRALIA DATA: Sideways Dwelling Approvals To Add To Housing Inflation

The number of building approvals fell 6.4% m/m in October, weaker than expected, after rising 11.1% m/m to be down 1.8% y/y. Multi-dwelling approvals have been driving the volatility in the headline number but annual growth in both it and private houses is soft and likely to add to already strong house price growth. Approvals have moved sideways this year.

- Private houses fell 2.1% m/m in October to be up only 1.3% y/y but better than September's -0.5% y/y. 3-month momentum turned positive in October though.
- Multi-dwelling unit approvals fell 13.1% m/m after rising 25% m/m but are now down 3.3% y/y with 3-month momentum falling further into negative territory.
- The value of residential building fell 11.8% m/m in October after a record high in September. The RBA is watching rising housing-related inflation. Non-residential values rose 11.6% m/m to be up 32.4% y/y.

### Australia number of dwelling approvals



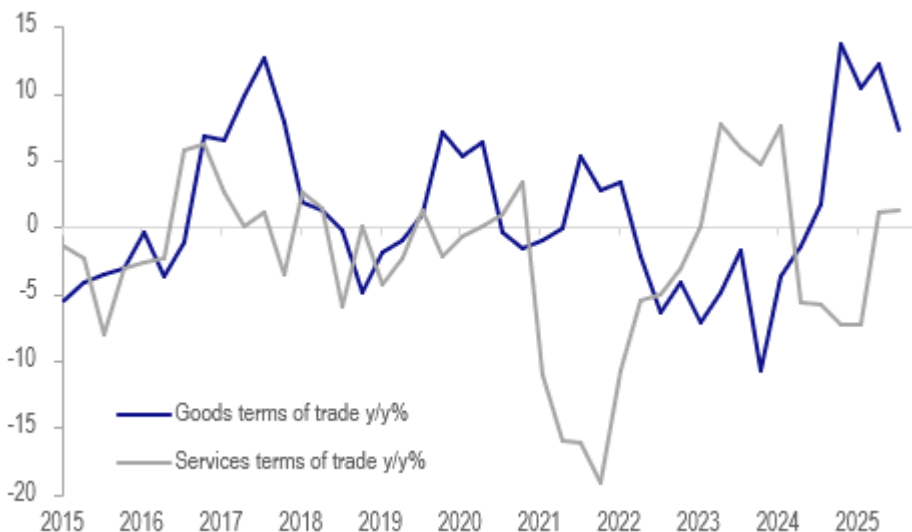
Source: MNI - Market News/ABS

## NEW ZEALAND

### NEW ZEALAND: Dairy Weighs On ToT, Q3 Consumer Imports Rise

NZ's terms of trade fell 2.1% q/q in Q3 driven by a 1.6% q/q drop in export prices as the dairy component was down 1.6% q/q. Import prices rose 0.5% q/q to be up 1.8% y/y. Q3 was the first quarterly fall in the terms of trade since Q3 2023 but it is still up 7.2% y/y after 12.2% y/y in Q2.

### NZ terms of trade y/y%



Source: MNI - Market News/LSEG

- Export prices for dairy products are still 14.9% y/y higher but down from Q1's 26.8% y/y. FAO global dairy prices trended higher from the end of 2023 but began declining in July and fell 1.5% q/q in Q3 and were down another 3.4% m/m in October.
- Import prices for consumer goods fell 0.9% q/q, the second straight quarterly decline, to be up 2.6% y/y, which should help return CPI inflation to within the RBNZ's 1-3% band.

### NZ CPI vs consumer goods import prices y/y%



Source: MNI - Market News/LSEG

- The services terms of trade fell 0.6% q/q to be up only 1.3% y/y as import prices (+0.8% q/q) rose more than export prices (+0.2% q/q).
- Goods export volumes rose sharply in Q3 up 3.5% q/q & 5.0% y/y after Q2's -3.1% & 0.3%, while imports fell 1.2% q/q to be down 0.5% y/y (Q2 +3.9%q/q).
- Imported goods have fallen in three of the last four quarters signalling weak domestic demand. There are signs of an improvement in consumer spending though with consumer goods imports rising 2.1% q/q in Q3 after contracting for three quarters. Thus the decline in Q3 overall imports is likely due to investment, which has been lagging the recovery as discussed at the November RBNZ press conference.

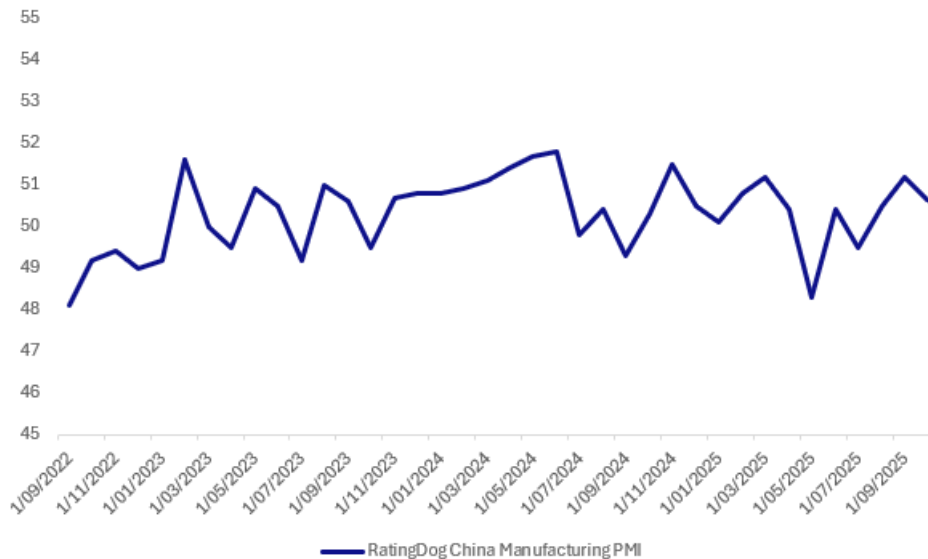
## CHINA

### CHINA DATA: RatingDog PMI Unexpectedly Contracts

- The November RatingDog PMI Manufacturing declined to +49.9, missing estimates of +50.5
- This breaks the run of four consecutive months of expansion.
- Output fell to +50 from +50.8 and new orders were down versus the prior month.
- This will be interpreted by some as signs of a deeper slowdown though for now, it may pay to wait for further data releases. Exports and production output was impacted by exporters looking to get out product ahead of the Xi Trump meeting and subsequently this has impacted exports and industrial production data since as data normalizes.
- It is possible that this remains impacted by the ramp up pre-meeting and if so, would pay to wait another month to see how the data evolves.



RatingDog China Manufacturing PMI



sources: Bloomberg Finance LP / MNI

## SOUTH KOREA

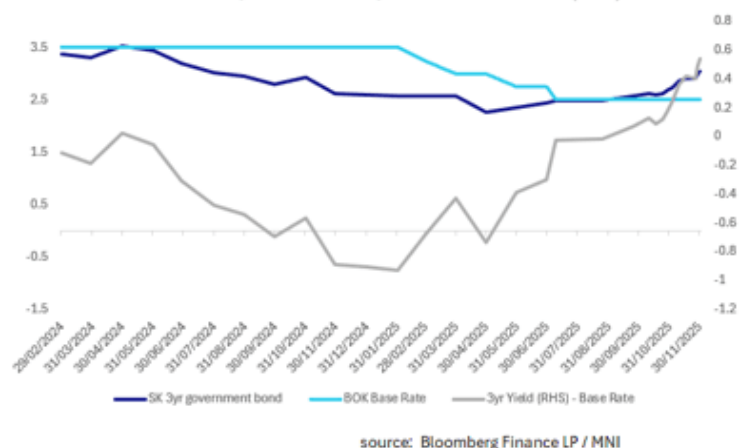
### SOUTH KOREA DATA: CPI Steadies; Supports BOK Hold

- South Korea's November CPI was unchanged at +2.4% YoY, marginally above expectations of +2.3% YoY, whilst the MoM figure declined less than forecast at -0.2% YoY.
- Food prices were up +4.7% YoY, Transport up +3.2% YoY whilst Food prices MoM declined -1.4%.
- Core CPI moderated from the prior month to 2.0% YoY.
- Market pricing continues to suggest that the BOK could be on hold for some time, with yesterday's move higher in the KT 3-Yr taking the yield premium over the BOK base rate to new near term highs. With November exports improving more than expected, the next key data release will be the 3Q Preliminary GDP out on Dec 3 with market expectations for +1.7%.

South Korea CPI + Core vs BOK Target



KTB 3-Yr Yield, BOK Base Rate, 3-Yr Yield - Base Rate (RHS)

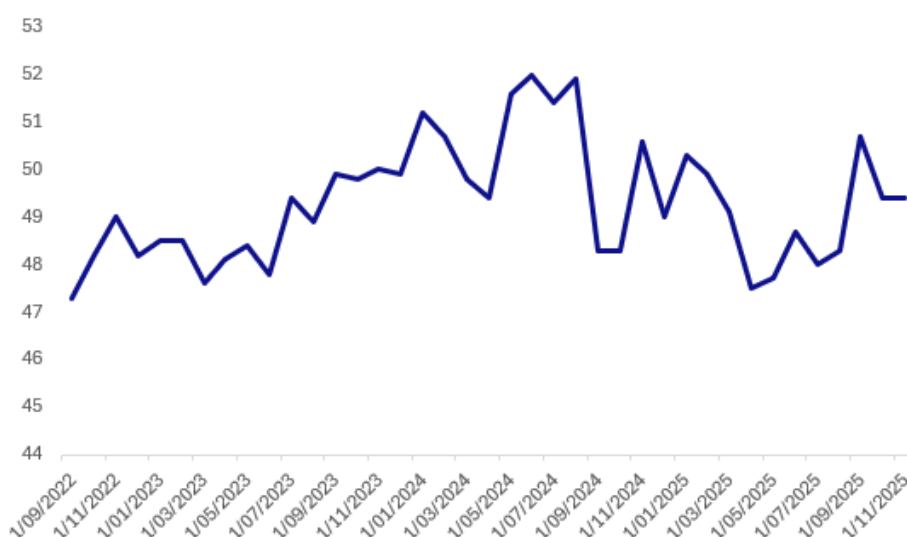


source: Bloomberg Finance LP / MNI

## SOUTH KOREA: PMIs Continue To Languish

- For a second consecutive month, PMI manufacturing in Korea contracted and now has contracted nine out of the eleven months for the year.
- The bump up in September was ahead of the XI Trump meeting as producers were looking to ship goods in advance.
- November's result was unchanged from October's result of +49.4.
- Output fell to +48.8 from +49.5.
- New orders however were up relative to the prior month.

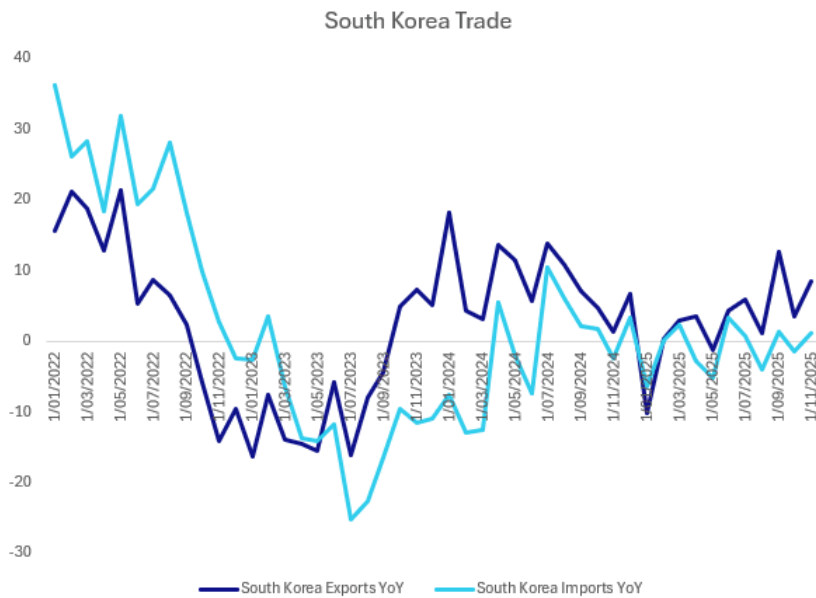
S&P Global South Korea PMI Mfg



source: Bloomberg Finance LP / MNI

## SOUTH KOREA: Strong Rebound For Exports: Trade Balance at 2025 Highs

- The volatility in trade data for Korea continued in November with the rebound beating expectations. Up +8.4%, it topped forecasts of +5.4% and the month prior expansion of +3.5%.
- Imports however missed forecasts at +1.2% (survey +2.0%) but was a significant uplift from the prior month's contraction of -1.5%.
- The resultant trade surplus touched a new high for the year at US\$9.735bn (prior \$5.995bn)
- The better than expected trade data comes on the back of the BOK hold last week, citing currency and property market woes. Some domestic commentators have highlighted that the risk for rates now is rate rises next year which could see markets react to better than expected data. Bonds are trading but are off to a slow start for the week.

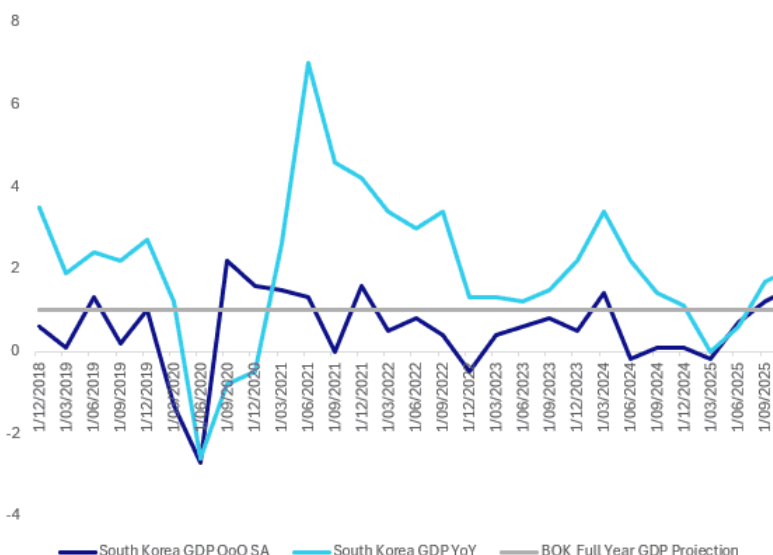


source: Bloomberg Finance LP / MNI

## SOUTH KOREA: 3Q GDP Surprises to the Upside

- Korea's 3Q GDP rose +1.8%, up from +1.7% in the second quarter and ahead of expectations.
- The QoQ result was up also, reaching +1.3% from +1.2% prior.
- It is clear that there is some positive tailwinds for the Korean economy as the AI / Tech led boom is increasing demand for Korea's highly regard chips, which is feeding improvements in exports.
- The KOSPI's returns have supported the consumer who was already buoyed by lower rates and real estate prices coupled with a fiscal expansion by the Lee Government.
- As always, headwinds remain as the full impact of the US tariffs (estimated to shave 0.4-0.5% off GDP) and a weak won feeding through to import costs.
- The BOK has upped their fully ear 2025 GDP forecast to 1.0% recently as they continued with rates on hold, and today's GDP remains supportive of that neutral outlook for rates in the near terms.

South Korea GDP QoQ , YoY vs Full Year Projection



## TAIWAN

### TAIWAN: PMIs Continue to Contract

- Taiwan's November PMI declined again at +48.8 and has failed to expand since February this year.
- That said, it was the highest reading since March and saw output up to +46.4 from 45.7
- New orders were up vs prior month for the highest reading since March.



source: Bloomberg Finance LP / MNI

## ASIA

### ASIA: November Growth Up But Domestically Driven, Export Demand Weak

S&P manufacturing PMIs across most of ASEAN were higher in November signalling stronger growth in activity across the sector. Only in the Philippines did it contract due to typhoon-related disruptions, while in Malaysia it stagnated. The aggregate ASEAN PMI rose to 53.0 from 52.7, the best performance since September 2022, with Thailand again posting the fastest growth followed by Vietnam. ASEAN economies are showing resilience following the reduction in global trade uncertainty but it appears to be domestically driven with export orders contracting. There were signs of cost pressures in the data though.



### ASEAN S&P manufacturing PMIs



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

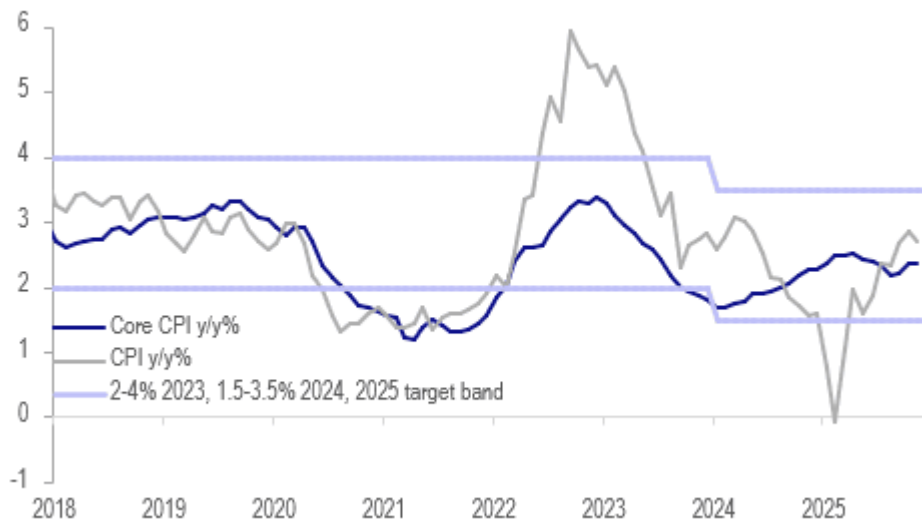
- ASEAN manufacturing activity was driven by higher domestic orders as overseas contracted. Production was up driving an increase in purchasing but employment was steady.
- Thailand continued to outperform at 56.8 (October 56.6), highest since May 2023 with manufacturers also very positive about the outlook. Growth was driven by stronger production and domestic orders and subsequent hiring. However, overseas demand contracted at a faster pace. Cost inflation rose in November but wasn't passed on with output inflation steady.
- Indonesia saw a material improvement with the PMI up to 53.3 from 51.2, the highest since February and back above ASEAN as a whole. The move was due to the fastest growth in new orders in over 2 years driven by domestic demand as overseas fell at the sharpest in over a year. Domestic strength drove an increase in employment and purchasing activity though. The outlook remains positive but less so than last month.
- Indonesian cost pressures increased due to the weaker IDR and raw materials and were passed on resulting in highest selling inflation in more than 18 months. Rates have been cut 125bp this year and inflation has turned higher.

### INDONESIA: BI Looking To Cut Again, Inflation Stable But Need Stronger IDR

Headline inflation moderated 0.2pp to 2.7% y/y as volatile fresh food inflation eased 1.1pp to 5.5% y/y in November. Core held steady at 2.4% y/y, which was slightly more than consensus forecast. Bank Indonesia Governor said today there is room for further easing and that it just depends on timing and the stabilisation in inflation should allow it to cut rates again when it is confident that the rupiah has stabilised.

- USDIDR is down 0.5% to 16,661 since the 19 November BI decision to keep rates unchanged but this has been helped by a weaker US dollar as Fed rate cut expectations have increased. The BIS IDR NEER was flat in November which is a step in the right direction towards FX stability.
- The S&P Global November PMI reported that cost pressures increased in Indonesia due to the weaker IDR and raw materials and were passed on resulting in highest selling inflation in more than 18 months. This is a trend that will be monitored.
- In October a large jump in personal care & others inflation to 11.9% y/y from 9.9% drove the increase in core inflation. The rise was due to higher global gold prices. They were up almost another 6% over November and so it is not surprising that personal care & others picked up further to 12.5% y/y keeping underlying inflation at 2.4%. Other components saw steady rates.
- The drop in fresh food inflation fed into lower price changes for dining out and general food & drinks components.

### Indonesia CPI y/y%



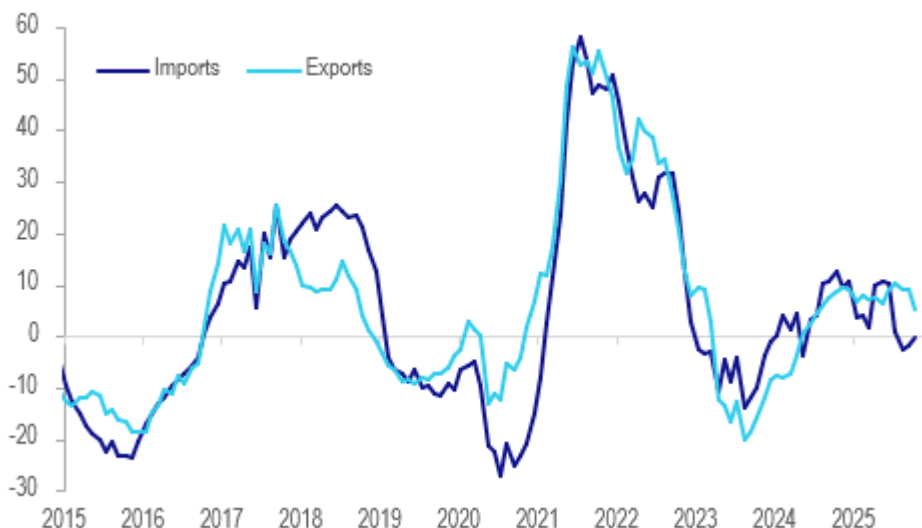
Source: MNI - Market News/LSEG

### INDONESIA: BI Sees Room For Further Easing, Weak Exports May Press Them

Indonesia's October merchandise trade surplus narrowed more than expected at \$2.4bn after the previous month's \$4.43bn as exports contracted by more than imports. The data are volatile though and the 3-month moving average of the balance was in line with outcomes since July and elevated compared to the previous two years. Bank Indonesia Governor said today there is room for further easing and that it just depends on timing and export weakness could help decide this.

- Goods exports fell 2.3% y/y after rising 11.4% y/y in September, the weakest in 18 months, and the 3-month average moderated to 5.0% y/y from 9.0%. The decline was due to a drop in commodity shipments
- The November S&P Global manufacturing PMI reported that the pickup in growth was due to stronger domestic demand while overseas orders fell at the sharpest in over a year. This suggests that export growth may be weak going into year end.
- Merchandise imports were also soft falling 1.15% y/y after rising 7.2% y/y but were close to consensus expectations. The data is volatile and the 3-month average increased to -0.2% y/y from -1.7% y/y, suggesting a gradual improvement in domestic demand.

### Indonesia merchandise trade y/y% 3-mth ma

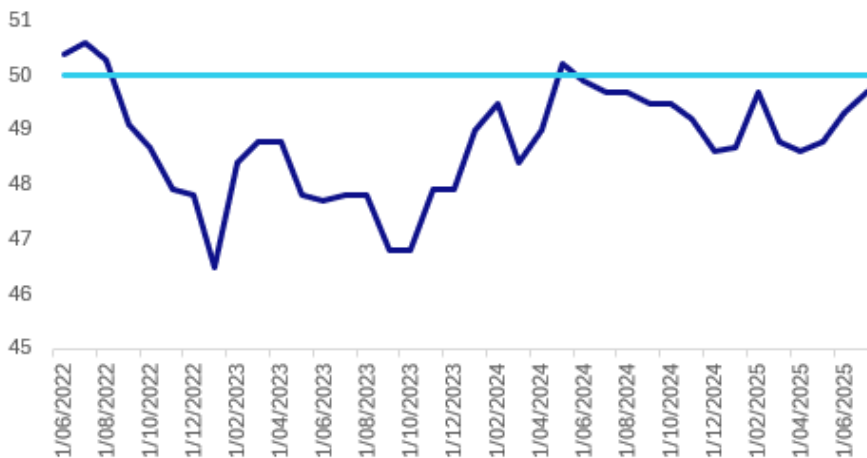


Source: MNI - Market News/LSEG

## MALAYSIA: PMIs Unexpectedly Expand

- Having not been above 50 since May 2024, Malaysia's November PMI Manufacturing expanded modestly by +50.1 (from +49.5 prior).
- Output rose to 48.7 from 48.5 in October
- New orders were up relative to the prior month and the highest reading in over 3-Years.

Malaysia PMI Manufacturing

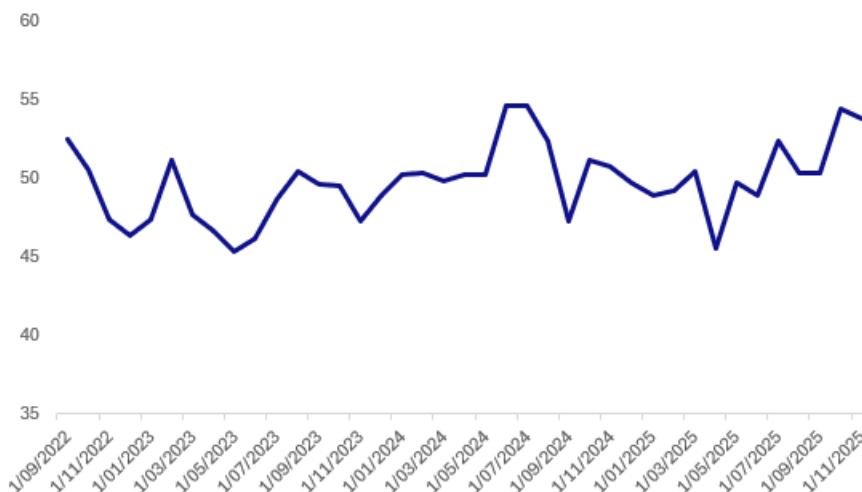


source: Bloomberg Finance LP / MNI

## VIETNAM: Vietnam PMI Remains Very Strong

- Although moderating in November, Vietnam's PMI at +53.8 remain very strong and higher than regional peers.
- This was the fifth month in a row of expansion.
- Output however was moderately lower to +55.6 from +56.9 for the seventh month of expansion
- New orders were down relative to the month prior.

Vietnam Manufacturing PMI



source: Bloomberg Finance LP / MNI

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