

MNI Asia Pac Weekly Macro Wrap

9 January 2026 – By Jon Cavenagh, Jaime Grant, Maxine Koster, Stephen Petrie & Gavin Stacey

JAPAN

- Japan Nov Labour earnings data was comfortably below market forecasts due to a slump in bonuses. Household spending was better than forecast for the same month though. The BoJ regional economic report also highlighted firm 2026 wage plans as well.

AUSTRALIA

- November CPI inflation data moved in the right direction for the RBA to prolong its pause but remain cautious as underlying 3-month momentum remains elevated. As this data is only new with little track record, the RBA will be looking to the Q4 data due on 28 January. November trimmed mean moderated 0.1pp to 3.2% y/y.
- RBA Deputy Governor Hauser spoke to the ABC and noted that while the November CPI data was “helpful”, it was largely within expectations. Hauser said that the probability of near-term monetary easing is “very low” as the last rate cut this cycle has likely taken place.

SHORT TERM RATES

- Interest-rate expectations across the \$-bloc over the past month, looking out to June 2026, have been little changed overall, with the notable exception of New Zealand, where expectations softened by 16bps. Elsewhere, US pricing edged 3bps higher, while Australia and Canada eased by 5bps and 1bp, respectively.

CHINA

- December CPI in China rose 0.8% in line with estimates. China has not released the 2026 CPI forecasts yet but based on the 2025 forecast of 2.0%, CPI remains below target. The rise to 0.8% represents the highest CPI print since February 2023.
- The official China PMIs for December showed an improvement in activity with both manufacturing and non-manufacturing returning to growth. The composite PMI rose to 50.7 from 49.7, which had been the first move below the breakeven 50-level since December 2022.

ASIA

- The December ASEAN aggregate manufacturing PMI moderated to 52.7 from 53.0 but continued to show growth in the sector driven by output and domestic orders but export orders remained weak. Thailand outperformed. Confidence in the outlook rose to a 10-month high.
- Headline inflation rose more than expected in December printing at 2.9% y/y up from 2.7% but in line with the October outcome. There was a pickup in both fresh food and administered price inflation. Core was stable at 2.4% y/y for the third straight month and below 2025's high of 2.5%.

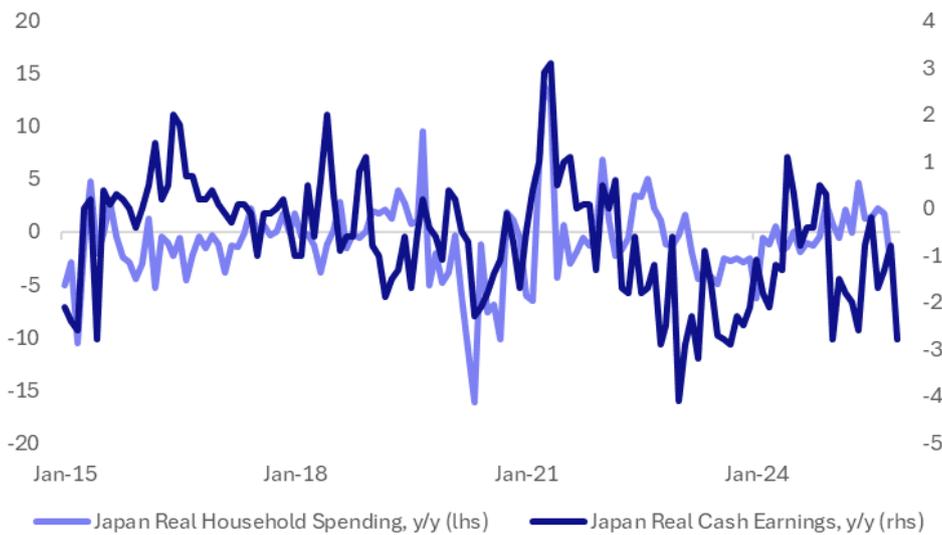
JAPAN

JAPAN DATA: Wages Miss Weighed By Bonus Slump, Scheduled Pay Momentum Slows

Japan Nov Labour earnings data was comfortably below market forecasts, real earnings, in y/y terms, were -2.8% against a -1.2% forecast and -0.8% Oct outcome. In nominal terms earnings were up just 0.5%/y/y (2.3% was forecast and 2.5% was the Oct outcome). The 2.0%/y/y rise in scheduled full time pay (same base) was better, although still below the 2.3% forecast (prior was 2.1%). Cash earnings y/y (same sample base) were 0.9%, well below the 2.2% forecast.

- The chart below plots real cash earnings y/y against real household spending y/y, with earnings back to recent lows. Note we get Nov household spending data tomorrow. At face value this data dents the BOJ/ government's goal around achieving positive real wage growth trends. This is seen as a key driver of the broader economic cycle of sustainable positive inflation. Still, BBG notes: "The data showed that hourly workers saw their pay rise by 4.2%, the fastest gains since February." and that fewer working days impacted the outcome.
- Bonus payments fell -17y/y, after a 6.4% rise in Oct. This contributed to the result, so a rebound for this metric in Dec may help improve the headline results.

Fig 1: Japan Labour Real Earnings & Real Household Spend Y/Y



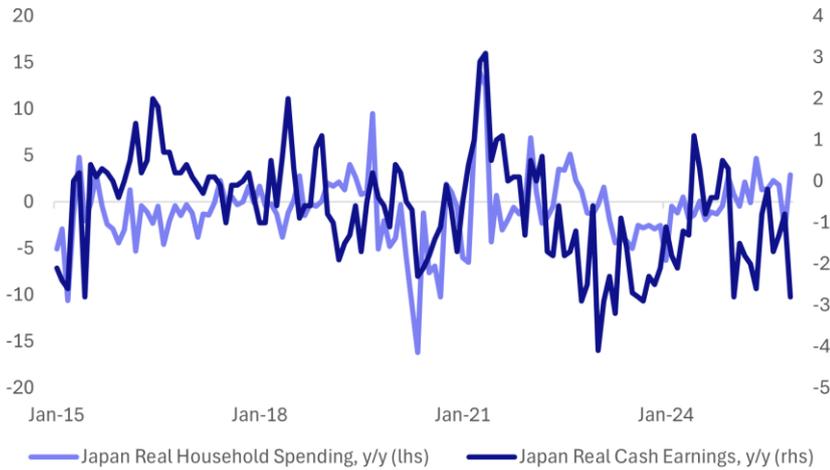
Source: Bloomberg Finance L.P./MNI

Household Spending Jumps In Nov, Outpacing Weaker Earnings :

Japan real household spending rose 2.9%/y/y in Nov, well above the -1.0% forecast and -3.0% Oct outcome. In m/m terms spending was up 6.2%, the strongest monthly rise since 2021. The chart below updates real spending y/y versus real labour earnings, also in y/y terms. The two series tend to follow each other from a trend standpoint, but for much of 2025, spending outcomes were running ahead of the real cash earnings measure. This divergence widened in Nov. Whilst yesterday's labour earnings data was disappointing, the BoJ regional economic report still pointed to positive wage momentum for 2026 - via our policy team: many branch managers reported expectations for sustained pay increases, with several pointing to wage growth at levels similar to or higher than those seen in 2025.

* In terms of the detail on today's spending update, food spending rose 0.9%/y/y from -1.1% in Oct. Spending on transport, communication also surged to 20.4%/y/y from -9.2%.

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



Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Japan Outbound Flows Mixed, Offshore Investors Buy Local Stocks

The update on Japan offshore investment flows, for the week ending Jan 2, points to modest overall flows for the start of the year. Local investors sold offshore bonds for the second consecutive week. Cumulative flows in this space were modestly negative for Dec. We did see outflows for Q4 last year, but they weren't large by historical standards. Global bond returns mostly pushed sideways through Q4 last year. Local investors did purchase offshore stocks last week, ending a run of weekly outflows dating back to the start of Dec. Q4 net flows were negative for this segment.

- In terms of inflows into Japan assets from offshore investors, net purchases were evident for local stocks, albeit in modest size. This has been the consistent trend though for much of Q4 last year.
- Offshore investors also purchased local bonds, but not enough to offset recent outflows.

Table 1: Japan Weekly Offshore Investment Flows

Billions Yen	Week ending Jan 2	Prior Week
Foreign Buying Japan Stocks	124.9	342.2
Foreign Buying Japan Bonds	273.5	-544.7
Japan Buying Foreign Bonds	-223.6	-1049.6
Japan Buying Foreign Stocks	236.6	-221.5

Source: Bloomberg Finance L.P./MNI

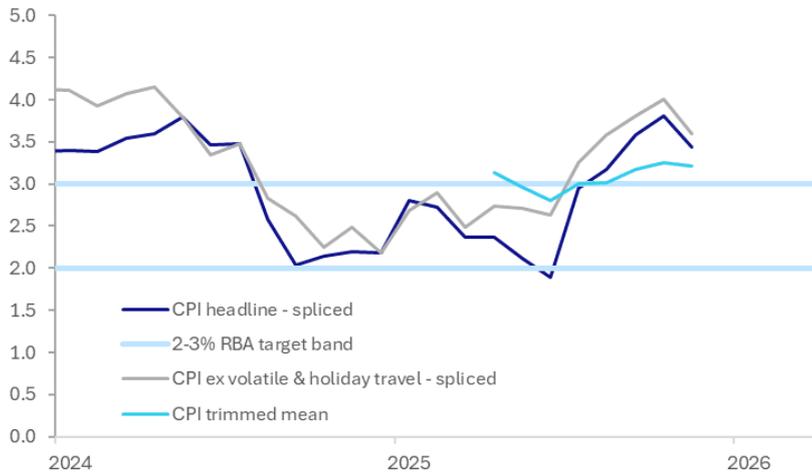
AUSTRALIA

AUSTRALIA DATA: November Inflation Moderates, Q4 CPI Key February RBA Input

November CPI inflation data moved in the right direction for the RBA to prolong its pause but remain cautious as underlying 3-month momentum remains elevated. As this data is only new with little track record, the RBA will be looking to the Q4 data due on 28 January but November is a start in achieving its forecast of a return of trimmed mean to the band by end 2026.

- November trimmed mean rose 0.3% m/m sa and moderated to 3.2% y/y from 3.3% but the Q4 average to date at 3.2% is above Q3's 3.1% average and Q2's 3.0%. The quarterly Q3 release was 3.0%. CPI ex volatile items & holiday travel eased 0.4pp to 3.6% y/y.
- The new trimmed mean CPI appears less volatile than the incomplete series but printed 0.7pp higher at 2.8% y/y in June 2025, which was the recent trough. Q2 was at 2.7% y/y overall. Ex volatile items & holiday travel has a better fit with the old monthly data.

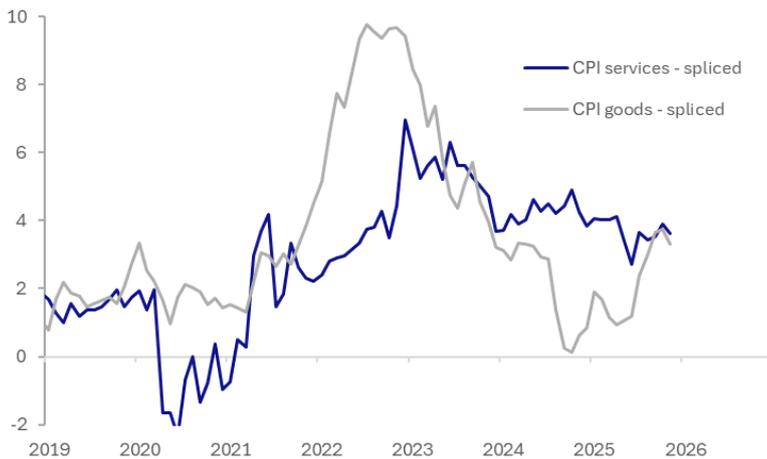
Australia CPI y/y%



Source: MNI - Market News/ABS

- The RBA is focused on domestically-driven services prices, as they have been sticky here and overseas. November services moderated to 3.6% y/y from 3.9% with underlying market services at 2.9% after 3.2%. The Q4 average of the latter is 3.0% after Q3's 2.9% (Q3 average 2.84%).
- Good prices moderated to 3.3% from 3.8% with core goods at 2.6% after 2.8%. The ABS notes that the new series has more information on "temporary effects" and it observed Black Friday discounts in 2025 were "not a major contributor to the change in annual CPI inflation" in November.
- Headline continues to be impacted by government electricity rebates which drove a moderation to 3.4% y/y from 3.8% and rose 0.2% m/m sa. Electricity inflation was up 19.7% y/y down from 37.1% and excluding rebates electricity rose 4.6% y/y after 5.0%.

Australia CPI goods vs services y/y%



Source: MNI - Market News/ABS

*The new monthly CPI series is spliced onto the old CPI given the close fit.

RBA: RBA's Hauser Says Rate Cut Chance "Very Low", Inflation "Too High"

RBA Deputy Governor Hauser spoke to the ABC and noted that while the November CPI data was "helpful", it was largely within expectations. It moved in the right direction for the RBA to prolong its pause but remain cautious. This view is in line with Hauser saying that the probability of near-term monetary easing is "very low" as the last rate cut this cycle has likely taken place.

- The new monthly CPI series is still to be tried and tested especially as it has a very short track record. Therefore, the Q4 quarterly print on 28 January is likely to be the key inflation data into the 3 February RBA decision.

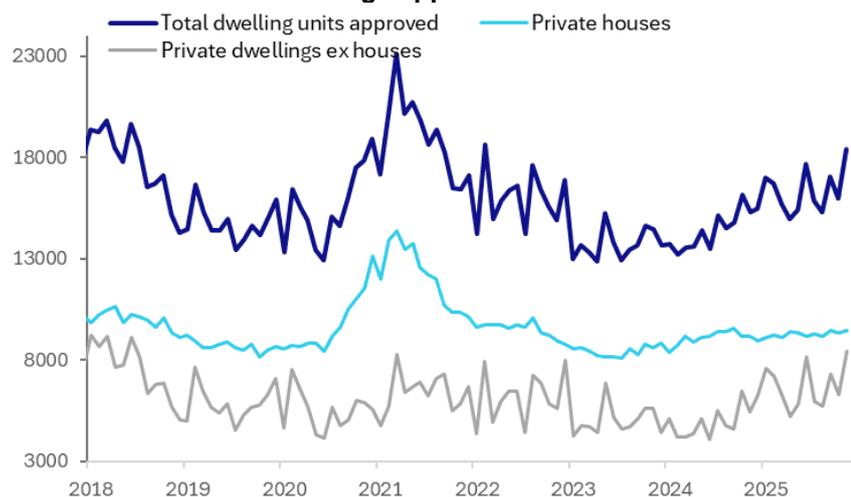
- Hauser noted that inflation above 3.0% is “too high”. With the bank forecasting Q4 trimmed mean at 3.2%, policy could be on hold for some time unless it materially surprises to the upside and makes the RBA ask “what was driving that”, which Hauser said “might be an important part of our overall judgement”. The Board focuses on the inflation outlook and will provide updated forecasts at its February meeting.
- He noted that there “wasn’t a lot of news in the data yesterday for us” with Black Friday sales adding downward pressure on inflation but housing costs rising.
- Hauser refused to comment on market pricing for 2026 rate hikes.

AUSTRALIA DATA: Multi-Dwellings Jump But House Approvals Remain Soft

The number of building approvals in November jumped 15.2% m/m after falling 6.1% m/m driven by the volatile multi-dwelling component. Private houses rose 1.3% m/m after falling 1.3% in October but were still up only 3.2% y/y. They appear to be recovering from the Q2/Q3 2025 dip. Momentum is picking up across both houses and apartments but the former is still soft.

- Strong demand and supply shortages have driven home prices higher. Approvals have struggled to improve as needed. A gradual uptrend in the total has been due to the non-house component but it remains 20% below the 2021 peak.
- Queensland and Victoria drove the jump in multi-dwelling approvals, which were their highest since June 2018 and up 55.3% y/y.
- The level of house approvals has been moving sideways since Q3 2024. The November rise was due to NSW and Queensland while they fell in SA.

Australia number of dwellings approved



Source: MNI - Market News/ABS

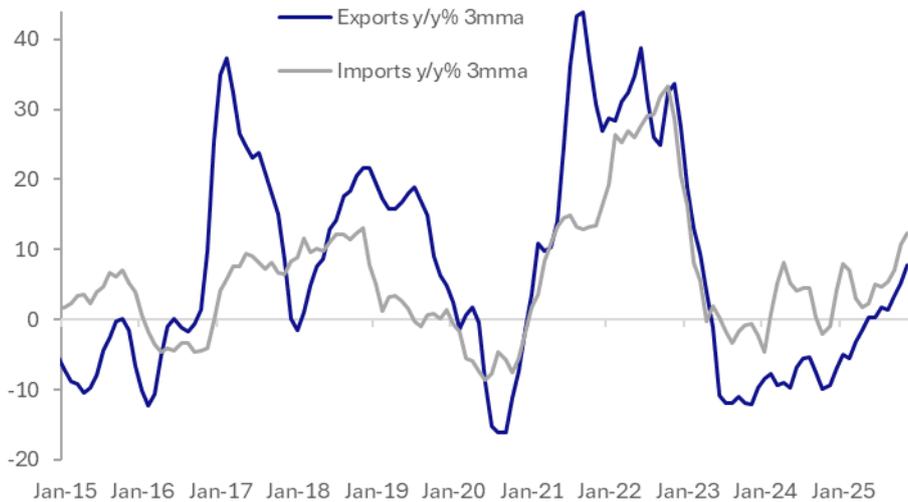
AUSTRALIA DATA: Surplus Narrows But Export Trend Remains Upwards

The November merchandise trade surplus narrowed significantly more than expected to \$2.94bn from \$4.35bn due to a contraction in exports. In 2025, the mid-month of the quarter showed a substantial decline in the surplus with exports falling in each of those months driven by commodities, especially gold.

- Exports fell 2.9% m/m to be up 3.7% y/y. The 3-month trend continues to be upwards with November at 7.7% y/y after 5.1%, the highest since March 2023.
- Rural shipments were strong rising 9.6% m/m & 16.4% y/y with all major components up but non-rural fell 4.5% m/m & 3.6% y/y. Weak iron ore volumes and lacklustre prices pressured shipments in November as well as thermal coal volumes.
- Goods imports rose only 0.2% m/m but remain strong up 12.8% y/y. Consumer and capex goods appear to be losing momentum after some strong months.

- Consumption imports fell 1.9% m/m to be up 5.8% y/y down from 7.8% in October. The decline was broad based. Capital goods fell 2.8% m/m to be up 7.5% y/y down from 9.6% y/y driven by sharp falls in machinery & equipment and aircraft, while ADP and telecoms equipment rose. The rise in November was due to intermediate goods.

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



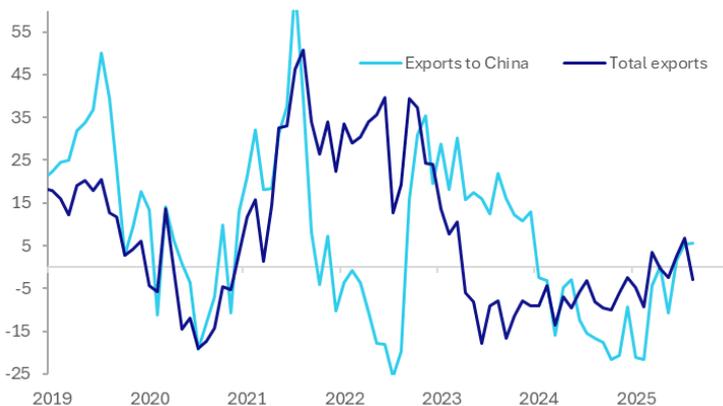
Source: MNI - Market News/ABS

AUSTRALIA DATA: Weak Iron Ore Export Volumes Especially To China

Weak iron ore volumes and lacklustre prices as well as thermal coal volumes pressured Australia’s goods shipments in November. Export growth was weak to much of Asia but held up to China and Korea, which are major destinations.

- Export levels and growth rates to the US and UK remain solid rising 19.9% y/y and 99.4% y/y respectively.
- Shipments to China rose 7.5% y/y after 10.2% but the November level was slightly higher than the 2025 average. It increased its purchases of coal but reduced the quantity of iron ore. Korea cut both iron and coal volumes.

Australia goods exports y/y%

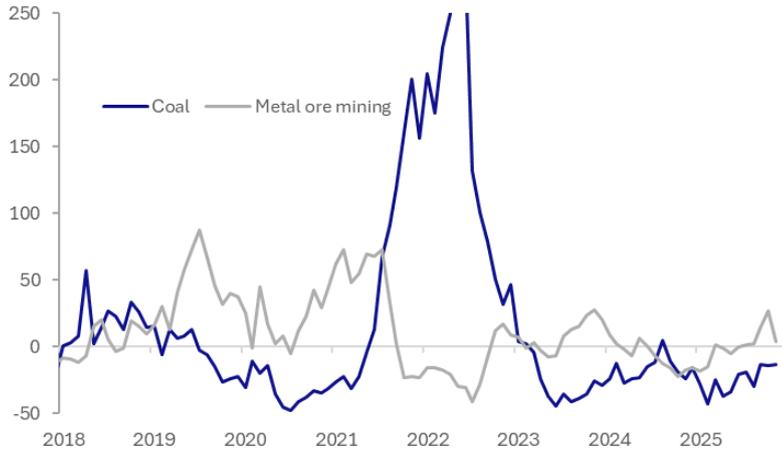


Source: MNI - Market News/ABS

- Exports to Japan remain soft declining 14% y/y. Annual growth has contracted for most of the last two and a half years. In November, iron ore export volumes fell.
- LNG export volumes rose 4.2% m/m and prices 1.1%, the first monthly increase since July.

- Annual export growth to Indonesia, Malaysia, India and Taiwan was negative.

Australia merchandise exports by commodity y/y%



Source: MNI - Market News/LSEG

NEW ZEALAND

NEW ZEALAND: Whole Milk Auction Price Rises For First Time Since Last August

Overnight, the Global Dairy Trade whole milk price auction saw a decent rise on the mid December outcome. We rose back above \$3400/t, which was the first auction price rise since August of last year (a +7% gain on the prior auction result). The chart below plots the auction price versus the Citi terms of trade (ToT) proxy. The ToT proxy had already started to turn higher in recent weeks, but the auction result also reinforces greater stability in the the ToT outlook, albeit from lower levels compared to earlier in 2025. This has the potential to support NZD but arguably needs to show more upside.

- Note that next Wednesday the ANZ Dec commodity price series prints.

Fig 1: New Zealand GDT Whole Price Powder Price & Citi NZ Terms Of Trade Proxy



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

SHORT-TERM RATES \$-Bloc Pricing Little Changed Over Past Month, Except For NZ:

Interest-rate expectations across the \$-bloc over the past month, looking out to June 2026, have been little changed overall, with the notable exception of New Zealand, where expectations softened by 16bps. Elsewhere, US pricing edged 3bps higher, while Australia and Canada eased by 5bps and 1bp, respectively.

* The key \$-bloc event so far this week was Australia's November CPI release. Trimmed-mean inflation moderated by 0.1pp to 3.2% y/y, in line with consensus, while headline CPI fell more than expected to 3.4% from 3.8%. Given the limited track record of the new monthly CPI series, the RBA is likely to place greater weight on the quarterly data for now, with Q4 CPI due on 28 January.

* Later today, attention turns to US and Canadian labour-market data. Consensus expects US nonfarm and private payrolls growth of 69k and 75k, respectively, with primary dealers slightly more optimistic on nonfarm payrolls. These outcomes would imply a return to more typical monthly job gains following the sharp October decline, which reflected the delayed impact of federal government deferred resignations. December's report should carry greater signal for both markets and the Fed than November's highly unusual print. As the final NFP release ahead of the late-January FOMC meeting, materially weaker-than-expected data would likely be required to prompt even consideration of another rate cut, with just 4bps currently priced.

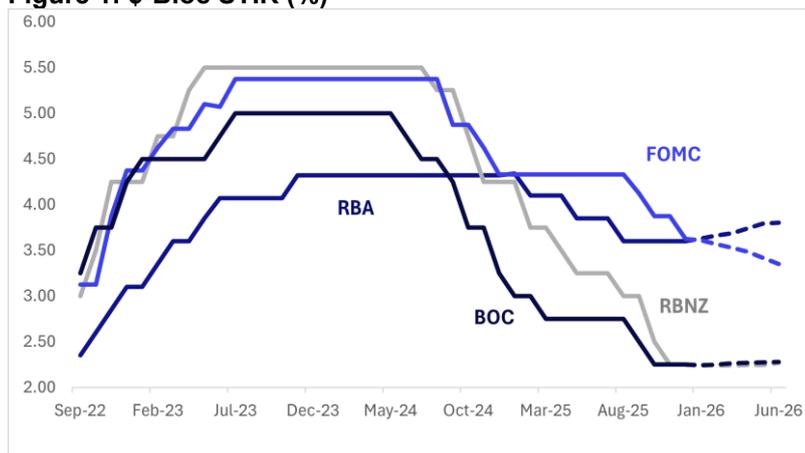
* Canada's December Labour Force Survey is expected to show flat-to-negative employment growth alongside a further uptick in the unemployment rate

Interest-rate expectations across the \$-bloc over the past month, looking out to June 2026, have been little changed overall, with the notable exception of New Zealand, where expectations softened by 16bps. Elsewhere, US pricing edged 3bps higher, while Australia and Canada eased by 5bps and 1bp, respectively.

* The next major regional policy events are the FOMC and BoC meetings on 28 January. Markets assign a roughly 5% probability of a BoC cut, while US pricing implies a 14% chance of a 25bp Fed cut.

* Looking ahead to June 2026, current market-implied policy rates expected are as follows: US (FOMC): 3.35%, -28bps; Canada (BOC): 2.28%, +3bp; Australia (RBA): 3.80%, +20bps; and New Zealand (RBNZ): 2.30%, +4bps.

Figure 1: \$-Bloc STIR (%)



Source: Bloomberg Finance LP / MNI

CHINA

CHINA DATA: Activity Returns To Growth, Export Orders Continue Contracting

The official China PMIs for December showed an improvement in activity with both manufacturing and non-manufacturing returning to growth. The composite PMI rose to 50.7 from 49.7, which had been the first move below the breakeven 50-level since December 2022.

- The manufacturing PMI improved to 50.1 up from 49.2 and higher than expected. While one month doesn't make a trend, December may signal the end of the contraction in activity in the sector that began in April. Confidence in the outlook picked up to 55.5 from 53.1.

- The recovery was driven by higher output but also new orders which returned to positive territory at 50.8. Orders growth was driven by the domestic economy with export orders continuing to contract but at a slower pace than most of the year.
- The outcome was confirmed by the RatingDog December manufacturing PMI at 50.1 up from 49.9.
- Non-manufacturing also shifted slightly into growth territory at 50.2 from 49.5, which was also stronger than consensus. Most components continued to contract though but at a slower pace than last month but expectations were very positive at 56.5. New orders remained weak at 47.3 but up from 45.7, while export orders deteriorated to 47.5 from 47.9.

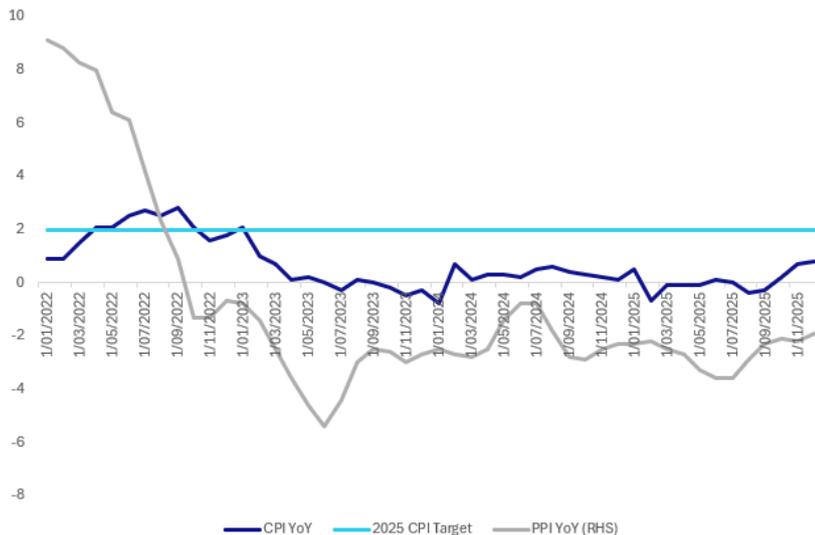
CPI Highest Since Feb 2023:

* December CPI in China rose 0.8% in line with estimates. China has not released the 2026 CPI forecasts yet but based on the 2025 forecast of 2.0%, CPI remains below target. The rise to 0.8% represents the highest CPI print since February 2023.

* Core CPI was steady at 1.2% where it has printed for the last 3-months.

* PPI was modestly better, a decline of -1.9% against estimates of -2.0% and prior month of -2.2%. For the PPI it is more of the same as a major structural driver the "involution" -intensive price wars among manufacturers continues. Excessive investment in sectors like electric vehicles, solar panels, and batteries has created a supply-demand imbalance, forcing companies to slash prices to clear inventory and maintain market share. Chinese authorities this week were meeting with battery manufacturers in a bid to further regulate and protect the industry whilst ultimately seeking to stabilize price declines.

China CPI & PPI and 2025 CPI Target



source: Bloomberg Finance LP / MNI

SOUTH KOREA

SOUTH KOREA DATA: Inflation Remains Above BoK Target As Imported Inflation Rising

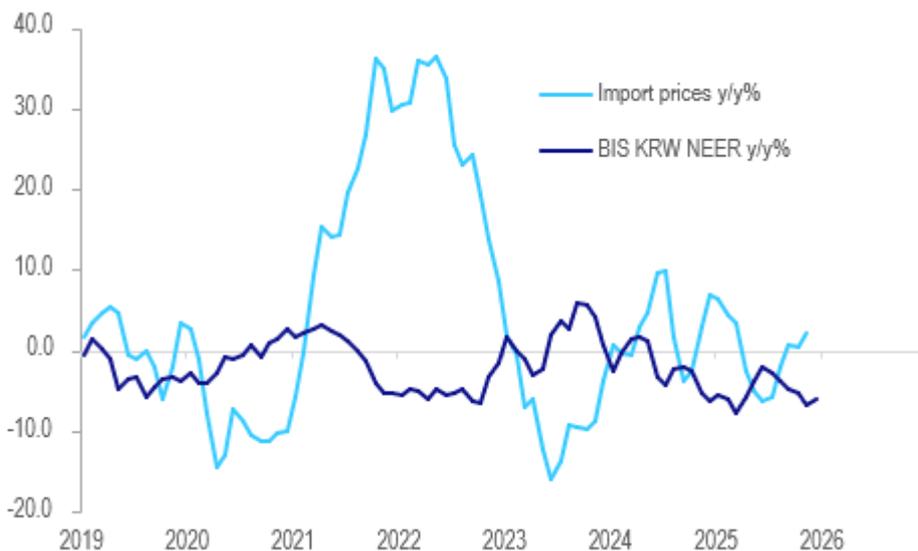
December CPI inflation printed in line with consensus with headline rising 0.3% m/m to 2.3% y/y down from November's 2.4%. Core held at 2.0% y/y, around where it has been for most of 2025. 2025 headline inflation moderated 0.2pp to 2.1%, just above the Bank of Korea's 2.0% goal. With inflation remaining above target and import price inflation creeping up while mortgage debt is growing due to rising house prices, the central bank is likely to leave rates at 2.5% for now, where they have been since May.

- The moderation in headline was driven by lower food inflation which moderated to 3.6% y/y from 4.7% in November, which should reassure the BoK given its concern over rising living costs. Transportation

inflation remained elevated though at 3.2% y/y unchanged from October. Other categories were little changed except miscellaneous goods & services which may have been impacted by higher global gold & silver prices.

- The BIS KRW NEER is down 5.9% y/y in December after recording six consecutive monthly declines. The weaker currency is pushing imported inflation higher which rose 2.2% y/y in November up from 0.5%. It has risen each month since July, in line with the fall in the NEER.
- The next BoK decision is on 15 January.

South Korea import prices vs BIS KRW NEER y/y%



Source: MNI - Market News/LSEG

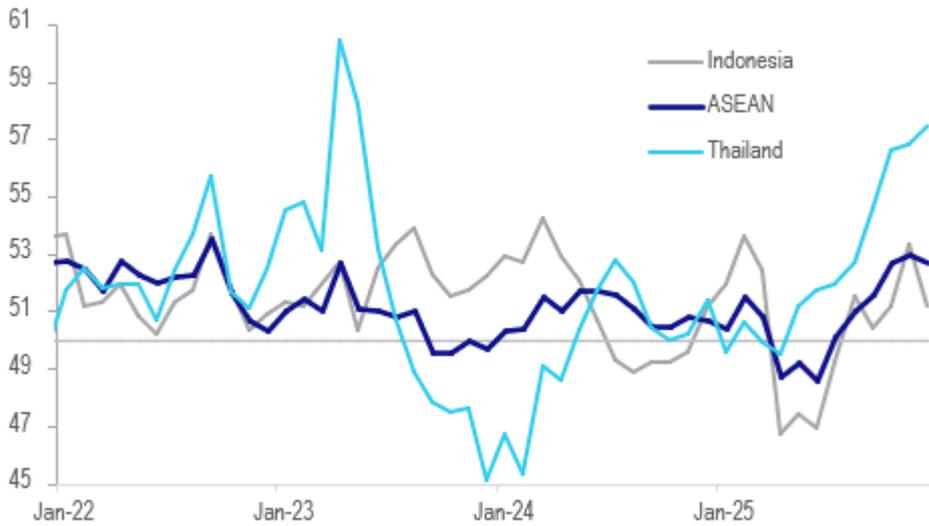
ASIA

ASIA: Stronger ASEAN Manufacturing Into End 2025 Led By Thailand

December manufacturing PMIs across Asia showed that the sector saw stronger or steady activity with all countries at the 50-breakeven level or above. The ASEAN aggregate moderated to 52.7 from 53.0 but continued to show growth in the sector driven by output and domestic orders but export orders remained weak. Confidence in the outlook rose to a 10-month high. The Q4 average PMI was almost 2 points higher than Q3 signalling activity improved into year end.

- ASEAN outperformed northern Asia in December, which recorded outcomes around 50, while Thailand outperformed the region as a whole.
- The S&P Global Thai manufacturing PMI rose to 57.4 from 56.8, the strongest growth in activity since May 2023. The index trended higher over 2025 with the Q4 average at 56.9 up from Q3's 53.1. Strong domestic new orders growth following increased marketing and improved "underlying demand conditions" which boosted production and as a result an increase in purchasing. This suggests that the Bank of Thailand's 100bp of easing in 2025 may be have an effect.
- Despite strong manufacturing growth there wasn't a pick up in hiring in fact it contracted slightly after increasing since March, which added to backlogs.
- Export orders remained weak recording the fifth consecutive monthly contraction. Increased US trade protectionism has distorted global trade trends.
- Cost inflation rose driven by raw materials and intermediate goods but Thai manufacturers reduced selling prices slightly to boost demand.
- The rest of ASEAN is more lacklustre with Indonesia, Vietnam and Myanmar recording falls but remaining above 50, while the Philippines and Malaysia are around breakeven.

ASEAN S&P Global manufacturing PMI sa



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

ASIA: South Korea, Taiwan PMIs Above 50.0, Supporting Broader Trade Outlook

EM Asia PMIs for Dec mostly ticked up relative to Nov outcomes, per the S&P global measures. Notably the South Korean measure rose to 50.1 from 49.4 in Nov, while Taiwan's rose to 50.9 from 48.8 prior. For both economies this is short of 2025 highs, but well up on earlier lows. The chart below plots the average PMI reading for South Korea and Taiwan, against global trade volume growth in y/y terms. The improvement in the PMI readings bodes well for the broader global trade outlook, although trade growth didn't slow materially as 2025 unfolded (despite negative sentiment via these surveys readings).

- In terms of the detail, for South Korea, new orders rose to 51 from 48.7 (which was the highest print since Nov 2024, via BBG). For Taiwan, new orders were also up on the prior month, which points to a positive outlook.
- Elsewhere in the region, Indonesia's PMI ticked down to 51.2 from 53.3 in Nov, so weaker but still remaining above the expansion/contraction line. The Philippines rose to 50.2 from 47.4, a positive sign after weaker H2 growth in 2025 as conditions were weighed by the mid year corruption scandal.
- Malaysia's PMI was unchanged at 50.1.

Fig 1: Global Trade Volumes & Average South Korea, Taiwan PMIs



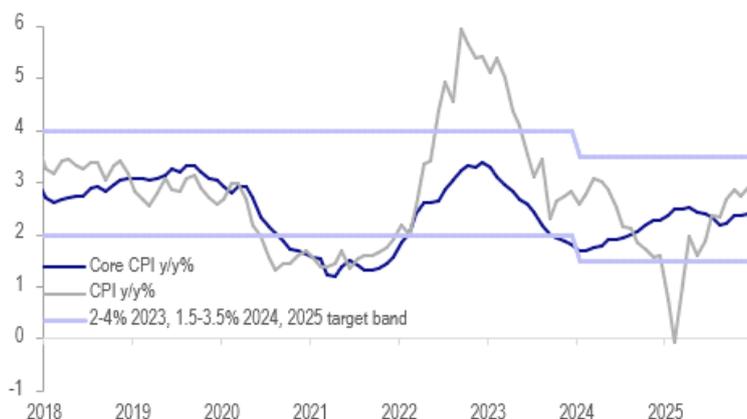
Source: Bloomberg Finance L.P./MNI

INDONESIA: Headline Up But Core Stable, IDR May Continue To Keep BI On Hold

Headline inflation rose more than expected in December printing at 2.9% y/y up from 2.7% but in line with the October outcome. There was a pickup in both fresh food and administered price inflation. Core was stable at 2.4% y/y for the third straight month and below 2025's high of 2.5%. Both measures remain well with Bank Indonesia's 1.5-3.5% corridor but with USDIDR higher than the last meeting and BI's focus returning to FX stability, it could again be on hold at its next decision on 21 January.

- USDIDR strengthened to around 16700 on 31 December but is trending higher again and today is at 16755.
- Base effects from 2025's energy discounts will drop out of the year-on-year comparison in Q1 and will temporarily boost headline inflation at the start of this year.
- Volatile food inflation rose to 6.2% y/y in December up from 5.5% due to chilis, chickens, shallots and fresh fish.
- Personal items rose 13.3% y/y up from 12.5% driven by jewellery as global gold prices rose 5.6% m/m on average in December to be up 63.4% y/y. Higher petrol prices boosted the transport component to 1.2% y/y from 0.7%.

Indonesia CPI y/y%



Source: MNI - Market News/LSEG

INDONESIA: Moderate Underlying Inflation Ex Gold, Cuts Depend On Rupiah

Bank Indonesia cut rates at three consecutive meetings in Q3 last year but was then on hold through Q4 as the rupiah weakened and its focus returned to FX stability. With the transmission of previous easing to lending rates very slow, the bank feels it can watch and wait. Its next decision is on 21 January and is likely to be on hold given Q1 headline inflation is expected to rise due to fresh food and base effects and USDIDR is trending higher again.

- December inflation printed well within BI's 1.5-3.5% band but was higher-than-expected with headline up 0.2pp to 2.9% and while core was stable at 2.4% for the third straight month, it is above August's trough.
- Inflation is unlikely to be a concern to BI but it is likely to be aware of the optics if it cuts rates while it is rising and the rupiah weakening.
- JP Morgan estimates a core CPI excluding gold which softened further in December to 1.2% y/y from 1.3%. Given that global gold prices rose almost 65% over 2025, it has significantly impacted jewellery prices.
- JP Morgan is forecasting BI to be on hold in Q1 with two 25bp rate cuts in Q2 dependent on a stronger rupiah. The drop out of 2025's electricity discounts from the CPI should drive headline to rise to 4.6% y/y in February 2026.
- Fresh food prices have been boosted by the sharp rise in the take up of the government's free school meal programme. With the increase in funding for the programme in 2026, JP Morgan sees a risk that it could "contribute to sticky food inflation this year".

INDONESIA: Consumer Confidence Remains Strong :

* Indonesia's consumer confidence remained elevated in December at 123.5, just back from the November result of 124.

* The income, goods purchase and employment components fell modestly whilst the index for economic conditions softened to 111.4 from 111.5.

* Consumer expectations fell to 135.6 from 136.6

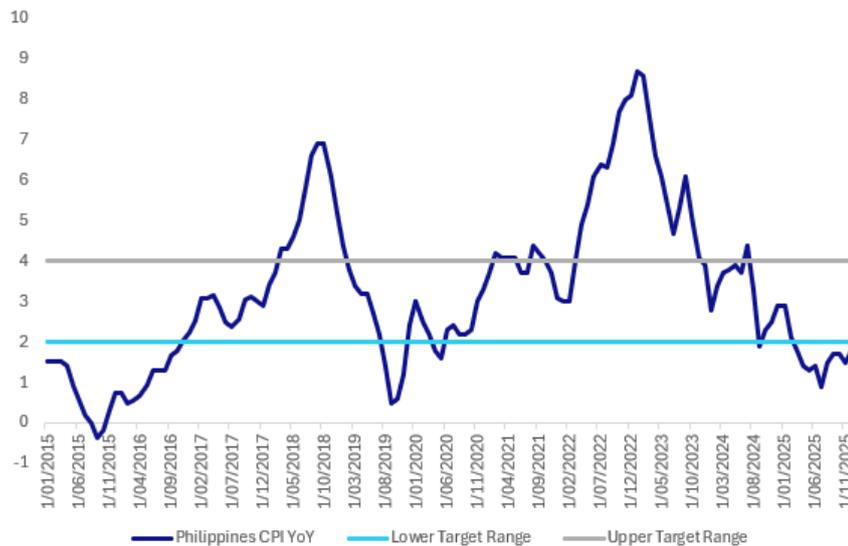
* On a 5-year historic basis, these levels remain incredibly robust and near to the May 2022 highs of 128.9 an indication of the strength of the consumer. Consumer confidence had dipped earlier in the year as the trade war and concerns over government policy were in focus. However recent months have seen those concerns eroding in this index as it recovers into year end.

* Risk sentiment is stable to modestly better today as the JCI rises +0.40% and bond yields inch higher following global leads.

PHILIPPINES: CPI Edges Up, Remains Below Target

- Since the lows of July last year, CPI in the Philippines has inched up towards the BSP target.
- December's YoY result of +1.8% topped expectations of +1.4% and November's result of +1.5%.
- Core prices rose +2.4% YoY, with prices in the capital up +2.3% YoY.
- The month on month figure was much higher than expected at 0.9% (forecast 0.5% MoM), whilst the decline in rice prices remains a headwind for CPI.
- The BSP has cut rates during this cycle by 200bps. The next Bangko Sentral ng Pilipinas (BSP) Monetary Board meeting is scheduled for February 19, 2026, with market expectations leaning towards a potential final rate cut (around 25 bps) to 4.25% before an extended pause, as the BSP signals the easing cycle nears its end amidst signs of slowing growth and manageable inflation, though future moves remain data-dependent.

Philippines CPI YoY vs BSP Target Range



source: Bloomberg Finance LP / MNI

THAILAND: No Progress In Returning Inflation To Target Which BoT Is Aiming For

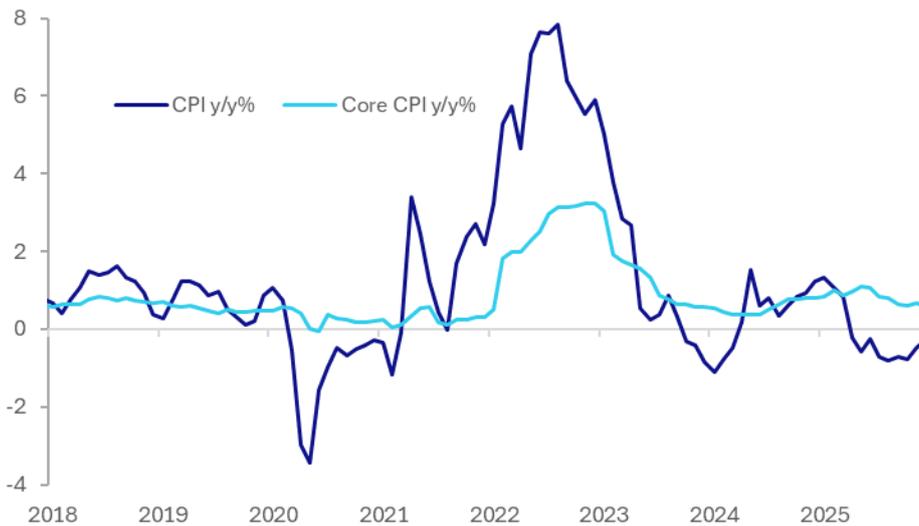
December Thai headline inflation printed in line with expectations at -0.3% y/y up from -0.5%, the ninth consecutive month of deflation, as lower energy prices and government price caps put downward pressure on prices. Core moderated to +0.6% y/y from +0.7%, slightly lower than expected, with the 2025 average at 0.8% up from 2024's 0.6%. The government expects 2026 inflation to be positive at around 0-1.0%. but still only -0.5-0.0% in Q1.

- Underlying inflation spent most of last year below the bottom of the Bank of Thailand's 1-3% band. It noted this week that while it will consider its limited policy space, it wants to ensure that inflation returns to the

corridor and is ready to adjust policy as needed. It cut rates 100bp in 2025 and its next decision is 25 February.

- BoT has also been concerned about the degree of THB strength, which is driving imported inflation lower, and is not only monitoring it but also considering ways to manage the currency. In January to date, USDTHB is down 0.9% m/m and 8.6% y/y while the BIS THB NEER is up 5.0% y/y.
- There was an increase in food inflation to 1.5% y/y in December from -0.5% driven by fruit & vegetables. Rice & flour prices continued to fall at -1.9% y/y after -1.8%. Inflation rates of most non-food components fell further including energy at -7.0% y/y from -6.1%.

Thailand CPI y/y%

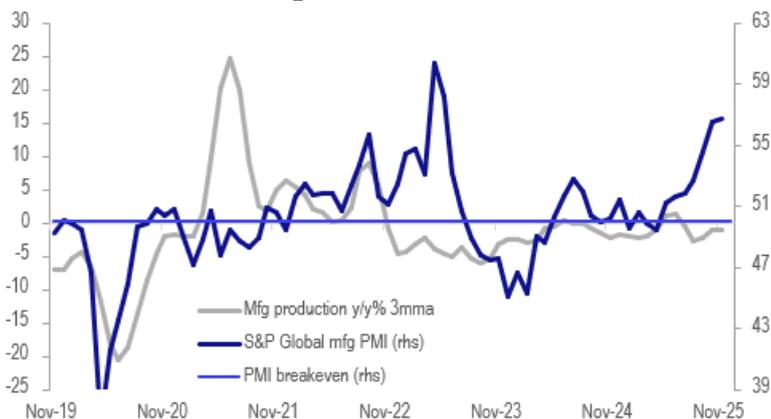


Source: MNI - Market News/LSEG

THAILAND: Weak November Manufacturing But Surveys Signal Recovery

November manufacturing production was weaker than expected falling 4.2% y/y, the sharpest contraction since August, likely impacted by recent severe weather events. The series can be volatile but the 3-month average is also negative holding at around -1% y/y. The S&P Global manufacturing PMI has signaled positive activity since May and a pickup in growth since August, which hasn't materialized. The November PMI at 56.8 and the pickup in November business confidence signal that growth in the sector should improve.

Thailand manufacturing



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

- Capacity utilization was also soft in November falling to 55.5 from October's 57.8, the lowest since April 2023. It has trended lower since US President Trump announced reciprocal tariffs in April.
- The Bank of Thailand cut rates 25bp to 1.25% in December bringing cumulative easing in 2025 to 100bp in an effort to stimulate economic growth especially in the face of baht strength which has pressured the economy. The BIS THB NEER is up 4.9% y/y while USDTHB is down 7.7% y/y.
- USDTHB is up 0.4% to 31.20 in Monday's APAC trading after reaching 31.23 but still well below where it started December and only just off the month low at 31.01 on 24 December. It has found support from rising gold price this year.

SINGAPORE: Q4 GDP Slightly Below Forecasts, But Y/Y Momentum Accelerates

Singapore's Q4 advanced GDP estimate was below market forecasts. In q/q terms we rose 1.9% (2.7% forecast and 2.4% prior), while the y/y pace was 5.7% (6.3% forecast and 4.3% prior). This still matched highs from 2024 in terms of y/y momentum. Annual 2025 growth as a whole was a heady 4.8%, the strongest rise since 2021. Note that the authorities had 2025 growth at around 4% (the forecast was made late Nov last year). We should get the next MAS policy review before the end of Jan (the Jan 2025 outcome was on the 24th). Despite the modest q/q miss, today's data doesn't suggest any need for fresh easing at the Jan meeting.

- The detail showed manufacturing up a strong 9.2%q/q in Q4, after a 11.1% gain in Q3. Construction fell 0.4% after gaining 0.7% in Q3. Services were +0.8%q/q higher after a 0.5% Q3 gain. All of these sub components were up in y/y terms, led by manufacturing, +15%.
- USD/SGD is relatively steady so far today, last in the 1.2855/60 region. The pair was supported under 1.2820 through late 2025. We remain sub all key EMAs, with the 20-day near 1.2885/90.
- The Goldman Sachs SGD NEER estimate remains relatively steady as well, holding just under -1% from the top end of the MAS policy band, as at the end of last year.

MALAYSIA Industrial Production Misses Estimates:

* An unexpected decline in Industrial Production in November for Malaysia could see the bond bulls excited in the coming days given little expectations for movements in monetary policy in the year ahead.

* Industrial Production missed estimates of a moderation to +5.3% YoY (from October 6.0% YoY) as it printed at 4.6%. Industrial Production bottomed out during the trade war in May 2025 when it reached +0.3% YoY and has increased each subsequent release. Whilst the moderation was expected the decline for both manufacturing was significant, the first monthly release since May where both declined.

* Manufacturing Sales Value decline also to 4.6% from 6.3% in October

* Bonds haven't reacted to the news with the MGS 10-Yr at 3.532% +0.5bps higher for the week. The FTSE Malay KLCI has risen post the release and is currently +0.30% up Friday

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