MNI Asia Pac Weekly Macro Wrap

11 July 2025 – By Jon Cavenagh, Jaime Grant, Stephen Petrie & Gavin Stacey

JAPAN

- Japan wages data was weaker than forecast, although slumping bonus payments played a role. The PPI was also below forecasts, with import prices continuing to fall sharply in y/y terms. If the current USD/JPY bounce holds, we should see import price falls stabilize at some stage in Q3.

AUSTRALIA

- The RBA surprised the market by keeping rates on hold this week. The strong sell-side consensus (and market pricing) was for a 25bps cut. The central bank stating it wanted to see more signs of inflation sustainably trending towards the 2-3% target band before easing again. This shifts the focus to the Q2 inflation print, due at the end of this month.

NEW ZEALAND

- As expected, the RBNZ kept rates steady but maintained an easing bias. The central bank considered a rate cut on the basis of softer growth momentum but is mindful that inflation pressures are likely to be stronger in the near term. Again, the Q2 inflation print, along with inflation expectations, will be eyed closely for RBNZ easing risks.

SHORT TERM RATES

- Interest rate expectations across dollar-bloc economies were largely unchanged over the past week, except in Australia, where rates firmed by 16bps.

CHINA

- China's inflation outcomes saw headline CPI rise, but PPI deflation worsened. Weaker PPI trends should aid lower global CPI trends all else equal. The China authorities look to be stepping up efforts to curb excessive competition in key sectors.

SOUTH KOREA

- The BoK held rates steady as expected this week. The central bank maintained an easing bias as it expects domestic growth to remain low. Financial imbalances, particularly in terms of household borrowing and Seoul property price gains, prevented an easing this week.

ASIA EQUITY FLOWS

- South Korea and Taiwan equity inflows have remained firm. Trends elsewhere have been less positive.

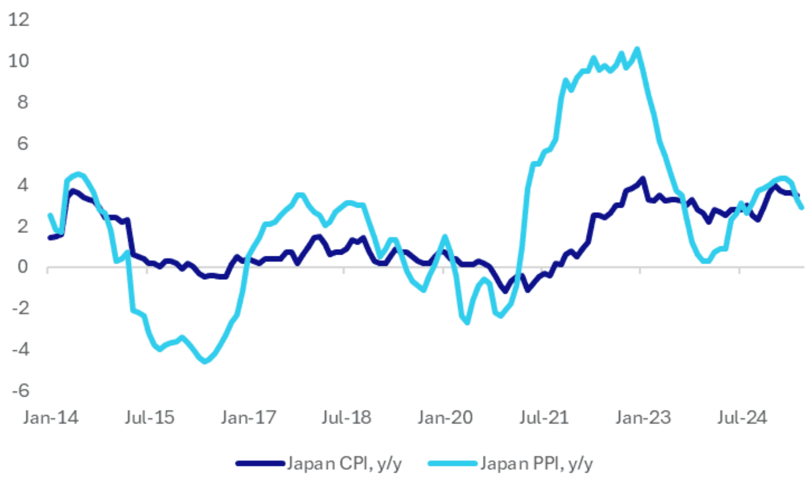
JAPAN

JAPAN DATA: PPI Slightly Below Forecasts, Import Prices Down Sharply Y/Y

The Japan June PPI saw the m/m outcome fall -0.2%, against a +0.1%m/m forecast. The prior outcome was revised a touch to -0.1% (originally reported as a 0.2% dip). In y/y terms, the PPI was 2.9% in line with market forecasts, but down from the revised 3.3% May pace.

- The chart below overlays the PPI against headline Japan CPI, both in y/y terms. At face value the PPI is suggesting some further loss of momentum in headline CPI pressures. The PPI, not surprisingly, has historically been more volatile than CPI outcomes.
- In terms of the PPI detail, manufacturing PPI was down 0.2%, the third straight monthly fall. Petroleum, coal was down 4.5% m/m, which was another monthly drag. This sub category and iron and steel were the weakest in y/y terms.
- Import prices continued to fall, down 1.7% m/m. In y/y terms we fell -12.3%. The second chart below overlays import prices versus USD/JPY y/y changes. The end July read for USD/JPY y/y assumes that the current spot levels (near 146.00) are maintained.
- This suggests the downside impetus to import prices (in y/y terms) may start to wane if USD/JPY holds the bulk of its recent correction higher.

Fig 1: Japan PPI and CPI, Y/Y



Source: Bloomberg Finance L.P./MNI

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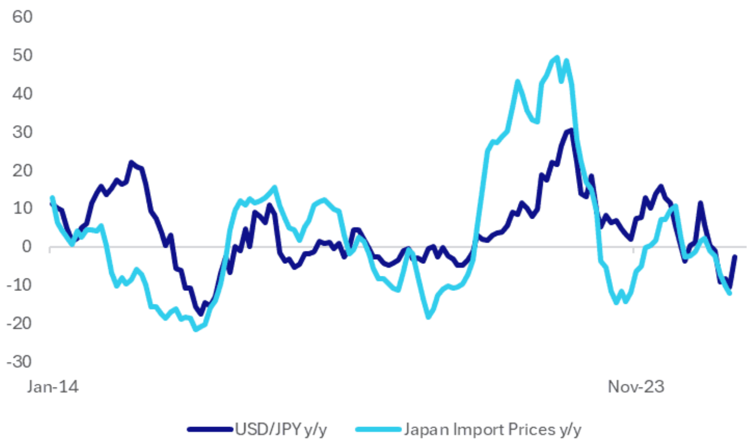
Fig 2: Japan Import Prices and USD/JPY, Y/Y



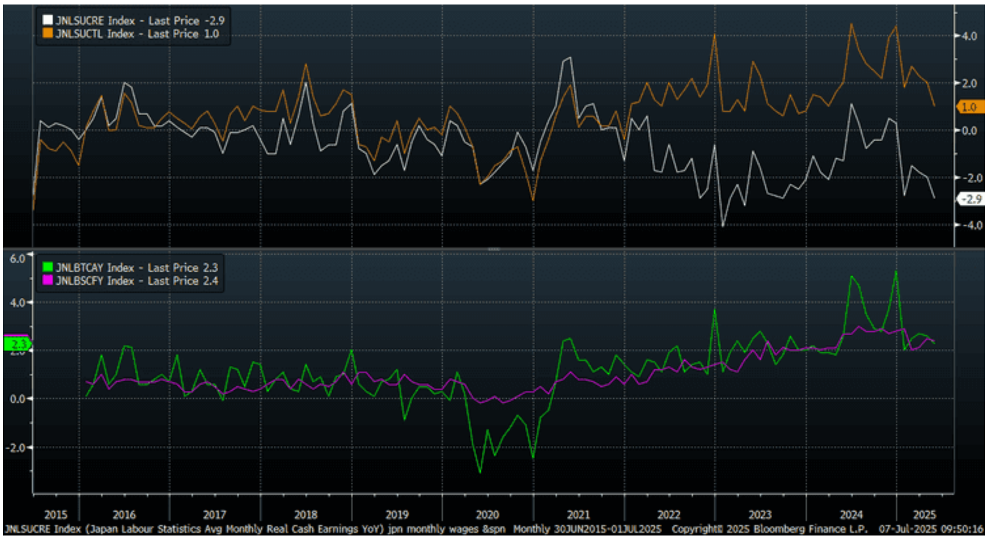
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Wages Weaker Than Forecast, Weighed By Bonus Payment Slump

Japan May labor cash earnings were weaker than forecast. Headline nominal cash earnings rose 1.0%y/y, versus a 2.4% forecast. The prior April outcome was also revised down to a 2.0% rise (initially reported as a 2.3 % gain). In real terms, earnings were down -2.9%y/y, against a -1.7% forecast and prior -2.0% outcome. For nominal earnings this is weakest outcome since Mar 2024, while in real terms it is back to Sep 2023 lows. See the top panel of the chart below. It also widens the trend with last Friday's stronger real household spending outcome.

- A slump in bonus payments, down -18.7%y/y, weighed on the headline results. Contracted and scheduled pay in y/y terms were little changed versus April levels. Bonus payments tend to be quite volatile (we were at +74.1%y/y in Feb), so there is scope for this to be less of a headwind in months ahead.
- On a same sample base, cash earnings were +2.3%y/y, below the 2.8% forecast and 2.6% prior outcome. Scheduled full time pay (on a same base) rose 2.4%y/y, also below market expectations (2.6% was the forecast and 2.5% printed in April). See the bottom panel of the chart below. These trends are more positive compared to the headline earning outcomes, but sit off 2024 highs.
- In this segment, special payments also fell 3.6%y/y, versus a +2% gain in April. Again, there is scope for this to be less of a headwind going forward.
- All in all, given the contribution of bonus payments to the headline fall it softens the negative message from today's print. The BoJ still have time on its hands to assess wages trends, with the near term bias likely to see rates left on hold.

Fig 1: Japan Labor Earnings Slowed In May, As Bonus Payments Fell



Source: Bloomberg Finance L.P/MNI

JAPAN DATA: Local Investors Buy Offshore Bonds In Size

The standout for last week's investment flows was Japan buying of overseas bonds, see the table below. The +¥1.65trln in net buying was the fourth straight week of net buying for this segment. It was also the largest weekly flow since mid May. The trend for buying offshore bonds has been reasonably firm in recent months, with just under ¥8trln of net purchases of offshore bonds since the start of May. This positive backdrop fits with the continued rise in global bond returns. The chart below overlays the rolling 12 week sum of net bond purchases against global bond returns.

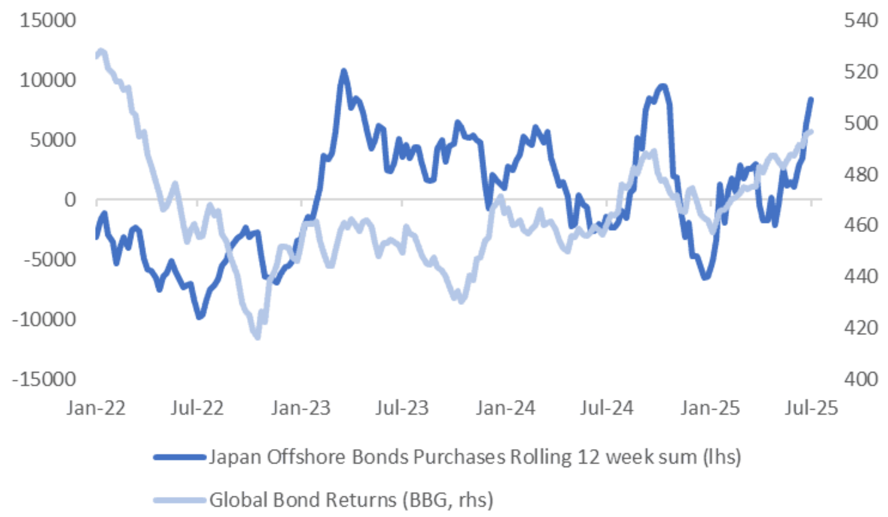
- Elsewhere, we saw local investors sell overseas stocks. Local investors have now sold offshore stocks in seven out of the last eight weeks. Last week's small net purchase briefly interrupted this selling trend.
- In terms of inflows into Japan assets, offshore investors remained net buyers of local stocks. This has been the dominant trend in this space going back to the start of April. We have only had one week of outflows during this period.
- Offshore investors sold local bonds last week, after strong net buying in the week prior.

Table 1: Japan Weekly Offshore Investment Flows

Billion Yen	Week ending July 4	Prior Week
Foreign Buying Japan Stocks	611.7	651.3
Foreign Buying Japan Bonds	-164.6	1059.1
Japan Buying Foreign Bonds	1656.8	182.8
Japan Buying Foreign Stocks	-512.7	190.6

Source: Bloomberg Finance L.P./MNI

Fig 1: Japan Offshore Bond Purchases & Global Bond Returns



Source: Bloomberg Finance L.P./MNI

AUSTRALIA

RBA: MNI RBA Review-July 2025: Easing Bias Still Intact

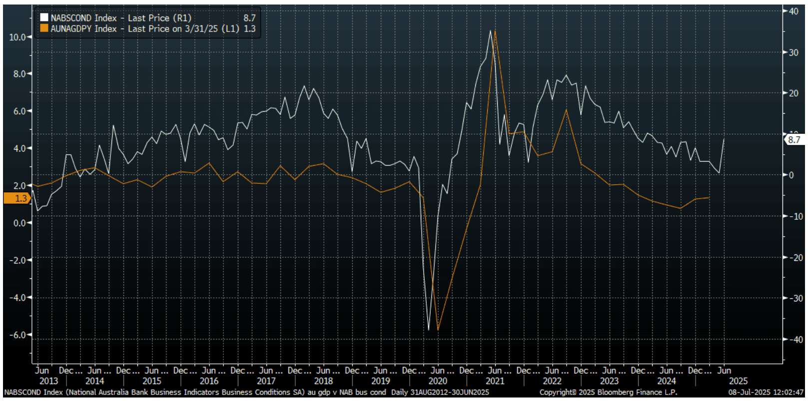
- The RBA surprised the market by keeping rates on hold at 3.85%. The central bank wants to see more evidence of inflation sustainably trending towards the 2-3% target before easing more.
- RBA Governor Bullock noted stated the central bank still has an easing bias, and the split vote decision (6 in favor of the hold, 3 in favor or a cut) reflected the timing of further easing rather than the direction of rates.
- If Q2 inflation, the RBA is forecasting a 0.6%q/q outcome for the trimmed mean, prints close to expectations, then this should see an August cut delivered (all else equal).
- See this link for the full review:

AUSTRALIA DATA: NAB Business Conditions Up Firmly In June, Wages Remain Benign

The Australia NAB survey of business conditions for June showed notable improvement. We rose to +9 from flat in May. This is the highest print since March last year. Business confidence also rose, up to +5, from +2 in May. The first chart below plots the NAB business conditions index (the white line on the chart) against Australia y/y GDP growth.

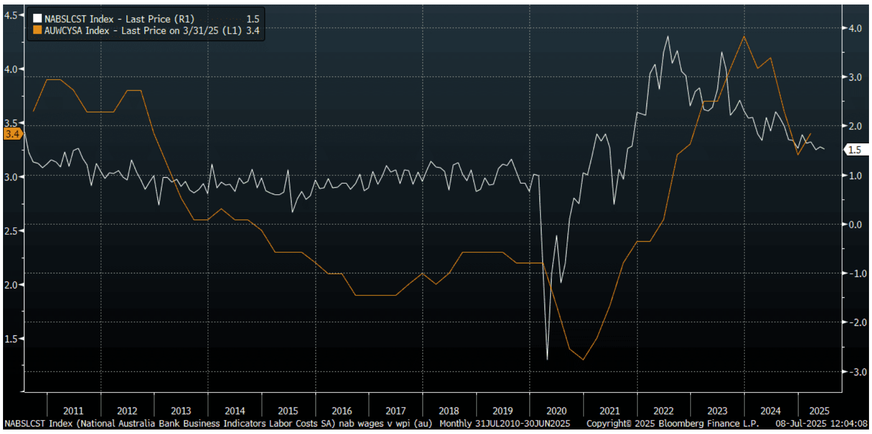
- In terms of the underlying conditions in the survey, trading rose to +15, from +5. Profitability improved to +4, from -5, while employment was +3, from +1 prior. Forward orders were flat, versus -2 in May. Capex rose to +10 from +6 prior. Exports and exporter sale conditions remained negative though.
- Wage conditions were little changed at 1.5%. The second chart is this sub-index on wages versus the quarterly ABS wage outcome (in y/y terms). It is still suggesting a benign wages backdrop.
- The data, particularly from an activity standpoint, is encouraging, but is only one monthly print, and the RBA is likely to want to see firm evidence of improvement in real activity outcomes.

Fig 1: NAB Australia Business Conditions & GDP Y/Y



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

Fig 2: NAB Australia Business Survey On Labour Costs & Wages Y/Y



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

AUSTRALIA DATA: ANZ Job Ads Rise In June, Pointing To Resilient Labor Market

The ANZ June job ads print was +1.8%m/m, after a revised fall of 0.6% in May (originally reported as a -1.2% decline). In y/y terms, jobs ads are -0.4%. At the start of the year we were at -13.7%. This was the best m/m increase for the index since Sep last year. It points to continued resilience in terms of labor market conditions. The chart below plots the ANZ job ads m/m change versus monthly employment growth in Australia.

- The RBA meets tomorrow, with a 25bps cut widely expected. The central bank is likely to continue to emphasize the tight labor market, but this is unlikely to be enough to offset greater comfort around inflation trends, which should see them ease further.

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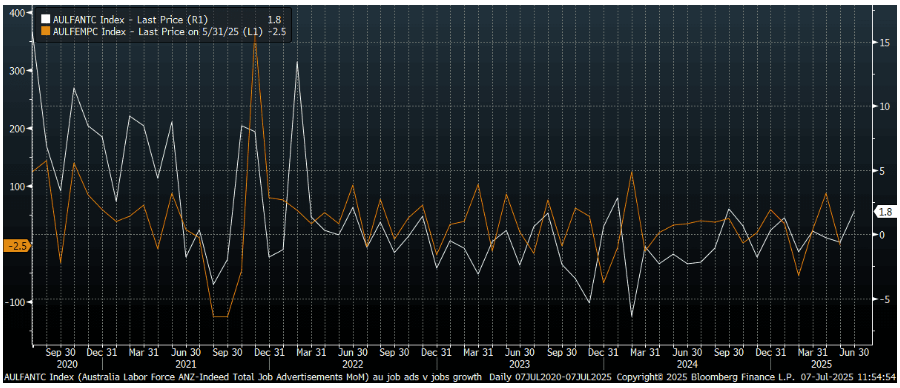
Fig 1: ANZ Job Ads Post Solid Rise in June



Source: Bloomberg Finance L.P/ANZ/MNI

NEW ZEALAND

RBNZ: MNI RBNZ Review-July 2025: On Hold, Easing Bias Still Intact

- As widely expected the RBNZ left rates on hold at the July policy meeting.
- The central bank considered cutting rates, largely due to concerns around faltering economic momentum. However, with near term inflation pressures expected to be firmer, the case to hold presented a more compelling argument.
- The central bank maintained an easing bias, subject to medium term inflation pressures subsiding.
- Note Q2 CPI data prints on July 21.
- See the full review here:

PMI Up, But Still Well Off Recent Highs, New Orders Bounce :

The New Zealand BusinessNZ manufacturing PMI pushed higher in June to 48.8, after a revised 47.4 read in May. The improvement is welcome, but we still sit sub the 50.0 expansion/contraction line, while Feb highs of 54.0 for the index are also some distance away.

* In terms of the detail, the sub index trends were mixed. Production rose to 48.6, from 47.9, while employment edged up to 47.9 from 45.5. Both these indices are well off recent highs though.

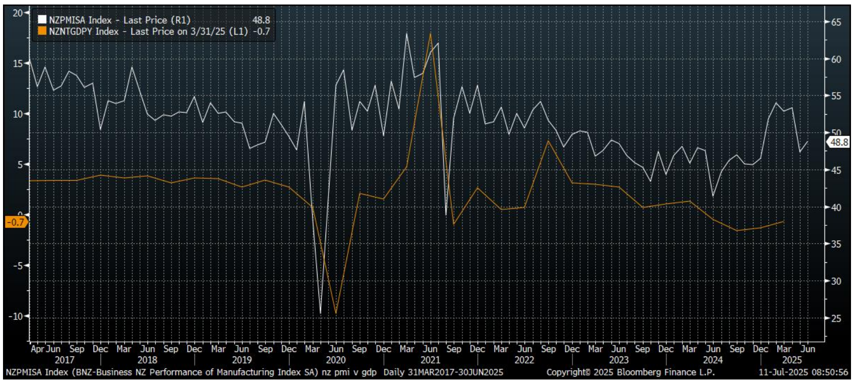
* More encouraging was the bounce in new orders too 51.2 from 45.4 in May. This may hint at better momentum going forward. Finished stocks fell to 46.9.

* Still, BNZ noted: "All sub indexes are well below historic averages and overall PMI "adds to the swathe of data that is suggesting the New Zealand economy stalled in 2q": BNZ senior economist Doug Steel. (via BBG)

* The chart below plots the headline PMI versus NZ GDP y/y growth. The RBNZ held rates steady earlier this week, but maintained an easier bias (and considered cutting rates by 25bps due to the weaker growth backdrop in recent months).

* Note next Monday we get the services PMI for June, along card spending, which can also help inform the end Q2 growth picture.

Fig 1: NZ Manufacturing PMI Versus NZ GDP Y/Y



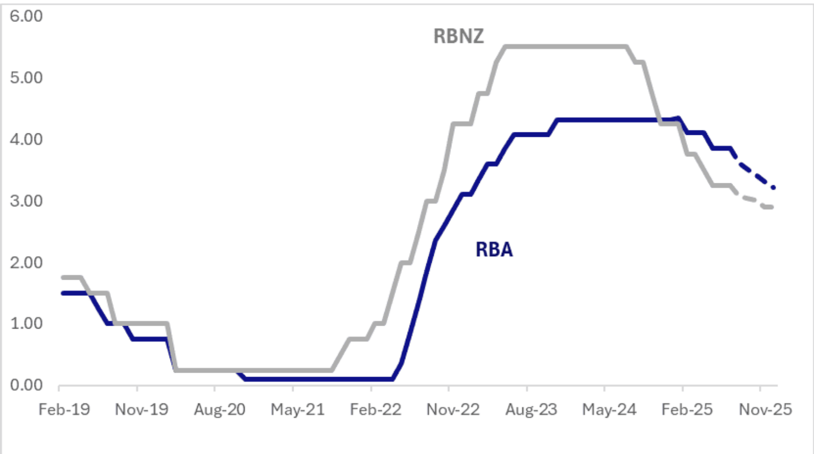
Source: Bloomberg Finance L.P./BNZ/MNI

STIR: Expected YE-2025 AU-NZ Policy Rate Differential Widens On The Week

RBNZ dated OIS pricing is little changed across meetings today and versus yesterday's pre-RBNZ levels.

- 18bps of easing is priced for the August meeting, with a cumulative 33bps by November 2025.
- In contrast, Australian rates are sharply higher on the week following Tuesday's surprise 'no-change' decision from the RBA.
- As a result, the expected year-end AU-NZ policy rate differential, currently +60bps, has increased by 20–25bps since late June and stands at +31bps.

Figure 1: AU-NZ Official Rates Vs. End-2025 Expectations



Source: Bloomberg Finance LP / MNI

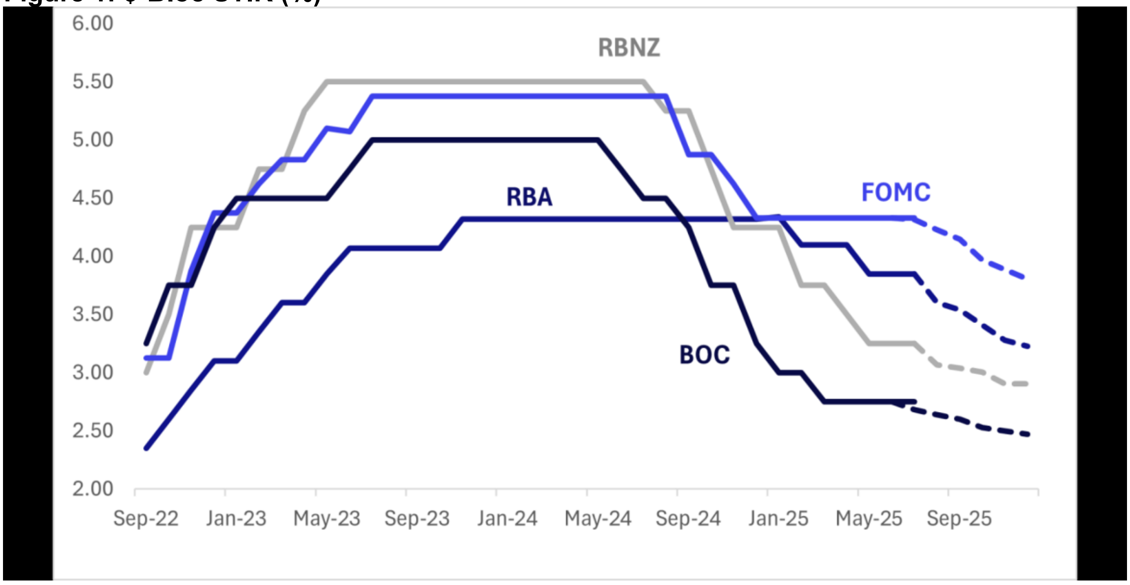
SHORT-TERM RATES $-Bloc Markets Little Changed Over Past Week, Except For Australia:

Interest rate expectations across dollar-bloc economies were largely unchanged over the past week, except in Australia, where rates firmed by 16bps.

* RBA-dated OIS pricing jumped after the Reserve Bank unexpectedly held the cash rate at 3.85% on Tuesday. The Board judged inflation risks to be more balanced and noted the continued strength of the labour market, but remained cautious due to persistent uncertainty around demand and supply. It opted to wait for further data to confirm that inflation is on track to return to the 2.5% target. The decision was made by a 6-3 majority.

* Markets had assigned a 92% probability to a 25bp cut ahead of the announcement. As of writing, pricing across meetings is 9-19bps firmer than before Tuesday's decision.
* On Wednesday, the RBNZ held the OCR steady at 3.25%, as widely expected, with just 4bps of easing priced in. The Committee considered two options: a 25bp cut or no change. The case for easing was driven by concerns over weakening economic momentum, but the decision to hold reflected elevated uncertainty. As the RBNZ noted, "Some members emphasised that waiting would allow the Committee to assess whether weakness in the domestic economy persists, and how inflation and inflation expectations evolve."
* Looking ahead, the next key events for the region are the FOMC and BoC meetings on July 30, with markets pricing just a 5% chance of a 25bp cut.
* Looking ahead to December 2025, current market-implied policy rates and cumulative expected easing are as follows: US (FOMC): 3.80%, -53bps; Canada (BOC): 2.47%, -28bps; Australia (RBA): 3.22%, -63bps; and New Zealand (RBNZ): 2.90%, -35bps.

Figure 1: $-Bloc STIR (%)



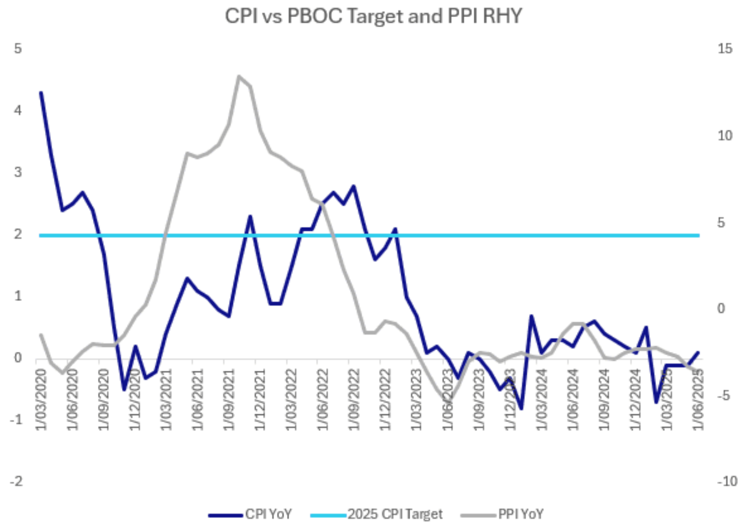
Source: Bloomberg Finance LP / MNI

CHINA

CHINA: CPI and PPI Weak Trend Continues

- The decline in PPI entered its 33th month as June PPI declined -3.6%.
- This was the lowest print since July 2023.
- Manufactured goods prices declined further along with food and mining product.

- CPI in June inched up by +0.1% YoY as Core CPI rose +0.7% YoY.



source: Bloomberg Finance LP / MNI

CHINA DATA: Low PPI May Help Global Inflation Pressures, Commodity Prices A Risk

China's PPI downside momentum remained firmly in place for June. We printed -3.6%y/y, the weakest outcome since July 2023.

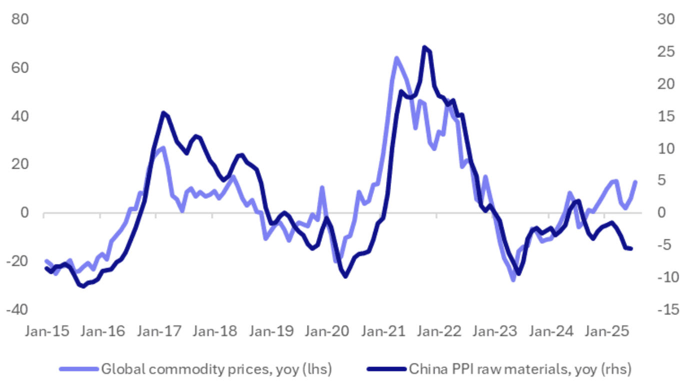
- The chart below overlays the China PPI, in y/y terms, versus a Global CPI proxy from Bloomberg (see WOININFL <Index> on BGB for more details). At a time when global inflationary pressures are still elevated, particularly given higher tariff threats, the continued downward momentum in China PPI may provide some further support to downside global CPI momentum.
- The relationship is by no means perfect, but the correlation in the last 3 years is still running at over 53%.
- There of course caveats around whether the relationship will continue to hold, given tariff shifts may drive shifting trade patterns. Still, such shifts can take a while to play out, so weaken upstream price pressures in China should, all else equal, help alleviate upside global inflation pressures.

Fig 1: China PPI Y/Y & World CPI Y/Y

Source: Bloomberg Finance L.P./MNI

- The other caveat is the extent to which upstream price pressures rebound in China. The second chart overlays the PPI raw materials sub index against spot global commodity prices (in y/y terms).
- The firmer global spot price backdrop is yet to translate into firmer raw materials prices in China. Historically, these two series have moved reasonably closely with each other.
- Again tariffs (threats or otherwise) are at play, given copper surging in Tuesday trade as US President Trump threatened high tariffs on imports of the metal.

Fig 2: China PPI Raw Materials Y/Y & Spot Commodity Prices Y/Y



Source: Bloomberg Finance L.P./MNI

SOUTH KOREA

BOK: On Hold, Retain Easing Bias, Watching Financial Stability

As widely expected, the BoK left policy rates unchanged at 2.50%. The accompanying BOK statement noted the central bank will adjust the timing and pace of any further rate cuts, with a host of factors in play, around growth, inflation and financial stability.

- On inflation, the BoK appears fairly comfortable, albeit recognizing uncertainties surrounding the outlook (from both international and domestic drivers). It expects headline and core inflation pressures to remain fairly close to the 2% target.
- On growth, more uncertainty faces the outlook. On domestic conditions, the BoK noted that consumption is likely to improve with political uncertainty now in the rear-view mirror, while the government's recently passed extra budget should also be a positive. It noted though that construction activity remained weak. Export growth is expected to slow in H2 due to the tariff impact, although there remains significant uncertainty regarding the outlook, given on-going trade negotiations. Overall, the domestic economic is expected to see a low growth rate for some time.
- Financial stability also remains an important watch point. The central bank noted: "Regarding financial stability, as risks associated with the housing market in Seoul and its surrounding areas and with household debt have increased, it is necessary to assess the effect of the macroprudential policies while remaining cautious about the possibility of heightened volatility in the foreign exchange market."
- If we see signs of macroprudential efforts working in terms of cooling the Seoul housing market, along with curbing household debt growth, we could see the central bank turn more dovish and cut again to support the economy.

BOK: Governor Rhee- Majority Of Board Still Favor Lower Rates, Local Yields Down

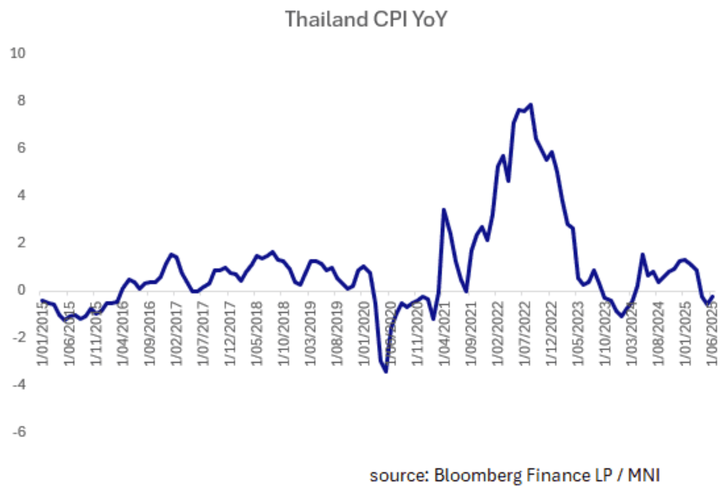
Governor Rhee's press conference emphasized that financial stability is the near term focus point for the central bank, but further easing was still preferred by the majority of the board.

- The decision to hold rates steady was unanimous. However, 4 out of 6 board members saw scope to lower rates in the next 3 months, while the other 2 board members would like to see rates on hold over this period. They cited financial stability concerns as a driving a steadier outlook, while Governor Rhee noted that those members open to a cut would be monitoring data over this period.
- Rhee stressed that concerns over financial imbalances have increased greatly. Still, Rhee stated that an easing bias needs to be maintained.
- No doubt the BOK will assess how borrowing/house price trends (particularly in Seoul), before deciding on whether to ease again. This is clearly the bias though, with domestic growth still expected to slow, while inflation is seen as stable around 2%.
- FX market reaction has been quite limited, with USD/KRW relatively steady so far today, last around 1373.5 (down a touch from end Wednesday levels). The Kospi is firmer, up close to 0.90% to fresh cycle highs. Positive tech sentiment from US trade is likely helping on this front.
- Government bond yields are down across the curve, with the 10yr back to 2.82%, off 3bps. The 1y1y forward rate is down around 4bps to 2.325%, close to recent lows. The 1yr implied rate is around 2.30%, down slightly from pre-decision levels.

ASIA

THAILAND: CPI Falls More than Expected

- Thailand's June CPI declined -0.25% YoY, surpassing market estimates of -0.10%.
- This is the third consecutive month of declines in worrying signs for the nation gripped in yet another period of political turmoil.
- The CPI NSA MoM figure barely stayed positive at +0.02%, down from +0.26% in May.
- Core CPI YoY rose +1.06% in June, down modestly from +1.09% in May.
- Meanwhile Thailand has submitted a revised trade proposal to the US in a bid to avert a punitive 36% export levy threatened by the Trump administration before the July 9 deadline, according to Finance Minister.
- Thailand will push ahead with plans to stimulate the economy and pass the budget for next year as planned, despite an ongoing political crisis.
- The government will inject an additional 48 billion baht into the economy over the remaining three months of the current fiscal year, and the $115 billion budget bill is on track to be passed by parliament by the end of August.



ASIA EQUITY FLOWS: Inflow Momentum Positive For South Korea & Taiwan, Tech Gains Help:

Yesterday still saw decent inflow momentum for the likes of South Korea and Taiwan, see the table below. South Korea's Kospi continues to rally, amid further reform hopes, with broader global gains in the tech space, also a positive. For Taiwan's market, similar global drivers are in play, while bellwether TSMC continues to post firm sales momentum, aiding hopes AI related chip demand will remain strong.

* Both of these markets have more than offset outflows seen in other parts of the region. A risk remains from the escalation in trade tensions, with Trump's 35% tariff threat against Canada weighing on sentiment today (US equity futures are down, while offshore inflows into South Korea markets have been pared).
* Outside of South Korea and Taiwan (along with modestly positive into momentum into India), the rest of the region hasn't seen positive inflow over the past 5 trading days.

Table 1: EM Asia Equity Flows

	Yesterday	Past 5 Trading Days	2025 To Date
South Korea (USDmn)	454	320	-8871
Taiwan (USDmn)	371	408	-2557
India (USDmn)*	78	210	-7903
Indonesia (USDmn)	-24	-172	-3530
Thailand (USDmn)*	0	-51	-2433
Malaysia (USDmn)	-10	-99	-2769
Philippines (USDmn)	-10	-10	-563
Total (USDmn)	859	605	-28626

* Data Up To July 9

Source: Bloomberg Finance L.P./MNI