MNI Asia Pac Weekly Macro Wrap

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

JAPAN

- Japan nation wide CPI was close to expectations, but services inflation firmed. Export growth fell in y/y terms for the second straight month. FX verbal jawboning returned for the first time in a while. This weekend the focus is on upper house elections, where the LDP coalition may lose its majority.

AUSTRALIA

- Jobs data was the main focus this week, with some signs of softer conditions. Notably the unemployment rate edged up 0.2ppt to 4.3%, highs back to late 2021. This data saw RBA easing odds for August firm.

NEW ZEALAND

- Partial NZ price data on food and energy prices points to firmer upside Q2 CPI pressures. This data prints next Monday. The figures may be above the RBNZ forecast made back In May, but the recent central bank statement highlighted firmer headline price risks in the near term.

SHORT TERM RATES

- Interest rate expectations across dollar-bloc economies firmed over the past week-except in Australia, where rates softened by 4bps.

CHINA

- China Q2 GDP growth was slightly above market expectations, suggesting the 5% growth should be achieved this year. Still, softer retail sales, along with continued weakness in property activity and price indicators, points to on-going headwinds in parts of China's economy.

ASIA

- The BI cut rates this week and left the door ajar for further cuts, as focus turns to boosting growth. Singapore data was better than expected in terms of Q2 growth and exports. Malaysian Q2 GDP was close to expectations, but June export growth slowed notably.

ASIA EQUITY FLOWS

- Taiwan remains the standout from an equity flow standpoint, amid AI/chip optimism. South Korea inflow momentum has slowed, while Thailand has recovered some ground, amid hopes of a more dovish BoT outlook.

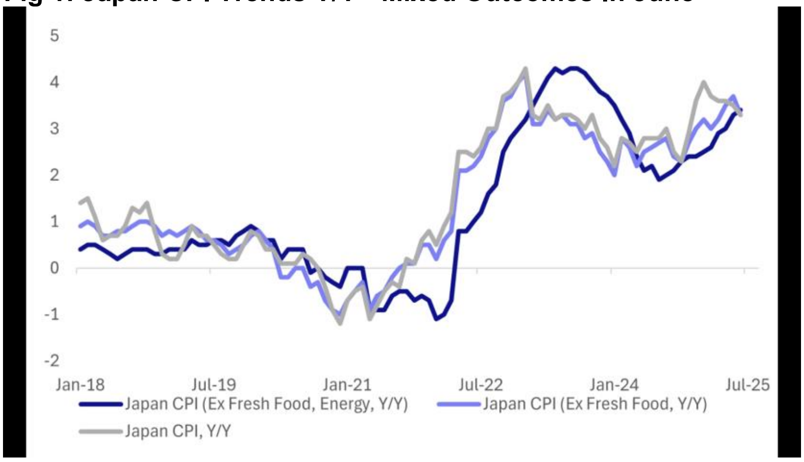
JAPAN

JAPAN DATA: Headline CPI Moderates, Services Prices Tick Up Though :

Japan's nationwide CPI print for June was close to market forecasts. Headline CPI printed 3.3%y/y, in line with consensus expectations, while the prior outcome was 3.5%y/y. The core measure which excludes fresh food was 3.3%y/y as well (forecasts were at 3.4%, May's outcome was 3.7%). The measure which also excludes energy was 3.4%y/y, against a 3.3% forecast, which was also the prior outcome.

* The chart below plots these three inflation measures, with headline and core ex fresh moving off recent highs. Still, the core ex fresh food and energy measure ticked up to 3.4%y/y, which is highs back to the start of 2024.
* The measure which excludes all food and energy was steady at +1.6%y/y. Services prices edged up to 1.5% from 1.4% in May.
* In terms of the m/m outcomes, goods prices fell by 0.1%, while services prices rose 0.3%m/m.
* Sub category trends were mostly softer though (albeit un-seasonally adjusted). Food was up 0.2%m/m, but fresh food fell by 2.0%. Utilities were down -1.0%m/m, so too was entertainment. Only household goods, up 0.1%m/m was positive, with other categories down modestly or flat for the month.
* Looking ahead focus will be on whether the June services price rise is sustained. Such a backdrop would give the central bank more confidence around sustainably achieving its inflation target. Still, this data is unlikely to shift near term BoJ thinking, with the central bank seen on hold at the end July meeting outcome.

Fig 1: Japan CPI Trends Y/Y - Mixed Outcomes In June



Source: Bloomberg Finance L.P/MNI

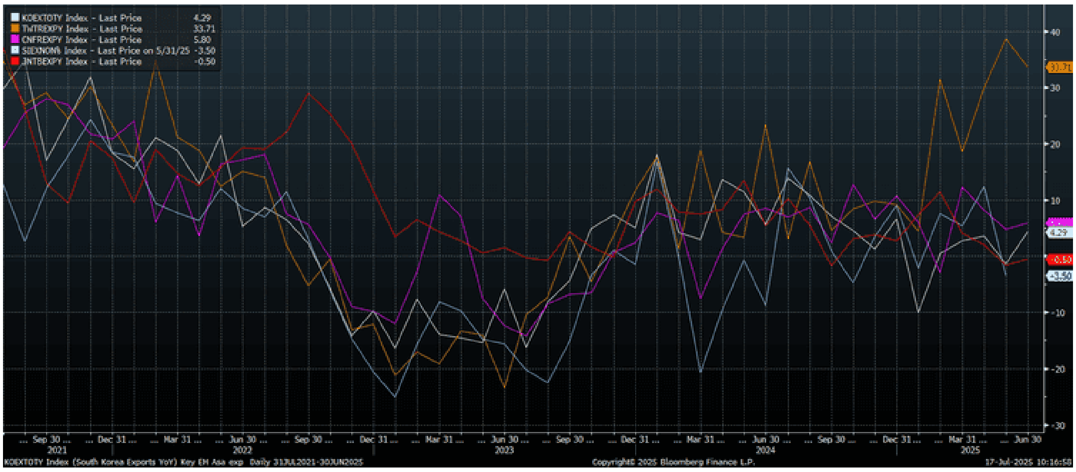
JAPAN DATA: Exports Fall Y/Y For Second Straight Month, Below Forecasts

Japan June export growth was marginally below market forecasts. We printed at -0.5%y/y (+0.5% was forecast and -1.7% was the May outcome), while imports were slightly stronger relative to expectations, up 0.2%y/y, versus -1.1% forecast and -7.7% in May. This saw the trade balance print at ¥153.1bn, below market forecasts of ¥353.9bn. In seasonally adjusted terms the deficit was at -¥235.5bn, which was close to market expectations (-¥274.7bn).

- This was the first y/y back to back export falls since Q3 2023. In volumes terms exports were better though (+2.5%y/y).
- Japan's export trend is slightly underperforming the likes of China and South Korea, where growth is modestly positive. For the region, Taiwan remains the standout performer, see the chart below (note Japan is the red line on the chart).
- Japan exports to the US fell by 11.4%y/y, while in volume terms we were -1.6%y/y for exports to the US. The trade surplus with the US widened modestly on the May outcome to ¥669.26bn, but is still below end Dec levels (over ¥1trln).
- This comes as both sides try to reach a trade deal before the Aug 1 deadline.

- Export to China were also down, -4.7%y/y, but better to the EU, up 3.6%y/y.

Fig 1: Key Asian Economy Export Growth - Y/Y



Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Japan Investors Continue To Buy Offshore Bonds

Japan outbound flows were mixed in the week ending July 11. Local investors continued a strong run of purchasing offshore bonds. We had another ¥759.3bn in net purchases last week. Since the middle of May this brings cumulative net buying in this space too nearly ¥4.8trln. We have seen 5 consecutive weeks of net buying to overseas bonds. The focus will be on whether these trends are sustained, particularly given the roll over in global bond returns since the start of the month, as US yields have rebounded higher.

- Local investors did sell overseas equities for the second straight week in decent size. This brings net selling in this space to 8 out of the last 9 weeks.
- In terms of inflows into Japan bonds/equities from offshore investors, trends were positive but in lower absolute levels. Appetite for Japan equities remained strong, with cumulative inflows into this space since early April at just over ¥8.4trln, with only one week of net outflows during this period.
- Offshore investors purchases local bonds, but this just offset modest outflows from the week prior.

Table 1: Japan Offshore Weekly Investment Flows

Billion Yen	Week ending July 11	Prior Week
Foreign Buying Japan Stocks	446.0	611.5
Foreign Buying Japan Bonds	170.4	-167.8
Japan Buying Foreign Bonds	759.3	1659.1
Japan Buying Foreign Stocks	-767.9	-514.4

Source: Bloomberg Finance L.P./MNI

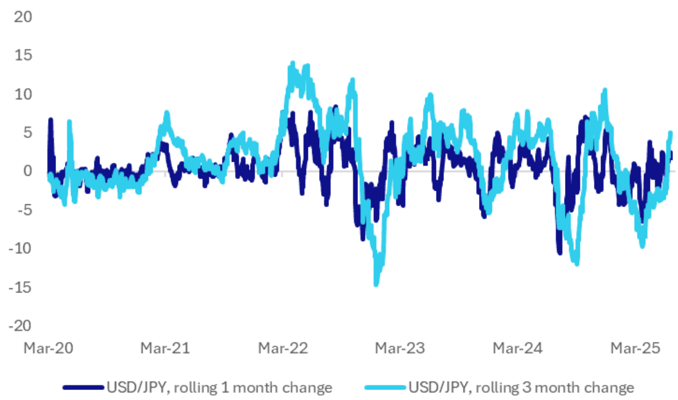
JPY: Verbal Rhetoric On FX Picks Up, USD/JPY 1 mth Change Still Modest

Earlier we saw some verbal jawboning on FX comments cross from Japan officials. See below. Aoki is the Deputy Chief Cabinet Secretary

Via BBG: "*AOKI: CONCERNED ABOUT MOVES IN FX MARKET INCL. SPECULATIVE ONES, *AOKI: KEY FOR FX RATE TO MOVE STABLY, REFLECT FUNDAMENTALS"

- This comes after the recent period of yen weakness. USD/JPY sits close to 148.45 in latest dealings. Recent highs rest at 149.18 (seen on Wednesday before Trump firing Powell headlines crossed, which were later denied). Earlier in July, lows in the pair came in just under 142.68.
- The chart below presents the rolling 1 month and 3 month rates of change for spot USD/JPY. We are below extreme readings for both metrics going back over the past few years. The 1 month rise is now a little over 2%, while the 3 month change is near +5%.
- Recent extremes in the 1 month rate of change was above 7% seen in 2024, but periods of beyond 5% tend not be sustained. For the 3 month rate of change, recent extremes rest close to +10%. Moves into the 10-15% region on this metric are quite rare.
- If we extrapolate USD/JPY moves to the end of this move where we assume USD/JPY has rise to around 152.00 that puts the rolling 1 month change above 5%, while the 3 month change would be at 7%.
- So we still have some distance to go to reach more extreme shifts in these metrics, but it will be something on the markets radar in light of the above comments.

Fig 1: USD/JPY Rolling 1mth, 3mth Rate Of Change



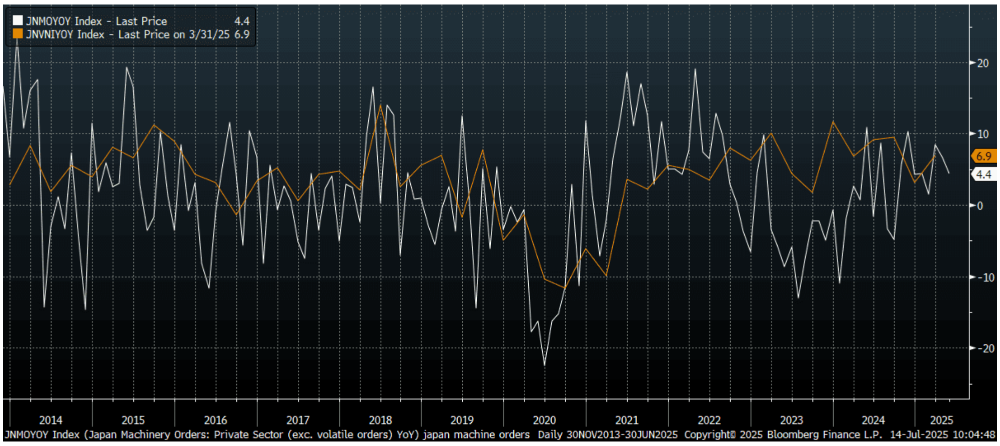
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Core Machine Orders Y/Y Slows, But Still Pointing To Resilient Capex

Japan May machine orders were slightly above market forecasts in m/m terms. We printed at -0.6%m/m, versus the -1.5% forecast. The April fall of -9.1% was unrevised. In y/y terms we were slightly below forecasts, printing 4.4%, versus 5.2% expected, while 6.6% was the May outcome.

- The chart below plots core machine orders, in y/y terms, against Japan quarterly capex (also in y/y terms). It implies some softer Capex momentum risks all else equal, but still positive growth.
- Looking at the detail, manufacturing orders fell by 1.8%m/m (after a 0.6% dip in April). Non-manufacturing surged by 30.4%m/m though, to provide some offset.

Fig 1: Japan Core Machine Orders & Capex (Y/Y)



Source: Bloomberg Finance L.P./MNI

AUSTRALIA

AUSTRALIA DATA: Jobs Growth Modest U/E Rate Up To Late 2021 Levels

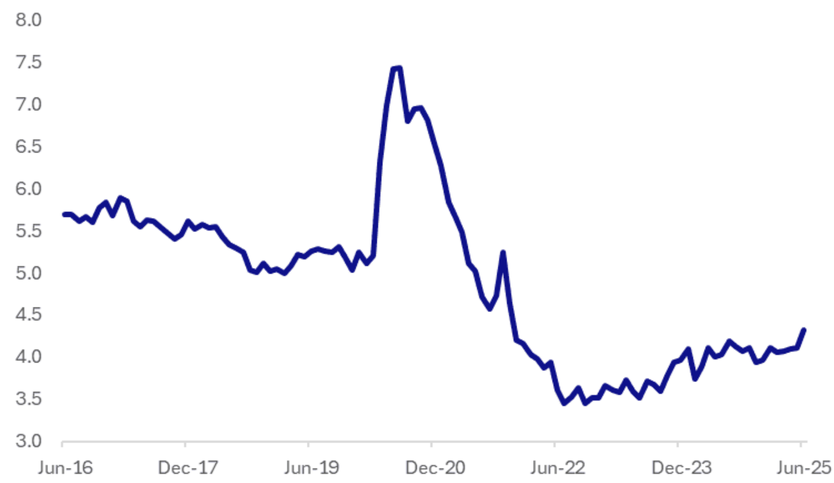
The Australian June jobs report was below market expectations. Jobs growth was just +2k, versus +20k forecast, after a revised -1.1k fall in May (originally reported as a -2.5k fall). Full time jobs fell -38.2k, after a revised 41.9k gain in May. The opposite trend occurred in part time jobs, with +40.2k created in June, after a revised -43k fall in May. The unemployment rate rose to 4.3% against a 4.1% forecast and 4.1% May outcome. This move was aided by a slight rise in the participation rate to 67.1% (67.0% was forecast).

- The first chart below overlays Australia total employment growth and full time employment growth, both in y/y terms. Aggregate jobs growth at +2%y/y is only slightly below average rates of growth seen in recent years. For full time jobs, y/y growth at +1.7% is also modestly below recent averages, so it might be too soon to say this is the start of a jobs market correction.
- Still the number of people unemployed rose by 34k, the largest rise since April of last year. This, combined with the slight tick up in the participation rate was enough to drive a rise in the unemployment rate to 4.3%, which was the highest outcome since Nov 2021 (see the second chart below). The unemployment rate to two decimal places was 4.32% versus 4.11% last month.
- The ABS noted: "‘This month we saw a decrease in full time hours worked, down 1.3 per cent, associated with a 0.4 per cent fall in full time employees,’ Mr Crick said."

Fig 1: Australia Employment Growth, Total & Full Time Jobs Y/Y

Source: ABS/MNI

Fig 2: Australian Unemployment Rates (%)



Source: ABS/MNI

NEW ZEALAND

NEW ZEALAND: June Sees Higher Food/Utility Prices, Q2 CPI Out Next Monday

New Zealand June food prices rose 1.2%m/m, versus a 0.52% gain in May. This saw the y/y pace for food prices rise 4.6%, which was the strongest annual pace since late 2023. Stats NZ noted: "Higher prices for the grocery food group and the meat, poultry, and fish group contributed most to the annual increase in food prices, up 4.7 percent and 6.4 percent, respectively."

- Elsewhere, rent prices rose 0.1%, to be up 2.6%y/y, the slowest pace since 2011. Electricity prices were up 1.6%m/m, after the 2.3% gain in May. Y/Y for this segment is now +10.4%, Gas prices are up 16.4%y/y.
- Petrol and diesel prices continued to fall in m/m terms, albeit at a reduced pace compared to May declines. Both segments are still down comfortably in y/y terms (petrol -5.3%).

- Airfares were up m/m but didn't recoup all of the falls seen in May. Accommodation services fell 1.4% in y/y, but is still +5.2%y/y.
- The strength in food and utility prices is something the RBNZ was mindful of when it held policy rates steady last week. They expect this to bias headline inflations pressure in the near term.
- Note we get Q2 inflation next Monday.

NEW ZEALAND: Mixed June Card Spending Trends, Down For Q2

June card spending figures were mixed, with total spending down 0.2% m/m, after a 0.3% May gain. Card spending for retail rose 0.5%m/m, after a revised 0.1% fall in May.

- The rise in retail card spending was the first increase since Feb of this year. Services rose 0.7%m/m.
- while Core spending was up 0.7%m/m, with apparel, durables and consumables all posting rises versus May outcomes. Vehicles, ex fuel, fell by 2.7%m/m.
- In y/y terms, total card spending was -1.1%, versus -1.8% in May. For retail, we saw a 1.0%y/y gain, versus -0.7% in May.
- Non-retail industry spend was down 1.8%m/m and down 8.1% y/y.
- Stats NZ noted, "The total value of electronic card spending, including the two non-retail categories (services and other non-retail), decreased by $419 million (1.5 percent) compared with the March 2025 quarter."

NEW ZEALAND: Services PMI Firmer In June, But Still Comfortably Sub 50.0

The New Zealand performance of services index rebounded somewhat in June, rising to 47.3 from 44.1 (per BNZ and Business NZ). We are still sub the early 2025 highs for the index, which was just above the 50 expansion/contraction point.

- The improvement in the services index mirrors, to some degree, the rebound in the manufacturing index from last Friday (48.8 from 47.4).
- Looking at the sub indices of the services PMI we can observe rebound in new orders to 48.8 from 43.4 (the manufacturing PMI also saw a rebound in new orders).
- Still only stocks/inventories for the services PMI is above 50 (in terms of the sub-indices). Activity/sales rose to 44.5 from 40.3, while employment was barely changed at 47.4.
- BNZ remained pessimistic post the print: "Every month it remains below 50 suggests service sector conditions are getting worse not better" (via BBG).
- Focus will be on whether the firmer new orders backdrop continues and translates into better economy wide activity trends. The RBNZ did consider easing last week due to the softer economic backdrop.

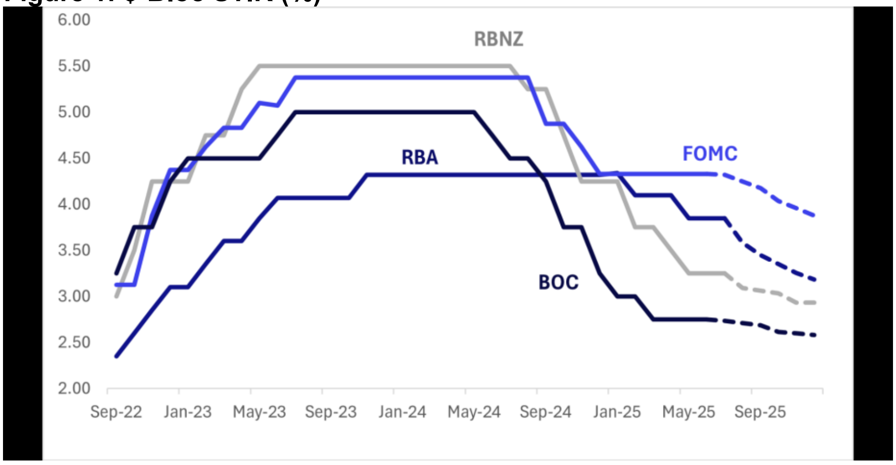
SHORT-TERM RATES $-Bloc Markets Firmer Over Past Week, Except For Australia:

Interest rate expectations across dollar-bloc economies firmed over the past week-except in Australia, where rates softened by 4bps.

* The move was led by Canada (+11bps), followed by the US (+7bps) and New Zealand (+3bps).
* Canada's core inflation rates remained around 3% in June because of elevated shelter costs while headline prices quickened as expected, adding to evidence that without a major disruption from the U.S. trade war economic data is giving the central bank has little scope to cut interest rates at the end of the month. Statistics Canada's "trim" core inflation rate was unchanged at 3% while the "median" index moved up a tenth to 3.1%. Both measures are at the top of the Bank of Canada's 1% band around its 2% target for headline prices. Governor Tiff Macklem has said that while core rates may overstate trend inflation it's likely above 2%.
* The Australian June labour force report came in weaker than expected. Employment rose by just 2k, well below the +20k consensus forecast, following a revised -1.1k fall in May (originally reported as -2.5k). The unemployment rate climbed to 4.3%, above both the 4.1% forecast and May's 4.1% outcome. More concerning for Governor Bullock and the RBA Board is the softening momentum across broader labour market indicators. The

underemployment rate edged up from 5.9% to 6.0%, the underutilisation rate rose from 10.1% to 10.3%, and total hours worked fell 0.9% month-on-month in June.
* Looking ahead, the next key events for the region are the FOMC and BoC meetings on July 30, with markets pricing around 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): 3.88%, -45bps; Canada (BOC): 2.58%, -17bps; Australia (RBA): 3.18%, -67bps; and New Zealand (RBNZ): 2.93%, -32bps.

Figure 1: $-Bloc STIR (%)



Source: Bloomberg Finance LP / MNI

CHINA

CHINA DATA: Export & Import Trends Improve, Rare Earth Exports Rebound

China June trade figures were slightly better than forecast. Exports rose 5.8%y/y, against a 5.0% forecast (4.8% was the May outcome). Imports rose 1.1%y/y, versus 0.3% forecast and -3.4% for May. The trade surplus pushed higher to $114.8bn, slightly above forecasts (near $112bn), while the May print was $103.22bn.

- In terms of commodity import volumes, we had coal down slightly to 33.04mln tonnes (36.04 was the May outcome). Crude oil rose though as did iron ore (to 105.95mln tonnes). Copper and natural gas rose, while soybeans fell slightly.
- Our China policy team noted that H1 imports were impacted by lower commodity prices: "Bulk commodities accounted for about 30% of China's total import value, Wang said, noting the average price of crude oil, iron ore and soybeans dropped more than 10% y/y in H1, dragging down the overall growth rate by 2.7 percentage points."
- Rare earth export volumes rose 32% in m/m terms and were +11.9%y/y. This was a sticking point from the US side around recent trade negotiations. China promised to accelerate export licenses in this space.
- Still, overall exports to the US were still down 16.1%y/y (per BBG). The trade surplus with the US rose to $26.57bn, the first rise since March of this year.
- The trade surplus with the EU eased to $25.94bn from $26.62bn. the surplus with Hong Kong rose to $26.15bn from $22.97bn.
- China also saw lower trade deficits with both Taiwan and Australia.

Fig 1: China Export & Import Trends Y/Y

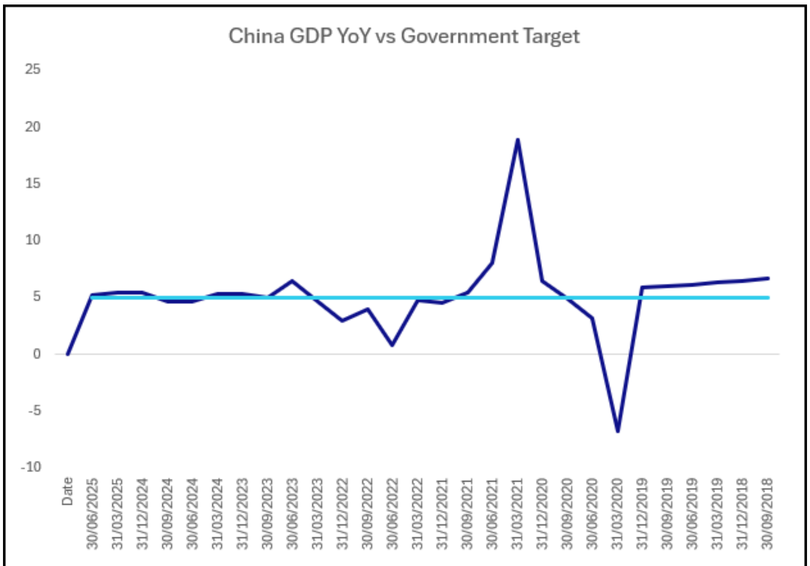
Source: Bloomberg Finance L.P./MNI

CHINA DATA: House Prices Decline Further in June:

* For the third successive month, new home prices in China declined further than the month prior.
* June's result saw a decline in -0.27, the worst result since October 2024.
* The year on year result was marginally better than the month prior with declines of -3.69% (vs -4.08% in May.)
* New home prices did rise in 14 cities (vs 13 in May) MoM and 3 cities YoY.
* Beijing declined -0.3% MoM and -4.1% YoY whilst Shanghai rose +0.4% MoM and +6% YoY.
* Used home prices declined -0.61% MoM versus -0.50% in May for the worst result since September 2024.
* Used home prices were lower -6.09% YoY (vs -6.30% in May) and the MoM figure saw rises in just one city with both Beijing and Shanghai recording modest MoM declines.

CHINA DATA: GDP in Line with Targets:

* China's second quarter GDP YoY printed slightly above estimates at +5.2%, but down from first quarter result of +5.4%.
* The second quarter result keeps GDP on track with the recently announced growth target of "around 5 percent" for 2025, the same as their 2024 target.
* The seasonally adjusted quarter on quarter result was also higher than expected, rising +1.1%, from +1.2% in Q1.
* Retail sales for June were softer at +4.8% (from +6.4% in May) but remain firmly above the 3-year average of 3.5%
* Industrial production jumped by +6.8% from +5.8%, potentially pointing to benefits from the agreement with the US on tariffs with Manufacturing seeing the biggest rise, up +7.4%, having declined in May.



source: Bloomberg Finance LP / MNI

SOUTH KOREA

SOUTH KOREA DATA: Unemployment Rate Steady with Uncertainty in Manufacturing :

* Korea's unemployment rate for June saw a marginal improvement to +2.6% SA, from +2.7% in May.
* The economy added more than 180,000 jobs for the month, the sixth consecutive month of strong growth with the last month where net losses were recorded was December. Since then jobs increases has been 135k January, 136k February, 193k March, 194k April and 245k May to give a six month average of 158k
* Employment in the manufacturing and construction sectors declined as the trade war impacts manufacturing and government policy aimed at slowing the housing boom comes into affect.

ASIA

INDONESIA CENTRAL BANK: BI Cuts Rates in Pursuit of Growth:

* The Central Bank in Indonesia ("BI") cut rates last night for the third time this year in what was a bearish cut.

* The BI left the door open for further cuts as it turns its focus to supporting growth.

* The seven-day reverse purchase rate was cut by 25bps, back to levels last seen in 2022.

* Governor Warjiyo pointed to the need to stabilize inflation which has been moderating since its peak in 2022.

* The Governor stated that " This decision is consistent with the increasingly lower inflation forecast for 2025 and 2026, the maintained stability of the Rupiah exchange rate and a need to boost growth."

* 2YR INDOGB finished unchanged at 5.93% and longer dated bonds hardly moved with the 10yr at 6.57%.

* The Rupiah finished marginally weaker at 16,287 and the Jakarta Comp was up by +0.72%.

MALAYSIA: GDP Up, Exports Very Weak :

* In the GDP preview, we worried whether the BNM were cutting rates to head off a material decline in GDP.

* Whilst that concern didn't eventuate with 2Q GDP rising to +4.5% (est. +4.2%; prior +4.4%) where the real surprise came was in the export data release.

* A strong result across most sectors with Agriculture +2% YoY; mining -7.4% YoY; manufacturing +3.8% YoY, Construction +11% YoY; services +5.3% YoY.

* Exports seemingly collapsed in June, contracting -3.5% for the worst monthly result in 18 months.

* Malaysia has not finalized a trade deal and after the surge in April of exports ahead of tariffs, the data suggests that exporters may now be struggling.

* Exports to the US expanded +4.7%, after +16.1% in May but contracted -9.3% to China.

* In more worrying signs, imports slumped also in what some point to being a weakening of the domestic market.

* At a time when the White House if focused on trade, having an outsized positive Trade balance is not a great headline and the MYR8.59bn surplus is big enough to draw attention.

* Following the BNM cutting rates at their last meeting, there are some observers suggesting that further cuts are coming. The bond market reaction to the data today may be questioning that with bond yields 1-2bps higher across the curve.

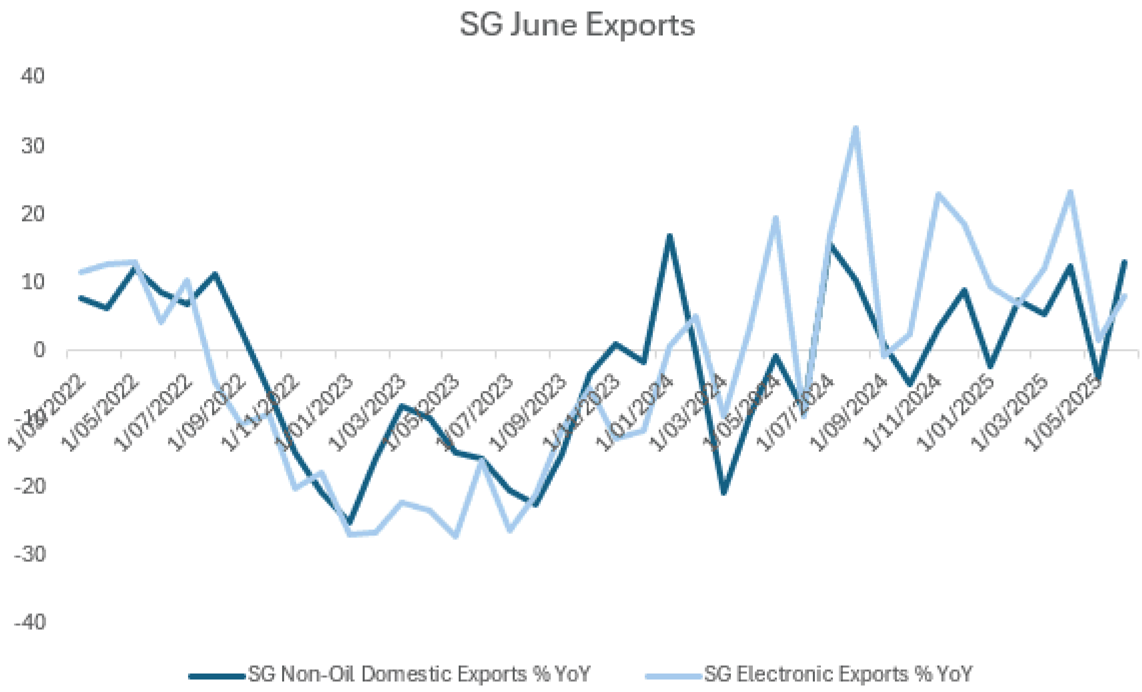
SINGAPORE: Q2 Growth Stronger Than Forecast, Singapore Avoids Recession

Singapore's Q2 advance GDP print came in stronger than forecast, up 1.4%q/q, versus the 0.8% forecast. The Q1 fall was revised to -0.5% (from -0.6%q/q). In y/y terms we were 4.3%, against a 3.6% forecasts and 4.1% Q1 outcome.

- The detail showed manufacturing at +0.1%q/q, after a 5.5% fall in Q1. Construction rose 4.4%q/q, after falling 1.8% in Q1. Services growth also accelerated to 1.4%q/q (from 0.6% in Q1). All this sub categories saw y/y growth in the 4-5.5% range (with manufacturing the strongest).
- Today's outcome is a positive result, as there were concerns earlier in the year the Singapore economy could enter into a technical recession (2 consecutive quarters of negative growth). For now, this has been avoided and while this is the advance GDP print, it would seem unlikely revisions would erode all of the 1.4%q/q growth.
- The government's forecast for growth this year is 0-2%, with much uncertainty resting on the trade/tariff outlook as we progress through the second half.
- Note that the MAS July policy meeting outcome is due before the end of the month (July21-31 is the range listed by BBG), with today's growth outcome adding at the margin for the MAS to hold at this meeting (after easing in H1 this year).

SINGAPORE: Non-Oil Domestic Exports Up +13% YoY vs est. +5.0% YoY

- The surge in June exports surprised economists jumping +13.0% YoY.
- Forecasts were expecting a rebound of +5.0% following May's contraction of the revised -3.9% YoY.
- This was the strongest result since July 2024 in what is typically a volatile release.
- As one of the most open economies in Asia, Singapore is exposed to the volatilities of the region and often market watchers follow Singapore data releases closely, using it as guide for the broader region.
- Electronic exports were up +8.0% after rising just +1.6% in May.
- Electronic exports had surged by 23% in April in what is likely an attempt to ship goods ahead of the implementation of tariffs.



source: Bloomberg Finance LP / MNI

ASIA EQUITY FLOWS: Taiwan Equity Inflows Stay Positive, Momentum Improves For Thailand:

Equity inflows into Taiwan remained positive yesterday, albeit at slightly reduced momentum seen in recent sessions. Inflows in the past 5 trading sessions are still a healthy +$1.8bn. Positive sentiment around robust TSMC earnings is likely aiding this backdrop. Broader tech equity indices are also either at fresh cycle highs, or close to such levels. Inflows into South Korea have been positive in the last 5 trading days, but in recent sessions momentum has slowed, with the Kospi struggling to hold above the 3200 level.

* Elsewhere, Indian outflows have continued, in line with poorer trends for the headline equity indices.
* Thailand equity inflows have a better run in the past week. Yesterday's inflow was the strongest daily move since late June. The SET index surged +3.5%. Better offshore inflows have been cited as supporting the local index, while the prospect of a potentially more dovish central bank outlook is also another potential positive.

Table 1: Asian Markets Net Equity Flows

	Yesterday	Past 5 Trading Days	2025 To Date
South Korea (USDmn)	-16	639	-8135
Taiwan (USDmn)	162	1834	-723
India (USDmn)*	-121	-659	-8562
Indonesia (USDmn)	39	-89	-3619
Thailand (USDmn)	77	183	-2250
Malaysia (USDmn)	-15	-100	-2869
Philippines (USDmn)	0	-55	-619
Total (USDmn)	126	1753	-26777

* Data Up To July 16

Source: Bloomberg Finance L.P./MNI