

MNI Asia Pac Weekly Macro Wrap

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

JAPAN

- Japan data has been better than expected this past week, with the Tankan survey showing large firms painting a resilient activity backdrop for Q2, along with improved Capex intentions. May household spending data surged to multi year highs as well. Earlier next week we get labor cash earnings figures.

AUSTRALIA

- Australia saw mixed household spending indicators, with retail sales softer than the household spending measure. The latter will take over from retail sales by the end of this month as the main spending indicator, so it should carry more weight. Still, the RBA is widely expected to cut by 25bps next week. The trade surplus shrunk in May as external trade headwinds grew.

NEW ZEALAND

- New Zealand saw the ANZ business activity and confidence measures firm in June, but we still remain off cycle highs. Caution still rests on how strong the activity rebound will be. Next week, the RBNZ is seen as on hold.

SHORT TERM RATES

- Interest rate expectations across dollar-bloc economies firmer over the past week, led by a 14bp gain in the US. Canada, Australia and New Zealand saw modest firming in the range of 2-6bps.

CHINA

- China PMIs this past week have been mixed. They suggest not much has changed in the economy in aggregate despite the trade truce with the US. SMEs look to be faring better, but some offset has come from weaker services conditions.

SOUTH KOREA

- South Korea saw export momentum improve in June, albeit from a weak base. Inflation pressures were relatively steady, leaving the BoK likely on hold next week.

ASIA

- Benign inflation pressures in the Philippines should pave the way for more rate cuts this year. Indonesia posted better than expected trade figures.

ASIA EQUITY FLOWS

- Surging Taiwan inflows remain the standout in the region at this stage.

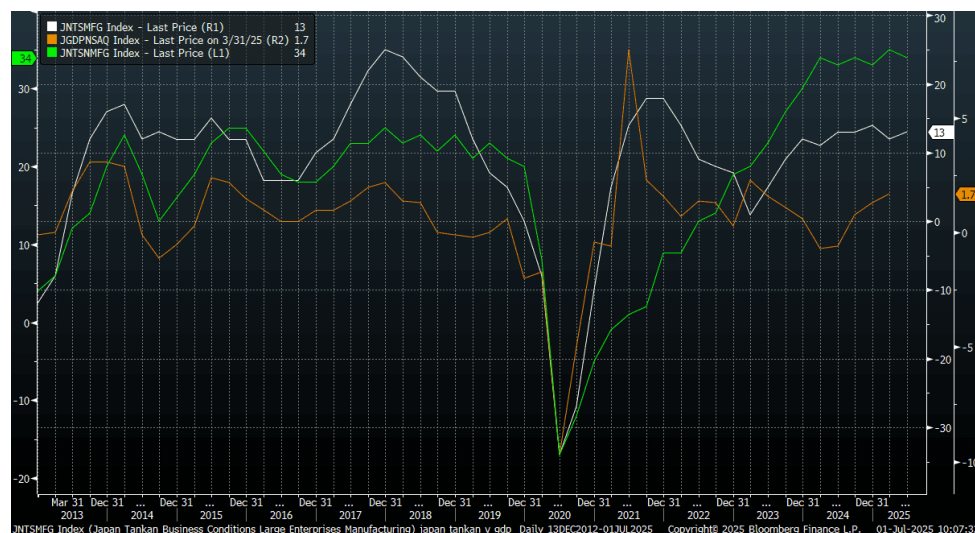
JAPAN

JAPAN DATA: Q2 Tankan Surprises On The Upside, Capex Outlook Firmer

The Q2 Tankan survey delivered some positive upside surprises. The large manufacturing index rose to 13, versus 10 forecast and 12 prior. The outlook for this segment was also better than forecast, printing at 12 (9 was forecast and 12 was the Q1 outcome). The all industry capex estimate was also stronger than expected, coming in at 11.5%, versus 10.0% forecast (3.1% was the prior outcome). For large non-manufacturing firms, the results were slightly less positive, with headline index at 34, in line with forecast, while prior was 35. The outlook printed at 27, below the expected 29 outcome (28 was recorded in Q1).

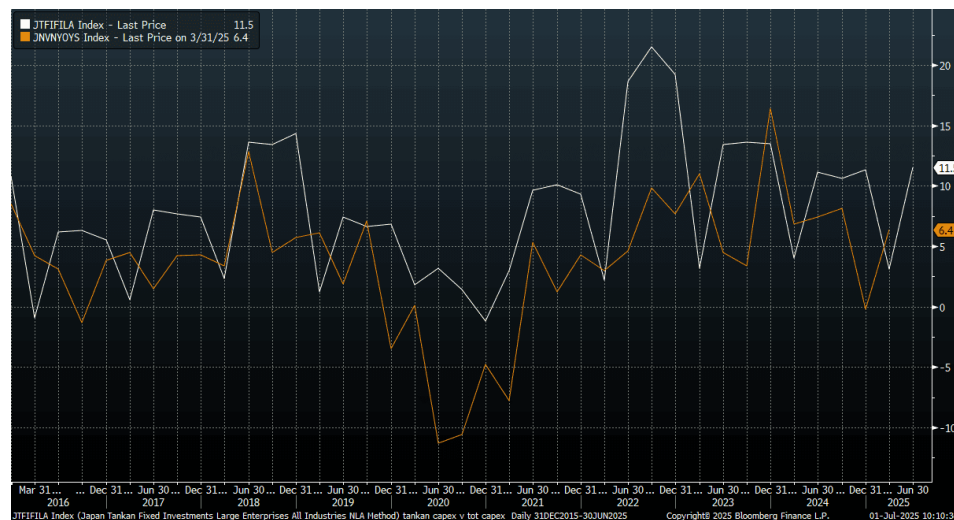
- For smaller firms, manufacturing sentiment levels remained below levels recorded for non-manufacturing firms. Both sectors saw outcomes close to forecasts, 1 for small manufacturing firms, 15 for non-manufacturing firms.
- The first chart below plots the headline large manufacturing and non-manufacturing indices versus y/y Japan GDP growth, which is the orange line on the chart. In the face of external headwinds, particularly in terms of the tariff threat, today's results point to a resilient backdrop. Both Tankan measures for large firms are just off recent highs.
- The second chart below plots the capex estimate from the Tankan survey the white line on the chart) against the capital investment, which is only out for Q1. This is pointing to a firmer capex backdrop for Q2, which again will please the authorities in the face of external headwinds.

Fig 1: Q2 Tankan Survey Results Paint Resilient Backdrop



Source: Bloomberg Finance L.P./MNI

Fig 2: Q2 Tankan Capex Estimate & Capex Y/Y



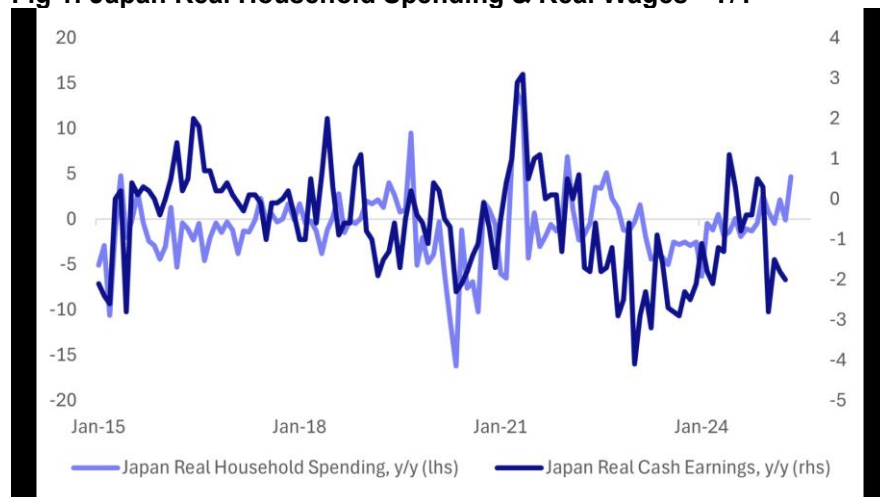
JAPAN DATA May Household Spending Surges, Diverging From Softer Real Wages :

Japan real household spending for May rose 4.7%y/y, well above market forecasts of a 1.2% gain. The April outcome was -0.1%y/y. In m/m terms spending was up a strong 4.6%.

* Focus will be on whether we can sustain this May bounce. The chart below plots real household spending y/y, versus real wages, also in y/y terms. With the May bounce in spending we now have some divergence between the two series. This is not uncommon from an historical standpoint, but usually the trends in both series gravitate towards each other over the medium term. * Note that next Monday (7th of July) we get May labor cash earnings data.

* The May rise in y/y spending was the strongest outcome since August 2022. This should encourage the authorities, particularly following the stronger Capex data from the Tankan survey earlier this week. * By category, transport and communication spending rose 25.3%y/y, while spending on recreation, culture was up 11.1%.

Fig 1: Japan Real Household Spending & Real Wages - Y/Y



JAPAN DATA: Offshore Investors Buy Both Local Bonds & Equities :

In the week ending June 27 we saw offshore investors return to both Japan bond and equity markets, see the table below. The prior week (to end June 20) saw the first net selling of Japan stocks since the end of March, but with 651.3bn in net inflows last week we resumed positive trends in this space. Since the start of April, offshore net flows into local stocks have been over 7.3trln. Offshore investors also purchased local bonds last week in decent size. This markets the fourth out of the last five weeks we have seen positive inflows (cumulative inflows over this period are just over 2.5trln).

* In terms of Japan outbound flows, they were more modest in aggregate terms. We continued to see offshore bond purchases, marking the seventh out of the last eight weeks we have seen outflows to this segment (cumulative outflows over 6.6trln). This fits with generally positive global fixed income returns seen over this period.

* Local investors also purchased offshore equities for the first time since early May. This only marginally offset cumulative outflows seen over this period.

Table 1: Japan Weekly Offshore Investment Flows

Billion Yen	Week ending June 27	Prior Week
Foreign Buying Japan Stocks	651.3	-524.1
Foreign Buying Japan Bonds	1052.6	-369.2
Japan Buying Foreign Bonds	182.8	615.1
Japan Buying Foreign Stocks	190.6	-88.3

Source: Bloomberg Finance L.P./MN

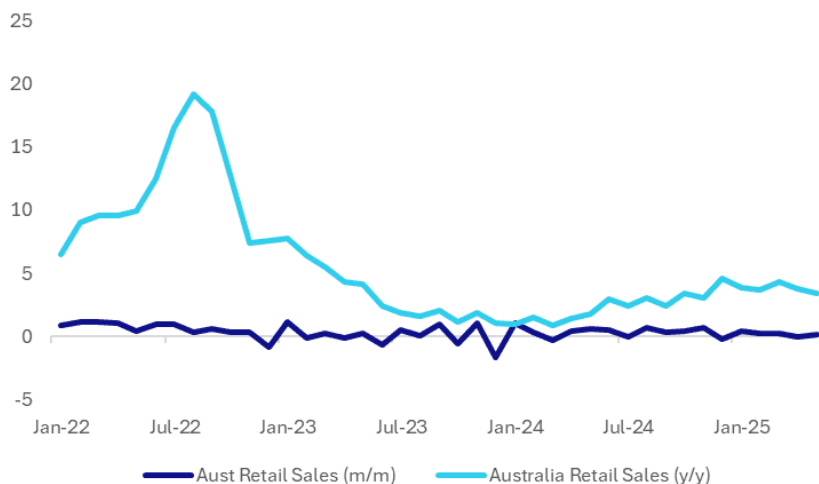
AUSTRALIA**AUSTRALIA: Retail Momentum Softens Further In May, Despite Clothing Bounce**

Australian retail sales rose a modest 0.2%m/m in May, after a revised flat outcome in April (originally reported as a -0.1% dip). The market consensus for the May outcome was a +0.5% rise. Other data showed May building approvals up 3.2%m/m, which was slightly below the 4.0% forecast. The April fall was revised to -4.1%m/m.

- By sub category we had strong rebounds in both apparel retail sales and department store spending. Both categories were up close to 3%m/m, but this follows similar falls in April.
- The ABS noted: "Clothing retailers and department stores were boosted by people buying winter clothes, having held off on those purchases with the warmer-than-usual weather last month,' Mr Ewing said."
- Otherwise, spending trends were either flat or down a touch. Notably food retailing fell by 0.4%m/m, after declining 0.2% in April.
- The y/y pace eased to 3.4% from 3.8% in April, see the chart below. The general trend in spending momentum is too moderate after last year's fiscal impulse for households helped drive a brief strengthening.
- The RBA meets next week, and the market has a 25bps cut priced in. Today's data is likely to reinforce easing expectations at the margin.

- Note this is the second last retail sales release, with the release to be replaced by the household spending series (the next update for this print is on Friday).

Fig 1: Australia Retail Sales Momentum Eases Further



Source: Bloomberg Finance L.P./MNI

AUSTRALIA DATA: Household Spending Firms In May, Y/Y Trend Improving Modestly:

Australian May Household spending data was stronger than forecast, rising 0.9% m/m, against a 0.5% forecast. In y/y terms we printed 4.2%, against an expected gain of 3.5% and prior 3.8% outcome. The April outcome was revised to flat in m/m terms, after initially being reported as a 0.1% gain.

* Today's print contrasts with the earlier retail sales this week, which came in below market forecasts (+0.2% m/m, versus +0.5% forecast). More weight should be given to today's May household spending outcome though, as it will replace the retail sales print from the end of this month.

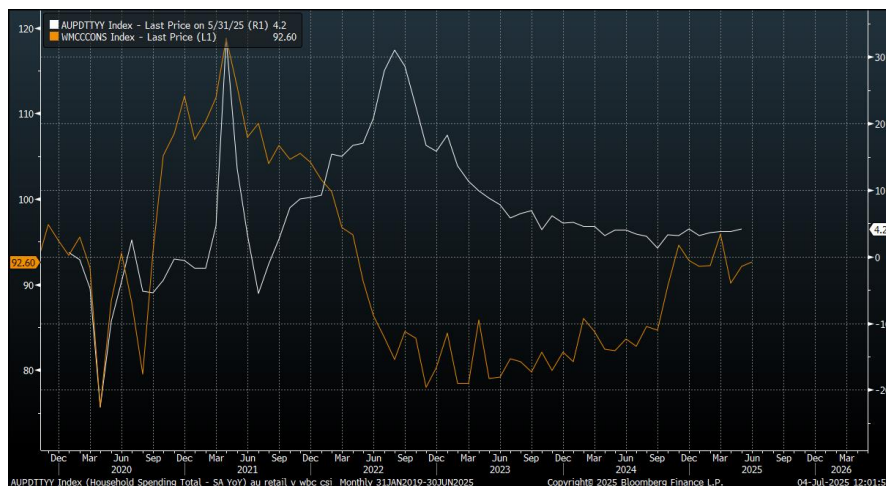
* The ABS noted: "Robert Ewing, ABS head of business statistics, said: 'The rise in May was driven by spending on discretionary goods and services. 'Discretionary spending rose 1.1 per cent, as households spent more on clothing and footwear, new vehicles, and dining out. 'Meanwhile, non-discretionary spending was up 0.5 per cent, rising for a fifth consecutive month.'

* Indeed, only food and alcoholic beverages saw m/m falls in May, all other categories saw m/m rises. Outside of alcoholic beverages, all sub indices are up in y/y terms as well.

* The chart below plots household spending in y/y terms against the Westpac Consumer Sentiment reading. Spending is maintaining a modestly positive trend in y/y terms. Sentiment is well up from cycle lows from 2022/2023, but the improvement has stalled since the end of last year.

* The RBA meets next week, with a 25bps cut widely expected. There has been little shift in OIS pricing for next week's meeting post today's data.

Fig 1: Household Spending Y/Y & Westpac Consumer Sentiment Index



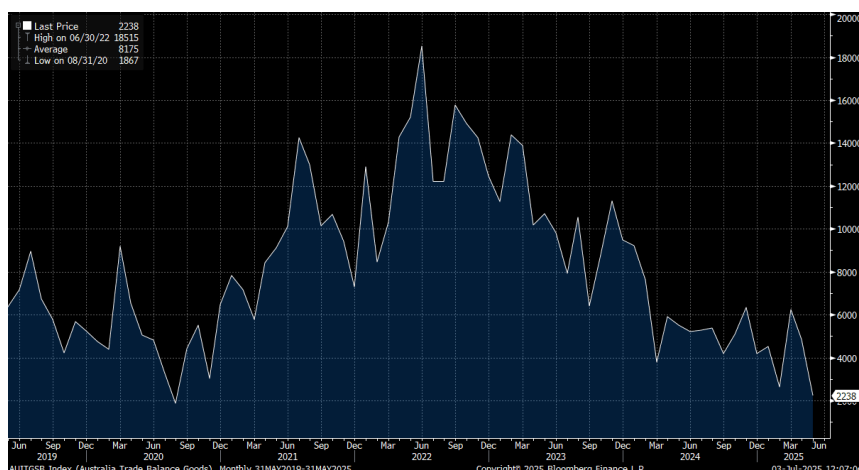
Source: Bloomberg Finance L.P./Westpac/MNI

AUSTRALIA DATA: Trade Surplus Falters On Weaker Exports, Import Rise

Australia's May trade data was softer than forecast, with the trade surplus printing at A\$2.24bn, versus the A\$5bn forecast. The prior April surplus was revised down to a surplus of A\$4.859bn. This was the lowest trade surplus since 2020, see the chart below. Exports fell -2.7%m/m, after a revised fall of 1.7% in April. Import momentum improved to +3.8%m/m, after a 1.6% gain in April.

- On the export side, some softness was evident in coal exports, along with other mineral fuels. Iron ore exports held up. Rural exports also fell.
- By country, softer export trends appeared evident to Japan and the US. This comes amid higher US tariff levels on Australian exports, with Australia seemingly not a key trade deal target from the US side (hardly a surprise given Australia has a trade deficit with the US).
- On the import side, imports of capital goods rose over 8% in the month, an encouraging sign for the capex outlook, all else equal. Imports from the US picked up. Consumer imports also rose by 3%.

Fig 1: Australian Trade Surplus Trending Lower



Source: Bloomberg Finance L.P./MNI

NEW ZEALAND

NEW ZEALAND: Business Activity & Confidence Up, But Still Off Cycle Highs

The New Zealand ANZ business activity and confidence measures rose in June. On activity we moved back to 40.9, from 34.8 in May, while confidence rebounded to 46.3, from 36.6 prior. The improvement in June follows move lower in these headline indices since the end of Q1. We remain off cyclical highs for both measures, activity reached 50.3 in Dec last year, while confidence was at 65.7 in October last year. The Q2 averages for both activity and confidence were below the Q1 outcomes.

- In terms of the detail, the sub-indices ticked higher, with exports up to 13.9, while investment rose to 19.9 (from 11.6 in May). Costs and wages also rose. The cost sub index to 79, while wages were at 76.1, still sub recent highs for this index.
- The construction outlook improved, but again these indices are still sub recent highs. Employment printed at 10.8, which compares with an earlier high of 18.1 (April this year).
- Pricing intentions rose to 46.3 from 45.4. Inflation expectations were unchanged at 2.71%.
- ANZ noted: "In terms of what firms are actually experiencing, there's been a bit of a slump recently in both activity and employment. While economic growth in 1q was decent at 0.8% q/q, the omens for 2q are not looking nearly so positive" (via BBG).
- This is consistent with the softer average readings in the headline indices for Q2.

SHORT-TERM RATES

STIR: US Leads \$-Bloc Markets Firmer:

Interest rate expectations across dollar-bloc economies firmer over the past week, led by a 14bp gain in the US. Canada, Australia and New Zealand saw modest firming in the range of 2-6bps.

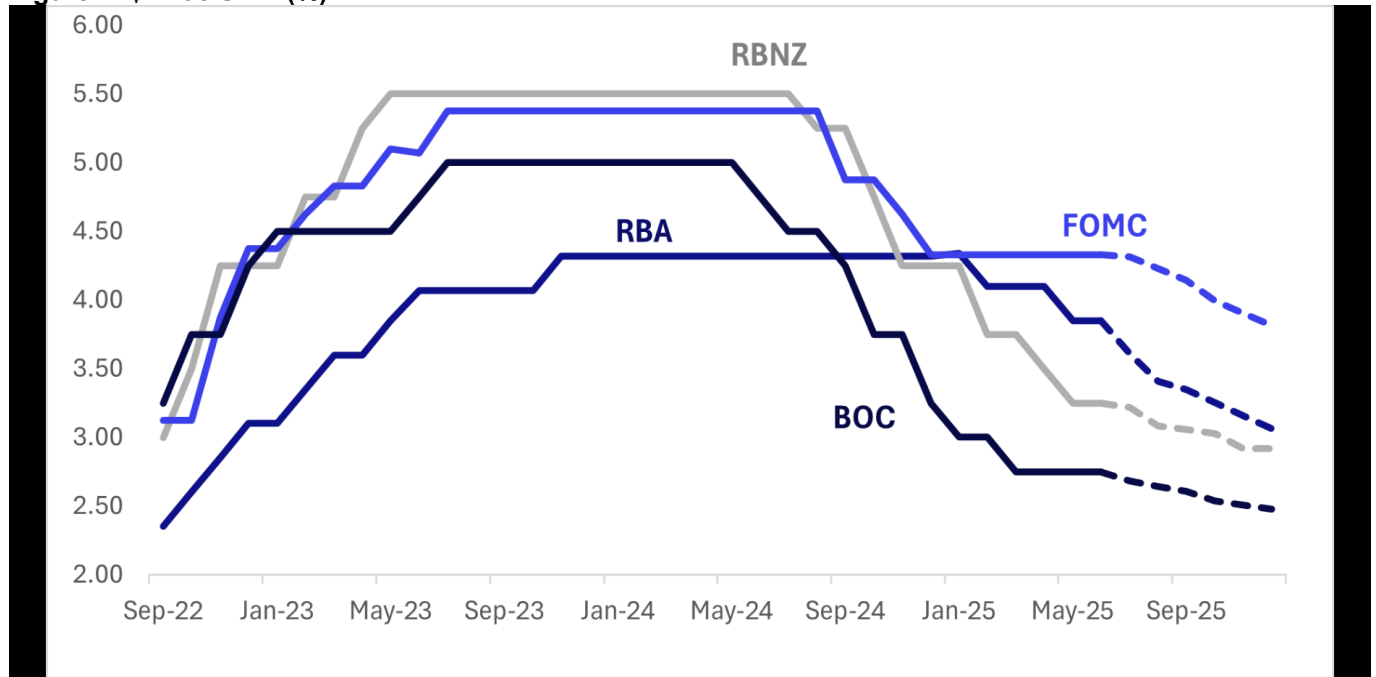
* Yesterday, US nonfarm payrolls growth comfortably beat expectations in June with 147k (cons 106k) along with small upward revisions of +16k after a string of releases with large downward revisions. Arguably an even bigger surprise was the pullback in the unemployment rate, which at 4.117% unrounded is the lowest since January, down from 4.244% prior and well below the rounded 4.3% consensus.

* The labour market appears to be in solid enough shape to keep the Fed on the sidelines. Most focus was on the degree to which this effectively closed the door to a July Fed cut, with implied pricing falling to just 1bp (ie under 5% probability of a cut) from 6.5bp. And it brought down the implied 2025 cuts to 2, versus an evenly split pricing between 2 and 3 cuts.

* The next key event for the region is the RBA's July 8 meeting, where a 25bp rate cut is currently given a 92% probability. The RBNZ decision is scheduled for the following day, with an 11% chance of a 25bps cut priced.

* Looking ahead to December 2025, current market-implied policy rates and cumulative expected easing are as follows: US (FOMC): 3.81%, -52bps; Canada (BOC): 2.48%, -27bps; Australia (RBA): 3.08%, -78bps; and New Zealand (RBNZ): 2.92%, -33bps.

Figure 1: \$-Bloc STIR (%)

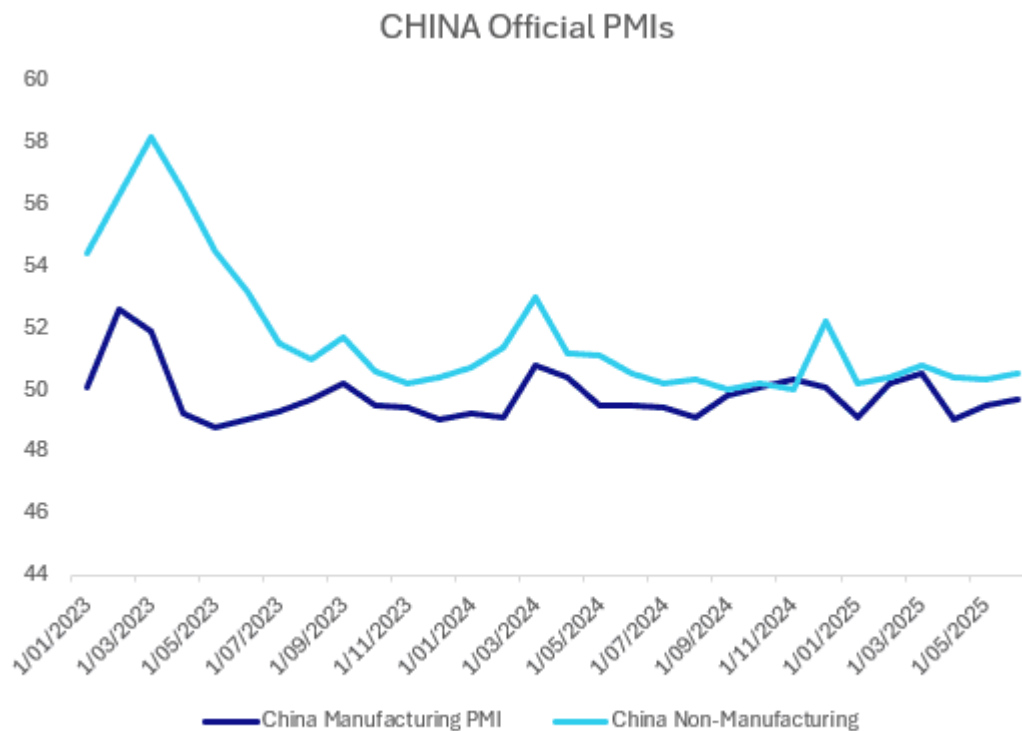


Source: Bloomberg Finance LP / MNI

CHINA

CHINA DATA: CHINA: Official PMIs for June

- The Official PMIs followed the familiar theme of recent releases with the PMI manufacturing in mild contraction and the PMI non-manufacturing barely holding in expansion.
- The PMI Manufacturing print of +49.7 was the third successive print below 50. Output and New orders rose relative to last month whilst employment declined.
- The PMI Non-manufacturing print of 50.5 was a modest improvement on last month's release of 50.3 whilst New orders up whilst employment was down.
- This is the first full month of data since the agreement between Beijing and Washington to a halt to the trade war.

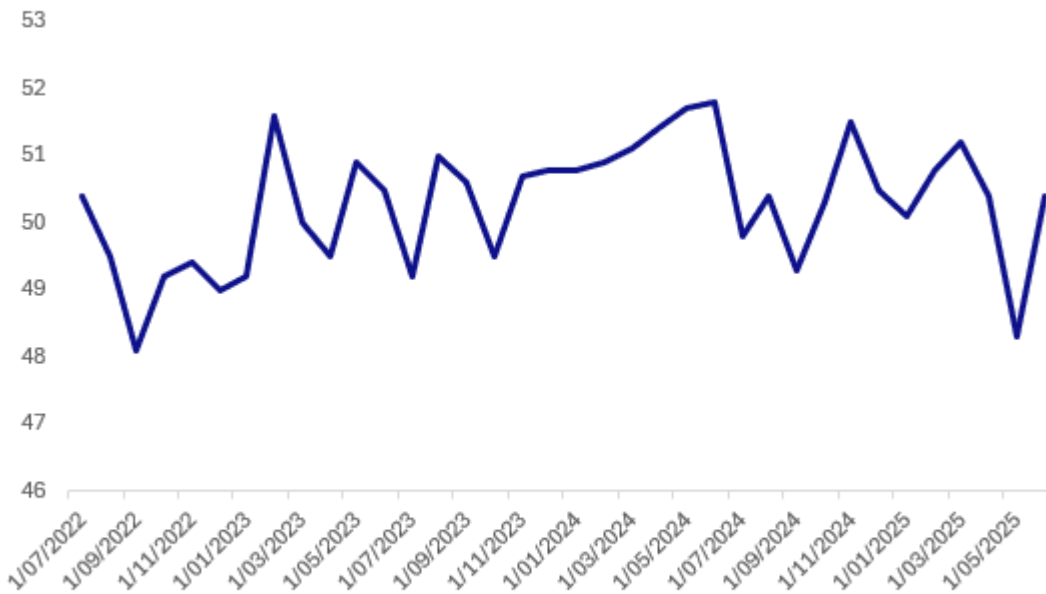


source: Bloomberg Finance LP / MNI

CHINA: CAIXIN PMI Surprises to the Upside

- China's CAIXIN PMI Manufacturing in June rose to 50.4, ahead of an expected 49.3
- The official PMI released yesterday, released by the National Bureau of Statistics (NBS), focuses on large and state-owned enterprises, while the Caixin PMI, compiled by Caixin Media and S&P Global, emphasizes small and medium-sized enterprises (SMEs) and the private sector and arguably gives a better snapshot as to the broader economy.
- The index was considerably up from the prior month's result of 48.3.
- Output rose to 52.1 from 47.5 and new orders were up on prior month.
- This data captures the period post the agreement between the US and China on tariffs and potentially points to an improvement in activity.

China CAIXIN PMI Mfg



source: Bloomberg Finance LP / MNI

SOUTH KOREA

SOUTH KOREA DATA: SOUTH KOREA: PMI Improves In June, But Still Sub 50.0

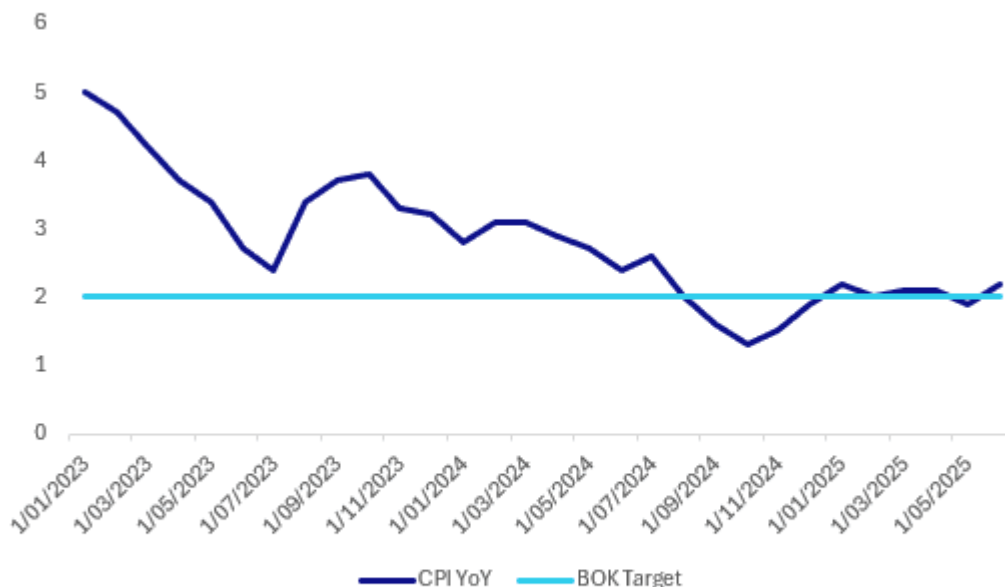
South Korea's June PMI rose to 48.7, from 47.7 prior. April lows in the index were at 47.5, but we still remain sub the 50.0 expansion/contraction point, while 2024 highs in the PMI headline were at 52.0.

- The index suggests improving manufacturing sentiment, albeit from fairly low levels. Earlier we had full month June export data, which showed 4.3%y/y export growth, slightly below the 5.1% forecast, but an improvement on the -1.3% outcome seen in May.
- From late yesterday South Korean officials noted that trade negotiations with the US will likely need to go beyond next week's deadline (for the pause in reciprocal tariff rates).
- In terms of the detail from the PMI survey, output rose to 49.2 from 46.4 in May, while new orders were also up in June.

SOUTH KOREA: June CPI Showing Limited Signs of Revival

- South Korea has just released its June CPI and it remains on the BOK 2% target.
- CPI YoY for June rose 2.2% from 1.9% with the small rise likely sufficient to see the BOK on hold at their meeting in July as focus remains on house prices in Seoul which continue to rise rapidly.
- The result was ahead of market expectations of a +2.1% rise with food prices up +3.4% whilst the prices for services moderated.
- The month on month figure was flat and Core was unchanged at 2.0%

CPI YoY vs BOK Target



Source: Bloomberg Finance LP / MNI

SOUTH KOREA DATA: June Exports Jump:

- * South Korea's June exports were strong, rising +4.3% compared to last year.
- * When considering average daily exports (i.e. taking into account the number of working days in the month) the results increases to +6.8% YoY.
- * Imports were strong also, climbing +3.3%.
- * The result is a trade surplus of \$9.1bn.
- * The June results are further reflection of companies expediting shipments whilst tariffs remain under discussion as negotiations continue between Korea and the US.
- * On the table are sector specific tariffs for autos and steel and an across the board tariff also.
- * The BOK meets next week a day after the deadline for the renewal of tariffs from the US. At this stage, markets are not pricing in a full cut from the Central Bank

TAIWAN

TAIWAN: PMI Downtrend Continues, At Odds With Other Economic Indicators

Taiwan's June PMI fell to 47.2 from 48.6 in the prior month. From highs of 52.7 recorded in Dec 2024, the Taiwan PMI has mostly been trending lower since the start of 2025. June levels for the PMI are lows back to Dec 2023.

- The softer PMI trend is at odds with with other indicators for the Taiwan economy, with export growth and orders holding up firmly in Q2. The same can be said for industrial production growth, which at 22.6%/y/y, is just off cycle highs. Strength in tech related AI has clearly been supporting activity.
- This is likely to be a watch point in terms of whether we see some softness emerge in some of these indicators late in Q2/early Q3, which would bring them more into line with the PMI outcome.

- In terms of the PMI detail, output fell to 45.4 from 48.3 prior, while new orders also fell to their lowest level since August 2023.

ASIA

THAILAND Manufacturing Production Index:

- * The Manufacturing Production Index ISCI NSA YoY came in weaker than expected in May at +1.88% (est: 2.00%) vs prior 1.91% prior (revised down).
- * At the end of May, Thailand cut its 2025 manufacturing growth forecast to 0%-1% from 1.5%-2.5% projected previously on US tariff impact and influx of cheap foreign goods, according to the Office of Industrial Economics which expects domestic demand and private investment to be weak also.
- * The Manufacturing Production Index contracted in 1Q.
- * May's result remains above the 5-year average expansion of 0.7
- * Capacity Utilization rose to 61.14, from 56.62 in April .

INDONESIA Exports Rebound in May:

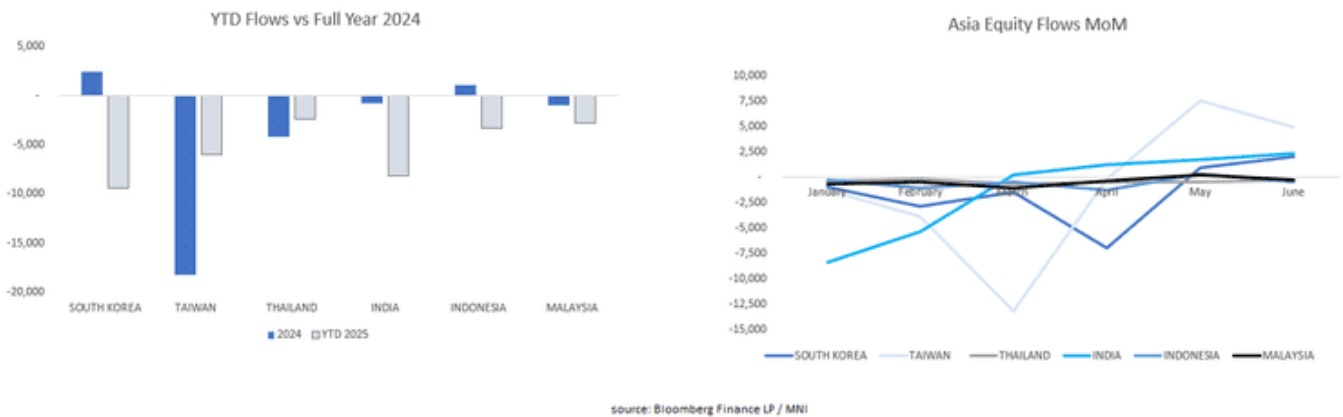
- * Indonesia's May export and import releases were much stronger expected.
- * Exports rose +9.68% in May, following on from April's expansion of +5.76%
- * Imports rose +4.14% against estimates of +1.10%.
- * The trade surplus result of \$4.3bn may come at a time when least wanted given negotiations continue with the US on trade policy.

PHILIPPINES Inflation Going Nowhere in the Philippines:

- * June's inflation release showed little sign of pricing pressures returning to the Philippines.
- * The YoY figure nudged up to +1.4% in June, from +1.3% in May, with the market expecting +1.5%.
- * Prices in the capital rose +2.6% YoY whilst core rose +2.2% YoY with some pricing pressure in housing, water and electricity.
- * The first half of the year result for CPI was a rise of +1.8% YoY.
- * In December, the Development Budget Coordination Committee, in consultation with the BSP, set the inflation target at 2-4% from this year until 2028.
- * The Month on Month figure moved just into positive territory, rising +0.1% after -0.1% in May.

ASIA EQUITY FLOWS: Is the tide Coming Back in for Asia Stock Flows

- We report each day the flow data for major regional bourses which suffered heavily under the threat of tariffs.
- However in recent months we have seen strong inflows into Taiwan, India and South Korea, and whilst year to date flows remain negative there appears sufficient evidence to ask whether the worst is over for outflows for major regional bourses.
- The flows began to turn positive when tariffs were paused in April with Taiwan the biggest beneficiary thanks to its semi-conductor manufacturers.
- USD weakness is a potential positive catalyst for the second half of 2025 for Asia flows, particularly if trade agreements are reached.



Strong Inflows Yesterday for Korea and Taiwan :

Since the beginning of June, Taiwan has received consistent inflows most days and is now at \$7.9bn since then.

* South Korea: Recorded inflows of +\$549m yesterday, bringing the 5-day total to -\$1,014m. 2025 to date flows are -\$9,094. The 5-day average is -\$203m, the 20-day average is +\$62m and the 100-day average of -\$78m.

* Taiwan: Had inflows of +\$1,028m yesterday, with total inflows of +\$4,004 m over the past 5 days. YTD flows are negative at -\$2,965. The 5-day average is +\$801m, the 20-day average of +\$460m and the 100-day average of -\$3m.

* India: Had outflows of -\$87m as of the 2nd, with total inflows of +\$2,046m over the past 5 days. YTD flows are negative -\$8,113m. The 5-day average is +\$409m, the 20-day average of +\$143m and the 100-day average of \$1m.

* Indonesia: Had outflows of -\$2 yesterday, with total outflows of -\$18m over the past five days. YTD flows are negative -\$3,358m. The 5-day average is -\$4m, the 20-day average -\$23m and the 100-day average -\$32m.

* Thailand: Recorded outflows of -\$2m yesterday, with outflows totaling -\$78m over the past 5 days. YTD flows are negative at -\$2,384m. The 5-day average is -\$16m, the 20-day average of -\$13m and the 100-day average of -\$21m.

* Malaysia: Recorded inflows of +\$27m yesterday, totaling +\$108m over the past 5 days. YTD flows are negative at -\$2,670m. The 5-day average is +\$22m, the 20-day average of -\$9m and the 100-day average of -\$19m.

* Philippines: Recorded inflows of +\$20m yesterday, with net inflows of +\$43m over the past 5 days. YTD flows are negative at -\$553m. The 5-day average is +\$9m, the 20-day average of -\$2m the 100-day average of -\$5m.

	Yesterday	Past 5 Trading Days	2025 To Date	
South Korea (USDmn)	549	-1014	-	9,094
Taiwan (USDmn)	1028	4004	-	2,965
India (USDmn)*	-87	2046	✓	8,113
Indonesia (USDmn)	-2	-18	✓	3,358
Thailand (USDmn)	-2	-78	-	2,384
Malaysia (USDmn)	27	108	✓	2,670
Philippines (USDmn)	20	43	-	553
Total	1530	5013	-	31,483

* as of 02 July

Source: Bloomberg Finance LP / MNI

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