MNI Asia Pac Weekly Macro Wrap

13 June 2025 – By Jon Cavenagh, Jaime Grant, Maxine Koster, Stephen Petrie & Gavin Stacey

JAPAN

- Japan import prices in May fell to -10.3%y/y, the weakest read since Oct 2023. The chart below plots USD/JPY y/y changes against Japan import prices y/y. If such conditions hold it suggests that the negative impulse to import prices from a stronger yen will fade by the end of Q3.
- There remains a major gap in the stance between the US and Japan around trade/tariff negotiations.

AUSTRALIA

- NAB business confidence continued to oscillate around zero in May as it has done for around two and half years. It printed at +1.9 after -0.9 in April, the highest since January. However, conditions carried on their downtrend reaching 0.3 in May following 1.6, the lowest since the Covid-impacted August 2020.
- Westpac's measure of consumer confidence rose 0.5% in June to 92.6 after May's 2.2% increase boosted by 50bp of RBA easing this year and lower inflation. The index is at its highest since January but still 1.8% below that level as global events have weighed on sentiment.
- Melbourne Institute consumer inflation expectations for June jumped to 5.0% from 4.1%, the highest and first print above 5% in almost two years.

NEW ZEALAND

- NZ card transactions remained soft in May with retail sales falling 0.2% m/m to be up 0.2% y/y after -0.6% y/y helped by positive base effects. While the total rose 0.3% m/m, it had declined the previous four months, and is now up 0.2% y/y. 3-month momentum deteriorated for both series.

SHORT TERM RATES

- Interest rate expectations across dollar-bloc economies were broadly stable over the past week, with all markets showing net changes of less than 5bps through December 2025.

CHINA

- It was noted by both sides, after US-China meetings in London, that they would travel back to their respective countries and seek approval from their leaders on implementing the Geneva framework.
- China's May CPI inflation remained weak at -0.1% y/y, slightly better than consensus expectations, while core picked up 0.1pp to 0.6% y/y, the highest since January. Producer prices deteriorated further falling 3.3% y/y after -2.7% in April and the weakest since July 2023.

ASIA

- Consumer sentiment moderated to multi-month lows in both Indonesia and Thailand in May as both domestic conditions and global uncertainty weighed on confidence.

ASIA EQUITY FLOWS

- Asia equity flows were positive for South Korea and Taiwan yesterday, but modestly negative for the rest of the region. In the past week, inflows remain strong for South Korea and Taiwan.

GLOBAL

- Container ship tracking data suggest that trade flows have picked up again following the April 2 US announcement of extensive reciprocal tariffs as traders take advantage of the 90-day delay which expires July 8. Most major routes to the US have seen the number of vessels return to around average.

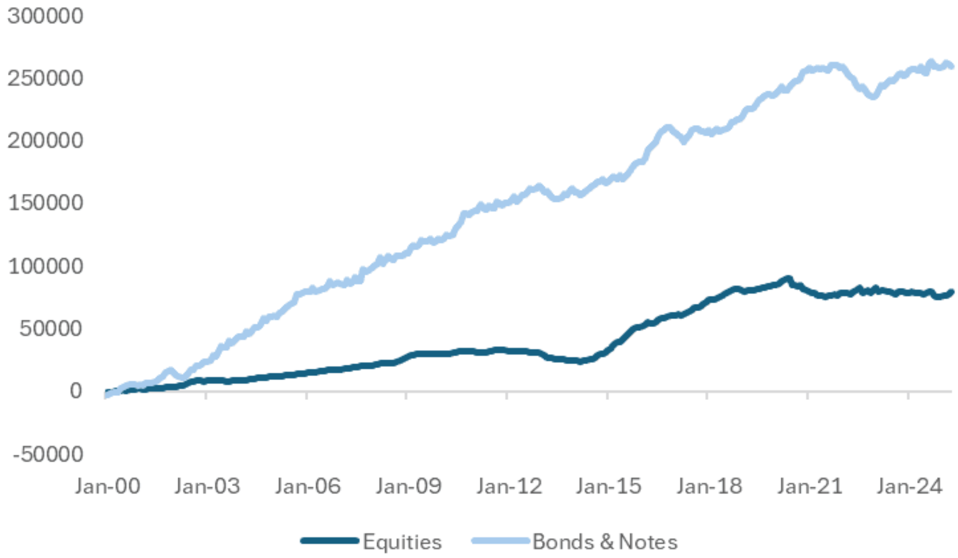
JAPAN

JAPAN: Outbound Bond Investment Steady In Recent Years, Stock Still Large

Earlier headlines crossed from Japan's FinMin Kato that the country is seeking more JGB holdings by domestic investors. This comes after recent increased scrutiny of Japan's fiscal position, with poor auction results for longer dated securities driving higher back end yields. Speculation is the BOJ may shift its taper plans, while Japan's MOF may change the mix of its bond issuance, i.e. focus more on short dated rather than longer dated issuance.

- The broader implications of greater domestic participation in JGBs may mean less outbound investment to overseas bonds (and potential equities). This could have implications for offshore debt markets.
- The chart below plots cumulative outbound investment flows into overseas bonds and equities since 2000. Investments into offshore bonds dominates, although outflow trends to both bonds and equities have flatlined in recent years.
- In this sense, Japan has become a less important marginal buyer of overseas bonds/equities in recent years, at least compared to the period prior to 2020. Still, its stock of holdings remains very large.

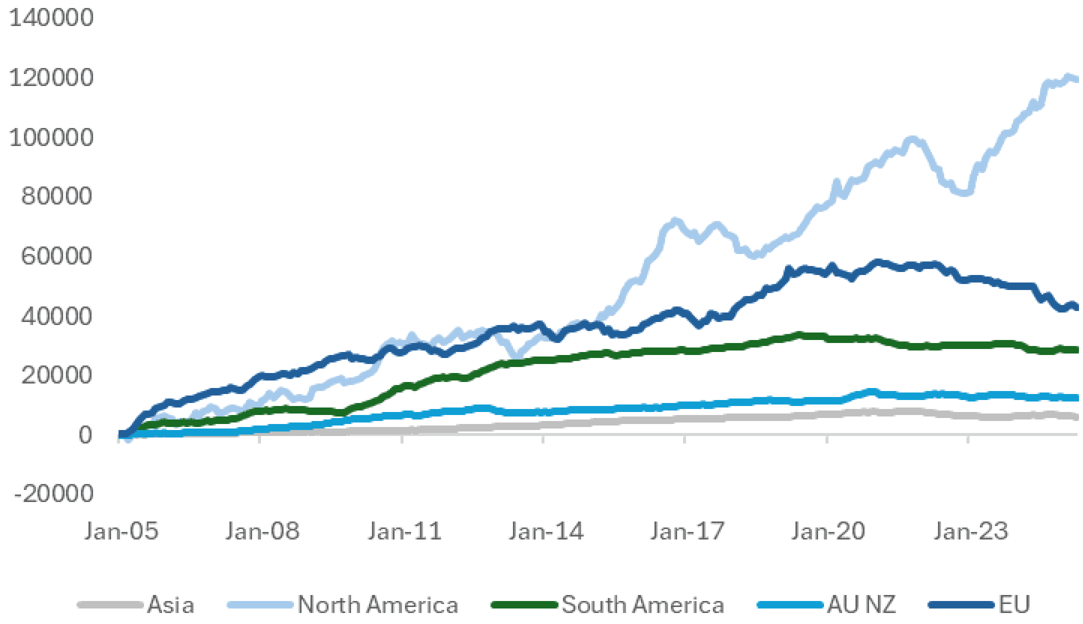
Fig 1: Japan Cumulative Outbound Portfolio Flows (JPY Billions)



Source: Bloomberg Finance L.P./MNI

- If we see disinvestment of offshore portfolio holdings, particularly in the bond space, what country's/regions might be impacted? The second chart below looks at cumulative flows back to the start of 2005, with North America very dominate (i.e. the US) in recent years.
- This is followed by the EU, although cumulate inflows peaked back in early 2021. Cumulative flows to Germany have been trending lower over the past decade, and are now comfortably negative. France and Italy have been relatively steady, while France has been losing ground in recent years (but still represents the largest stock. Still, this is still modest compared to the cumulative flows that have been seen to the US.
- There are obviously lots of factors in play in terms local investors asset allocation decisions, but these flows/stocks are worth being mindful of if local investors are called upon to support the home bond market.

Fig 2: Japan Cumulative Outbound Flows To Long-Term Debt Securities (JPY, Billions)



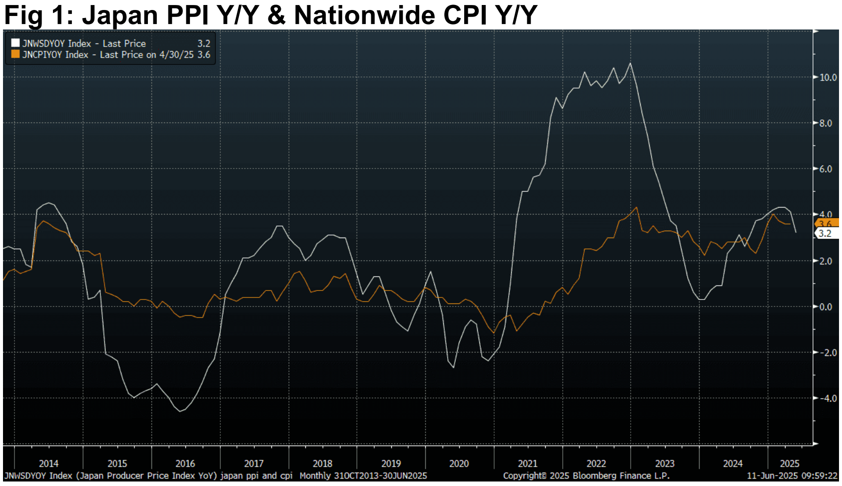
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: PPI Weaker Than Forecast, Off Cycle Highs, Imports Down -10.3%Y/Y

Japan's May PPI was below market expectations, we fell 0.2% m/m (against a +0.2% forecast). April's rise was revised to +0.3% (from 0.2%). In y/y terms we printed 3.2%, against a 3.5% forecast (prior was 4.1%).

- The chart below plots the headline PPI y/y, against Japan CPI y/y. At face value it is suggesting less upside pressure on headline CPI pressures.
- In terms of the detail, manufacturing PPI was down 0.4%m/m. Weakness was evident in commodities, particularly petroleum, coal (-4.8%m/m). Iron ore and steel was also down in m/m terms.
- Import prices for commodities were down 1.1%m/m, continuing a negative trend, now off 10.3% in y/y terms.

Fig 1: Japan PPI Y/Y & Nationwide CPI Y/Y



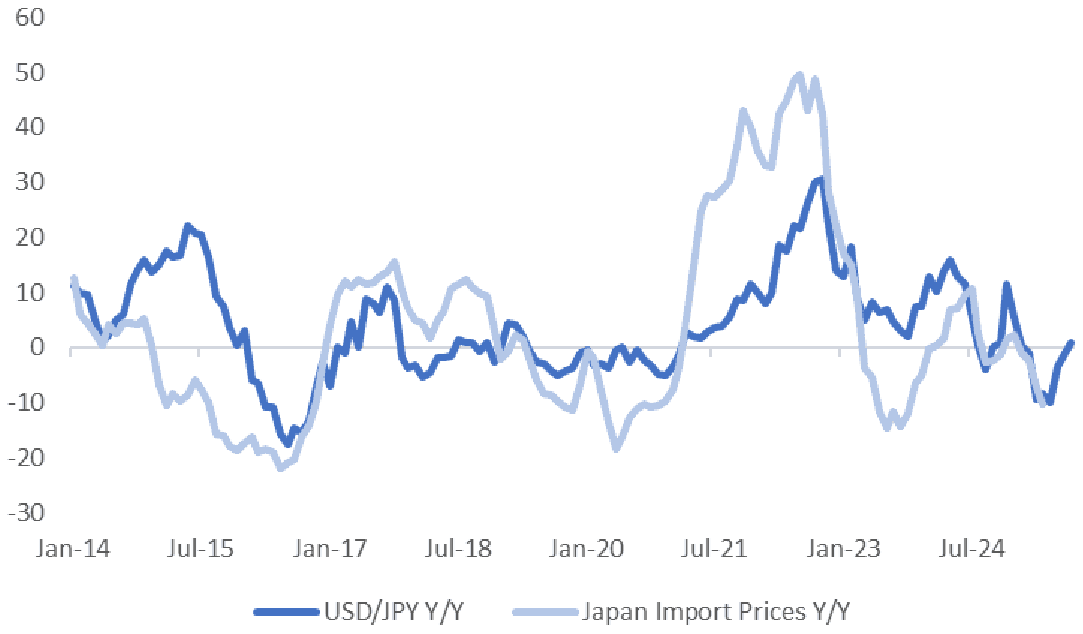
Source: Bloomberg Finance L.P./ MNI

JAPAN DATA: Firmer Yen Y/Y Backdrop May Keep Import Prices Negative Near Term

Japan import prices in May fell to -10.3%y/y, the weakest read since Oct 2023. The chart below plots USD/JPY y/y changes against Japan import prices y/y. Note the y/y line for USD/JPY is extended to end Q3 of this year by assuming that current USD/JPY levels hold until then. If such conditions hold it suggests that the negative impulse to import prices from a stronger yen will fade by the end of Q3.

- If USD/JPY falls to say 140.00 and holds there, then the negative y/y import pulse may persist beyond end Q3. The rough sell-side consensus is for USD/JPY to track lower, not higher as we progress through 2025.
- At the margin, the firmer yen backdrop compared to 2024 may have given the BoJ some comfort around holding steady from a policy standpoint in the near term, even with real policy rates remaining negative.
- Import price shifts have a strong correlation with PPI y/y shifts: +87% for the past decade. The earlier headline PPI print suggested we may see headline CPI lose some y/y momentum as we progress through Q2.
- The PPI and CPI correlation has also been reasonable at +58%, but is much lower in terms of import prices and CPI at just 25%.

Fig 1: USD/JPY Y/Y & Japan Import Prices Y/Y



Source: Bloomberg Finance L.P./MNI

US-JAPAN: Major Gap Between US and Japan Stances On Trade/Tariffs

Headlines have crossed that there remains a major gap in the stance between the US and Japan around trade/tariff negotiations.

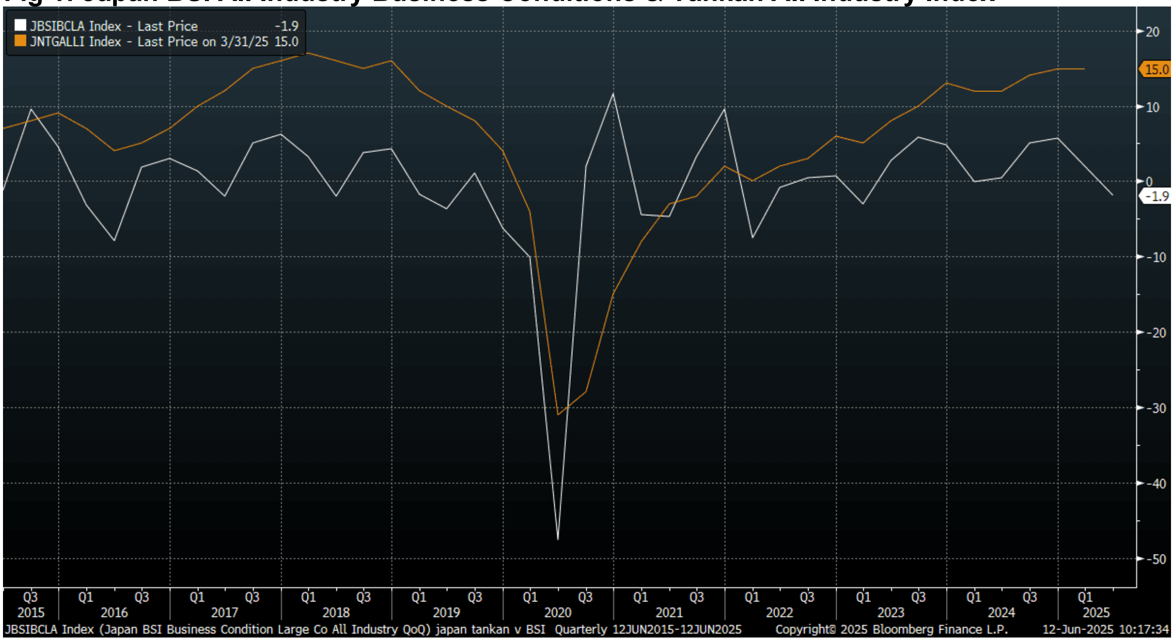
- BBG notes: " Japanese Prime Minister Shigeru Ishiba told opposition party leaders in a meeting to discuss US tariffs that there's still a major gap in stances between the two nations, Japan Innovation Party co-leader Seiji Maehara tells reporters."
- PM Ishiba had met with the other party leaders, stating it was important for a cross party response on US tariffs (per BBG).
- This comes ahead of an expected meeting between Ishiba and US President Trump on the sidelines of the upcoming G7 meetings in Canada. No time has been set though.
- Ishiba reiterated that any deal must benefit both sides and that Japan won't compromise its national interest (per BBG).

JAPAN DATA: BSI Q2 Survey Falls, Hinting At Softer Domestic Conditions

Japan's Q2 BSI gauge fell for both all industry and large manufacturing. The all industry reading was -1.9, from +2.0 in Q1. The large manufacturing read is now at -4.8 from -2.4 in Q1.

- For the all industry segment, we are now at lowest levels since early 2023. The reading tends to be more volatile than the more closely followed Tankan survey. The chart below plots the BSI all industry index against the Tankan all industry diffusion index (which is the orange line on the chart).
- Still, the BSI read is hinting at softer economic conditions. "Japan's 2Q domestic economic conditions fell -6.2 ppt" (via BBG), versus +3.1 in Q1. This reading was for all industries.

Fig 1: Japan BSI All Industry Business Conditions & Tankan All Industry Index



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

JAPAN DATA: Local Investors Dump Offshore Equities

The most notable feature of last week's investment flows was strong selling by local Japan investors of offshore equities. At nearly -¥1.5trln in net selling, it was the largest outflow from this segment since early Nov 2022. It also marked the fourth straight week of selling for offshore equities. Still, including this period, since the start of 2025, cumulative inflows rest near +¥5trln YTD. Recent selling goes against the generally positive global equity trends since in recent weeks.

- Local investors also sold offshore bonds for a second straight week, however, this only partially offsets the strong net buying seen since early May.
- In terms of inbound flows to Japan, we had net buying of local stocks from offshore investors for the 10th straight week, albeit in reduced size compared to May weekly averages.
- We also saw further inflows into local bonds, but again this was at a reduced pace compared to end May.

Table 1: Japan Offshore Weekly Investment Flows

Billion Yen	Week ending June 6	Prior Week
Foreign Buying Japan Stocks	180.2	336.1
Foreign Buying Japan Bonds	219.8	1165.4
Japan Buying Foreign Bonds	-458.6	-118.0
Japan Buying Foreign Stocks	-1489.0	-1144.1

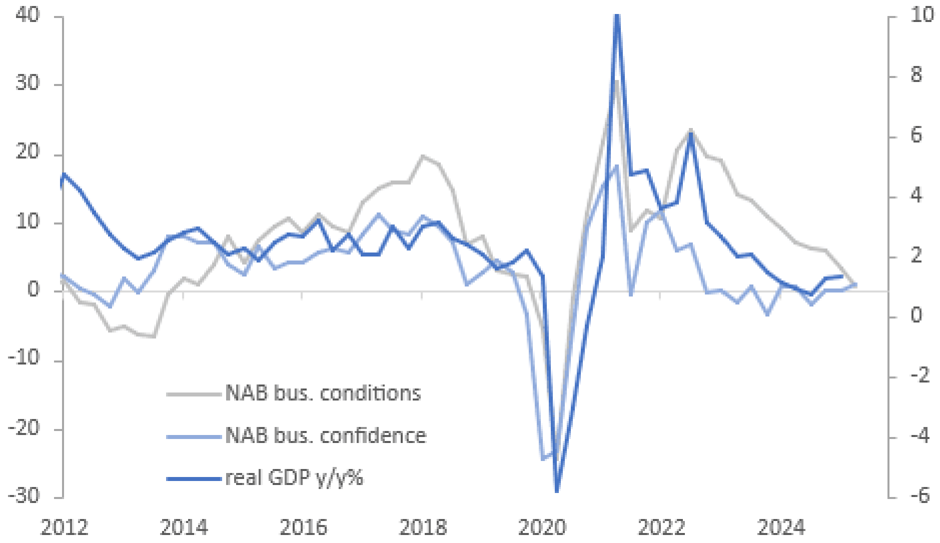
Source: MNI - Market News/Bloomberg Finance L.P

AUSTRALIA

AUSTRALIA DATA: Employment Weakens But Forward Orders Improve

NAB business confidence continued to oscillate around zero in May as it has done for around two and half years. It printed at +1.9 after -0.9 in April, the highest since January. However, conditions carried on their downtrend reaching 0.3 in May following 1.6, the lowest since the Covid-impacted August 2020. Q2 average confidence is suggesting a stabilisation in annual growth in the quarter but conditions suggest it will slow.

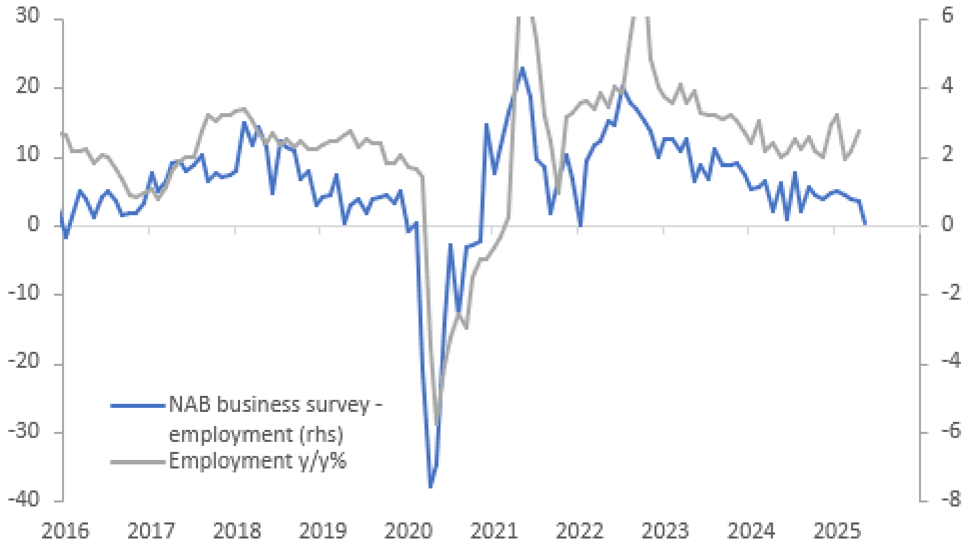
Australia NAB business survey vs GDP y/y%



Source: MNI - Market News/LSEG

- Business conditions were driven down by employment and trading. Profitability was stable. In terms of the outlook, forward orders improved to -1.8 from -3.0, the best since October 2023. Given heightened global uncertainty, there was good news on the export front with both current and sales rising in May to their highest since December.
- Labour demand fell to 0.4 in May from 3.6, the lowest since January 2022. The trending down over this year is suggesting that employment growth is likely to slow. May data prints on June 19.

Australia employment



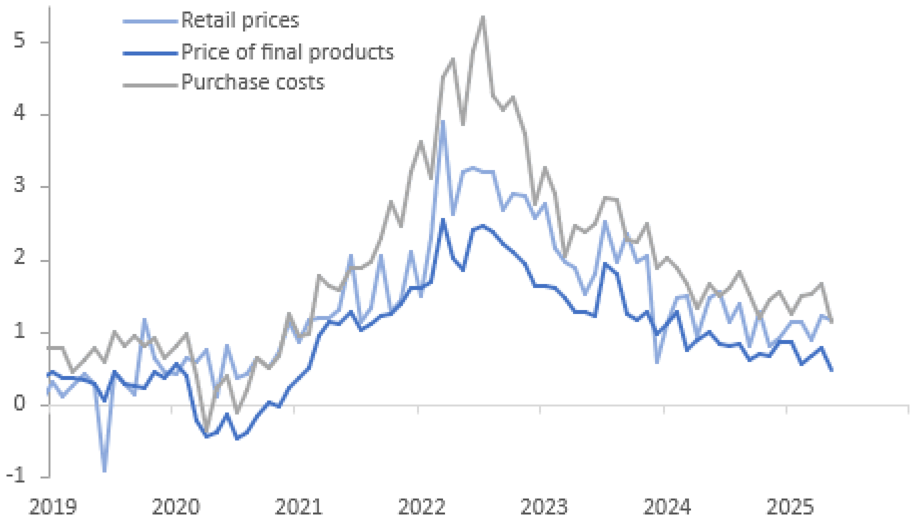
Source: MNI - Market News/LSEG/ABS

AUSTRALIA DATA: May NAB Business Labour Costs Fastest Since January

NAB business price/cost components in May were mixed containing elements of concern and optimism. The pickup in labour costs in addition to signs that wage growth is rising again are likely to be monitored closely. The employment component of the survey though was very weak which may pressure pay gains.

- Purchase costs rose 1.1% 3m/3m and the price of final products were up only 0.5%, both the slowest since January 2021. Retail prices rose 1.2% 3m/3m, unchanged from April and the fastest since October.

Australia NAB business prices/costs 3m/3m %



Source: MNI - Market News/LSEG

- However, labour costs rose 1.7% 3m/3m from 1.5% in April, highest since January and signalling that wage growth may have risen further in Q2 after both the annual rise in WPI and compensation per employee increased in Q1 with April SEEK advertised salary growth steady.
- Businesses in certain sectors noted to the RBA that it was difficult to pass higher costs onto customers.

Australia labour costs 3m/3m %

Sources: MNI - Market News/SEEK/LSEG

AUSTRALIA DATA: Lower Rates/Inflation Cautiously Boosting Confidence

Westpac's measure of consumer confidence rose 0.5% in June to 92.6 after May's 2.2% increase boosted by 50bp of RBA easing this year and lower inflation. The index is at its highest since January but still 1.8% below that level as global events have weighed on sentiment.

- The survey was taken after the RBA cut rates on May 20, which likely supported sentiment this month. This and lower inflation are reflected in the 7.5% m/m pickup in "time to buy a major purchase" to 100.2. Westpac expects the Board to remain cautious and be on hold in July with the next easing in August.

Australia Westpac consumer confidence

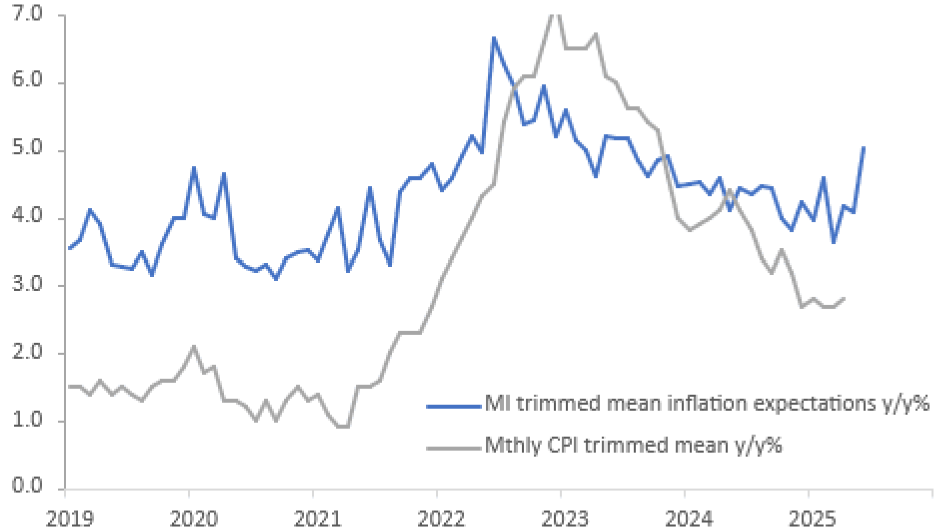
Source: MNI - Market News/LSEG

- While consumer confidence is improving, global events continue to be a dampener. Westpac asked about news recall this month and for "international conditions" 77% assessed it as "unfavourable", a 3-year high. Forward-looking components of consumer sentiment also were more negative than current ones, reflecting elevated global uncertainties around the outlook.
- 63% assessed news reports around inflation as "unfavourable" down 2pp since March and 13pp since December. Interest rate news was seen as more positive than negative for the first time since 2021.
- Unemployment expectations rose 5% m/m to 127.4, just below the series average of 129.
- Family finances compared to a year ago rose 0.5% m/m, while over the coming year they fell 1.9%. This is despite around 80% of respondents expecting rates to fall over the year.
- "Time to buy a dwelling" rose 3.6% m/m, while house price expectations jumped 7%, highest since 2013.

AUSTRALIA DATA: Inflation Expectations Highest Since 2023

Melbourne Institute consumer inflation expectations for June jumped to 5.0% from 4.1%, the highest and first print above 5% in almost two years. They were 4.4% in June 2024. They reached a trough in March of 3.6% and have been higher since likely boosted by concerns over the impact of US tariffs on inflation and higher petrol prices since then. The RBA will likely only be concerned if elevated inflation expectations and the causes persist and risk changing wage-setting behaviour.

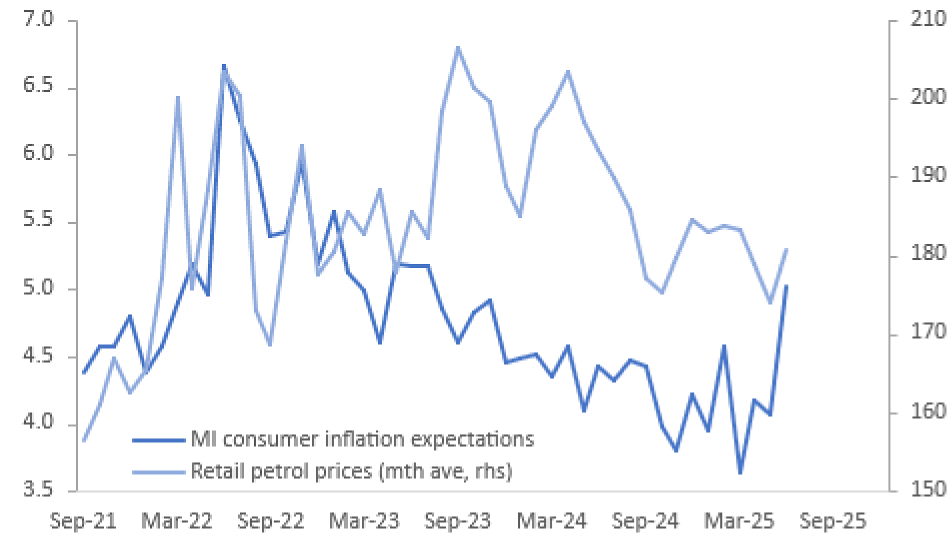
Australia trimmed mean CPI vs MI consumer inflation expectations y/y%



Source: MNI - Market News/LSEG/ABS

- Factors that may have driven the jump in inflation expectations include April monthly CPI data printing higher than expected at the end of May. Also national petrol prices have risen in each of the last three weeks to their highest level since late March. The first week of June was 3.9% higher than the May average price.

Australia MI inflation expectations % vs retail petrol prices



Source: MNI - Market News/LSEG/Australian Institute of Petroleum

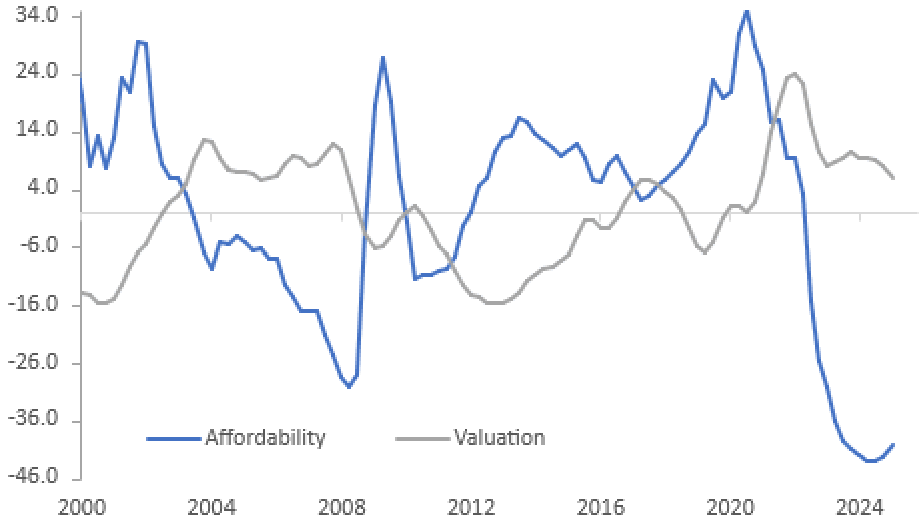
- However, the June Westpac consumer confidence report showed signs of less concern about price pressures with 63% assessing news reports around inflation as “unfavourable” down 2pp since March and 13pp since December.
- There are other signs of a stabilisation of disinflation with monthly core inflation not moderating since December and wage growth picking. The announcement of the 3.5% minimum wage increase on July 1 may have also boosted expectations even though it is the lowest since 2021.

AUSTRALIA: Gradual Progress On Housing Affordability Helped By Numerous Factors

There has been a moderate improvement in housing affordability with prices soft in Q4 and Q1, a strong rise in Q1 disposable income and mortgage rates lower, which should fall further with more RBA easing expected. However, affordability remains 40% below trend, only slight progress from the worst at 42.8% in Q3 2024. Housing also remains overvalued but the degree has declined. Structural issues in the sector persist with working age population growth picking up again while building approvals have weakened.

- Housing affordability was up 4.5% y/y in Q1 and is currently on track to rise by around 7.5% y/y in Q2, which would see the index rise to around 38% below trend. The Q2 average of Cotality home values is up 1.0% q/q but the annual rate has moderated to 2.8% from 3.8% and the 11.1% peak in Q1 2024.

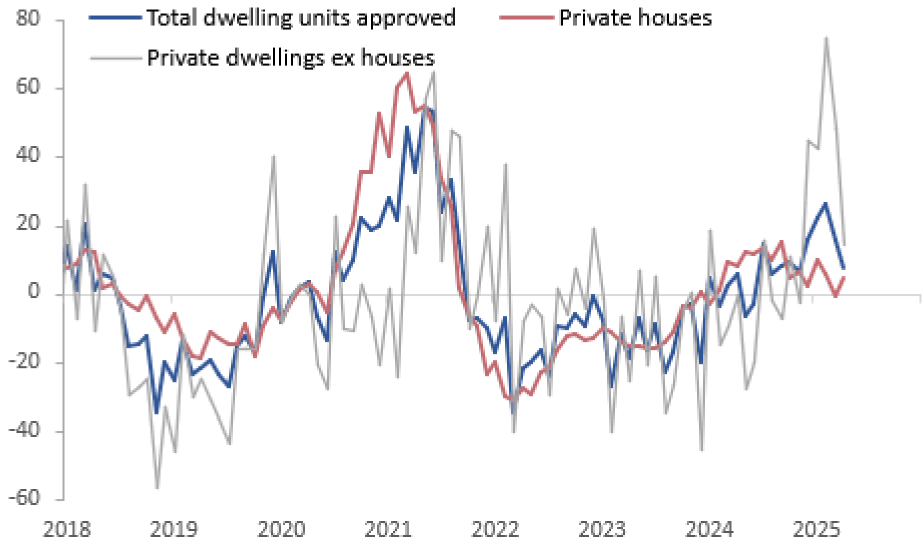
Australia housing affordability vs valuation % deviation from trend



Source: MNI - Market News/LSEG

- Rental growth has also moderated with Q1 at 5.5% y/y down from 6.4% y/y and the 7.8% y/y peak in Q1 2024. As home price inflation has slowed more than rents, valuation is down 1.6% y/y but still 6.1% above trend down from 24.1% in Q1 2022.
- Demand remains solid with working-age population rising around 50k/month in 2025 and growth rising 2.6% y/y in April up from 2.4% and the July/August 2024 trough of 1.7% y/y.
- Q1 real residential investment rose 2.6% q/q, the strongest quarterly rate since Q1 2021, to be up 5.6% y/y. But the number of dwelling building approvals fell for the third straight month in April driven by the volatile multi-unit component but growth in private houses has also slowed.
- This is consistent with the sales of new homes falling 10.6% y/y in April with only NSW seeing an increase.

Australia building approvals y/y%



Source: MNI - Market News/ABS

NEW ZEALAND

RBNZ: Treasury Has Advised RBNZ To Increase Meeting Frequency

NZ Finance Minister Willis told Bloomberg News that following advice from Treasury she believes that the RBNZ should increase the number of meetings by one to 8 and thus reduce the 12-week long summer break, which she said was a concern. More scheduled meetings would allow the MPC to respond to economic developments. She noted that the RBNZ meets fewer times a year than other central banks. The RBNZ has not responded yet.

- Willis said “I’m particularly concerned about the 12-week break over summer, which is a long time to go between meetings … The central banks of England, Canada, Australia and the United States have shorter breaks and meet more frequently. I think the Reserve Bank should return to meeting eight times a year.”
- When asked previously about the long summer holiday, the RBNZ has said that it can respond to changing economic conditions in between meetings and that it continues to monitor data and events closely over December/January even though the MPC doesn’t convene.
- Treasury advised that the RBNZ could consider the option of meeting more frequently, which initially could be discussed by the central bank and Treasury leadership. This could then be followed by the RBNZ giving its own suggestions on the issue.
- Willis told Bloomberg though that it is a decision for the RBNZ to make but Treasury believes that there will be internal discussions about it at the central bank.

NEW ZEALAND: Soft Q2 Retail Card Transactions

NZ card transactions remained soft in May with retail sales falling 0.2% m/m to be up 0.2% y/y after -0.6% y/y helped by positive base effects. While the total rose 0.3% m/m, it had declined the previous four months, and is now up 0.2% y/y. 3-month momentum deteriorated for both series. Although the RBNZ doesn’t have a bias with rates in the neutral range, it is monitoring data and events very closely and this release is signalling weak Q2 consumption.

- Q2 average retail transactions are down 0.5% q/q to be up 0.2% y/y, strongest since Q4 2023, after -0.2% q/q & -1.2% y/y in Q1. Annual growth over April/May is suggesting the gradual recovery continued but remains soft. Nominal retail sales rose 1.5% q/q and 1.3% y/y in Q1.
- The weakness was impacted by lower fuel prices as the data is nominal. Fuel sales fell 2.4% m/m. There was a large rise in motor vehicle sales +2.6% m/m. Core retail transactions fell 0.2% m/m in May.
- Non-retail rose 1.5% m/m (including medical, travel and post), while services were down 0.2% m/m.

NZ retail sales y/y%

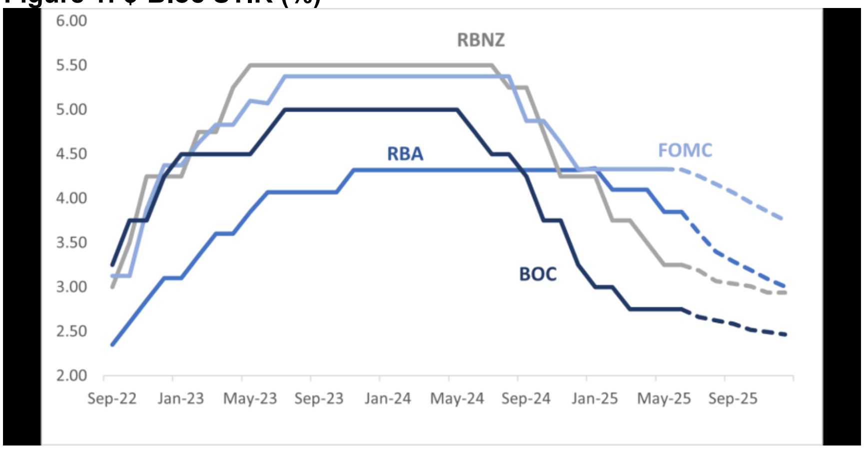
Source: MNI - Market News/LSEG

SHORT-TERM RATES $-Bloc Markets Little Changed Over Past Week, Focus On FOMC:

Interest rate expectations across dollar-bloc economies were broadly stable over the past week, with all markets showing net changes of less than 5bps through December 2025.

* The next key event for the region is the FOMC's June 18 policy meeting, where a 25bp rate cut is currently given a ~2% probability.
* While Chair Powell refrained from commenting on monetary policy during the inter-meeting period, his FOMC colleagues spoke extensively-and consistently. Nearly all echoed the message that the Committee can and should remain patient in making upcoming rate decisions.
* They identified inflation as the more pressing dual-mandate risk, citing resilient economic activity and a solid labour market in recent "hard" data. However, they cautioned that the full impact of tariffs is likely to show up in inflation data over the summer, tempering the significance of recent disinflation trends-including, likely, the May CPI report. Although longer-term inflation expectations are still considered anchored, many participants voiced concern that this may not last.
* Looking ahead to December 2025, current market-implied policy rates and cumulative expected easing are as follows: US (FOMC): 3.75%, -58bps; Canada (BOC): 2.46%, -29bps; Australia (RBA): 3.01%, -84bps; and New Zealand (RBNZ): 2.94%, -31bps.

Figure 1: $-Bloc STIR (%)



Source: Bloomberg Finance LP / MNI

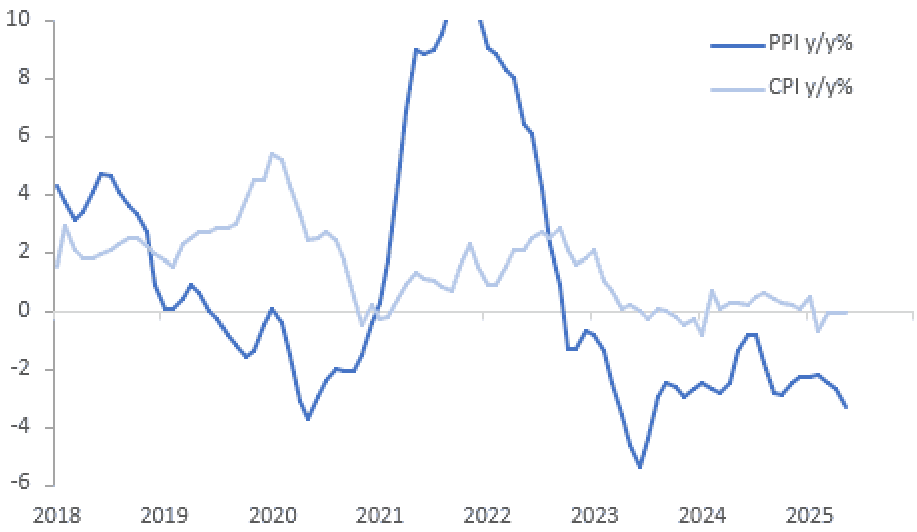
CHINA

CHINA DATA: CPI Remains In Deflation, Risks From Trade War Persist

China's May CPI inflation remained weak at -0.1% y/y, slightly better than consensus expectations, while core picked up 0.1pp to 0.6% y/y, the highest since January. Producer prices deteriorated further falling 3.3% y/y after -2.7% in April and the weakest since July 2023, signalling some possible upcoming downward pressure on headline inflation. Services & manufacturing PMIs signal a further softening in prices.

- Price wars have pushed prices into deflationary territory and kept them there. There is a significant risk that the CPI will stay negative due to trade tensions with the US, although talks are scheduled to continue today, as well as continued soft demand and intense competition.
- Lower oil prices and negative base effects pushed producer prices further into deflation. Also significant inventory building before the US announced a 90-day reprieve to its punitive tariffs on imports from China pushed input prices lower. Weaker fuel prices would have also impacted headline CPI.
- While talks to come to a trade deal with the US are ongoing, a return to a trade war would likely pressure China's domestic demand and push prices further into deflation.
- China's CPI is expected to rise 0.3% y/y this year with PPI -2% y/y, according to a Bloomberg survey.

China CPI vs PPI y/y%



Source: MNI - Market News/LSEG

CHINA DATA: Exports & Imports Below Forecasts, Exports To US Fall Further

China's May trade data saw recent trends broadly maintained, while outcomes were slightly below market expectations. Exports were 4.8%y/y, against a 6.0% forecast and 8.1% prior. Imports fell -3.4%y/y (versus -0.8% forecast and -0.2% prior). This left the trade surplus at $103.22bn, above April's outcome ($96.18bn) and the market consensus of $101.1bn.

- Trade with the US remains a focus point, with exports now down to $28.82bn, versus levels close to $49bn at the end of last year. This a -34%y/y outcome, per Bloomberg. Exports with other parts of Asia were mostly down a touch in May.
- Offset came from exports to the EU, up to $49.50bn from $46.71bn prior. Most individual EU countries saw a rise. Exports to the UK were yup to $7.46bn from $6.92bn and to Brazil, $6.45bn from $5.72bn.
- The trade surplus with the US eased to $18.01bn, from $20.46bn. To the EU it was steady at $26.62bn from $26.67bn. With parts of Asia, China's trade position was little changed from April levels.
- On the import side, volumes for commodity imports were mostly down, except for soybeans and natural gas. Coal, crude oil and iron ore were all off April levels.

- Focus will be on US-China trade talks alter today in London, although trends still slowed in May in terms of exports to the US, even with lower tariff levels agreed to at the meting in Geneva.

US-CHINA: Geneva Consensus Agreed To, Up To Leaders To Agree On Implementation

The main take away appears to be that both sides have reached an agreement to implement the consensus that was reached at Geneva meetings held in May. After this we had accusations from both sides that they were violating this agreement. It appears talks got back on track following the recent Trump-XI phone call.

- It was noted by both sides, after today's meetings in London, that they would travel back to their respective countries and seek approval from their leaders on implementing this framework.
- A lot of focus from the US side has been on more rare earth supplies reaching US customers- Bloomberg noted earlier: "The key issue this week is re-establishing terms of an agreement reached in Geneva last month, in which the US understood that China would allow more rare earth shipments to reach American customers. The Trump administration accused Beijing of moving too slowly, which threatened shortages in domestic manufacturing sectors.
- US Commerce Secretary Lutnick stated it is expected that the rare earths issue will be resolved. US Trade Representative Greer added that if the Geneva consensus is implemented then it could open up for further talks.
- From the China side, at this stage we haven't heard much other than that the two sides agreed a consensus on the Geneva meeting and that the framework will be reported to leaders (per RTRS).

SOUTH KOREA

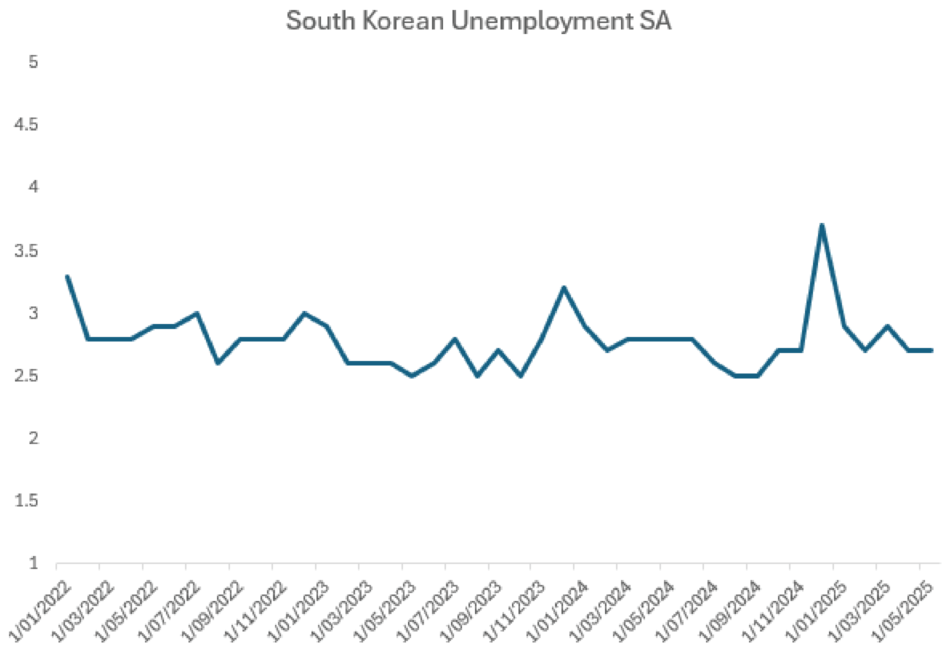
SOUTH KOREA: Current A/C Surplus Weighed By Equity Dividend Outflows In April

South Korea's April current account surplus narrowed sharply. From $9.145bn in March, we fell to $5.7bn in April. This largely reflected a sharp swing in the income balance, as net investment income swung from a surplus to a deficit. We printed -$648mn on net equity income, versus a +$2597mn in March. This swift likely reflected dividend related outflows to offshore investors in April.

- This is the seasonal norm, with the portfolio investment income balance returning to surplus in May in recent years. This often leads to improving current account trends as we progress through Q2, all else equal.
- The goods balance remained healthy, just short of $9bn for April.
- There weren't sharp shifts elsewhere in the current account position.

SOUTH KOREA: Unemployment Steady at 2.7%

- South Korea's May unemployment steady at 2.7% despite global headwinds.
- There was some expectations for a rise in the unemployment rate but an unexpected the service sector and a slower contraction in the manufacturing decline left the rate steady.



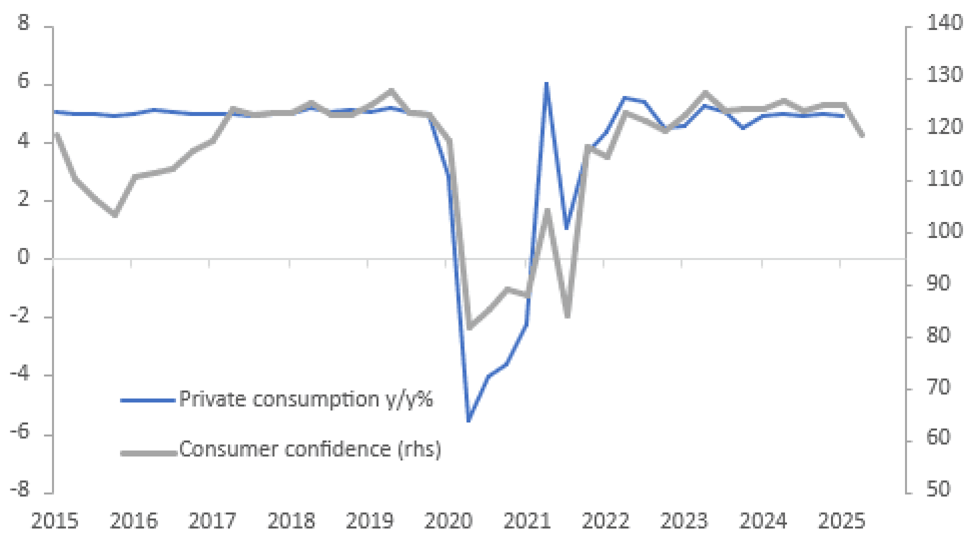
source: Bloomberg Finance LP / MNI

ASIA

INDONESIA: Weak Q2 Sentiment Suggests Slowdown In Consumption

Consumer confidence fell sharply in May to its lowest since September 2022, Bank Indonesia's tightening cycle had begun the month before. Despite a 25bp rate cut in May, sentiment fell to 117.5 from 121.7 with the weakness broad-based across current conditions and expectations. Subdued disposable income growth and cost-of-living pressures have weighed on sentiment which is signalling a slowdown in Q2 spending. The next BI decision is June 16 and it's likely to be on hold.

Indonesia consumption



Source: MNI - Market News/LSEG

- Confidence fell 3.5% m/m in May with expectations also down 0.6% m/m likely impacted by current heightened global uncertainty related to US tariffs. The assessment of economic conditions was down

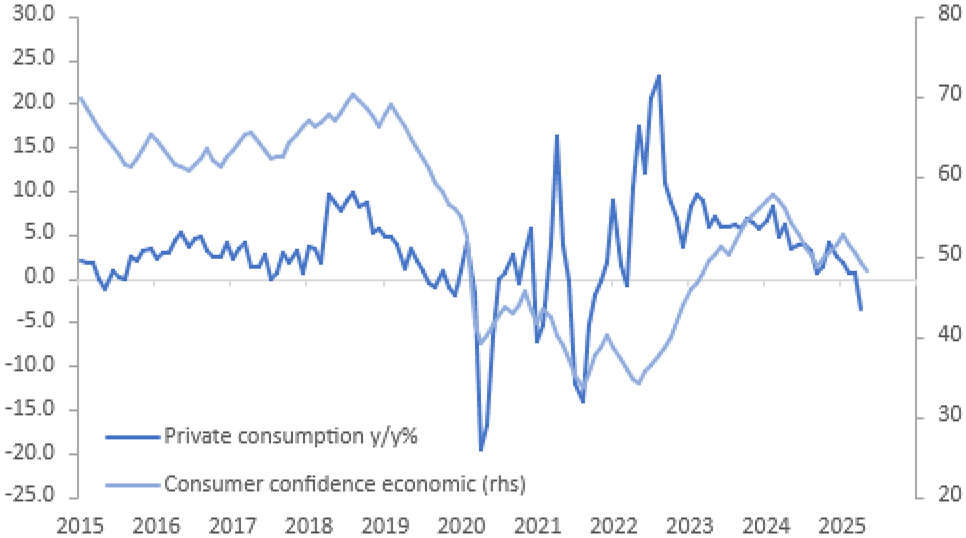
6.7% m/m, suggesting a difficult current environment which is likely due to both domestic and global developments.

- On the one hand, the S&P Global manufacturing PMI has printed below the breakeven 50-mark for two consecutive months, auto sales fell in three out of four months in 2025 and Q1 GDP showed a slowing in growth which is expected to continue.
- On the other hand, the PMI showed optimism around the outlook with a pickup in hiring, April tourist arrivals rose strongly with the annual rate at 14%, retail sales are recovering rising 5.5% y/y in March and export growth is holding up at about 7.5% y/y 3-mth average supported by solid growth to China. Import growth has risen over 2025 suggesting solid domestic demand.

THAILAND: Continued Decline In Confidence Signalling Weaker Consumption Outlook

May UTCC consumer confidence moderated to 54.2 from 55.4, the lowest since March 2023, while the economic assessment fell to 48.1 from 49.3, the second straight reading below the breakeven 50-mark. The trend is signalling a further slowdown in consumption. Heightened global uncertainty is likely weighing on sentiment but softer domestic conditions are also playing a part with employment and future incomes weakening further in May. UTCC is forecasting Q2 GDP growth of 1% with FY25 at 1.5-2%.

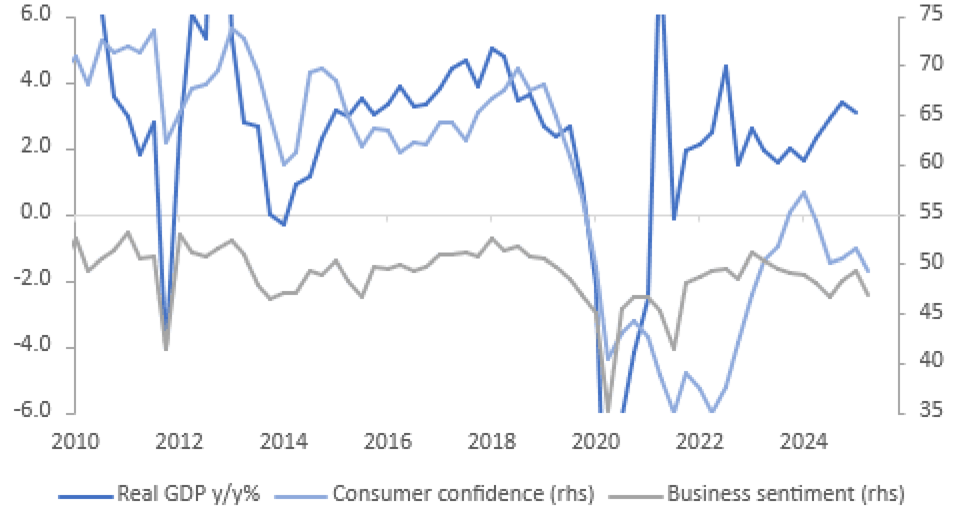
Thailand consumer confidence economics vs private consumption y/y%



Source: MNI - Market News/LSEG

- Present confidence fell 1 point to 38.8, the fourth consecutive decline, with the outlook down to 61.7 from 62.9. Government stimulus hasn’t been fully implemented this quarter.
- Employment fell 0.3% y/y in April which was an improvement from -0.9% y/y. The employment component of the consumer survey fell 1.1 points to 51.9 with future income down 1.2 points to 62.7.
- Q1 real private consumption slowed to 2.6% y/y from 3.4% and consumer confidence is suggesting that it could moderate further in Q2. Monthly spending data showed the second straight monthly sharp decline in April leaving it down 3.6% y/y after rising 0.7% y/y in March.
- Sluggish tourist numbers are also likely weighing on spending in Thailand. They fell 7.6% y/y in April.
- Lending to individuals also remains weak falling 2.9% y/y in April.
- Merchandise import growth at around 10% y/y though is signalling that domestic demand remains solid.

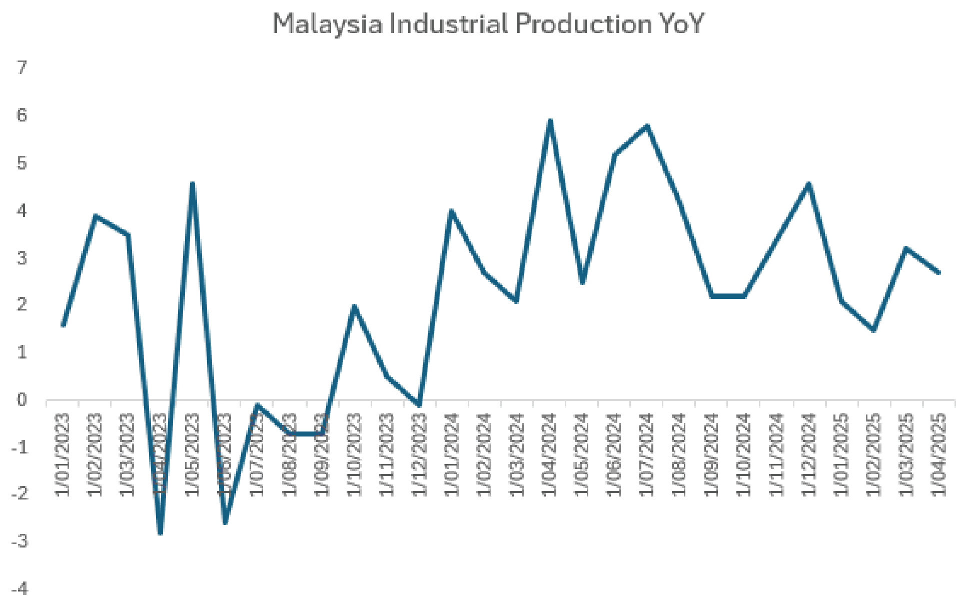
Thailand sentiment vs private consumption y/y%



Source: MNI - Market News/LSEG

MALAYSIA: Industrial Production Up +2.6% in April

- Malaysia's Industrial Production in April expanded +2.7% YoY missing estimates yet remains above the 3-year average.
- The market had expected an improvement on March's +3.2% result.
- Mining was the biggest drag on the performance, contracting over the month by -6.3%
- Manufacturing however was very strong up +5.6% versus +4.0% in March.
- The BNM next meets on July 09 with some domestic investors suggesting that the probability of a rate cut is growing.



Source: Bloomberg Finance LP / MNI

ASIA EQUITY FLOWS: South Korea & Taiwan Equity Flows Positive Up To Thursday :

Asia equity flows were positive for South Korea and Taiwan yesterday, but modestly negative for the rest of the region. In the past week, inflows remain strong for South Korea and Taiwan.

* Given sharp equity losses in the region today, we may see some of these inflow trends turn less positive.

Table 1: Asia Equity Flows

	Yesterday	Past 5 Trading Days	2025 To Date
South Korea (USDmn)	307	2632	-7694
Taiwan (USDmn)	177	2333	-10368
India (USDmn)*	-15	819	-10194
Indonesia (USDmn)	-17	-20	-2963
Thailand (USDmn)	-23	4	-2158
Malaysia (USDmn)	-30	-56	-2568
Philippines (USDmn)*	-1	-14	-527
Total (USDmn)	398	5697	-36471

* Data Up To June 11

Source: Bloomberg Finance L.P./MNI

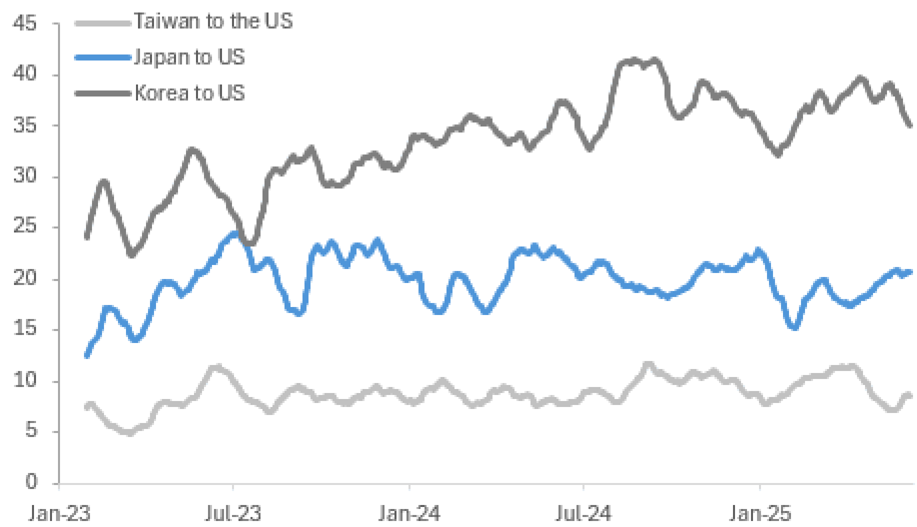
GLOBAL

GLOBAL MACRO: Ships To US Normalising But Frontloading May Reduce H2

Container ship tracking data suggest that trade flows have picked up again following the April 2 US announcement of extensive reciprocal tariffs as traders take advantage of the 90-day delay which expires July 8. Most major routes to the US have seen the number of vessels return to around average. Trade talks are ongoing and will determine if this stays the case in Q3 but the inventory build ahead of deadlines may drive a reduction in global trade flows in H2 anyway.

- Bloomberg's container ship count data covers the number of loaded ships leaving for the US. Looking at the 30-day average, shipments from Europe, Korea, Taiwan and Japan rose over Q1 to beat initial US deadlines, and then all ex Japan declined over April.

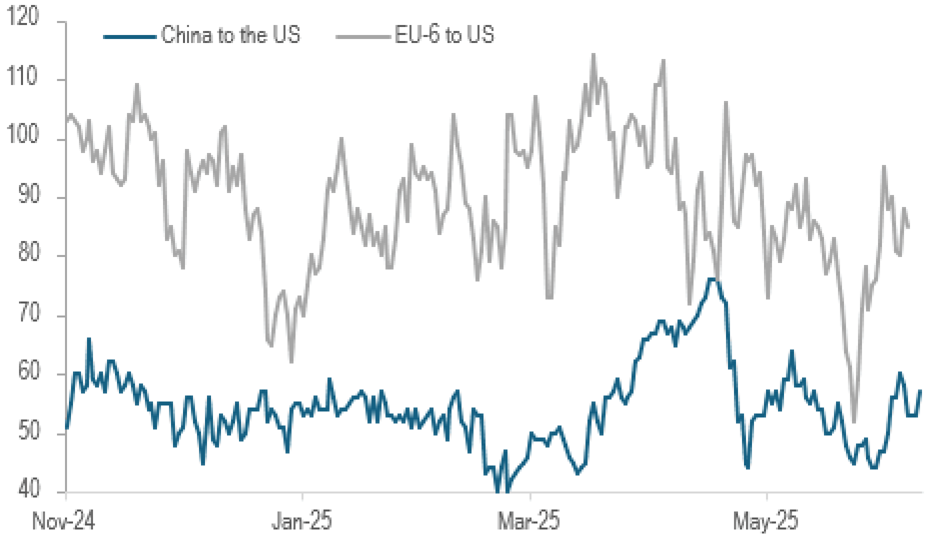
Bloomberg container ship count 30-day moving average



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

- Interestingly cargos leaving China had been trending down from September to end-March signalling no intention to frontload exports. However, then they rose sharply to mid-April before plummeting again in line with the escalation in the US-China trade spat but at the end of April before the US-China Geneva meeting announcement on May 11 they rose sharply possibly on a willingness to absorb tariffs or expectations that they would be delayed or reduced before the ships arrived.

Bloomberg container ship count



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

- In June, the number of ships departing China for the US is around 5 above the average from 2023 to end-January 2025 suggesting a normalisation of trade flows or some frontloading. The number from Japan is in line with this average signalling expectations that a deal will be agreed. Taiwan is one ship above average this month and Korea is two.
- While European ships to the US are off the May 23 low, in June they were still 10 vessels below average. There was significant European frontloading in Q1, as seen by Irish pharmaceutical exports to the US, and this below-par recovery may reflect that.

GLOBAL MACRO: Sharply Higher June Shipping Rates Suggest Stronger Trade Growth

Container rates are consistent with a trade recovery over Q2 following the delay of US tariffs to early July, as also signalled by Bloomberg ship tracking data. Rates are significantly higher over May/June. Increased sailings since end-May have increased vessel demand and thus costs. Trade talks with the US are ongoing and will determine if rates rise further but inventory build ahead of tariff deadlines may drive a reduction in global trade in H2 anyway.

- The recent rise in bulk and container rates suggests that global trade growth (CPB) could trend higher towards mid-year after picking up to 6.6% y/y in March from 3.0% y/y in December.

Global trade growth vs Baltic Freight Index

Source: MNI - Market News/LSEG

- The FBX global container index was up almost 60% on June 10 from 31 May with China/East Asia to North American east coast up 78%, to the Mediterranean +43% and Baltic Freight Index (BFI) +18.5%.

FBX container rates USD/points

Source: MNI - Market News/LSEG

- The month average FBX global rate fell sharply in the three months to April but then rose 4.7% m/m in May and is +69% m/m in June to date reaching its highest level since January. This increase is likely to reflect both optimism of a trade deals being reached plus further frontloading of exports in case they fail. But the FBX index is still down 15.2% y/y in June after -32% y/y.
- The China/East Asia to North American east coast route began to rise in April and the June average is up 85% m/m but still down 11.4% y/y but has reached its highest since September 2024.
- Bulk commodities have also seen an increase in shipping prices but less than containers. The BFI June average is up 22% m/m after falling in April and May and is still down 14.6% y/y but after 28.8% y/y.

US: Trump To Set Unilateral Tariff Rates Within Two Weeks

US President Trump spoke to reporters at the Kennedy Center, with a number of remarks focusing on trade/tariffs and the Middle East.

- Trump confirmed earlier reports of US personnel being moved out of parts of the Middle East. This follows overnight report that the US embassy in Baghdad is readying for an evacuation amid rising regional security tensions, likely linked to concerns over failed nuclear talks with Iran, Reuters reported. Iran threatens to target US. bases if nuclear talks fail, heightening fears of military conflict, Reuters said.
- On trade, Trump stated that he would set the unilateral tariff rate within two weeks (per BBG). This comes ahead of the July 9 deadline, when the 90-day pause on reciprocal tariffs will expire.
- Trump stated he would be willing to extend the deadline but didn't think it would necessary. Via Rtrs: "Trump, speaking to reporters before a performance of "Les Miserables" at the Kennedy Center, said trade negotiations were continuing with about 15 countries, including South Korea, Japan and the European Union. He said the U.S. would send out letters in one to two weeks outlining the terms of trade deals to dozens of other countries, which they could embrace or reject."
- US Tsy Secretary Bessent said overnight that the US may extend the tariff pause for countries/regions dealing in 'good faith' on trade.
- The USD is weaker, with yen marginally outperforming post these Trump headlines this morning, while US equity futures have ticked down as well.