mni

All Signal, No Noise

MARKET ANALYSIS

MNI Asia Pac Weekly Macro Wrap

2 May 2025 – By Jon Cavenagh, Jaime Grant, Maxine Koster, Stephen Petrie & Gavin Stacey

JAPAN

- As widely expected, the BoJ left its policy rate unchanged at 0.50%, which was a unanimous decision of 9-0 by the board. The economic outlook was downgraded though in terms of both lower GDP and inflation forecasts. It also notes prices and growth risks for the 2025 and 2026 fiscal years rest to the downside. BoJ-dated OIS pricing has softened by 1-5bps compared to pre-MPM levels.

AUSTRALIA

- Q1 headline and underlying inflation printed 0.1pp higher than expected but the trimmed mean at 2.9% y/y is below the top of the RBA's 2-3% target band for the first time since Q4 2021, which is likely to mean another 25bp rate cut in May. The RBA should also be reassured by the moderation in services inflation.
- Opinion polls continue to point to a return of the incumbent Labor government following Saturday's federal election but it remains unclear whether it can hold onto its majority. The average of surveys in the second half of the month is at 52.5% to 47.5%.

NEW ZEALAND

- It is likely that the ANZ April business survey was impacted by US tariff announcements, as it noted that "forward-looking activity indicators were sharply lower in the late-month responses".
- Filled jobs rose 0.2% m/m in March but are still down 1.5% y/y after being flat and down 1.6% y/y. However, the 3-month annualised rate at 0.4% turned positive for the first time since April 2024, signalling that Q1 employment may be flat to slightly higher on the quarter when data is released on May 7.

SHORT TERM RATES

- Rate expectations across the $-bloc have remained broadly unchanged through December 2025 over the past week.

CHINA

- China's official PMI manufacturing slipped into contraction in April. The details showed new orders were down to 49.2, back to lows from Jan of this year. New export orders slumped to 44.7, which is fresh lows back to end 2022. The tariff impact is clearly in play here, with anecdotes of sharp declines in China to US hipping highlighted in recent weeks.

SOUTH KOREA

- South Korean data showed better than expected headline export growth for April, but day count effects were in play. CPI for April was a touch above expectations but should stop further BoK easing.

ASIA

- The Bank of Thailand (BoT) cut rates 25bp to 1.75% as expected in a 5 to 2 vote. The move was driven by a lower growth outlook with risks skewed to the downside, tight financial conditions and inflation expected to stay below the bottom of the 1-3% band.

GLOBAL

- Shipping rates have been trending lower since mid-2024 as threats to Red Sea shipping dissipated and much of the related jump has now been unwound. They have taken another leg down since January this year though, as threats to global trade volumes from US tariffs weigh on prices charged.

JAPAN

BOJ: Downgrades Both Inflation & GDP Forecasts, Trade Uncertainties Highlighted

As widely expected, the BoJ left its policy rate unchanged at 0.50%, which was a unanimous decision of 9-0 by the board. The economic outlook was downgraded though in terms of both lower GDP and inflation forecasts. It also notes prices and growth risks for the 2025 and 2026 fiscal years rest to the downside. The central bank retained its bias that if the outlook is realized it will raise rates further, but the central bank places a caveat on that given extreme uncertainties around the trade outlook.

- In terms of core inflation forecasts, the 2025 FY was nudged down to 2.2%, from 2.4%, while 2026 is now at 1.7%, form 2.0% prior, while for 2027 it is at 1.9%, so sub the BoJ's 2% inflation goal.
- The core measure which also excludes energy was nudged up for 2025 FY to 2.3%, from 2.1%. The 2026 FY forecast was nudged down to 1.8% from 2.1% prior. For 2027 this metric was forecast at 2.0%.
- On growth, FY 2025 is projected at 0.5% versus 1.1% prior. 2026 at 0.7%, from 1.0% prior and 2027 was at 1.0%.
- The central bank also noted that real yields remain at a significantly low level, i.e. policy rates can rise further but the overall stance is likely to remain accommodative.
- The key lines from statement: ""If our economic and price forecasts are realised, we will continue to raise our policy rate," the BOJ said in a statement.
- "Considering extremely high uncertainties over the future course of trade and other policies in each jurisdiction," however, the BOJ will scrutinise economic price developments and guide policy without pre-conception, it said." (via Rtrs).
- The next policy meeting is in June, and unless we see a very sharp turnaround on the trade/tariff outlook it's difficult to see the central bank raising rates at this meeting. Current market pricing has very little priced in in terms of BoJ tightening to the end of 2025.

JAPAN DATA: Retail Sales Pot Slight Miss, Still Up +3%y/y

Japan retail sales were slightly below market forecasts. We were -1.2%m/m, against a 0.7% forecast, with Feb revised to a 0.4% gain. In y/y terms we rose 3.1%, against a 3.5% forecast and 1.3% in Feb.

- The y/y trend is around mid range of the past 12 months as we have oscillated between flat to +5%. The authorities remain focused on driving sustained/positive real household spending growth, aided by positive real wages growth. The next round of labour earnings data is due next Friday.
- Looking at the detail, the biggest m/m declines were for motor vehicles -4.8%m/m, and department stores -3.7%m/m.

JAPAN DATA: March IP Below Expectations, Trend Close To Flat Y/Y

Japan March preliminary industrial production was below market forecasts, down 1.1%m/m, versus -0.4% expected. In y/y terms we came in at -0.3% versus 0.8% forecast (0.1% was the prior outcome).

- The y/y trend hasn't been able to see much upside traction for a number of years now. The current y/y pace is slightly above averages for 2023/24 but only marginally.
- By sub-sector, capital goods production rose 0.6%m/m, but ex transport was negative m/m. Shipments were negative. Durable consumer goods saw a sharp 6.5% fall, while non-durable consumer goods were also down. A government official also noted the sharp falls in motor vehicle production in March (down 5.9%m/m) due to lower exports and supply constraints (per RTRS).
- METI still looks for solid rises in output for April and May, although the trade/tariff outlook may derail such projections.

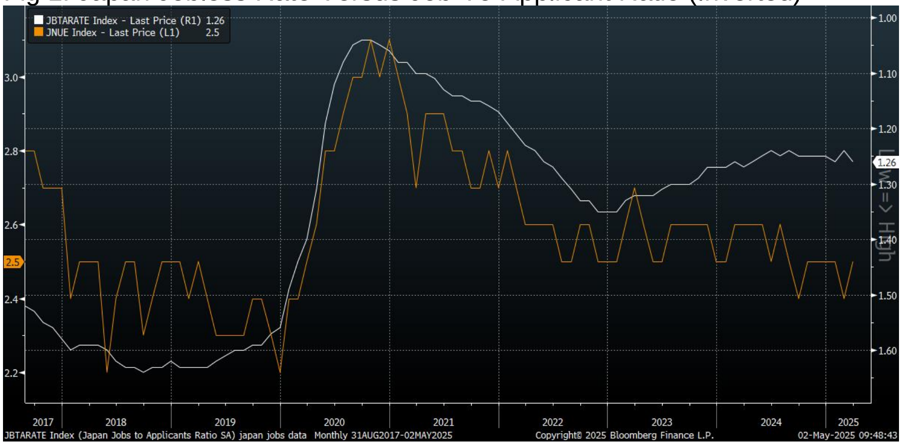
JAPAN DATA: Jobless Rate Edges Higher, But Still Close To Cycle Lows:

Japan's jobless rate for March edged up to 2.5%, against a 2.4% forecast, which was also the prior outcome. The job-to-applicant ratio firmed to 1.26, versus a 1.25 forecast and 1.24 recorded in Feb.

* The chart below plots the job-to-applicant ratio, which is inverted (the white line on the chart) against the unemployment rate. Today's March prints don't really change the broader labor market picture. The unemployment

rate has risen but only from recent cycle lows, while the slight uptick in the job-to-applicant ratio modestly closes some of the wedge between the two series.
* In terms of the detail, the number of employed people fell by 80k m/m following the -110k drop in Feb. The participation rate edged up to 63.3%, but is sub late 2024 highs.
* A still tight labor market should supporting underlying wage momentum, but some slowing in total people employed will be a watch point.

Fig 1: Japan Jobless Rate Versus Job-To-Applicant Ratio (Inverted)



Source: MNI - Market News/Bloomberg

JAPAN DATA: Local Investors Buy Offshore Bonds For 2nd Straight Week:

Aggregate Japan weekly offshore investment flows were more muted in the week ending April 25, see the table below. Offshore investors continued to buy local stocks, marking the 4th straight week of inflows. We continue to see this segment reduce the net selling position built up since the start of the year. Cumulative outflows rest just under -1.8trln for 2025. We were at -5.6trln at the end of March. Offshore investors continued to add to local bond holdings, but only modestly. This marked the fourth straight week of inflows into this segment.

* In terms of Japan outbound flows, we did see local investors increase offshore bond purchases. We have still seen net outflows for offshore bond purchases for April though. Since the start of the year cumulative flows are close to flat.

* Local investors continued to buy offshore stocks, for the 6th straight week.

Table 1: Japan Weekly Offshore Investment Flows

Billion Yen	Week ending April 25	Prior Week
Foreign Buying Japan Stocks	278.3	705.6
Foreign Buying Japan Bonds	60.0	998.1
Japan Buying Foreign Bonds	435.2	218.2
Japan Buying Foreign Stocks	133.8	610.4

Source: MNI - Market News/Bloomberg

STIR BoJ-Dated OIS Pricing Softer After BoJ Forecast Downgrades :

BoJ-dated OIS pricing has softened by 1-5bps compared to pre-MPM levels, despite the market having had priced in a cautious, wait-and-see stance from the BoJ at yesterday's meeting.

* As widely expected, the BoJ left its policy rate unchanged at 0.50%, which was a unanimous decision of 9-0 by the board.

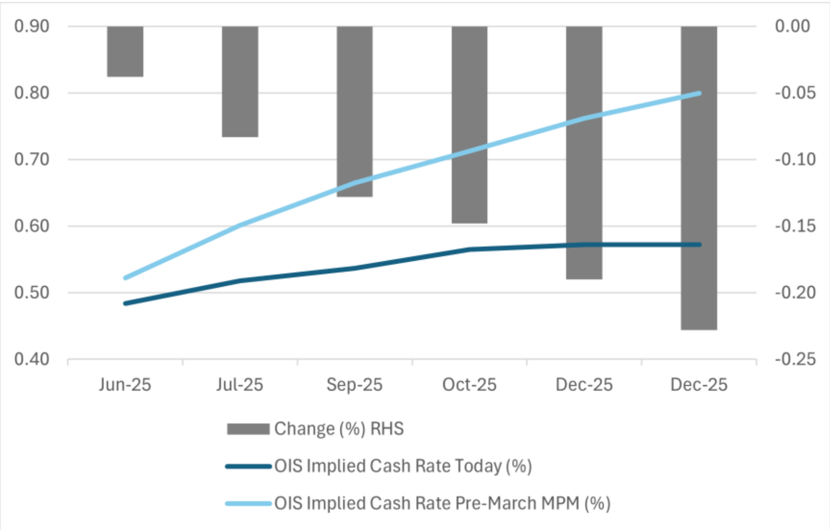
* The economic outlook was downgraded though in terms of both lower GDP and inflation forecasts. It also noted prices and growth risks for the 2025 and 2026 fiscal years rest to the downside.

* The central bank retained its bias that if the outlook is realised it will raise rates further, but the central bank places a caveat on those given extreme uncertainties around the trade outlook.

* Current OIS pricing assigns just a 3% probability of a 25bp hike at the June meeting, a cumulative 24% probability by September, and a 38% probability by December - a sharp shift from mid-February, when a hike by September was fully priced in.

* December pricing is now almost a full 25bp hike lower than the pre-March MPM level.

Figure 1: BoJ-Dated OIS - Today Vs. Pre-March MPM



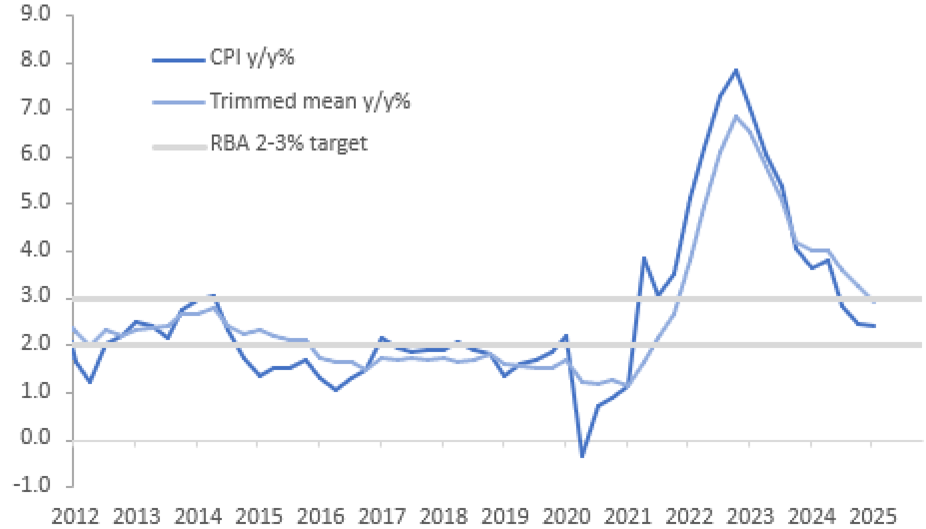
Source: MNI - Market News / Bloomberg

AUSTRALIA

AUSTRALIA DATA: Trimmed Mean Back In Band As Services Below 4%

Q1 headline and underlying inflation printed 0.1pp higher than expected but the trimmed mean at 2.9% y/y is below the top of the RBA's 2-3% target band for the first time since Q4 2021. The data is close to the RBA's expectations and at this stage consistent with inflation sustainably remaining within the band. Thus, another 25bp rate cut to 3.85% is likely on May 20, assuming that easing is consistent with the RBA's updated outlook.

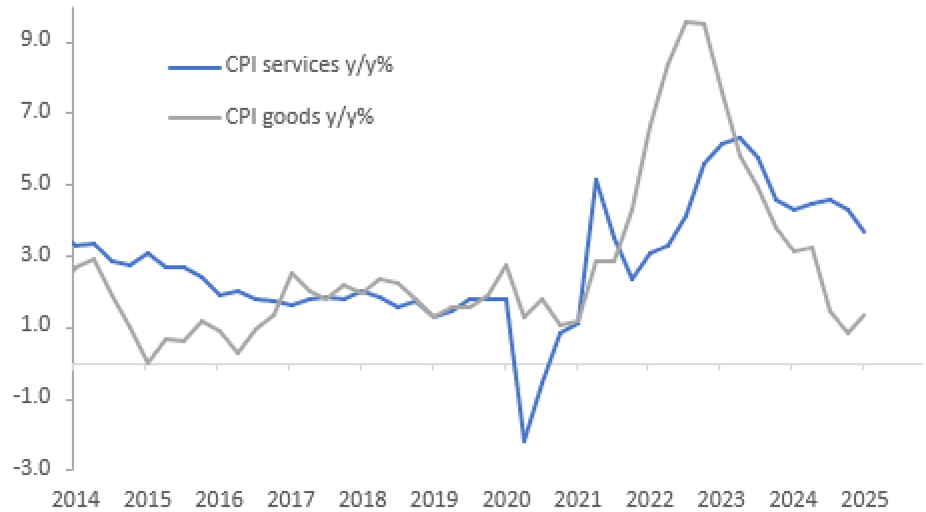
Australia CPI inflation y/y%



Source: MNI - Market News/LSEG

- Q1 trimmed mean CPI rose 0.7% q/q to be up 2.9% y/y, down from the upwardly revised Q4 at 3.3% y/y.
- Domestically-driven services inflation moderated to 3.7% y/y in Q1 from 4.3% with core services at 3.3% y/y after 4.2% y/y, the lowest since Q1 2022, which should reassure the RBA. Also, the moderation was broad based, which is important for sustainability. However, non-tradeables inflation rose 0.1pp to 3.2% y/y.
- Tradeables continued to provide disinflationary pressure falling for the third straight quarter down 0.4% q/q bringing the annual rate to 0.9% from 1.1%. Good prices rose 1.0% q/q though to be up 1.3% y/y after 0.8% y/y.

Australia goods vs services inflation y/y%



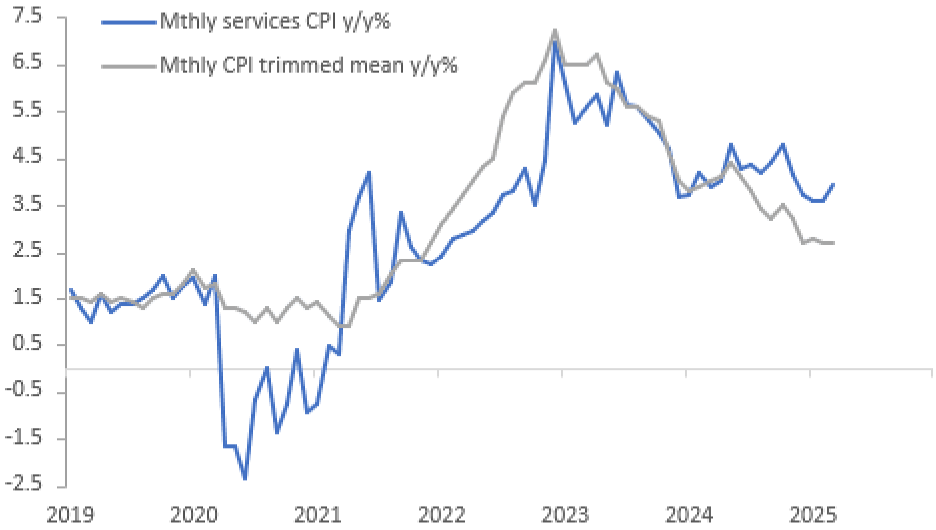
Source: MNI - Market News/LSEG

- Headline rose 0.9% q/q & 2.4% y/y, in line with Q4's annual rate. It continues to be impacted by government electricity rebates and the ABS said that electricity prices rose 16.3% q/q in Q1 due to Brisbane households already using the $1000 subsidy. Also, the impact of the federal government's relief was less in Q1 than Q4.
- Food and non-alcoholic beverages rose 1.2% q/q driven by fruit & vegetables because of less supply.
- Education rose 5.2% q/q as higher costs were passed on and tertiary fees indexation (+3.6%).

AUSTRALIA DATA: Monthly CPI Inflation Stabilises At End Of Quarter

Monthly trimmed mean and headline data for March were unchanged from February at 2.7% y/y and 2.4% respectively. The latter was higher-than-forecast. The trimmed mean has been around 2.7% for four consecutive months now, which is consistent with the RBA's projection that it could remain around this rate and not make any further progress towards the 2.5%-target mid-point in 2025. Given global developments though, the outlook remains highly uncertain.

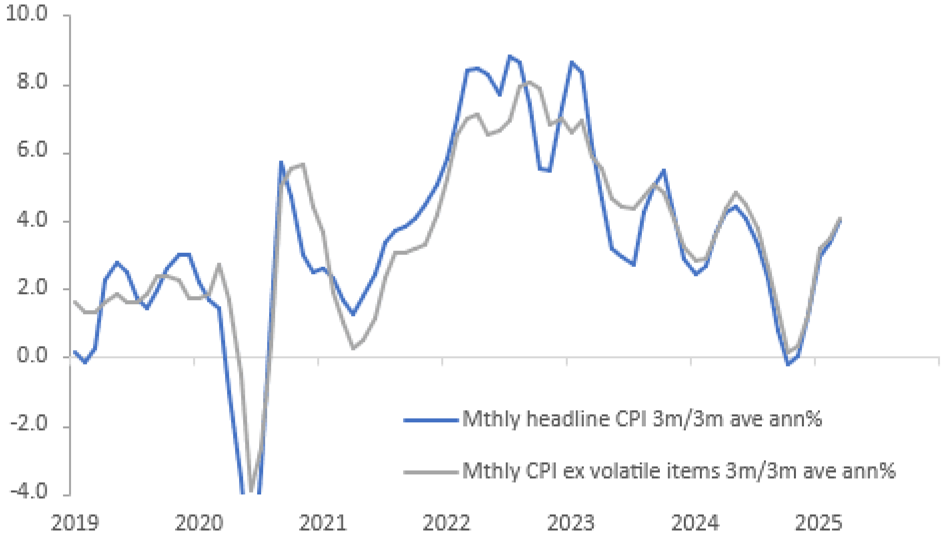
Australia CPI trimmed mean vs services y/y%



Source: MNI - Market News/ABS

- March seasonally adjusted headline CPI rose 0.5% m/m to be steady at 2.4% y/y, while excluding volatile items & holiday travel also rose 0.5% m/m but eased 0.1pp to 2.6% y/y, also close to the mid-point of the 2-3% target band. However, 3-month annualised momentum has picked up to 4.0% for both.

Australia CPI headline vs ex volatile items 3-mth annualised momentum % sa



Source: MNI - Market News/ABS

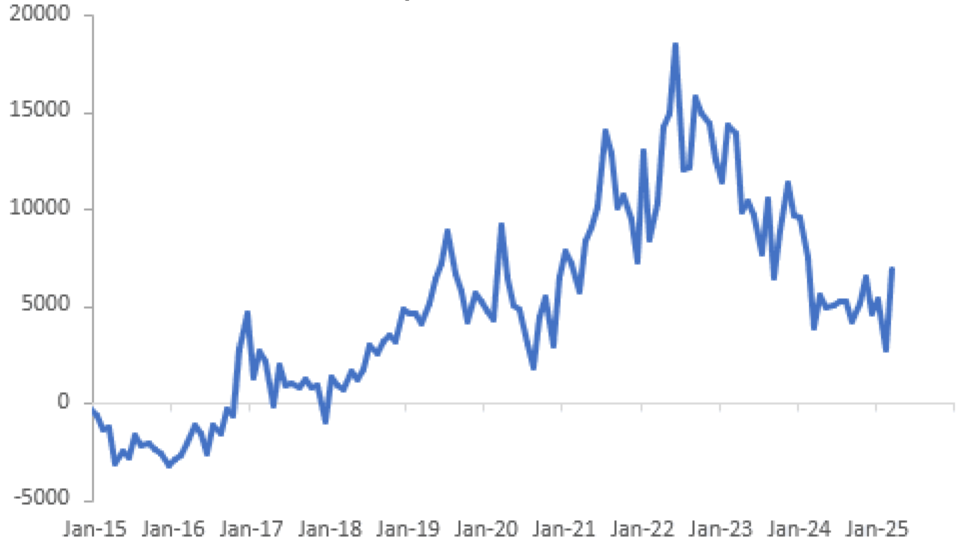
- March services inflation rose to 3.9% y/y from 3.6%, while non-tradeables were steady at 3.2%. Goods moderated 0.2pp to 1.1% y/y, lowest since November, and tradeables were unchanged at 0.9%.

- The ABS observes that food & non-alcoholic beverages (+3.4%), alcohol & tobacco (+6.7%) and housing (+1.8%) made the largest contributions to annual headline inflation in March.

AUSTRALIA: Surplus Widens But Trend Sideways

There was a $4bn widening in Australia's merchandise trade surplus in March after narrowing $2.5bn in the previous month. The move to the highest surplus at $6.9bn in over a year was driven by a strong pickup in goods exports driven by Australia's mining commodities, while imports contracted on the month. Through the volatility though, the trend in the trade surplus is steady.

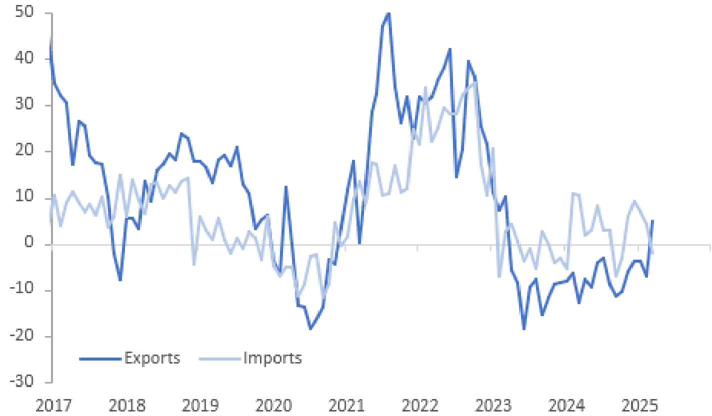
Australia merchandise trade surplus A$mn



Source: MNI - Market News/ABS

- Exports rose 7.6% m/m to be up 5.0% y/y, the first positive in two years. Non-rural goods rose 8.6% m/m, rural fell 8.5% m/m (weakness was broad-based) and non-monetary gold rose 25.9% m/m.
- Imports fell 2.2% m/m to be down 2.1% y/y after +4.2% y/y in February. The weakness was across major categories with consumer goods down 0.7% m/m & 3.3% y/y, capital goods -5.1% m/m & -10% y/y and intermediate -2.1% m/m & -0.4% y/y, possibly signalling continued subdued domestic demand.
- Food & clothing drove the drop in consumer goods, while vehicles rose 3.3% m/m. Machinery, telecoms equipment and other capital goods fell, while ADP equipment and industrial transport rose.

Australia goods exports vs imports y/y%

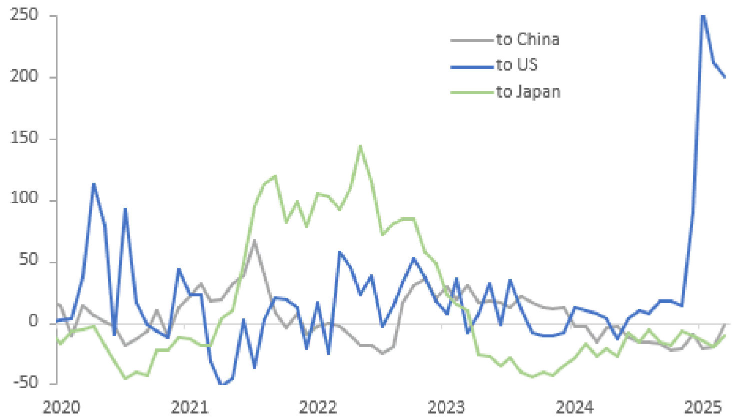


Source: MNI - Market News/ABS

AUSTRALIA: Q1 Exports To US Up Sharply

While it is too early to see the impact of the 10% tariff on US imports from Australia and 25% on its steel and aluminium, there was a sharp jump in exports to the US in Q1 to beat the deadlines, but there is likely to be some unwind in Q2 due to the new duties and the frontloaded shipments. Export growth to much of Asia improved in March as commodity volumes rose.

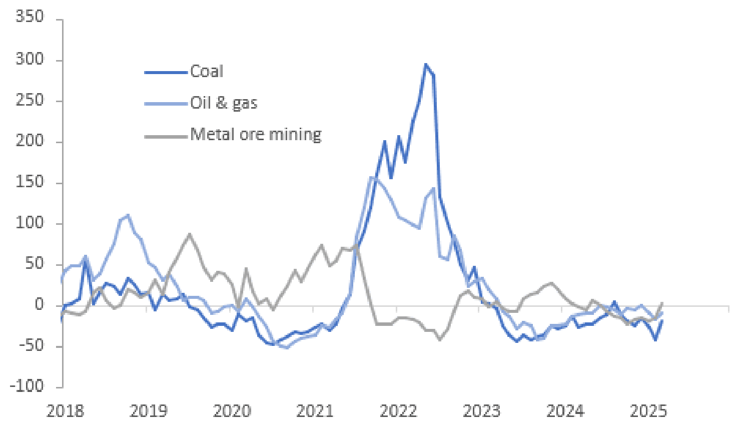
Australia merchandise exports by country y/y%



Source: MNI - Market News/ABS

- Goods exports to the US rose 140.5% q/q in Q1 due to tariff fears was up 200% y/y in March. The US is a relatively small export destination for Australia worth 4.6% of total exports in 2024 compared to 34.6% for China.
- Shipments to China have been weak but rose sharply in March, as they usually do, and are now down only 2.4% y/y after -20.4% y/y in February. There were sharp increases in the volume of iron ore shipped to China but also coal was higher.
- Japan and Korea increased their purchases of Australian iron ore and coal, while India saw a large increase in the latter.
- Total export values to Japan were still down 11.4% y/y but improved from -20.2%, while to Korea they are up 3.7% y/y after +13.3% y/y. Shipments to India rose 30.2% y/y.
- Double-digit volume increases in iron ore, coal and LNG far outweighed broad-based declines in unit values. Overall export values of metal ores rose 11.6% m/m, coal +10.7%, other mineral fuels +4.2%, metals +3.0% and other manufactures +13.3%. Annual growth in commodity exports remains soft though.

Australia commodity exports y/y%



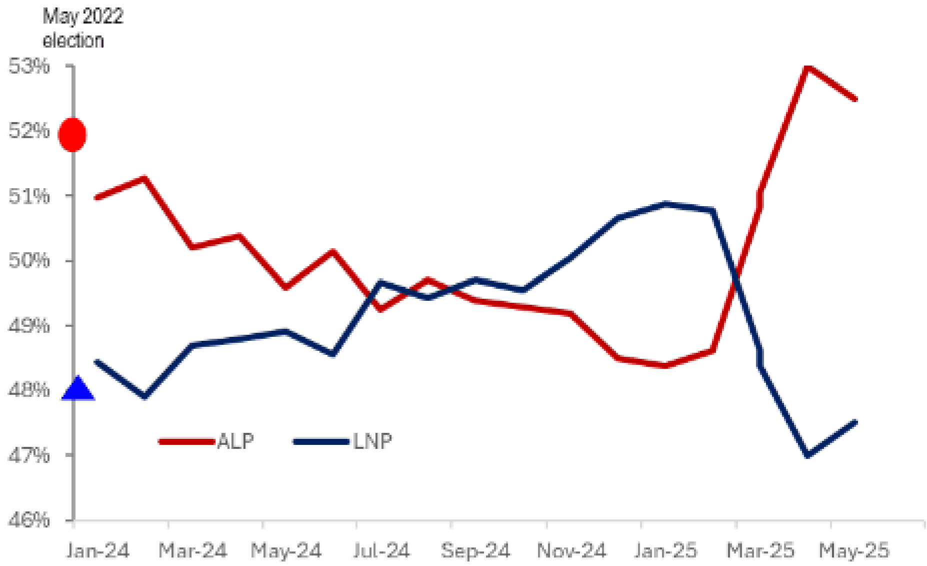
Source: MNI - Market News/LSEG

Business Address – MNI Market News, 3rd Floor, 1 Great Tower Street, London, EC3R 5AA

AUSTRALIA: Recent Polls Little Changed, Labour Looks Likely To Retain Government

Opinion polls continue to point to a return of the incumbent Labor government following Saturday's federal election but it remains unclear whether it can hold onto its majority which is likely to depend on developments in a number of individual seats. In the first half of April, the average of surveys had a 2-party preferred breakdown of 53% to 47% in favour of Labor (ALP) and this has barely shifted in the second half of the month at 52.5% to 47.5%.

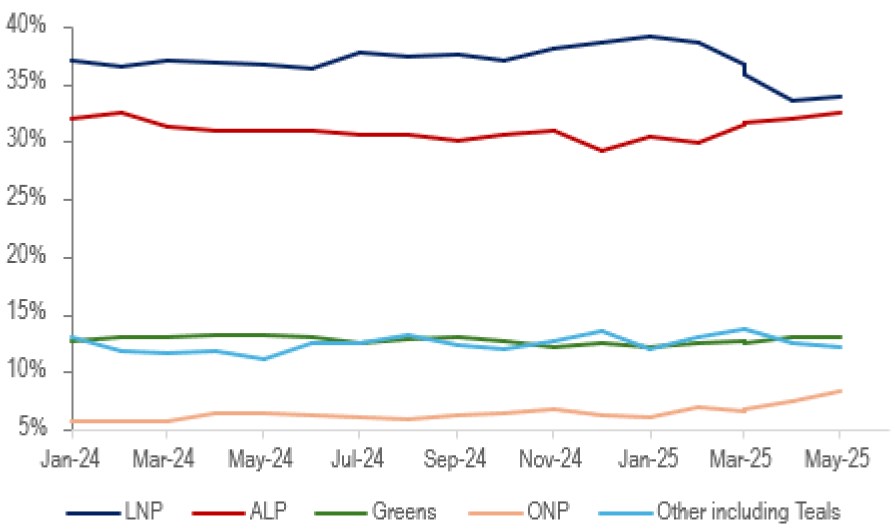
Australia opinion polls 2-party preferred %



Source: MNI - Market News/Wikipedia

- A poll hasn't had the LNP in front on a 2-party preferred basis since end March.
- Polls are signalling that the centre-right opposition LNP could see a drop in its primary vote to around 34% from 36% at the May 2022 election, while the ALP is in line at 33%. The LNP's vote seems to have shifted to the right-wing One Nation which surveys suggest has seen an increase in support to 8% from a 5% 2022 result. The left-wing Greens are at 13% after 12% in 2022.
- The last election saw a number of green Teals win seats as independents. The "other" vote may be stronger this year with the poll average in the second half of April at 12% after 10% in 2022, but this is down from 14% in March.

Australia opinion polls primary vote %



Source: MNI - Market News/Wikipedia

- The ALP holds 10 seats by less than a 4% margin with 4 under 1%. It is looking to win two Brisbane seats the Greens gained from the LNP in 2022 and hold by less than 4%.
- The LNP has 17 seats with less than 4% but a number of these faced a major independent challenger in 2022. There are 7 with less than 2%, including LNP leader Dutton's, and could encounter serious competition especially from Teal candidates.
- Independents hold 5 seats by less than 3% including 4 Teals. The Teals won these off the LNP in 2022.

AUSTRALIA DATA March Retail Spend Near Estimates, But Q1 Volume Spend Flat :

The headline retail sales print for March was close to expectations, rising 0.3%m/m (+0.4% was forecast, while the Feb rise was 0.2%). The strongest segments were food up 0.7%m/m, while other retailing rose 0.7%. Drags came from department stores, off 0.5%, which was its first decline since Sep last year. Cafes, restaurants were down 0.5%m/m as well.

* The ABS noted: Retail turnover rose in all states and territories, except for Queensland (-0.4 per cent) as Ex-Tropical Cyclone Alfred negatively impacted spending. 'The extreme weather early in the month led to significant disruptions for businesses and households throughout Queensland."
* In y/y terms spending was up 4.3% so fairly close to recent highs (4.6%y/y from Dec last year).
* In volume terms though, spending was flat for Q1, against a +0.3% forecast. Q4 of last year was revised down to a 0.8% gain, from +1.0%.
* The ABS noted: 'Retail sales volumes were flat this quarter and reflected subdued spending. This comes after sustained promotional activity boosted discretionary spending in late 2024,' Mr Ewing said." And: " Retail volumes on a per capita basis fell 0.4 per cent after growth in the previous two quarters."
* Household goods fell -1.9%q/q, after two solid quarters of growth in Q3/Q4 last year.
* Overall, this suggests some loss of real spending momentum after some pick up in the second half of last year.

NEW ZEALAND

NEW ZEALAND: Businesses Less Certain On Outlook, Gradual Recovery Continues

ANZ business confidence fell to 49.3 in April from 57.5, the lowest level since July 2024, the month before the start of the RBNZ's easing cycle. The activity outlook moderated to 47.7 from 48.6, which remains above February's 45.1. On a more positive note, the assessment of activity compared to a year ago rose 10 points to 11 driven by services and signalling a strong start to Q2 for GDP growth. Price/cost components trended higher over Q1 but were mixed in April but inflation expectations were stable around 2.6%.

NZ ANZ business activity outlook vs employment intentions

Source: MNI - Market News/LSEG

- It is likely that the survey was impacted by US tariff announcements, as ANZ noted that "forward-looking activity indicators were sharply lower in the late-month responses". Export intentions fell 5 points to 12.2 with manufacturing down 7.6 points, while investment intentions were steady around 17.2.
- Employment compared to a year ago rose to +1.5 from -6.2 with services, construction and agriculture showing more jobs, while employment intentions rose 2.5 points to 18.1, the highest since July 21. This is in line with filled jobs and vacancy data showing a turn in the labour market. Wages expectations a year ahead rose over a point to 81.3.
- Cost expectations 3 months ahead rose to 77.9 from 74.1, highest since September 2023, while pricing intentions moderated almost 2 points to 49.4, signalling some margin squeeze. Profit expectations fell 1 point.

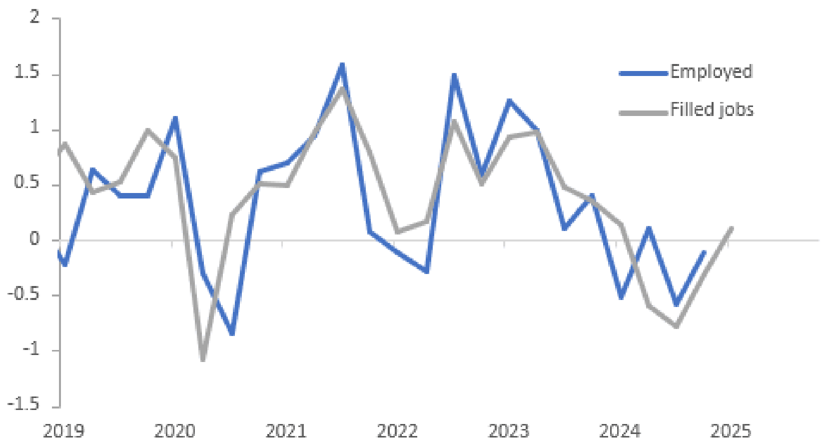
NZ ANZ business survey costs/prices

Source: MNI - Market News/LSEG

NEW ZEALAND: Nascent Signs Labour Market Recovering

Filled jobs rose 0.2% m/m in March but are still down 1.5% y/y after being flat and down 1.6% y/y in February. However, the 3-month annualised rate at 0.4% turned positive for the first time since April 2024, signalling that Q1 employment may be flat to slightly higher on the quarter when labour market data is released on May 7.

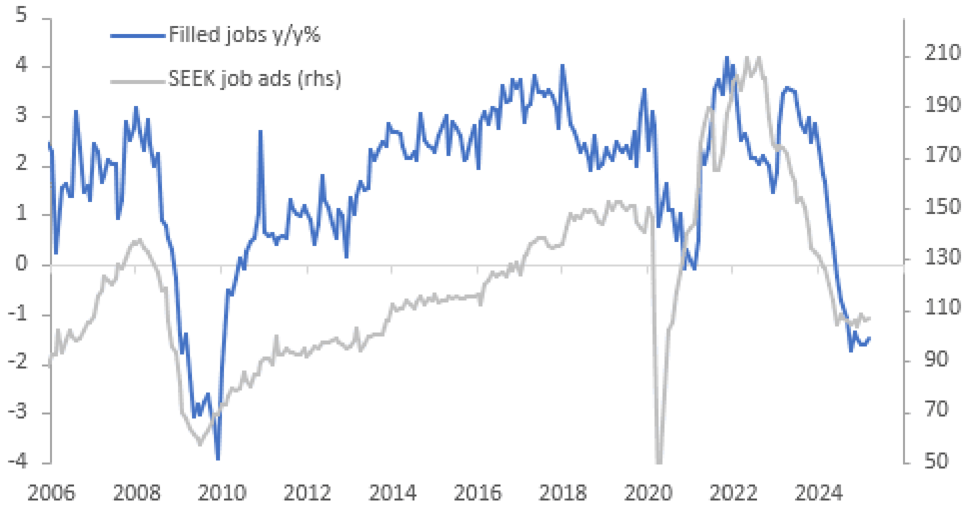
NZ employment q/q%



Source: MNI - Market News/Statistics NZ/LSEG

- Labour demand remains weak but is showing some tentative signs that it has begun to gradually recover. 3-month momentum is improving for filled jobs and also SEEK job ads which rose 8.7% annualised in March. While vacancies are still down 15.4% y/y, they are off the low of -34.8% in June.
- SEEK applicants/job index shows that labour supply remains robust. It rose in the 3 months to February and was up 31.3% y/y with 3-month momentum annualised at almost 19%.
- The increase in March filled jobs was broad based across sectors with primary rising 0.4% m/m, goods-producing +0.1% and services +0.2%. Construction has taken the brunt of labour shedding over the last year down 6.1% y/y followed by admin & support services -5.7% and manufacturing -2.2%, while health care is up 1.7% y/y.
- Young people have seen the largest losses with filled jobs of 15-19 year olds down 10% y/y, while for 35-39 years they're up 2.2% y/y.

NZ filled jobs vs SEEK job ads



Source: MNI - Market news/SEEK/Statistics NZ

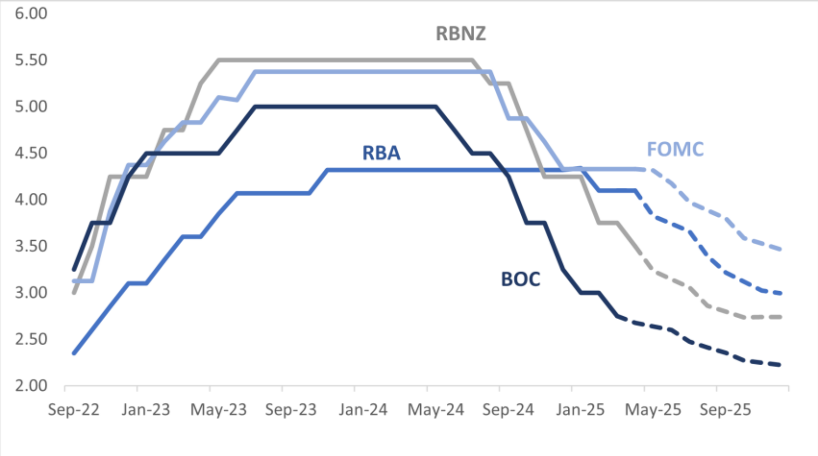
SHORT-TERM RATES

$-Bloc Markets Little Changed Over Past Week:

Rate expectations across the $-bloc have remained broadly unchanged through December 2025 over the past week.

* This stability comes despite a series of key economic releases across most $-bloc economies. Later today will see the April US Employment Report, with the market expecting 138k jobs created after 228k last month. The unemployment rate is expected to be unchanged at 4.2%.
* In Australia, Q1 headline and underlying inflation printed 0.1pp higher than expected but the trimmed mean at 2.9% y/y is below the top of the RBA's 2-3% target band for the first time since Q4 2021. The data was close to the RBA's expectations and at this stage consistent with inflation sustainably remaining within the band. Thus, another 25bp rate cut to 3.85% is likely on May 20.
* The muted reaction underscores how market focus remains firmly on headlines surrounding U.S.-China trade tensions, with macroeconomic data taking a back seat.
* Looking ahead, the next major policy event in the $-bloc is the Fed's May 7 meeting, with markets currently pricing in just an 8% chance of a rate cut.
* Looking ahead to December 2025, the projected official rates and cumulative easing across the $-bloc are as follows: US (FOMC): 3.46%, -88bps; Canada (BOC): 2.23%, -52bps; Australia (RBA): 2.98%, -112bps; and New Zealand (RBNZ): 2.74%, -76bps.

Figure 1: $-Bloc STIR (%)



Source: MNI - Market News / Bloomberg

CHINA

CHINA: Official PMI Slips into Contraction

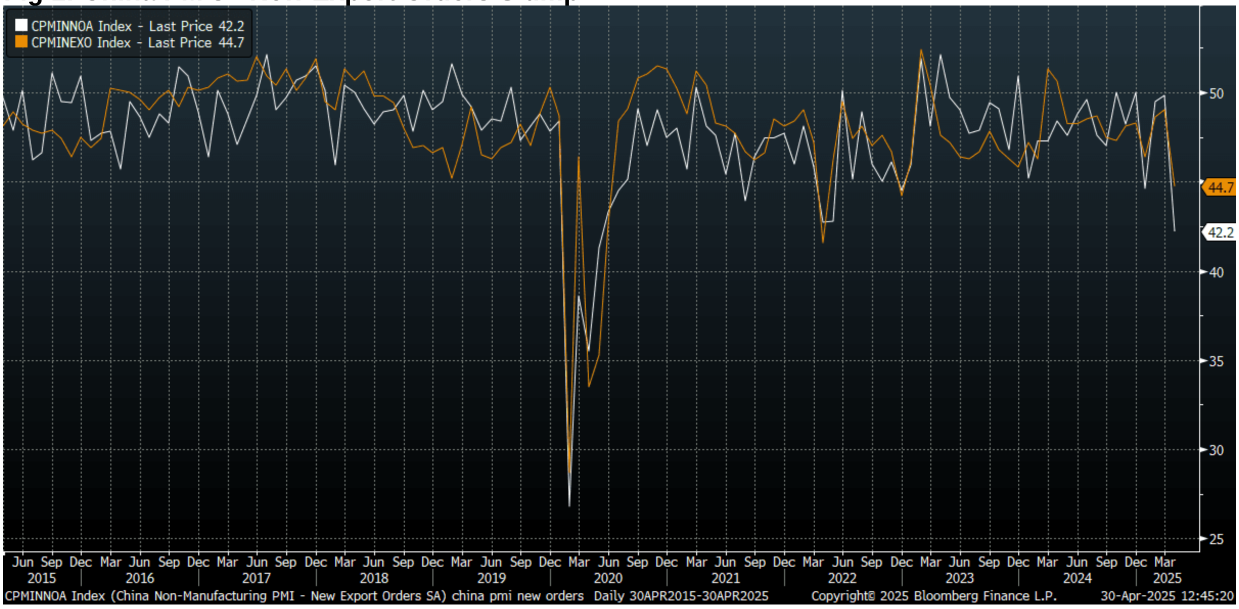
- As anticipated following the release of the EPMI Index, China's official PMI manufacturing slipped into contraction in April.
- Following March's result of +50.5 April fell to +49.0, below expectations of +49.7.
- The Non-Manufacturing PMI slipped to +50.4 from +50.8 last month
- These are the first PMI readings since the trade war kicked off with the imposition of 145% tariffs on Chinese goods to the US and as shipments to the US crater the official forecast of 5% growth now looks challenging.
- Authorities have announced measures to support exporters with access to loans and continues to seek ways of boosting the domestic economy.
- However today's result seems likely a taste of things to come as the trade war impacts not just China corporates, but the region as a whole.

CHINA: PMI Details: New Export Orders Slump, Price Indices Lower

The detail of the official PMI print showed new orders were down to 49.2, back to lows from Jan of this year. New export orders slumped to 44.7, which is fresh lows back to end 2022. April 2022 lows for this index were sub 42.0, while we got to below 30 during the Covid pandemic in 2020. The tariff impact is clearly in play here, with anecdotes of sharp declines in China to US shipping highlighted in recent weeks. For the services PMI, new export orders also fell sharply to 42.2, which is fresh lows back to 2020, see the chart below (which is the white line on the chart, manufacturing is the orange line).

- The aggregate new orders to inventory ratio eased to 1.04 for the manufacturing index, so softer but not implying a collapse in the headline PMI going forward.
- Inputs prices for the manufacturing PMI eased to 47.0 from 49.8 prior. Output prices fell to 44.8 from 47.9 prior.
- For the services side, input prices and selling prices also eased further and remain comfortably sub the 50.0 level.
- Overall, this still points to the need for further policy support, with external risks growing at a time when price pressures remain benign.

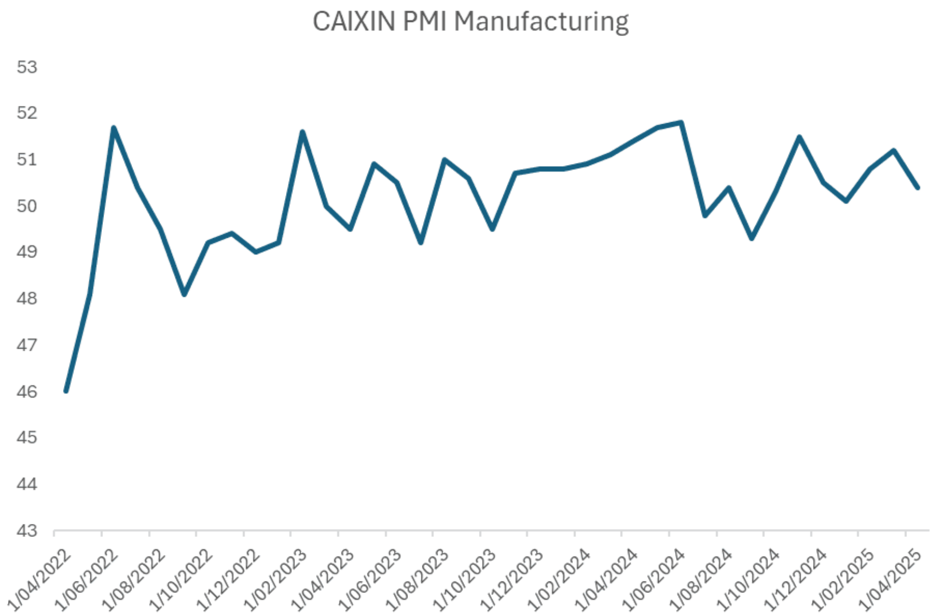
Fig 1: China PMIs - New Export Orders Slump



Source: MNI - Market News/Bloomberg

CHINA: CAIXIN PMI Surprises to the Upside But Grey Clouds Ahead

- In what no doubt will be pleasing to authorities, China's CAIXIN PMI Manufacturing for APRIL rose +50.4 beating expectations for a contraction.
- As the CAIXIN is a broader representation of corporates, this will be pleasing and suggests that to now there has been some form of recovery in corporate activity.
- Nevertheless, it is still a significant contraction from the month prior result of +51.2 but beat market expectations that it would contract to +49.7.
- This marks the lowest reading for the year and possibly spells the beginning for corporates of seeing the impact of the trade war.
- Output fell to +51.6 from +51.8 and new orders were down from the prior month.



CHINA: Industrial Profits Up in the Face of Trade Tensions

- Over the weekend China released their industrial profits for March.
- Rising +2.6% YoY this took the gain for the first quarter to +0.80%
- For China's economy to gain momentum industrial profits need to strengthen, a move that would breathe confidence across businesses in the face of the trade war.
- Manufacturing companies focused on the technology space saw their profits rise +3.5% on the back of a decline of over -5% in the first two months of the year.
- More than 50% of sectors reported profit growth in March.
- On Friday China's authorities stated that they are readying 'emergency plans' to protect the economy from external shocks on account of the US trade war as it aims to achieve 5% economic growth this year.
- The week ahead sees Manufacturing and Non-Manufacturing PMI's released for April with market forecasts suggesting that manufacturing PMIs may slip into contraction.

SOUTH KOREA

SOUTH KOREA: Industrial Production Up +5.3% YoY Beating Estimates

- March industrial production was ahead of expectations rising +5.3% y/y ahead of estimates of +3.2% whilst below February's revised result of +7.1%.
- The month on month figure also beat estimates rising +2.9% m/m against an estimate of +0.3% and a revised February result of +1.4%.
- The Cyclical Leading Index rose marginally to +0.2 from +0.1.
- The BOK kept rates on hold at the last meeting and next meets on May 29.
- Markets continue to have limited cuts priced in for the near term.

SOUTH KOREA: Exports Not Showing Tariff Impact Yet

- South Korea's April exports rose +3.7% YoY, up from +3.0% in March and topping US$58bn.
- Imports declined by -2.7% to just $53bn but the decline was much less than anticipated by surveys.
- However, when seasonally adjusted April's export growth was a mere +0.7% indicating that the 10% tariff levied on the country is having an impact. That tariff is expected to increase to 25% after a recently announced 3-month grace period in which Korean officials are frantically negotiating a trade deal.
- The challenge for the Korean economy will be their auto sector with over 40% of exports from the major Korean car companies going to the US.
- Ahead of the upcoming Presidential election Korea's trade minister has been in Washington for talks on a trade deal and US Treasury Secretary Bessent has indicated that an announcement could be forthcoming following the meetings.

SOUTH KOREA: CPI Causes No Concern for the BOK:

* April's CPI was largely benign as CPI oscillates around the BOK's 2.% target.
* The April CPI y/y printed in line with the prior month at +2.1%
* The month on month result of +0.1% was lower than the month prior of 0.2%
* The contraction in GDP in Q1 and the uncertainty from tariffs has put downward pressure on activity which has seen the Bank of Korea cut three times since Q3 last year.
* Bond markets continue to see some room for rate cuts with 66bps of cuts priced in over the next 12 months but only 14bps for the next three.
* The BOK next meets on May 29, not long before the next presidential election.

ASIA

ASIA PMIs Showing Trade War Strains in April :

* A raft of PMIs were released this morning for Asian nations and it is hard not to suggest that the trade war and US tariffs have contributed negatively to the outcome for some.

* Indonesia's PMI cratered to 46.7, it's lowest result since August 2021 during a period where political uncertainty drove concerns as to the fiscal position for the country at the same times the US threatened sanctions. The result for Indonesia saw the fall from March's 52.4 with the 5-year average at +51.5. Output collapsed to +44.3 (from 53 in March) and new orders were the lowest in 4 years

* Malaysia's April PMI fell into contraction also, marking its lowest reading since late 2024 and the dubious honor of eleven straight months of contracting. April saw a decline to +48.6 from +48.8 in March. Output declined further to +47.4 from +48.4 whilst new orders rose relative to the prior month.

* The Philippines was the standout with April's result of +53.0 its highest reading this year; with output jumping to +54.9 (from 48.7) and new orders higher relative to the prior month.

* Thailand's PMI slipped into contraction in March and April saw a further decline at a time with the Bank of Thailand Governor warned that the impact of the trade war could be severely detrimental to the economy. April PMIs declined to +49.5 the lowest in a year yet there may be signs of stabilizing as output rose to +50.3 whilst new orders declined again.

THAILAND: BoT Sees Significant Risks To Growth From Trade Policies

The Bank of Thailand (BoT) cut rates 25bp to 1.75% as expected in a 5 to 2 vote. The move was driven by a lower growth outlook with risks skewed to the downside, tight financial conditions and inflation expected to stay below the bottom of the 1-3% band. It reiterated the need for structural reforms saying that “a combination of complementary policies to enhance” competitiveness would be required.

- The two dissenting members voted for no change to retain policy space so that the timing of easing could be optimised.
- Thailand’s growth in 2025 has been revised down even under a best case scenario driven by the trade and tourism sectors, as global growth slows. Previously BoT expected Thai growth to be around 2.5% but if US tariffs stay close to where they are now it believes growth will be about 2%. If they are higher though, BoT estimates only 1.3% in 2025.
- Given heightened uncertainty, it will continue to monitor trade developments globally (including retaliation to US policy) but also financial markets and the baht, which have been functioning normally.
- Headline inflation is projected to be below 1% due to government subsidies and lower global oil prices. Core though should be steady – it printed at 0.9% y/y in March.
- As financial conditions tightened, lending growth and credit quality deteriorated and BoT will monitor the impact of global trade disruption on vulnerable households and businesses.
- See press release here.

THAILAND: Growth Outlook Drives Another BoT Rate Cut

The Bank of Thailand (BoT) cut rates 25bp to 1.75%. In its February statement, it said that it would be monitoring the impact of “trade policies of major economies”, Thai manufacturing activity and loan growth/credit quality. These factors and the stronger THB plus March’s earthquake signal that the central bank is likely to revise down its growth forecast from “around 2.5%”.

- The baht has strengthened around 8% y/y both against the US dollar and in trade weighted terms. This is likely to weigh on exports and the important tourism sector, which saw a 6.9% y/y decline in arrivals in February and is likely to be impacted by the earthquake.

Business Address – MNI Market News, 3rd Floor, 1 Great Tower Street, London, EC3R 5AA

- Q1 customs export growth improved to 15.1% y/y from 10.5% in Q4, but it is highly exposed to the US with 20% of 2024 exports going there worth 11.4% of its GDP, only second to Taiwan in the region. Its exposure to China is a lot less but not immaterial at 12.7% of exports and so they could be impacted directly and indirectly from US trade policy. April S&P Global manufacturing PMI prints on May 2 and may show early impacts on the region given Thailand's exposure.

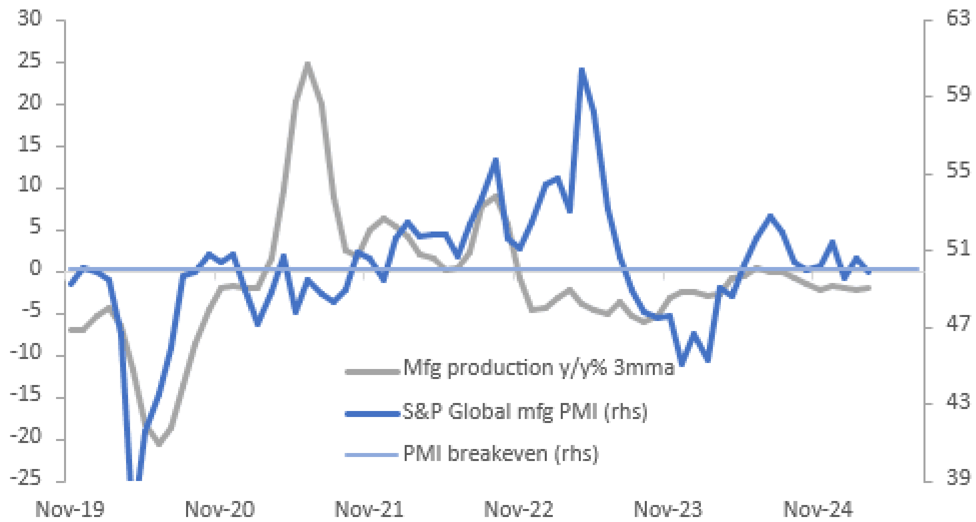
US proposed tariffs & country exposure

	% US imports 2024	US reciprocal tariff % Min. 10%	US share in country's exports 2024%	EX to US % country GDP 2024
Euro area	16.5	20%	16.7	3.2
China	13.4	34% (+20% existing)	14.6	2.8
Japan	4.5	24%	19.9	3.5
Vietnam	**4.2**	**46%**	**29.6**	**11.0**
Korea	4.0	25%	18.7	6.8
Taiwan	**3.6**	**32%**	**23.5**	**14.0**
India	2.7	26%	18.6	1.9
UK	2.1	10%	16.2	2.1
Switzerland	1.9	31%	13.4	6.4
Thailand	**1.9**	**36%**	**20.0**	**11.4**
Malaysia	**1.6**	**24%**	**13.2**	**10.3**
Singapore	1.3	10%	15.8	3.8
Brazil	1.3	10%	12.0	1.8
Indonesia	0.9	32%	10.6	1.9
Australia	0.5	10%	4.6	0.9

Source: MNI - Market News/LSEG/US Treasury

- The manufacturing PMI eased to 49.9 from 50.6 in March and the Q1 average at 50.0 was down from 50.5 in Q4 and is signalling stagnation in the sector. Orders are soft with export orders contracting.
- March manufacturing production fell 0.7% y/y, this is not as weak as it has been over recent months, while capacity utilisation rose to 63.7 from 59.0, the highest in two years.
- BoT noted in February that "loan growth and credit quality showed signs of stabilising". This has generally continued but there was a slight softening in lending.

Thailand manufacturing



Source: MNI - Market News/Bloomberg/LSEG

PHILIPPINES: Trade Data Bounces Back In March

- A strong set of results for March for Philippines trade data ahead of an expected downturn in the mid part of the year on account of the trade war.
- Philippines exports YoY expanded +5.9%, beating consensus of +4.8% and ahead of the February revised result of +4.8%.
- A strong rebound in imports will be good news for the Central Bank who has cut rates several times since Q3 last year. Imports jumped +11.9% beating expectations of +8.8% and significantly ahead of the revised +1.9% for February.
- The trade balance of -$4.1bn was up on the prior month's result of $3.4bn.
- Exports to the US jumped +12.8% from 0.5% in February indicating that this month's data is likely inflated by companies seeking to get product out prior to tariffs being implemented.
- Imports from the US cratered -15.5% from +17.5% - something that risks catching the eye of the US President.

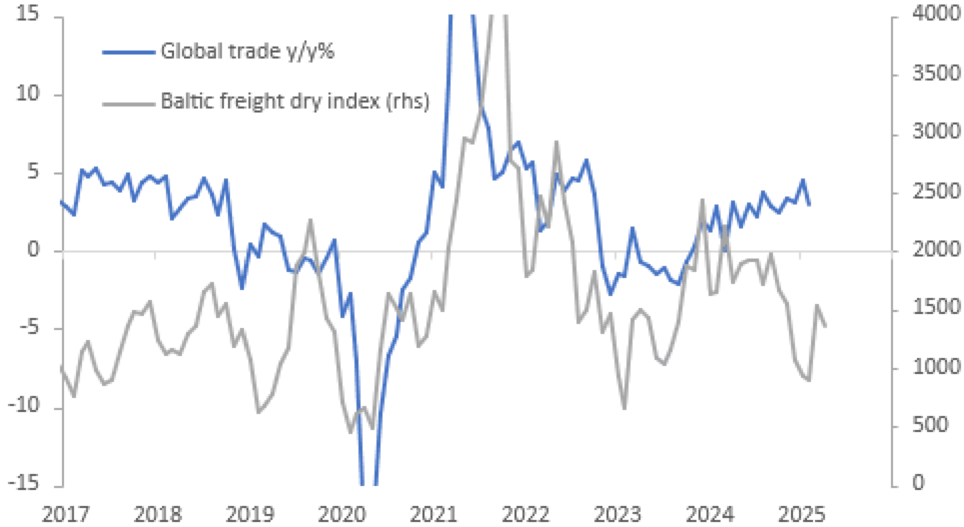
GLOBAL

GLOBAL MACRO: Shipping Rates Trending Lower Over 2025 As Trade Worries Grow

Shipping rates have been trending lower since mid-2024 as threats to Red Sea shipping dissipated and much of the related jump has now been unwound. They have taken another leg down since January this year though, as threats to global trade volumes from US tariffs weigh on prices charged. Since US reciprocal trade duties were announced on April 2, various shipping rate indices are mixed though.

- The Baltic Dry Index (BDI) is down 11.4% since April 2 and the average is -11.6% m/m & -21.9% y/y in April.
- February global IP rose 0.7% m/m, the 10th non-negative reading in the last year, to be up 2.9% y/y, the fastest since October 2022. Global trade growth has been trending up for the last year and was 3.0% y/y in February. However, both could slow going forward given that the BDI has been trending lower over the last year and can be a leading indicator.

Global trade vs Baltic Freight Index

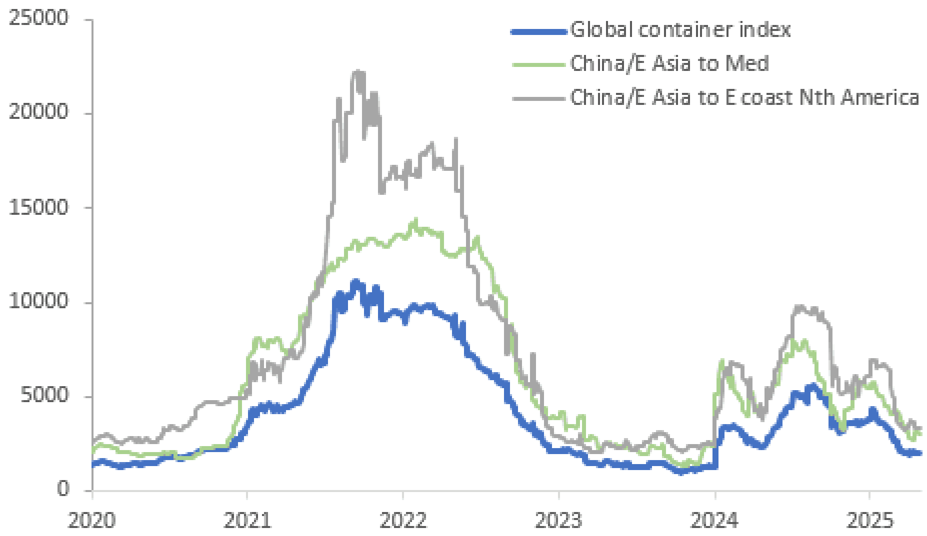


Source: MNI - Market News/LSEG

- The FBX container rate is down 6.5% m/m & 15.9% y/y in April but actually up 0.7% since April 2 driven by an 8.3% increase in the China/East Asia to Mediterranean route, but this reflects some normalisation after the sharp drop on April 1 and it is still down almost 20% m/m on average in April to be 33.1% lower on a year ago.
- Given the tit-for-tat tariff increases between the US and China, it is not surprising that FBX container rate for China/East Asia to the east coast of North America is now 6.2% lower compared to April 2. The April average is little changed on the month but down 18.8% y/y.

- With shipping rates down double digits compared to a year ago and levels subdued, they are likely to provide some disinflationary pressure but container rates are still higher than end-2023 with the FBX up 52.1%, while BDI is now 33% lower.

Global FBX container rates US$/points



Source: MNI - Market News/LSEG

US: Trump Speech Covers Familiar Ground, Little Fresh Details On Trade Deals

US President Trump has spoken at a rally in Michigan, which marks his first 100 days in office. The speech was big on rhetoric, but policy related areas of interest for the market remained light.

- On monetary policy, Trump reiterated progress around lower food and energy inflation and that lower interest rates are good. He added he knows more about interest rates than Fed Chair Powell does.
- He also stated that tax cuts will be passed in the coming weeks/months.
- On trade/tariffs, he noted he had given flexibility for the auto sector (which appears to reflect recently announced shifts), but stated that auto-makers will be slaughtered if they don't onshore production.
- On trade deals he stated that officials from India, France and China are coming to make deals, but didn't provide any more details than that. He added that if negotiations take too long then the US will set the tariff rate.
- He also emphasized the previously announced investment pledges that tech companies have agreed to.

US: Greer: Trade Deals To Be Announced In Weeks, No Official Talks With China Yet

Headlines have crossed from a Fox News interview with US Trade Representative Greer. The Trade Representative emphasized that trade deals are likely to be announced in weeks, not months.

- The key aim for the US is to reduce the trade deficit and have reciprocal trade, Greer stated. Reuters noted: "Greer told Fox News Channel that the Trump administration is focused on "targeted" deals focused on increased market access for U.S. exports, reducing tariffs and non-tariff trade barriers, and enhancing U.S. economic security."
- Greer said talks on Thursday US time will take place with Japan, Saudi Arabia and Guyana, while on Friday talks will take place with the Philippines.
- Greer said a deal with India is close but not over the finish line yet. Talks with South Korea are progressing but may take time to get a deal completed Greer added (via BBG).
- The US administration is also prepared to work with the new Canadian PM.
- No official discussions have taken place with China yet Greer stated.

US: Trump Touts Tech Investment Pledges, Reiterates Call For Lower Rates

US President Trump has concluded his speech at the White House, which focused on Investing In America. Much of the speech was aimed at highlighting pledged investment amounts into the US economy from tech bellwether firms. The US administration stated that such pledges now total $8trln.

- Trump also reiterated recent remarks around interest rates, with the following BBG quotes of note:
  "*TRUMP: INTEREST RATES SHOULD GO DOWN
  *TRUMP: INTEREST RATES GOING DOWN WOULD BE NICE FOR HOME BUYERS" - BBG, with Trump reiterating he wasn't a hug fan of Fed Chair Powell.
- This comes after data overnight showed US Q1 GDP growth contracted, albeit fairly close to market expectations.
- On tariffs, Trump stated that the administration is giving time for manufacturing to come onshore in the US, particularly for semiconductor chips and pharmaceuticals. However, after a period of time a tariff wall will come up, although Trump didn't specify timings on this.

Unauthorized disclosure, publication, redistribution or further dissemination of this information may result in criminal prosecution or other severe penalties. Any such authorization requires the prior written consent of Market News International. Redistribution of this information, even at the instruction of your employer, may result in personal liability or criminal action unless such redistribution is expressly authorized in writing by Market News International. Violators will be prosecuted. This information has been obtained or derived from sources believed to be reliable, but we make no representation or warranty as to its accuracy or completeness. This is not an offer or solicitation of an offer to buy/sell. Copyright © 2024 Market News International, Inc. All rights reserved.