MNI Asia Pac Weekly Macro Wrap

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

JAPAN

- Inflation prints this week point to on-going momentum, particularly from a core standpoint. Labor market conditions remain tight as well.

AUSTRALIA

- April headline inflation was unchanged at 2.4% y/y, slightly higher than expected, while the trimmed mean picked up 0.1pp to 2.8% y/y. Underlying inflation has been sitting around 2.7/2.8% since December and the RBA expects 2.6% for Q2, which is released on July 30. CPI ex volatile items & holiday travel rose 0.3% m/m seasonally adjusted to be up 2.8% y/y after 2.6% y/y in March.
- Q1 private capital expenditure volumes were weaker than expected falling 0.1% q/q to be down 0.5% y/y driven by a contraction in machinery & equipment investment. Q1 GDP prints on June 4 with the inventory and net export components released on June 3, but currently it is looking soft.

NEW ZEALAND

- The RBNZ cut rates 25bp to 3.25% following a vote, the first in two years, that included an option to leave rates unchanged. The vote wasn't unanimous with one dissenter but Governor Hawkesby said that there was consensus around the projections. Hawkesby reiterated that the message at yesterday's press conference was not to assume that a July rate cut is programmed into the MPC's thinking.
- ANZ business confidence fell to 36.6 in May from 49.3, the lowest since July, while the outlook moderated to 34.8 from 47.7. ANZ notes though that the breakdown of responses indicates that the picture is not as soft as the month averages suggest as they improved in the latter part of the month.

SHORT TERM RATES

- Interest rate expectations across dollar-bloc economies were mixed through December 2025 over the past week, with New Zealand as the outlier. Canada and Australia saw the most significant shift, with around a 10bp softening in expected year-end rate. The US rate saw a 2bp softening, while New Zealand saw a 101bp firming.

SOUTH KOREA

- The BoK cut rates by 25bps, as widely expected, taking the policy rate to 2.50%. It maintained a clear easing bias noting in its statement: "the Board will maintain its rate cut stance to mitigate downside risks to economic growth and adjust the timing and pace of any further Base Rate cuts while closely monitoring changes in the domestic and external policy environments."

ASIA EQUITY FLOWS

- After an exceptional period of inflows into the major markets, it appears that this trend has stalled for now as constant daily flows are interrupted with outflows, with Taiwan the latest to experience a significant outflow yesterday.

GLOBAL

- The US Court of International Trade blocked most of the proposed tariffs saying that the President had overstepped his authority, which has now put most of the US tariffs on hold but the administration has appealed the decision.

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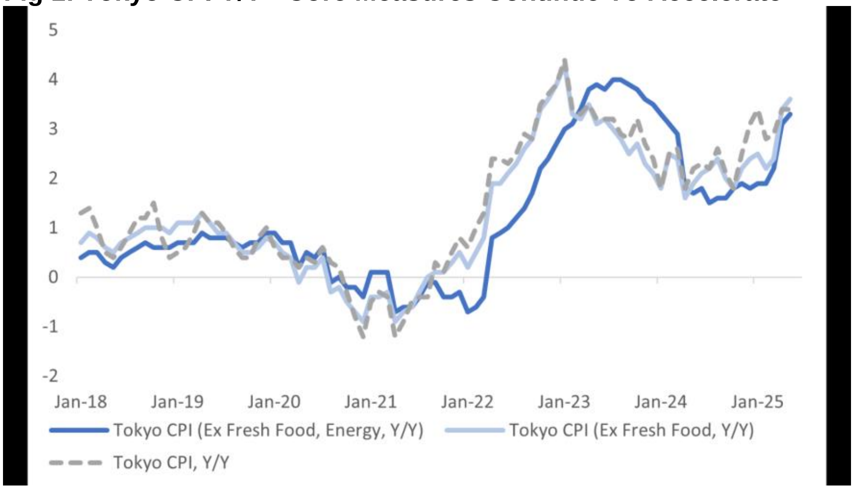
JAPAN

JAPAN DATA Tokyo CPI Core Measures Continue To Firm :

May Tokyo CPI saw core measures print firmer than expected. Headline rose 3.4% y/y, in line with consensus estimates, which was also the prior outcome (revised down from 3.5% originally reported). The ex fresh food measure rose 3.6%y/y (3.5% was the forecast and 3.4% prior). Ex fresh food and energy was 3.3%y/y, against a 3.2% forecast and 3.1% April print.

* The chart below plots the trend y/y outcomes for these three metrics. The continued upward momentum in the core outcomes should, at face value, add to BoJ confidence around achieving its inflation target sustainably. BoJ Governor Ueda continues to hint at progress on this front, but the inflation goal has not yet been reached.
* The core measure excluding fresh food and energy is now back to early 2024 levels in y/y terms.
* In m/m (seasonally adjusted terms), headline rose 0.3%, while the core measures were up 0.4-0.5%. Good prices rose 0.6% after a flat April. Services were up 0.2%, after a 0.3% gain in April. The measure which excludes all food and energy only rose 0.1%m/m (non seasonally adjusted), but still ticked up to 2.1%y/y (from 2.0%).
* By segment, drags came from fresh food (-2.5%m/m), but overall food was +0.3%m/m. Household goods eased -0.1%m/m, so did medical care. Utilities rose a solid 3.0%m/m, while entertainment was up 0.2%m/m after a strong gain in April. Utility bill relief is expected in Q3 of this year, while policy initiatives are also steeping up to curb food inflation.
* Y/Y momentum by segment was similar to April trends. Housing is the lower y/y pace at 1.5%, while other segments are either close to the 2% pace, or higher.

Fig 1: Tokyo CPI Y/Y - Core Measures Continue To Accelerate



Source: MNI - Market News/Bloomberg

JAPAN DATA April Data Still Points To Tight Labor Market :

Japan's April jobless rate printed at 2.5%, in line with the consensus and the March outcome. It was the same story for the job-to-applicant ratio, which came in at 1.26. The chart below plots the two series, with the job-to-applicant ratio inverted on the chart (the white line). The jobless rate is still close to recent cycle lows and suggesting a tight labor market. The job to applicant ratio is well off late 2022 highs but is not showing trend weakness either.

* The number of people employed fell by a further 40k m/m, but this was at a reduced pace of -80k seen in March. The participation rate edged up to 63.7% from 63.3%.

Fig 1: Japan Jobless Rate & Job-To-Applicant Ratio

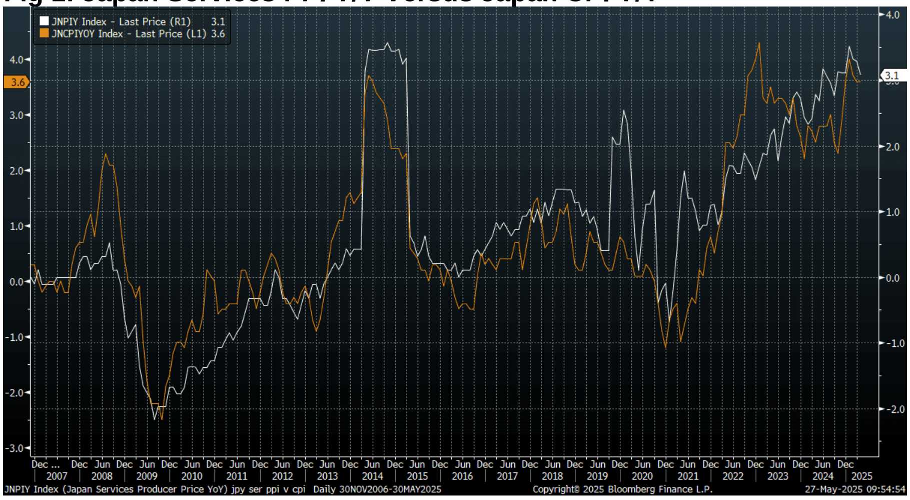
Source: MNI - Market News/Bloomberg

JAPAN DATA: Services PPI Slightly Above Estimates But Off Recent Y/Y Highs

The Japan April services PPI printed at 3.1% y/y, versus a market forecast of 3.0%. The March read was revised higher to 3.3% (from 3.1% originally reported). The chart below plots the PPI services y/y outcome (the white line) against headline CPI y/y. The PPI has come off its highs from early 2025, but still remains quite elevated by historical standards.

- The monthly rise was 0.5%, versus a 0.8% gain in March. BBG notes the 3 month annualized pace firmed to 2.3%, from 00.6% in March. We are still sub the 4.8% pace seen on this metric in Dec last year.
- Overall, this print suggests elevated inflation pressures persist, albeit without fresh upside from late 2024/early 2025.
- Note we get Tokyo CPI this Friday for May.

Fig 1: Japan Services PPI Y/Y Versus Japan CPI Y/Y



Source: MNI - Market News/Bloomberg

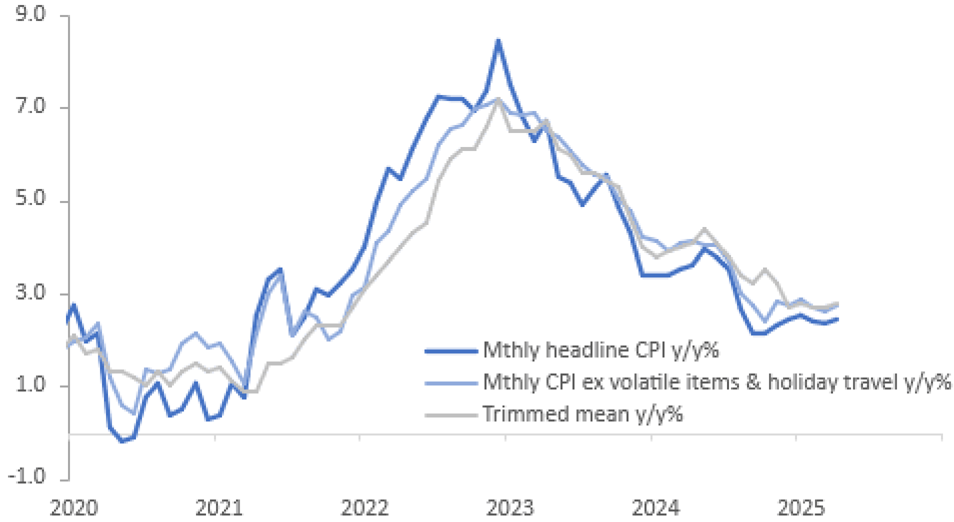
AUSTRALIA

AUSTRALIA: April Underlying Inflation Measures Higher

April headline inflation was unchanged at 2.4% y/y, slightly higher than expected, while the trimmed mean picked up 0.1pp to 2.8% y/y. The focus is on the latter as headline is likely to be impacted by government electricity rebates until year end. Underlying inflation has been sitting around 2.7/2.8% since December and the RBA expects 2.6% for Q2, which is released on July 30.

- CPI ex volatile items & holiday travel rose 0.3% m/m seasonally adjusted to be up 2.8% y/y after 2.6% y/y in March. Seasonally adjusted headline rose 0.2% m/m and both showed a moderation in 3-month momentum but it remains above 3.5% annualised.
- Disinflation continues to be driven by goods & tradeables with annual inflation moderating to 0.9% y/y and 0.3% y/y respectively, as fuel prices fell further in April. Domestically-driven services & non-tradeables inflation picked up though to 4.1%, highest since November, and 3.6%, highest since August.
- Food & non-alcoholic beverage inflation moderated to 0.3pp to 3.1% y/y in April but housing rose 0.4pp to 2.2% y/y due to new dwellings. Rents eased to 5.0% y/y from 5.2%, the lowest since February 2023.
- Electricity fell 6.5% y/y in April after -9.6% y/y, as rebates in Queensland and WA have been used. Without all government subsidies, prices would have been up 1.5% y/y, according to the ABS.

Australia CPI y/y%



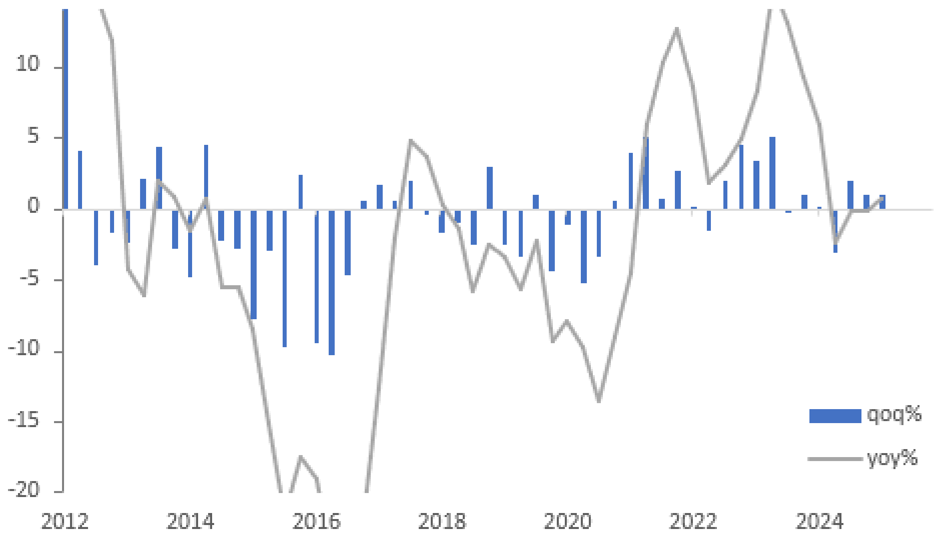
Source: MNI – Market News/ABS

AUSTRALIA DATA: Weak Equipment Capex Drives Q1 Investment Lower

Q1 private capital expenditure volumes were weaker than expected falling 0.1% q/q to be down 0.5% y/y driven by a contraction in machinery & equipment investment. Q4 was revised up to +0.2% q/q, there appears to be a trend of upward revisions to the previous quarter as was also the case with construction. Q1 GDP prints on June 4 with the inventory and net export components released on June 3, but currently it is looking soft.

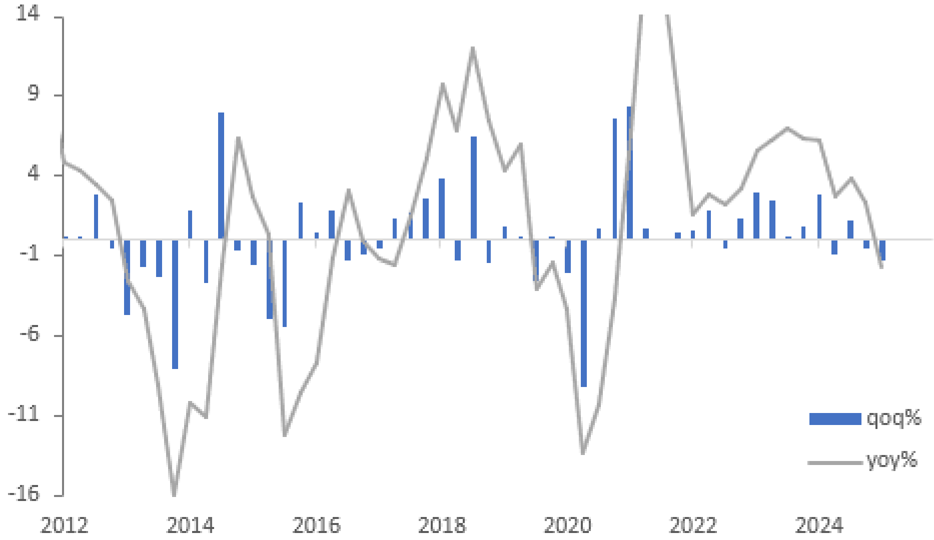
- Q1 building & structures investment rose 0.9% q/q, third consecutive quarterly increase, to be up 0.6% y/y after falling 0.2% y/y. It was driven by mining projects in oil & gas, gold, and other metal ores with capex up 1.7% q/q while non-mining was +0.4%.
- Plant & equipment fell 1.3% q/q after -0.6%q/q to be down 1.8% y/y after rising 2.3% y/y in Q4. The weakness was due to the non-mining sector (-2.0% q/q), while mining rose 2.4% q/q. In terms of non-mining, the ABS notes that services invested in less IT and vehicles.
- Investment intentions for FY25 were revised up 2.2% and for FY26 +5.6%.

Australia capex building & structures %



Source: MNI - Market News/ABS

Australia capex plant & equipment %



Source: MNI - Market News/ABS

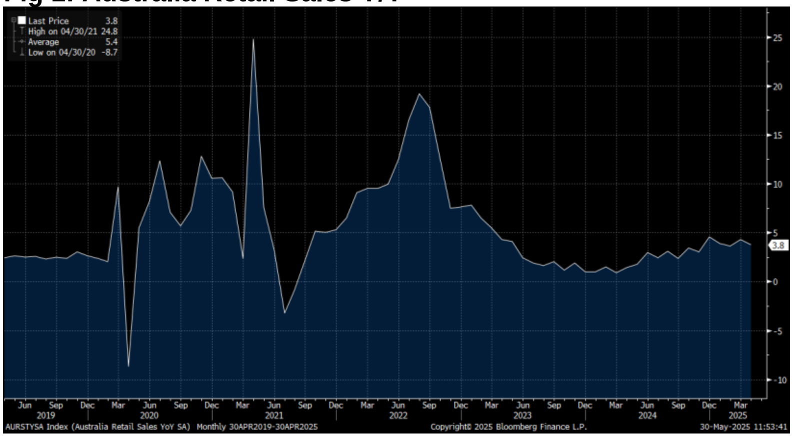
Retail Sales Surprise Lower, Weather May Have Influenced:

Australian April retail sales were weaker than forecast, falling 0.1%m/m, against a +0.3% forecast, which was also the March outcome. Data on building approvals was also weaker than forecast, down 5.7%m/m, against a 3.0% forecast rise. The prior month was -7.1%m/m, slightly better than originally reported. Private sector home approvals were better at +3.1%m/m (versus -1.9%m/m in March). Private sector credit was +0.7%m/m, better than the 0.5% forecast.

* For retail sales, the industry break down saw food off 0.3%m/m, while apparel and department stores were both down 2.5% in the month. This follows falls for these segments in March as well.
* Positives were in terms of cafes, up +1.1%m/m and household goods, +0.6%m/m. Both these segments were down in March in m/m terms.
* The ABS notes: "'Falls were partly offset by a bounce-back in Queensland as businesses recovered from the negative impacts of ex-Tropical Cyclone Alfred last month.'" It added: "Clothing retailers told us that the warmer-

than-usual weather for an April month saw people holding off on buying clothing items, especially new winter season stock,' Mr Ewing said."
* Outside of the rise in spending in QLD, we had a modest rise in spending in WA, both all other states and territories saw falls, speaking to a generally soft underlying result.
* In y/y spending was 3.8%, see the chart below. In nominal terms spending trends have moves sideways since the start of the year, as fiscal incentives from H2 2024 have waned.

Fig 1: Australia Retail Sales Y/Y



Source: MNI - Market News/Bloomberg

NEW ZEALAND

RBNZ: MNI RBNZ Review-May 2025: RBNZ Keeping Options Open

- Download full report here.
- The RBNZ cut rates 25bp to 3.25% following a vote, the first in two years, that included an option to leave rates unchanged. The vote wasn't unanimous with one dissenter but Governor Hawkesby said that there was consensus around the projections.
- RBNZ Governor Hawkesby reiterated today that the message at yesterday's press conference was not to assume that a July rate cut is programmed into the MPC's thinking.
- The MPC may want to wait and watch trade developments and how Q2 CPI (July 21), Q2 labour market and Q3 inflation expectations data (both August 7) print.
- Markets had fully priced in yesterday's 25bp cut ahead of the decision, with a total of 64bps of easing expected by November 2025. That has now adjusted to 50bps, inclusive of yesterday's move.

RBNZ: A July Rate Cut Not "Programmed In"

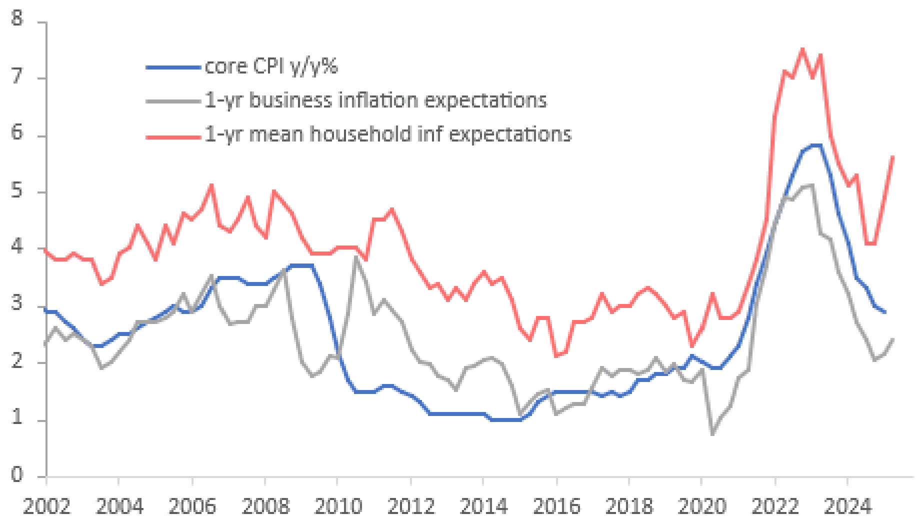
RBNZ Governor Hawkesby just spoke with Bloomberg and reiterated that the message at yesterday's press conference was not to assume that a July rate cut is programmed into the MPC's thinking. Elevated uncertainty means that there could be many different paths from here, which is why the central bank presented different scenarios in its May Monetary Policy Statement. For instance if current trade events result in higher costs and NZ price pressures rise then the OCR is unlikely to move much from where it is in the 'neutral zone' but if weaker global demand reduces inflation then there is room to cut. Thus he said that the MPC will make "considered, data dependent steps" and that markets should also follow developments closely.

NEW ZEALAND: Some Pickup In Recent Inflation Adds To Uncertainty

The RBNZ is widely expected to cut rates 25bp to 3.25% today bringing cumulative easing this cycle to 225bp and rates close to but still above its estimate of 'neutral'. It still has room to reduce rates further if it feels the economy needs it with domestic activity still soft and global uncertainty elevated, thus its updated OCR profile will be monitored closely. However, data have shown some pickup in inflation recently, which it may reference.

- The RBNZ's assessment that lower global and thus NZ growth are likely to be disinflationary should mean that the inflation outlook remains contained even if it is revised up in the short-term.
- Q1 CPI printed 0.1pp above the RBNZ's February estimate at 0.9% q/q bringing the annual rate up to 2.5% from 2.2% but the RBNZ's measure of core eased 0.1pp to 2.9% y/y, first time in the band in almost 4 years, and domestically-driven non-tradeables moderated 0.5pp to 4.0%, lowest since Q2 2021.
- However, Q2 inflation expectations 1-year ahead rose to 2.4% from 2.2% and 2-year ahead to 2.3% from 2.1%. Median household expectations were stable in Q2 but the mean 1-year ahead rose to 5.6% from 4.9%.

NZ inflation expectations %



Source: MNI - Market News/LSEG/RBNZ

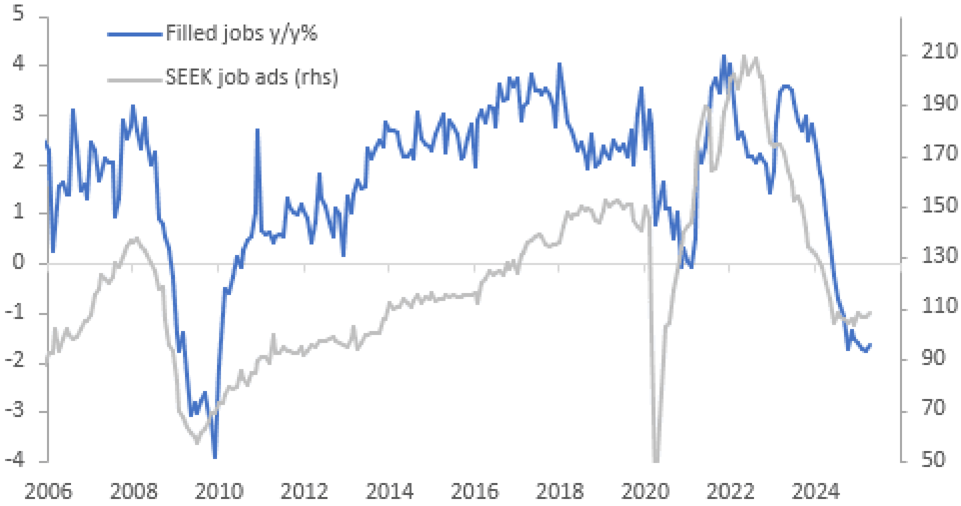
- April monthly price data, which now account for 46.5% of the CPI, signalled some pressures, which could add a note of caution to the MPC's statement. Volatile food prices rose 0.8% m/m & 3.7% y/y, highest since January 2024, as grocery prices rose.
- While Q1 wage growth moderated, the ANZ April business survey showed a rise in wage expectations for the year ahead but inflation expectations were stable.
- Q1 PPI input/output prices rose strongly at 2.9% q/q and 2.1% q/q respectively.

NEW ZEALAND: Jobs Market Still Soft But Stabilising

The deterioration in the labour market appears to have stabilised but a recovery is yet to begin. Filled jobs in April fell 0.1% m/m to be down 1.7% y/y after a 0.1% m/m rise in March but it was also down 1.7% y/y. Vacancies are off their 2024 lows but remain depressed despite rising in March & April. The RBNZ is widely expected to cut rates 25bp today but the focus will be on the updated OCR trajectory and if it signals a possibility of policy going stimulatory.

- Primary industries saw a 0.1% m/m rise in filled jobs, a sector that has seen strong external demand lately. However, goods-producing sectors fell 0.3% m/m and services -0.1% m/m.
- In annual terms, construction jobs are down 6.5% y/y and admin services -6.7% y/y. Retail is down 1.5% y/y.
- Young people have felt the brunt of labour shedding with filled jobs for 15-19 year olds down 10% y/y and 20-24 years -3.9% y/y.
- April SEEK job ads rose 1.1% m/m but are still down 9.6% y/y. 3-month momentum though has been positive this year. Labour supply remains robust with applicants per job ad up 17.5% y/y but the ratio down 3.1% m/m in March, the sharpest monthly drop in over 2 years as migration eases.

NZ job ads vs filled jobs



Source: MNI - Market News/SEEK/Statistics NZ

NEW ZEALAND: Soft Economy But Outlook Improved Later In May

ANZ business confidence fell to 36.6 in May from 49.3, the lowest since July, while the outlook moderated to 34.8 from 47.7. ANZ notes though that the breakdown of responses indicates that the picture is not as soft as the month averages suggest as they improved in the latter part of the month with positive news on trade talks and are "well off their late-April lows". Price/cost components generally fell in May. The survey suggests a gradual, soft recovery with higher costs difficult to pass through, which ANZ believes will allow the RBNZ to cut rates to 2.5%.

- Inflation expectations were stable in May at 2.7% but are 0.2pp higher than the recent trough. Pricing intentions fell 4 points to 45.4, the lowest since December, but retail posted its highest reading since March 2024. Costs 3-months out moderated 5 points to 72.8, with the decline across sectors except construction.

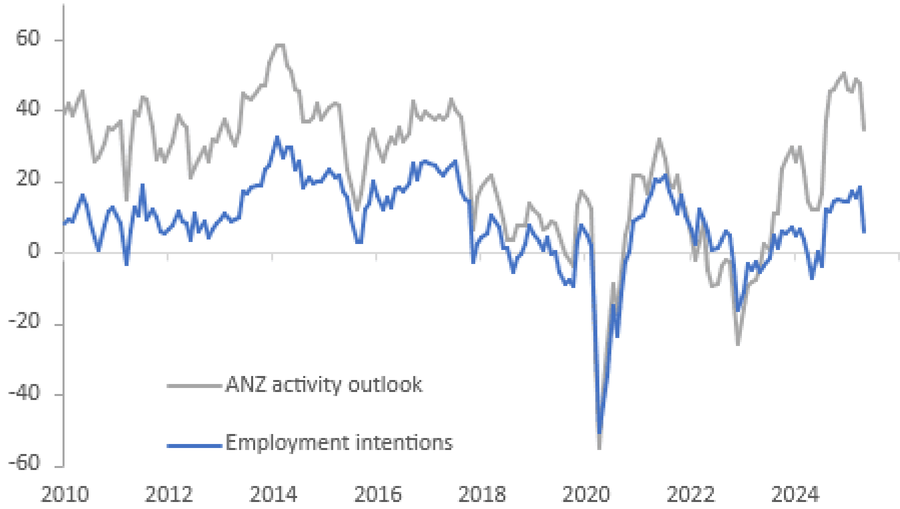
NZ ANZ business price/cost components

Source: MNI - Market News/LSEG

- Employment intentions remain positive consistent with a stabilisation in the labour market but fell 12 point to 6, the lowest since July, in line with little growth. Thus it is unsurprising that wage expectations 12-months ahead moderated 6 points.

- Activity compared to a year ago, which has a good correlation with GDP, fell 6 points with all sectors down signalling that Q2 was soft.
- Export & investment intentions, profit expectations and construction sentiment were all lower.

NZ ANZ business survey



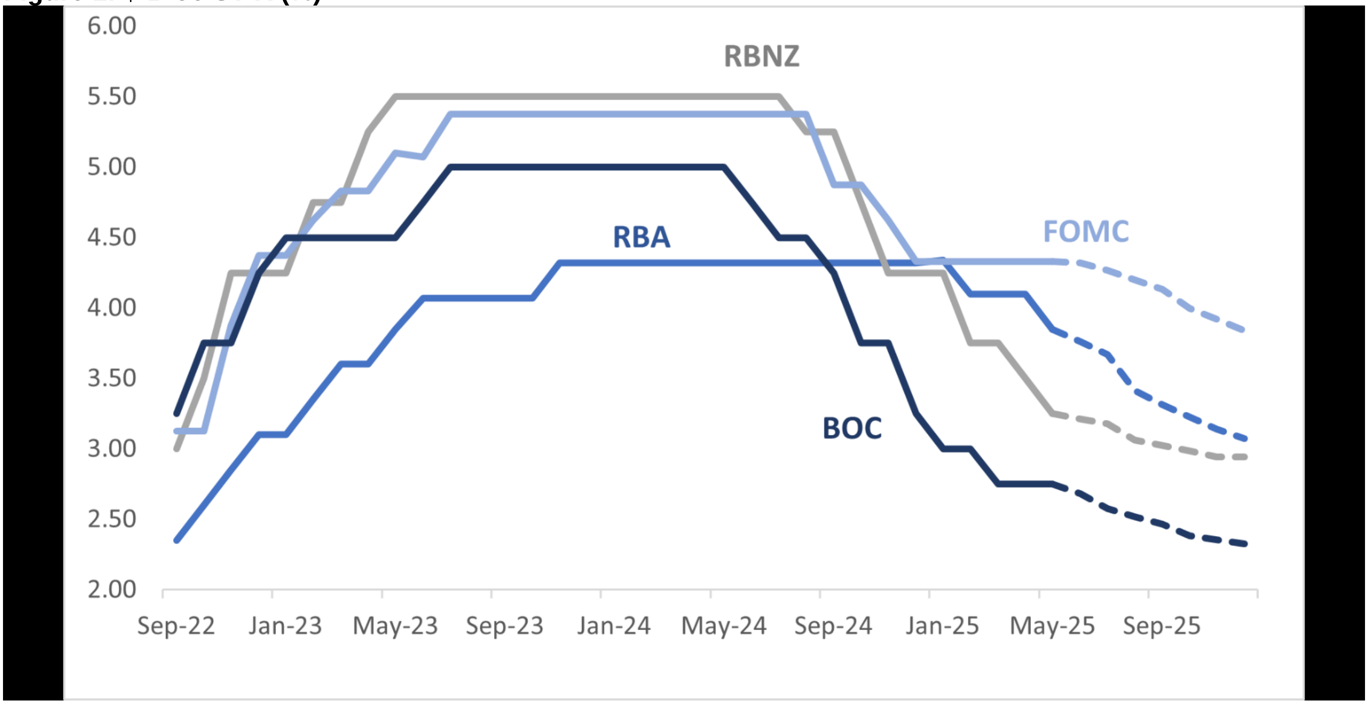
Source: MNI - Market News/LSEG

SHORT-TERM RATES: $-Bloc Markets Show Mixed Results Over Past Week, NZ The Outlier:

Interest rate expectations across dollar-bloc economies were mixed through December 2025 over the past week, with New Zealand as the outlier. Canada and Australia saw the most significant shift, with around a 10bp softening in expected year-end rate. The US rate saw a 2bp softening, while New Zealand saw a 101bp firming.

* In New Zealand, the RBNZ cut rates 25bp to 3.25% following a vote that included an option to leave rates unchanged. The vote wasn't unanimous, with one dissenter. There appears to be some disagreement over the impact of increased trade protectionism on NZ inflation. Despite this, the OCR path was revised down to show a trough 25bp below February's at 2.85%, which signals that the impact of current global developments would require stimulatory policy by end-2025.
* In his first press conference as Governor, Hawkesby noted that this was the first vote on the direction of rates in two years-something that typically occurs at inflection points and highlights the current high level of uncertainty.
* In Australia, the April headline CPI was a touch above expectations at 2.4% y/y (2.3% was forecast). The trimmed mean rose 2.8% y/y (against a 2.7% prior outcome; there is no consensus estimate for this print).
* Across the $-bloc more broadly, markets appear content to consolidate recent repricing, which has largely stemmed uncertainty surrounding trade policy and generally solid economic data.
* The next key event for the region is the BoC's June 4 policy meeting, where a 25bp rate cut is currently given a ~25% probability.
* Looking ahead to December 2025, current market-implied policy rates and cumulative expected easing are as follows: US (FOMC): 3.81%, -52bps; Canada (BOC): 2.33%, -42bps; Australia (RBA): 3.07%, -78bps; and New Zealand (RBNZ): 2.94%, -31bps.

Figure 1: $-Bloc STIR (%)



Source: MNI - Market News / Bloomberg

SOUTH KOREA

BOK: Still In Easing Mode, Scope For Larger Cuts, But Outlook Uncertain

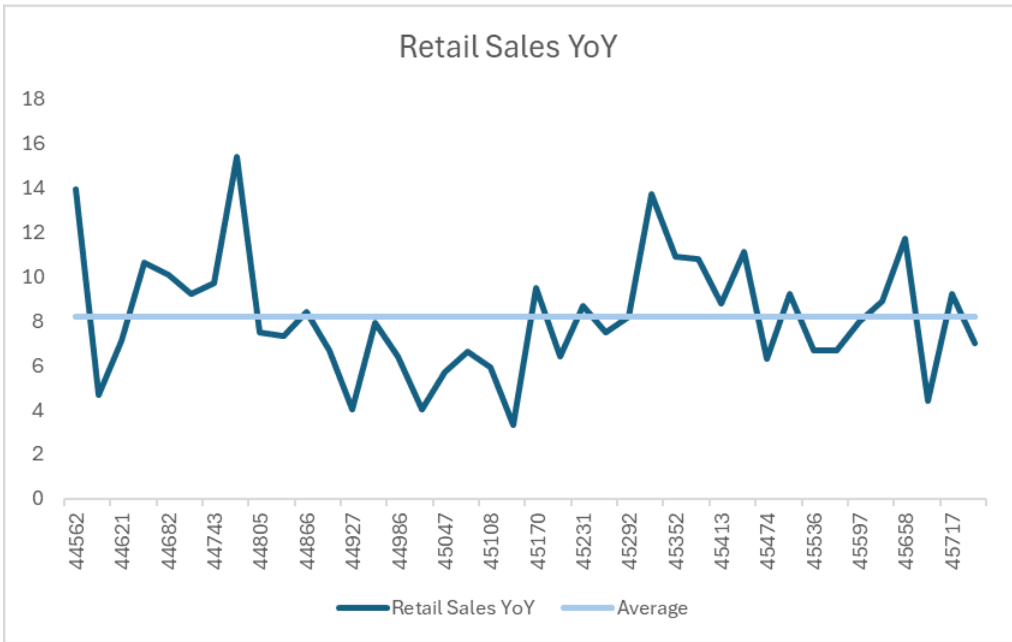
The BoK cut rates by 25bps, as widely expected, taking the policy rate to 2.50%. It maintained a clear easing bias noting in its statement: "the Board will maintain its rate cut stance to mitigate downside risks to economic growth and adjust the timing and pace of any further Base Rate cuts while closely monitoring changes in the domestic and external policy environments and examining the resulting impact on inflation and financial stability."

- This came after the central bank slashed its growth forecast for 2025 to 0.8%, versus the 1.5% projection made in February. The 2026 projection was also nudged down, while inflation forecasts were relatively steady and hold just under 2%.
- Governor Rhee in the press conference noted today's decision was unanimous, while stating that 4 out of 6 board members see lower rates in 3 months, while 2 board members see policy rates on hold over this period.
- Rhee noted that the 2025 GDP projection doesn't reflect fiscal pledges made by the Presidential candidates (with the election to be held on June 3). In the statement BOK noted: "The future economic growth trajectory is assessed to be subject to significant uncertainty, stemming from developments in trade negotiations, government stimulus measures, and monetary policies in major economies."
- Rhee stated there was scope for larger rate cuts in the future, but this would depend on how the growth outlook evolves given the new lower projection for 2025.

SOUTH KOREA DATA: Retail Sales Strong, Others Fall

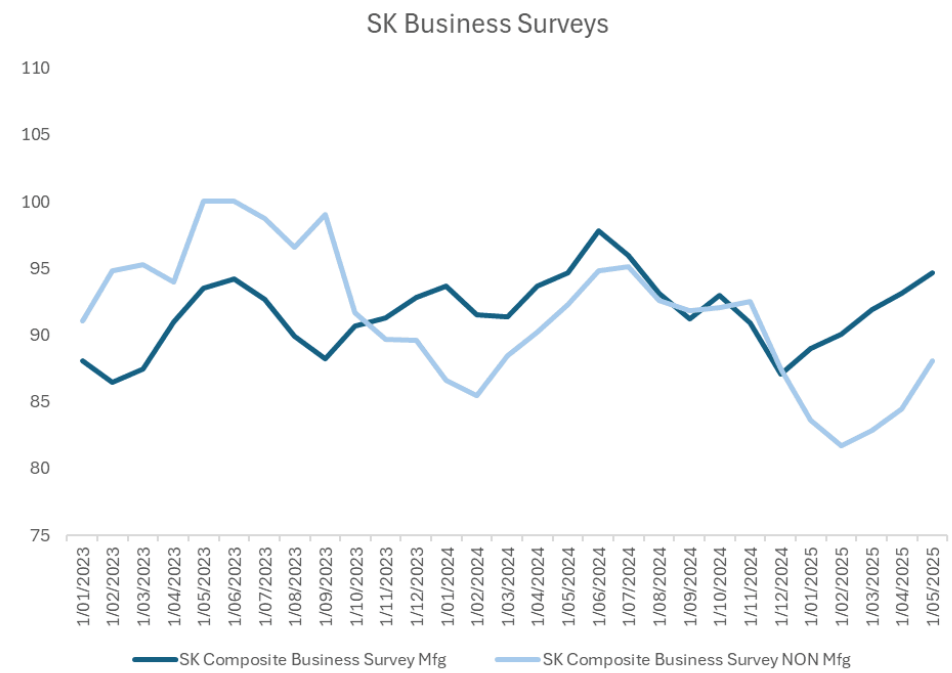
- April retail sales expanded by +7.0% and continues to be robust.
- Despite the ongoing concerns for the economy, the robustness of retail sales will provide welcome relief to the BOK who had be clear as to their concern as to the domestic conditions.
- The April release is down on the month prior, but this remains consistent with historical observations.
- Department Store Sales contracted for the third consecutive month. Down -2.9% YoY, this was an increase from the -2.1% decline in March

- Discount Store Sales contracted for a third consecutive month. Down -3.1% YoY, this was an increase from the -02% decline the month prior.



SOUTH KOREA: Business Surveys Still Pessimistic, But Improving

- Whilst business surveys in South Korea remain pessimistic, further analysis points to an improving trend.
- The last time the Business Survey Manufacturing printed above 100 (above 100 = more optimists than pessimists) was August 2022
- Yet despite the threat of tariffs and trade war and the ongoing political uncertainty, May's result of 94.7 is the fourth reading in a row where things have improved and the highest print since July last year.
- The Business Survey Non Manufacturing last printed at 100 in June 2023 and whilst a reading of 88.1 remains some distance from 100, the improving trend is evident.



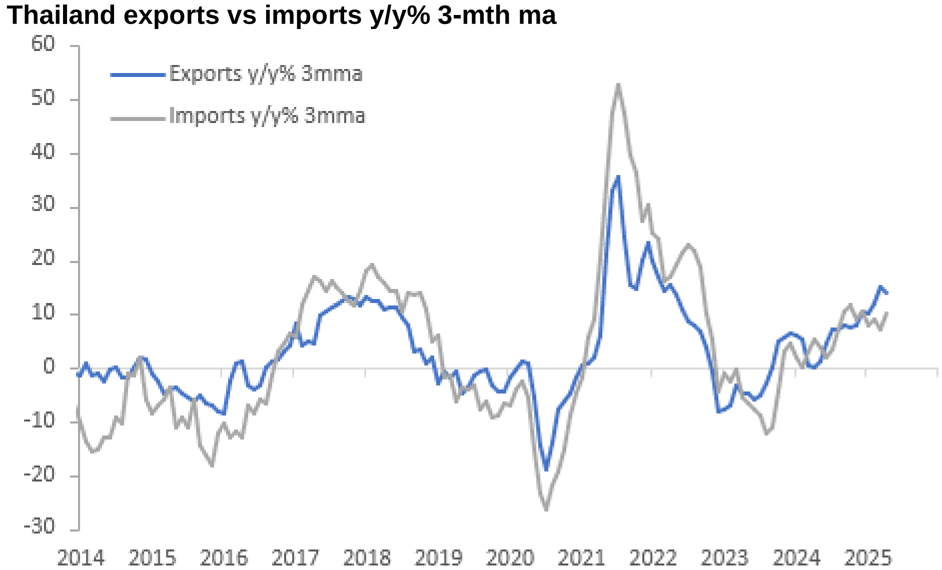
ASIA

THAILAND: Strong Import Growth Drives Trade Deficit

The April customs trade balance showed a wider-than-expected deficit as import growth outpaced exports. There was a deficit of $3.32bn in April after a March surplus of $0.97bn. Merchandise export growth slowed to 10.2% y/y from 17.8%, while imports rose 16.1% up from 10.2% but through the volatility the 3-month average showed still robust shipments.

- The Ministry of Commerce said that Q2 exports are expected to continue to pickup from Q1.
- Thai exports to the US rose 23.8% y/y, as shipments are frontloaded ahead of import duties. The US announced a 36% “reciprocal tariff” on imports from Thailand but it has been delayed until July 9 to allow for discussions. Shipments to China rose 3.2% y/y.
- The stronger baht is likely weighing on exports, while encouraging imports. The THB NEER average in May is up 0.9% m/m to be 8.5% higher on a year ago.

Thailand exports vs imports y/y% 3-mth ma



Source: MNI - Market News/LSEG

ASIA EQUITY FLOWS: Big Flows for South Korea and India :

After an exceptional period of inflows into the major markets, it appears that this trend has stalled for now as constant daily flows are interrupted with outflows, with Taiwan the latest to experience a significant outflow yesterday.

* South Korea: Recorded inflows of +$210m yesterday, bringing the 5-day total to +$686m. 2025 to date flows are -$10,856. The 5-day average is +$137m, the 20-day average is +$91m and the 100-day average of -$107m.
* Taiwan: Had outflows of -$575m as yesterday, with total outflows of -$550m over the past 5 days. YTD flows are negative at -$10,892. The 5-day average is -$110m, the 20-day average of +$378m and the 100-day average of -$110m.
* India: Had inflows of +$543m as of the 28th, with total inflows of +$276m over the past 5 days. YTD flows are negative -$9,737m. The 5-day average is +$55m, the 20-day average of +$141m and the 100-day average of -$107m.
* Indonesia: Had inflows of +$84m as of the 28th, with total inflows of +$165m over the prior five days. YTD flows are negative -$2,726m. The 5-day average is +$33m, the 20-day average +$17m and the 100-day average -$29m.
* Thailand: Recorded outflows of -$47m as of yesterday, outflows totaling -$84m over the past 5 days. YTD flows are negative at -$1,755m. The 5-day average is -$17m, the 20-day average of -$2m and the 100-day average of -$18m.
* Malaysia: Recorded outflows of -$55m as of yesterday, totaling -$142m over the past 5 days. YTD flows are negative at -$3,316m. The 5-day average is -$33m, the 20-day average of +$18m and the 100-day average of -$23m.
* Philippines: Saw outflows of -$3m yesterday, with net inflows of +$10m over the past 5 days. YTD flows are negative at -$248m. The 5-day average is +$2m, the 20-day average of +$2m the 100-day average of -$3m.

	Yesterday	Past 5 Trading Days	2025 To Date
South Korea (USDmn)	210	686	- 10,856
Taiwan (USDmn)	-575	-550	- 10,892
India (USDmn)*	543	276	- 9,737
Indonesia (USDmn)*	84	165	- 2,726
Thailand (USDmn)	-47	-84	- 1,755
Malaysia (USDmn)	-55	-142	- 3,316
Philippines (USDmn)	-3	10	- 248
Total	110	277	- 41,249

*as of 28th MAY

Source: MNI - Market News/Bloomberg

GLOBAL

US: US Court Blocks Trumps Liberation Day Tariffs, Risk Firms

Headlines have crossed that a US Federal court has blocked US President Trump's 'Liberation Day' tariffs. Risk appetite has improved following the headlines, with Eminis and Nasdaq futures extending gains. Eminis are now +1.30% (just off session highs and close to 5980). In the FX space, yen is off 0.40%, last near 145.45, with USD/UCHF up by 0.4% as well.

- Rtrs stated: "A U.S. federal court on Wednesday blocked President Donald Trump's "Liberation Day" tariffs from going into effect, ruling that the president overstepped his authority by imposing across-the-board taxes on imports from nations that sell more to the United States than they buy." It added "The Manhattan-based Court of International Trade said the U.S. Constitution gives the U.S. Congress exclusive powers to regulate commerce with other countries that are not trumped by the president's emergency powers to safeguard the U.S. economy."

- There are seven other lawsuit challenges going on in relation to tariff policies in 13 US states, RTRS notes.
- BBG adds that the ruling can be appealed by the Trump administration in Federal court.

US: Focus Now On Appeal, Other Tariff Avenues, Potential Tariff Refunds

A few snippets from various media outlets post the earlier US Trade court decision against Trump's reciprocal tariffs.

- **Politico**: "The Justice Department quickly filed an appeal, setting the stage for more legal arguments over the extent of Trump’s tariff authorities. Ultimately, the case could end up at the Supreme Court."
- It was added: "The court’s ruling also means that the government may have to pay back duties it has already collected. “Anybody that has had to pay tariffs so far will be able to get them refunded,” said Ilya Somin, a professor of law at George Mason University, who helped argue a case against the tariffs brought by several small businesses."
- On other tariff avenues: "The ruling also does not affect other tariffs Trump has imposed, such as those under Section 232 of the Trade Expansion Act of 1962, which allows the president to levy new duties on national security grounds. Trump used the provision in March to widen existing steel and aluminum tariffs and slap a 25 percent duty on foreign auto imports. The administration has launched several other Section 232 investigations that could lead to future tariffs on semiconductors, pharmaceuticals and a number of other products.
- That process is slower, however, requiring the administration to first conduct a national security review and solicit public comment before moving forward with the duties. Using the emergency law allowed the White House to act much more quickly." (see this link for more details).
- The **WSJ** added: "If upheld, the ruling means the Trump administration must find another justification for its global tariffs. The administration has previously contemplated imposing duties under Section 301 of the Trade Act of 1974, which allows for tariffs that counter unfair foreign trade practices. That is the provision Trump used to underpin his first term tariffs on China and is considered to be on firmer legal footing than IEEPA." (see this link).

GLOBAL MACRO: March Exports Jump Ahead Of US Tariffs, Especially From Asia

The March CPB global trade data showed a significant pickup in export growth as countries, especially in Asia, try to beat the imposition of US duties. Reciprocal tariffs were announced on April 2 and then delayed until July 9 to allow negotiations to take place. Exporters are likely to continue front loading shipments in case agreements are not reached, increasing inventories and thus the likelihood of a drop in trade in H2.

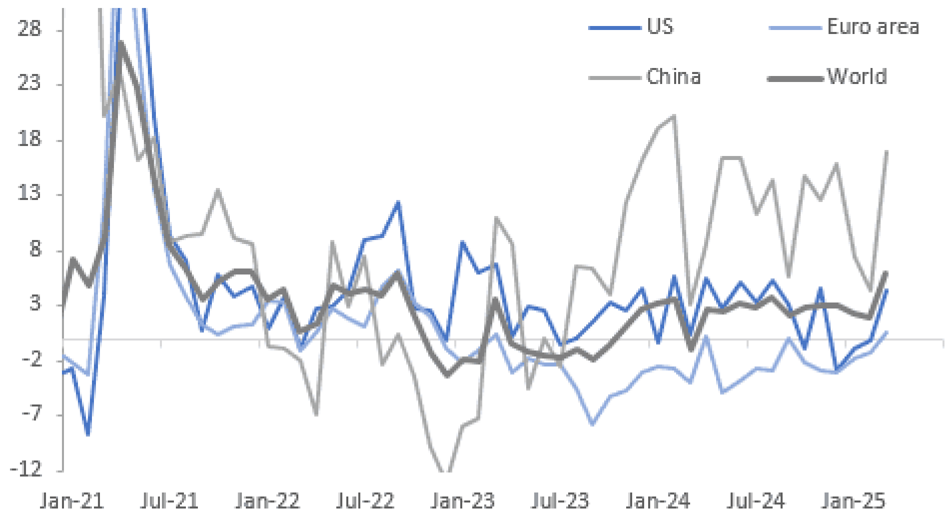
- Global trade rose 2.2% m/m in March to be up 6.6% y/y, fastest since December 2021, after 0.5% & 3.0% in February. Exports rose 2.3% m/m and 5.9% y/y up from 2.0% y/y with both DM and EM posting monthly increases. The Baltic Freight Index and manufacturing PMI suggest there will be a correction.

Global trade y/y% vs Baltic Freight Index

Source: MNI - Market News/LSEG

- Shipments from developed markets rose 1.2% m/m and 3.9% y/y after 1.4% y/y. This was the fifth consecutive monthly rise. Advanced Asia saw exports increase 12.1% y/y, while Japan's rose 6.6% y/y. The euro area rose 0.5% y/y, highest since November 2022, and the US by 4.3% y/y.
- EM Asia also saw strong export growth with China up 16.9% y/y and excluding China +6.4% y/y. Latin America increased 10.2% y/y. Mexico received some reprieve from US duties through USMCA-compliant goods worth around half of US imports from Mexico but still faces universal tariffs on steel and autos. Overall EM exports rose 3.7% m/m to be up 9.1% y/y following February's 3.1% y/y.

Global exports y/y%



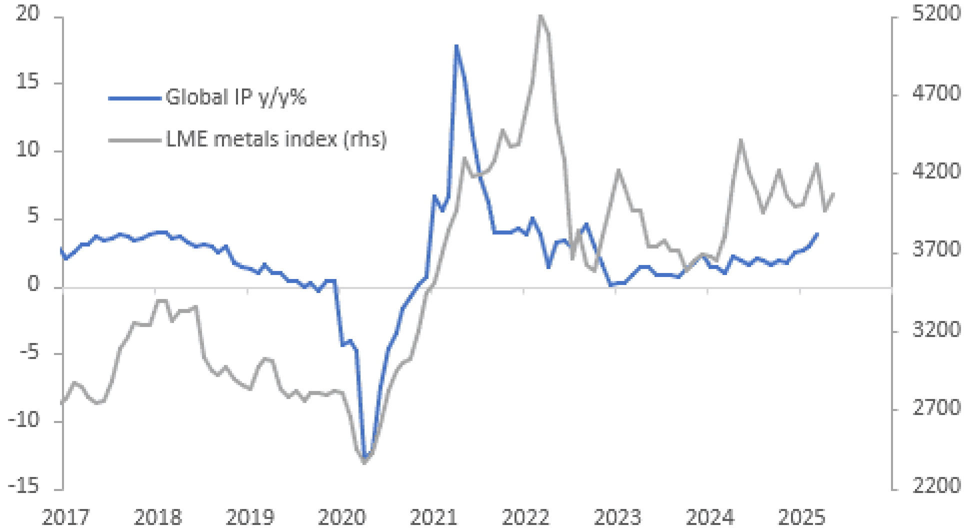
Source: MNI - Market News/LSEG

GLOBAL MACRO: IP Growth Rises In March, Outlook Uncertain

CPB data showed that global IP volumes rose 0.5% m/m to be up 3.7% y/y in March after 0.8% & 2.9% y/y respectively. This was the fastest annual growth rate since September 2022, a time when the global economy was recovering from Covid. The pickup in IP seen since December has lagged global trade growth. The global manufacturing PMI suggests that IP is likely to slow in the coming months but metal prices suggest that it could strengthen before stabilising.

- Some of the frontloading of trade to beat US tariffs may be coming out of inventories and thus IP hasn't picked up to the same degree. Thus, IP may not slow as much in the second half of the year consistent with metal prices remaining at elevated levels.

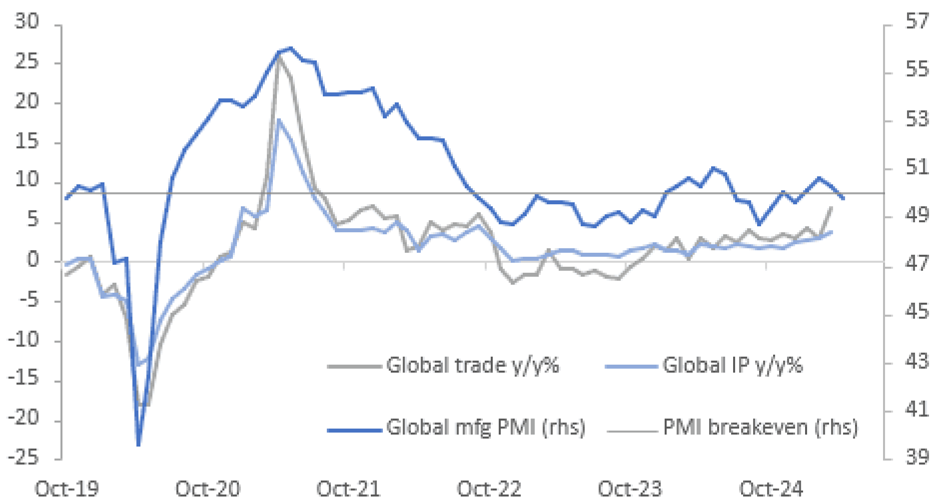
Global IP vs LME metal prices



Source: MNI - Market News/LSEG

- The S&P Global manufacturing PMI signalled slightly positive growth in activity in Q1 2025 but it fell to 49.8 in April from 50.3 signalling a slight contraction. The US' reciprocal tariffs were announced on April 2 and likely weighed on the index. There could be some unwind in the May PMI, released on June 3, due to the tariff delay.
- Central banks assume that even if trade agreements are reached by July, uncertainty in H1 2025 will weigh on demand. If deals aren't agreed, then global growth could be significantly lower.

Global growth



Source: MNI - Market News/LSEG/Bloomberg