

# MNI Asia Pac Weekly Macro Wrap

8 May 2026 – By Jon Cavenagh, Jaime Grant, Maxine Koster, Stephen Petrie & Gavin Stacey

## JAPAN

- A quiet week data wise, with Japan out for the first 3 days of this week. We did get March labor earnings today, which were below expectations, but still showed real earnings in positive territory for the 3<sup>rd</sup> straight month. The authorities appeared to intervene during the holiday period to curb yen weakness.

## AUSTRALIA

- In an 8-1 vote the RBA hiked rates 25bp to 4.35% as was widely expected. This was the third consecutive increase and brought rates back to where they were before 2025's easing. The RBA believes that policy is now a "bit restrictive" but that tightening has given it "space" to monitor risks.
- Q1 household consumption volumes rose 0.7% q/q to be up 2.8% y/y, highest since Q2 2023, after 1.0% & 2.5% in Q4. There is a high correlation between this series and national accounts private expenditure but there can be discrepancies.

## NEW ZEALAND

- The labour market continued its modest recovery in Q1. The unemployment rate was lower, there was job growth in both full-time (FT) and part-time (PT) sectors and hours worked were higher. While the unemployment rate dip to 5.3% was in line with the RBNZ's February forecast, employment growth was softer. Wage growth also remained contained.

## SHORT TERM RATES

- Amidst ongoing uncertainty around the Middle East conflict and its implications for oil prices, interest-rate expectations across the \$-bloc through December 2026 were modestly mixed over the past week, with Canada (-7bps) and New Zealand (-5bps) softer and the US (+4bps) and Australia (+1bp) slightly firmer.

## SOUTH KOREA

- Local data outcomes continue to point to tightening risks from the BoK.

## ASIA

- In April, ASEAN saw the S&P Global manufacturing PMI decline to 50.7 from 51.8, signalling that the sector continues to grow but at its slowest pace since July 2025 which drove a slight fall in staff levels. It was hampered by lower demand and input bottlenecks limiting capacity. There were increases in both input and selling price inflation.
- The Bank Negara Malaysia (BNM) statement from yesterday seemed to largely reflect a "strong hold." Further analysis suggests that there are hints of hawkishness in the change in the description of the current interest rate level.

## ASIA EQUITY FLOWS

- South Korean equity flows have been quite volatile, with recent sessions more than reversing earlier positive momentum for May. Positive inflow momentum for Taiwan is proving to be much stickier.

## JAPAN

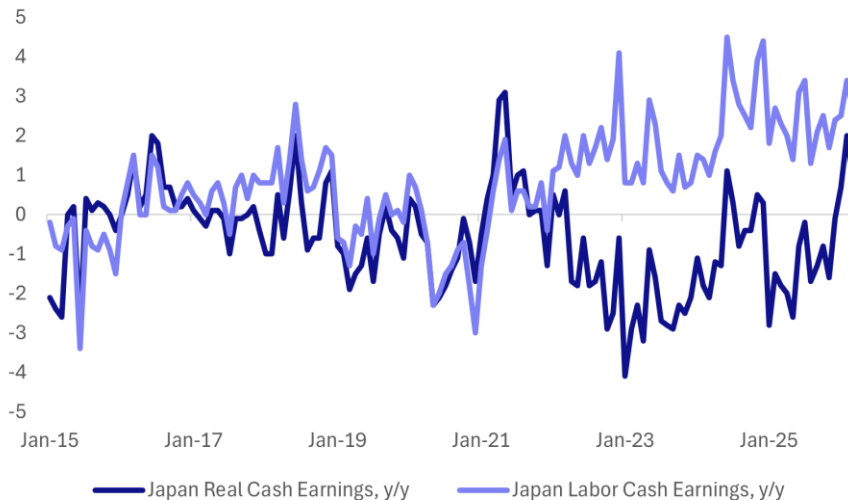
### JAPAN DATA: Labor Earnings Sub Forecasts, But Real Trend Positive In Recent Months:

Japan March cash earnings were below forecasts, but real earnings remained in positive y/y territory. Headline labor cash earnings rose 2.7%y/y, against a 3.2% forecast and Feb 3.4% outcome. Real earnings were 1.0%y/y, against the 1.8% forecast and 2.0% prior. In terms of scheduled full time pay, same base, we rose 2.6%y/y (3.0% was forecast and 3.0% was the Feb outcome). Cash earnings were up 2.5%y/y, against a 2.9% forecast and 3.2% prior outcome (same sample base). The chart below plots nominal and real earnings in y/y terms.

\* Whilst today's data was below expectations, the y/y trends (particularly for real earnings) have still been encouraging in recent months. Incrementally this will add to the BOJ confidence around sustainably hitting its inflation target, but in the near term is unlikely to add weight to tightening at the June meeting.

\* In terms of the detail, bonus payments fell -1.5%y/y, from +7.5% in Feb, which may have impacted overall headline earnings. Overtime worked was -3.0%y/y as well, versus -1.0% in Feb.

**Fig 1: Japan Nominal & Real Earnings Y/Y**



Source: Bloomberg Finance L.P./MNI

## AUSTRALIA

### RBA: MNI RBA Review-May 2026: Hikes Give RBA “Space”

- [See Full Review Here](#)
- In an 8-1 vote the RBA hiked rates 25bp to 4.35% as was widely expected. This was the third consecutive increase and brought rates back to where they were before 2025's easing.
- The RBA believes that policy is now a “bit restrictive” but that tightening has given it “space” to monitor risks in both directions to growth, employment and inflation. Thus it could pause in June.
- While modestly softer than pre-RBA levels, OIS pricing continues to show tightening across all meetings, with the probability of a 25bp hike rising from 26% for June to 107% by September and 144% by December 2026.
- The May hike was driven by “indications” that higher fuel prices would likely have “second-round effects on prices for goods and services more broadly” and that the Iran War is already “adding to inflation”.

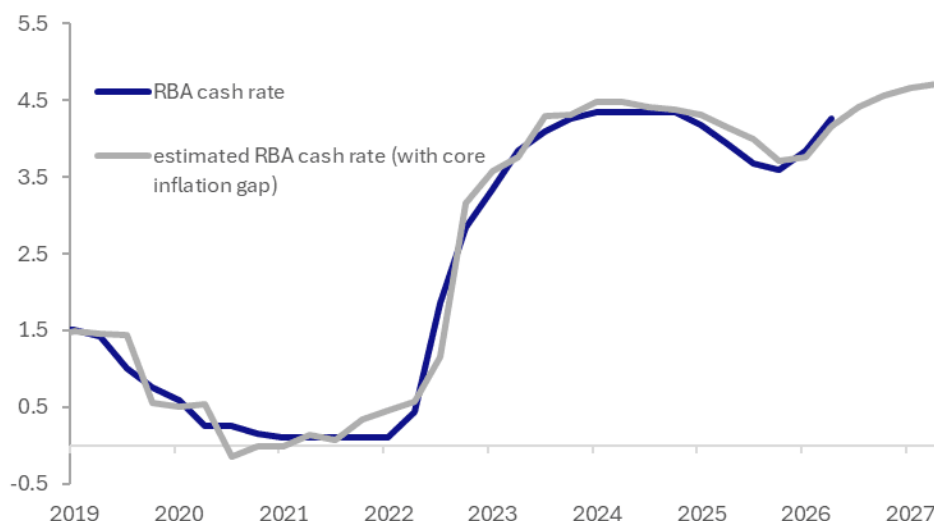
### AUSTRALIA: Equation Estimates Suggest Further Rate Hikes

After three 25bp rate hikes bringing the cash rate to 4.35% and unwinding 2025's easing, the RBA believes that policy is a “bit restrictive” but that tightening has given it “space” to monitor risks in both directions. Our simple

policy reaction function updated for the May RBA staff forecast implies that another 2 to 3 hikes are consistent with growth and inflation fundamentals. This is similar to the 50bp in the cash rate assumption used by the RBA based on market pricing.

- The reaction function has 1 to 2 25bp hikes in its output for Q2 2025, we've already had one, consistent with the view that the Board can monitor events and data and could be on hold at its 16 June decision.
- The model then has another 25bp hike in Q3 and over Q4/Q1 before holding over the rest of 2027. This is slightly more than the market has priced in.

**Australia policy reaction function**



Source: MNI - Market News/LSEG/RBA

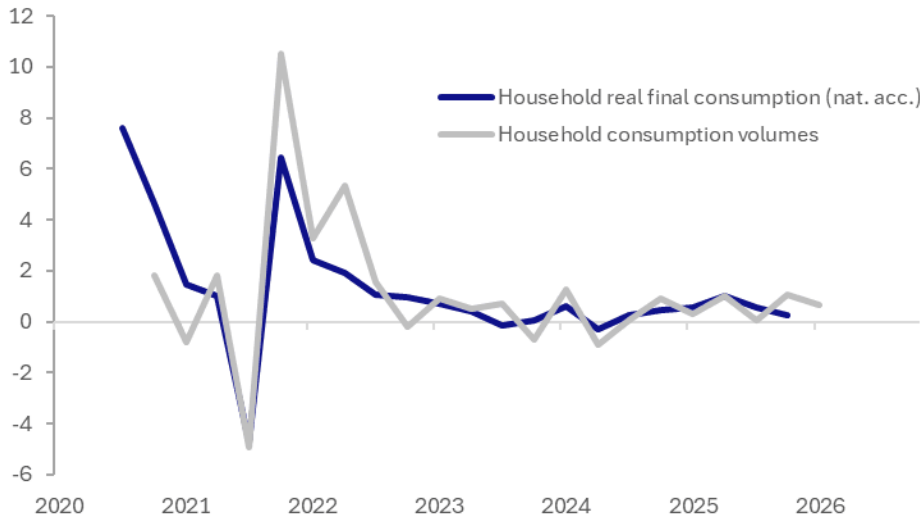
- There has been some discussion about whether policy should have been eased in 2025. Our equation is consistent with 2 to 3 rate cuts but if actual changes in rates are not included, ie only the estimates, then it signals unchanged policy until a 25bp hike in Q4 2025, one quarter earlier than what happened.
- The trimmed mean inflation gap rose to 1.0pp in Q1 2026 and using RBA projections is forecast to stay there or shift higher for four quarters and then close only in Q2 2028, thus it is unsurprising that further tightening was in the model output. Also, our output gap estimate using a Hodrick-Prescott filter turned positive in Q2 2025 (using current, revised GDP data). It is not likely to close until end-2026 and then turn negative in 2027.
- It is worth noting that econometric calculations are only estimates and not predictions.

**AUSTRALIA DATA: Fuel Volume Purchases Down On Higher Prices, Q1 Real Spending Up**

March Australian nominal household spending was boosted by the sharp rise in automotive fuel prices (+32.8% m/m). Consumption rose 1.6% m/m, slightly below consensus, to be up 6.3% y/y after 0.3% & 4.7% in February. The rise in prices drove a 1.3% m/m drop in fuel volumes purchased based on ABS experimental estimates, suggesting that household demand responded to the petrol pump.

- Q1 household consumption volumes rose 0.7% q/q to be up 2.8% y/y, highest since Q2 2023, after 1.0% & 2.5% in Q4. There is a high correlation between this series and national accounts private expenditure but there can be discrepancies. The data signal a rise in the GDP consumption measure but it could be stronger or weaker. For example, Q4 volumes rose 1.0% q/q but GDP private consumption was up only 0.3% q/q.

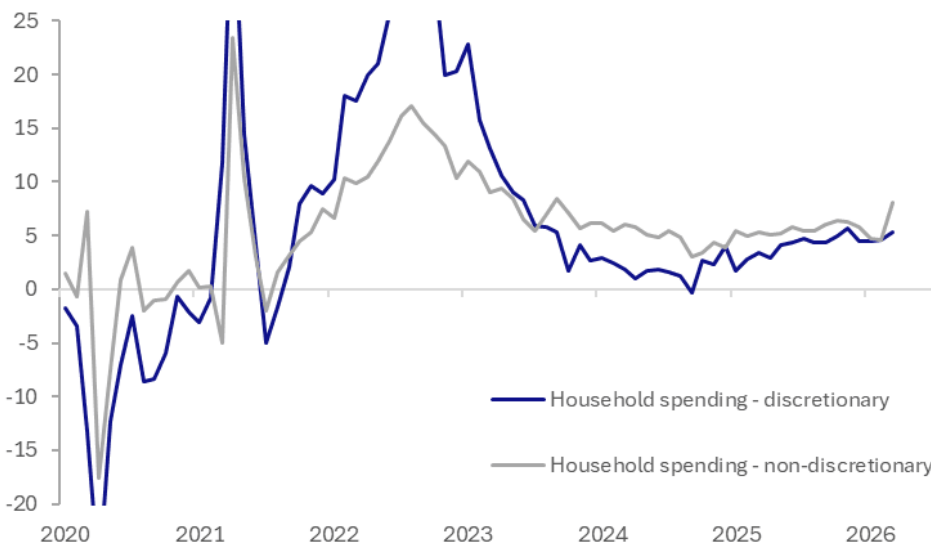
Australia real household spending q/q%



Source: MNI - Market News/ABS

- Q1 was driven by essentials such as health, transport and food but recreation and miscellaneous were also robust. Alcohol, clothing, furnishings & household equipment and restaurants contracted.
- Other impacts from the Iran War were also seen in the data with food expenditure up 1.7% m/m due not only to higher prices but also “precautionary stockpiling”.
- The increase in nominal fuel spending drove a 5.1% m/m rise in the transport component and 3.4% m/m in non-discretionary.
- Services expenditure was muted up only 0.1% m/m, which was not impacted by fuel and food.
- Discretionary purchases remained robust up 0.6% m/m & 5.3% y/y in March after 0.5% & 4.7% suggesting a willingness to spend on non-essentials despite less discretionary income. Both clothing & footwear and recreation & culture rose 1.3% m/m and household furnishings & equipment +1.6% m/m.

Australia discretionary vs non-discretionary spending y/y%



Source: MNI - Market News/ABS

**AUSTRALIA DATA: Tech Imports Drive First Trade Deficit Since 2017**

Australia recorded its first merchandise trade deficit in March since December 2017 driven by a surge in imports of Automatic Data Processing equipment related to the growth in AI usage. The trade balance shifted from a surplus of \$5.03bn in February to a deficit of \$1.84bn in March. Imports rose 14.1% m/m to be up 20.3% y/y with exports falling 2.7% m/m & 2.1% y/y. The data are values.

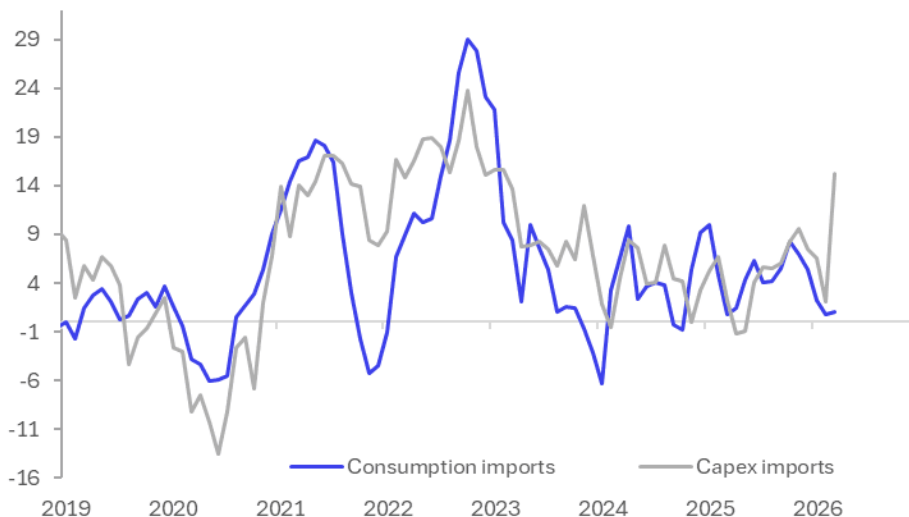
**Australia merchandise trade \$mn**



Source: MNI - Market News/ABS

- Imports were higher across major categories. Capital goods rose 36.8% m/m & 40.8% y/y as ADP equipment jumped 204.4% m/m. Machinery & equipment increased 3.6% m/m. This could show up as a large increase in capex in the Q1 national accounts on 3 June.
- Consumer goods imports rose 1.2% m/m & 3.5% y/y driven by clothing and vehicles.

**Australia goods imports y/y% 3-mth ma**



Source: MNI - Market News/ABS

- While the driver was ADP equipment, the impact of higher global oil prices can be seen in the 53.6% m/m rise in the value of fuel imports though. Average Brent oil prices rose 43.2% m/m in March.

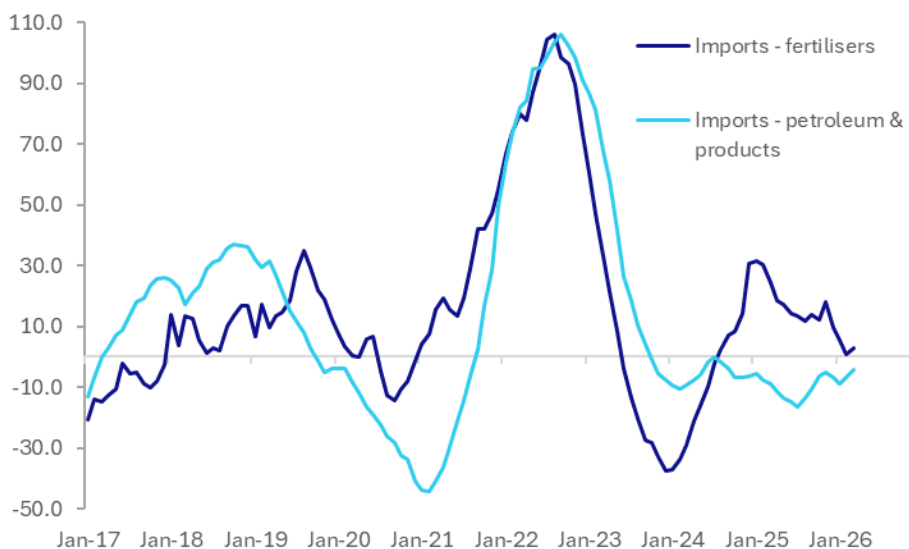
- The decline in exports was due to all major rural groupings reporting a fall in shipments with the total down 11.6% m/m but still up 3.9% y/y. Non-rural goods rose 0.3% m/m, due to other mineral fuels & transport equipment, but fell 10.1% y/y after sharp monthly declines in January/February.

**AUSTRALIA DATA: Sharp Increases In Commodity Trade Volumes In March**

The ABS provided more detail this month on commodity export and import volumes and not only did the quantity of Australia’s fuel imports rise sharply in March but so did the quantities of key exports. The onset of the Iran War drove an increase in the price and volumes of Australia’s fuel imports but there was also a sharp rise in its LNG exports, which is unsurprising given around 20% of global supplies are shut in by the closure of the Strait of Hormuz.

- LNG export volumes rose 13.8% m/m in March to be up 2.0% y/y. They fell 12.1% m/m in February with the end of the northern hemisphere winter. Unit values were only 0.4% m/m higher as global gas prices moderated after the initial spike following the onset of the war.
- Quantities of crude imported jumped 40.8% m/m to be up 14.9% y/y with gasoline +18.8% m/m & 39.2% y/y. However, diesel fell -11.6% m/m to be down -14.1% y/y, thus explaining shortages and the subsequent 71% m/m increase in retail diesel prices. Jet fuel fell -6.9% m/m but was up 20.3% y/y.
- In terms of sources, there was volume growth in crude imports from Malaysia, Vietnam and Argentina, gasoline from Singapore & India, diesel from Malaysia and Taiwan, and jet fuel from China and Malaysia but down from Singapore and Korea.
- Australia saw double-digit increases in the quantities of its major exports of coal and iron ore with unit prices also higher on the month of March. There was strong monthly volume growth of iron ore to China, Japan, Korea and Taiwan and coal to Japan, Taiwan and the Netherlands.
- Fertiliser shortages are also in the spotlight since the start of hostilities and there was a 40.6% m/m nsa rise in import values in March to be up 12.6% y/y but the 3-mth average y/y rate is still down 9.3% after -16.6%. The 12mth sum of imports was only 2.9% higher on a year ago despite the large March increase, consistent with anecdotes of shortages.

**Australia import values 12-mth sum y/y%**



Source: MNI - Market News/ABS

**NEW ZEALAND**

**NEW ZEALAND: Ongoing Labour Market Recovery Modest, Wages Contained**

The labour market continued its modest recovery in Q1. The unemployment rate was lower, there was job growth in both full-time (FT) and part-time (PT) sectors and hours worked were higher. While the unemployment rate dip to 5.3% was in line with the RBNZ’s February forecast, employment growth was softer. Wage growth also remained

contained, thus labour market conditions argue for the RBNZ to remain on hold but the onset of the Iran War has complicated decision making. The next announcement is 27 May.

- Employment rose 0.2% q/q to be up only 0.4% y/y after 0.5% q/q & 0.2% y/y. The RBNZ projected in February an increase of 0.4% & 0.7%. The majority of job growth was in part-time positions suggesting employer caution. PT rose 0.5% q/q with FT up 0.1% q/q.

**NZ employment y/y%**



Source: MNI - Market News/LSEG

- The unemployment rate eased 0.1pp to 5.3% as the participation rate fell 0.1pp to 70.4%. Also the number of unemployed was down 1.2% q/q, the largest quarterly decline since Q4 2021. However, youth not in employment or education/training rose 1.1pp to 14.4% in Q1, which as a lead indicator signals ongoing labour market weakness.
- Hours worked increased 0.8% q/q to be up 2.2% y/y. The underutilization rate remains high though at 12.9%.
- Private wages including overtime rose 0.4% q/q, as expected, but excluding overtime were stronger at 0.5% q/q but only 2.0% y/y unchanged from Q4. Wage growth is currently not a problem for the inflation outlook and with labour demand still moderate, high pay outcomes are unlikely.
- Private average hourly earnings were also moderate up 0.2% q/q and 3.6% y/y. Total labour costs rose 0.5% q/q & 2.0% y/y.

**NZ wages y/y%**



Source: MNI - Market News/LSEG

**SHORT-TERM RATES** \$-Bloc Year-End Pricing Modestly Mixed Over Past Week:

Amidst ongoing uncertainty around the Middle East conflict and its implications for oil prices, interest-rate expectations across the \$-bloc through December 2026 were modestly mixed over the past week, with Canada (-7bps) and New Zealand (-5bps) softer and the US (+4bps) and Australia (+1bp) slightly firmer.

\* Currently, \$-bloc pricing relative to late February (pre-war) for December 2026 is 34-59bps firmer across the \$-bloc, with the US leading and Australia lagging.

\* The RBA policy meeting dominated events over the past week. In an 8-1 vote the RBA hiked rates 25bp to 4.35% as was widely expected. This was the third consecutive increase and brought rates back to where they were before 2025's easing.

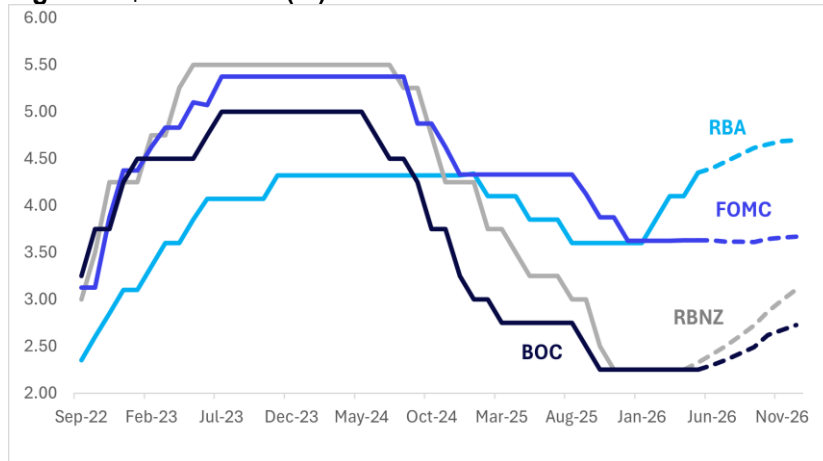
\* The RBA believed that policy is now a "bit restrictive" but that tightening has given it "space" to monitor risks in both directions to growth, employment and inflation. Thus, it could pause in June.

\* The May hike was driven by "indications" that higher fuel prices would likely have "second-round effects on prices for goods and services more broadly" and that the Iran War is already "adding to inflation".

\* The next major regional policy event is the RBNZ policy meetings on 27 May. Currently, the market attaches a 30% chance of a 25bp hike.

\* Looking ahead to December 2026, current market-implied policy rates expected are as follows: US (FOMC): 3.67%, +4bp; Canada (BOC): 2.73%, +48bps; Australia (RBA): 4.47%, +12ps; and New Zealand (RBNZ): 3.11%, +86bps.

**Figure 1: \$-Bloc STIR (%)**



Source: Bloomberg Finance LP / MNI

**CHINA**

**CHINA: China Asks Banks To Pause New Loans To US-Sanctioned Oil Firms – BBG**

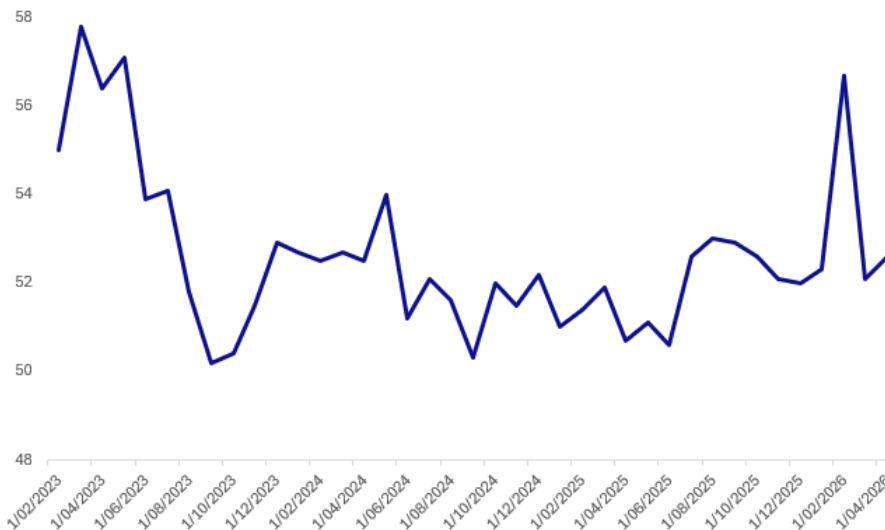
Headlines have crossed from BBG that China has asked banks to pause new loans to US-sanctioned oil refiners. The article notes: "China's financial regulator advised the country's largest lenders to temporarily suspend new loans to five refineries recently sanctioned by the US over their ties to Iranian oil." Adding: "The move contrasts with a notice from China's Ministry of Commerce, which instructed companies to disregard US sanctions, as Beijing tries to balance defiance toward the US with shielding its largest state-owned banks from US secondary sanctions." (see this [link](#) for the full article).

- This comes ahead of US President Trump's trip to China next week (May 14-15). The US has been trying to exert greater economic pressure on Iran by aiming to limit its oil shipments and thereby forcing them to the negotiating table. This is in addition to keeping its naval blockade in place near Hormuz.
- Hopes rose on Wednesday around a potential peace deal between US and Iran, although sentiment was tempered by conflicting headlines from both sides as the session progressed.

### CHINA DATA: PMI Services Edges Up, Input Prices on the Rise

- China's April RatingDog Services PMI edged up to +52.6 from +52.1 in March
- The RatingDog China April composite purchasing managers' index was up relative to March also.
- Index rises to 53.1 from 51.5 in March; Year ago 51.1
- New orders rise to 52.9 vs 50.8 in March
- Input prices rise vs prior month for the highest reading since April 2022.
- Expectations for monetary policy changes appear to be moderating with state owned newspaper running article today about the withdrawal of liquidity from the interbank system by the PBOC.
- Our take on that news story is it could potentially be the way towards lower bond yields, ahead of the strong issuance schedule. However a non consensus view is that it could be clearing the way for a RRR cut

RatingDog Services PMI



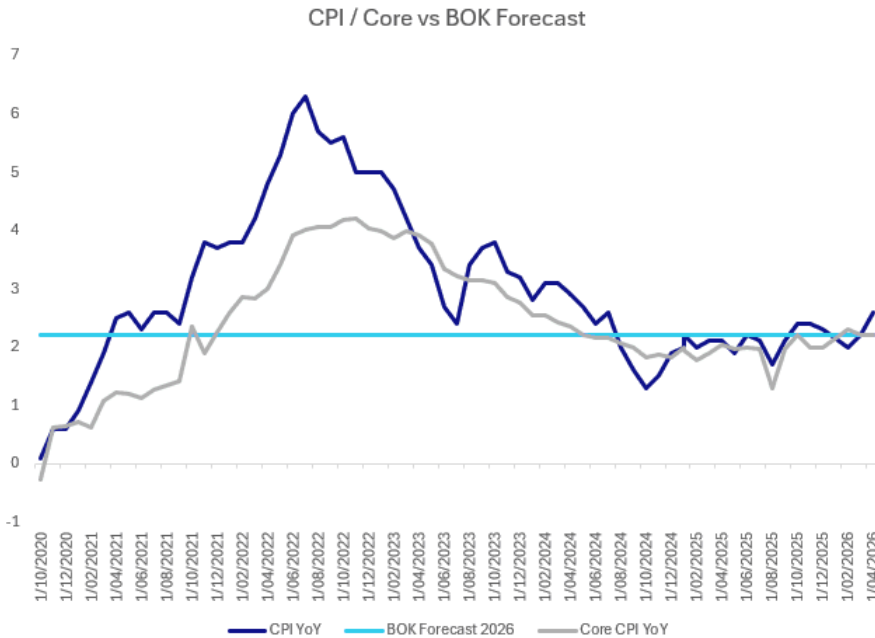
source: Bloomberg Finance LP / MNI

### SOUTH KOREA

#### SOUTH KOREA DATA: CPI Above BOK Target; Rhetoric For Higher Rates to Continue

- South Korea CPI crept higher in April to reach its highest since May 2024.
- Whilst within expectations, the print sees inflation above the BOK target, again and could result in an earlier than expected move higher in rates by the central bank.
- CPI YoY rose +2.6% against estimates of +2.6% and prior of +2.2%
- CPI MoM rose 0.5%, from prior of +0.3%.
- Core was steady at +2.2% YoY
- The BOK's focus has been rampant house price appreciation, particularly in Seoul and the Won.
- The local housing market may see slower price growth starting in May, when the government is set to end tax benefits to owners of multiple homes, the presidential chief of staff for policy forecast Monday. Kim Yong-beom made the forecast at a press conference ahead of the government's withdrawal of exemptions from aggravated real estate transfer taxes for owners of multiple homes, set to take effect Saturday.
- The Won has had a better period of late also up +2.8% and at 1,467 remains well below the March high of 1,517.
- KRW Swaps have progressively been bringing forward rate hike expectations and the Senior Deputy Governor of the BOK suggesting that its time to consider rate hikes.

- This leaves bond markets in a push pull scenario where global leads are pushing yields higher, whilst WGBI inclusion is adding to the demand dynamic.
- Look for an increase in the rhetoric around rate hikes as BOK spokespeople prepare the market for early Q3.



source: Bloomberg Finance LP / MNI

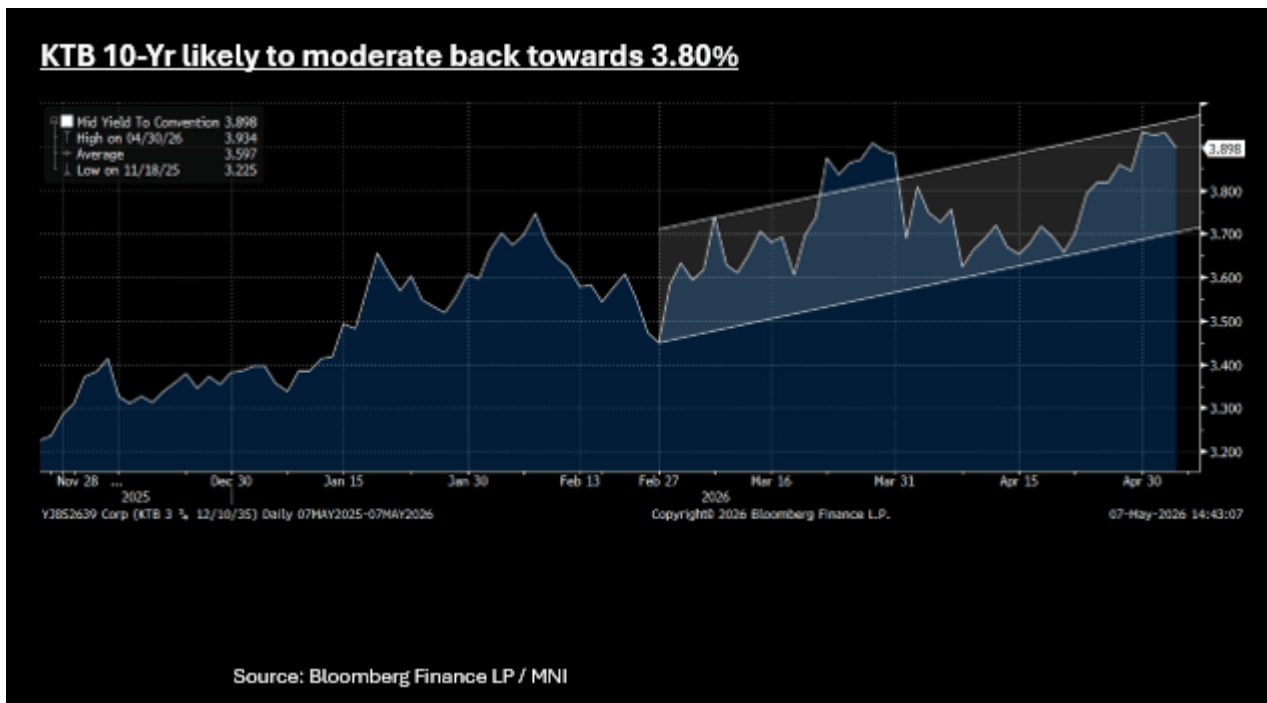
### SOUTH KOREA: Data Strength Supports Rate Rise; BOK Likely to Prepare Markets

- Korea Treasury Bond (KTB) yields are playing catch up today as the market digests global leads, a pivot in rhetoric from the Bank of Korea (BoK) and a significant deterioration in the inflation outlook.
- Following Senior Deputy Governor Ryoo signalling on Sunday/Monday that it is "time to consider raising rates" and US bond yields gapping higher Monday.
- Successive economic data releases have been strong in Korea, but with signs of growing inflationary pressures - the deputy governor's comments might be serving as a warning to investors.
- A surge in DRAM chip prices is boosting export revenues but also raising the cost of domestic electronic goods, complicating the BoK's path to the 2% inflation target.
- KTB yields are mostly higher Wednesday with the 3-Yr flat at 3.61% and the 10-Yr up +3.6bps to 3.965%
- It had been previously suggested by market commentators that 3.90% would be the point at which the BOK intervenes in the KTB market. Having now closed above that level for three consecutive days, this appears to not be the case.
- CPI out earlier today was in line with expectations, though has crept up above the BOK target.
- While Korea's inclusion in the World Government Bond Index (WGBI) in April provided some structural support, the current global flight from long-term bonds is forcing KTB yields higher to remain competitive for foreign capital.
- Look for further comments in the coming weeks by BOK officials as signs that they are readying the market for a rate rise in Q3.

### SOUTH KOREA: Foreign Reserve Jump Provides Support to KTBs

- KTBs have given the BOK a reprieve today as their correlation to US yields sees the 10-yr back below 3.90%
- Yields are lower by around 3-5bps as oil prices slipped overnight, driving US yields down.

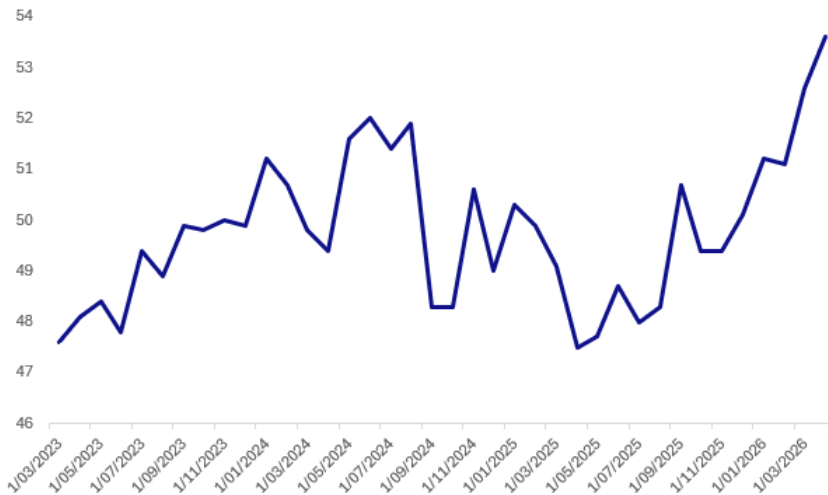
- The KTB 10-Yr is down -3.8bps to 3.89% and whilst the 3-Yr is down only -0.5bps to 3.614%
- Korea's 10-Yr bond future is down -.36 today at 108.81 - whilst maintaining its position below all major moving averages.
- Korea's reserves grew to approximately \$413.26 billion, a surprise to many who expected a sharper drawdown due to the BoK's defense of the Won near the 1,470 level. This provides liquidity buffer has reassured the bond market that the central bank has the firepower to manage currency volatility without needing to resort to emergency, aggressive rate hikes. When coupled with the WGBI inclusion, many sees this as a natural cap on yields and plays neatly into this changing narrative from the BOK on rate hikes.
- Expect the 10-Yr to moderate back towards 3.80% in the coming days - should oil prices remain stable.



**SOUTH KOREA: PMI Strength Supports Case for Rate Hike**

- South Korea's April manufacturing showed the positive impact that the AI Chip boom is having on the Korean economy.
- Korea's S&P reached it's highest reading since February 2022.
- The index jumped to +53.6 from +52.6 in March as output rose to +53.1 and the highest since August 2024 and the fourth consecutive month of expansion.
- New orders were up by the most since February 2022.
- This is yet another example of the strength of the Korean economy. Following on from Friday's release of strong export data - suggests that the economy could withstand a rate hike as a precautionary move against inflation; and to support the currency.

SK Manufacturing PMI



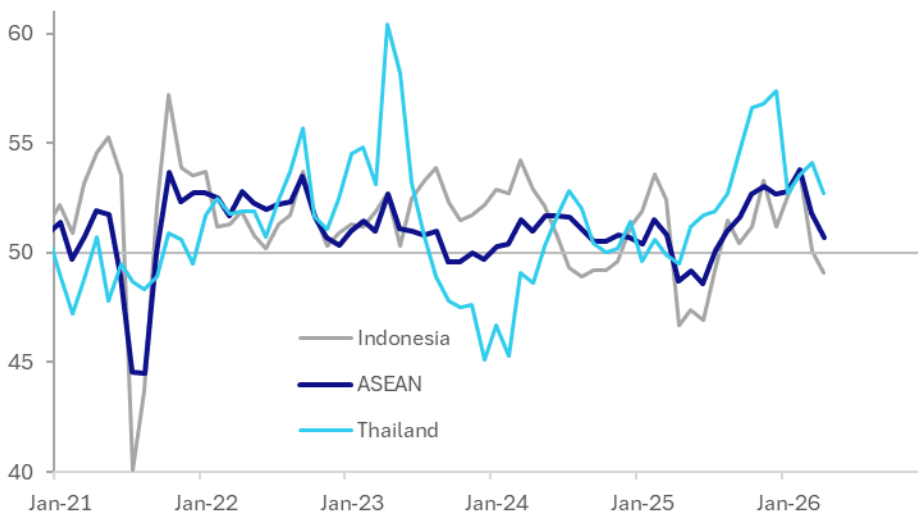
source: Bloomberg Finance LP / MNI

**ASIA**

**ASIA: ASEAN Manufacturing Feeling Pressures From Middle East Conflict**

In April, ASEAN saw the S&P Global manufacturing PMI decline to 50.7 from 51.8, signalling that the sector continues to grow but at its slowest pace since July 2025 which drove a slight fall in staff levels. It was hampered by lower demand and input bottlenecks limiting capacity. There were increases in both input and selling price inflation. Central banks in general are monitoring second-round effects from higher fuel prices due to the Iran War.

**ASEAN S&P Global manufacturing PMIs**



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

- April ASEAN cost inflation was its fastest in over four years, according to S&P Global. Businesses were able to pass these on with selling price inflation also at its highest in over four years.
- Confidence in the outlook remained optimistic suggesting that current disruptions are currently not expected to last.

- New orders increased but due to domestic demand as foreign orders contracted for a second straight month.
- While purchasing activity was positive, both input and finished goods inventories fell due to the lengthening in arrival times because of supply-chain issues.
- Most countries saw manufacturing growth in April with only Indonesia (49.1 from 50.1) and the Philippines (48.3 from 51.3) contracting. However, all countries slowed except Malaysia (51.6 from 50.7) demonstrating the broad-based impact of the Middle East supply shock.
- Singapore outperformed the rest of the region followed by Thailand. The Thai PMI moderated to 52.7 from 54.1, equal to January, with output and orders slowing. Staffing held steady.
- Thai saw a significant pickup in inflationary pressures with costs rising at their fastest pace since September 2022 driven by higher fuel prices impacting transport and raw materials. These were passed onto customers with selling price inflation rising for the first time in 8 months and at the highest rate in over two years. In April, BoT shifted its view on inflation from deflation to upside inflation risks.

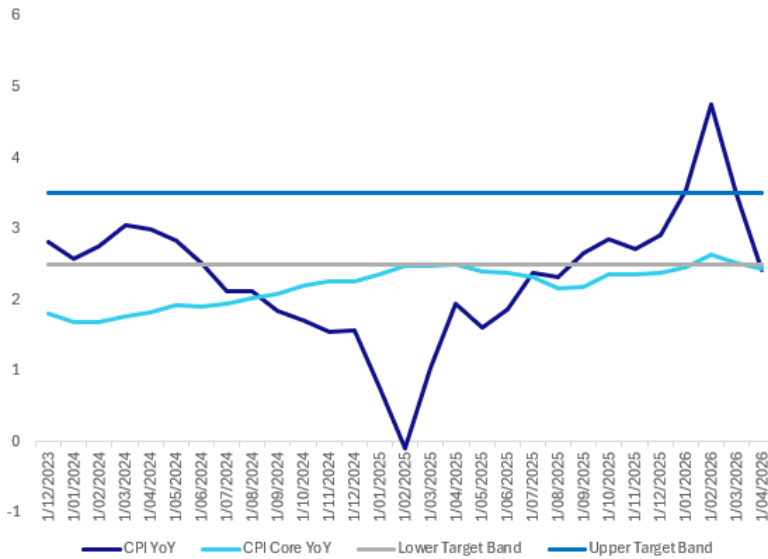
### INDONESIA: GDP Upside Surprise Fails to Give Rupiah a Boost

- Bank Indonesia (BI) has been active in the markets today as the Rupiah faces continued pressure. The BI and Government has continued to point to the growth in Indonesia as a sign for it being undervalued and further evidence was on show today.
- GDP YoY surprised to the upside for Q1 at 5.61%, up from 5.39% in 4Q. However the QoQ whilst contracting -0.77%, still beat estimates of -0.97%.
- Whilst there hasn't been a press conference today, BI officials and the government have issued several coordinated updates and interventions to manage the currency's slide toward the 17,400 level.
- Up +38 to be near 17,427 / 17,435 the pair are off highs from earlier following BI intervention.
- In comments earlier today, she noted that the Rupiah's current weakness is "consistent with broader regional currency depreciation" and driven by external shocks—specifically the Middle East geopolitical tensions and \$110+ oil prices—rather than domestic failings.
- The Coordinating Minister for Economic Affairs echoed BI's sentiment, stating today that the government is monitoring peer countries facing similar pressures and that the Rupiah's move is "global, not domestic. BI reaffirmed today that Indonesia's foreign exchange reserves (standing at USD 148.2 billion) provide a more than sufficient buffer to maintain these market operations indefinitely.

### INDONESIA: CPI Falls Back within Central Bank Bands

- Indonesia's April CPI YoY rose 2.42%, below estimates 2.70%.
- Core moderated also down at +2.44% against estimates of +2.46%
- The primary driver for the moderation is the base effect.
- **The outlook going forward should see CPI start to climb** continuing rising through 3Q, reflecting price pressures from the oil shock.
- The cost of imports due to a weaker currency will likely impact prices in the coming releases whilst government subsidies will deflect some of the impact.
- This release will not figure prominently in the setting of monetary policy which for now remains with neutral outlook.

Indonesia CPI YoY vs BI Target Band

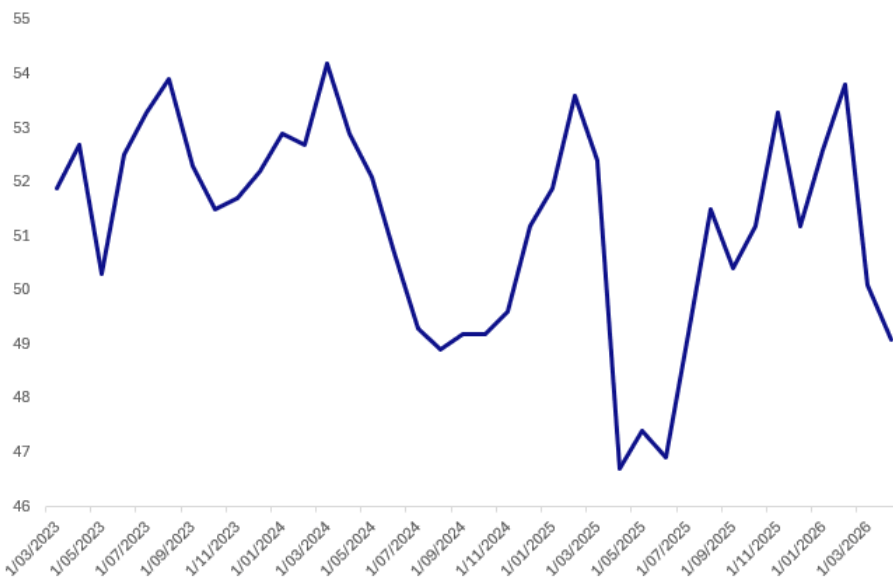


source: Bloomberg Finance Lp / MNI

**INDONESIA: PMI Manufacturing Contracts in April**

- Indonesia's S&P Global Indonesia PMI Manufacturing fell to its lowest in almost a year.
- The PMI Manufacturing fell into contraction, printing at +49.1 following +50.1 in March
- Output contracted rapidly to +46.2 from +48.9 - the lowest since May 2025 and the second month of contracting.
- New orders were up on prior month

Indonesia Manufacturing PMI SA



source: Bloomberg Finance LP / MNI

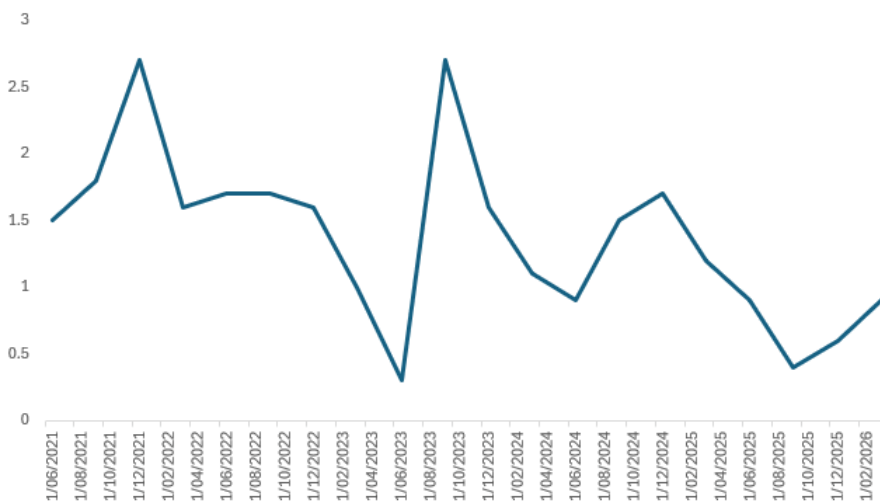
**PHILIPPINES: Softer Q1 GDP, But Little Market Impact, Govt Vows To Boost Growth**

Philippines Q1 GDP was a little below market expectations. Softer IP and investment was offset to some extent by still resilient spending and exports. Officials have been on the wires stating global and local challenges remain. Focus will be on regaining growth momentum in coming quarters, with a focus on infrastructure investment. Market reaction has been minimal, with USD/PHP showing some upside post the print, but selling interest re-emerged above 60.80. Local equities are still +2% firmer for the session.

**PHILIPPINES: GDP Slowdown Causes Headaches for BSP**

- The Philippine economy grew by 2.8% year-on-year in the first quarter (Q1) of 2026 from 3.0% in Q4 and the slowest pick up in the post COVID era.
- The QoQ of 0.9% was marginally up on the Q4 result of 0.6% yet remains below the 5-Year average of 1.4%
- This represents a significant slowdown compared to the 5.4% growth recorded in Q1 2025 and fell below market expectations of 3.3%
- Wholesale and retail trade remains a key contributor.
- Financial and insurance activities continues to support the services sector
- Private consumption rose 3.0% versus 3.8% prior
- Government consumption rose 4.8% versus 0.7% prior
- exports moderated to 7.8% from 13.3%
- Imports jumped to 6.1% from 3.2%
- Service sector increased 4.4% from 4.9%
- Manufacturing rose just 0.5% from 1.8%
- The BSP raised interest rates at their most recent policy meeting on April 23, 2026. The Monetary Board decided to increase the target reverse repurchase (RRP) rate by 25 basis points to 4.5%. This was a significant hawkish move, as it marked the BSP's first rate hike in over two years. Whilst the BSP did cut rates earlier in February (to 4.25%) to support growth, the deteriorating situation in the Middle East changed the outlook. High global oil and fertilizer prices have begun feeding into domestic costs. April's headline inflation surged to a three-year high of 7.2% in April, far exceeding the BSP's 2–4% target range.

Philippines QoQ SA GDP Growth



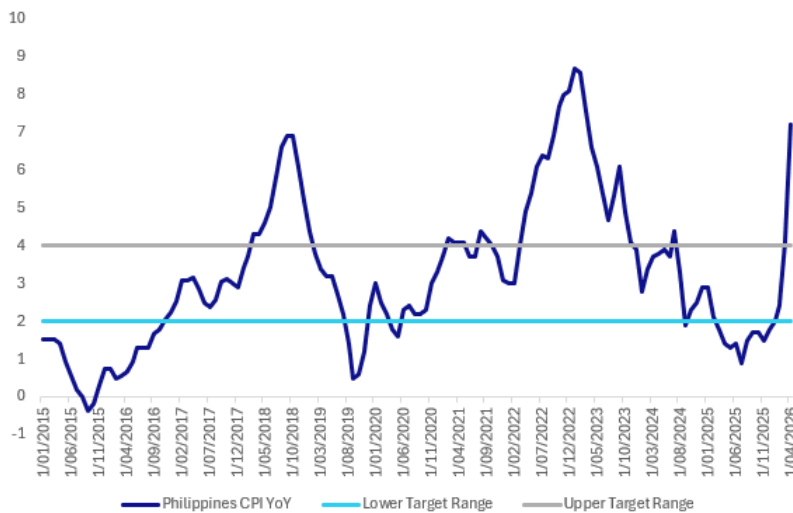
source: Bloomberg Finance LP / MNI

**PHILIPPINES: CPI Above Upper Band, More Rate Hikes to Come**

- The Bangko Sentral ng Pilipinas (BSP) hiked interest rates by 25 basis points to 4.50% at its last meeting on April 23, and marked the first rate hike in over two years, signaling an end to the bank's accommodative cycle.

- Inflation in March 2026 surged to 4.1%, officially crossing the upper bound of the BSP's 2%–4% target range. More alarmingly, current projections (as of early May) suggested inflation could average 6.3% for the full year 2026 due to the second-round effects of the Middle East conflict.
- Unfortunately those forecasts were not close to the April outcome of +7.2% YoY - the highest since March 2023.
- The MoM figure was way in excess of estimates also at +2.6% (est. +1.2%, prior +1.4%).
- Core prices are up +3.9% YoY.
- Consumer prices in the capital jumped +5.5% YoY.
- Year to date CPI is up +3.95 YoY
- Since the BSP hiked rates on April 23 in what was (for some) a surprise move, the 3-Yr yield premium over the base rate has continued to widen. This suggests that markets are positioning for further rate hikes and today's CPI all but assures the next move is up

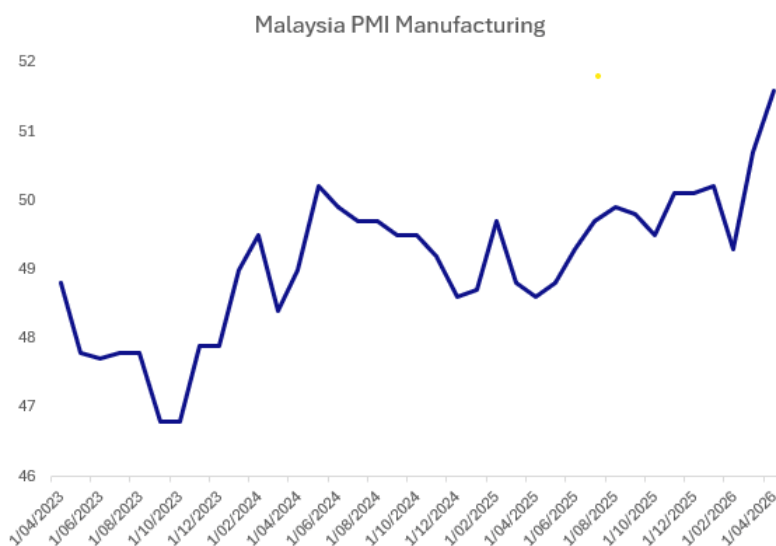
Philippines CPI YoY vs BSP Target Range



source: Bloomberg Finance LP / MNI

## MALAYSIA: PMI Manufacturing Reaches Highest Since April 2022

- Malaysia's S&P Global Malaysia April PMI expanded by the most since April 2022.
- For the second consecutive month of expansion, the PMI MFG jumped +51.6 from +50.7 in March.
- Output was up to +51.6 from +51.2 for the highest reading since December 2021.
- New orders were up versus the prior month.
- The BNM meets later this week where it is expected to keep rates on hold at 2.75% where it has been since July 2025.



source: Bloomberg Finance LP / MNI

## MALAYSIA: BNM a "Strong Hold" Rather than "Hawkish Tilt":

- \* The Bank Negara Malaysia (BNM) statement from yesterday seemed to largely reflect a "strong hold."
- \* Further analysis suggests that there are hints of hawkishness in the change in the description of the current interest rate level.
- \* BNM now describes the OPR as "appropriate and consistent" with the outlook for price stability. Prior statements the rate was described as "supportive" of the economy.
- \* In central bank speak, moving from "supportive" to "consistent" often signals the end of the easing cycle. History shows that BNM made a similar linguistic shift in May 2025, just before they moved toward their last rate adjustment.
- \* Whilst inflation has been moderate (1.7% in March), the Governor's statement explicitly warned that higher global commodity prices from the Middle East conflict are expected to cause domestic inflation to edge up. Malaysia reports the April CPI on May 19.
- \* By highlighting this upward pressure, the BNM may also be setting the stage for a potential "pass-through" of these costs to consumers via the government's likely decision to raise RON95 fuel prices soon to manage the ballooning RM7 billion monthly subsidy bill.
- \* The statement repeatedly emphasized that Malaysia enters the current global volatility from a position of strength. By highlighting the robust 5.3% GDP growth in 1Q and record semiconductor exports, the Governor is signaling that the economy is strong enough to absorb a rate hike if one becomes necessary to defend the Ringgit or combat inflation.
- \* The premium for the MGS 3-Yr over the OPR remains broadly stable with levels pre meeting

## ASIA EQUITY FLOWS: South Korea Outflows Surge, Led By Electronics Sector, Taiwan Up :

South Korean flows turned sharply negative yesterday, with the \$4.48bn in offshore net selling pushing May back to net outflows. This followed very strong inflows in the first part of May as local stocks and tech related global indices surged. It appears that further outflow momentum is evident today per BBG's NBUY function. Just over \$2.7bn in further net selling by offshore investors has been seen so far. It looks to be concentrated in the electronics sector. Samsung shares sit off recent record highs, but are still up comfortably for the month, likewise for SK Hynix. The Kospi is weaker today, but supported sub 7400 and still close to recent record highs. In the middle part of this week there was also strong outflows from South Korea tracking ETFs based in the US. Although BBG notes that: "New direct access routes for US investors may partially explain subdued ETF flows."

\* Taiwan inflows are much stickier. We continued to see net inflow momentum yesterday. The 5-day sum remains at a healthy +\$5.8bn comfortably the best in the region. The Taiex is consolidating after a very strong run higher, but pullbacks remains shallow.

\* Indian flow momentum remains fairly poor. Even with local equity indices well up from YTD lows, we have still seen nearly \$22bn in offshore net selling, and yet to reach a trough.

\* Outflow momentum from Indonesia looks to have stabilized somewhat, but only modest net inflows have been seen in the past 5 trading days.

\* Trends are close to flat elsewhere in South East Asia (for the past 5-day days), with yesterday's net selling in Thailand unwinding recent positive momentum.

**Table 1: Asian Markets Net Equity Flows**

|                      | Yesterday    | Past 5 Trading Days | 2026 To Date  |
|----------------------|--------------|---------------------|---------------|
| South Korea (USDmn)  | -4483        | -23                 | -36460        |
| Taiwan (USDmn)       | 1293         | 5835                | -4653         |
| India (USDmn)*       | -603         | -1491               | -21660        |
| Indonesia (USDmn)    | -4           | 48                  | -2889         |
| Thailand (USDmn)     | -84          | -12                 | 548           |
| Malaysia (USDmn)     | -14          | 31                  | 397           |
| Philippines (USDmn)  | 4            | 12                  | -61           |
| <b>Total (USDmn)</b> | <b>-3891</b> | <b>4400</b>         | <b>-64779</b> |

\* Data Up To May 6

Source: Bloomberg Finance L.P./MNI

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