

MNI Asia Pac Weekly Macro Wrap

10 October 2025 – By Jon Cavenagh, Jaime Grant, Maxine Koster, Stephen Petrie & Gavin Stacey

JAPAN

- The expected new PM Takaichi has been vocal in her criticism of BoJ policy hikes in the past, although the stance softened during this recent LDP leadership campaign.
- August labour earnings data in Japan was comfortably below market expectations. Real earnings have not been in positive territory (in y/y terms) so far in 2025. This will reinforce expectations of the BoJ likely remaining on hold at the Oct meeting. Japan's new political regime had already noted that Oct is too soon.
- As the week progressed FX rhetoric/jawboning picked up as USD/JPY rallied through 153.00.

AUSTRALIA

- Westpac consumer confidence fell for the second straight month in October as higher inflation prints appear to have weighed on assessments of family finances and the economy.
- Both MI's inflation gauge for September and consumer inflation expectations for October picked up consistent with the RBA being cautious about the inflation outlook.

NEW ZEALAND

- All MPC members agreed that the 50bp to 2.5% was appropriate given material spare capacity in the economy. As this negative output gap is likely to persist for some time and the economic recovery remains lacklustre, further cuts bringing policy into stimulatory territory are likely.
- The NZIER's Quarterly Survey of Business Opinion showed a deterioration in the assessment of the outlook and only 4% of firms expecting to hire in Q4. A net 15% believe that economic conditions will improve over the coming months down from 26%, which is concerning given 250bp of easing.

SHORT TERM RATES

- Interest rate expectations across the \$-bloc have shown little net change over the past week, except in NZ, which softened sharply (-12bps) following the RBNZ's 50bp cut.

CHINA

- China markets were out for much of this week. FX reserves data showed a continued trend towards gold. The USD/CNY fixing bias lent against yuan depreciation pressures.

ASIA

- The Bank of Thailand (BoT) surprised by leaving rates at 1.5% but Wednesday's decision wasn't unanimous with two MPC members voting for a 25bp cut. Given its limited policy space, it the MPC wants to time further easing.
- Indonesian consumer confidence fell for a second straight month to 115.0 in September from 117.2, the lowest since April 2022. Private consumption growth been steady around 5% for around two years but the 1.8% q/q drop in Q3 average consumer sentiment is signalling that it likely slowed last quarter.
- The Philippines central bank surprised markets by cutting rates. It highlighted political turmoil (which is weighing on the growth outlook) as a key driver of the decision.

JAPAN**BOJ: Takaichi - BOJ & Govt Need To Work Closely On Economic Policy**

Market pricing at the end of last week, priced in a BoJ Oct rate hike at a close to 58% (per WIRP on BBG). The implied rate was a touch above 0.62%, against a current effective policy rate of 0.477%. A full 25bps hike is not priced until the Jan/Mar meetings of next year (implied rate of 0.75% for March 2026 meeting). For the Sep 2026 contract we sat at 0.96%. Focus in the first part of trade today will be on fallout from Takaichi's surprise LDP election victory on Saturday. The expected new PM has been vocal in her criticism of BoJ policy hikes in the past, although the stance softened during this recent LDP leadership campaign.

- Most notably from 2024 (when Takaichi competed for the leadership position with Ishiba), she stated raising rates was stupid. However, more recently she stated that the BoJ should keep rates unchanged (via BBG). She added that the government should set the direction for fiscal and monetary policy.
- Headlines that crossed in the aftermath of her victory on Saturday stated she believes that the BOJ and the government must work closely together on economic policy and that the government would need to consider if the current accord with the BOJ is the best (via BBG).
- From a sell-side standpoint, SocGen noted after the leadership result: "We had previously predicted the BoJ's next rate hike would occur in October, but given (1) the result of yesterday's LDP presidential election and (2) the US government shutdown and growing concerns about a further economic downturn, we changed our forecast to December."
- Goldman Sachs didn't see major implications in the near term for its viewpoint: "We believe the outcome of this LDP presidential election will not have a significant impact on the BOJ's monetary policy for the time being. This is because the impact of tariff hikes has started to appear in the data, such as a decline in manufacturers' recurring profits, and under these circumstances, we expect the BOJ to leave the policy rate unchanged for the time being from a risk management perspective. We continue to expect a rate hike in January 2026 as our base case scenario, with a rate hike in December this year as a sub-scenario."
- Looking ahead, Takaichi's remarks will be scrutinized closely. On the data front, we get Aug household spending figures tomorrow, then on Wednesday labor earnings data is out.

JPY: Kato Nudges Up FX Jawboning, USD/JPY Little Changed

Headlines have crossed from Japan FinMin Kato, nudging up the FX rhetoric. Still, USD/JPY hasn't reacted much. Via BBG:

"**KATO: REFRAIN FROM COMMENTING ON FX TRENDS,
 *KATO: SEEING ONE-SIDED, RAPID MOVES IN FX MARKET" - BBG,
 "**KATO: IMPORTANT THAT FX MOVES STABLY, REFLECTING FUNDAMENTALS,
 *KATO: GOVT WILL CAREFULLY EXAMINE EXCESSIVE FX MOVES" - BBG

These remarks from Kato appear to be a bit of step up in rhetoric compared to what was said earlier in the week. Today's remarks on seeing one-sided, rapid moves in FX market wasn't mentioned on Tuesday. From Tuesday Kato stated:

"**KATO: REFRAINING FROM COMMENTING SPECIFICALLY ON MARKET MOVES
 *KATO: KEY FOR FX TO MOVE STABLY WHILE REFLECTING FUNDAMENTALS
 *KATO: WILL CLOSELY WATCH ANY EXCESSIVE MOVES IN FX MARKET"

Still, we haven't seen remarks like deeply concerned about FX moves, or we will take appropriate action if FX moves excessively). USD/JPY sits down a touch for the session, last near 152.90, but hasn't reacted much to Kato's comments.

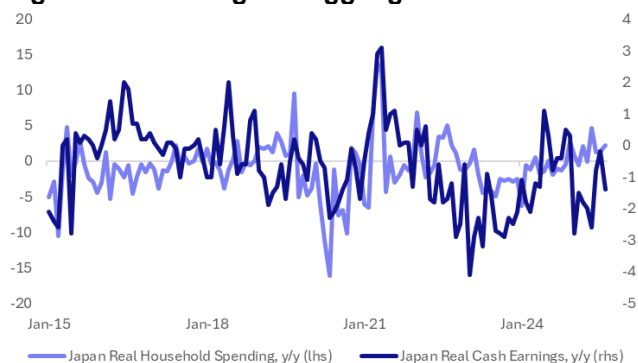
JAPAN DATA: Aug Labor Earnings Notably Sub Forecasts, BoJ Likely Holding In Oct

August labour earnings data in Japan was comfortably below market expectations. Headline earnings rose 1.5%/y/y (against a 2.7 forecast and 3.4% July outcome), while real earnings dipped back to -1.4%/y/y (-0.5%) was forecast. Real earnings have not been in positive territory (in y/y terms) so far in 2025. This will reinforce expectations of the BoJ likely remaining on hold at the Oct policy meeting. Japan's new political regime had already noted that Oct is

too soon for a rate hike. BoJ Governor Ueda also noted recently that the risk was low for the central bank to fall behind the inflation/policy curve (with today's data supporting this theme).

- The chart below updates the household spending versus real labour earnings trend post today's data. Recall yesterday that household spending was stronger than forecast but today's real earnings data re-opens a modest wedge between the two series. This may create uncertainty around the extent which the positive trend in household spending can be maintained.
- Bonus payments were down notably in y/y terms, off -10.5%y/y, versus a 6.3% gain in July, so this provides some offset to the softer headline results. We can often bounce back after negative months.
- On a same sample base, cash earnings printed at 1.9%, versus 2.7% forecast. Scheduled full time pay on the base y/y was 2.4% against a 2.5% forecast. Special payments fell -5.7%y/y (against a 4.7% rise in July).
- This may help offset the weaker than expected headline outcomes, but still the BoJ and authorities are likely to want to see stronger underlying earnings momentum.

Fig 1: Real Earnings Struggling For Positive Momentum



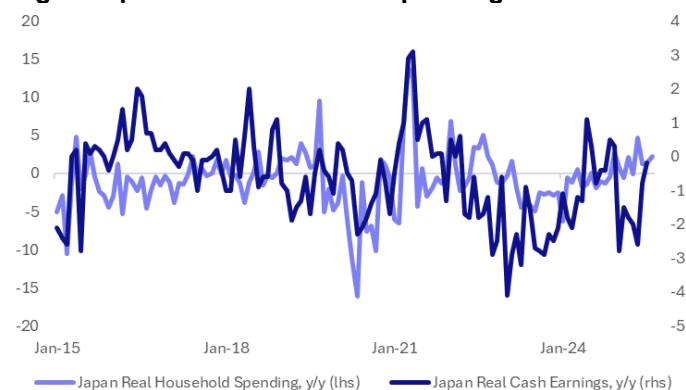
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Household Spending Above Forecasts, Supports BoJ Hike Plans

Japan household spending for August was stronger than forecast (+2.3%y/y, versus 1.2% forecast, 1.4% prior). We are below earlier 2025 highs from a y/y momentum standpoint, but the trend has steadily improved from late 2024 lows. It should add, albeit at the margins, to the case for a further BoJ rate hike, although little is priced for the Oct meeting (implied rate of 0.52%, versus a current effective rate of 0.477%). On the political side, ahead of Takaichi's first formal actions in government, one of her primary policy advisers Honda stated that Takaichi wants the Bank of Japan to proceed "cautiously" on interest rates, and that an October rate hike is "difficult". While the comments appeared to pressure the Bank away from tightening policy, the view that a December hike is not a problem was notable

- In m/m terms spending was up 0.6%. The strongest sub categories in y/y terms were transport, education and culture, recreation, which all recorded rises above 10%y/y.
- The chart below plots this real household spending measure against real labour earnings, both in y/y terms. Note the Aug update for earnings will be out tomorrow.
- The market expects real earnings to dip -0.5%y/y for August, against a -0.2% prior. Recall the July estimate was revised down from +0.5%y/y originally reported.
- If this is how the print evolved it would re-open the wedge between earnings and spending, although not as large as it was earlier in the year. From yesterday, via our Tokyo policy team: Regional firms expressed differing views on wage and price policies. A transportation company plans to maintain high wage levels in fiscal 2026, similar to this year, while a food and beverage firm in the same area intends to limit pay increases amid falling profits (from the BoJ's Regional Economic Report).

Fig 1: Japan Real Household Spending & Real Labour Earnings Y/Y



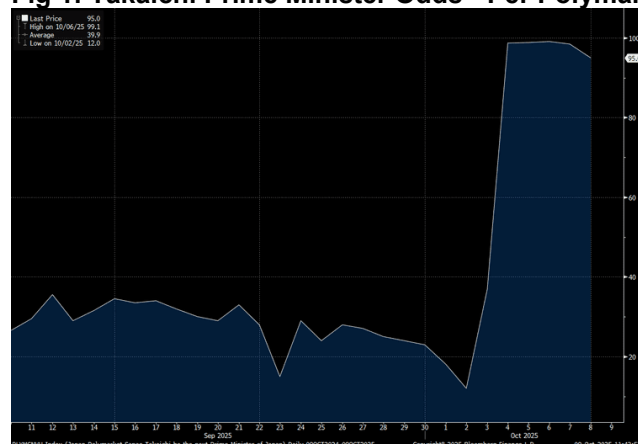
Source: Bloomberg Finance L.P./MNI

JAPAN: LDP Coalition Uncertainty Continues, Takaichi PM Odds Remain High Though

Despite on-going uncertainty around new LDP leader Takaichi's efforts to ensure the coalition to govern Japan remains in place, her PM odds per Polymarket remain only a touch below recent highs (see the chart below). Still, if Takaichi is forced to broaden the LDP's coalition, or if we see left field PM candidate emerge for PM, it will likely only intensify political/fiscal policy uncertainty onshore.

- Such a backdrop would likely weigh on the yen further, steepen the JGB curve, but may not be a further positive for local equities.
- Focus remains on long term partner of the LDP, Komeito Party, with a coalition agreement yet to be reached between the two parties. The leader of the Koemito Party, Tetsuo Saito, has stated that he will not vote for Takaichi as PM if a coalition agreement is not in place.
- The LDP has already pushed back the timing of the Diet session to Oct 20 or later, per FNN (via BBG).
- As BBG notes: "Komeito has typically reined in the LDP's more hawkish leaders", with concerns around Takaichi's viewpoints on foreign affairs/domestic issues a potential sticking point in negotiations.
- Onshore media also notes: "The Constitutional Democratic Party of Japan (CDP) is accelerating its efforts to unite opposition parties in the upcoming prime ministerial election to be held during the extraordinary Diet session, including by proposing a unification of the opposition Democratic Party for the People leader, Tamaki." (Yomiuri, via BBG).

Fig 1: Takaichi Prime Minister Odds - Per Polymarket



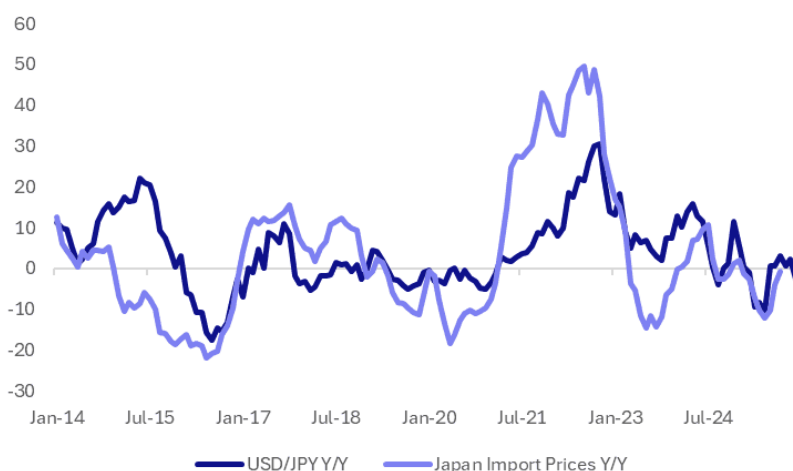
Source: Polymarket/Bloomberg Finance L.P./MNI

JAPAN DATA: Import Price Falls Moderating, Yen Weakness May Not Yet Be A Concern

The other part of Japan's price update this morning, was trade prices. In m/m terms, export prices rose 0.4%, matching Aug's gain. Import prices were up 0.3% m/m, the third straight monthly gain. We are off the July pace of 2.3% though. In y/y terms import prices were -0.8% y/y, against -3.9% in Aug. Disinflation from the import side continues to dissipate, which will be a BoJ watch point, particularly given renewed yen weakness. It is arguably too soon though to push the central bank to tighten rates.

- The chart below updates import prices y/y versus USD/JPY y/y changes. The USD/JPY line is extended to year end assuming current spot levels (just above 153.00 hold). Given elevated USD/JPY levels into end 2024, base effects should help keep y/y changes in the pair contained for end 2025. Higher m/m import momentum will be watched though. Sep gains were mostly evident in the commodity space, particularly metals.
- Our Japan policy team noted yesterday: The yen's slide to an eight-month low against the dollar is unlikely to prompt a rate hike or Japanese authorities to intervene in FX markets immediately, as the weaker currency helps mitigate impacts of U.S. trade policy on exporters – a key driver of the economy, MNI understands.
- Also note, in a live TV broadcast on Thursday, Japan's new ruling party leader, Sanae Takaichi, said she has no plans to trigger an excessively weak yen and sees no immediate need to revise the 2013 BOJ accord. She noted both benefits and drawbacks of a weak yen.

Fig 1: Japan Import Prices & USD/JPY Y/Y (Assuming Current Spot Levels Prevail To Yr End)



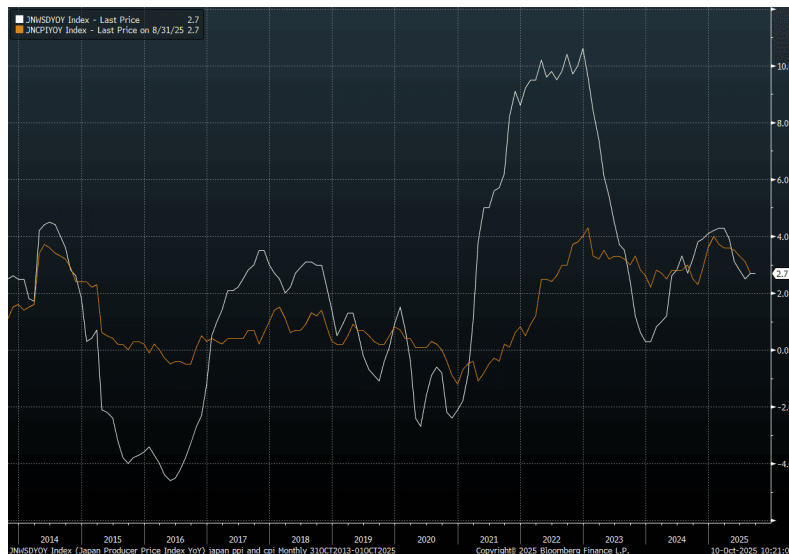
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: PPI Above Forecast, But Suggests Steady CPI Trend

Earlier Japan PPI data was a touch above forecasts. It rose 0.3% m/m (0.1% was expected and -0.2% was prior), while in y/y terms we rose 2.7% (2.5% was forecast). This leaves the y/y outcome unchanged on the August outcome. The chart below plots this y/y metric against headline CPI for Japan. At face value, it is consistent with a steady, albeit still elevated inflation backdrop.

- Via our Japan policy team: The index was supported by higher prices for nonferrous metals (+9.6% vs. +6.2% in August) but was weighed down by a smaller increase in agriculture, forestry and fishery products (+30.5% vs. +41.0%). Export prices for automobiles to the U.S. fell 16.3% on a yen basis and 18.8% on a contract currency basis, compared with August's declines of 19.9% and 20.5%, respectively, suggesting that Japanese carmakers continue to lower export prices, squeezing profits.

Fig 1: Japan PPI & CPI Y/Y



Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Offshore Investors Return To Local Stocks In Size

Japan weekly investment flows saw notable inflows into Japan equities and bonds in the week ending Oct 3, see the table below. The near ¥2.5trln in buying of Japan stocks looks to be the strongest weekly inflow on record. This ends a run of general selling by offshore investors. Since mid August we had seen just over -¥5.9trln in net selling, as offshore investors scaled back longs built up in Japan equities. With Japan stocks breaking higher this past week, in the aftermath of Takaichi's LDP leadership victory, we may see more offshore buying this week.

- Offshore investors were also strong buyers of local bonds, although this wasn't enough to offset the prior week's outflow in this space. In recent months, cumulative inflows are close to flat for this segment. Price action this week in local bonds seen sell off, amid fiscal concerns/BoJ outlook, but 30yr and 40yr tenors have reversed some of this spike.
- In terms of Japan outbound flows, local investors sold both offshore bonds and stocks. Slowing in global bond returns, as US yields stabilized, may have tempered appetite to buy offshore bonds. Cumulative outflows remain positive for the past few months.
- The selling of offshore stocks was the largest since early June of this year.

Table 1: Japan Weekly Offshore Investment Flows

Billion Yen	Week ending Oct 3 Prior Week	
Foreign Buying Japan Stocks	2479.9	-961.8
Foreign Buying Japan Bonds	1258.4	-1997
Japan Buying Foreign Bonds	-926.6	-158.7
Japan Buying Foreign Stocks	-1452.7	-11.6

Source: Bloomberg Finance L.P./MNI

AUSTRALIA**AUSTRALIA DATA: Stall In Disinflation Weighing On Consumer Confidence**

Westpac consumer confidence fell for the second straight month in October as higher inflation prints appear to have weighed on assessments of family finances and the economy. Thus, Q3 CPI on 29 October is likely to be important for households too. The RBA's decision to leave rates at 3.6% and cautious tone appear to have actually reassured consumers. Sentiment was down 3.5% m/m to 92.1, the lowest in 6 months. Households remain

cautious but are prepared to spend at the right price. Q3 expenditure growth improved compared to Q2 with signs of a pickup in discretionary spending.

- The RBA noted in September that private consumption was stronger than it expected as financial conditions have eased and real incomes higher. Previously Deputy Governor Hauser noted that consumer confidence may be impacted by a “scarring effect” from the previous fall in real incomes. Quarterly consumption volumes in the September release on 3 November before the 4 November RBA decision will be monitored.
- Westpac expects a November rate cut but it states that it is “far from assured”.
- Westpac observed that responses following the RBA’s 30 September decision were around 2-3 points higher than prior. A bit more than half expected rates to rise over the coming year before the decision but that fell to about a third afterwards. Mortgage rate expectations over 12 months increased 15.6% to 101.7.
- Family finances over the next 12 months fell to 97.1, its lowest in just over a year. This sentiment appears to be impacting purchasing decisions with “time to buy a major item” down 1.1% to 97.2, well below the series average.
- Unemployment expectations fell 2.9% to be just below average signalling ongoing confidence in labour market stability.
- House price expectations continued rising in October up 2.1% with the over 75% of respondents expecting further increases over the year.

Australia Westpac consumer sentiment vs “time to buy”

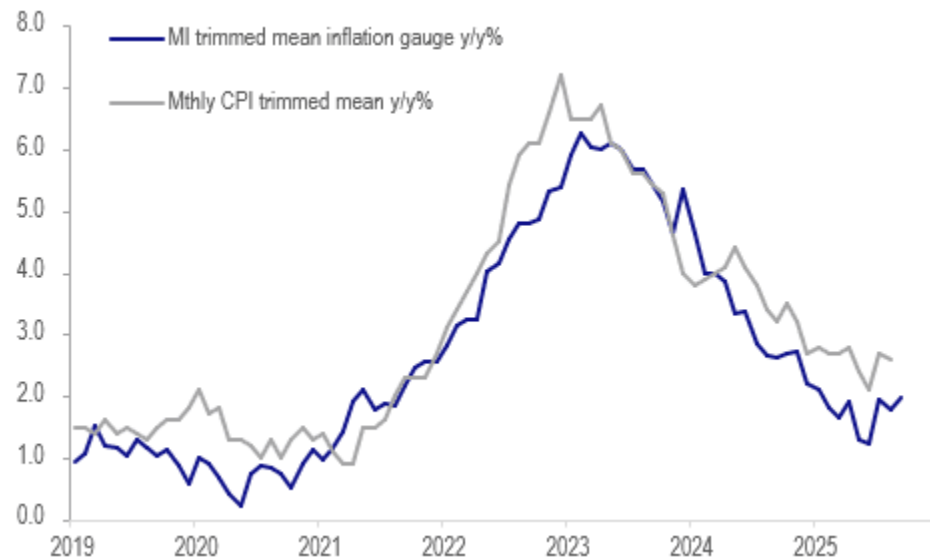


Source: MNI - Market News/LSEG

AUSTRALIA DATA: Data Continue To Signal Stall In Disinflation

The Melbourne Institute’s inflation gauge for September picked up 0.2pp to 3.0% with Q3 averaging 2.9% up slightly from Q2’s 2.8%. It also has a trimmed mean measure which also rose 0.2pp to 2% in September to be 1.9% in Q3 up from Q2’s 1.5% and may be trending higher again. Monthly CPI inflation is also higher over Q3 and RBA Governor Bullock sounded cautious last week as the central bank is concerned that there are signs a few key components are rising, especially market services which have also been sticky overseas. The key quarterly CPI data are released 29 October and are likely to determine the outcome of the 4 November RBA meeting.

Australia trimmed mean inflation y/y%

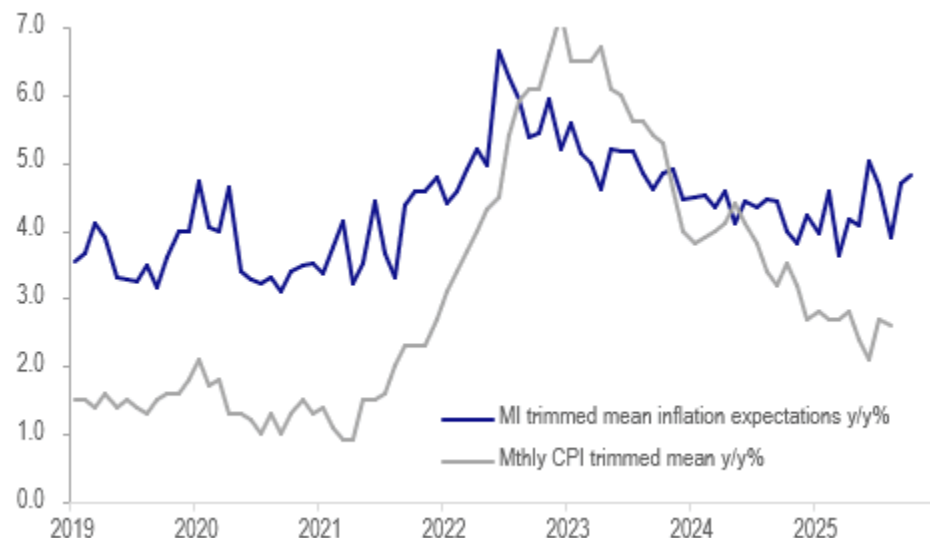


Source: MNI - Market News/LSEG/ABS

AUSTRALIA DATA: Rising Inflation Expectations Add To Rate Cut Uncertainty

Melbourne Institute consumer inflation expectations continued to trend higher in October rising 0.1pp to 4.8%, the highest in almost two years. This is consistent with the RBA's more cautionary tone regarding the inflation outlook and Westpac saying that higher Q3 inflation prints weighed on October consumer confidence. Households appear to have ignored lower petrol prices in the first week of October. Q3 CPI is released on 29 October and is likely to shape sentiment and the rate outlook. The AUD OIS market now has only around a 40% chance of a rate cut in November.

Australia trimmed mean inflation y/y%



Source: MNI - Market News/LSEG/ABS

NEW ZEALAND

RBNZ: MNI RBNZ Review-October 2025: More Stimulus Likely Needed

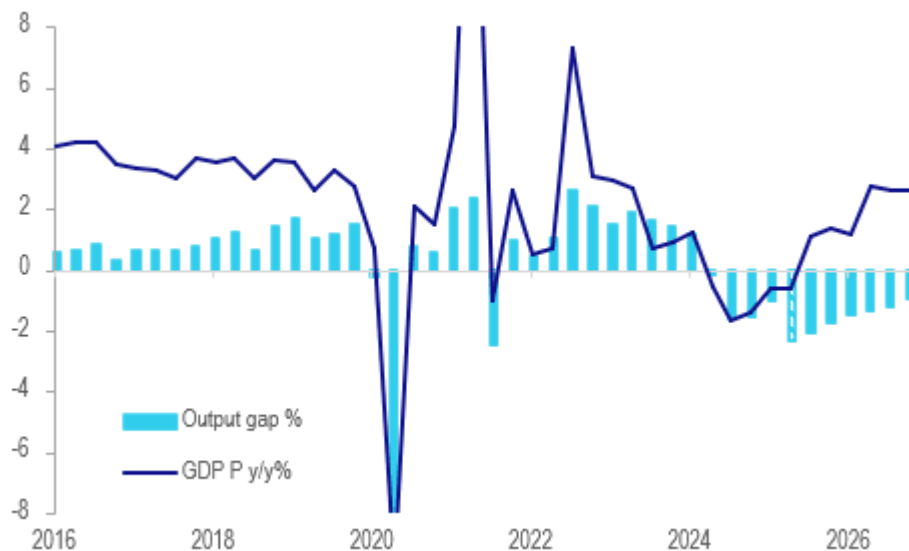
- All members agreed that the 50bp to 2.5% was appropriate given material spare capacity in the economy. As this negative output gap is likely to persist for some time and the economic recovery remains lacklustre, further cuts bringing policy into stimulatory territory are likely.
- The meeting record stated that the Committee remains open to further reductions in the OCR – note the plural in “reductions”. Thus, with the recovery lacklustre in Q3 and unlikely to surprise in Q4, another rate cut in November seems likely.
- How the economy develops before the next meeting in February will determine if more stimulus is needed but it will also be the first decision with new Governor Breman at the helm.
- RBNZ dated OIS pricing are 9-12bps softer across meetings softer than yesterday’s pre-RBNZ levels. 34bps of easing had been priced for yesterday’s meeting. A cumulative 62bps of easing had been priced by November 2025 versus 74bps now (including yesterday’s move).
- [Download Full Report Here](#)

RBNZ: Spare Capacity To Require Further Easing

One reason for the outsized OCR reduction in October was sharp contraction in Q2 GDP contracted meaning that the degree of excess capacity was larger than the RBNZ thought in August, although it resulted in only a small revision. This material spare capacity was a key reason for further easing.

- We have estimated a simple output gap using a Hodrick-Prescott. The current -0.9% q/q for Q2 production-based GDP results in the output gap widening around 1.3pp in the quarter.
- However, the output gap had been negative for the previous four quarters and while the size is difficult to estimate, especially as GDP will be revised in the future, it is clear that there is substantial spare capacity in NZ that requires further monetary easing.
- Using the RBNZ’s quarterly GDP forecasts, our estimate doesn’t have excess economic capacity being worked off until Q3 2027, in two years’ time. This implies that rate cuts could continue into 2026 shifting policy into stimulatory territory.
- The RBNZ estimates the “neutral” rate to be between 2.5% and 3.5% and after the October 50bp rates are now on the verge of being stimulatory.

NZ GDP (production) y/y% vs output gap %



Source: MNI - Market News/LSEG

RBNZ: Weak Construction Argued For 50bp Cut, Consumption Gradually Recovering

The weakness in the interest-rate sensitive housing & construction sectors despite 250bp of easing since August 2024 and the impact on consumption was an argument for the RBNZ's outsized 50bp cut. While weakness persists, there have been signs in some of the monthly data in Q3 that the sector is at least stabilising.

- Q2 residential construction volumes fell 2.9% q/q to be down 10.1% y/y and have only risen in one of the last eight quarters, Q1 2025. New dwelling consents rose in both July and August and the 3-month average annual growth rate was 8.2% y/y in the latter, the highest since April 2022.
- The pickup in Q2 private consumption is an argument for a more cautious 25bp rate cut in October. It rose 0.4% q/q to be up 1.5% y/y, the strongest in two years. Retail card transaction values are consistent with a gradual consumer recovery with increases in each of the 3 months to August and annual growth of 1.7%.
- With net inward migration lower, house prices remain weak in line with soft sales. The RBNZ is concerned that the negative wealth effect from this is weighing on household spending but the labour market remains depressed with only 4% of firms expecting to hire in Q4 (QSBO).

NEW ZEALAND: QSBO Signals Soft Jobs Market & Demand, Higher Chance Of 50bp

With the NZIER's Quarterly Survey of Business Opinion (QSBO) showing a deterioration in the assessment of the outlook and only 4% of firms expecting to hire in Q4, the possibility of a 50bp rate cut on October 8 increased. A net 15% believe that economic conditions will improve over the coming months down from 26%, which is concerning given 250bp of easing and a less uncertain global backdrop.

- The NZIER is forecasting a 25bp rate cut on Wednesday with another on 26 November.
- There was an increase in firms raising prices with a net 11% in Q3 up from 1% reducing them in Q2. The NZIER expects inflation to rise just above 3% before moderating to 2%, the band's mid-point, over the next 12 months pressured by excess capacity.
- The Q3 labour market data may also be poor as a net 23% of firms reduced staffing while only 3% said that finding employees was a constraint on business. Both indicators suggest excess capacity in the labour market.
- A net 14% recorded a fall in Q3 business but 9% expect it to improve in Q4. NZIER notes that firms have been disappointed compared to their expectations for the last year. Lack of sales is the main business constraint.
- More firms plan to reduce investment over the year ahead in both plant & equipment and building. Uncertainty regarding the global economy remains a problem.
- In terms of sectors, manufacturing was the least optimistic regarding the outlook while retail was the most positive. Construction reported continued lacklustre demand with a net 20% cutting prices.

RBNZ: RBNZ To Have New Financial Policy Committee To Ensure Stability

The RBNZ will have a new Financial Policy Committee (FPC) to be in place in early 2026. Its remit will include macro-prudential decisions (Debt-to-income, LTV ratio levels), financial institution's prudential requirements and decisions related to financial stability.

- The goal of the new committee is to ensure the stability of NZ's financial system through stronger decision making by engaging experts in the field.
- The RBNZ Board Chair and Governor will sit on the FPC with another 3 RBNZ Board members and up to 2 non-Board members or RBNZ employees.
- The decision to introduce the FPC was made with the Treasury and Minister of Finance following recommendations from the Finance and Expenditure Committee's Inquiry into Banking Competition.

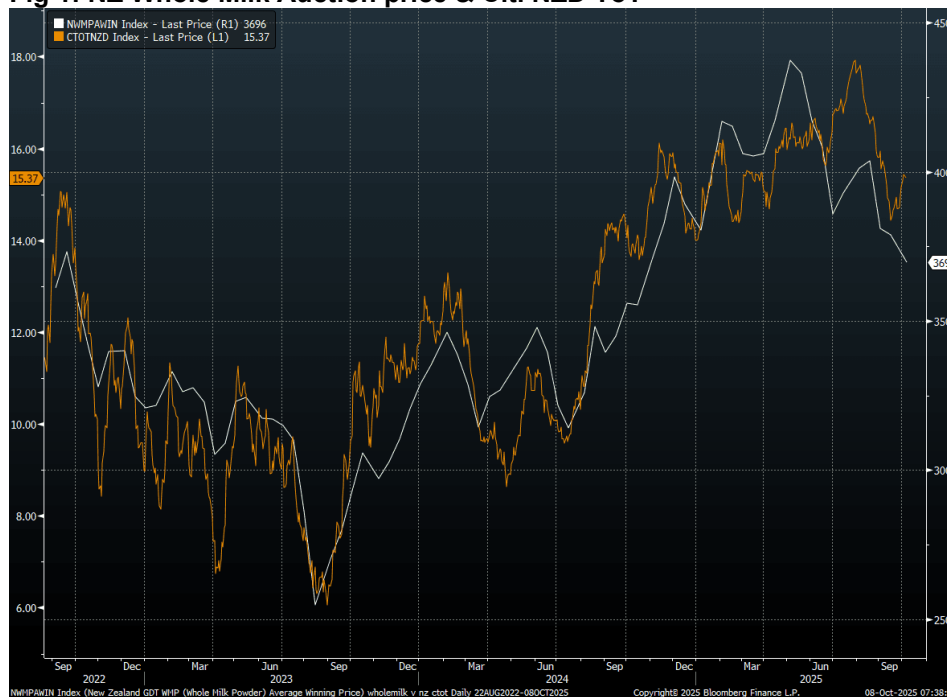
NEW ZEALAND: Whole Milk Powder Price Drops Further, Creating ToT Downside Risks

New Zealand's fortnightly dairy price auction, via GDT saw a further correction lower overnight. The whole milk powder price fell to \$3696, from \$3790 prior. This was a further 2.3% fall. We are now back to levels from Q4 2024. The chart below shows this whole milk auction price outcome against the Citi terms of trade proxy for NZD. There

is a modest wedge between the two series, with further softness in dairy prices potentially weighing on the terms of trade proxy as we progress towards the end of this year.

- This correlation between NZ's ToT proxy and NZD/USD is reasonably firm, so fresh downside in the ToT would be an additional headwind for NZD, all else equal.

Fig 1: NZ Whole Milk Auction price & Citi NZD ToT

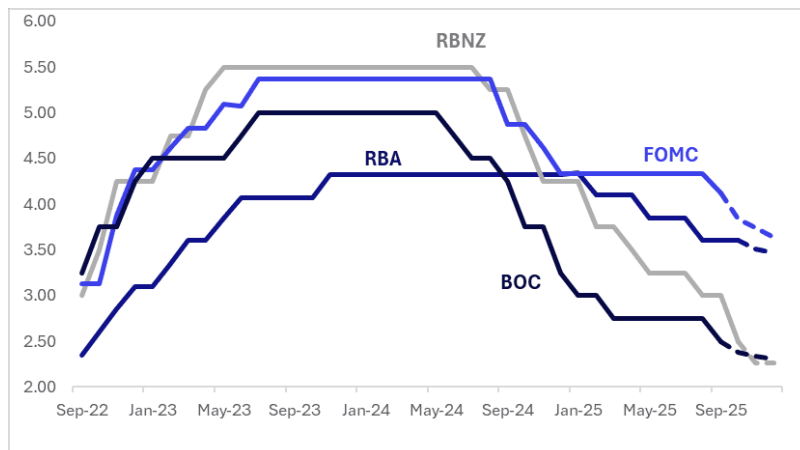


SHORT-TERM RATES \$-Bloc Pricing Little Changed Over Past Week, Except For NZ

Interest rate expectations across the \$-bloc have shown little net change over the past week, except in NZ, which softened sharply (-12bps) following the RBNZ's 50bp cut.

- All RBNZ board members agreed that the 50bp to 2.5% was appropriate given material spare capacity in the economy. As this negative output gap is likely to persist for some time and the economic recovery remains lacklustre, further cuts bringing policy into stimulatory territory are likely.
- The meeting record stated that the Committee remains open to further reductions in the OCR – note the plural in “reductions”. Thus, with the recovery being lacklustre in Q3 and unlikely to surprise in Q4, another rate cut in November seems likely.
- How the economy develops before the next meeting in February will determine if more stimulus is needed. Still, it will also be the first decision with new Governor Breman at the helm.
- Looking ahead, the next key regional events are the FOMC and BOC policy decisions on October 29. Market pricing currently implies a 95% probability of a 25bps cut by the Fed and a 57% chance of easing by the BOC.
- Looking ahead to December 2025, current market-implied policy rates cumulative expected easing are as follows: US (FOMC): 3.64%, -48bps; Canada (BOC): 2.30%, -20bps; Australia (RBA): 3.47%, -13bps; and New Zealand (RBNZ): 2.26%, -24bps.

Figure 1: \$-Bloc STIR (%)



Source: Bloomberg Finance LP / MNI

CHINA

CHINA DATA: FX Reserves At Multi Year Highs, Consensus Is For Higher CNY

China markets remain closed until Thursday for National Day celebrations, but we have seen Sep FX reserves figures print. The headline rose to \$3338.66bn, from \$3322.15bn in August. This is the highest levels for FX reserves since end 2015, see the chart below. At face value this supports the backdrop of generally improved capital flow/strong current account picture as 2025 has unfolded. The general sell-side consensus is for stronger yuan levels as we approach year end, which fits with this backdrop. The consensus via BBG is for USD/CNY hit 7.1000 by year end, then 7.08 by end Q1 next year.

- China's gold holdings also ticked up. The Sep rise saw actual holdings up to 74.06m fine troy ounces, versus 74.02m in Aug. In nominal terms, holdings rose to \$283.29bn, from \$253.84bn, so valuation effects no doubt playing a role as gold continues to rally in spot terms.
- Central bank/reserve allocation to gold remains a well-established theme that is supporting the record high in gold prices.

Fig 1: China FX Reserves Continue To Track Higher



Source: Bloomberg Finance L.P./MNI

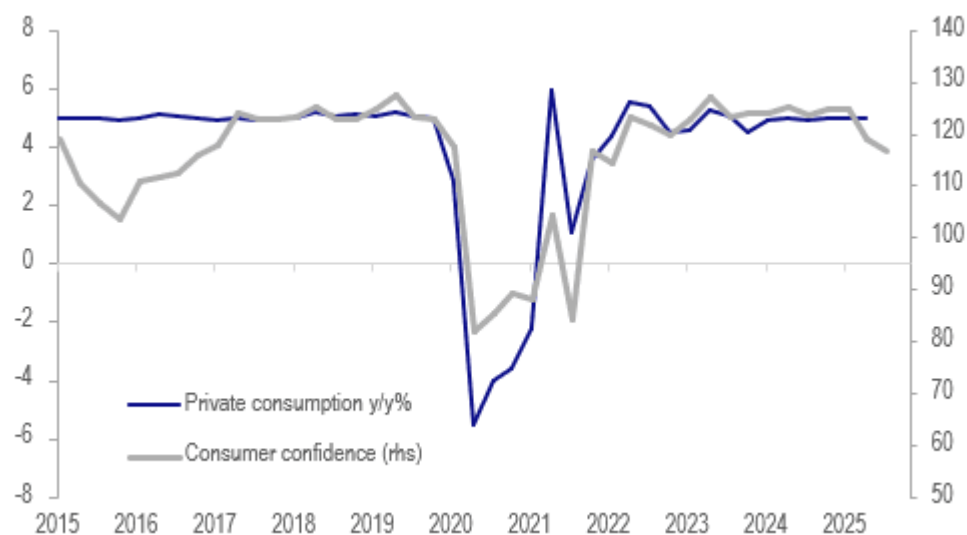
ASIA

INDONESIA: Confidence Signals Slower Q3 Consumption Growth & More Easing

Indonesian consumer confidence fell for a second straight month to 115.0 in September from 117.2, the lowest since April 2022. There were major protests at the end of August regarding economic pressures and generous housing subsidies for politicians, which were overturned. The respected finance minister Indrawati was also replaced and dissent restricted. The issues appear to be still weighing on sentiment.

- Private consumption growth been steady around 5% for around two years but the 1.8% q/q drop in Q3 average consumer confidence is signalling that it slowed last quarter.

Indonesia private consumption



Source: MNI - Market News/LSEG

- Bank Indonesia surprisingly cut rates for the third consecutive month in September signalling that it has become more focussed on growth rather than the currency and so further easing on 22 October is possible given the softer consumption picture.
- BI's September statement added the phrase "joint efforts to stimulate economic growth", suggesting that it may be supporting government policy. It expects H2 2025 to improve due to the "strengthening policy synergy between Bank Indonesia and the Government".
- September consumer confidence was pressured by a 4 point drop in current incomes to 112.9 and 1 point in employment to 92.0. Thus it is unsurprising that durables purchases fell almost 2 points to 103.2. Expectations were 2 points lower to 127.2 driven by incomes and business but employment was slightly higher.

THAILAND: BoT Hold Surprises But About Timing, Retains Easing Bias

The Bank of Thailand (BoT) surprised by leaving rates at 1.5% but Wednesday's decision wasn't unanimous with two MPC members voting for a 25bp cut. BoT's new Governor Vitai's previous comments and weak activity and inflation since the August meeting had driven consensus to expect policy easing. Given rates were cut at the last meeting and they are low, it appears that the MPC was concerned about retaining its limited policy space and felt that it could wait to allow previous easing to feed through.

- Given growth is expected to slow into 2026 and inflation remains below the band further easing is likely but will depend on the impact of fiscal support to households due by year end.
- The October decision seems to be about timing as the MPC believes policy should remain accommodative as growth needs support. It will continue to monitor risks and "macro-financial developments".

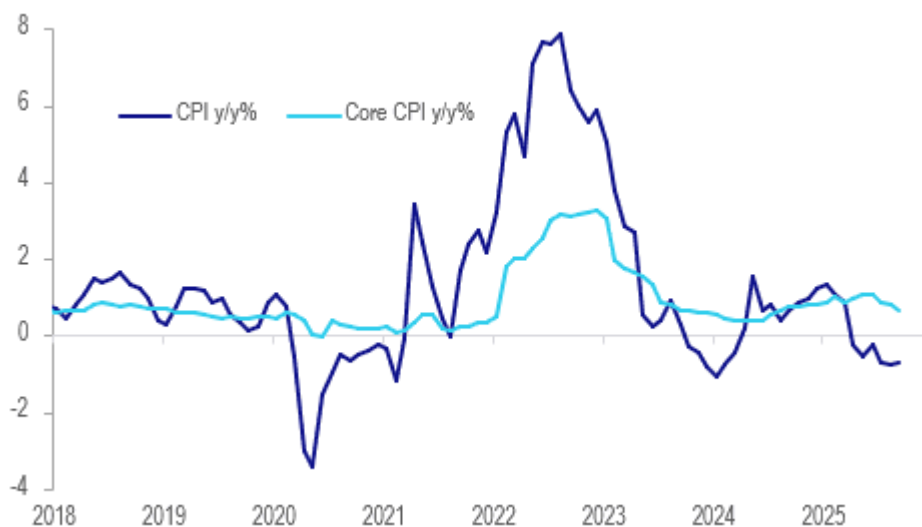
- Its assessment of the economy was similar to August's with the MPC saying it is "projected to expand in 2025 and 2026 close to previous assessment" with growth slowing in H2 2025. It expects growth of 2.2% and 1.6% in 2025 and 2026 respectively.
- BoT will monitor the progress of recently agreed government disbursements, impact of US tariffs and SMEs given competition, high financing costs and limited credit access.
- The MPC is aware of deflationary risks but reiterates that outside of "supply-side factors" most goods and services inflation is positive. It expects core inflation to remain below the 1-3% band at 0.9% in 2025 and 2026.

THAILAND: Disappointing September CPI

September Thai inflation was lower than expected with headline printing at -0.7% y/y after -0.8% and core at +0.65% y/y following August's +0.8%. The Bank of Thailand decision announced Wednesday, the first with new pro-growth Governor Vitai, and surprisingly left rates at 1.5% despite soft September CPI along with lacklustre growth.

- Core inflation was its lowest in just over a year despite 100bp of easing begun in October 2024 as domestic growth remains weak. Government energy subsidies and lower food prices from good harvests pushed headline into negative territory where it has been for six straight months.
- Consumer data have generally been soft with August with consumer confidence falling to its lowest since December 2022, July private consumption down 0.3% y/y and August tourist arrivals contracting 12.8% y/y. Q2 real consumption growth slowed to 2.1% y/y from 2.5%. Recent political instability has been unhelpful but the new government is looking at ways to support households although it has also promised new elections.
- There was downward pressure on core inflation from clothing, housing, and personal & medical care.

Thailand CPI y/y%

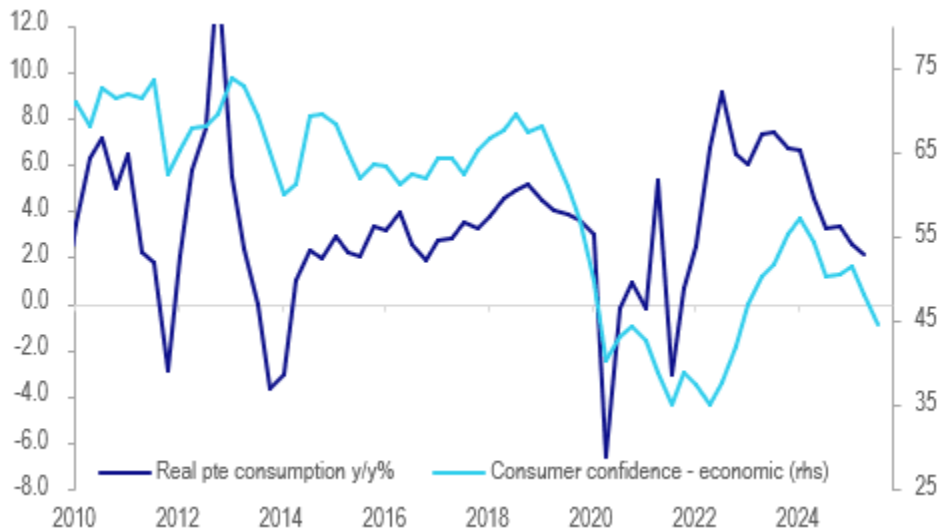


Source: MNI - Market News/LSEG

THAILAND: Confidence Consistent With Slowing Growth

The University of the Thai Chamber of Commerce consumer confidence measure for September was little changed rising slightly to 50.7 from 50.1 with the economic assessment at 44.4 after 44.1. The quarterly averages have been moderating for over a year and Q3 suggests that consumption growth slowed further after moderating 0.4pp to 2.1% y/y in Q2. The slowing growth outlook while inflation holds below the bottom of the Bank of Thailand's 1-3% target band has meant that BoT retained its easing bias even though it surprisingly left rates at 1.5%.

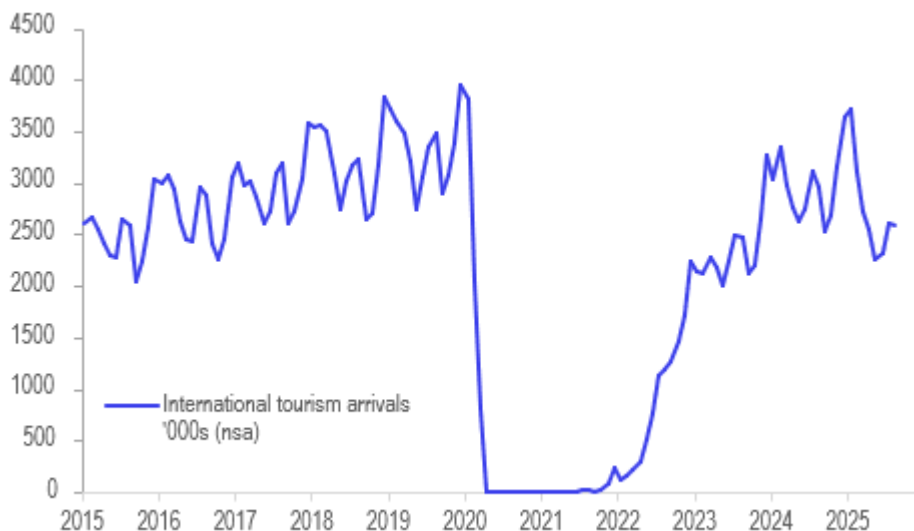
Thailand private consumption



Source: MNI - Market News/LSEG

- Consumer confidence has been impacted by recent political instability with it falling in August to its lowest level since December 2022. Weak income growth and a drop in tourist arrivals have also weighed on spending.

Thailand tourist arrivals



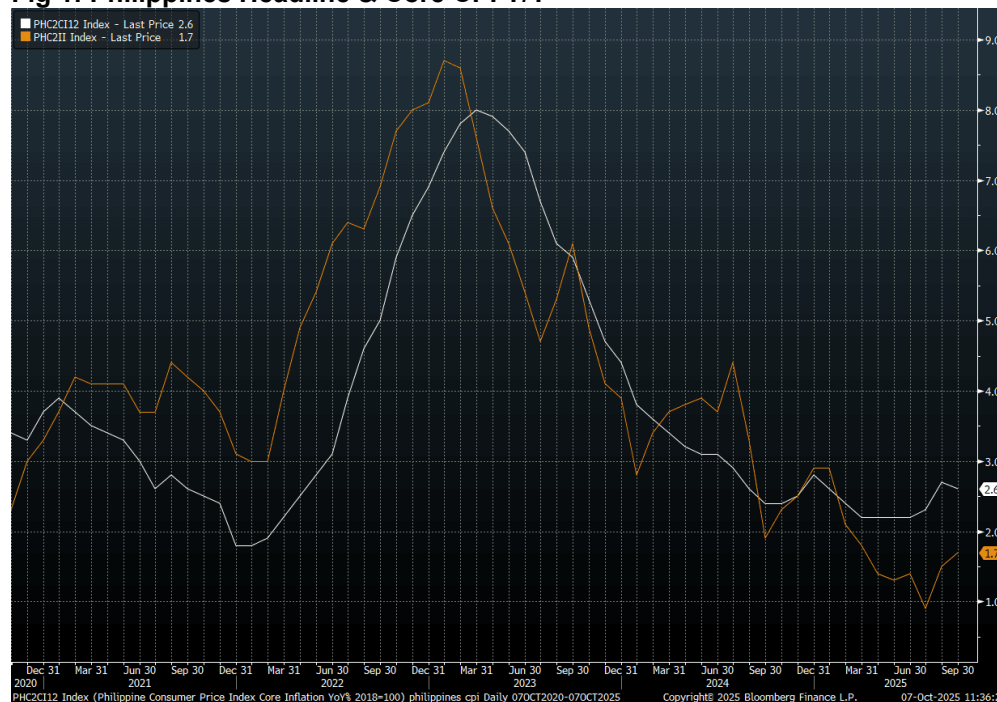
Source: MNI - Market News/LSEG

- Fiscal support worth \$1.36bn was approved this week to subsidise household essentials and is to be distributed between 29 October and 31 December and may boost confidence in coming months. Around 20mn Thais will qualify for the THB 2000 payment and the government expects the plan to boost growth by 0.3-0.4pp. Elections are due before April and this looks like a sweetener for voters.
- The slight pickup in consumer confidence was driven by a 1.5 point improvement in the outlook to 58.7 while the assessment of present conditions remained depressed falling 1 point to 34.4.
- Even though labour market conditions only rose 0.2 to 48.5, there was an improvement in future income sentiment to 59.3 from 58.0.

PHILIPPINES: Sep CPI Below Forecast, Y/Y Momentum Improves, BSP Seen On Hold

Philippines Sep CPI was below market forecasts for the headline. We printed flat in m/m terms, against a 0.2% forecast and 0.6% prior. In y/y terms we printed 1.7%, which was also sub forecasts (1.9%, while the Aug outcome was 1.5%). Core CPI was 2.6%/y/y, down slightly from the 2.7% Aug pace. Whilst headline CPI was below expectations, it has improved from a low y/y base. The chart below plots the core (white line) and headline (orange line) CPI y/y trends. This BSP meets this Thursday and the consensus is for no change in the policy rate. Today's data is unlikely to dramatically shift thinking ahead of this meeting. There is still a case for easier policy settings, but a weaker PHP suggests some near term caution from the BSP, while previous easings this cycle are still likely working their way through the financial system. Some sell-side forecasters are looking for a 25bps cut on Thursday (6 out of 24 surveyed by BBG).

- The m/m detail didn't point to anything alarming, with most sub categories sub the m/m print that was recorded for August. Housing was 0.3%m/m (versus 0.7% in Aug), while food fell by 0.4%m/m (after a 1.2% rise in Aug).
- In y/y terms, outside of Transport, which rebounded to 1.0% (from -0.3%) we had similar outcomes to Aug.

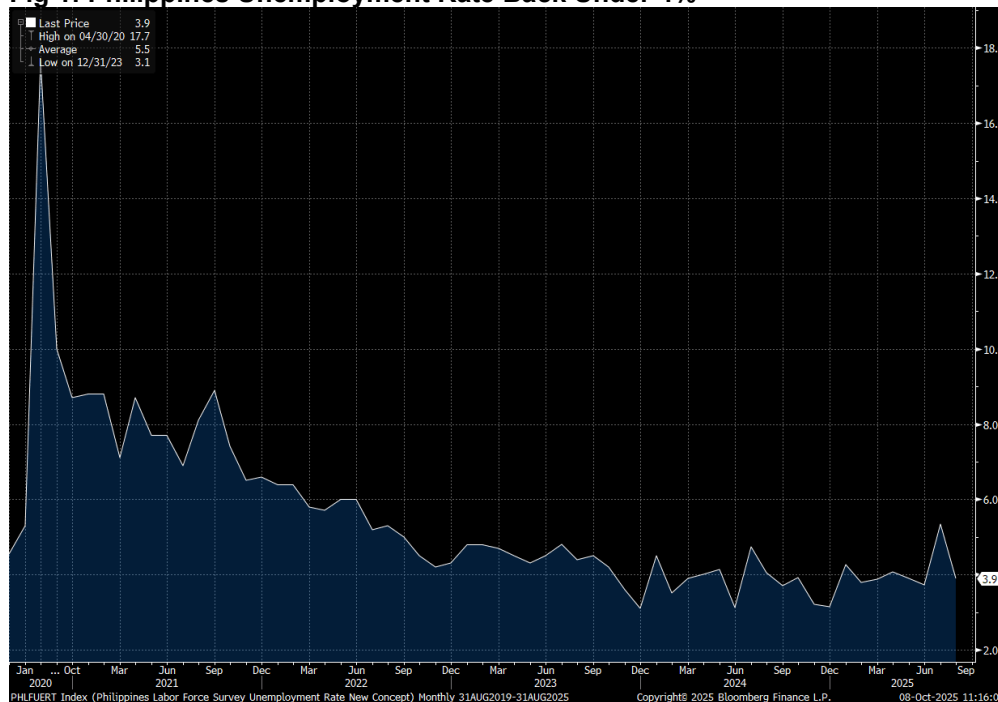
Fig 1: Philippines Headline & Core CPI Y/Y

Source: Bloomberg Finance L.P./MNI

PHILIPPINES: Unemployment Rate Back Under 4%, Adding To BSP Hold Case

The Philippines unemployment rate fell back to 3.9% in August. This was a sharp retracement from July's 5.3% outcome. At face value this should provide some comfort to the BSP that the July outcome was not the start of a sharp weakening in local labour market conditions. The central bank meets tomorrow, with the consensus looking for no change (although some forecasters see a 25bps cut).

- The unemployment rate is now back under 4%, which is consistent with a relatively steady backdrop seen in recent years, see the chart below.
- The detail showed sharp shifts in the participation rate. From July when we printed at 60.7%, we were back to 65.1% in August, suggesting people moving in and out of the labour force contributed to the recent volatility in the jobless rate.

Fig 1: Philippines Unemployment Rate Back Under 4%

Source: Bloomberg Finance L.P./MNI

BSP: Growth Risks To Determine Further BSP Easings, JPM Sees 3 More Cuts

Yesterday's surprise BSP rate cut, 25bps to 4.75%, took rates to lowest levels since 2022. Comments by BSP Governor Remolona this morning reiterated that the central bank's main driver for going yesterday was growth concerns stemming from the corruption scandal. Remolona noted confidence had been dented, while signs of investment slowing were already clear. He did state growth should improve in 2027 (per CNBC/BBG).

- This suggests that further easings will likely to be dependent on the growth backdrop. The data calendar is pretty quiet until the end of this month when trade and bank lending figures are due. The bank lending data will be watched given this can often lead investment.
- In early Nov we get CPI for Oct, then on Nov 7 Q3 GDP. This could be too soon to gauge the impact of the corruption scandal on growth, but if there is already evidence of weaker momentum it likely pave the way for a further cut in Dec.
- Both J.P. Morgan and Goldman Sachs expect 25bps cuts at the Dec meeting. Indeed J.P. Morgan notes: "With both domestic and external growth pressures rising and policy settings still in restrictive territory, we think that the central bank will likely attempt to continue policy normalization, and we now pencil in three more consecutive 25bp rate cuts, taking the policy rate to 4.0% by next April."
- Goldman Sachs states: "Given the Governor's dovish guidance today, we see risk of further easing in 2026, if activity data (e.g. business sentiment index) points towards further growth softness."

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.