# MNI Asia Pac Weekly Macro Wrap

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

## JAPAN

- The Q3 Tankan survey printed in line with expectations and Q2 but FY25 capex intentions increased 1pp to 12.5%. Large company business conditions have been moving sideways at a solid level since the start of last year, especially for the non-manufacturing sector. August jobless data was weaker than forecast, while tomorrow delivers the LDP leadership election. Koizumi is seen as the firm favourite to be the next PM.

## AUSTRALIA

- The RBA decided to leave rates at 3.6% in a unanimous vote, which was widely expected. Its tone was generally more cautious than in August and it is definitely keeping its options open regarding future decisions with Governor Bullock not committing to an easing or neutral bias.
- August household consumption was weaker than expected rising 0.1% m/m with the annual rate slowing to 5.0% from 5.3%. The RBA noted in September that private consumption was stronger than it expected as financial conditions have eased and real incomes are higher. It will be monitoring the quarterly volumes included in the September release on 3 November.

## NEW ZEALAND

- August filled jobs rose 0.2% m/m after a downwardly revised flat July. This is the first increase in hiring since January and while the labour market appears to have stabilised conditions remain weak with filled jobs down 0.7% y/y.
- Business activity remained subdued but price/cost components were higher including inflation expectations.

## SHORT TERM RATES

- Interest rate expectations across the $-bloc have shown little net change over the past two weeks, except in Australia, which firmed sharply (+15bps).

## CHINA

- China's official PMIs for September continued with the theme from the last few months. PMI Manufacturing continues to inch up whilst PMI Services inches down. China's RatingDog China PMI Mfg for September was +51.2, up from +50.5 in August and the highest since March.

## SOUTH KOREA

- After briefly dipping in August in what was primarily technically driven, CPI YoY moved back above the BOK 2% target in the September release.
- In what could be a key input into the monetary policy committee decision later this week, Korea's September PMI Manufacturing moved back above 50 into expansion for the first time since January.

## ASIA

- The Central Bank in India, the RBI, kept its key rate unchanged at 5.5% today. The unanimous vote, consistent with the last meeting, sees the central bank retaining its neutral stance.
- The September S&P Global manufacturing PMI for the ASEAN region rose 0.6 points to 51.6 signalling growth in the sector at its fastest pace in 14 months. However, the improvement was not broad based as it was driven just by Thailand and Myanmar. Indonesia and the Philippines saw declines.

## ASIA EQUITY FLOWS

- Inflows continue to be dominated by tech sensitive markets. The past week has seen South Korean inflows surge.


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## JAPAN

### JAPAN DATA: Tankan Steady, Capex Intentions Higher

The Q3 Tankan survey printed in line with expectations and Q2 but FY25 capex intentions increased 1pp to 12.5%. Large company business conditions have been moving sideways at a solid level since the start of last year, especially for the non-manufacturing sector. USDJPY is higher on the data rising to 148.15 up from 147.82 before the data and equities are lower. Respondents see USDJPY around 145.68 in FY25.

- The large manufacturers' index rose 1 point to 14 in Q3 while the outlook for Q4 is forecast to deteriorate 2 points. The series has not been affected by new US tariffs and the 2025 average is slightly higher than 2024's.
- Non-manufacturers' conditions were steady at 34, well above the series average of +7.3, with the outlook at 28.
- Small non-manufacturers are also outperforming manufacturers with the index at 14 (down 1 point) compared to +1 (stable). The outlook for both sectors improved 1 point.
- The September BoJ summary of opinions showed a bias towards a resumption of tightening.

**Japan Tankan - large enterprises business conditions**

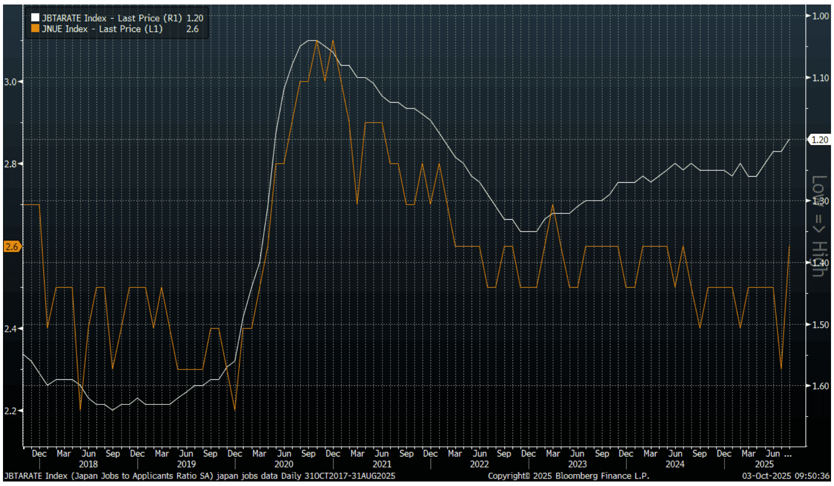

Source: MNI - Market News/LSEG

### JAPAN DATA: Jobless Rate Pushes Up, Job To Applicant Ratio At Multi Yr Lows

The Japan August jobless rate rose more than forecast. It printed at 2.6% against a 2.4% forecast (while the July outcome was 2.3%). The 0.3ppt rise in m/m terms is notably, although it only takes us back to 2024 highs for the jobless rate. The job to applicant ratio eased to 1.20 form 1.22 in July (the market consensus had been for an unchanged 1.22 outcome).

- The chart below plots the job to applicant ratio (the white line), which is inverted on the chart, against the jobless rate. This is the lowest level for the job to applicant ratio since early 2022. There has been some divergence between the two series, with the job to applicant ratio generally painting a softer labor market picture in recent months. That wedge has now moderated to some degree.
- Job offers were down 3.6% in y/y terms, while new job offers fell by 6.2%y/y. The new jobs to applicant ratio fell to 2.15, just above recent lows.
- The number of people employed fell by 210k in m/m terms.
- The data points to some softening in labor market conditions, which at the margin may temper Oct hawkish BOJ expectations. Still, the jobless rate is low from an historical standpoint and therefore may still continue to support wage gains.

**Fig 1: Japan Jobless Rate (Orange Line) & Job To Applicant Ratio (White Line, Inverted)**



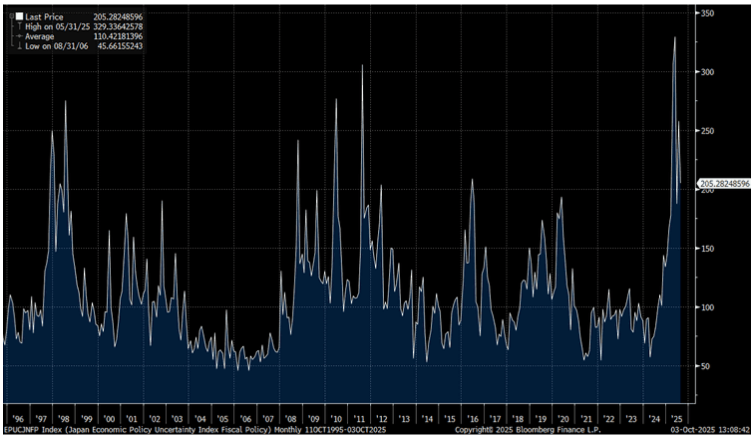

Source: Bloomberg Finance L.P./MNI

**JAPAN: Markets Odds Favor Koizumi Victory, Policy Uncertainty Remains Elevated**

Japan's LDP leadership election is held tomorrow. Market expectations appeared skewed towards Shinjiro Koizumi (current Agriculture, Forestry and Fisheries Minister) being elected as leader of the party. Per Polymarket, his election odds sit over 80, against those of Sanae Takaichi, the other potential candidate. Her odds have tracked lower from earlier highs (last 12).

- In a recent interview with Nikkei, Shinjiro Koizumi says that "It is important for the government and the Bank of Japan to share the same overall direction", and that "the government's economic policy and the Bank of Japan's monetary policy will work together to realise a virtuous cycle in the economy."
- Koizumi is seen as more of a centralist relative to Takaichi, who is a fiscal/BOJ dove (although has softened her BOJ stance).
- Still, Koizumi will look to pass the supplementary budget for 2025 as soon as possible if he wins the election (per Nikkei). This would be aimed combating inflation for households. Given the LDP doesn't have a majority in either house, coalition partners will be needed.
- This is likely to see fiscal policy uncertainty remain elevated to some degree. The chart below plots Japan economic policy uncertainty related to fiscal policy. We are off highs but still quite elevated from an historical standpoint. There is some relationship between such uncertainty and the shape of the JGB yield curve.
- The 2/30s JGB curve is off highs, but remains above +220bps, so still elevated from an historical standpoint. It may be markets are already factoring in a Kozimui victory to some extent.
- On the FX side, similar arguments could be made for USD/JPY, although this pair is up 0.30% so far today, last near 147.75, putting it above its 50-day EMA. Little commitment to an Oct hike by BoJ Governor Ueda earlier today has weighed on yen.
- J.P. Morgan note re the election around yen risks: "That the FX market currently appears to be pricing in little “Takaichi risk” suggests that the possibility of JPY-selling following a Takaichi victory could be relatively large, but...compared to last September, Takaichi is seen as less opposed to the BoJ hikes, which should limit JPY-selling. On net, if Takaichi wins, we think the knee-jerk USD/JPY rally is likely to be similar to or less than the+1% rise seen after the 1st round vote in last September’s presidential election. Since a victory by Koizumi (or Hayashi) seems to be largely expected by market participants, the knee-jerk JPY-buying in this case is likely to be much smaller than when Ishiba unexpectedly reversed the outcome in the 2nd round vote last year. "

**Fig 1: Japan Fiscal Policy Uncertainty - Off Highs But Still Elevated**



Source: Bloomberg Finance L.P/MNI

**JAPAN DATA: Offshore Investors Sell Both Local Stocks & Bonds, Japan Flows Muted**

Offshore investors were meaningful sellers of both Japan equities and bonds last week. In the equity space we continue to see a paring back of the net long position built up earlier in the year. In the last 6 weeks we have seen net selling of near ¥6trln for this segment by offshore investors. This curbs cumulative inflows since the start of April to sub ¥6trln. Japan stocks have faltered in recent weeks, with early Oct trends taking us away from recent record highs. Offshore outflows, at the margin, has likely aided such trends.

- Net selling of local bonds by offshore investors was even larger last week, at nearly -¥2trln. This was the largest weekly outflow since Sep last year. Trend flows for this segment in recent months are fairly indifferent from a cumulative standpoint. JGB yields remain at risk of breaking higher, although recent auction outcomes have steadied sentiment from a demand standpoint.
- In terms of outbound Japan flows, we saw net selling of both overseas bonds and equities, although these shifts were modest. On the bond side, the dip in global bond returns (as US Tsy yields rose) may be a factor.
- IN the equity space, aggregate flows for local investors remains light.

**Table 1: Japan Weekly Offshore Investment Flows**

| Billion Yen | Week ending Sep 26 | Prior Week |
|---|---|---|
| Foreign Buying Japan Stocks | -963.3 | -1747.1 |
| Foreign Buying Japan Bonds | -1997.0 | 53.4 |
| Japan Buying Foreign Bonds | -162.0 | 816.7 |
| Japan Buying Foreign Stocks | -11.6 | -151.5 |

Source: Bloomberg Finance L.P./MNI

## AUSTRALIA

**RBA: MNI RBA Review-Sept 2025: Even More Data Dependent**

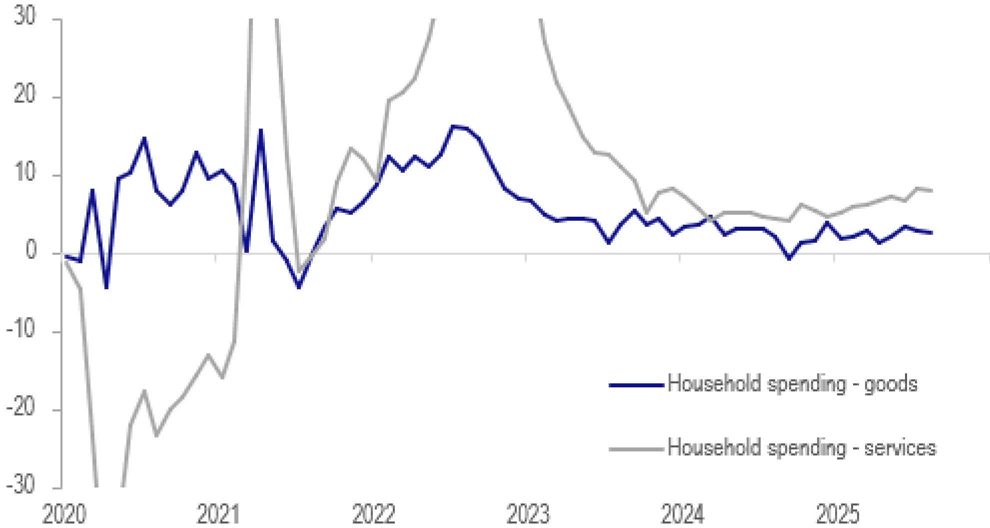
- **See Full Report Here**
- The RBA decided to leave rates at 3.6% in a unanimous vote, which was widely expected. Its tone was generally more cautious than in August and it is definitely keeping its options open regarding future decisions with Governor Bullock not committing to an easing or neutral bias.
- The Board is concerned that market services inflation could be sticky, as has occurred overseas, while there are “signs that private demand is recovering” and that the labour market is “stable”.
- Given heightened uncertainty, the updated growth and inflation outlook in the November staff forecasts will be key for the next decision. The Board stated it will update “its view of the outlook as the data evolve”

signalling that it is even more data dependent. Q3 CPI is published on 29 October and September jobs data on 16 October
- RBA-dated OIS pricing has firmed modestly across meetings following yesterday's RBA Policy Decision. A 25bp rate cut in November is given a 35% probability, with a cumulative 11bps of easing priced by year-end.

**AUSTRALIA DATA: Services Keep Consumption Positive, Next Month Q3 Volumes Print**

August household consumption was weaker than expected rising 0.1% m/m with the annual rate slowing to 5.0% from 5.3% but still above the series average. The RBA noted in September that private consumption was stronger than it expected as financial conditions have eased and real incomes are higher. While the monthly data are nominal, it will be monitoring the quarterly volumes included in the September release on 3 November before the 4 November RBA decision.
- Discretionary spending rose 0.2% m/m in August to be up 4.7% y/y after 0.3% & 4.9%, while non-discretionary fell 0.1% m/m but still rose 5.6% y/y following July's +0.7% & 6.0%. The gradual recovery in discretionary spending is good news and reflects some improvement in confidence driven by lower inflation and rates.
- Services expenditure increased 0.5% m/m after July's strong 1.6% and is up 8.1% y/y, well above August 2024's 4.5% y/y. The monthly rise was due to increased travel spending.
- Goods spending has slowed posting its second straight monthly decline after mid-year discounting boosted May and June. Drops in recreation and alcohol & tobacco drove August down 0.2% m/m to be up 2.5% y/y down from 2.9% but still higher than August 2024's 2.0%.

**Australia household consumption goods vs services y/y%**

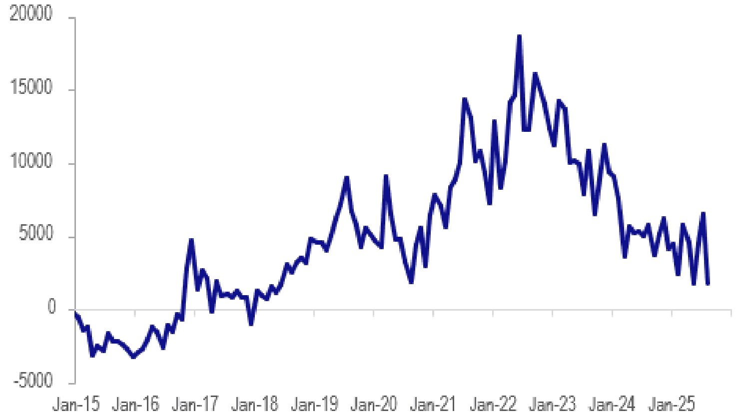



Source: MNI - Market News/ABS

**AUSTRALIA DATA: Trade Surplus Lowest In Over 7 Years**

Australia's merchandise trade surplus narrowed to $1825mn in August from a downwardly-revised $6612mn, which was significantly more than expected. The weakness was driven by a sharp 7.8% m/m drop in exports while imports rose 3.2%, but it is worth noting that the former has been gradually recovering over the last two years. This was the lowest surplus in over seven years.

**Australia merchandise trade surplus A$mn**




Source: MNI - Market News/ABS

- The monthly drop in exports was driven by non-monetary gold sinking 47.2% m/m but non-rural goods were down 2.5% m/m & 7.4% y/y with coal and metals weak. Export growth fell 2.5% y/y after 6.1%, the slowest since February. Rural goods remain strong rising 3.1% m/m & 22.1% y/y.
- Global gold prices rose almost 12% over September and so a rise in export volumes should provide support to a recovery in export growth in the month.
- The strength in imports was broad based across key components with consumer goods up 5.8% m/m & 10% y/y with all categories higher in August, in line with a recovery in household spending. Capex goods rose 1.8% m/m to be up 5% y/y but most items fell on the month with the increase due to aircraft and ADP equipment.

**Australia goods exports vs imports y/y%**


Source: MNI - Market News/ABS

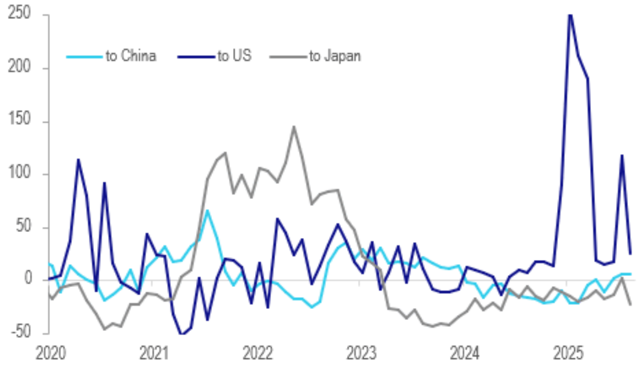
**AUSTRALIA DATA: Australia's Exports To Asia Underperforming To Non-Asia**

Australia's non-rural goods exports fell 2.5% m/m and 7.4% y/y in August with coal and metal values falling in the month but ores posting a small increase. In addition, overall shipments to Asia were soft with key commodities contracting to Japan and South Korea.

- Exports to China grew 5.7% y/y after contracting through 2024 but lower than the rates seen in 2023. Iron ore volumes increased in August but thermal coal was down sharply. China has said that it will no longer import iron ore from Western Australia but BHP has told the Australian government that this is just a price negotiation tactic, according to The Australian. Given its importance, it will be worth monitoring developments.
- Shipments to Japan fell 22.5% y/y, -44.4% y/y to India and -36% y/y to Indonesia, while they remained strong to the US, UK and Germany. Exports to South Korea have been recovering over 2025.

- Volumes of iron ore (lump) fell 2.3% m/m driven by Taiwan and Korea while fines rose due to China but were lower to Korea and Japan. Prices were higher for both types.
- Hard-coking coal export volumes rose sharply driven by the Netherlands, India and Sweden, while thermal fell on the month due to China and Japan. Coal unit values were higher after falling in July.
- Both LNG export volumes and prices fell in August.

**Australia merchandise exports y/y%**




Source: MNI - Market News/ABS

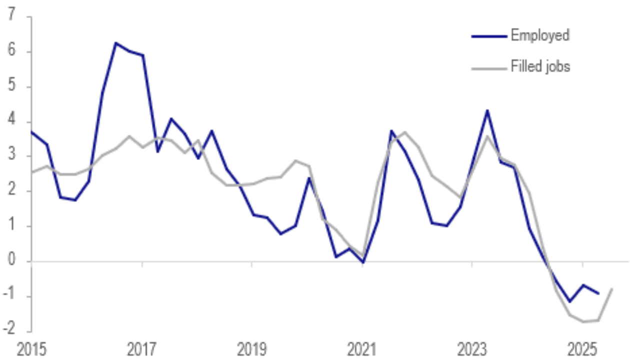
## NEW ZEALAND

### NEW ZEALAND: Labour Market Weak But Turning

August filled jobs rose 0.2% m/m after a downwardly revised flat July. This is the first increase in hiring since January and while the labour market appears to have stabilised conditions remain weak with filled jobs down 0.7% y/y. On a positive note, the August increase was across sectors with the good-producing industries the strongest. The next RBNZ decision is on October 8 and it is expected to ease again but it remains uncertain if it will be by 25bp or 50bp.

- The Q3 average to date filled jobs are up 0.1% q/q, which if sustained would be the first positive after 5 quarterly contractions. September filled jobs are published on 28 October and Q3 labour data on 5 November.

**NZ filled jobs vs employment y/y%**




Source: MNI - Market News/LSEG/Statistics NZ

- Good-producing industries increased filled jobs by 0.6% m/m in August with the primary sector up 0.2% and services +0.1%. Over the last year construction has been the weakest down 5.1% y/y followed by professional, scientific and technical services -2.7% y/y, while healthcare and education were both up 1.7% y/y.
- The weakness in the jobs market has been concentrated in the under 35s with 15-19 years -8.2% y/y, 20-24 years -3% y/y and 25-29 years -3.5%. Due to this many people have stayed in education.

- Another tentative sign of a stabilisation in the jobs market is the SEEK new job ads index which was up 4.4% y/y in August after contracting since November 2022. The index is at its highest since May 2024.

**NEW ZEALAND: Business Activity Remained Soft But Price/Cost Components Up**

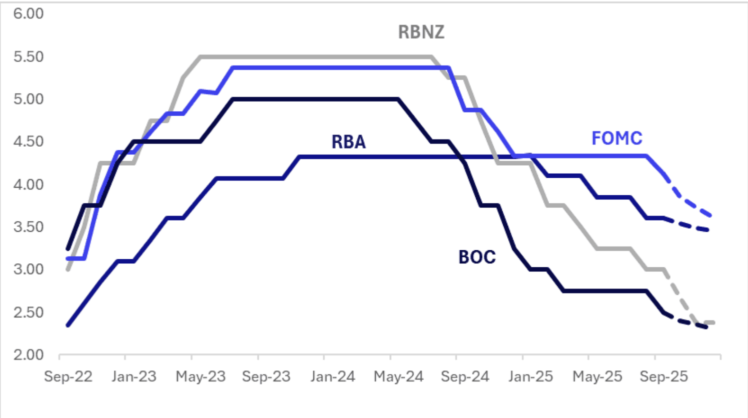
ANZ business confidence for September was little changed at 49.6 while the activity outlook rose to 43.4 from 38.7. Past own activity rose 4 points to +5 signalling that growth is improving from Q2's sharp contraction but remains lacklustre. Inflation expectations rose 0.1pp to 2.7% with a net 46% expecting to increase prices over the coming 3 months (+3pp) and an increase in costs. Employment compared to a year ago improved marginally but remained negative at -10.9, in line with other data signalling that the labour market is weak. The RBNZ is expected to ease at both its October and November meetings and monthly data pointing to continued soft growth are in line with this.

**SHORT-TERM RATES*: $-Bloc Pricing Little Changed Over Past Two Weeks, Except For AUS***

Interest rate expectations across the $-bloc have shown little net change over the past two weeks, except in Australia, which firmed sharply (+15bps).

- In Australia, the RBA decided to leave rates at 3.6% in a unanimous vote, which was widely expected. Its tone was generally more cautious than in August and it is definitely keeping its options open regarding future decisions with Governor Bullock not committing to an easing or neutral bias.
- The Board is concerned that market services inflation could be sticky, as has occurred overseas, while there are "signs that private demand is recovering" and that the labour market is "stable"
- Given heightened uncertainty, the updated growth and inflation outlook in the November staff forecasts will be key for the next decision. The Board stated it will update "its view of the outlook as the data evolve" signalling that it is even more data dependent. Q3 CPI is published on 29 October and September jobs data on 16 October .
- Looking ahead, the next key regional event is the RBNZ's policy decision on October 8, with market pricing indicating 33bps of easing.
- Looking ahead to December 2025, current market-implied policy rates cumulative expected easing are as follows: US (FOMC): 3.62%, -51bps; Canada (BOC): 2.31%, -19bps; Australia (RBA): 3.45%, -15bps; and New Zealand (RBNZ): 2.39%, -61bps.

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

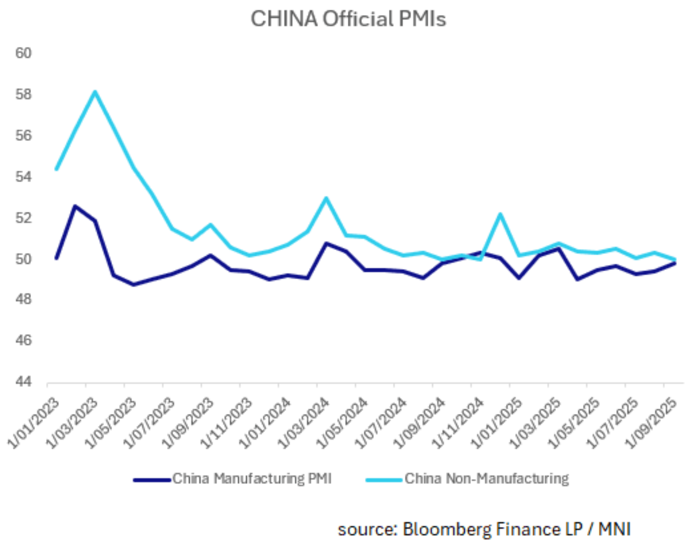



Source: Bloomberg Finance LP / MNI

## CHINA

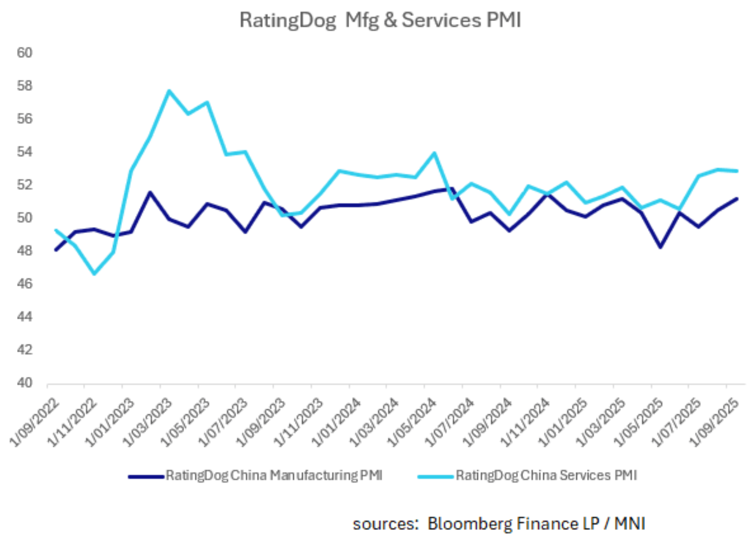
### CHINA DATA: Official PMIs Move in Opposite Directions

- China's official PMIs for September continued with the theme from the last few months.
- PMI Manufacturing continues to inch up whilst PMI Services inches down.
- PMI Manufacturing printed at +49.8 which whilst still in contraction, it was the 3rd consecutive month of improvement. It last printed above 50 in March, just prior to the imposition of US tariffs.
- New orders rose to 49.7 from 49.5 and employment was up to 48.5 from 48.0. Exports were up at 47.8 from 47.2 and imports at 48.1 from 48.0.
- PMI Services declined to 50.0 from 50.3 in August.
- New orders were down to 46 from 46.6 and employment at 45 from 45.6.




### CHINA DATA: Manufacturing PMI Hits Six Month High

- China's RatingDog China PMI Mfg for September was +51.2, up from +50.5 in August and the highest since March.
- Having contracted in May and July on trade war related volatility, today's strong release will be pleasing as some signs of the first half strength may not be sustained.
- Output was up to 52 from 50.5 in August and New orders were stronger than the month prior and the highest print since February.
- RatingDog China PMI Services for September was 52.9 from 53.0 in August.
- Employment declined to +48.4 from 48.7 for the lowest since April.
- Prices charged rose relative to the last month.



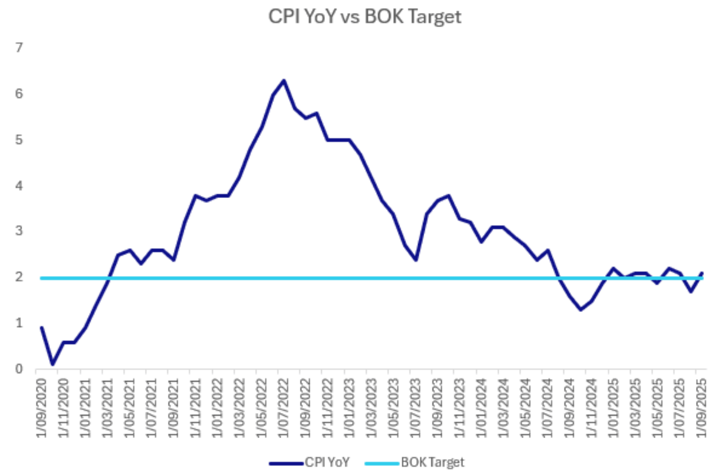

**CHINA: China Stoking Domestic Demand**

- China is intensifying efforts to expand domestic demand, with service-related spending emerging as a key growth driver. In response, regulators have rolled out consumer finance measures designed to support consumption upgrades and encourage household spending. Earlier this year, the National Financial Regulatory Administration directed financial institutions to broaden their consumer finance offerings as part of a wider push to stimulate demand. (source China Daily)
- Rebound in industrial profits signals stabilization of economy. China's economy is showing signs of stabilizing amid robust policy measures and notable industrial recovery, analysts said on Sunday. They expect the recovery momentum to extend into the fourth quarter, keeping the country on course to meet its annual growth target of around 5 percent, with authorities likely to ramp up fiscal and monetary measures to counter persistent headwinds of still-weak demand and external uncertainties. Policy options on the table include issuing ultra-long-term special treasury bonds, faster issuance of local government special bonds, and potential monetary easing to lower financing costs and channel credit into technology and green sectors, they added. (source China Daily)

## SOUTH KOREA

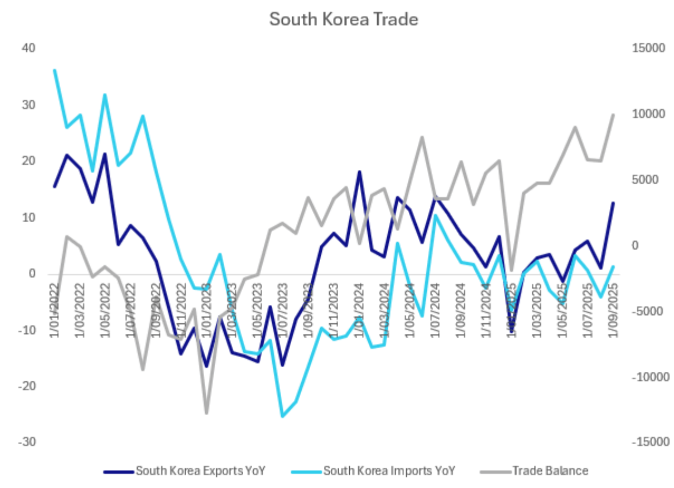
**SOUTH KOREA: CPI Moves Back Above BOK Target**

- After briefly dipping in August in what was primarily technically driven, CPI YoY moved back above the BOK 2% target in the September release.
- CPI in September came in at +2.1% YoY as the MoM figure was flat on August at +0.5%.
- Food prices +3.3%YoY and transport +1.2% YoY.
- Sept. core CPI rises 2.0% YoY, Prior +1.3% YoY.




## SOUTH KOREA: September Exports Strong, Holidays Impact

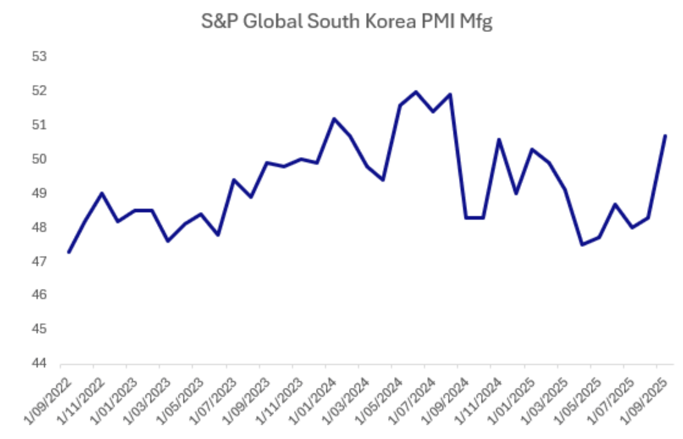
- Korea's September export numbers beat already strong forecasts, after August's poor result.
- Expanding by +12.7%, it was a huge change from August's +1.2% (revised down) and topped estimates of +7.8% though working day adjustments can be attributed to some of the expansion.
- Imports were up strongly also by +8.2%, from +4.1 in August and the resulting trade balance of $9.5bn was the highest in more than 5-years.
- The BOK meets on October 23 and the outlook at this stage remains firmly in the balance.




source: Bloomberg Finance LP / MNI

## SOUTH KOREA: PMI Mfg Above 50 For First Time Since January

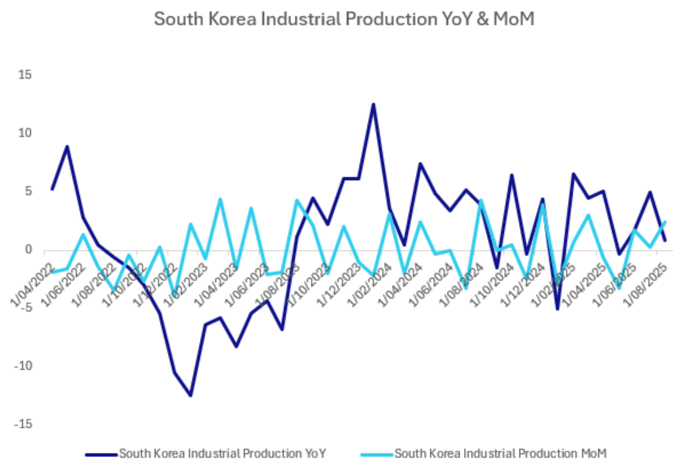
- In what could be a key input into the monetary policy committee decision later this week, Korea's September PMI Manufacturing moved back above 50 into expansion for the first time since January.
- In the middle of the trade war, the May PMI hit 47.7, the lowest since 2022 whilst August's result was the highest since August 2024.
- Output was up to 51.5 from 47.5 and new orders were the highest since February.




source: Bloomberg Finance LP / MNI

**SOUTH KOREA: Industrial Production Slows Dramatically In August**

- South Korea’s industrial production rise in July appeared to be driven by front-loaded shipments. That raised the risk of a pullback with the August release and the next few months.
- Strong overseas orders are supporting output for now despite headwinds created by the higher US tariffs.
- The key input for August Industrial Production is likely semiconductors given chip exports are up 27.1% year on year after a 31.3% jump in July, fueled by strong AI-related demand.
- August's result of +0.9% missed consensus of +2.6% and was significantly down on July's result of +5.0%.
- The MoM figure rebounded strongly and was up +2.4% against 0.3% in July.
- This data has been dramatically impacted by the front loading making comparisons difficult.
- Businesses appear positive with the Business Survey Index in manufacturing rose to 70 in August from 68 in July.
- The BOK's next meeting is on October 23 and whilst it is too early to gauge market forecasts, already some are suggesting a rate cut is on the table.




source: Bloomberg Finance LP / MNI

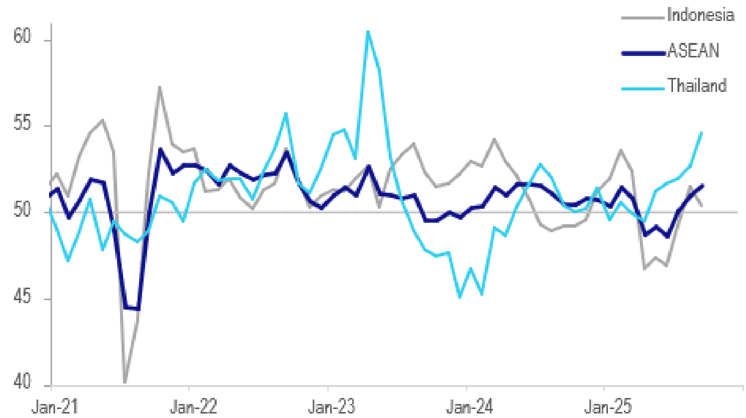
## ASIA

### ASIA: Strong Thai PMI But Indonesia Weakened

The September S&P Global manufacturing PMI for the ASEAN region rose 0.6 points to 51.6 signalling growth in the sector at its fastest pace in 14 months. However, the improvement was not broad based as it was driven just by Thailand and Myanmar. Indonesia and the Philippines saw declines.

- ASEAN output and new orders expanded and firms began to tentatively hire again after reducing workforces for six months. There was a pickup in backlogs too suggesting emerging capacity pressures. This was reflected in an improvement in confidence but it remains below average. Cost/price pressures remained positive but still subdued.
- Thailand's PMI rose almost 2 points to 54.6, the highest since May 2023. Recent political instability doesn't appear to have impacted activity or confidence (highest in over two years). Supplier discounts reduced costs which were passed on to customers. Thailand's underlying inflation is subdued and below BoT's 1-3% band.
- Higher domestic orders boosted Thai production and hiring and drove inventory drawdowns. However, export orders continued to contract.
- Indonesia's PMI deteriorated to 50.4 from 51.5 but Q3 showed moderated growth after the sector contracted in Q2. Confidence improved to its highest in four months.
- Despite higher orders, September production contracted. This didn't prevent new hiring though. Like Thailand, the pickup in orders was domestically driven with export orders falling. S&P Global notes "subdued overseas demand" which may be impacted by the increase in uncertainty related to US tariffs.
- Cost inflation increased at its fastest since February driven by raw materials and this was only partly passed on with selling price inflation remaining moderate.

**ASEAN S&P Global manufacturing PMI sa**



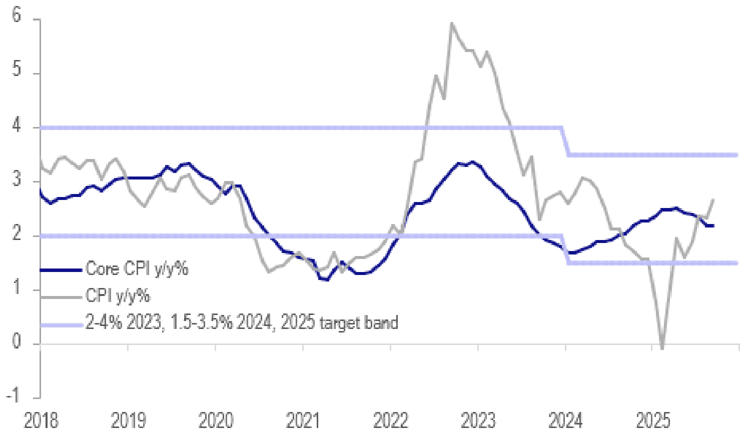

Source: MNI - Market News/Bloomberg Finance L.P.

### INDONESIA: Inflation Remains Contained, IDR Weaker Than Sept BI Decision

September core inflation held at 2.2%, 0.3pp below April's peak, while headline was higher than expected at 2.65% up from August's 2.3% due to higher volatile food prices and gold jewellery. Both measures remain well within Bank Indonesia's 1.5-3.5% target band but with USDIDR at 16685 up 1.5% since the 17 September decision to cut rates, FX stability may become more important in October. Recent decisions have surprised with the focus on supporting efforts to boost growth rather than on the rupiah.

- The 6.4% y/y increase in food prices was driven by rice, chili and shallots.
- Global gold was up almost 12% over September and 47% higher than end-2024, therefore it is unsurprising that this has fed through to jewellery prices.
- State-administered prices remained subdued at 1.1% y/y.
- Clothing, utilities, dining out, IT & financial services and recreation saw stable inflation rates, while personal care, healthcare, transportation were higher and education and household equipment lower.

**Indonesia CPI y/y%**



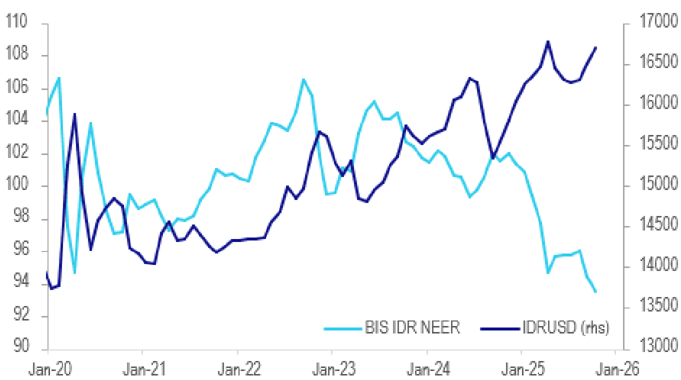

Source: MNI - Market News/LSEG

**INDONESIA: Moderate Inflation, BI Can Support Growth But IDR Softer**

September core inflation held at 2.2%, 0.3pp below April's peak as domestic demand has softened. Headline was higher than expected at 2.65% though, highest since May 2024, up from August's 2.3% due to higher volatile food prices and gold jewellery. Both measures remain well within Bank Indonesia's (BI) 1.5-3.5% target band. There has been less focus on FX stability with three consecutive rate cuts to September as BI shifts to supporting growth. USDIDR is over a percent higher than the last BI meeting and the 22 October decision will show if FX is regaining focus.

- The IDR has also weakened against other currencies with the BIS NEER 0.7% lower since 17 September rate cut.
- JP Morgan continues to forecast 25bp BI rate cuts in October and November given its shift to supporting growth and inflation is currently within its band. JP Morgan also believes it will want to ease before base effects push headline above target in early 2026 but if "growth pressures persist early next year, the central bank may look past the temporary surge in headline CPI and lean on the weak core CPI profile to deliver more easing".
- Higher volatile food prices contributed to the pickup in headline in September with the 6.4% y/y increase in food prices driven by rice, chili and shallots. JP Morgan notes that unseasonably wet weather has impacted planting.
- Indonesia's headline and core inflation while moderate are above the non-Japan/China Asian aggregates which were around 1.8% in August but rates at 4.75% also tend to be higher.

**IDR**




Source: MNI - Market News/LSEG

**INDONESIA: BI Independence Challenged**

- Indonesia's finance minister once wanted to run the country's central bank. Now, he just wants to tell it what to do. Purbaya Yudhi Sadewa, who rose from relative obscurity to become one of Indonesia's most powerful officials, has told friends and colleagues over the years that he doesn't believe the central bank should be independent, according to people familiar with the matter. The nation's populist leader Prabowo Subianto agrees with him, the people said. (source The Edge)
- Finance Minister Purbaya will redo some portions of the state budget (APBN) to allocate for the year-end stimulus program. He confirmed that the budget reallocation will be imposed on the least urgent spending, and he is still monitoring and gauging the budget lines that will be affected by the initiative. (source Antara)

**INDONESIA: Minister Confident On Growth**

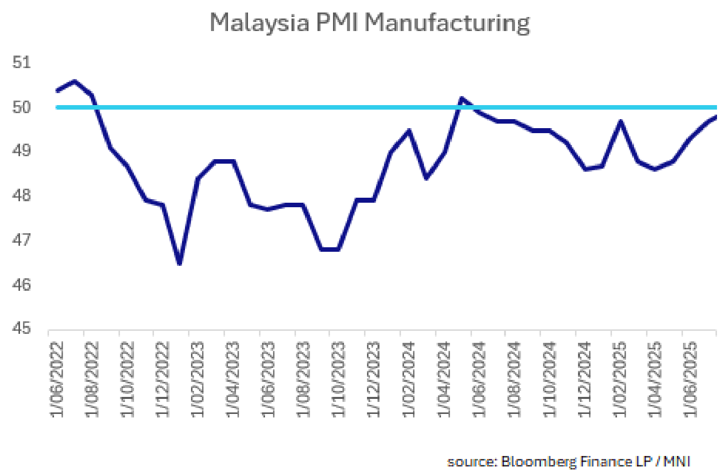
- Investment and Downstreaming Minister has set a target for investment from European Union countries to grow by 20 percent annually following the signing of the Indonesia-European Union Comprehensive Economic Partnership Agreement (IEU-CEPA). He said investment growth had averaged around 15 percent a year between 2020 and 2025, with a total value of about US$14.5 billion. (source Antara)
- Coordinating Minister for Economic Affairs is confident that several factors will support 2025 economic growth, including positive government spending, steady investment, and the disbursement of a stimulus package in the fourth quarter. "First, we see government spending will be positive. That's good. Secondly, we monitor investment, and it's going in according to plan. Third, the stimulus disbursed in the fourth quarter is nearing US$2 billion, about Rp30 trillion. Of course, it's really helpful," he said here on Tuesday. (source Antara)

**INDONESIA: Growth Target Achievable**

- President Prabowo Subianto secured investment commitments worth $23.8 billion during his recent visit to Japan, Cabinet Secretary Teddy Indra Wijaya said on Saturday. The pledges emerged from Prabowo's stop in Osaka, where he visited the Indonesian Pavilion at the upcoming Expo 2025. (source Jakarta Globe)
- Economists assessed that the Indonesian government's 5.2 percent growth target is likely to be achieved by the end of this year, believing that the country's economy is on track toward a bright and optimistic future. Analysts attribute this outlook to the combined efforts of fiscal and monetary authorities in issuing policies that stimulate economic activity and foster positive investment sentiment. (source BBG)

**MALAYSIA: Lacklustre PMIs Continue**

- Malaysia's September PMI continued the trend in place since May of 2024 when it last printed above 50.
- The PMI manufacturing continues to hover just under the number for expansion with September's result being +49.8. This is after +49.9 in August
- Output fell to +49.7 from +50.2 and new orders were down relative to last month.
- The BNM doesn't meet again until November and this year appear to be unfazed by the lacklustre PMI prints.




**MALAYSIA: SemiConductor Support to Come from Budget**

- Malaysia's development expenditure is set to take a turn towards high-technology investments next year, with Budget 2026 widely expected to intensify support for the semiconductor as well as electrical and electronics (E&E) sectors, says Kenanga Research.  (source The Star)
- Retail momentum is expected to stay resilient, supported by firm labour market conditions, benign inflation and targeted fiscal measures, say analysts at MBSB Research.  According to the research house, wage adjustments across government-linked companies or government-linked investment companies will continue to strengthen household purchasing power.  (source The Star)

**MALAYSIA: PPI Declines Again**

- The United States (US) must tread carefully before imposing blanket tariffs on Malaysia's semiconductor exports, which could disrupt global chip supply and hit American industries, the US-ASEAN Business Council said.  Its executive vice president, Marc Mealy said debilitating tariffs could affect Malaysia, which supplies crucial semiconductor auto chips globally and to American automakers.  (source The Star)
- The consecutive decline in wholesale prices, as measured by the producer price index (PPI), signals that the domestic economy continues to face significant headwinds despite headline inflation – measured through the consumer price index (CPI) – stabilising over the year.  (source The Star)

**INDIA: Reserve Bank Of India On Hold**

- The Central Bank in India, the RBI, kept its key rate unchanged at 5.5% today.
- The unanimous vote, consistent with the last meeting, sees the central bank retaining its neutral stance .
- Inflation remains subdued yet the tariff situation remains and the focus on India by the US and EU for purchases of Russian oil creates uncertainty which it seems the Central Bank wants to see play out.
- The economy is not suffering under the weight of tariffs with PMIs near all time highs, growth topping estimates and inflation controlled.
- The main challenge is with the currency which is down over 3.5% over the last month.
- Bonds are performing well today with the IGB 10-YR lower by -2.5bps at 6.55%
- The RBI has one last meeting for the year on December 5 by which potentially greater clarity may exist over tariffs.

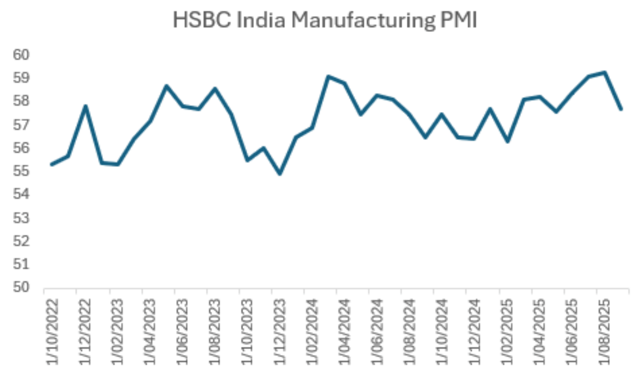
**INDIA: Summary From RBI Press Conference**

At yesterday's RBI Monetary Policy Committee kept the repo rate unchanged at 5.50 %, whilst according to many domestic commentators, leaving open the possibility of a cut in December.

- Inflation outlook was revised downward (from ~3.1 % to ~2.6 %) and the GDP growth forecast was upgraded (to ~6.8 %) for the year.
- To strengthen the international role of the rupee, the RBI proposed allowing rupee loans across borders to neighbouring countries and letting surplus rupee balances invested by foreign entities enter corporate bonds / papers (not just government securities).
- Regulatory reforms were announced to give banks more flexibility — e.g. lifting constraints on overlaps between bank subsidiaries/business streams.
- The RBI clarified there is no proposal currently under consideration to impose fees on UPI (Unified Payments Interface) transactions, despite earlier commentary on costs.
- The central bank will retain the overnight weighted average call rate (WACR) as its operating target under its revised liquidity framework, with changes to liquidity operations (7-day operations replacing 14-day ones) and greater transparency in operations.
- We see the realities of a December cut now as 50 / 50 given the upgrade to growth.

**INDIA: HSBC India September Manufacturing PMI 57.7 vs 59.3 Prior**

- The HSBC S&P Global release India's September manufacturing purchasing managers' index declined to 57.7 from 59.3 in Aug.
- Output fell to 61.1 vs 63.7 prior whilst new orders fall vs prior month.




source: Bloomberg Finance LP / MNI

**INDIA: Moody's See Little Tariff Impact**

- Despite a strong 7.8 per cent growth in the first quarter, the Indian economy is expected to grow at 6.5 per cent in the current financial year as the impact of US tariffs on Indian exports will reduce prospects, particularly in the second half, ADB said on Tuesday. It is to be noted that the Asian Development Outlook (ADO) of the Asian Development Bank (ADB), released in April, had projected a higher growth rate of 7 per cent, which was lowered to 6.5 per cent in the July report on concern of a steep 50 per cent US tariffs on shipment from India. (source Business Standard)
- The tariffs imposed by US President Donald Trump will have limited impact in the near-term period. "The US' imposition of high tariffs will have limited negative effects on India's economic growth in the near term," Moody's said. However, it may constrain potential growth over the medium to long term by hindering India's ambitions to develop a higher value-added export manufacturing sector (source NDTV Profit)

**ASIA EQUITY FLOWS: South Korea Inflows Surge On AI/Chip Optimism**

Yesterday's standout from an inflow perspective was the +$2.2bn of net buying of South Korean stocks by offshore investors. This looks to be the strongest daily inflow on record (per BBG exchange data). It followed a +2.7% gain in the Kospi, to comfortably reach fresh cycle highs, with the index finishing up near 3550. Chip/AI sentiment surged for Samsung and SK Hynix, which came after a deal with OpenAI to supply chips for its Stargate project. For South Korea, net inflows are now back in positive territory for 2025 to date. Note South Korean markets are now out until next Friday.

- Taiwan also saw positive inflows, but in lower aggregate terms compared to South Korea. It's net flow picture for the past 5 trading days is just back into positive territory. It still leads South Korea from a 2025 inflow standpoint.
- Elsewhere, Indian flow momentum was very poor towards the end of Sep (with nearly $2bn in outflow in the last 5 trading days of the month). This matched the sharp retreat of local equity indices through this period, but we did start Oct better.
- Elsewhere trends were mixed in South East Asia. Indonesia and Thailand generally seeing outflow over the past week. Malaysia saw stronger inflows yesterday though, as offshore investors joined in on the local equity rise (+1%).

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

| | Yesterday | Past 5 Trading Days | 2025 To Date |
|---|---|---|---|
| South Korea (USDmn) | 2271 | 2716 | 2089 |
| Taiwan (USDmn) | 779 | 8 | 8760 |
| India (USDmn)* | -453 | -1840 | -17453 |
| Indonesia (USDmn) | -85 | -163 | -3437 |
| Thailand (USDmn) | -6 | -118 | -2844 |
| Malaysia (USDmn) | 120 | 146 | -3586 |
| Philippines (USDmn) | -13 | -82 | -682 |
| Total (USDmn) | 2613 | 667 | -17153 |

* Data Up To Sep 30

Source: Bloomberg Finance L.P./MNI