

## MNI Asia Pac Weekly Macro Wrap

5 September 2025 – By Jon Cavenagh, Jaime Grant, Maxine Koster, Stephen Petrie

### JAPAN

- Japan wages data was better than expected in July, aided by bonus payments. Underlying pay trends didn't appear to shift much though. Next Monday we get Q2 GDP revisions. BoJ rhetoric remains skewed towards further tightening, but the central bank is watching tariff fallout closely.

### AUSTRALIA

- Q2 GDP was stronger than both the RBA and consensus expected as it rebounded from Q1's weather-impacted soft result and benefited from holidays. Given the RBA'S cautious stance towards easing and recent stronger data, a September rate cut looks unlikely and November will depend on new information and the outlook. RBA dated OIS contracts have firmed this week.

### NEW ZEALAND

- News flow and data outcomes for NZ have been light this past week. NZ saw the largest improvement in the merchandise terms of trade in Q2 since Q1 2024.

### CHINA

- China PMI measures improved for August for both manufacturing and services, suggesting better economic momentum as we progress through Q3. Focus also remains on clearing the housing backlog. Equity market dips have been supported.

### SOUTH KOREA

- South Korean exports painted a resilient picture for August, but are unlikely to shift the aggregate growth needle. The PMI remained in contraction. The CPI was below expectations, but the BoK expects it to bounce back in Sep.

### ASIA

- Indonesian markets saw volatility amid onshore protests. As expected BNM held rates steady. August S&P Global manufacturing PMIs for ASEAN released were all in growth territory signalling stronger growth in activity in the month.

### ASIA EQUITY FLOWS

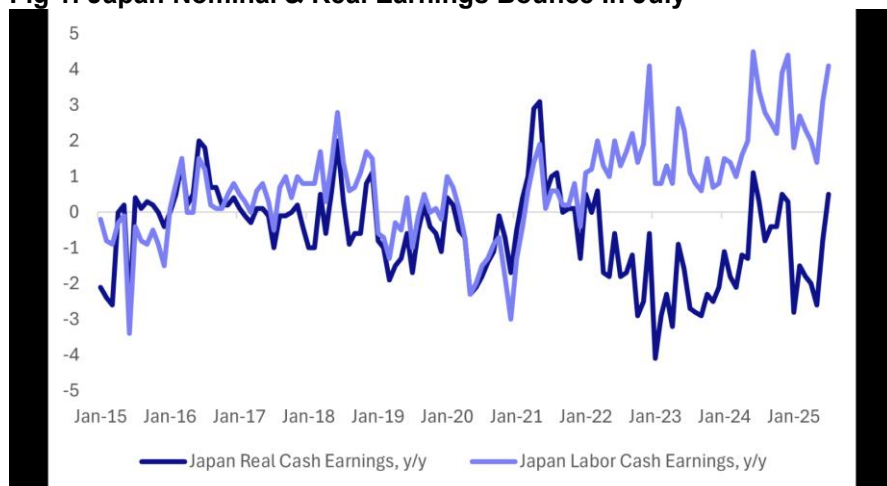
- South Korea and Taiwan equity flows recovered some ground this past week, as tech equity sentiment improved. Outflows were mostly evident elsewhere in the region.

## JAPAN

**JAPAN DATA: July Cash Earnings Beat Estimates, Aided By Bonus Payments :**

Japan July labor earnings data was mostly better than forecast. The headline nominal read was +4.1%/y/y, against a forecast rise of 3.0% and prior 3.1% (which was revised higher from the initial 2.5% estimate). In real terms, cash earnings rose 0.5%/y/y, against a 0.6% forecast and -0.8% prior. The chart below plots nominal and real earnings in y/y terms.

- \* On a same sample base, cash earnings rose 2.9%, versus the 3.3% forecast (although June was revised up to 3.4% from 3.0%). Scheduled full time pay (same base) rose 2.4%/y/y, versus 2.5% forecast and 2.3% prior.
- \* Bonus payments were up 7.9%/y/y in July, versus 4.4% for June. This was the strongest rise since the 14.5% gain in March. This component can be volatile, so if we see a pull back in August it could weigh on the headline earnings outcomes.
- \* Scheduled full time pay, on a same sample base, painted a resilient picture with earnings up 2.4%/y/y for the third straight month. We are off 2024 highs for this metric of 3%/y/y, but are still well above historical averages.
- \* The authorities continue to see sustained positive real wages growth as a key policy goal. Today's data is a step in the right direction, but such trends have been elusive to maintain in recent years.
- \* From a BoJ standpoint, the result is welcome, but may not change near term thinking, given bonuses were a factor in the upside surprise. It is watching the tariff impact on corporate profitability and flow on effects closely. Household spending for July was also a touch below expectations.

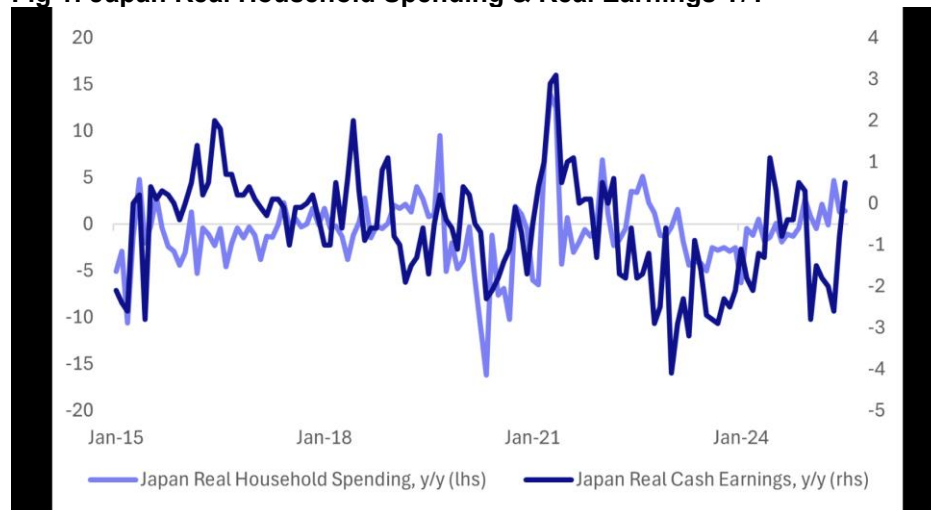
**Fig 1: Japan Nominal & Real Earnings Bounce In July**

Source: Bloomberg Finance L.P./MNI

**JAPAN DATA Household Spending Below Forecast, But Wedge With Real Wages Removed:**

Japan July real household spending was a touch below forecasts. We rose 1.4%/y/y, against a 2.3% forecast and 1.3% outcome in June. In m/m terms, we rose a solid 1.7%. The chart below plots real spending and real earnings outcomes, both in y/y terms. Today's updates bring the two series a little more in line with each other. For a number of months spending trends looked too strong relative to a softer real earnings backdrop. In terms of the detail, food and housing spending was negative y/y, while strong gains were seen for transport and medical care.

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



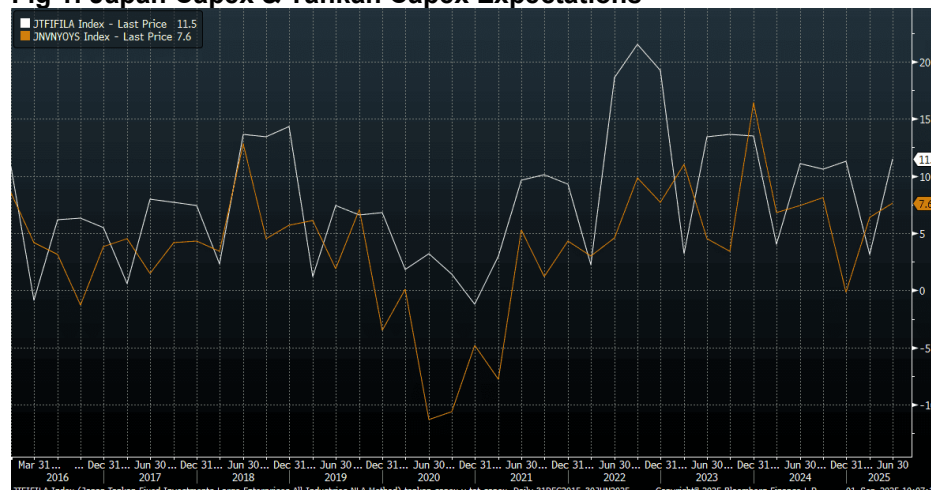
Source: Bloomberg Finance L.P./MNI

### JAPAN DATA: Q2 Capex A Touch Above Expectations, Led By Manufacturing

Japan Q2 capex was a touch above market expectations. The headline figure rising 7.6%/y/y, against a 6.1% forecast, while Q1's outcome was 6.4%. Ex software capex was also above expectations, up 5.2%/y/y, against a 4.9% forecast, but down from Q1's pace of 6.9%. Company sales were up 0.8%/y/y in Q2, against a 1.4% forecast and 4.3% prior. Profits were 0.2%/y/y, against the -0.4% forecast and 3.8% gain in Q1.

- The detail on the capex side should manufacturing up 16.4%/y/y in Q2, with ex software up 17.0%/y/y. In the quarter capex was up 1.6%, led by manufacturing's 6.3% rise.
- The chart below plots the headline capex result against the Tankan survey of capex estimates (which is the white line in the chart). This continues to paint a resilient backdrop, with the Q3 Tankan survey out at the start of Oct and likely to be a key watch point for the BoJ.
- On the profit side, weakness in manufacturing -11.5%/y/y, weighed on the overall result.
- For sales, manufacturing and non-manufacturing slowed in y/y terms relative to Q1.

Fig 1: Japan Capex & Tankan Capex Expectations



Source: Bloomberg Finance L.P./MNI

### JAPAN DATA: Japan Offshore Bond Purchases Pick-Up

The highlight of Japan offshore investment flows, in the week ending Aug 29, was the surge in buying of overseas bonds. Just over ¥1.4trln in bonds were purchased, the largest flow into this segment since mid July. This ends a

run of modest net selling of offshore bonds by local investors through much of late July/first part of August. Cumulative flows have been strong since May of this year. Global bond returns picked up through late August, but remained sub earlier 2025 highs.

- Japan investors also purchased offshore equities, but trends in this space have been mixed, with 3 out of the last 5 weeks still recording net selling.
- In terms of inflows into Japan assets, we saw net selling by offshore investors of local stocks for the 2nd straight week. This follows a basically un-interrupted run of inflows back to April of this year. Japan stocks have struggled since making fresh record highs in mid August.
- On the bond side, offshore investors were modest net buyers of local bonds.

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

Billion Yen	Week ending Aug 29	Prior Week
Foreign Buying Japan Stocks	-785.7	-496.2
Foreign Buying Japan Bonds	397.4	-105.8
Japan Buying Foreign Bonds	1419.8	-167.2
Japan Buying Foreign Stocks	481.8	-306.1

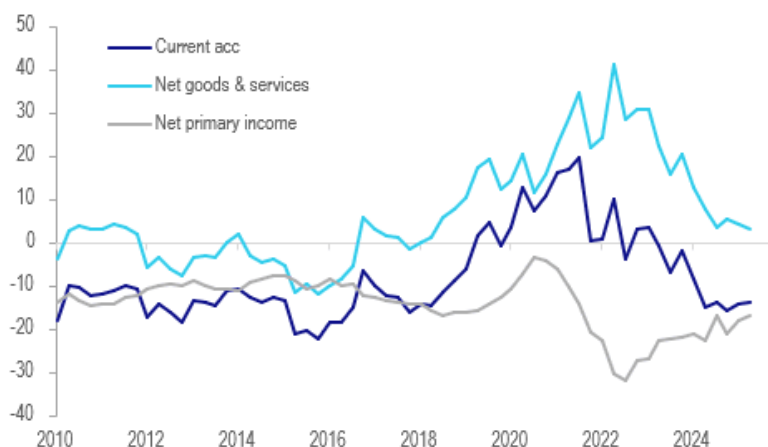
Source: Bloomberg Finance L.P./MNI

## AUSTRALIA

### AUSTRALIA DATA: Current Account Deficits Continue, Net Exports Added 0.1pp

While Q2 recorded its ninth consecutive quarterly current account deficit, it narrowed from Q1 driven by the primary income deficit. Q2 printed at -\$13.7bn after \$14.1bn with primary income at -\$16.8bn down from Q1's -\$18bn but the goods and services surplus was down \$1.2bn at \$3.1bn, the lowest in 7 years. Net exports contributed 0.1pp to Q2 growth, as expected.

#### Australia current account A\$bn

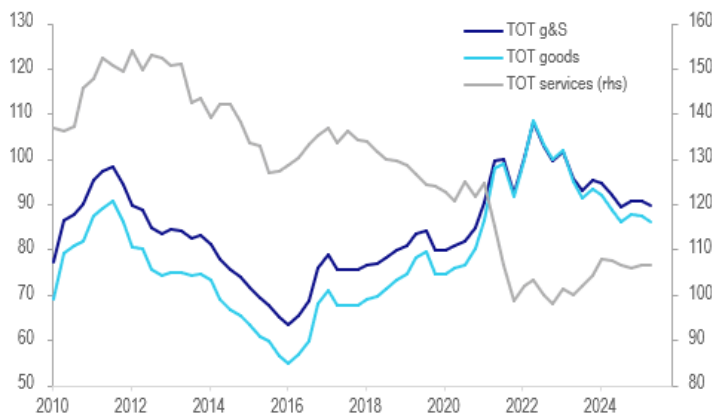


Source: MNI - Market News/ABS

- Given that the balance of payments data is nominal, the 4.5% q/q fall in merchandise export prices pressured the trade surplus. The goods surplus fell \$1bn to \$12.7bn in Q2 while services deficit rose \$0.2bn to \$9.6bn.
- The terms of trade fell 1.1% q/q & 2.4% y/y due to lower prices for exported coal and iron ore.

- Goods exports fell 0.9% q/q to be up 0.4% y/y driven by a 1.5% q/q decline in non-rural goods. Services exports rose 3.6% q/q & 7.9% y/y, the third consecutive quarterly increase, due to increased visits from New Zealanders.
- Merchandise imports fell 0.2% q/q in Q2 driven by a 1.2% q/q decline in capex and a 6.5% q/q in intermediate goods, as imported petroleum prices fell 11.5% in the quarter. Consumer goods imports rose 3.9% q/q & 3.8% y/y, possibly signalling some recovery in spending. Services imports increased 3.4% q/q to be up 7.8% y/y driven by overseas travel.

#### Australia terms of trade



Source: MNI - Market News/ABS

#### AUSTRALIA DATA: Little Change In Q2 Inventories, Profits Remain Weak

Q2 inventory volumes rose 0.1% q/q, close to expectations, after an upwardly-revised +1.2% in Q1. Thus it seems likely that its contribution to Wednesday's Q2 GDP is likely to be close to neutral. Q2 net export and public demand contributions are published on Tuesday. Bloomberg consensus is forecasting GDP growth to improve to 0.5% q/q and 1.6% y/y after Q1's 0.2% & 1.3%.

- Company operating profits fell 2.4% q/q in Q2 to be down 3.3% y/y after -1.0% & -5.2% in Q1. The level is now 16.3% lower than Q2 2022, while total wages are 22.2% higher. It appears catch up for the previous five years. The annual profit rate has been contracting for the past two years.
- Wages and salaries rose 1.0% q/q to be up 5.8% y/y in Q2, the highest since Q1 2024.
- Mining profits fell 0.5% q/q while wages & salaries rose 2.3% q/q. Sales volumes were 1.2% q/q higher but inventories increased 4.8%.
- Retail sales volumes increased 0.8% q/q while stocks fell 0.5% but profits fell 5.8% as wages increased 1.2%.

#### Australia company profits vs wages & salaries y/y%



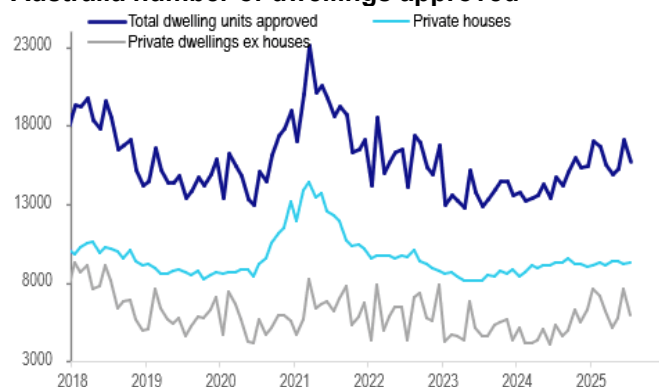
Source: MNI - Market News/ABS

## AUSTRALIA DATA: Private House Approvals Moving Sideways

July number of building approvals fell 8.2% m/m to be up 6.6% y/y after rising 12.2% m/m & 28% y/y in June. Both months were driven by the volatile multi-dwelling component which fell 22.3% m/m after rising 33.5%. The more stable private homes rose 1.1% m/m to be up only 0.3% y/y after -1.9% m/m & +0.5% y/y in June with 3-month momentum in the sector soft.

- The pickup in private house approvals in July was fairly broad-based across Australia with only SA declining. The national level has been moving sideways for over a year even though housing shortages remain a problem.
- The 7.3% m/m decline in the value of building approved was driven by a 14.9% drop non-residential (June +13.5%) while residential fell 1.6%.

### Australia number of dwellings approved



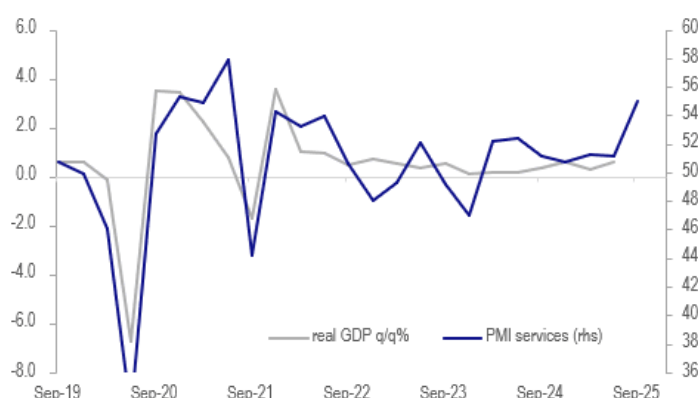
Source: MNI - Market News/ABS

## AUSTRALIA DATA: Q2 Boosted By Special Factors, H1 Averaged 0.4% q/q

Q2 GDP was stronger than both the RBA and consensus expected as it rebounded from Q1's weather-impacted soft result and benefited from holidays. It rose 0.6% q/q to be up 1.8% y/y, the strongest since Q3 2023, after 0.3% q/q & 1.4% y/y in Q1. Growth was driven by private and public consumption with net exports adding 0.1pp while both inventories and investment detracted. Given the RBA'S cautious stance towards easing and recent stronger data, a September rate cut looks unlikely and November will depend on new information and the outlook.

- The S&P Global PMI improvement over Q3 suggests growth may have improved further at the start of H2. The August composite rose to its highest since February 2022.

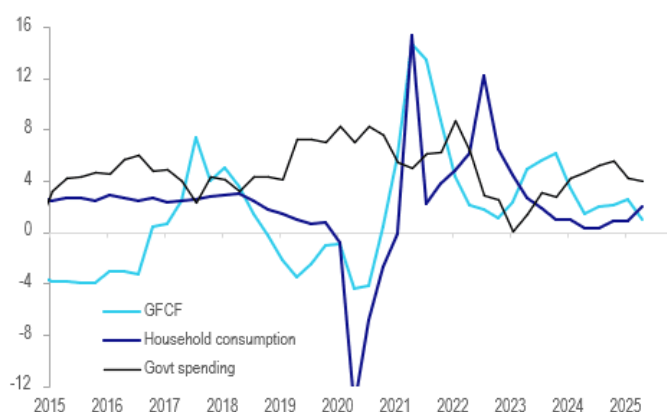
### Australia GDP q/q% vs S&P Global PMI services



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

- Household consumption contributed 0.45pp to GDP as it rose 0.9% q/q to be up 2% y/y, the highest in 2 years, which was supported by a 1pp fall in the savings rate to 4.2%. Nominal disposable income rose 0.6% q/q.
- The ABS notes that the close proximity of Anzac Day to Easter boosted holiday-related spending. Also end of financial year discounting encouraged discretionary spending which rose 1.4% q/q.
- Government spending contributed 0.2pp to growth as it increased 1.0% q/q to be up 4% y/y driven by a strong increase in benefits paid and health expenditure as well as election and defence spending.
- Investment was lacklustre across the board with it detracting 0.2pp driven by the public sector with private capex neutral.
- Net exports made its strongest contribution to GDP in two years. Exports rose 1.7% q/q to be up 1.5% y/y, while imports increased 1.4% q/q & 1.9% y/y, a sign of improving domestic demand.
- GDP/person rose 0.2% q/q to be up 0.2% y/y, the first annual rise since Q1 2023.

## Australia domestic demand y/y%



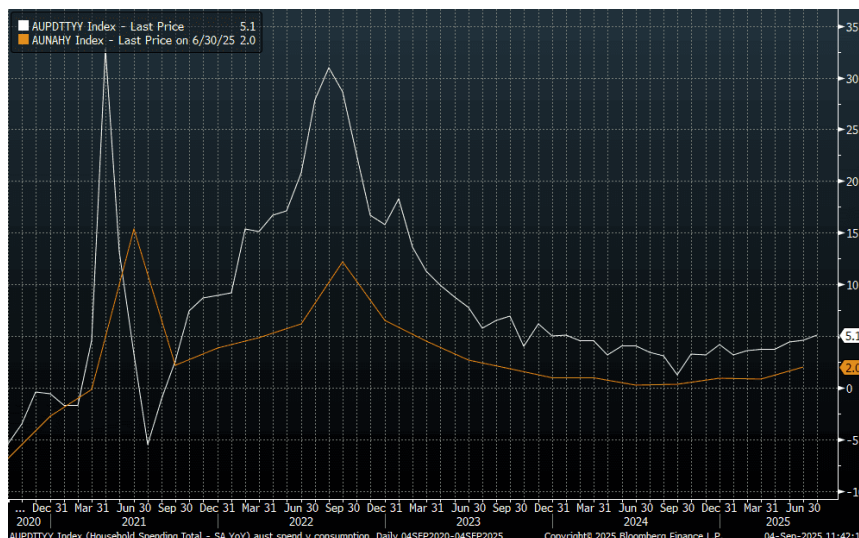
Source: MNI - Market News/ABS

## AUSTRALIA DATA: Household Spending +5%/y, Trade Surplus Up On Lower Imports

Australia July household spending was close to market forecasts. We rose 0.5% m/m, in line with the consensus, although June was revised down a touch to 0.3%, (from 0.5% originally reported). Y/Y spending was still a touch firmer though at 5.1%, versus 5.0% forecast and 4.6% prior.

- The chart below plots the household spending measure against consumption growth (from the national accounts), with both measures in y/y terms. The continued trend improvement in y/y household spending points to further gains in aggregate consumption growth (all else equal).
- The standouts in the month were health spending, +1.8% m/m, along with spending on hotels, cafes and restaurants (+1.4% m/m). Weakness was seen in household equipment and clothing (both down over 1% m/m).
- The ABS noted: "In contrast, Goods spending fell 0.3 per cent after mid-year sales boosted spending by 0.9 per cent in June."
- Other data for July trade showed the trade surplus at over A\$7bn due to weaker imports (off 1.3% m/m), while exports held up at +3.3% m/m. Softer imports reflected a modest decline in consumer related goods (so some caution around the better household spending story).

Fig 1: Australian Household Spending & Consumption Growth Y/Y



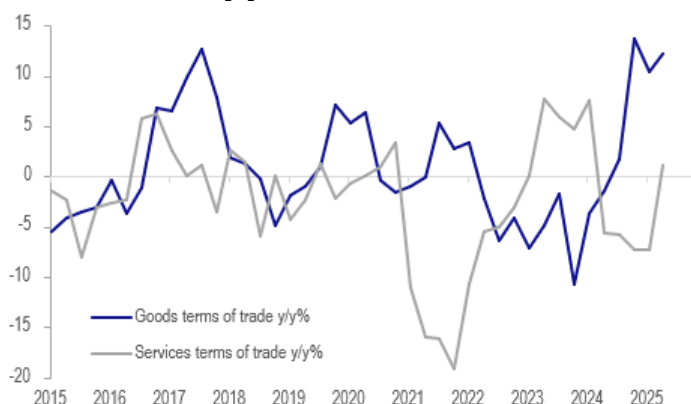
Source: Bloomberg Finance L.P./MNI

## NEW ZEALAND

### NEW ZEALAND: Goods Terms Of Trade Continues Moving Higher

NZ saw the largest improvement in the merchandise terms of trade in Q2 since Q1 2024. It rose 4.1% q/q, the sixth consecutive quarterly increase, to be up 12.2% y/y after 10.3% y/y in Q1. While domestic demand remains soft, this rise in the terms of trade will be providing some welcome support to growth. The services terms of trade fell 0.4% q/q but rose 1.0% y/y after falling 7.3% y/y.

#### NZ terms of trade y/y%



Source: MNI - Market News/LSEG

- A 3.7% q/q fall in imported goods prices drove the terms of trade rise as export prices rose only 0.25% but they are up 11.7% y/y. Dairy export prices rose 2.0% q/q to be up 19.7% y/y after +10.5% & 26.8% in Q1.
- Services saw a 1.8% q/q fall in export prices and -1.4% for imports leaving them up 5% y/y and 4% y/y respectively.
- Goods export volumes fell 3.7% q/q to be up only 0.4% y/y driven by a 7.9% q/q decline in dairy shipments. Import volumes rose 4.2% q/q to be up 3.5% y/y. This signals that Q2 net exports could detract from GDP growth when it is released on September 18.
- Consumption goods import volumes fell 1.3% q/q to be up only 0.5% y/y after -0.1% q/q & +2.3% y/y in Q1. This was the third straight quarterly decline signalling that household spending remains weak.

### NZ merchandise trade volumes y/y%

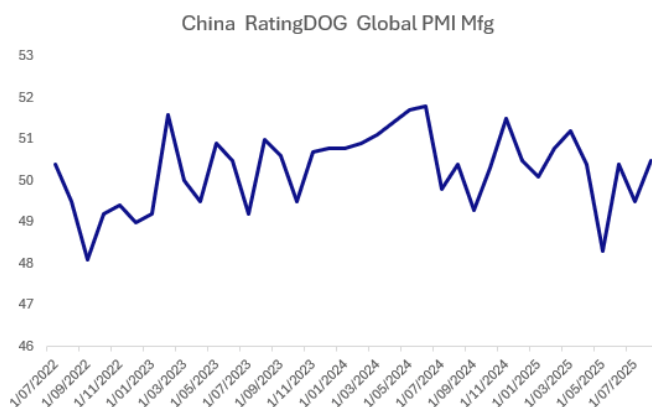


Source: MNI - Market News/LSEG

## CHINA

### CHINA: RatingDog China August Manufacturing PMI Rises

- The newly named RatingDog China August. Manufacturing PMI (formerly CAIXIN) rose 50.5 against a Estimate of 49.8.
- The index had contracted in July and May but rebounded both months after.
- The expansion was a surprise after the official PMI Manufacturing contracted.
- This was the best result since March, prior to the escalation of the trade war.
- Output rose to 50.5 from 48.5 in July.
- New orders were up prior to last month.



source: Bloomberg Finance LP / MNI

### CHINA: RatingDog PMI Services Climbs in August

- The RatingDog services PMI rose to +53.0 in August, from +52.6 in July.
- The release was the highest since May 2024, and above forecasts.
- The employment component moderated to +48.7 from +50.9 and prices charged were down.
- The RatingDog manufacturing PMI jumped to 50.5 from 49.5 in July. The consensus forecast was 49.8 and we projected an unchanged reading at 49.5. This export-focused survey is in contrast to the official one which, with a print of 49.4, pointed to manufacturing contraction.
- The result is the RatingDog Composite is up to +51.9, its highest reading since November 2024.



## CHINA: Home Transactions Up In Shanghai

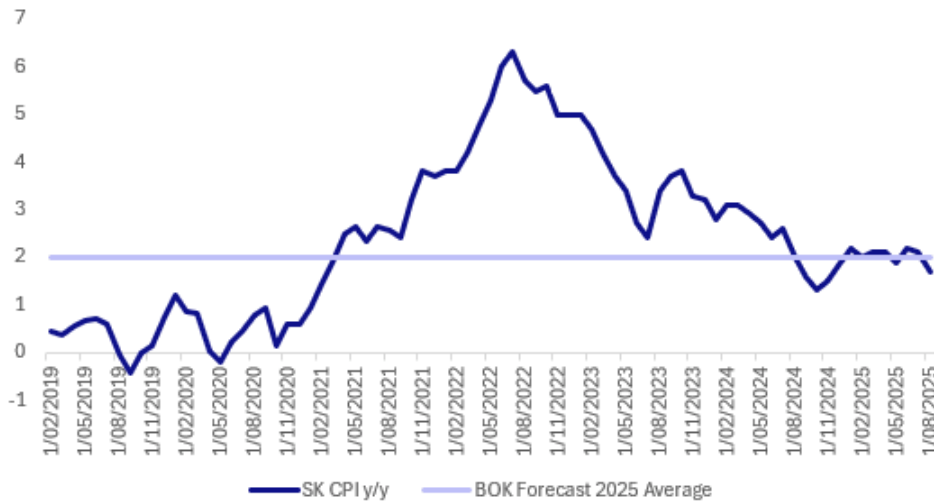
- President Xi Jinping unveiled the Global Governance Initiative at a grand gathering with leaders from the Shanghai Cooperation Organization family on Monday, stressing China's readiness to work with all countries for a more just and equitable global governance system. He highlighted five principles for the Global Governance Initiative — adherence to sovereign equality, abiding by international rule of law, practicing true multilateralism, advocating the people-centered approach and focusing on taking real actions. "We should maintain that all countries, regardless of size, strength and wealth, are equal participants, decision-makers and beneficiaries in global governance," Xi said. "We should promote greater democracy in international relations and increase the representation and voice of developing countries," he said. (source [China Daily](#))
- Shanghai's latest adjustments to home purchase measures triggered a more than 35 percent week-on-week surge in new home transactions, along with a sharp rise in inquiries for pre-owned apartments. Industry experts said on Monday that the response highlights the effectiveness of the new policy and sets the stage for broader market stabilization. "Following the policy release, visits to some sales offices and brokerage outlets surged, with inquiries doubling, reflecting a boost in market confidence," said Yan Yuejin, research director at the E-House China R&D Institute. (source [China Daily](#))

## SOUTH KOREA

### SOUTH KOREA: CPI Below Expectations

- South Korea's CPI for August was below expectations with the month on month figure turning negative.
- Korea's CPI YoY release for August was +1.7%, missing expectations of +1.9%, and down from the July release of +2.1%.
- Food prices rose +4.9% YoY and transport was up just +0.1% YoY.
- The month on month result saw food prices up +2.6% as Core rose +1.3% YoY.
- Market observers expect now that the BOK could cut rates at its meeting in October.

South Korean CPI Yoy vs BOK Forecast

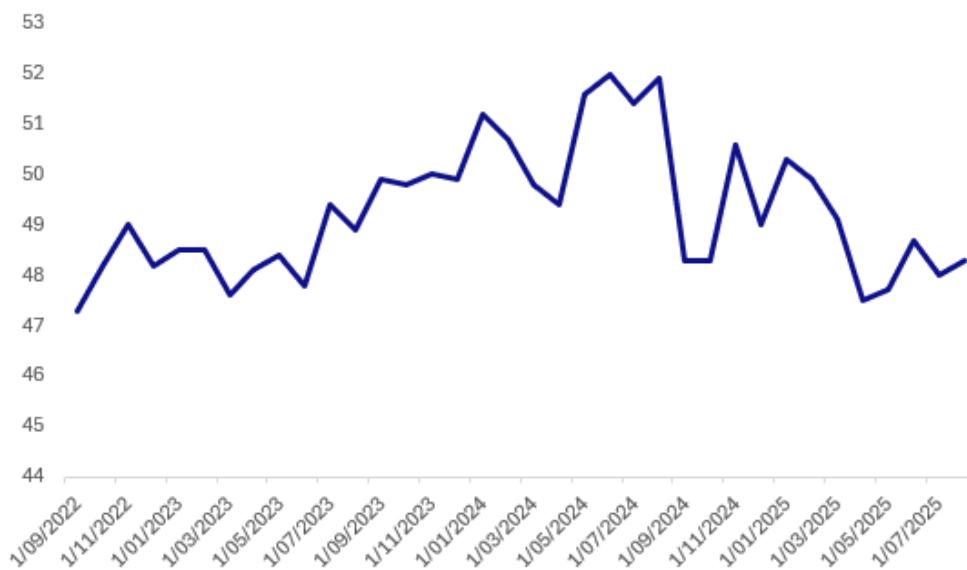


source: Bloomberg Finance LP / MNI

### SOUTH KOREA: PMI Contracts Again

- The August PMI contracted at 48.3, up slightly from July's +48.0.
- This is the seventh consecutive month of contracting.
- Output ticked up modestly from 47.4 to 47.5 but remains in contraction for a sixth straight month.
- New orders rose relative to last month.

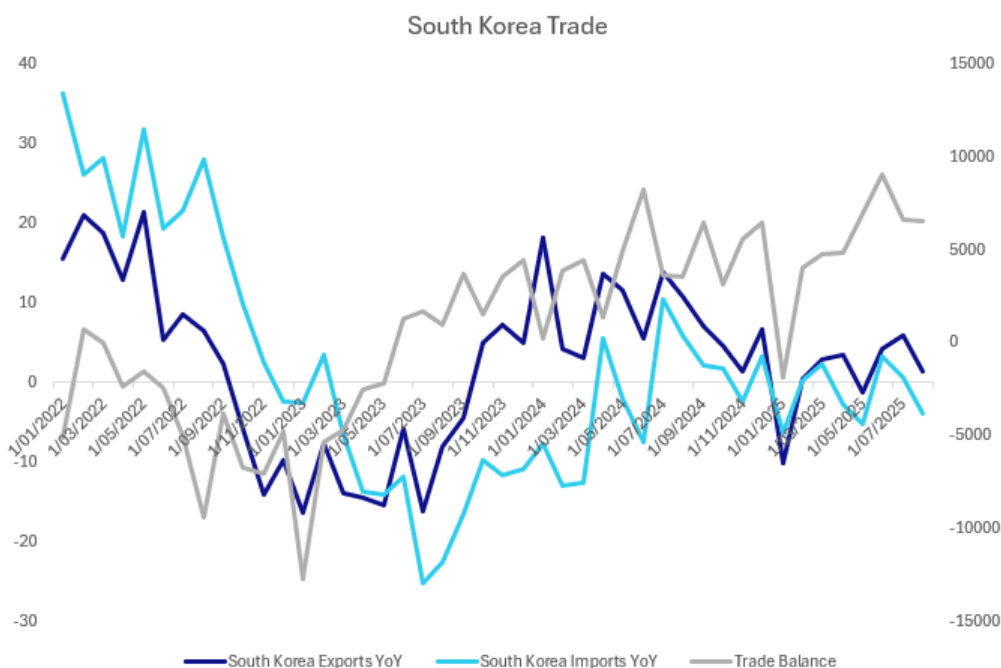
S&amp;P Global South Korea PMI Mfg



source: Bloomberg Finance LP / MNI

**SOUTH KOREA: August Trade Data**

- August trade data was softer with exports down significantly and imports contracting.
- Exports rose +1.3% in August after July's revised expansion of +5.8% in a month impacted by working day differences.
- When working day differences are taking into account, the August result remains in line with that of July and is a third successive month of expansion to the Korean economy, so dependent on exports.
- The US tariffs at 15% marks a shift from decades of a tariff-free regime guaranteed by the bilateral trade pact. The BOK last week warned tariff impacts would impact the economy, particularly exports, and flow through to financial markets and business sentiment. Trade is expected to incur the biggest hit, with exports to the US shrinking as higher costs erode competitiveness and softer demand from the US increases.
- Imports fell -4.0% in August against a forecast of -2.5% and represents the fourth month of contracting imports this year, for some an indicator of falling consumer sentiment.
- The result was a trade balance of US\$6.514bn down from \$6.607bn prior.

**ASIA****ASIA: ASEAN Manufacturing PMIs Show Growth In August**

August S&P Global manufacturing PMIs for ASEAN released today were all in growth territory signalling stronger growth in activity in the month. Also confidence in the outlook improved as uncertainty around global trade began to ease in July. The ASEAN aggregate is released on Wednesday. Thailand was the outperformer amongst the countries printing today with the PMI rising to 52.7 from 51.9 and Indonesia returned to growth at 51.5 after 49.2. Political turmoil in both could impact the next print.

- Thailand's increase in manufacturing growth to its highest in over a year was driven by higher domestic new orders while export orders fell for the first time since April. This drove destocking and increased purchasing activity but staffing levels were stable due to resignations rather than an unwillingness to hire. Business confidence rose to its highest in close to two and a half years due to new products and business expansion, according to S&P Global.

- Thai cost inflation fell slightly due to discounting but it was passed onto customers driving a moderate increase in selling prices.
- Indonesia's manufacturing sector returned to growth for the first time since March as higher production and orders, both domestic and export, drove a pickup in hiring and purchasing. Input cost inflation was driven higher by increased imported inflation from a stronger USD and was passed on driving selling price inflation to its highest since July 2024.
- The Philippines manufacturing PMI was little changed at 50.8 but confidence reached a new 2025 high. There was a small rise in orders but external demand was its highest since the start of 2025.

#### ASEAN S&P Global manufacturing PMIs sa



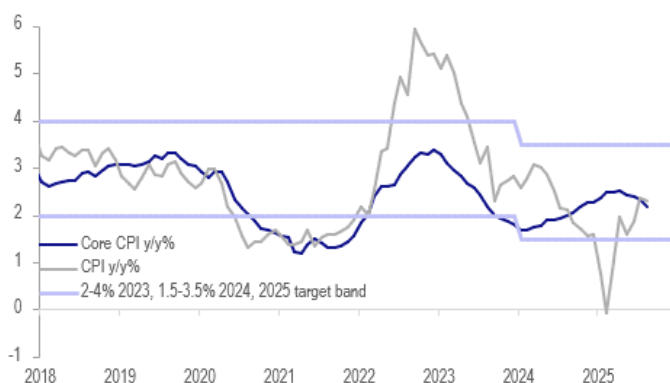
Source: MNI - Market News/Bloomberg Finance L.P.

#### INDONESIA: Inflation In Lower Half Of The Band

Indonesian August headline inflation moderated to 2.3% y/y% from 2.4% and core to 2.2% y/y% from 2.3%. Both measures are now below the mid-point of Bank Indonesia's (BI) 1.5-3.5% target band. Having inflation well within the range contributed to FX stability to allow it to cut rates 25bp at two successive meetings in July and August. With political instability and BI having to intervene in the currency market, FX developments will again be key ahead of the September 17 decision.

- USDIDR reached 16498 earlier today but has stabilised around 16482 but is up 1.3% since August 20, the last BI meeting.
- Food prices are the main driver of headline inflation rising 4% y/y in August up from 3.75% in July and 2% in June. Other categories were either stable or lower with transportation down 0.3% y/y from +0.1%, utilities stable at 1.65% y/y and personal care 8.7% y/y from 9.0%.

#### Indonesia CPI y/y%



Source: MNI - Market News/LSEG

**INDONESIA: President Drops China Trip on Political Upheaval**

- Indonesian President Prabowo Subianto scrapped plans to travel to China to attend a major international summit, underlining the government's growing concern about the violent protests that have rocked the Southeast Asian nation this week. The protests, which began on Monday due to rising discontent over jobs and wages, have left at least three people dead and dozens of public facilities destroyed. (source BBG)
- The Chair of Commission XI of the House of Representatives has proposed lowering the Value Added Tax (VAT) rate from 11 percent to 10 percent to ease the public's financial burden. "A lower VAT rate will encourage consumer spending and demand for goods, which in turn will boost productivity in the real sector," he said in a statement, Sunday. He acknowledged that while the reduction may not have a significant immediate impact, it could be offset by an increase in transaction volumes. He also suggested that certain agricultural products be taxed at 8 percent to strengthen the agricultural sector. (source [Antara](#))
- Indonesia announced on Thursday that the long-delayed Masela offshore gas block in Maluku is now expected to begin production in 2029, following the launch of the front-end engineering and design (FEED) phase. Deputy Energy and Mineral Resources Minister said the Masela project, first discovered in the Arafura Sea in 1998, will require an investment of \$20.94 billion. Once operational, it is projected to produce 9.5 million tons of liquefied natural gas (LNG) annually and around 35,000 barrels of condensate per day, supplying both domestic needs and exports. (source [Jakarta Globe](#))

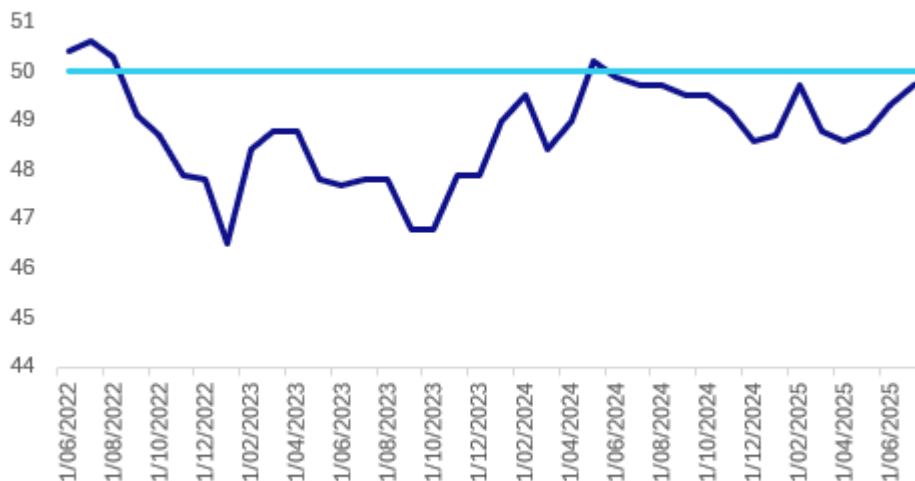
**INDONESIA: BI Steps In To Defend IDR Again**

- The Coordinating Minister for Economic Affairs outlined the government's strategies to achieve the national economic growth target of 5 to 5.2 percent, starting in the second half of 2025. Investment remains the main driver of growth. In the first half of 2025, realized investment reached Rp924 trillion, alongside a 32.5 percent year-on-year (yoy) increase in capital goods imports. "State-owned enterprises (SOEs) capital expenditure and government capital spending, which stood at 17.94 percent in the first half, will support productivity into next year," he said during a press conference on Indonesia's capital market stability here on Monday. (source [Antara](#))
- Bank Indonesia (BI) has reaffirmed its commitment to maintaining the stability of the rupiah exchange rate and ensuring sufficient rupiah liquidity in the market, so the currency can move in line with its fundamental value through a well-functioning market mechanism. (source [Antara](#))

**MALAYSIA: PMI Inches Toward Expansion**

- Malaysia's August PMI inched closer to expansion at +49.9.
- The last time the S&P Global Malaysia PMI Manufacturing expanded was May 2024 and August was the highest print since June 2024.
- Output was up to +50.2, the highest since May 2024.
- New orders were the highest since August 2022.
- Whilst modestly in contraction, it was one of the strongest reading in some time, ahead of this week's Central Bank decision.
- At this stage, the market consensus is for no change from the BNM, leaving rates at 2.75%.

Malaysia PMI Manufacturing



source: Bloomberg Finance LP / MNI

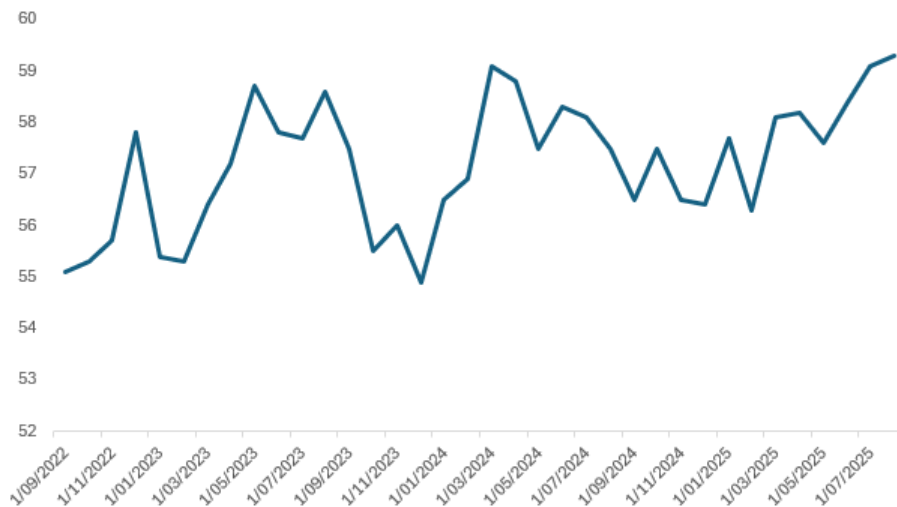
#### MALAYSIA: BNM on Hold :

- \* Malaysia's central bank (Bank Negara Malaysia) kept the benchmark interest rate unchanged as widely expected whilst highlighting concerns as to the growth outlook from lingering external risks.
- \* The overnight policy rate was maintained at 2.75% at the second-last meeting scheduled for 2025.
- \* 22 of the 24 economists polled by BBG forecast no cut.
- \* At the current level, BNM said it "considers the monetary policy stance to be appropriate and supportive of the economy amid price stability".
- \* Data over the period since the last meeting suggests that robust domestic demand remains the backbone of growth, rather than exports, whilst inflation remains below forecasts.
- \* Following the cut at the July meeting, a move the BNM described as 'pre-emptive', and the May decision to reduce the reserve requirement ratio, it seems that for now the BNM are happy to sit with those changes to preserve growth.
- \* The economy is expected to grow between 4.0% and 4.80% this year with domestic demand expected to ably supported by growing investment activity.
- \* The Ringgit finished Thursday softer by -0.13% at 4.2257. The bond market rallied into the meeting, with the MGS 10-Yr down -5bps from Wednesday's close, risking a reversal today.

#### INDIA: HSBC India Manufacturing PMIs Rise Further

- India's HSBC Manufacturing PMI rose to the highest since 2008 in August, with no signs of the trade war hurting the economy.
- At +59.3 it was a modest uptick from +59.1 in July.
- Output rose to +63.7 from +62.5 in July for the highest result since October 2020.
- New orders were lower than the month prior.

HSBC India Manufacturing PMI



source: Bloomberg Finance LP / MNI

**INDIA: Trump Reckons India Offered No Tariffs**

- President Donald Trump said India has offered to cut its tariff rates following the US imposition last week of 50% levies as punishment for its purchases of Russian oil. "They have now offered to cut their Tariffs to nothing, but it's getting late. They should have done so years ago," Trump said in a Truth Social post Monday. It wasn't clear when the offer was made, or whether the White House plans to reopen trade talks with India. The new US tariffs doubled the existing 25% duty on Indian exports. The levies hit more than 55% of goods shipped to the US — India's biggest market — and hurt labor-intensive industries like textiles and jewelry the most. Key exports like electronics and pharmaceuticals are exempt, sparing Apple Inc.'s massive new factory investments in India for now. (source BBG)
- With Prime Minister Narendra Modi and President Xi Jinping discussing ways to boost trade and investment, some market players are formulating investment theses based on the improving relations. Next up, talks between the US and India will be in the spotlight, after President Donald Trump said that India has offered to sharply cut tariffs on American goods. Meanwhile, all eyes are on the first Tuesday expiry of Nifty 50 index options after the recent rule change. And while domestic inflows remain strong and derivatives activity is buzzing, technical charts still point to softness beneath the surface. While India's relations with the US remain frayed, improving ties with China are lifting sentiment among investors in India's electronics manufacturing firms. With Prime Minister Narendra Modi and President Xi Jinping discussing ways to boost trade and investment, some market players are betting on possible partnerships between local companies and their Chinese counterparts. Since India's electronics exports to the US are exempt from tariffs, such alliances could strengthen domestic players and help justify their premium valuations. (source [Hindu Business](#))

**ASIA EQUITY FLOWS: Equity Flow Update for Major Regional Bourses:**

Outflows from India continue, as Taiwan and South Korea have another day of inflows.

\* South Korea: Recorded inflows of +\$207m yesterday, bringing the 5-day total to +\$341m. 2025 to date flows are - \$5,266m. The 5-day average is +\$68m, the 20-day average is -\$17m and the 100-day average of +\$60m.

\* Taiwan: Had inflows of +\$429m yesterday, with total inflows of +\$153 m over the past 5 days. YTD flows are positive at +\$587m. The 5-day average is +\$31m, the 20-day average of -\$198m and the 100-day average of +\$189m.

\* India: Had outflows of -\$78m as of the 3rd, with total outflows of -\$2,088m over the past 5 days. YTD flows are negative -\$15,692m. The 5-day average is -\$418m, the 20-day average of -\$215m and the 100-day average of -\$3m.

\* Indonesia: Had outflows of -\$19m yesterday, with total outflows of -\$322m over the prior five days. YTD flows are negative -\$3,327m. The 5-day average is -\$64m, the 20-day average +\$21m and the 100-day average -\$13m.

\* Thailand: Recorded outflows of -\$55m yesterday, with outflows totaling -\$132m over the past 5 days. YTD flows are negative at -\$2,517m. The 5-day average is -\$26m, the 20-day average of -\$38m and the 100-day average of -\$14m.

\* Malaysia: Recorded inflows as of 3rd of +\$41m, totaling -\$167m over the past 5 days. YTD flows are negative at -\$3,780m. The 5-day average is -\$33m, the 20-day average of -\$35m and the 100-day average of -\$10m.

\* Philippines: Recorded outflows of -\$4m yesterday, with net outflows of -\$46m over the past 5 days. YTD flows are negative at -\$726m. The 5-day average is -\$9m, the 20-day average of -\$5m the 100-day average of -\$5m.

	Yesterday	Past 5 Trading Days	2025 To Date	
South Korea (USDmn)	207	341	-	5,266
Taiwan (USDmn)	429	153		587
India (USDmn)*	-78	-2088	-	15,692
Indonesia (USDmn)	-19	-322	-	3,327
Thailand (USDmn)	-55	-132	-	2,517
Malaysia (USDmn)*	41	-167	-	3,780
Philippines (USDmn)	-4	-46	-	726
Total	466	-2395	-	33,203

\* as of 03 SEPT

Source: Bloomberg Finance LP / MNI

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