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All Signal, No Noise

MARKET ANALYSIS

MNI Asia Pac Weekly Macro Wrap

12 September 2025 – By Jon Cavenagh, Jaime Grant, Maxine Koster, Stephen Petrie & Gavin Stacey

JAPAN

- Weekend news that Japan PM Ishiba will be stepping down injects fresh political uncertainty into Japan's broader economic outlook. Japan Q2 GDP revisions were stronger than expected. Headline Q2 GDP rose 0.5%q/q, against a 0.3% expectation (which was the initial print). Nominal GDP rose 1.6%q/q, against a 1.3% forecast.

AUSTRALIA

- August NAB business confidence fell to +4 from +8 but conditions improved to +7 from +5. Both have improved in Q3 to date by around 3 points signalling that GDP growth should continue to recover.
- Westpac consumer sentiment fell 3.1% m/m to 95.4 in September after August’s robust +5.7% m/m to 98.5 but it is volatile. It remains in pessimistic territory but above the 2025 average. This month’s decline was driven by increased concerns about the economic outlook and fears of unemployment.

NEW ZEALAND

- Governor Hawkesby noted at the Financial Services Council conference that the economy has looked better in July and there are signs that growth will pick up in H2, as was expected. He also stuck with the August projection that the OCR will trough at 2.5%.

SHORT TERM RATES

- Interest rate expectations across the $-bloc showed mixed performances over the past few weeks, with the US (-22bps) and Canada (-16bps) sharply lower, New Zealand slightly lower (-4bps) and Australia slightly firmer (+7bps).

CHINA

- CPI in August declined -0.4%, ahead of estimates of -0.2% and the biggest drop since February. This adds to some key onshore news suggesting that further monetary policy intervention is getting closer.
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SOUTH KOREA

- South Korean President Lee stated fiscal spending can be used to boost growth, even if national debt rises.

ASIA

- India’s 2024 trade deficit with the US had almost doubled since 2020 and 2025 is on track to see it grow sharply but India frontloaded shipments. US President Trump said this week he had spoken with his “good friend” Indian PM Modi and that trade negotiations were ongoing between them and that he expects “a successful conclusion for both”.
- The cabinet choices of new Thai PM Anutin, the third since 2023, have been met by relief. He appears to have chosen experience and continuity which is particularly important given that he promised to hold elections within four months to win the support of the People’s Party.
- The news of that popular Finance Minister Sri Indrawati has been replaced with Purbaya has the potential to negatively impact risk appetite in Indonesia. Purbaya appears more aligned with President Prabowo's pro growth approach, as opposed to Indrawati's commitment to a 3% of GDP deficit.

ASIA EQUITY FLOWS

- Resurgent inflows into Taiwan, amid tech/AI optimism has been the dominant theme over the past week.

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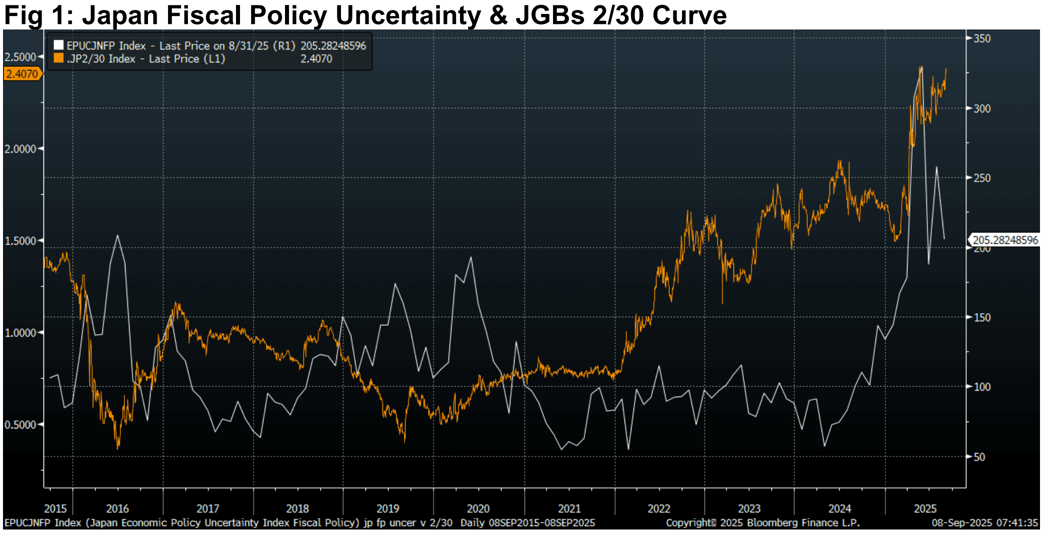
JAPAN

JAPAN: Ishiba Stepping Down Injects Fresh Uncertainty Into Macro Outlook

Weekend news that Japan PM Ishiba will be stepping down injects fresh political uncertainty into Japan's broader economic outlook. Japan's LDP was set to hold a leadership vote on Monday, but that has now been cancelled following the resignation of leader Ishiba on Sunday. Odds that PM Ishiba would leave office spiked in the aftermath of the LDP losing its majority at the July upper house elections. Still, last week we were around the 20-35% region per Polymarket odds on Ishiba being the first leader out in 2025. That ended Friday at 44%. Hence the weekend outcome will not come as a total surprise to the market.

- Focus will now turn to the LDP leadership race. When Ishiba secured the PM position last Oct, the runner up was Sanae Takaichi. Via ABC news: "A Nikkei survey held at the end of August put Ms Takaichi as the most "fitting" successor to Ishiba."
- Takaichi could arguably generate the most significant market reaction if she is successful becoming the new PM, as she has been outspoken in terms of being more dovish in terms of the BoJ outlook and looking to boost fiscal spending.
- This comes at a time when back end yields are already around record highs, amid fiscal pressure concerns in Japan and more broadly. The chart below plots the Japan JGB 2/30's curve versus the local economic policy uncertainty index (for fiscal policy).
- Via BBG: "“If Ms. Takaichi is appointed, bond selling could intensify due to the risk of a credit rating downgrade,” Sumitomo Mitsui Trust’s Inadome said. In that scenario, “we could see a triple dip: falling bond prices, a weaker yen, and declining stock prices.”
- Other candidates are likely to include Shinjiro Koizumi, the current agricultural minister, as well as Takayuki Kobayashi, the current chief cabinet secretary.
- Also note, via ABC news: "Since the party does not have a majority in either house, it is not guaranteed that the LDP president will become prime minister. In Japan, the prime minister is chosen by parliament, not automatically by the ruling party."
- Market reaction this morning has been for yen to weaken, off around 0.45% versus the USD. Focus will also be on equities and particularly the bond market when they open later.

Fig 1: Japan Fiscal Policy Uncertainty & JGBs 2/30 Curve



Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Q2 GDP Growth Revised Higher, Consumption Up, Capex Down

Japan Q2 GDP revisions were stronger than expected. Headline Q2 GDP rose 0.5%q/q, against a 0.3% expectation (which was the initial print). Nominal GDP rose 1.6%q/q, against a 1.3% forecast. The y/y deflator was unchanged though at 3.0%.

- In terms of the detail, private consumption growth was revised up to 0.4%q/q from 0.2%, but capex was revised to 0.6%q/q growth (from 1.3%). The inventory contribution was flat, versus an initial -0.3pt drag. Exports contribution was unchanged at 0.3%pt.

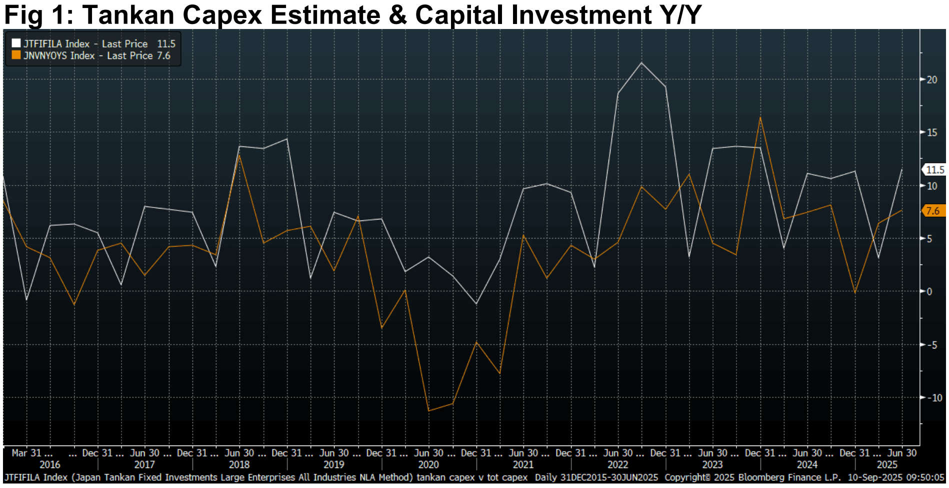
- It's also likely that public investment improved versus initial estimates. Our policy team noted last week: "Public investment is expected to be revised to flat on quarter from the initial -0.5%."
- The revisions are welcome from a broader growth standpoint. We have now had 5 consecutive quarters of growth (albeit with Q1 only marginally positive at 0.1%q/q).
- The authorities will be hoping that this trend is sustained, with near term focus on the tariff fallout. Its impact on profitability/capex is a BOJ watchpoint, with the next Tankan survey, out at the start of Oct, to help gauge impact.

JAPAN DATA: Rtrs Monthly Tankan At Multi Yr Highs, Official Q3 Print Due Oct 1

Headlines crossed earlier from Reuters from its monthly survey tracking the BoJ's quarterly Tankan survey - "Manufacturers' sentiment index +13 in September vs +9 in August" (Rtrs). It added, "...showed the manufacturers' mood index improved to 13 in September from 9 in August, marking a third month of increases and the highest reading since August 2022."

- "Multiple managers in the transport machinery sector said they were receiving solid orders, while some referred to stagnant domestic production in recent months given a shrinkage in exports" (via Rtrs). However, the report also noted more caution around the outlook, reflecting concerns on the domestic economic backdrop.
- The official Q3 Tankan report will be out on Oct 1 and will be a key watch point for the BoJ, as it looks to gauge fallout from the US-Japan trade deal.
- The last Tankan survey for Q2 painted a resilient backdrop for large manufacturers, while the all industry capex estimate was also nudged higher. The chart below plots this capex estimate against total capex investment y/y.
- A resilient Q3 outcome could give the BoJ renewed confidence in the economic outlook and ring rate hikes back onto the agenda. We saw late yesterday some hawkish headlines via BBG, indicating there is a "chance of" a hike this year despite the political turmoil following PM Ishiba's resignation Sunday, which also weighed on USD/JPY (but follow through to the downside was limited). "Some officials are even of the view that a hike might be appropriate as early as October", the Bloomberg article added.
- Market pricing for a hike in Oct remains fairly modest at this stage though.

Fig 1: Tankan Capex Estimate & Capital Investment Y/Y



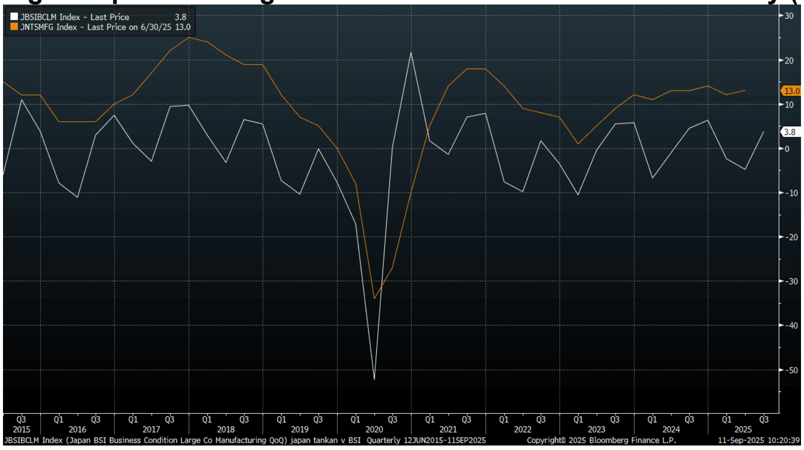
Source: Bloomberg Finance L.P/MNI

JAPAN DATA: BSI Q3 Sentiment Index Rises, But Within 2025 Ranges

The Japan Q3 BSI large industry and large manufacturing sentiment readings rose for Q3. For all industry it printed at 4.7 from -1.9 in Q2, while for large manufacturing we got to 3.8 from -4.8 in Q2. For non-manufacturing firms we rose to 5.2 from -0.5. Smaller firms saw improvement on Q2 outcomes as well, but remain at lower aggregate reading levels relative to larger firms.

- At face value this a welcome result, although more broadly it keeps the readings within recent ranges. The chart below plots the BSI for large manufacturers (white line) against the Tankan index also for large manufacturers (the orange line). The Tankan survey didn't falter in Q2 like the BSI did.
- The Q3 Tankan report, out on Oct 1, will carry more weight in terms of the BoJ outlook.

Fig 1: Japan BSI Large Manufacturers Index & Tankan Survey (Large Manufacturers)



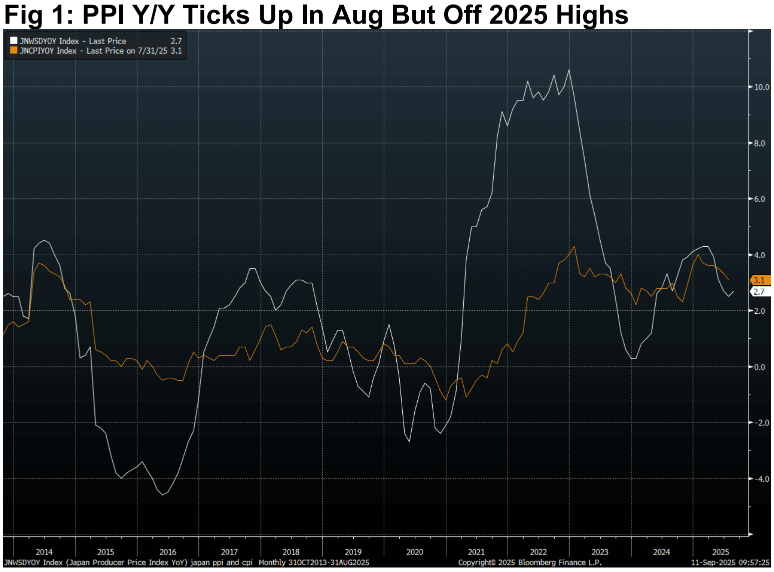
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: PPI Close To Expectations, Import Prices Up M/M For 2nd Month

The Japan August PPI was close to market expectations. In m/m terms we were -0.2%, against a -0.1% forecast, although the July outcome was revised up to 0.3%m/m (from 0.2% originally reported). In y/y terms we were +2.7%, same as the consensus forecast, while the July outcome was revised down a touch to +2.5%.

- The chart below overlays the PPI versus headline Japan CPI, both in y/y terms. Both measures are comfortably off earlier 2025 highs, albeit with the PPI showing some signs of stability. As we approach end 2025 base effects are likely to bias the PPI y/y lower (all else equal).
- In terms of the detail, manufacturing PPI rose 0.1%m/m, after a 0.2% gain in July. In y/y terms most sub-categories are positive, with the main negatives being iron and steel, along with petroleum and coal.
- On the trade price side, import prices were up 0.5%m/m, following a 2.4% gain in July. We are still off -3.9% in y/y terms, although this is up from the -10.3% July pace. This is consistent with less impetus around yen gains, with y/y USD/JPY momentum turning positive in recent months.

Fig 1: PPI Y/Y Ticks Up In Aug But Off 2025 Highs



Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Local Investors Buy Offshore Equities & Bonds

Japan outbound investment flows were positive in the week ending Sep 5. We saw a second consecutive week of net buying in the offshore bond space, albeit at a more modest pace compared to the previous week. This is consistent with rising global bond returns, aided by rising Fed easing expectations amid softer data outcomes. Local investors also purchased offshore equities for the second straight week and in bigger size compared to the prior week. Again, similar factors may be in play, with global equity returns on the improve in recent weeks.

- In terms of inflows into Japan bonds/equities, offshore investors purchased a modest amount of local stocks. This ends a two week run of outflows in this space (which came after a long period of inflows).
- On the bond side, offshore investors sold local bonds. Rising yields, amid fiscal outlook concerns, may be tempering return expectations for offshore investors in this space.

Table 1: Japan Offshore Weekly Investment Flows

Billion Yen	Week ending Sep 5	Prior Week
Foreign Buying Japan Stocks	108.6	-785.7
Foreign Buying Japan Bonds	-604.5	397.2
Japan Buying Foreign Bonds	245.1	1419.9
Japan Buying Foreign Stocks	891.1	481.8

Source: Bloomberg Finance L.P./MNI

AUSTRALIA

AUSTRALIA DATA: Growth Recovery Continued In Q3, August Costs/Prices Moderated

August NAB business confidence fell to +4 from +8 but conditions improved to +7 from +5. Both have improved in Q3 to date by around 3 points signalling that GDP growth should continue to recover. The price/cost components were lower in August with purchase cost and retail price increases at multi-year lows, which should reassure the RBA. However, the Q3 average of final product prices is still around where it was in H1 signalling some stabilisation in disinflation. Labour demand also appears to have steadied.

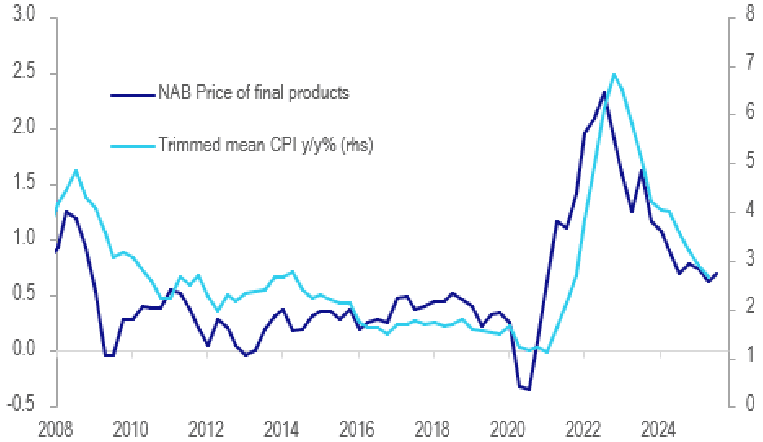
Australia growth outlook

Source: MNI - Market News/LSEG

- The pickup in conditions was driven by profitability rising 2 points and employment 3 points to 5.2, its highest in almost a year. Trading was stable.
- The forward-looking orders component rose to +1.4 from -0.2, the highest since April 2023. The export series improved but remained negative.
- Labour costs moderated to 1.5% 3m/3m from 1.9% in July, while purchase costs were 1.1% after 1.3%, the lowest since February 2021. This was reflected in final product prices easing to 0.6% from 0.8% with the

Q3 average at 0.7% (Q2 0.6%), while August retail price increases dropped to 0.5% from 1.0%, the lowest in almost 5 years, and down 0.2pp to 0.7% in Q3 to date.

Australia inflation outlook



Source: MNI - Market News/LSEG

AUSTRALIA DATA: Consumer Sentiment Weaker But Series Is Volatile

Westpac consumer sentiment fell 3.1% m/m to 95.4 in September after August's robust +5.7% m/m to 98.5. It remains in pessimistic territory but above the 2025 average helped by 75bp of monetary easing and lower inflation. RBA Deputy Governor Hauser had talked about "scarring" from contracting real incomes continuing to weigh on sentiment. There had not been an RBA meeting since the last confidence print. This month's decline was driven by increased concerns about the economic outlook and fears of unemployment.

Australia Westpac consumer confidence

Source: MNI - Market News/LSEG

- Westpac continues to expect the RBA to be on hold on 30 September but cut 25bp in November and twice more next year.
- Unemployment expectations rose 4.6% to 131.4, the highest in a year and just under the series average. It could be signalling an uptrend in the unemployment rate. Thus it isn't surprising that the "time to buy a major item" fell 3.4%, although people's financial situation continued to improve.

Australia unemployment expectations

Source: MNI - Market News/LSEG/ABS

- The economic outlook for the year ahead fell 8.9% after rising 4.7% in August, which Westpac believes may have been driven by the pickup in July CPI inflation.
- In terms of news recall, the general feeling was that it was "mixed" rather than "negative" with inflation at its lowest recall level for four years, according to Westpac. Reports on "budget and taxation" had the highest recall and was marginally more negative than in June.
- 69% expect mortgage rates to be the same or lower over the coming year down from 72% in August.
- House price expectations increased further by 2.6% to a 15-year high, while buying sentiment fell 1.7%.

AUSTRALIA DATA: Inflation Expectations Unchanged In Q3 At 4.4%

Melbourne Institute consumer inflation expectations jumped back to 4.7% in September, in line with July, after moderating in August to 3.9%. Q3 averaged 4.4% unchanged from Q2, signalling no progress on this front with the series zigzagging sideways for over a year. While petrol prices declined in August and September, they were little changed on the quarter in Q3. The widely-reported July CPI jumped 0.9pp to 2.8% y/y with the trimmed mean up 0.6pp to 2.7%, which Westpac noted may have been driven consumer expectations for the economic outlook lower in September. However in terms of news recall in the survey, inflation was at its lowest level for four years.

Australia CPI y/y% vs MI consumer inflation expectations

Source: MNI - Market News/LSEG

NEW ZEALAND

NEW ZEALAND: Q2 Data Suggesting Weak GDP Outcome

Q2 NZ business sales values rose 2.1% q/q with profits up 4.2%. Salaries and wages rose only 1.2% q/q. Manufacturing volumes fell 2.9% q/q after rising 2.4%. Q2 GDP is released on September 18 and the RBNZ is forecasting it to fall 0.3% q/q. Data have shown weak building, goods exports and manufacturing volumes. The RBNZ is expected to cut rates at its October and November meetings.

- 8 of the 14 industries recorded a rise in sales in Q2 with electricity & gas jumping 16% q/q, mining up 2.5% and information media & telecoms up 3.8% but manufacturing down 3%.
- 9 of the 13 manufacturing components posted a quarterly decline in volumes in Q2 suggesting the weakness was broad-based.
- On the positive side, Q2 real retail sales rose 0.5% q/q but merchandise export volumes fell 3.7% q/q and building volumes -1.8% q/q. Manufacturing inventory volumes rose 0.8% y/y.

RBNZ: RBNZ Still Sees 2.5% OCR Trough Depending On Data

Governor Hawkesby noted at the Financial Services Council conference today that the economy has looked better in July and there are signs that growth will pick up in H2, as was expected. He also stuck with the August projection that the OCR will trough at 2.5% but said that “could occur faster or slower depending on how the economic recovery evolves”, ie remains data dependent. The RBNZ expects Q2 GDP to fall 0.3% q/q (released September 18) but then recover to +0.3% in Q3 and +0.8% in Q4. 25bp rates cuts in October and November are expected.

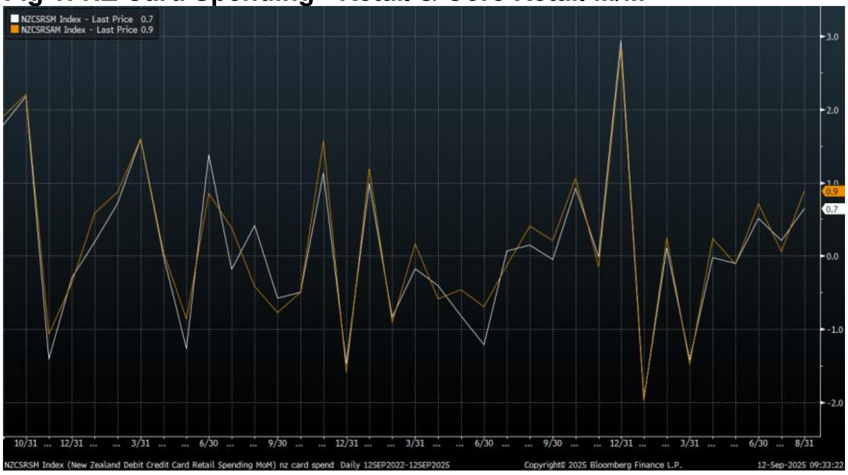
- Acting Governor Hawkesby’s term is due to end early next month, although it can be extended for another 3 months and he has also applied for the position. He stated today that despite the turnover in leadership, the well-established MPC has the “continuity to push ahead with an ongoing emphasis on delivering our mandate”. Former Governor Orr’s official replacement is yet to be announced.
- The RBNZ continues to monitor the second-round effects from higher US tariffs and that the bank was surprised by the impact of their announcement on NZ consumer and businesses in Q2 and resultant stalling in growth.
- He also observed that higher inflation but lower house prices had weighed on consumer confidence.

NEW ZEALAND: August Card Spending Mixed, But Core Trends Improving :

August card spending trends were mixed relative to the July pace. Retail spending rose 0.7%m/m, versus 0.2% in July. Total spending was up 0.4%, versus a 0.6%m/m gain in July.

* In terms of the detail, the main drag came from vehicle spending, down 0.9%m/m (after a 5.6% gain in July). Fuel spending was also weaker, off 0.1%m/m. Apparel, durables and consumables spending was all up in m/m terms, to leave core retail spending up 0.9%m/m.
* The chart below plots this core card spending (the orange line) and headline retail spending.
* In y/y terms, total spending was -0.5%, but the continues the modest improvement seen in the series from recent lows (we were at -3.2%y/y back in April).
* Core retail spend was up 2.4%y/y (from 1.9% prior), so further evidence of a modest pick up in spending momentum.

Fig 1: NZ Card Spending - Retail & Core Retail M/M



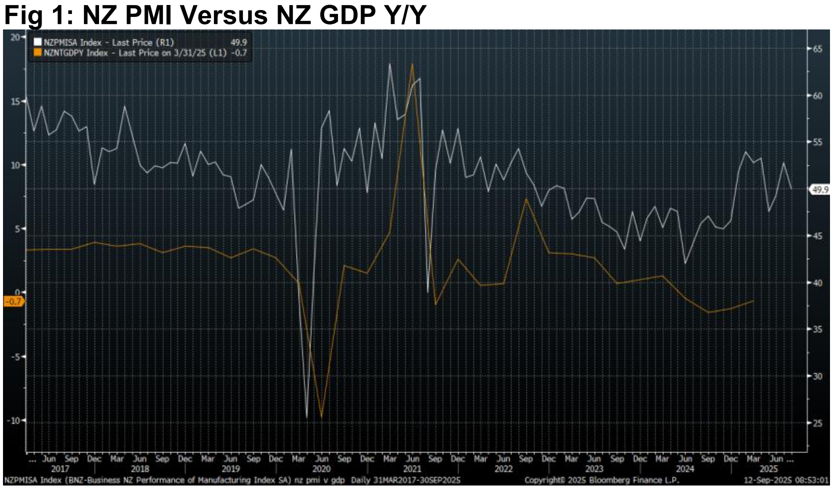
Source: Bloomberg Finance L.P./MNI

NEW ZEALAND: PMI Down In August, But Q3 TO Date Average Still Above Q2 Pace:

The New Zealand manufacturing PMI fell back into contractionary territory in August. The 49.9 print compares with 52.8 for July. The index is still above recent lows (47.6 recorded in May), but continues the stop/start nature of NZ sentiment indicators.

* The average read for Q3 to date is 51.35, up from Q2's average of 50.0, while the Q1 average for the PMI was 52.7.
* For August the production index fell to 46.6, but new orders improved to 55.2.
* The chart below overlays the PMI against the NZ GDP y/y print. The choppy but higher PMI levels is still implying some improvement in GDP momentum.

Fig 1: NZ PMI Versus NZ GDP Y/Y



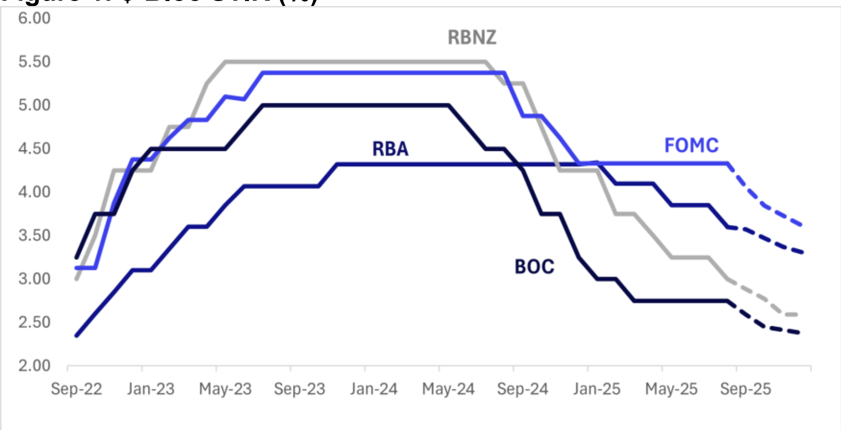
Source: BNZ- Business NZ/Bloomberg Finance L.P./MNI

SHORT-TERM RATES US Leads Bloc Markets Rates Lower Since Late August:

Interest rate expectations across the $-bloc showed mixed performances over the past few weeks, with the US (-22bps) and Canada (-16bps) sharply lower, New Zealand slightly lower (-4bps) and Australia slightly firmer (+7bps).

* In the US, the key focus this week was on the August CPI print. In terms of key information, MNI believes that core PCE-relevant components from the August CPI report were, on net, benign, despite a slightly above-consensus core CPI reading. Since the release, multiple sell-side analysts have revised their core PCE % M/M projections to the downside. MNI now estimates a median of 0.20% (unrounded forecast range of 0.18-0.25%), vs a median a little above 0.3% at the start of the week. If correct, that would mean at least a 3-month low on a M/M basis, but also a slowdown on a 6-month annualized rate basis to 2.4% from 3.0% prior (3mma steady at 3.0%).
* MNI INTERVIEW: Fed To Cut Every Meeting To End Year - Bullard. The Federal Reserve is on track to lower interest rates by a full percentage point over the next six months, starting with three 25 basis point cuts at each of this year's remaining meetings, as tariff continue to have only muted effects on inflation and a fairly static labor market persists, former St. Louis Fed President James Bullard and a contender to become the next Fed chair, told MNI.
* Looking ahead, the next key regional events are the FOMC's and BoC's decisions on September 17, with market pricing giving a 25b85 cut at these meetings a probability of 109% and 85% respectively.
* Looking ahead to December 2025, current market-implied policy rates cumulative expected easing are as follows: US (FOMC): 3.62%, -71bps; Canada (BOC): 2.38%, -37bps; Australia (RBA): 3.31%, -29bps; and New Zealand (RBNZ): 2.50%, -41bps.

Figure 1: $-Bloc STIR (%)



Source: Bloomberg Finance LP / MNI

CHINA

CHINA: Exports Miss For August

Shenzhen's announcement that it will join Beijing and Shanghai in easing home-buying rules has given China's building shares a boost in Monday's trading.

- China's August exports missed expectations with growth of +4.4%, down from +7.2% in July. Imports were lower also, expanding just +1.3% following +4.1% in July. The export result was the weakest in six months with exports to the US cratering by over 30%. Shipments to the EU rose 10% and African 26%. With the monthly surplus at $102bn China's annual surplus could touch $1tn if this path is maintained (source MNI)
- The China Securities Journal reports that the likelihood of the PBOC resuming bond purchases is increasing.

CHINA: Inflationary Pressures Fall Further

- With some key onshore news suggesting that further monetary policy intervention is getting closer, today's CPI and PPI did little to dissuade that way of thinking.
- CPI in August declined -0.4%, ahead of estimates of -0.2% and the biggest drop since February.
- The fall in CPI highlights the risks to a slowing economy, despite story in Yicai yesterday claiming that their chief economist survey showing a growing confidence in the economic outlook.
- In 2025 there has been just two months of barely positive prints for CPI, one zero and the remainder all modestly negative to underscore the reality of a third successive year of deflationary pressures.
- Whilst retail sales, industrial production and exports remain positive, it is clear that the pace of expansion has decreased.
- Domestic demand has been weighed down for several years by the malaise in real estate which has seen a multi year decline in house prices.
- China's August PPI declined by -2.9%, from -3.6% in July.
- For PPI the story remains the same with the last positive print in September 2022.

source: Bloomberg Finance LP / MNI

SOUTH KOREA

SOUTH KOREA: Govt Think Tank Constructive On Economic Outlook

- The current administration’s plan to split the Ministry of Economy and Finance into two separate bodies is causing fears of diminished momentum, with the split off economic and policy oversight from budget and strategy planning, to undermine government policy efficiency, market watchers said Monday. (source Korea Times)
- A government think tank suggests there is slight improvement in the economic outlook (source Yonhap)

SOUTH KOREA: Household Loans Up In August

- The attempts to cool the housing market are not being seen in loans data which were up faster than the previous month, rising by 4.1tn Won from July (source Korea Times)
- According to the Bank of Korea’s "Corporate Management Analysis Survey Results" released on the 10th, the sales growth rate of externally audited companies recorded -0.7% in the second quarter. This marks the first negative growth in six quarters since the fourth quarter of 2023 (source BOK)

SOUTH KOREA: President Lee: Fiscal Stimulus To Boost Growth, Kospi Undervalued

South Korean President Lee has marked his first 100 days in office with a press conference, where a wide range of issues have been discussed - fiscal stimulus to boost growth, the local property market, trade negotiations with the US, along with the outlook for the stock market.

- The President is clearly in favor of more fiscal stimulus. He noted now is the time to focus on growth and not worry about debt levels. Lee added the time is for fiscal policy to expand to boost growth even if it means higher national debt levels.
- Such comments are unlikely to surprise the market. The 2026 budget called for a 8.1% rise in government spending (from late August). The South Korean government 2/10s bond curve is also off recent highs, flatter back to +42bps. We have struggled to steepen beyond +50bps for this metric (although we are up firmly since the start of the year from around +10bps).
- Lee did state that some economic indicators are picking up.
- On the housing side, Lee stated: "*LEE: A FEW MEASURES ALONE CANNOT SOLVE HOUSING MARKET ISSUES" - BBG, suggesting more measures are likely to cool the housing market.
- On the equity market: "*LEE: I THINK KOSPI IS SIGNIFICANTLY UNDERVALUED" - BBG, while noting tax changes should designed to boost the market. He added *LEE: NO NEED TO STICK TO 1B WON THRESHOLD ON CAPITAL GAINS TAX LEE: WILL LEAVE IT TO PARLIAMENT FOR DISCUSSION ON STOCK TAX" - BBG.
- Speculation yesterday that proposed changes to the capital gains tax threshold would be scrapped aided Kospi sentiment. The Kospi is still up today, but off earlier highs, with Lee's comments not providing a clear outlook for proposed tax changes related to capital gains tax.
- On the US-South Korea trade deal - "*LEE: STILL HAVE ALOT MORE NEGOTIATIONS WITH US ON TARIFFS,*LEE: WON'T MAKE DECISION THAT RUN COUNTER TO NATIONAL INTERESTS" - BBG, along with "SOUTH KOREA'S LEE: IMMIGRATION RAID CAN BE DIRECTLY IMPACTING KOREAN INVESTMENTS IN U.S. - [RTRS]"
- South Korean officials will travel again to the US for trade talks. Earlier in the week, one area of concern was the pledge for South Korean investment flows into the US and how that might impact USD/KRW (it would bias it higher, which is not something the US authorities would like in the context of the trade balance).

SOUTH KOREA: US Tariffs To Shave GDP Growth

- Korea's exports went up 3.8 percent from a year earlier in the first 10 days of September on solid demand for semiconductors and vessels, data showed Thursday. (source Korea Times)
- The United States' trade policy is estimated to lower Korea's economic growth rate by 0.45 percentage point this year, the central bank said Thursday. (source Korea Times)

ASIA

THAILAND: Markets Approve Of New Cabinet, Instability Looks Likely To Continue

The cabinet choices of new Thai PM Anutin, the third since 2023, have been met by relief. He appears to have chosen experience and continuity which is particularly important given that he promised to hold elections within four months to win the support of the People’s Party who hold the most number of seats in the House of Representatives. The SE Thai rose 1% on Friday and is +0.8% on Monday’s opening while USDTHB is down 1.2% since Tuesday. The THB NEER has remained elevated.

- Outgoing BoT Governor Sethaput warned that Thailand’s credit rating is at risk unless political uncertainty declines which would be needed to rein in fiscal policy. However, given opinion polls, political instability looks likely to continue.
- The latest NIDA poll taken at the end of June, after former PM Paetongtarn’s leaked call but before her suspension, showed that the People’s Party (formerly Move Forward) would gain 46.1% of the vote up from 2023’s 38%, while Paetongtarn’s Pheu Thai would win only 11.5% down from 28.8% followed by United Thai on 14.4% (2023 12.5%) and Anutin’s Bhumjaithai on 10.6% (3.0%).

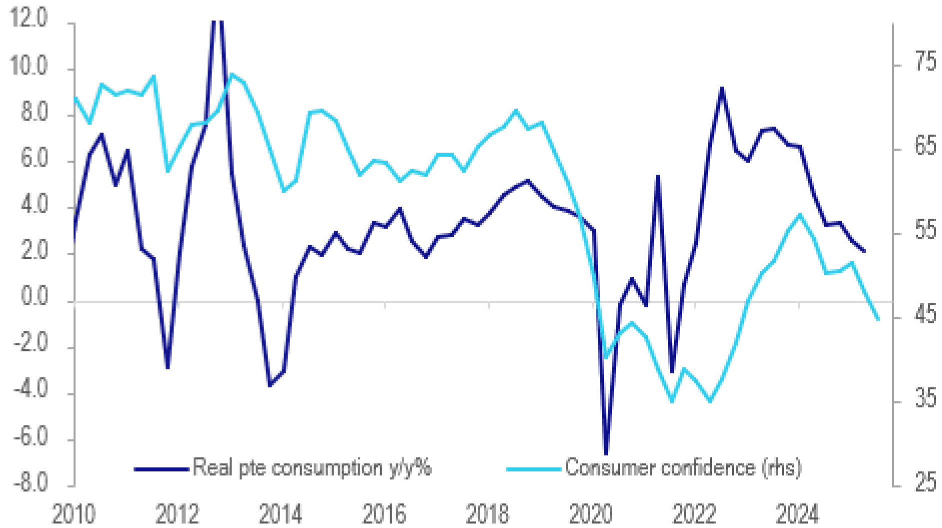
- It was difficult forming a government after the 2023 election given the need for the senate's approval which is controlled by the military. Also, Move Forward won the most seats on a platform of reform including of the constitution, the military in politics and the lese majeste law.
- A new Suan Dusit Poll reported that 68% of respondents want the new PM to focus on cost of living and 49% the Thai-Cambodian border dispute. 76.7% believed that elections should be held within four months. 59.2% in a Nida poll taken over 4-5 September said that parliament should be dissolved immediately. Around 59% in this survey were supportive of constitutional reform.

THAILAND: Consumer Confidence Weakens Further Signalling Slower Spending

Thailand's University of the Thai Chamber of Commerce consumer confidence index fell to 50.1 in August from 51.7, around neutral. Economic conditions declined 1.5 points to 44.1, signalling that private consumption growth slowed further in the quarter. Political uncertainty likely added to pessimism regarding the economy, as former PM Paetongtarn was suspended on July 1 but wasn't officially removed until August 29. The new PM has promised elections within four months and so political instability looks likely to continue for now.

- Both consumer expectations and the present situation deteriorated in August to 57.3 from 58.9 and 35.4 from 36.7 respectively.
- Real household expenditure growth peaked in Q3 2022 at 9.2% y/y and has been slowing since. It moderated to 2.1% y/y in Q2 this year from 2.5% y/y in Q1 and 3.4% y/y in Q4 2024.
- July private consumption fell 0.2% m/m, third consecutive monthly seasonally-adjusted decline, bringing the annual rate to -0.3% y/y, the first contraction since November 2021.
- The strong baht has weighed on the important tourism sector with arrivals down 15.9% y/y in July, the largest decline since the pandemic.
- Employment remains soft falling 0.9% y/y in July. The jobs component of consumer confidence fell 1.6 points to 48.3 in August, while future income was down 1.6 points to 58.0.

Thailand consumer confidence vs consumption y/y%



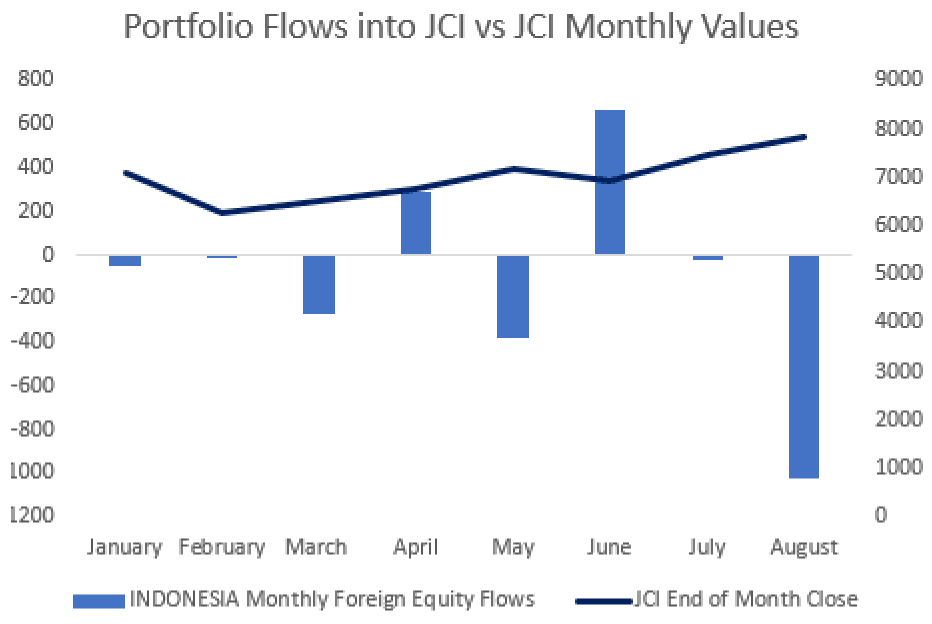
Source: MNI - Market News/LSEG

INDONESIA: Risk Appetite Could Be Challenging Going Forward

- The news overnight of the removal of the popular Finance Minister Sri Indrawati and replaced with Purbaya Yudhi Sadewa has the potential to negatively impact risk appetite in Indonesia after a period of good performance.
- Purbaya appears more aligned with President Prabowo's pro growth approach, as opposed to Indrawati's commitment to a 3% of GDP deficit.

- Observers are wary that Purbaya may be more accommodating of President Prabowo's expansionary fiscal agenda—particularly ambitious programs like a national free school lunch initiative and defense spending—that could challenge Indonesia's fiscal discipline. Purbaya has expressed optimism about achieving 8% economic growth, calling it "not impossible," and stressed the need to rapidly boost both private sector and government participation to stimulate the economy.
- In his first press conference today, Purbaya has stated that "he will maintain fiscal discipline so that the national budget remains healthy and credible", adding that "The Ministry of Finance must understand the current conditions and current issues. We must not be naive and focus on small issues that hinder strategic policies."
- Purbaya asks the finance ministry to work with him on ensuring that fiscal policy can be a strong instrument to encourage economic growth
- In early April we published on Indonesia noting "CDS Just Off Highs, FX Reserves Well Placed Relative To History" as tariffs were being threatened, and the trade war escalating Indonesia's equity market struggle leading up to the EID break and before the tariff announcement, already down 8% year to date.
- Soon after the BI was vigilant and kept rates on hold at their April meeting before cutting in May and July. The Jakarta Composite is +28% higher from its April lows and one of the best regional performers.
- This is despite foreign inflows being mixed at best this year. Having said that, the kick higher in the JCI did follow on from large inflows in June. With August being disastrous with very strong outflows.
- Whilst this outflow picture points to offshore investors already being positioned to some extent for bad news, as we noted above it may take some time to boost/restore confidence, as the market reserves judgement on the new finance minister.
- The other part of the portfolio picture in terms of bonds has been mostly strong so far in 2025. So this could also become a pressure point.

Fig 1: Indonesian Equity Portfolio Flows Monthly versus the JCI Month End Close January - August



source: Bloomberg Finance LP / MNI

- CDS is well off April highs, rallying to new lows of +64bps by September, showing little reaction to protests on the streets of Jakarta over recent weeks.
- The weakness has been in the currency with the IDR down -0.40% over the last six months versus regional peers the Thai Baht +7.1% and Malaysian Ringgit +5%.
- This week's Indonesia Foreign Reserve data release shows that reserves are falling, down US$2bn from the prior month, most likely as the Central Bank continues to defend the currency. We expect this trend to continue, although strong portfolio pressures might make it difficult for the 16500 level to be a line in the sand.

- The CDS hasn't moved today post the news. The currency has weakened to new lows since the April sell off at a time when the JCI fell into the close yesterday to be down -1.28% and is down -0.84% today. Bond yields have reacted negatively also with the front end higher by +12bps in the 5-year.
- Judging by the August flow data the risks are for a potential correction for the JCI following several months of good performance, bond yields are reacting already and should be monitored closely. If risk sentiment turns drastically negative, that could in turn equate to CDS widening.

Fig 2: Indonesia, Malaysia and Thai 5-Yr CDS Spread

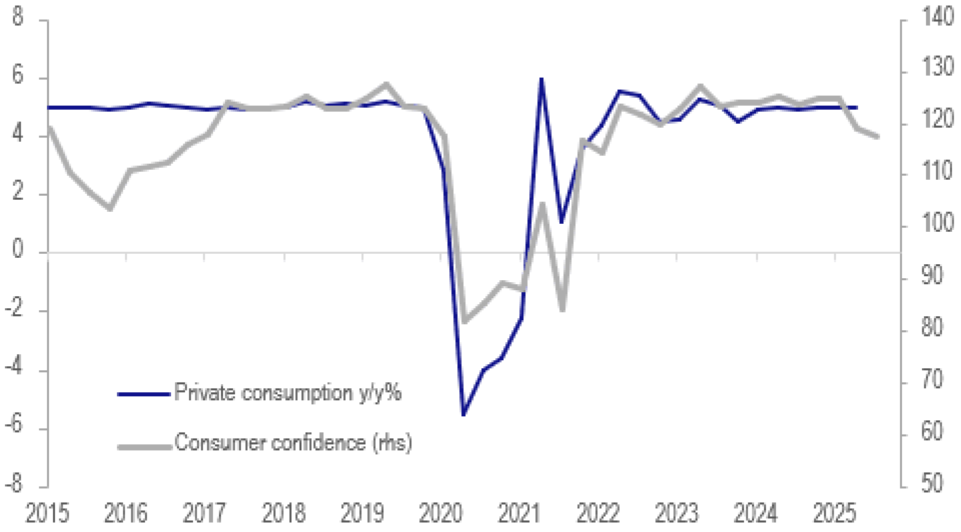
source: Bloomberg Finance LP / MNI

INDONESIA: Consumer Sentiment Signalling Softer Household Consumption

August consumer confidence fell to 117.2 from 118.1, below the US tariff-impacted May reading and lowest in almost three years. The Q3 average is down 1.3% q/q signalling that private consumption is likely to have slowed this quarter. August sentiment was unlikely to have been impacted by the protests as they were at the end of the month but the September reading may be.

- One of the reasons for the recent protests was pessimism regarding the economy driven by cost-of-living pressures and a weakening labour market at a time of generous allowances for politicians. Even without the unrest, these reasons are likely to weigh on consumer sentiment and actual spending.
- Economic conditions in the sentiment survey fell 1.5 points to 105.1 driven by lower assessments for current incomes, employment and time to buy durables. Consumer expectations were 0.4 points lower at 129.2, due to a 2.2 point drop in employment, but remained above June’s level supported by a slight rise in business activities and incomes.
- Retail sales have been soft rising only 1.3% y/y in June and car sales were down 18.4% y/y in July. Tourism has been one bright spot with arrivals up 19.1% y/y in June but after the unrest, those numbers may moderate.

Indonesia consumer sentiment vs private consumption y/y%



Source: MNI - Market News/LSEG

INDONESIA: FinMin Commits To Fiscal Restraint

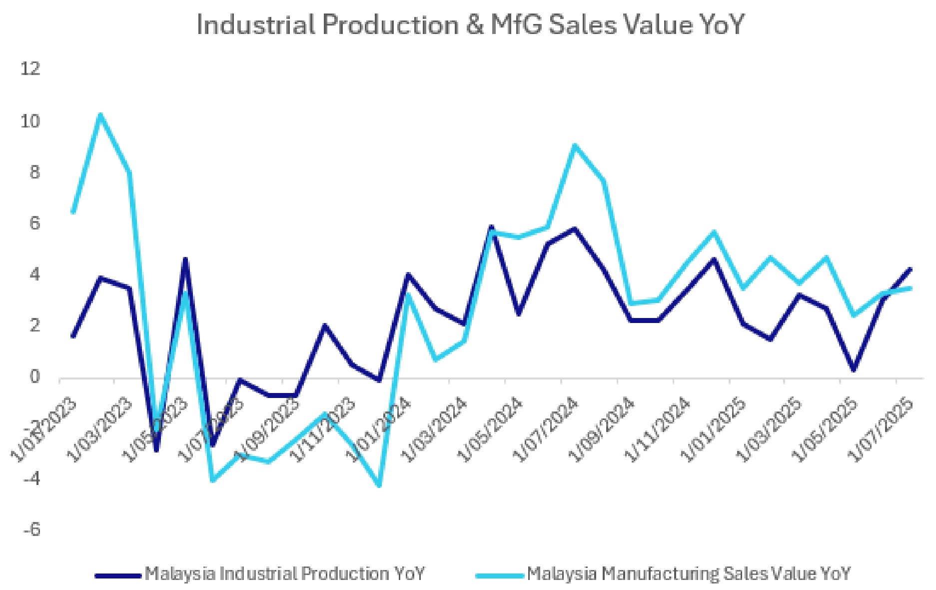
- The incoming Finance Minister Purbaya calmed markets by committing to fiscal policies, following negative market reactions to the removal of his predecessor Sri Indrawati (source Antara)
- Indonesia's Special Economic Zones (SEZs) saw $2.45 bn in investments during the first half of 2025, according to the National Council for Special Economic Zones. The figure accounts for 48.2 percent of this year's target of Rp84.1 trillion. The SEZs also absorbed 28,094 workers in the same period, surpassing half of the government's 2025 target of 49,779 jobs. (source Jakarta Globe)

INDONESIA: Danantara To Do the Lifting - FinMin

- The new FinMin sees the opportunity to increase the role of Danantara (the Indonesia sovereign wealth fund) to support the government's growth targets (source Antara).
- Monies held at the Central Bank to the tune of IDR200tn (US$12bn) is planned to be withdrawn and put to work to support growth, according to the new FinMin (source Antara).

MALAYSIA: Manufacturing Rebounds In July

- Industrial production YoY for July exceeded expectations in today's release.
- Up +4.2%, it beat market estimates of +2.8% and was ahead of the June (revised) result of 2.9%.
- It was the first time the mining sector expanded since March, with a +4.3% gain (from 0.00% in June) and manufacturing was up to +4.4% from 3.6% in June.
- This was the quickest monthly expansion since late 2024.
- Manufacturing sales value has been incredibly stable and this month's result of +3.5%, was marginally up on last month's +3.3%.
- This is welcome news for the BNM that meets next in November who described their rate cut in July as 'pre-cautionary', and could see no further action from monetary policy this year.



source: Bloomberg Finance LP / MNI

PHILIPPINES: Unemployment Jumps In July

- Philippines Unemployment jumped in July to the highest level since August 2022.
- For the early part of 2025, there had been a steady, modest decline in the unemployment rate.
- Despite five rate cuts since August 2024, the argument that monetary policy has more work to do appears to be growing.
- The BSP next meets October 9.

source: Bloomberg Finance LP / MNI

INDIA: US Attacks On India Intensify

- The US trade advisor Navarro has continued his attacks on India suggesting the ongoing purchase of Russian oil equates to blood money. (source MINT)
- The Chinese Ambassador to India described the US tariffs against India as unfair and welcomed Indian companies to promote their products and invest in China. (source: Times of India)

INDIA: Trade Talks With US To Continue

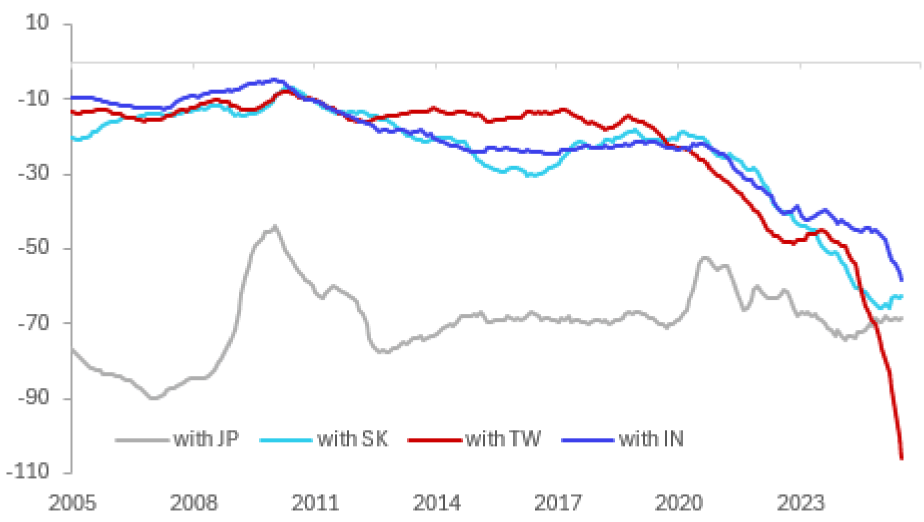
- India's PM Modi said that trade talks between the US and India are continuing and aimed to conclude as soon as possible and will 'unlock the limitless potential of their partnership.' (source BBG)
- India's Chief Economic Adviser (CEA) dismissed speculations that India was joining efforts to build an alternative currency to the US dollar, saying that no such move was under consideration. Besides, even as tariff disputes and geopolitical uncertainty weigh on global trade, Indian economy is better placed for good news rather than shocks, the CEA said an AIMA event on September 10. India's economy remains on a firm footing, he affirmed. (source Ec Times)

INDIA: US Trade Deficit With India Has Widened Over Last 5 Years

The FT reported that President Trump told European representatives that he's prepared to impose the same tariffs as Europe on China and India for buying Russian energy. However, Trump also said he had spoken with his "good friend" Indian PM Modi and that trade negotiations were ongoing between them and that he expects "a successful conclusion for both".

- On August 27 US import duties of 50% came into effect on Indian products. 25% was the reciprocal tariff, down only 1pp from the initial rate proposed, and another 25% was punitive for India's significant imports of Russian oil which it has refused to stop purchasing. The US's main export to India is oil and gas.
- India's 2024 trade deficit with the US had almost doubled since 2020 and 2025 is on track to see it grow sharply but India has frontloaded shipments since March to beat duties and they could ease off over H2.

US trade deficit $bn 12mth sum

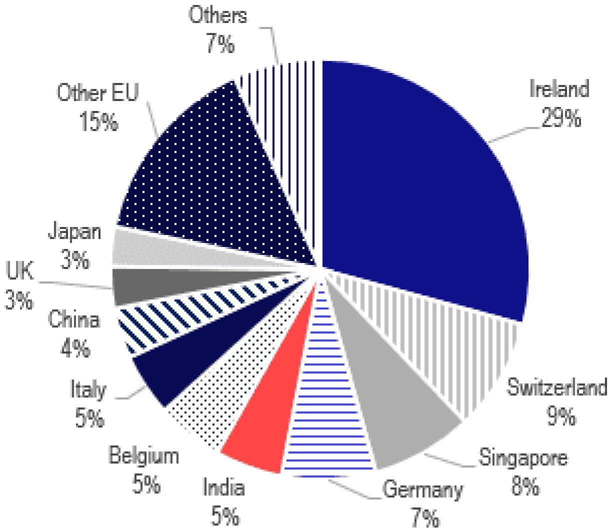


Source: MNI - Market News/LSEG

- India has one of the higher export shares to US in the region at 20% in 2024 but as a share of its economy it is low at only 2.6% of GDP.
- The main sectors impacted by higher US import duties are pharmaceuticals followed by miscellaneous manufacturing commodities, communications equipment, apparel and textile furnishings.

- India is only the 10th largest source of US merchandise imports worth 2.7% of the total and in terms of Asian countries it is behind Taiwan and South Korea who are facing US tariffs of 20% and 15% respectively. 5.2% of US pharmaceutical imports come from India, the 5th largest.

US imports of pharmaceuticals & medicines % total 2024



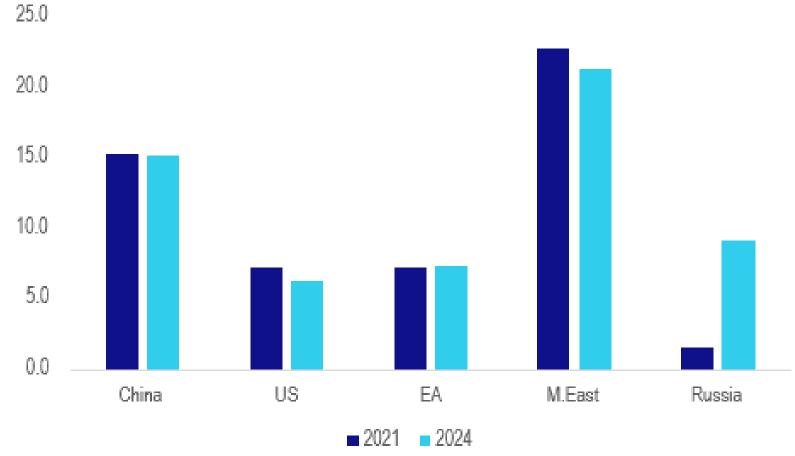
Source: MNI - Market News/International Trade Administration

INDIA: India-Russia Trade May Come Into Focus Again After Poland Incident

Following Russian drones violating Poland's (NATO member) airspace, further discussions around punitive tariffs for purchasers of Russian energy are likely to come to the fore again. Increased sanctions on Russia were already being discussed with President Trump saying the US would follow the EU. He has already added a 25% punitive duty on imports from India but there is a risk now that could rise but he also said this week he had spoken with his "good friend" Indian PM Modi and that trade negotiations were ongoing.

- Before Russia invaded Ukraine in February 2022, less than 1% of India's oil imports came from Russia with the bulk from the Middle East. Visual Capitalist noted that in May it had risen to 40% with the Middle East around the same at 39%, as the former is priced at a discount to the latter. India has to import around 85% of its crude.
- This has driven Russia's share of Indian imports to around 9% of the 2024 total up from 1.5% in 2021.

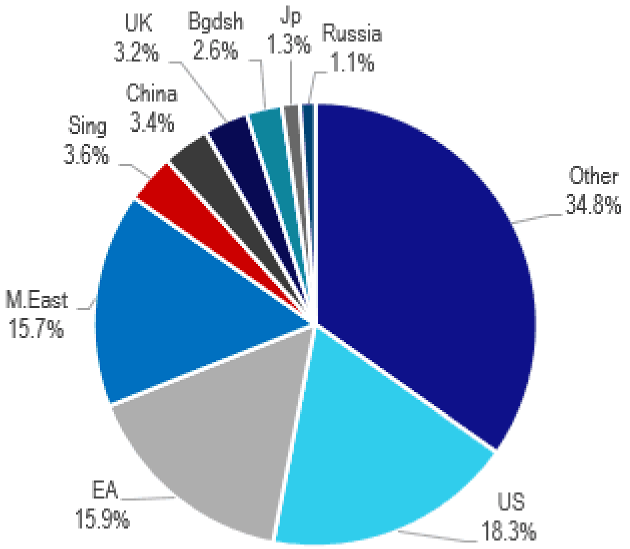
India imports % total



Source: MNI - Market News/LSEG (IMF DOTS)

- China remains the main source at 15% in 2024 and this year to date has trended marginally higher. China's share of Indian exports more than halved between 2020, when there were significant border skirmishes, and 2022 from 6.9% to 3.3%. Recent meetings between PM Modi and President Xi may change that.
- The US is India's primary export destination and that share has risen in H1 2025 to around 23% from 2024's 18% due to frontloading of shipments ahead of US import duties. The euro area is the next largest accounting for 15.9% in 2024 followed by the Middle East at 15.7%.

India export destinations % 2024 total



Source: MNI - Market News/LSEG (IMF DOTS)

INDIA: US Pressures EU Over India

- The WSJ reports that the US President has attempted to pressure the EU to apply tariffs to some Indian and Chinese goods over their ongoing purchase of Russian oil (per BBG).
- A potential trade deal between the United States and India has to overcome a number of hurdles even as the warm messages exchanged between President Donald Trump and Prime Minister Narendra Modi raised hopes of an early end to the present standoff. (source BBG)

ASIA EQUITY FLOWS: Taiwan Inflows For The Week Close To The Strongest For 2025 :

Strong inflow momentum continued into Taiwan yesterday. The nearly $1.2bn in net inflows bought the past 5 trading sum to just short of $6bn. Since this Monday we have seen near $4.7bn in net inflows, which is back close to the strongest week of net inflows seen in 2025. Late June saw a weekly inflow of just over $4.8bn. Taiwan equities were steadier yesterday, but Thursday US trade saw continued rises in indices like the SOX (now up for six straight sessions). Fed easing expectations and broader optimism around the AI/chip related outlook continue to drive positive sentiment in this space

* South Korean equity inflows remained positive, albeit at a slightly reduced pace compared to earlier in the week. Again, South Korean equity market remains quite positive, with the Kospi continuing to rally. We aren't too far away from the 3400 level. Whilst there is some uncertainty around taxes on capital gains, President Lee left a firm impression yesterday that the government still sees upside in local stocks.
* Elsewhere, Wednesday saw a strong inflows day into Indian stocks, but this only modestly pares year to date outflows.
* Indonesia recorded further outflows yesterday, but the pace of outflows has slowed from earlier in the week (when the new FinMin was first announced).
* Thailand inflows rose, but the past 5 days has still seen a small net outflow.

Table 1: Asian Markets Net Equity Flows

	Yesterday	Past 5 Trading Days	2025 To Date
South Korea (USDmn)	168	1802	-3464
Taiwan (USDmn)	1193	5907	6494
India (USDmn)*	510	555	-15138
Indonesia (USDmn)	-12	-399	-3726
Thailand (USDmn)	47	-11	-2528
Malaysia (USDmn)	25	-2	-3808
Philippines (USDmn)	3	-6	-732
Total (USDmn)	1934	7847	-22901

* Data Up To Sep 10

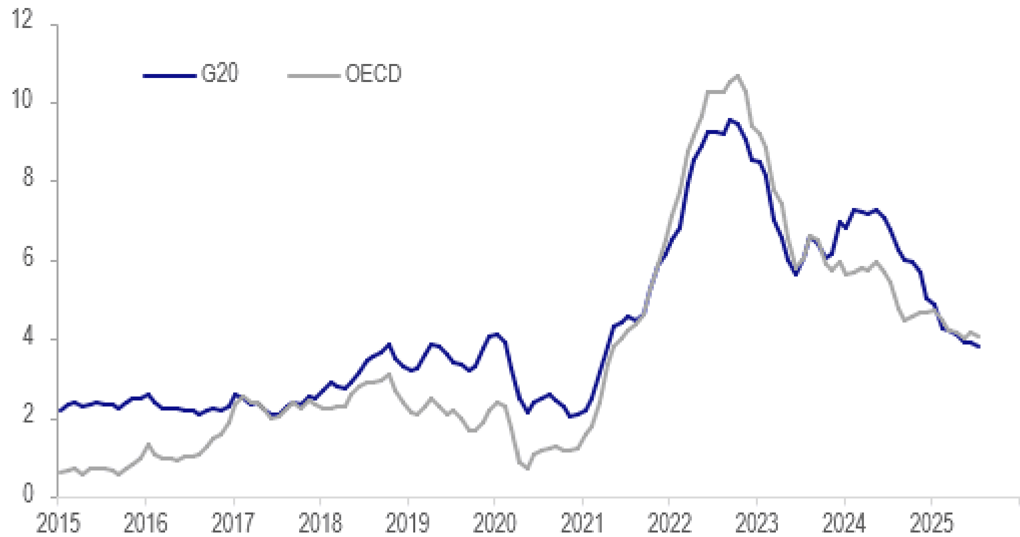
Source: Bloomberg Finance L.P./MNI

GLOBAL

GLOBAL MACRO: Underlying CPI Inflation Appears To Have Stabilised

G20 inflation has been trending gradually lower over 2025 with it reaching 3.8% y/y in July, the lowest in over four years. However, both headline and underlying OECD inflation have been fairly stable since March with disinflation progress stalling. Non-Japan Asia ex China core has also been steady around 1.8-2% since the start of 2024. The impact of tariffs on inflation especially in the US remains highly uncertain but lower global demand could put downward pressure on prices.

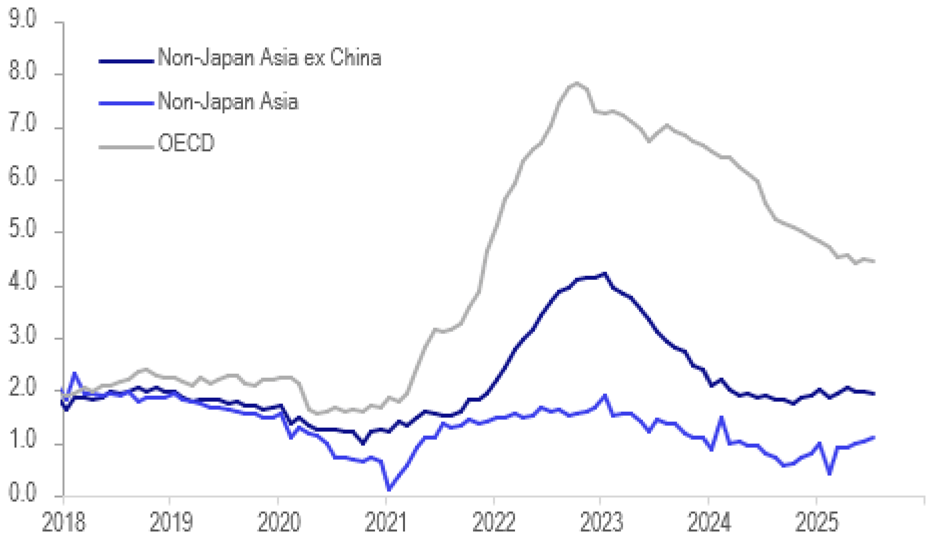
Global headline CPI y/y%



Source: MNI - Market News/LSEG

- July OECD headline inflation moderated 0.1pp to 4.1%, while core was stable at 4.5%. They peaked at 10.7% y/y and 7.8% respectively in October 2022. August preliminary euro area CPI was steady around 2%.
- US August CPI prints on Thursday and is forecast to show core steady at 3.1% but headline picking up 0.2pp to 2.9%. The data will continue to be watched closely for tariff impacts.
- Non-Japan Asia ex China saw headline inflation moderate 0.3pp to 1.5% y/y in July, the lowest since our aggregate began in 2012. Core was 1.9% y/y down from 2.0% after it peaked at 4.2% in January 2023. China's underlying inflation picked up 0.1pp to 0.8% in July, the highest in almost 18 months.
- August Asian releases to date saw lower headline and core inflation in Korea and Indonesia, while Taiwan and Thailand were little changed and the Philippines saw both rise.

Asia vs OECD core CPI y/y%



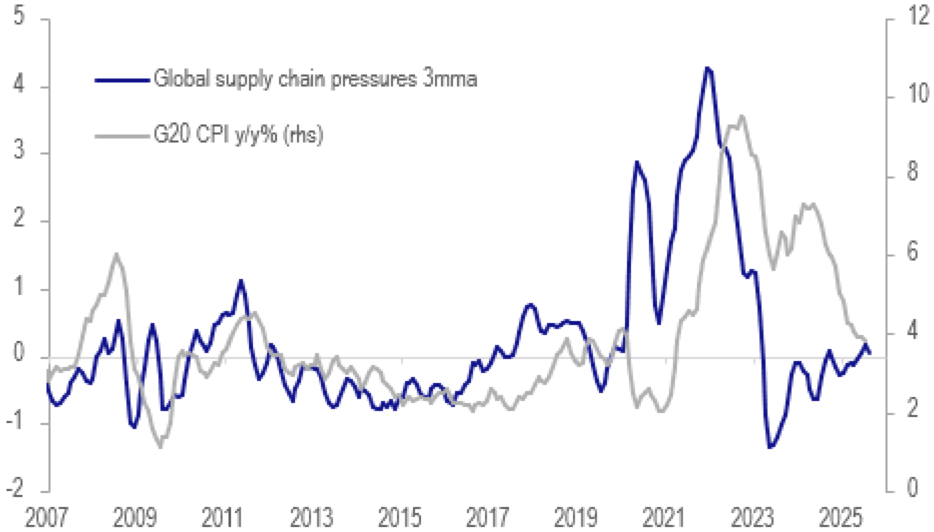
Source: MNI - Market News/LSEG

GLOBAL MACRO: Supply Side Pressures Neutral, Commodity Prices Mixed

Global indicators have been mixed suggesting that we could see inflation rates remain fairly steady. Some commodity prices were higher in August, such as food, while others were lower, like oil. In September so far metals are higher while oil prices and container rates continue to trend lower.

- There had been concerns that increased US protectionism could adversely impact supply chains. The NY Fed global supply chain pressure index shifted slightly positive in May but returned to -0.1 in August but overall it has remained very close to neutral through 2025 implying few pressures.

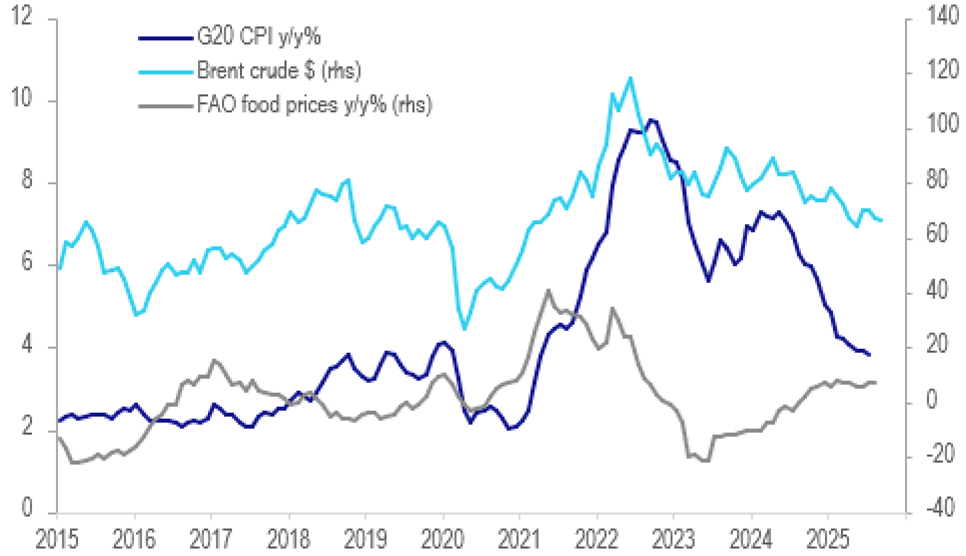
Global inflation vs supply chain pressures



Source: MNI - Market News/LSEG

- Shipping rates are likely either to be disinflationary or neutral. The FBX container shipping rate fell 16.8% m/m in August to be down 61% y/y with the China to North America's east coast route down 29.7% m/m & 66.9% y/y. The bulk goods Baltic Freight index rose for the third straight month in August and is slightly higher this month.
- Brent crude fell for the second straight month in August and has started September lower. It is now down around 10% YTD. With the market widely expected to be in surplus, oil is unlikely to add to inflation pressures.
- FAO food prices have only fallen in two of the last 8 months. Annual inflation has stabilised but is yet to moderate. Processed rice prices rose almost 2% in August but were down over 40% y/y and have started September lower.
- LME metal prices were slightly weaker in August but still up 5.9% y/y and September so far are looking higher with all metals up except lead. Iron ore was higher last month and could post a third straight monthly increase this month. Wool is also up and has been trending higher since last October.

Global inflation vs food & oil prices



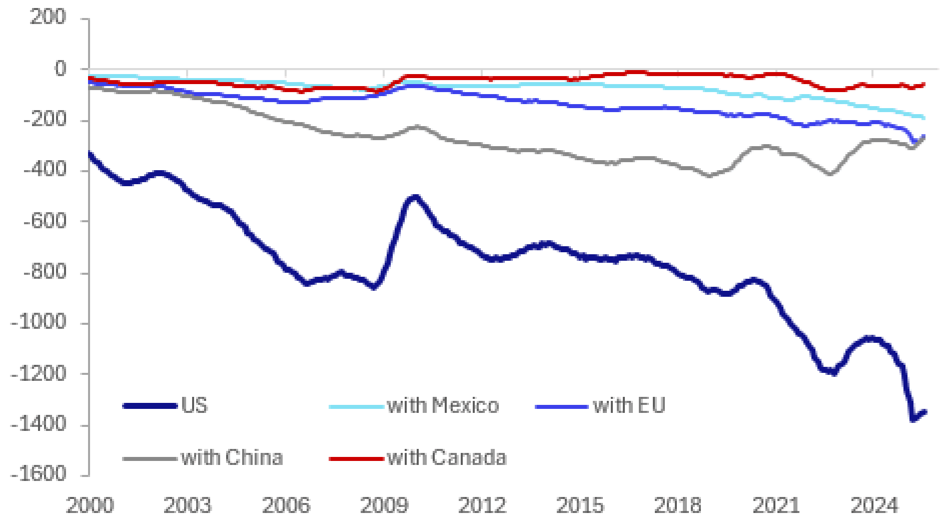
Source: MNI - Market News/LSEG

GLOBAL MACRO: US Trade Deficit May Have Begun Normalisation In July

The July 12 month sum of the US visible trade deficit widened $240.4bn since July 2024 driven by the EU, Mexico and Asia ex China, especially Taiwan. There was a sharp widening in Q1 as countries frontloaded shipments to beat the reciprocal tariffs that were originally due to be imposed in April but then delayed to July. The monthly deficit narrowed in Q2 but appears to have normalised in July with it returning to around the December level.

- While Canada faces 35% US tariffs most of its goods are excluded under USMCA, NAFTA's replacement made in US President Trump's first term. The US' deficit with Canada has trended lower over 2025 and the 12-month sum in July was $7.7bn lower than a year ago and was its lowest since February 2022. Canada is looking to diversify its export destinations as 76% went to the US in 2024.
- In contrast, the deficit with Mexico has continued to widen and the 12-mth sum is $29.3bn higher y/y. Despite this its tariff is lower than Canada's at 25%.
- While the US' deficit with the EU has widened substantially, it appears to have stabilised in June/July. While an EU-US trade deal was agreed, it doesn't yet seem to be finalised. July US imports from the EU fell 11.1% y/y, while its exports there rose 15.5% y/y.
- The US' large deficit with China has been a problem for Trump but after peaking in March, still below the 2023 highs, it has trended lower. Additional tariffs above the current 30% have been delayed until November 10. The US' 12-mth deficit with China is down $14.6bn y/y.
- Taiwan's exports to the US remain robust driving the US deficit sharply wider. Japan and Korea's have stabilised recently.

US trade deficit $bn 12-month sum



Source: MNI - Market News/LSEG