MNI Asia Pac Weekly Macro Wrap

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

JAPAN

- The BoJ held rates steady at 0.50%, but two board members were in favour of a 25bps hike. The BoJ also unveiled plans to dispose of its ETF and J-REIT holdings. August Japan headline CPI was close to market forecasts. Core CPI (ex fresh food, energy) remains sticky above 3%y/y. Aug trade figures were mixed. Exports were -0.1%y/y, against -2.6% in July. Imports fell 5.2%y/y, after -7.4% in July. Tariff impact was seen, with exports to the US down -13.8%y/y.

AUSTRALIA

- Australia's monthly labour market data are volatile and August seemed to unwind July's moves. Looking through this, annual employment growth was its lowest since the pandemic but the unemployment rate held steady at 4.2% and underemployment continued to trend down to its lowest since 1991.

NEW ZEALAND

- Both the production and expenditure-based GDP measures fell 0.9% q/q in Q2, the weakest since the pandemic. The RBNZ had expected a 0.3% q/q decline. This and the broad-based softness across sectors as well as a sluggish recovery in Q3 to date are likely to drive 25bp rate cuts in October and November. With two votes for a 50bp cut in August, the risk of a larger move before year end is material.
- The August monthly CPI series generally showed a slowdown in increases with food inflation up 0.3% m/m after 0.7% stabilising the annual rate at 5%. The stabilisation or moderation, especially travel-related prices, in August is likely to be welcomed by the RBNZ as it sees a risk that Q3 could print above 3%.

SHORT TERM RATES

- Interest rate expectations across the $-bloc showed little net change over the past week, except in New Zealand, which was sharply lower (-19bps).

CHINA

- New and used house prices continued to decline in August, with used home prices down more than July.
- Multiple data releases pointed to a very modest slowing in the economic expansion. Retail sales expanded +3.4% for August, below the prior month of +3.7%. Industrial Production YoY expanded +5.2%, missing expectations of +5.6% and below the prior month of +5.7%.
- China announced wide-ranging measures to stimulate domestic demand by promoting services spending.

SOUTH KOREA

- The BoK noted this week the Fed easing gives it more room to focus on domestic issues.

ASIA

- Bank Indonesia (BI) unexpectedly cut rates 25bp to 4.75%, the third consecutive monthly easing, which is unusual. It is especially surprising given it has intervened to defend the rupiah in the last few weeks due to political instability. It appears to be shifting more towards a more pro-growth stance.
- BI's accompanying statement added the phrase "joint efforts to stimulate economic growth", which suggests that it may be supporting government policy.
- India's August imports contracted by -10.1%, the largest monthly decline since February. A -56.7% decline in gold exports was the biggest contributor, with coal down -26.2%.

ASIA EQUITY FLOWS

- Tech related equity inflows remain positive.

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JAPAN

BOJ: On Hold, But 2 Dissents, BoJ Outlines Plans To Sell ETF/J-REIT Holdings:

As expected, the BOJ left rates on hold at 0.50%. Still, this was held by a vote of 7-2 by the board. The two dissenters were board members Takata and Tamura, who both were in favor of raising the policy rate to 0.75%.

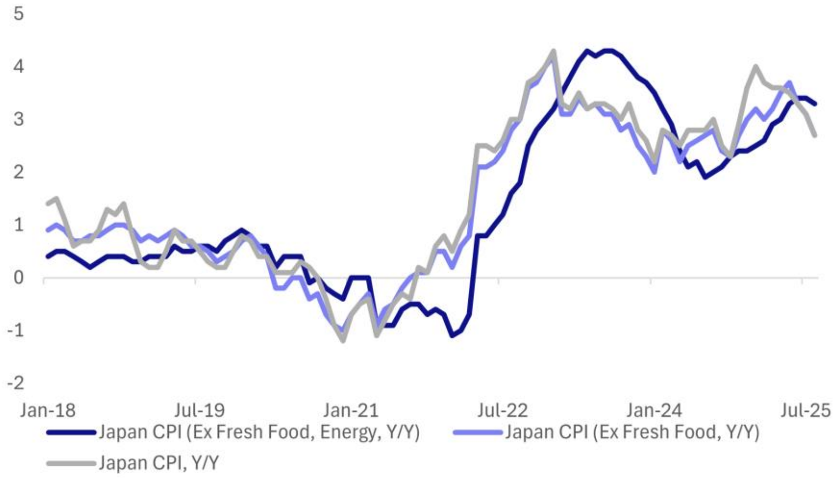
* This was the first time we had dissent under Ueda's watch. Takata noted that the inflation target had more or less been achieved, while Tamura indicated that rates should be set closer to neutral. In this sense today's decision may be eyed as a hawkish hold, although we will wait to see what Governor Ueda says later at the press conference.
* On the economy and inflation, the language used by the BOJ didn't suggest a lot had changed around the outlook. Underlying inflation was described as stagnate, due to slowing economic but expected to gradually accelerate. The growth outlook was described in a similar fashion. Capex is rising moderately, while consumption has been resilient. Inflation expectations have also risen modestly. It retains the bias to raise rates.
* The other focus point from the meeting was that the central bank will start selling its ETFS and J-REITS, (albeit once it makes the necessary operational preparations). ETFS will be sold at a pace of about 330bn per year (this is book value, market value is 620bn per BBG). J-REITS at about 5bn per year. They will be selling them to the market in amounts broadly equivalent to sales of stocks previously purchased from financial institutions.
* BBG noted: "The BOJ has around 70 trillion yen in ETFs (market value, not book)." So, at face value it will take some take considerable time to shrink this part of its balance sheet. The BOJ did note that the future pace of sales may be modified.
* The market reaction has been hawkish, with the 2 dissenting votes a factor. USD/JPY is down around 0.50% to 147.25/30, while JGB futures are down, likewise for local stocks.

JAPAN DATA: Aug Inflation Close To Forecasts, Core- Ex Fresh Food/Energy, Sticky:

Japan August national inflation was close to market forecasts. The headline rose 2.7%y/y, 2.8% was forecast (prior 3.1%). The core ex fresh food measure was up 2.7%y/y, in line with market expectations (prior was also 3.1%). The ex fresh food, energy measure was 3.3%y/y, also in line with forecast and down a touch on the 3.4% July outcome.

* In terms of the m/m outcome, headline was up 0.1%, ex fresh food was flat, while ex fresh food and energy rose 0.3%m/m. Goods prices were up 0.1%m/m while services rose 0.2%, although often the service print gets revised. In July it was originally reported that services were up 0.1%m/m, but the outcome is now back to flat.
* The main drop in the month came from the 4.2% decline in utility prices (as energy subsidies impacted). Clothing, down -0.7%m/m (the fourth straight decline) was the other soft point. Elsewhere though most categories were close to July outcomes or higher. Notably entertainment was up 1.8%m/m, after a 0.8% July gain. Fresh food rose 3.3%m/m as well, after a period of extended falls.
* In y/y terms, we didn't see strong shifts relative to July, outside of utilities dropping to -4.0%y/y (from -0.2%). Services prices were up 1.5% for the third month in a row.
* We have the BoJ meeting later today. No change is expected. Today's inflation update is unlikely to shift thinking dramatically in terms of the broader BoJ inflation outlook.

Fig 1: Japan CPI Trends Y/Y - Core Ex Fresh, Energy Still Sticky Above 3%



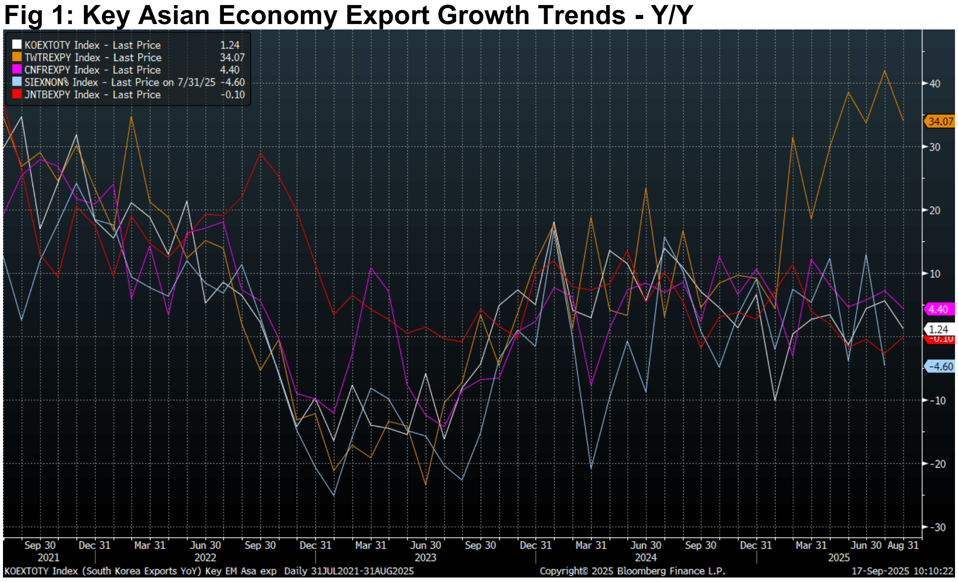
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Exports Down Y/Y But Above Forecast, US Exports Down 13.8%y/y

Japan headline Aug trade figures were mixed. Exports were -0.1%y/y, against a -2.0% forecast (-2.6% was the July outcome). On the import side, we fell -5.2%y/y, against a -4.1% forecast and -7.4% prior outcome. The trade deficit was -¥242.5bn, against a -¥512.6bn forecast, while July's print was -¥118.4bn. In seasonally adjusted terms the trade deficit was -¥150.1bn, which was also better than forecast, but sub recent cycle highs for the balance (+¥166.5bn in Feb).

- Tariff impact was seen, with exports to the US down -13.8%y/y. To the EU exports rose 5.5%y/y, while to China exports were down a modest -0.5%y/y. The trade surplus Japan has with the US narrowed to ¥324bn. In Feb this year the surplus was at ¥918.5bn.
- Automobile exports fell 7.9% in August, the fifth consecutive decline following an 11.4% fall in July. Iron and steel exports dropped 14.9%, easing from July's 21.0% fall. Auto exports to the US fell by 28.4%.
- Export growth for Japan was down in y/y terms for the fourth straight month. The chart below shows export growth for key Asian economies (Japan is the red line). Outside of Taiwan, which is the standout, the trends are broadly similar, albeit with China and South Korea managing to maintain positive y/y growth in recent months.

Fig 1: Key Asian Economy Export Growth Trends - Y/Y



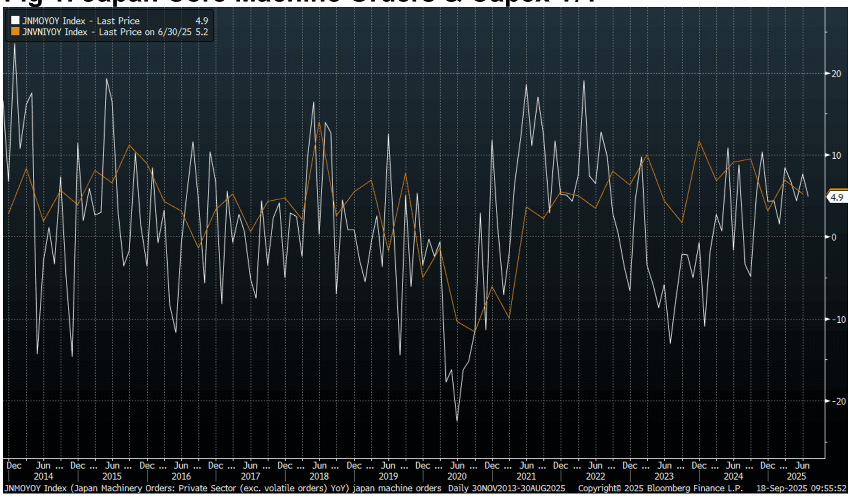
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: July Core Machine Orders Below Forecasts, Y/Y Momentum Holding Up

Japan July core machine orders printed below forecasts. We fell 4.6%m/m in July against a -1.5% forecast (and after a 3.0% rise in June). In y/y terms we rose 4.9%, against a 5.2% forecast and 7.6% gain in June. The chart below shows core machine orders against capex for Japan, both in y/y terms. We are off recent highs, but the July machine orders update is not pointing to sharp weakening in y/y momentum.

- In terms of the detail, government/public machine orders were up 21.3%m/m, but this segment is very volatile. Manufacturing and non-manufacturing both recorded rises in the month, but this was likely due to volatile components, which are excluded from the core machine headline outcome.

Fig 1: Japan Core Machine Orders & Capex Y/Y



Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Offshore Investors Sell Local Equities, Outbound Flows To Bonds :

In the week ending Sep 12, Japan outbound and inbound investment flows were mixed. In terms of inbound flows we saw sharp net selling of local equities by offshore investors. This marked net outflows in this segment in 3 out of the last 4 weeks. Japan equities have performed quite strongly through Sep to date, but recall we have seen offshore investors build up a strong net inflow position into Japan stocks since April of this year. Hence last week's outflow may be reflective of some rebalancing. Offshore investors bought local bonds in decent size, more than offsetting the prior week's outflow. The cumulative sum of net flows into this segment is still close to flat in recent months though.

* In terms of Japan outbound flows, we saw good net buying of offshore bonds (marking the third straight week of flows into this segment). This fits with the on-going rise in global bond returns (led by rising US Tsys, although this trend has paused post the US FOMC).
* Outbound flows to global equities stayed positive, but were very modest.

Table 1: Japan Offshore Weekly Investment Flows

Billion Yen	Week ending Sep 12	Prior Week
Foreign Buying Japan Stocks	-2034.0	108.6
Foreign Buying Japan Bonds	1188.6	-604.8
Japan Buying Foreign Bonds	1478.5	208.0
Japan Buying Foreign Stocks	29.7	891.1

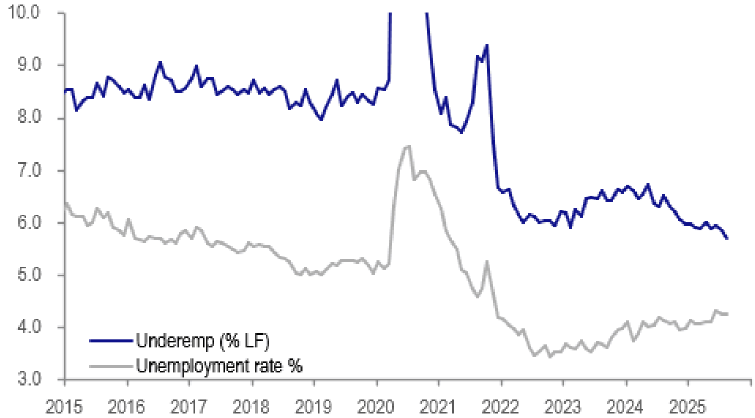
Source: Bloomberg Finance L.P./MNI

AUSTRALIA

AUSTRALIA DATA: Jobs Volatile, Underemployment Very Low

Australia's monthly labour market data are volatile and August seemed to unwind July's moves. Looking through this, annual employment growth was its lowest since the pandemic but the unemployment rate held steady at 4.2% and underemployment continued to trend down to its lowest since 1991. RBA Governor Bullock focussed on the Q2 average unemployment rate given the data's volatility and that is likely to remain the case. September prints on 16 October.

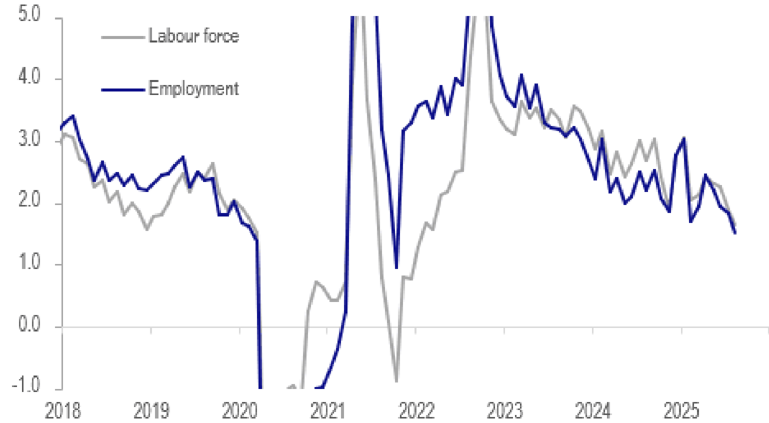
Australia unemployment vs underemployment rates %



Source: MNI - Market News/ABS

- Employment fell 5.4k in August after rising 26.5k driven by a 40.9k drop in full-time jobs (FT) following July's +63.6k. Part-time (PT) rose 35.6k after falling 37.2k and the 3-month average at 12.9k is outperforming FT's -5.1k. Annual growth is at 1.5% y/y, the lowest since 2021, with FT up 1.3% y/y and PT +1.9%.
- Again there are tentative signs of a switch away from FT jobs to PT, which was also reflected in hours worked with FT down 0.9% m/m but up 0.8% y/y but PT up 1.8% m/m & 2.1% y/y. More data is needed though to confirm this.
- The participation rate eased to 66.8% from 67% with the labour force falling 6k in August despite a 38k increase in the working-age population. Thus the number of unemployed fell 0.9k keeping the unemployment rate steady at 4.2%. The Q3 average is in line with Q2's.
- The decline in the labour force and participation rate suggest that the soft jobs print may reflect fewer skilled candidates in August.

Australia employment vs labour force y/y%



Source: MNI - Market News/ABS

AUSTRALIA DATA: Q3 Data Show Stabilisation, Underemployment Still Trending Down

While the headline employment and unemployment rate numbers get most of the attention, the RBA looks deeper and monitors underemployment, youth unemployment, hours worked, vacancies, the quit rate and labour shortage measures closely. Governor Bullock was also clear that given the data's volatility, it focuses on the quarterly averages. While August employment and hours were disappointing, other variables signalled that the labour market remains solid.

- The underemployment rate continued to trend lower falling 0.1pp in August to 5.7%, the lowest since 1991. The Q3 average to date is down 0.1pp to 5.8%. The 2024 average was 6.4%. Q3 average of the unemployment rate was in line with Q2 at 4.2%.
- Q3 employment is up 0.2% q/q to date, a slowdown from Q2's +0.6% q/q but in line with Q1's +0.3% q/q.
- The youth unemployment rate was stable at 9.7% in August but the Q3 average is 0.1pp higher than Q2. It is of interest as it can lead the broader labour market.

Australia unemployment rate 15-24 years %

Source: MNI - Market News/ABS

- Hours worked fell 0.4% m/m in August driven by a 0.9% drop in full-time (FT). Q3 is down with both FT and PT down 0.1% q/q.
- SEEK new job ads rose for the second straight month in August to be down 3.4% y/y with 3-month momentum picking up to its fastest in just over 3 years. Internet vacancies to unemployed stabilised in July.

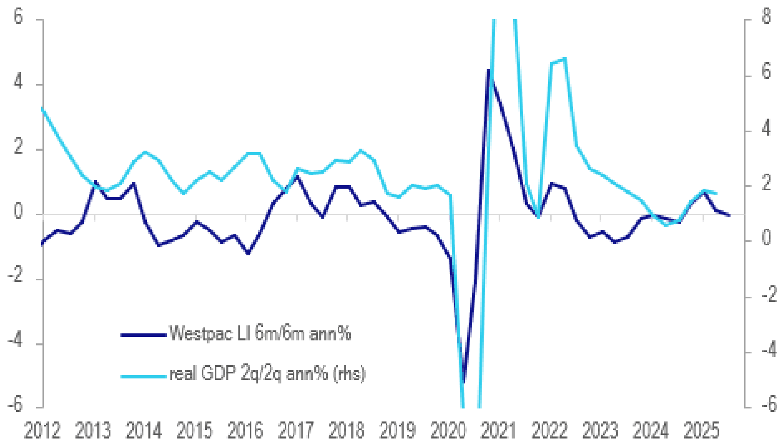
Australia SEEK new job ads 2013=100

Source: MNI - Market News/SEEK

AUSTRALIA DATA: Westpac Lead Indicator Signals Slower Growth

Westpac's lead index signalled slowing growth in August with the 6-month annualised rate turning negative (-0.16% down from July's +0.11%) for the first time since September 2024. Almost all variables have eased over the last 6 months. It is signalling that growth on a 2q/2q basis could slow over the coming quarters.

Australia growth outlook %



Source: MNI - Market News/LSEG

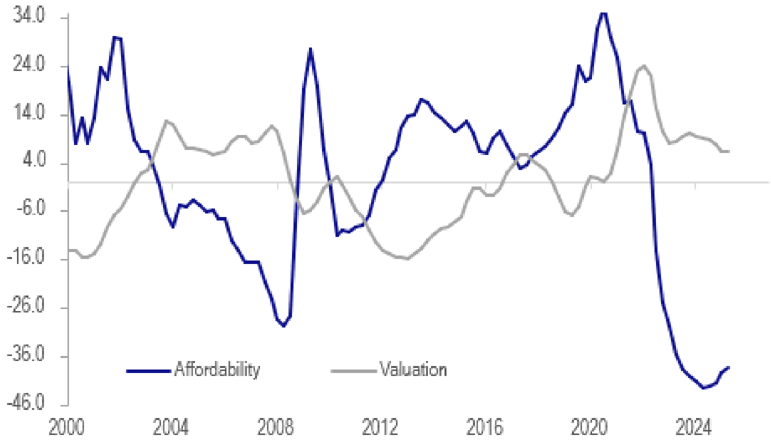
- Westpac is forecasting Australian GDP growth of 1.9% in 2025 up from 2024's 1.3% with it returning to trend next year. Its Card Tracker suggests that private consumption slowed over Q3 to early September. It expects the RBA to be on hold in September but then ease 25bp in November and twice more in 2026.
- Westpac consumer unemployment expectations has been the largest contributor to the moderation in the lead index over the last half year. It rose 4.6% in September's consumer sentiment survey to the highest in a year and just under the series average. Thus it and confidence (-3.1% m/m Sept) are likely to continue to weigh in the next lead index.
- Commodity prices in AUDs, Westpac consumer sentiment and dwelling approvals also contributed to the moderation. Hours worked, the yield spread and US IP also made slight negative contributions with only Australian equities positive.

AUSTRALIA: Lower Rates Helping But Housing Remains Unaffordable

Lower mortgage rates following 75bp of RBA easing and rising disposable incomes have driven an improvement in housing affordability but higher dwelling prices due to both solid demand and continued supply constraints are limiting the advance. Rising prices are not supporting consumer sentiment which fell 3.1% m/m to 95.4 in September, still in pessimistic territory, as Westpac's home buying sentiment trends lower.

- Our housing affordability index (HAI) rose 8.4% y/y in Q2 to its highest level since Q2 2023 and is likely to improve further in Q3 with disposable income continuing to rise (Q2 0.6% q/q & 7.1% y/y) and mortgage rates trending lower (Q3 average down 0.3pp). However it is far from neutral at around 38% below trend – in unaffordable territory.

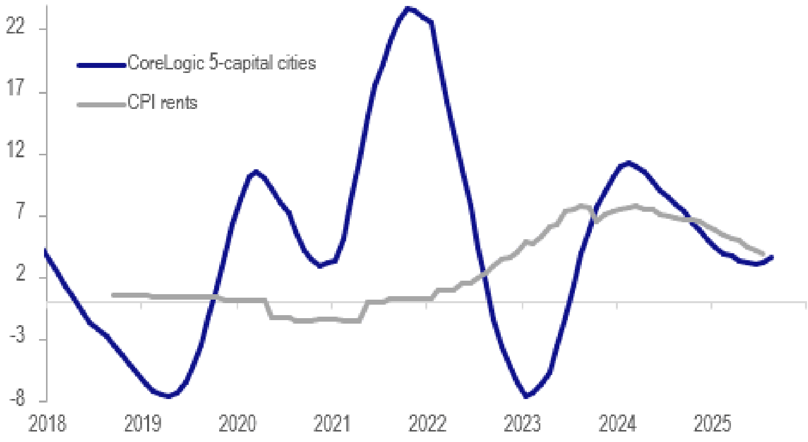
Australia housing affordability vs valuation % deviation from trend



Source: MNI - Market News/LSEG

- August Cotality home values rose 0.8% m/m, highest since May 2024, to be up 3.6% y/y after 3.2% in July. Melbourne and Sydney are underperforming the other capital cities.
- On the demand side, working-age population growth has slowed to 2% y/y from 3% two years ago. New home sales are strong rising 12.6% y/y in August but owner-occupier lending is soft rising 0.9% q/q but down 0.2% y/y.
- Housing remains overvalued with our HVI 6.2% above trend in both Q1 and Q2 but down from 10.3% in Q4 2023. House price inflation is exceeding rents which grew 3.9% y/y in July after 4.5% y/y in Q2.
- In terms of supply, building approvals have been lacklustre. Multi-dwelling units picked up but private houses slowed. Q2 real residential capex rose only 0.4% q/q but was up 4.8% y/y, which is below previous expansions.

Australia home values vs rents y/y%



Source: MNI - Market News/LSEG

AUSTRALIA: Latest Newspoll Reflects Weak Opposition

While a federal election is not due in Australia until May 2028, the latest Newspoll published in The Australian shows that there is little challenge to the government in the current political landscape with the two-party preferred measure in the poll rising to 58/42 in favour of the incumbent Labor Party after 55.2/44.8 in May's election. The survey was taken last week as Liberal party infighting was very prominent in the news.

- Newspoll reports that the primary vote for the opposition Liberal-National Party fell to 27%, a new low, after 31.8% at this year's election. The Liberals elected a new leader, Sussan Ley, after Dutton lost his seat but

her net approval in the September survey fell to -17, down 10 points from the 20 July Newspoll but still above Dutton's end April -24. She is 20pp behind PM Albanese as preferred PM.
- The government's ALP is not gaining from the opposition's problems with their primary support steady around 36% (2025 election 34.6%) and minor parties benefitting instead. The right-wing One Nation polled 10% up from 6.4% in the election while the left Greens is slightly higher at 13% after 12.2%.

NEW ZEALAND

NEW ZEALAND: Very Weak Growth Increases Chance Of Larger Rate Cut

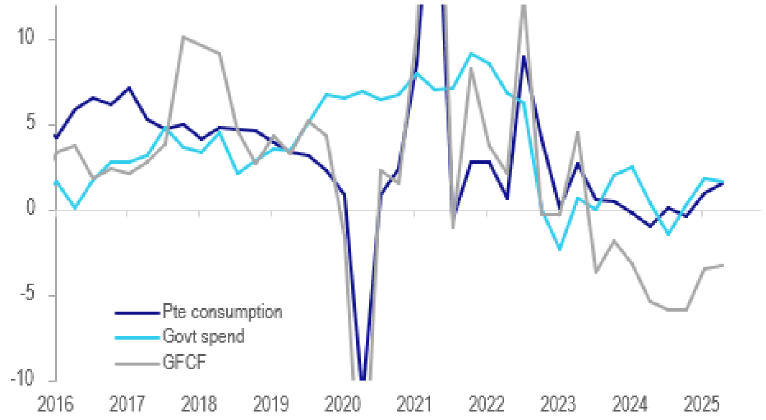
Both the production and expenditure-based GDP measures fell 0.9% q/q in Q2, the weakest since the pandemic. The RBNZ had expected a 0.3% q/q decline. This and the broad-based softness across sectors as well as a sluggish recovery in Q3 to date are likely to drive 25bp rate cuts in October and November in line with the RBNZ's August OCR path. With two votes for a 50bp cut in August, the risk of a larger move before year end is material.

NZ GDP y/y% production

Source: MNI - Market News/LSEG

- Statistics NZ reported that 10 out of 16 industries contracted in Q2 with manufacturing the largest falling 3.5% q/q. Construction was down 1.8% q/q with the sector continuing to struggle.
- Private and government consumption were the only positives in the expenditure measure of GDP rising 0.4% q/q and 0.1% q/q respectively. Household spending is gradually recovering with higher durables & non-durables, Q2 the third consecutive increase and the annual rate up to 1.5% from 1.0% and -1.0% a year ago.
- GFCF fell 1.1% q/q, the seventh quarterly decline in the last 2 years, with residential building down 1.9% q/q and other assets -0.9% q/q. GFCF is down 3.2% y/y after -3.4% in Q1.
- Goods & services exports fell 1.2% q/q to be up 0.7% y/y (Q1 3.6%) with goods down 2.6% q/q, driven by dairy & meat, and services -1.1% q/q. Imports rose 0.6% q/q driven by a 4.2% q/q increase in services.

NZ domestic demand y/y%



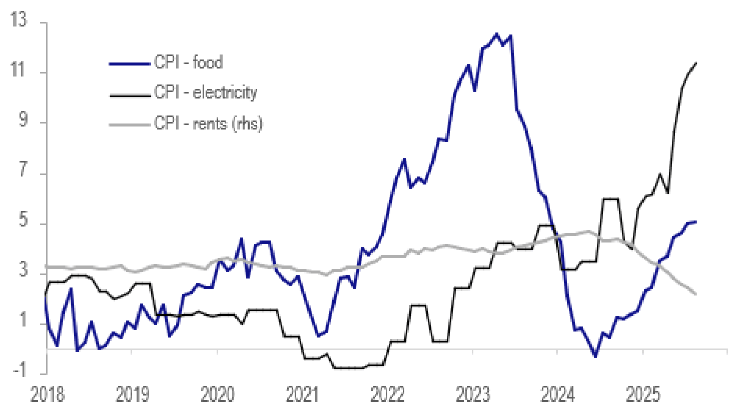
Source: MNI - Market News/LSEG

NEW ZEALAND: August Price Rises Moderate

The August monthly CPI series generally showed a slowdown in increases with food inflation up 0.3% m/m after 0.7% stabilising the annual rate at 5%. The RBNZ forecast Q3 headline inflation at 3.0% y/y in August, the top of its band, with the risk it could temporarily be above. It remains focussed on the medium-term outlook though as it says it can do little to impact the near term. However, the stabilisation or moderation in August is likely to be welcomed.

- The monthly price data account for around 46.5% of the quarterly CPI.
- There was a further pickup in fruit & veg inflation in August to 8.9% y/y from 7.3%, the highest in over two years but grocery price pressures moderated to 4.7% y/y from 5.1%. There have been sharp rises in dairy products as global prices rose 16.2% y/y in August, but that also helps NZ's exporters.
- Existing rents rose only 0.1% m/m to be up 2.1% y/y, the lowest since April 2011. The soft rental increases reflect a generally weaker housing market with the REINZ reporting that the average house price and sales were lower in August compared to a year ago.
- Power prices continue to rise with electricity up 0.4% m/m and 11.4% y/y in August up from 11% y/y, the highest since the series began in 2012. The Q3 average is up 3.1% q/q. Gas price inflation also rose at 4.5% y/y after 4.1%. The increase has been due to changes in government policy.
- Petrol prices fell again in August after rising in July but Q3 to date is lower than Q2. They were down 2.4% y/y last month.
- Tourism-related prices fell on the month driving a moderation in annual inflation rates.

NZ monthly CPIs y/y%



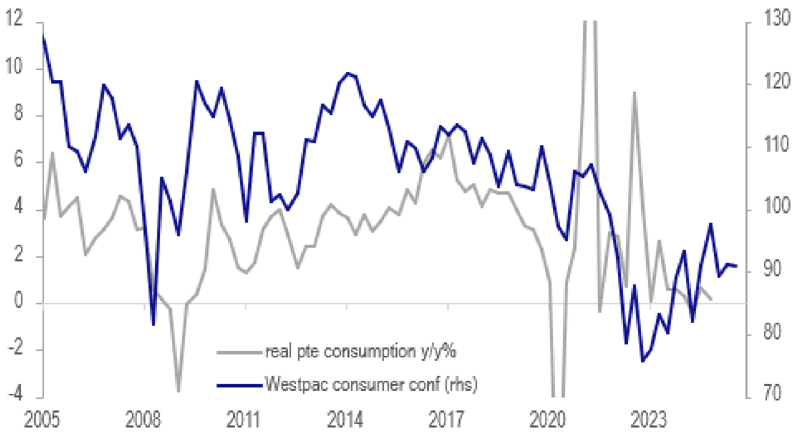
Source: MNI - Market News/Statistics NZ

NEW ZEALAND: Households Pessimistic, Rate Refixing Should Help Going Forward

Q3 Westpac consumer confidence moderated to 90.9 from 91.2, remaining well below the series average and firmly in pessimistic territory where it has been for four years. Rate cuts have helped to support it but 250bp of easing has done little to boost sentiment as the labour market remains tough and housing market weak. Confidence is signalling only a soft improvement in real consumption growth currently.

- The 25bp rate cut on August 20 with the signal of two more by year end was included in Westpac's survey period. Not all of the 250bp has fed through to all mortgage holders. The RBNZ said in August that "about half of existing mortgages are expected to re-fix onto lower rates over the next six months", which should help consumer confidence going forward. It reiterated that monetary policy lags are "long and variable".
- There was a 0.5 point rise in the present conditions index driven by better finances but expectations deteriorated 0.7 points. The expected financial situation fell 4.1 points to 3.3, below the 10-year average of 4.8. 42% of respondents said their finances had deteriorated over the last year with only 17% saying they had improved.
- Households are still not keen to buy a major item with the "good time to buy" index down 1.1 points to -10.6, well below the 10-year average of +9.0.
- The economic outlook was mixed with a pick up in the 1-year ahead assessment but a slight decline 5-years ahead.

NZ consumer outlook

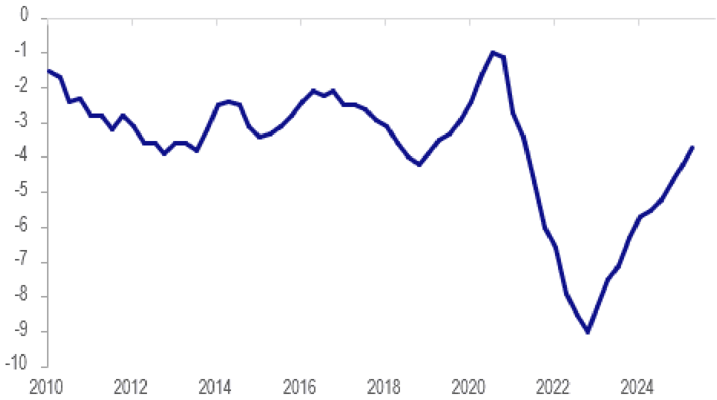


Source: MNI - Market News/LSEG

NEW ZEALAND: Current Account Deficit Lowest In 4 years

There was a sharp narrowing in the Q2 YTD NZ current account deficit as a share of GDP with it printing at 3.7% after 4.2% and the peak in Q4 2022 of 9%. Q1 was revised sharply lower at $0.709bn (nsa) and 4.2% of GDP from $2.324bn and 5.7%. The deficit in Q2 widened marginally to $0.97bn (nsa) but seasonally adjusted it narrowed $0.7bn driven by a smaller primary income deficit.

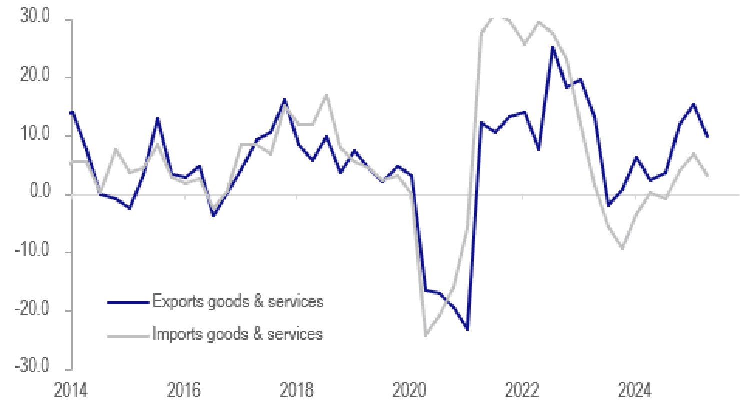
NZ current account YTD % GDP



Source: MNI - Market News/LSEG

- The seasonally adjusted deficit at $3.45bn and the share of GDP at 3.7% were the lowest in four years.
- The goods and services deficit widened slightly to $818mn with exports outpacing imports up 9.8% y/y compared to 3.1% y/y. However, services imports rose 9.6% y/y with exports up 5.3%. Goods shipments were robust +11.7% y/y while imports rose only 0.5% y/y, showing weak discretionary spending.
- The goods deficit was little changed at $128mn while services widened to $690mn.
- The primary deficit narrowed by $1bn to $2.3bn due to New Zealanders earning more on overseas investments. Also companies with international subsidiaries earned more.

NZ goods & services trade y/y%



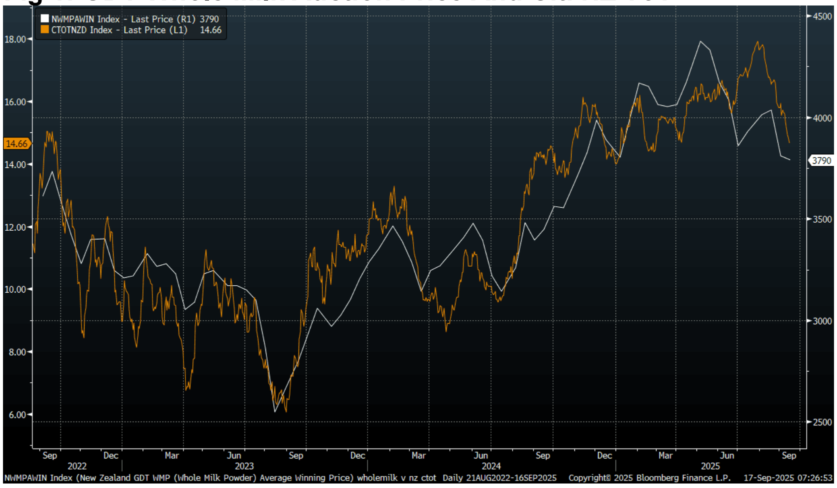
Source: MNI - Market News/LSEG

NEW ZEALAND: Whole Milk Price Auction Moderates Further

Overnight the fortnightly Global Dairy Trade auction saw the whole milk auction price dip a little further. We were off 0.8% versus the prior auction result. The chart below plots this series against the Citi terms of trade proxy for NZ.

- We are now comfortably off 2025 highs for whole milk prices (off 13.35% from May highs, and back to around flat for the year), with the terms of trade proxy down as well. We remain above longer term averages though.
- Today we get a broader update on NZ's external position with the Q2 current account, while tomorrow delivers Q2 GDP.

Fig 1: GDT Whole Milk Auction Price And Citi NZ ToT



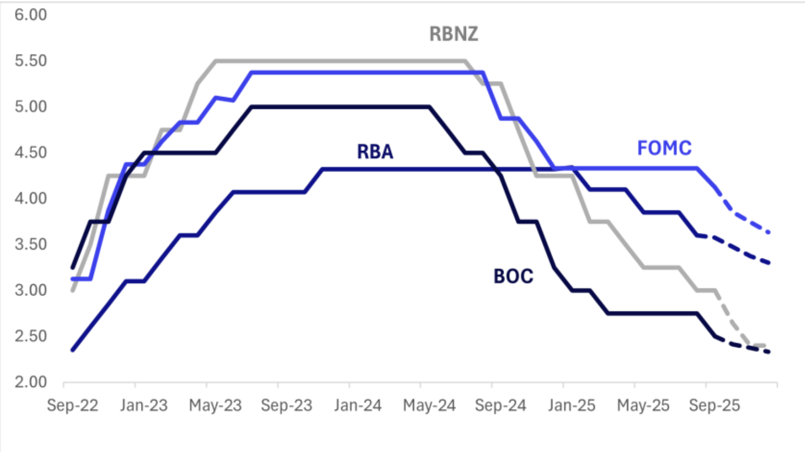
Source: Citi/Bloomberg Finance L.P./MNI

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

Interest rate expectations across the $-bloc showed little net change over the past week, except in New Zealand, which were sharply lower (-19bps).

- In the US, the Fed resumed its easing cycle with the first cut of the year on September 17, of 25bp to a range of 4.00-4.25%. That decision was expected, but the lack of conviction on the FOMC about the rate path forward was a key theme of the September meeting's release materials, as well as Chair Powell's press conference. Despite a lower rate path signalled in the new Dot Plot, a seeming lack of clarity on delivering those future rate cuts saw an early dovish market reaction subsequently reverse.
- The Bank of Canada also resumed easing on September 17 after a 3-meeting hold, with a 25bp rate cut to an overnight rate of 2.50%. There was limited market reaction on net to the decision and press conference, with the BOC as expected keeping the door open to further easing as soon as the next meeting in October, but falling short of any firm guidance to that effect.
- In New Zealand, both the production and expenditure-based GDP measures fell 0.9% q/q in Q2, the weakest since the pandemic. The RBNZ had expected a 0.3% q/q decline. This and the broad-based softness across sectors as well as a sluggish recovery in Q3 to date are likely to drive 25bp rate cuts in October and November in line with the RBNZ's August OCR path. With two votes for a 50bp cut in August, the risk of a larger move before year-end is material.
- Looking ahead, the next key regional event is the RBA's Policy Decision on September 30, with market pricing giving a 25bp cut at this meeting a probability of 7%.
- Looking ahead to December 2025, current market-implied policy rates cumulative expected easing are as follows: US (FOMC): 3.64%, -49bps; Canada (BOC): 2.33%, -17bps; Australia (RBA): 3.30%, -30bps; and New Zealand (RBNZ): 2.40%, -60bps.

Figure 1: $-Bloc STIR (%)

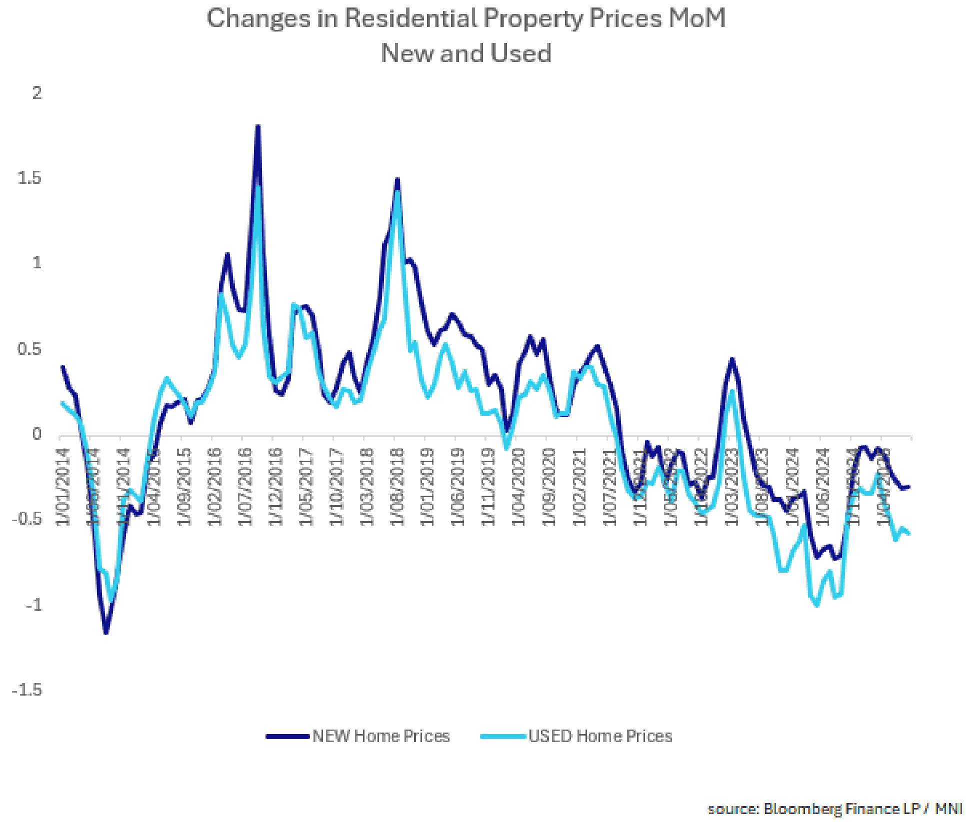


Source: Bloomberg Finance LP / MNI

CHINA

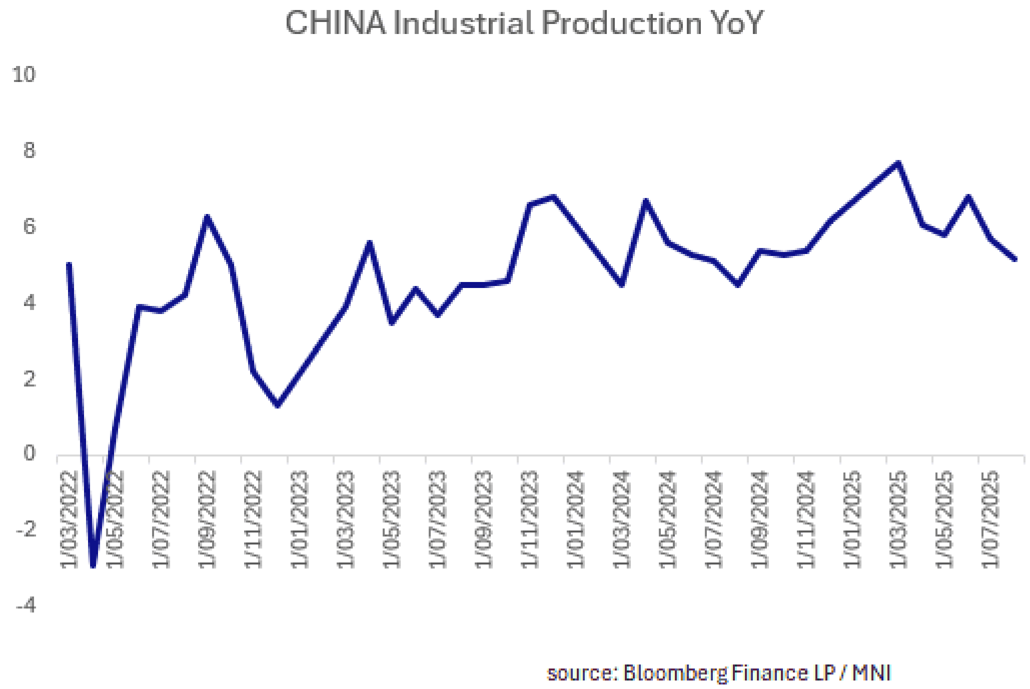
CHINA: No Surprises from House Prices in August

- New and used house prices continued to decline in August, with used home prices down more than July.
- New home prices declined -0.30% , from -0.31% in July.
- The last month that recorded a positive print was May 2023.
- Used home prices declined -0.58%, from -0.55% in July.
- The last month that recorded a positive print was April 2023.



CHINA: Key Data Stable In August

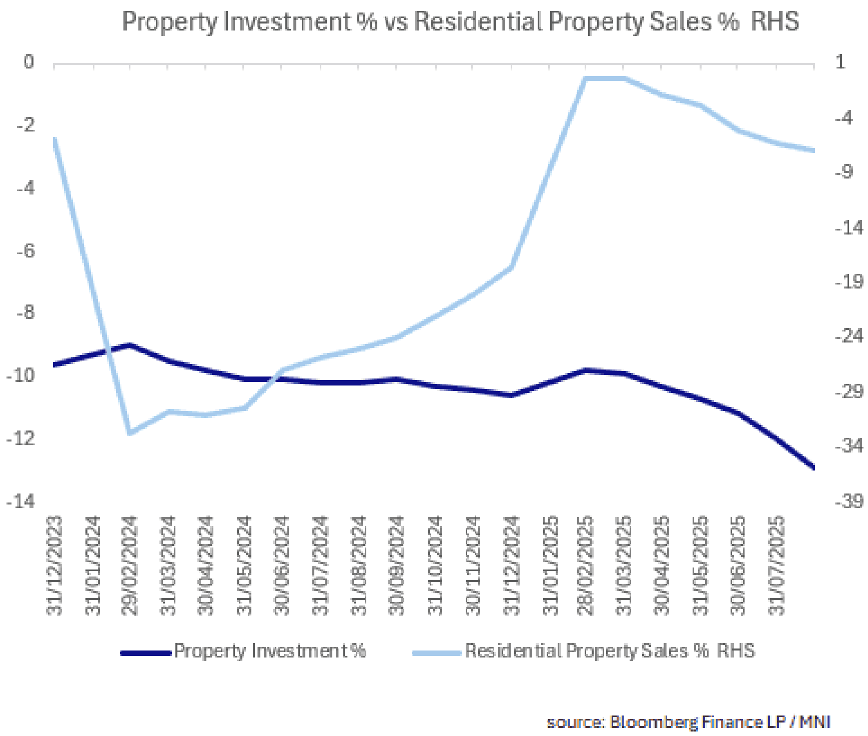
- Multiple data releases today pointed to a very modest slowing in the economic expansion in China.
- Retail sales expanded +3.4% for August, below expectations of +3.8% and prior month of +3.7%.
- Industrial Production YoY expanded +5.2%, missing expectations of +5.6% and below the prior month of +5.7%.
- Investments in Fixed Assets Ex Rural YTD YoY rose a mere +0.5% from +1.6% in July.
- China's moderation is following a better than expected first half, with the data showing a likely return to expectations rather than anything worrying.



CHINA: Weak Property Data Continues

- Property Investment YTD YoY and Residential Property Sales YoY declined more than expected in August.
- Property Investment YTD YoY fell -12.9%, its largest monthly decline. It has not recorded a positive monthly result since March 2022.
- Residential Property Sales YoY declined -7.0% in August, the worst result for 2025. It has not recorded a positive monthly result since July 2023.

- Recently Shenzhen announced measures to support the property prices and bring their policies in line with Beijing and Shanghai. The announcements as of September 6 included easing of home purchase restrictions for non residents, removal of home purchase limits and lowering down payment requirements.



CHINA: Focus On BRICS Strengthens

- China is willing to strengthen cooperation with BRICS member states in emerging sectors such as artificial intelligence, while prioritizing partnerships in areas such as electric vehicles and solar and hydrogen power, the country's top industry regulator said on Tuesday. (source China Daily)
- China announced wide-ranging measures to stimulate domestic demand by promoting the consumption of services such as sports and entertainment, the latest attempt to help an economy grappling with slower growth. The plan, issued on Tuesday by the Ministry of Commerce along with several other departments, doesn’t introduce more funding or subsidies for the services sector. But the 19 measures it outlines indicate the government will use its budget to develop the necessary infrastructure and guide banks to lend more to services providers along with consumers. (source BBG)

CHINA: Money Moving Out Of Savings

- China’s new household deposits contracted in July and August from the year before, while deposits from non-bank financial institutions surged, in a sign that people have been moving money out of their savings and into the stock market for the past two months amid record-low interest rates, according to the latest data. (source Yicai)
- China’s economy is expected to maintain steady growth in the third quarter despite weaker industrial and investment data in August, according to the National Bureau of Statistics. (source Yicai)

SOUTH KOREA

SOUTH KOREA: CGT Changes Dropped

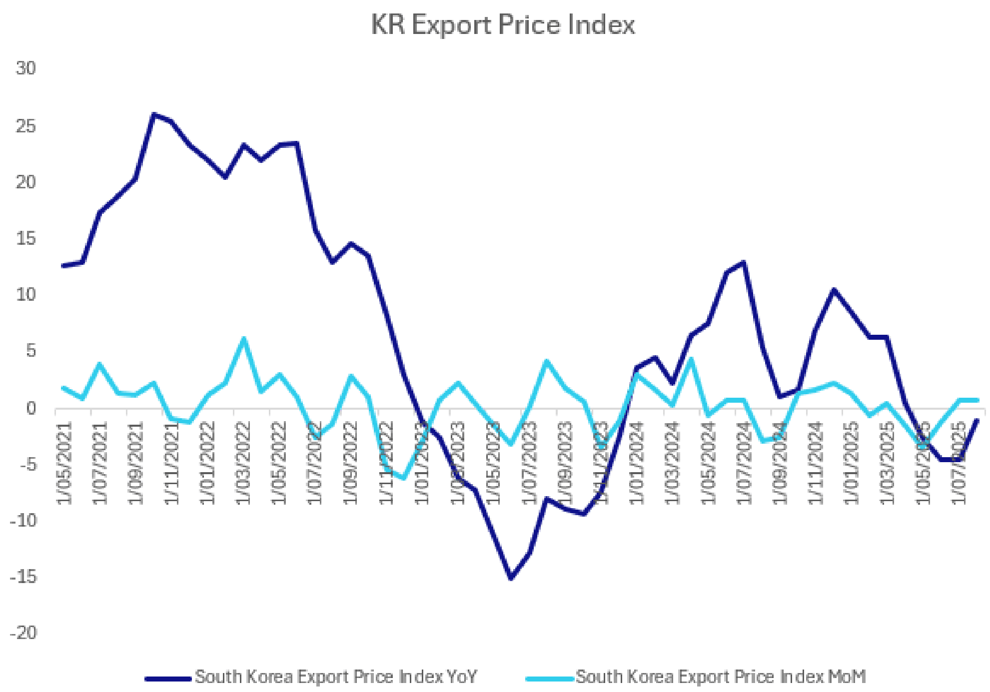
- Taiwan is expected to overtake Korea in per capita GDP this year, data showed Sunday. The reversal after 22 years is explained by Korea's weakening growth momentum coupled with Taiwan's rise as a technological and economic powerhouse in the global economy. (source Korea Times)
- The government has decided to keep the threshold for capital gains tax on stock holdings at the current level of 5 billion won ($3.6 million), Finance Minister Koo Yun-cheol said Monday. (source Korea Times)

SOUTH KOREA: EV Demand Boosts Auto Exports

- Korea's car exports increased 8.6 percent from a year earlier in August despite U.S. tariffs, thanks to robust demand for electric vehicles (EVs) in Europe, data showed Tuesday. (source Korea Times)
- Seoul is seeking to revive a currency swap deal with Washington to help break through stalled talks over its $350 billion investment into the U.S. as part of tariff negotiations. Analysts say the bilateral deal could play the role of a safety net for Korea's foreign exchange market in case the country needs to gather the large investment sum in a short period of time. (source Korea Times)

SOUTH KOREA: Export Price Index Falls In August

- South Korea's August export price index showed the ongoing challenges that exporters have with respect to managing prices.
- Down -1.0% YoY in August, it was the fourth consecutive month of declines now cumulatively at over -12% since April.
- All major categories were down with raw materials and chemicals the hardest hit.
- The MoM figure was up +0.7% with the July figure revised down to +0.8%.



SOUTH KOREA: BOK Has Room to Focus on Domestic Factors

- The ruling Democratic Party of Korea (DPK) is seeking to accelerate its push for “mutual growth” whereby banks and other financial services companies will bear greater social responsibility in the form of cash contributions and financial assistance packages, market watchers said Wednesday. (source Korea Times)
- The Federal Reserve's latest interest rate cut has created more room for the Bank of Korea (BOK) to focus its monetary policy more on domestic factors, the central bank said Thursday. BOK Deputy Gov. Park Jong-woo made the assessment while presiding over a market situation meeting earlier in the day, after the Fed lowered its benchmark rate by a quarter percentage point, its first rate cut this year, flagging slower job growth. (source Korea Times)

ASIA

INDONESIA: Three Million Jobs to be Created

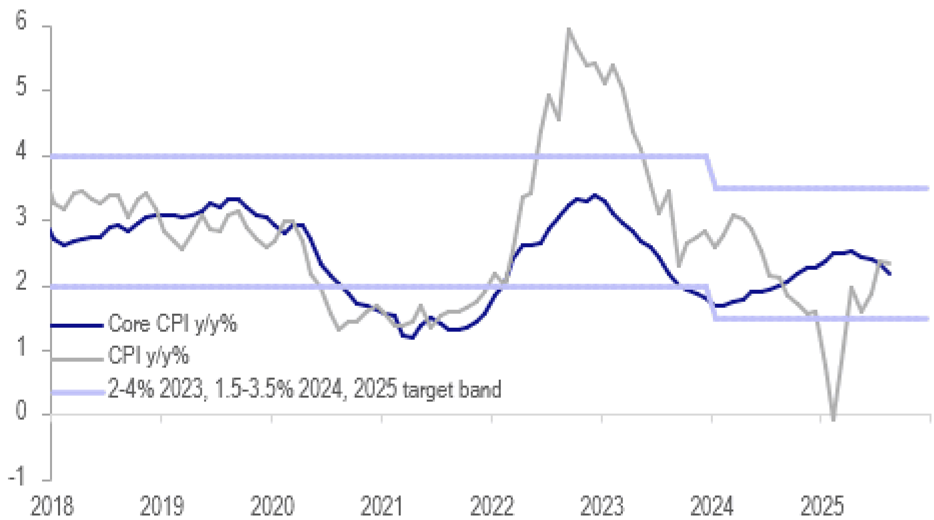
- Indonesia's Coordinating Minister for Economic Affairs has announced that five government priority programs are projected to generate more than 3 million jobs nationwide. (source Antara)
- Indonesia's Finance Minister said that the government has not set a specific funding quota for state-owned banks to finance village cooperatives. He explained that the recent Rp200 trillion (US$12.2 billion) injection into five state-owned banks from the government did not include such requirements. (source Antara)

INDONESIA: BI Cuts Rates As Becomes More Pro-Growth

Bank Indonesia (BI) surprisingly cut rates 25bp to 4.75% on 17 September to support growth. It intervened to defend the rupiah in recent weeks following political instability and the replacement of respected Finance Minister Indrawati. There are signs of weakening growth and moderating inflation.

- Headline inflation moderated 0.1pp to 2.3% y/y in August with lower transportation inflation offsetting higher food driven by rice prices. Core moderated to 2.2% y/y from 2.3%, the lowest since October, reflecting softer domestic demand.
- Both measures are now below the mid-point of BI’s 1.5-3.5% target band but in August the central bank said that it is “confident” that inflation will remain within the corridor this year and next with inflation expectations anchored, spare capacity, effects from digitalisation and “managed imported inflation”.

Indonesia CPI y/y%



Source: MNI - Market News/LSEG

- The August S&P Global PMI showed an increase in manufacturers’ cost inflation due to the stronger USD which was passed on to customers driving selling price inflation to its highest since July 2024.

- Economic data since the August meeting have been mixed. Consumer confidence fell to its lowest in almost three years. Weak household sentiment is signalling a slowdown in consumption in Q3.
- July merchandise exports were robust rising 9.9% y/y with shipments to key destinations China and the US robust but also to the rest of ASEAN and the EU. In contrast, imports fell 5.9% y/y, a tentative signal of weak domestic demand.
- The S&P Global manufacturing PMI returned to positive territory with both domestic and export orders growing.

Indonesia merchandise exports vs imports y/y% 3-mth ma

Source: MNI - Market News/LSEG

INDONESIA: BI Cuts In "Joint Effort" To Boost Growth

Bank Indonesia (BI) unexpectedly cut rates 25bp to 4.75%, the third consecutive monthly easing, which is unusual. It is especially surprising given it has intervened to defend the rupiah in the last few weeks due to political instability and previously emphasised the importance of FX and financial stability. President Prabowo has a growth target of 8% (Q2 GDP grew at 5.1% y/y) and BI may also be shifting more towards supporting the economy.

- BI's accompanying statement added the phrase "joint efforts to stimulate economic growth", which suggests that it may be supporting government policy.
- It has left its growth forecast unchanged for 2025 at "above the midpoint of the 4.6-5.4% range". It does expect H2 2025 to improve due to the "strengthening policy synergy between Bank Indonesia and the Government".
- BI will continue watching economic and price developments for opportunities to ease further assuming IDR stability. It will continue its macroprudential policies to boost lending, which it has been doing for some time.
- It noted that "economic growth in Indonesia must be increased in line with economic capacity" suggesting that it believes there is a negative output gap. It observes that consumption in Q3 is "restrained" given lower sentiment driven by a weaker labour market.
- It also mentioned that capex needs to be supported by "accelerating the realisation of various government priority programs", which is an addition to the statement.
- USDIDR reached a peak of 16440 on Wednesday but finished down 0.1% at 16430. It peaked at 16498 following the replacement of Finance Minister Indrawati. With the Fed also cutting rates 25bp on Wednesday, the US-Indonesian rate differential held steady but at an 18 month low.

INDONESIA: BI Could Ease Another 50bp In 2025

With only 2 of the 36 analysts surveyed by Bloomberg expecting Bank Indonesia (BI) to cut rates, it shows that reading the central bank is becoming more difficult. Consensus didn't expect the August easing either. It appears that the central bank has become more focussed on growth than FX developments with it saying its "decision is consistent with joint efforts to stimulate economic growth". Also inflation is within the band and expected to stay there. As a result, economists expect further monetary easing before end 2025 with many expecting a trough of 4.25%.

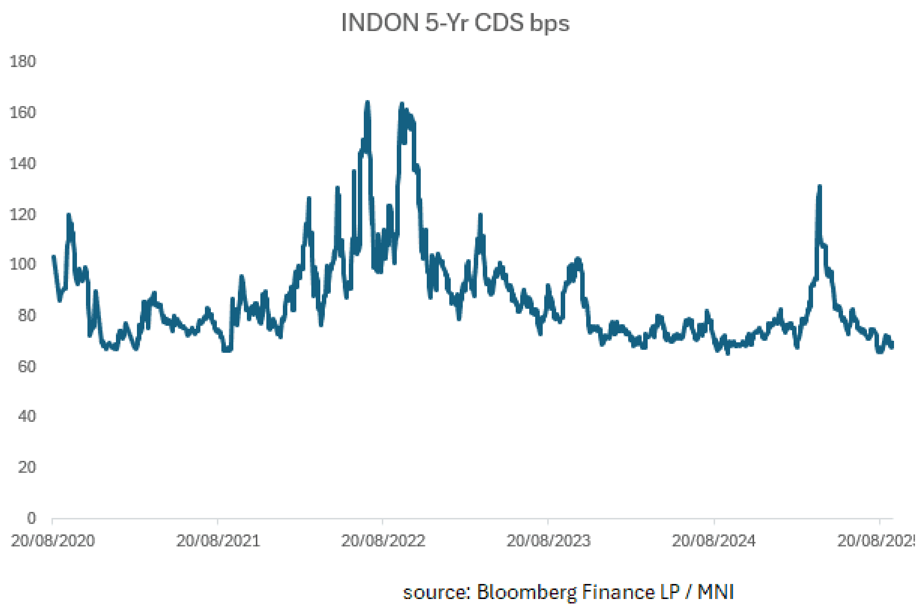
- JP Morgan notes that expectations that the Fed will cut twice more this year also give BI room to ease further. It has maintained its 4.25% trough in Indonesian rates but has now "pencilled in" BI cuts in October and November, "assuming FX stays stable", but there is a chance of more if global risks escalate.
- ANZ also notes that Fed cuts and BI's switch to pro-growth which could mean its 4.25% forecast for Indonesian rates is achieved before its current forecast of Q1 2026 but only if markets are stable and loan growth doesn't improve.
- BI said that restricted transmission of previous rate cuts to loan rates was a reason why it cut the deposit rate 50bp. Societe Generale believes that recent social unrest has contributed to BI's new pro-growth stance as protests were driven by a weak labour market and price pressures. It has now revised down its trough in rates 75bp to 4.25% but doesn't see the transmission mechanism improving or 2025 growth exceeding 5%.
- Goldman Sachs' BI forecast is unchanged at two 25bp cuts in Q4 with the September reduction impacting its terminal rate which is now 4.25%. It noted that "given 50bps cut in the deposit rate, we expect INDONIA (overnight interbank) rates to grind lower going forward".

INDONESIA: Govt To Change BI Mandate

- Indonesian lawmakers are weighing changes at the central bank that include a broader mandate and a lower bar for removing senior officials, heightening investor concerns about the monetary authority's independence. (source Business Times Singapore)
- Indonesian Finance Minister Purbaya who took office a week ago after the ousting of his predecessor, defended plans to dramatically stimulate the economy against concerns they could undermine the country's hard-won fiscal standing. (source BBG)

INDONESIA: Case For Further CDS Tightening Seems Limited

- The performance of the INDON 5-Yr CDS since April has been remarkable, tightening from the wides of +131bps to a low of +66bps in August.
- With the new FinMin seemingly underwriting the President's ambitious growth targets, we highlighted recently that the options available are walking away from the deficit cap of 3% and or lower rates.
- The new FinMin has already made some policy adjustments withdrawing US$12bn equivalent from the Central Bank and distributing to the state owned banks with instructions to lend. he FinMin has indicated that the new Sovereign Wealth Fund Danantara will be used increasingly to help achieve the growth targets.
- However, it seems unlikely that Danantara and increased lending alone will supersize growth. Government spending must rise, which creates risk of challenging the deficit cap (3% of GDP).
- Central Bank rates may need to be cut yet at this point, the Bank Indonesia remains ' independent '. Yet the idea of independence may now be in question following the BI's surprise cut in rates overnight. Only 2 of 38 forecasts on BBG suggested a cut with the main Indonesian banks in the no change camp, as were we.
- So soon after the surprising change of the FinMin for the BI to cut in the face of limited need, especially when their currency is the worst performer in the region. The BI appears to be shifting from a strong emphasis on financial stability to a much more pro-growth bias/outlook.
- With 5-Yr CDS near tights, the potential for rallying from here seems limited.

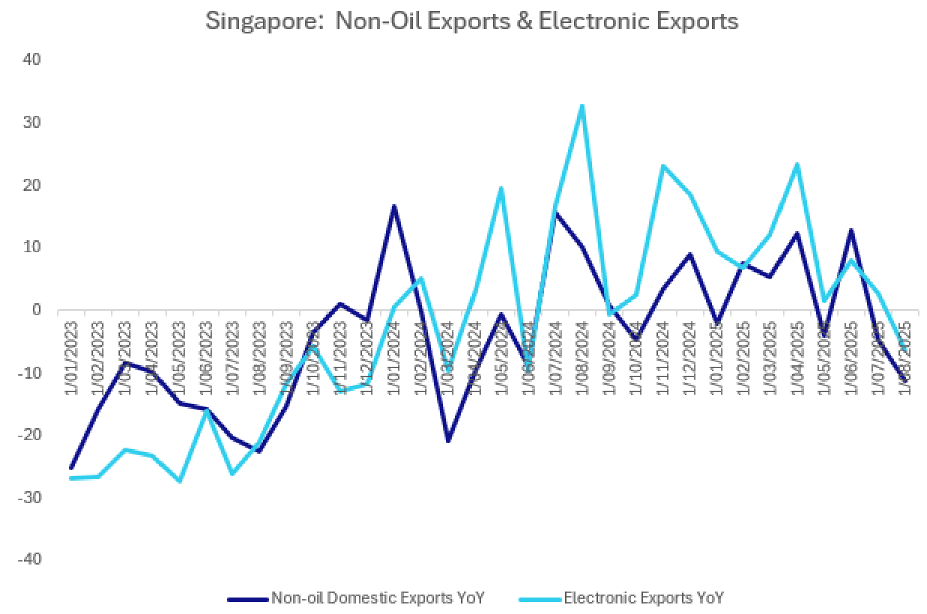


INDONESIA: BI Worries About Global Growth

- Bank Indonesia (BI) believes the global economy is still slowing due to the impact of reciprocal tariffs imposed by the United States (US) and continued high levels of uncertainty. The statement was delivered by BI Governor Perry Warjiyo in an online press conference on Wednesday, following the September 2025 BI Board of Governors Meeting (RDG). He explained that various indicators show economic growth is slowing in most countries, with widening disparities between them. (source Antara)
- Economists and business leaders have called on the government to sharpen its demand-side strategy and ensure policy consistency as Indonesia navigates its post-reshuffle economic agenda under President Prabowo Subianto. Speaking at the B-Universe Forum Group Discussion on Wednesday, economist Aviliani said the cabinet reshuffle, particularly the appointment of new Finance Minister Purbaya Yudhi Sadewa, could open up fresh economic opportunities. She said the Rp16.23 trillion ($1 billion) stimulus program and the Rp 200 trillion liquidity injection into five state-owned banks (Himbara) could help revive manufacturing and generate broader growth. (source Jakarta Globe)

SINGAPORE: Export Data Craters In August

- Singapore non-oil domestic exports YoY had its largest contraction in August for more than a year.
- By country; the largest contraction was Indonesia which declined -39.6%, possibly interrupted by the political protests.
- China contracted -21.5% and the US -28.8% with both being an improvement on the month prior.
- Electronic exports contracted -6.5% in August, the largest monthly decline since March 2024.



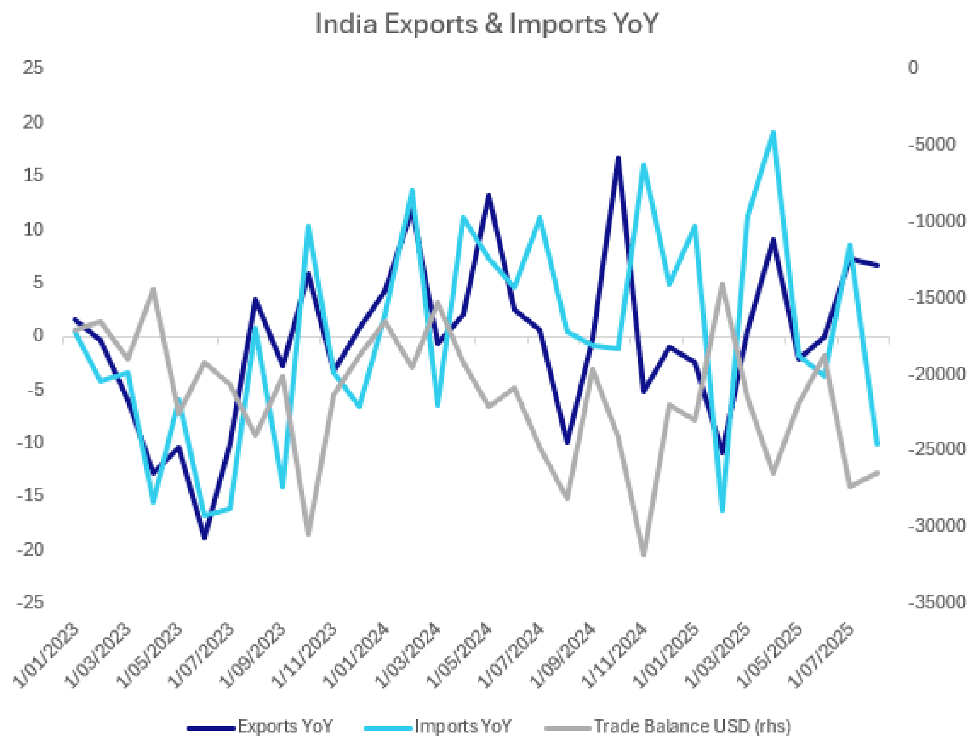
source: Blooomberg Finance LP / MNI

MALAYSIA: Manufacturers Issue Warning

- Manufacturers have been bracing for challenging times in the first half of 2025 (1H25), according to the business conditions survey conducted by the Federation of Malaysian Manufacturing (FMM). The survey which drew 627 respondents nationwide revealed that the manufacturing sector was facing rising costs and dampened demand due to global uncertainties compared with gains recorded in 2024. (source The Star)
- The 2026 Budget, set to be tabled on 10 October, is expected to continue the path of fiscal consolidation, narrowing the deficit to between 3.4% and 3.6% of GDP from an estimated 3.8% this year, according to OCBC Bank. (source Business Today)

INDIA: Gold Imports Crater In August

- India's August imports contracted by -10.1%, the largest monthly decline since February.
- A -56.7% decline in gold exports was the biggest contributor, with coal down -26.2% also. An increase in imports for petroleum products to +9.4% with electronic goods imports up +8.4%. Imports from the US contracted -18.2%.
- Exports rose +6.7%, down from +7.3% in July.
- Exports to the US rose +7.2% and China +22.4%. Electronic goods exports rose +25.9% and pharmaceuticals +6.9%.
- The result was a lower trade deficit of $26.5bn (down from $27.4bn in July).



source: Bloomberg Finance LP / MNI

INDIA: PM Announces Spending Package

- Prime Minister Narendra Modi announced and inaugurated projects worth 163 billion rupees ($1.85b) during his visit to the north-eastern states of Meghalaya and Manipur on Saturday. Modi inaugurated development works and kicked off projects worth 90b rupees across railways, roadways and energy in Mizoram, according to a government release. Announced projects worth 73b rupees in Manipur, according to another release. (source PM's office)
- The Consumer Price Index (CPI)-based retail inflation in August rose to 2.07% from earlier 1.61% in July, data by the Ministry of Statistics and Programme Implementation (MoSPI) said on Friday. It said the food inflation for August stood at -0.69%, rising 107 basis points compared to July. Corresponding inflation rates for rural and urban areas are -0.70% and -0.58%, respectively. Food inflation in rural areas was at -1.74% in August. It increased for urban areas from -1.90% during the same period last month. (source Asia News)

INDIA: US Talks Resume

- India and the US have resumed talks on the first tranche of a Bilateral Trade Agreement (BTA), aiming to resolve tariff disputes and revive stalled negotiations. With $500 billion trade goal by 2030, discussions will address market access, tariffs, and key sector concerns. (source Financial Express)
- India's exports rose 6.7% to $35.1 bn in August 2025, while imports fell 10.1% to $61.6 bn, narrowing the trade deficit to $26.5 bn. Growth was led by electronics, engineering goods, and pharma, though US tariffs may dent shipments ahead. Services surplus also provided a cushion. (source Financial Express)

INDIA: Market Not Expecting From RBI In October

- Bankers have ruled out a rate cut by the Reserve Bank of India (RBI) in the upcoming monetary policy review in October, but expect one more cut during the current financial year. (source Money Control)

- PM Narendra Modi reiterated India's consistent support for peaceful resolution of Ukraine conflict and early restoration of peace and stability in a phone conversation with his Denmark counterpart Mette Frederiksen, as they discussed issues of regional and global significance. According to an Indian readout, Frederiksen reaffirmed Denmark's strong support for conclusion of a mutually beneficial India-EU Free Trade Agreement (FTA) at the earliest, and for success of AI Impact Summit to be hosted by India in 2026. (source: Times of India)

INDIA: S&P Positive On India Growth Outlook

- New Delhi: Goldman Sachs expects the Reserve Bank of India (RBI) to deliver one more rate cut during the ongoing fiscal year, likely in December, citing benign inflation and easing food prices, a top economist at the US-based investment bank said. Inflation is expected to remain around 3% by calendar year-end and close to 4% in early 2026, Santanu Sengupta, chief India economist at Goldman Sachs, told Mint in an interview. (source MINT)
- Amid global market volatility, India's growth is resilient and the country remains the world's fastest-growing major economy, with its GDP forecast to continue growing 6.5 per cent this fiscal (FY26), S&P Global said on Wednesday. The positive outlook is being framed by the interplay of the nation's domestic buffers and external challenges. "India's growth performance with that of advanced economies shows that while past external shocks have caused short-term challenges for India, they have not derailed the country's long-term growth trajectory," S&P Global said in its report. (source: DD news)

ASIA EQUITY FLOWS: Tech Related Inflows Rebound, Thailand Sees Outflows :

Inflow momentum turned positive once again for South Korean and Taiwan markets yesterday. Taiwan was the best performer, as its onshore equity market closed at a fresh record high (up +1.30%). Tech/AI sentiment remains buoyant, with the SOX index up a further 3.60% in Thursday US trade. Via BBG: "Information technology was the best-performing sector, with Intel notching its best day since 1987 as Nvidia announced a $5 billion investment and said the two will co-develop chips for PCs and data centers." Positive spill over to Taiwan stocks today may aid further inflow momentum. Sep to date inflows are now at +$8.7bn, which is a fresh cycle high.

* For South Korea, such trends should also aid the inflow backdrop, although it can have a lower beta compared to Taiwan with respect to such moves.
* Elsewhere, India saw modest outflows on Wednesday, leaving the 5-day sum of net inflows in negative territory.
* Yesterday saw notable outflows from Thailand. At just over $100mn this was the largest net outflow day since end of August. The local equity index fell yesterday, the SET back under 1300. The new government is looking to step up efforts to curb FX outperformance and it is mindful around further portfolio inflow risks (from an FX standpoint).
* Indonesia saw modest outflows, while the 5-day sum was close to flat.

Table 1: Asian Markets Net Equity Flows

	Yesterday	Past 5 Trading Days	2025 To Date
South Korea (USDmn)	244	2556	-907
Taiwan (USDmn)	473	2347	8841
India (USDmn)*	-32	-154	-15292
Indonesia (USDmn)	-22	8	-3718
Thailand (USDmn)	-101	-83	-2611
Malaysia (USDmn)	-15	124	-3669
Philippines (USDmn)	-1	7	-725
Total (USDmn)	547	4806	-18080

* Data Up To Sep 17

Source: Bloomberg Finance L.P./MNI