MNI Asia Pac Weekly Macro Wrap

6 March 2026 – By Jon Cavenagh, Jaime Grant, Stephen Petrie & Gavin Stacey

JAPAN

- Japan's Q4 capex beat bodes well for Q4 GDP revisions. Coupled with firmer external growth suggests economic growth should start 2026 in reasonable shape. Still, the oil price spike this week has cast a shadow over the inflation and growth outlook. Offshore investors continue to be strong buyers of local bonds, which could be a dominant theme in 2026.

AUSTRALIA

- The RBA maintained a hawkish backdrop this week, with Governor Bullock noting that every meeting is live. Q4 GDP was firmer than forecast, although household consumption spending moderated (we also saw the January print for household spending ease). Still, given elevated inflation/low unemployment rate, this may not be enough to derail further rate hikes.

NEW ZEALAND

- New Zealand data was slightly softer than expected this week in terms of the dip in Q4 volume of building work done. Jobs filled rose for Jan, but the stop/start nature of the labour market recovery continues. The updates around NZ external prices/terms of trade were strong. The NZD looks too low relative to such trends but some offset is coming from broader risk aversion amidst the oil price spike.

SHORT TERM RATES

- Over the past week, interest-rate expectations across the $-bloc through December 2026 have firmed sharply in response to the Middle East conflict and its impact on oil prices, with moves led by the US (+19bps), followed by New Zealand (+16bps), Canada (+15bps) and Australia (+9bps).

CHINA

- The China NPC saw the growth target for 2026 nudged lower, but with fiscal policy expected to remain a key support for growth we still see risks of a RRR cut to support broader liquidity. The yuan has outperformed so far this week amid the negative terms of trade shock from higher oil prices and global risk off.

SOUTH KOREA

- South Korean data was close to expectations. Volatility was notably higher in the equity and FX space, while local bond yields are climbing on oil price spill over risks.

ASIA

- Activity data was solid via PMI prints, while BNM held rates steady as expected. FX markets were under pressure from the oil price spike, albeit with varying impacts across the region.

ASIA EQUITY FLOWS

- The spike in oil prices looms large over Asia Pac equities, with fairly strong net outflows seen over the past week by offshore investors. Some dip buyers emerged for South Korea though.

Business Address – MNI Market News, 3rd Floor, 1 Great Tower Street, London, EC3R 5AA

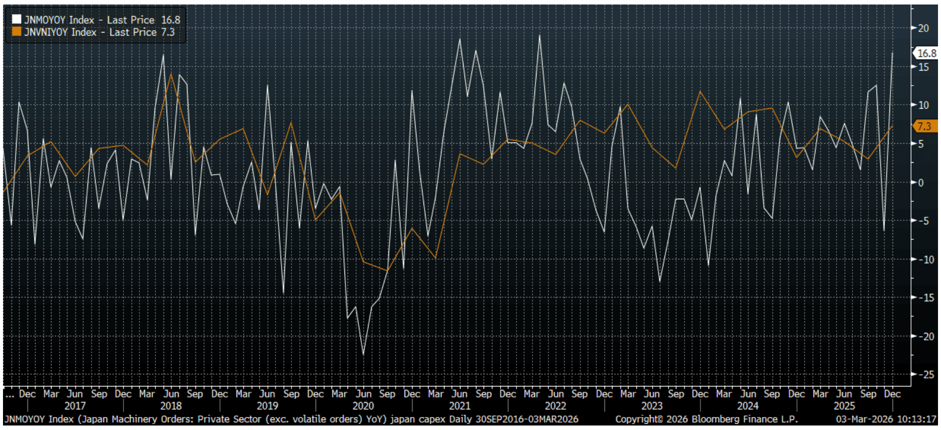
JAPAN

JAPAN DATA: Q4 Capex Rebounds, Led By Non-Manufacturing, Profits Also Rise

Japan Q4 capex was stronger than forecast. We rose 6.5%y/y for the headline (3.0% was projected, while 2.9% was the prior outcome). Ex software we rose 7.3%y/y (3.9% was forecast, 2.9% was the prior outcome). Company profits were also better than forecast, rising 4.7%y/y (3.0% was forecast), but this was down from Q3's heady 19.7% rise. The capex rise fits with the better end to core machine orders for late 2025. The chart below plots this series, the white line, versus capex (ex software) the orange line. Given the reasonable start to 2026 export growth, we may see better momentum continue into the first part of this year (notwithstanding Middle East conflict risks) in terms of business spending plans.

- In q/q terms capex was up 3.5% (ex software rose 4.0% q/q). The detail showed that non-manufacturing, up 5.4%q/q drove the rise, while manufacturing was -0.2%q/q (after Q3's -5.6% outcome). The initial Q4 GDP estimate showed business spending was a modest 0.2%q/q.
- Profits rose 1.6%q/q, after a 3.8% gain prior. The gain was led by the manufacturing side and the authorities will be hopeful this aids a supportive wages backdrop. The earlier data showed loosening in labour market tightness as the unemployment rate edged up.

Fig 1: Japan Capex (Ex Software) & Core Machine Orders Y/Y



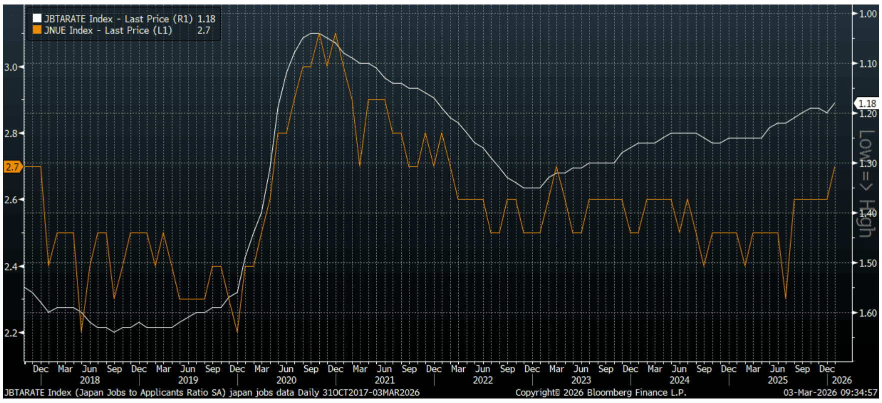
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Unemployment Rate & Job-To-Applicant Ratio Show Weaker Trends

Japan's Jan jobless rate edged up to 2.7%, versus a 2.6% forecast (which was also the prior outcome). The job-to-applicant ratio fell to 1.18, versus 1.20 forecast (which was also the prior outcome). The jobless rate is plotted below (the orange line) and is back to early 2023 highs, while the job-to-applicant ratio, which is also plotted below (the white line) and inverted. It is back to levels last seen in early 2022, and has mostly been on an upward trend since the start of 2023. The focus will be on improving the growth outlook, which is a key focus point for the Takaichi government. A softening labour market backdrop points to less upside pressure in wage outcomes.

- This fits with other data released as part of today's release, with job offers down 5.4%y/y, while new job offers, were down -4.6% y/y. This is up from Nov lows in y/y terms for both series. In m/m terms both series were down a touch.

Fig 1: Japan Unemployment Rate & Job-To-Applicant Ratio



Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Offshore Inflows Continue Into Local Bonds & Stocks

Offshore investors continue to shift funds into both Japan bonds and equities, continuing recent trends. Year to date net inflows into Japan bonds are now over ¥7.6trln, while for equities we near ¥6.4trln, but we haven't had a negative week of net selling (in equities) since mid Dec 2025. Elevated yields may continue to be appealing to offshore investors in the JGB space, while local equities have dipped sharply since the end of last week (post the Iran conflict and oil price spike). This week's flow update should provide guidance on whether offshore investor sentiment has been shaken.

- The other noteworthy update from last week's flow update, was local Japan investors continuing to sell offshore bonds. Since the final week of 2025, cumulative net selling in this segment now stands at over ¥4trln.
- This is diverging somewhat from improved global bond returns, but such trends may indicate a preferred home bias from local investors.
- Local investors again purchased overseas stocks, albeit at a fairly modest pace.

Table 1: Japan Offshore Weekly Investment Flows

Billion Yen	Week ending Feb 27	Prior Week
Foreign Buying Japan Stocks	973.9	399.7
Foreign Buying Japan Bonds	1365.1	1882.9
Japan Buying Foreign Bonds	-673.1	-1900.8
Japan Buying Foreign Stocks	100.7	405.2

Source: Bloomberg Finance L.P/MNI

AUSTRALIA:

RBA: Bullock-Every Meeting Live, Less Wiggle Room On Inflation Given Starting Pt

In the Q&A after her speech, RBA Governor Bullock noted that every central meeting is live and that she didn't want people to assume that the central bank would only move after quarterly inflation prints. Bullock stressed this was not a prediction for the March meeting (held on Mar 17), but noted that inflation is at 3.8% and the unemployment rate at 4.1%, so the board will have to judge if more needs to be done to ensure inflation returns to the 2-3% target over the medium term.

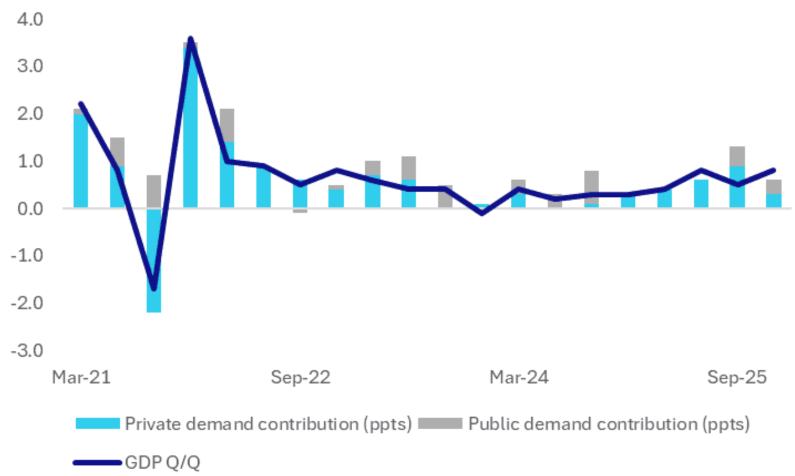
- Bullock acknowledged that Australia has a little less wiggle room from risks of a potential oil price shock (in light of the renewed conflict in the Middle East), given the high starting point for inflation. She added the board would be watching inflation expectations closely. If they become de-anchored then rates will have to go up Bullock added.
- The impact of a energy price shock for the Australian economy was hard to judge, as she said while Australia was a net commodity exporter, it also imported most of its oil needs.
- If it was a longer term conflict, risks become more skewed to impacting economic activity negatively Bullock stated.

AUSTRALIA DATA: Better Headline GDP, But Slowing Private Demand Contribution

The headline GDP outcomes for Q4 were firm to slightly better than market forecasts. The q/q print was 0.8%, in line with consensus expectations, but Q3 was revised up to a 0.5% gain (original estimate was a 0.4% rise). This helped push the y/y outcome to 2.6%, versus the 2.3% market forecast (which was also the RBA's projection) and prior 2.1% rise. The 2.6%y/y print was the strongest Q1 2023. At face value this keeps March RBA tightening risks in play, as the central bank may view it needs to hike more to curb growth momentum, which has been bumping up against supply constraints. Still, the detail showed slowing in private domestic demand versus Q3 outcomes, which may give the central bank comfort some sources of inflation (from the demand side) could moderate.

- The chart below shows q/q GDP growth, along with the contributions from the private and public demand side. The private demand contribution eased to 0.3ppts, from 0.9ppts in Q3. The public contribution slowed to 0.3ppts from 0.4ppts in Q3. The change in inventories were a big swing factor, contributing +0.4ppts, after dragging -0.5ppts in Q3. Net exports were unchanged at a -0.1ppts drag.
- Household consumption rose 0.3% in the quarter after a 0.5% gain in Q3. In y/y terms spending eased a touch to 2.4% from 2.6% in Q3. The ABS noted: "Discretionary spending rose 0.4 per cent reflecting the expansion of Black Friday sales and strong attendance at sporting and concert events. Spending on essential goods and services grew 0.2 per cent in the quarter." The household savings rate continued to trend higher to 6.9% from 6.1%.
- Private investment rose 0.7%q/q, after a 3.2% surge in Q3. The ABS notes: "Machinery and equipment (M&E) fell 2.0 per cent following a 7.8 per cent increase in the September quarter. 'Investment in data centres and aircrafts was maintained at high levels. Investment in M&E was 4.0 per cent higher through the year.' Ms Kim said. Housing investment contributed 0.1 percentage points to GDP growth, with a rise in construction of apartments and high real estate turnover. "

Fig 1: Australia GDP Q/Q & Private and Public Contributions To Growth



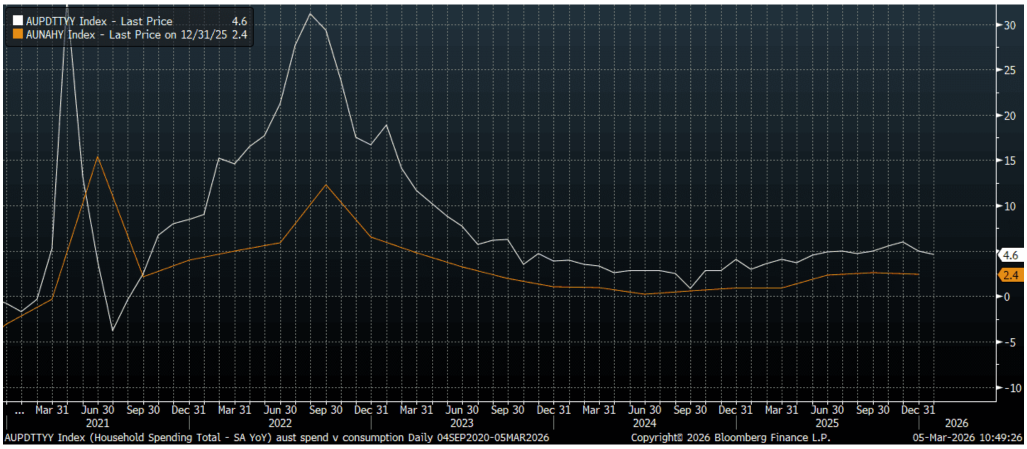
Source: ABS/MNI

AUSTRALIA DATA: Jan Household Spending Lower Forecast, Y/Y Back Under 5%

Australia household spend for Jan was a little weaker than forecast. The m/m print rose 0.3%m/m versus 0.4% forecast, while the Dec outcome was to a -0.5% fall (after originally reported as a -0.4% decline). This saw the y/y outcome print at 4.6%, versus 5.1% forecast and 5.0% prior. This comes after yesterday's national accounts, which showed some slowing in household consumption growth. The chart below plots this measure in y/y terms (orange line), versus today's update household spending print for Jan (in y/y terms, the white line). Spending appears to be moderating but from reasonable levels. The RBA is unlikely to be concerned and it may not prevent another rate hike, given still elevated inflation pressures and a tight labour market.

- The ABS noted in terms of the detail: "Spending on services drove the rise, up 1.0 per cent driven by Other services including Digital streaming services and Travel agency and tour services. Health services also contributed with higher spending on dental services.
- This was partly offset by a fall in spending on goods, down 0.3 per cent, driven by drops in Purchase of motor vehicles and Recreation and Culture goods." Discretionary spending was up 0.1% in the month.
- Other data out today showed the Jan trade balance at A$2631mn, versus a A$3800 forecast. Exports fell 0.9%m/m, after a 0.9% gain in Dec. Imports were up 0.8%m/m.

Fig 1: Australia Household Spend Y/Y (White Line) & Consumption Growth Y/Y

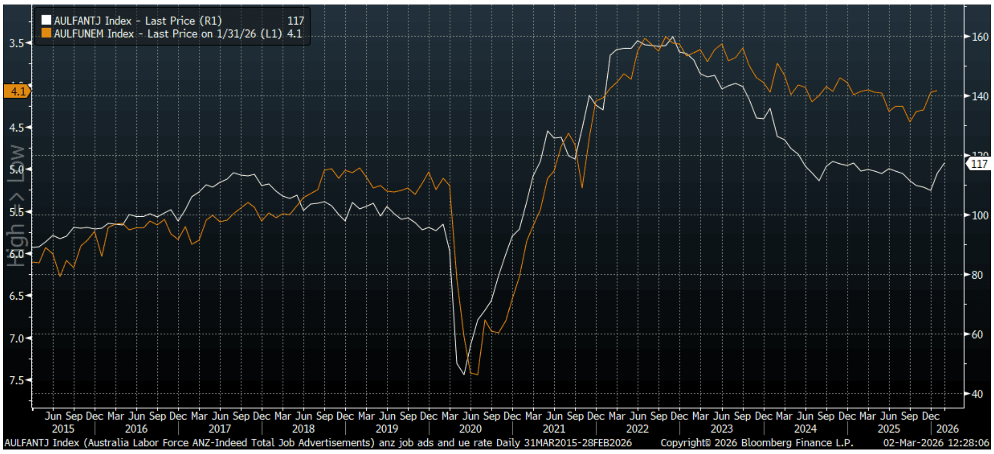


Source: Bloomberg Finance L.P./MNI

AUSTRALIA DATA: ANZ Job Ads Rise Further In Feb, Now Positive Y/Y

Feb ANZ job ads rose 3.2%m/m, after a revised 5.2% gain in Jan. In y/y terms, job ads are now back to +2.3% (Jan was -3.1%). The level of jobs ads is plotted below against the unemployment rate, which is inverted on the chart. Further improvement in jobs ads may see a further tick down in the unemployment rate, although the recent improvement in the unemployment rate started before jobs begun to improve.

Fig 1: ANZ Job Ads & Unemployment Rate (Inverted)



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

NEW ZEALAND

NEW ZEALAND: Jan Jobs Filled Up, But Stop/Start Nature Of Job Rises Continues

The stop/start nature of the NZ jobs recovery continued in Jan. Filled jobs rose 0.2%m/m, after a revised 0.3% fall in Dec (which was originally reported as a flat outcome). In y/y terms filled jobs were down 0.2%. The m/m profile has been -0.2% in Oct last year, +0.5% in Nov, -0.3% in Dec and now +0.2% in Jan. Hence there isn't clear signs of a consistent pick up in labour demand. This will feed into RBNZ thinking around holding rates lower as it waits for firmer evidence of economic recovery feeding into the labour market (before it tightens rates). The central bank did state at its last meeting that a rate hike was possible by year end but this wasn't set in stone in terms of its OCR outlook.

- The industry level data continued to show jobs creation in the services side, rather than goods producing industries. Stats NZ noted: "By industry, the largest changes in the number of filled jobs compared with January 2025 were in:
  construction – down 2.8 percent (5,381 jobs) health care and social assistance – up 1.6 percent (4,560 jobs) public administration and safety – up 2.6 percent (4,282 jobs) manufacturing – down 1.6 percent (3,584 jobs) education and training – up 1.7 percent (3,478 jobs)."
- This also fits with the economic recovery not being broad enough yet to aid the goods producing industries from a jobs growth standpoint.

NEW ZEALAND: Q4 Building Volume Work Falls, Below Forecasts, Q3 Rise Revised

New Zealand Q4 volume of buildings work fell -3.1%q/q, against a 1.9% forecast rise. The prior Q3 outcome was revised down to a 0.2% rise, originally reported as a 1.5% gain. The level of building work volume is now back to mid 2020 levels, although the rate of decline in y/y terms is moderating. We printed at -4.8%, from -6.7% prior for this series. At the margin, lack of upside momentum in the construction side of the economy should give the RBNZ confidence around core inflation pressures remaining contained. We will get more partials for NZ Q4 GDP next Thursday, when manufacturing activity is due. Note that Q4 GDP prints on March 19.

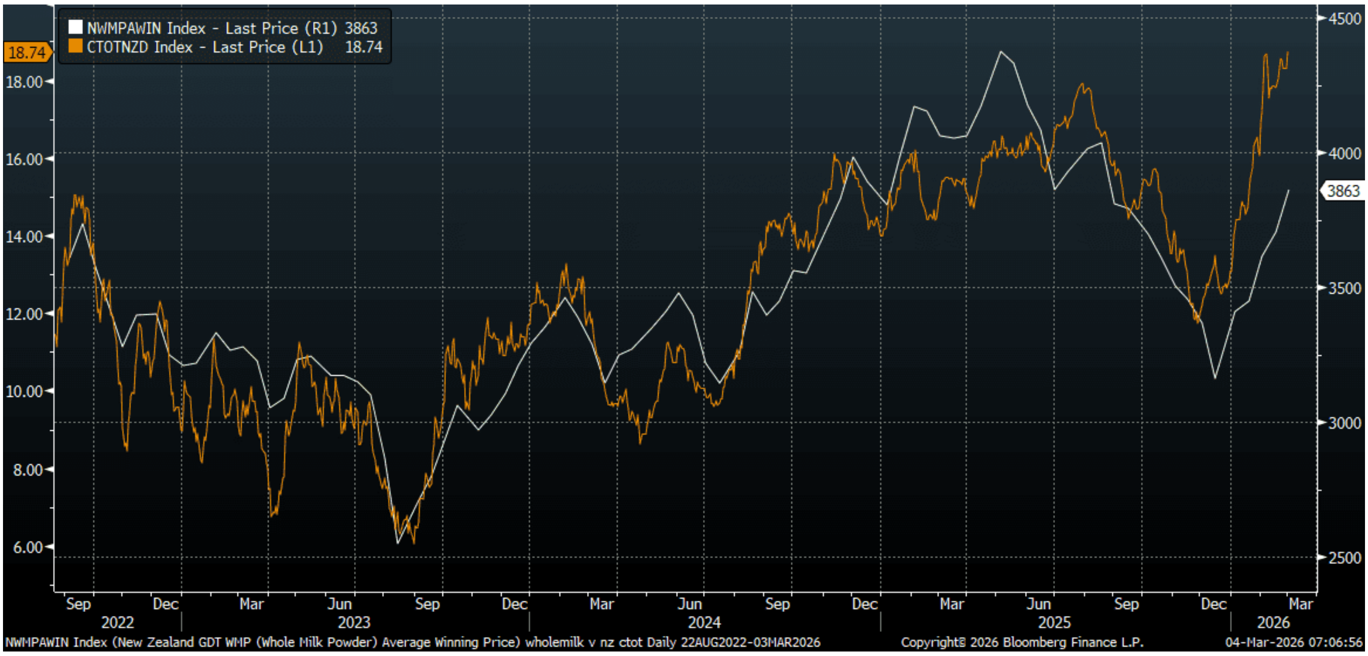
- Weakness was in both residential construction, down 1.1%, and non-residential construction, which fell by 6.5%/q/q.

NEW ZEALAND: Whole Milk Prices Rise Further, NZD Diverging From Elevated ToT

The fortnight Global Dairy Trade Whole Milk powder auction saw a further rise in prices overnight. We rose a further 4.5% to $3863. From late 2025 lows, prices are now up over 20%. The chart below plots the auction price outcome versus the Citi NZD terms of trade proxy. Whole milk prices are still under 2025 highs, but the ToT proxy is at fresh highs. The second chart highlights recent NZD weakness has diverged from the ToT proxy. Risk aversion emanating from the Iran conflict has been a factor, while NZ-US yield differentials are also away from recent highs.

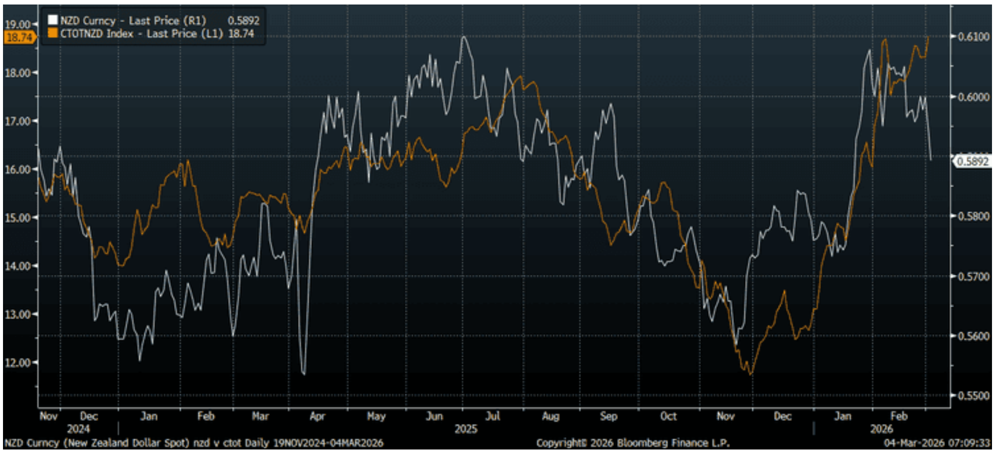
- Note in a little while we get Q4 NZ terms of trade data, then later on the Feb ANZ commodity prints.

Fig 1: Whole Milk Auction Prices & Citi Terms Of Trade Proxy



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

Fig 2: NZD/USD Versus Citi NZD Terms Of Trade Proxy



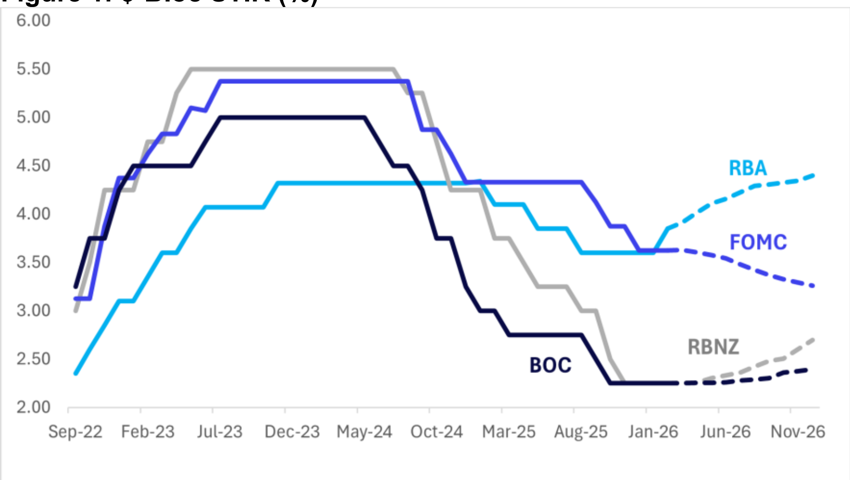
Source: Citi/Bloomberg Finance L.P./MNI

SHORT-TERM RATES $-Bloc Pricing Sharply Firmer Over Past Week On ME Conflict & Oil Price:

Over the past week, interest-rate expectations across the $-bloc through December 2026 have firmed sharply in response to the Middle East conflict and its impact on oil prices, with moves led by the US (+19bps), followed by New Zealand (+16bps), Canada (+15bps) and Australia (+9bps).

* Overnight, Iranian media claimed it had struck the USS Abraham Lincoln (CVN-72) aircraft carrier. Further unsettling markets, NBC News reported that Iranian Foreign Minister Abbas Araghchi said Iran is prepared for a U.S. ground invasion of the country.
* Oil prices surged during yesterday's U.S. trading session, with West Texas Intermediate futures jumping more than 8% and Brent Crude futures rising nearly 5%. Prices, however, have eased slightly in today's Asia-Pacific session.
* While the primary driver for global markets remains the U.S.-Iran conflict, attention will also turn to U.S. employment data due Friday. Nonfarm payrolls are expected to increase by 55k in February, with gains anticipated to come entirely from the private sector.
* The next major regional policy events are the RBA meeting on 17 March and the FOMC and BOC meetings on the 18 March. 29% probability of a 25bp tightening by the RBA is priced, while the US and Canadian markets attach a 7% and 4% probability of a 25bp easing.
* Looking ahead to December 2026, current market-implied policy rates expected are as follows: US (FOMC): 3.25%, -37bps; Canada (BOC): 2.39%, +14bps; Australia (RBA): 4.22%, +37bps; and New Zealand (RBNZ): 2.70%, +45bps.

Figure 1: $-Bloc STIR (%)



Source: Bloomberg Finance LP / MNI

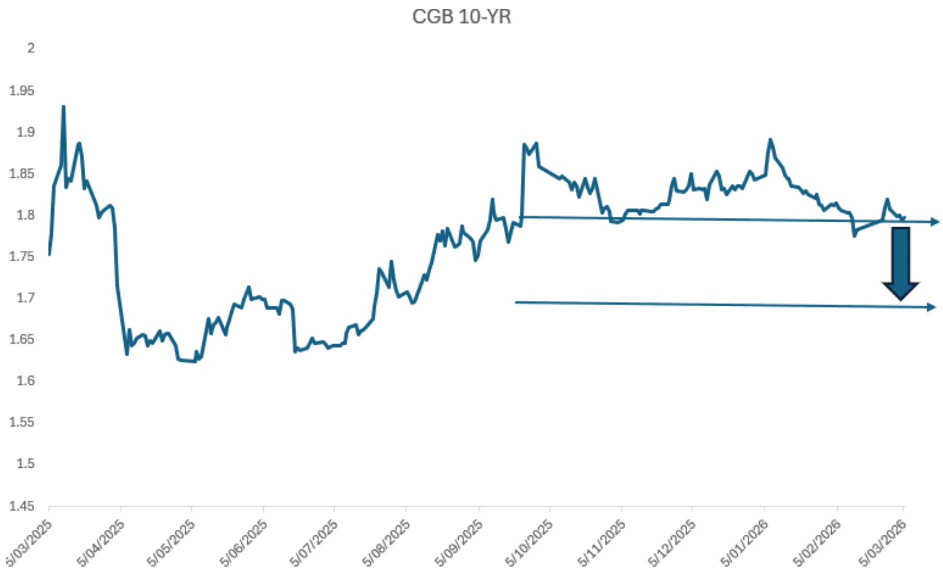
CHINA

CHINA: NPC Announcements in Line, Yields to Reset Recent Ranges

- A reduction in the GDP target to 4.5 -5.0% and confirmation of the CNY4.4tn of new special local government bonds and CNY1.3tn of ultra long special sovereign bonds did little to impact the China bond markets Thursday.
- China bond futures are modestly lower today whilst the 10-Yr CGB consolidates below 1.80% at 1.79%
- The reduction in growth from 'around 5%' in 2025 to 4.5-5.0% in 2026 is consistent with the messages from authorities over recent months, and represents a consistent outlook for policy.
- Expectations are growing for a RRR cut of 50bps which would release up to CNY1tn of liquidity into the system, helping absorb the new issuance.
- In 2026 it is estimated that approximately CNY50tn of higher yielding CDs are maturing for banks, which will ultimately lower their cost of funding and make government bond investments more

attractive. Coupled with this is the planned 'seed money' from the Ministry of Finance to help banks boost Tier 1 capital and support balance sheets.

- This suggests a stronger demand profile from banks in the year ahead for bonds and could see the 10-Yr reset it's range to 1.70-1.80%. The 10-Yr has traded in a 1.80 - 1.90% range since September 2025.



source: Bloomberg Finance LP / MNI

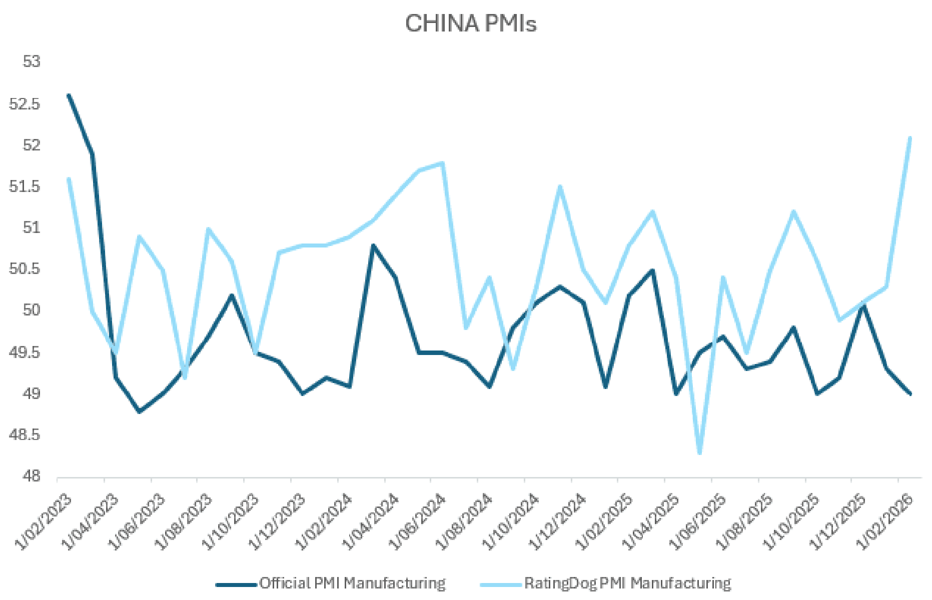
CHINA: Private PMIs Continue to Shine as SOEs Lag

Ahead of the NPC this week, PMIs were marginally weaker than expected, fueling calls for further policy intervention to support growth. Lunar New Year interuptions do come into play here and must be considered.

- Official PMIs declined with Manfucturing falling to +49 (est +49.2, prior +49.3) - back to October levels. Output and new orders declined from January whilst the employment component was stable.
- Official non-Manufacturing PMI remained in contraction at +49.5 (est. +49.7, prior +49.4) as new orders declined whilst input prices rose again.

The thematic over the last year has been the divergence between SOEs and private/export orientated companies, proven gain with RatingDog PMIs stronger than expected.

- RatingDog PMI Manufacturing rose to +52.1 (est. +50.1, prior +50.3) for its highest reading since Dec. 2020 as output jumped to +53.6 from +50.6 and new orders were up.
- PMI Services were up strongly ahead of the LNY break at +56.7 (est +52.3, prior +52.3) for the highest result since May 2023. Employment however fell to +48.8 from +50.2 and prices charged rose to its highest since May 2024.



source: Bloomberg Finance LP / MNI

SOUTH KOREA

SOUTH KOREA CPI Flat; Expectations for Rate Cuts Gone :

* CPI YoY for February was flat at +2.0%, slightly below estimates of +2.1%.

* Core was up more hitting +2.3% YoY from +2.0% prior.

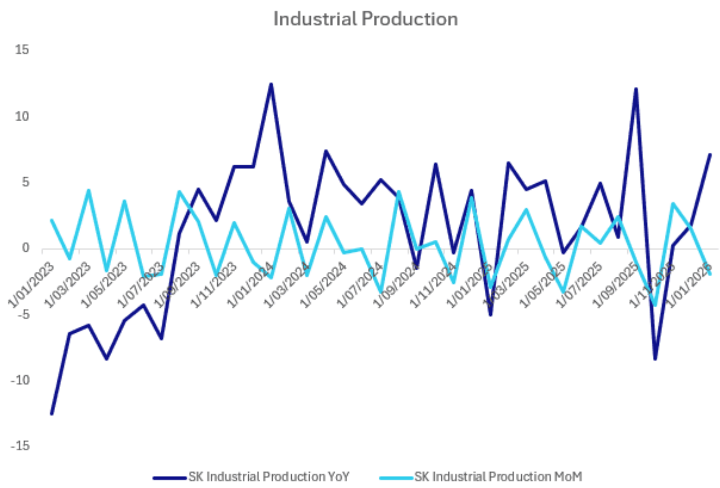
* The results are marginally below the Central Bank target and underscore the neutral outlook for SK interest rates. Markets are expecting little movement from the BOK for much of 2026 with rate rises starting to be priced in towards the end of 12 months.

* During the February Economic outlook the BOK revised up its 2026 CPI to 2.2%. The revision is attributed to higher global oil prices caused by geopolitical risks, a weaker currency and a surge in DRAM (semiconductor) prices, which is expected to pass through to consumer costs.

SOUTH KOREA: I/P Release Shows Inflation Rising, BOK on Hold for Some Time

- January YoY Industrial Production rose +7.1%, ahead of consensus of +3.2% and topping December result of +1.4%
- January MoM however declined -1.9% driven by drops in construction (down 11.3%) and manufacturing (down 2.1%). Construction falls are expected given the policies in place to cool housing, whilst the manufacturing drop was influenced by a 4.4% decline in semiconductor production volume, even as export values rose due to higher prices for DRAM and other chips. Overall investment in the sector remains strong with facility investment jumping 6.8% in January, led by increased spending on machinery and transportation equipment.
- Private consumption rose 2.3% during the month, suggesting stable domestic demand despite the industrial slowdown.
- This comes after the S&P Global Manufacturing PMI (released yesterday) showed ongoing strength. Firms reported continued growth in new orders, driven by demand from Mainland China, North America, and Europe.

- Business confidence for the next 12 months hit its highest level since May 2022, fueled by new product launches and diversification plans.
- However manufacturers continued to face high operating costs due to exchange rate volatility and elevated raw material prices, particularly metals which will now be exacerbated by the rise in oil.
- Key takeways are that the policies put in place are working to slow housing. Whilst this may have eventually led to a potential cut in rates, the outlook for commodity led inflation now is such that the BOK is likely on hold for some time.



source: Bloomberg Finance LP / MNI

Yields Higher Again, 10-Yr Eyes Break Out to 3.70%:

* In a shortened trading week for KTBs, bond yields have played catch up and set to finish higher for the week. The 10-Yr is up +17bps at 3.625% for the week in the biggest weekly move for the year. The 3-month range for the 10-Yr is 3.31% - 3.74% suggesting plenty of scope for yields to move higher as global inflation fears grip markets.

* Our KRW swap models are pointing to increased probability of rate hikes later this year and the 3-Yr KTB yield premium over the BOK base rate continues to set near term new highs; currently at +73bps

* The 3-Yr bond future is down -.14 today at 104.94 and lower by -0.59 for the week as it consolidates below all moving averages.

* 10-Yr bond futures are down heavily again today by -.41 at 112.24. They are down -1.61 for the week and below all major moving averages. The slope for most moving averages remains modest suggesting no definitive trend; leaving bonds open to global leads. Ongoing inflation concerns is likely to continue to push on bond yields with the 10-Yr eyeing a breakout towards 3.70%

* Looking ahead to next week key release is 4Q preliminary GDP - forecast for 1.5% currently; below the full year BOK forecast of 2.00%

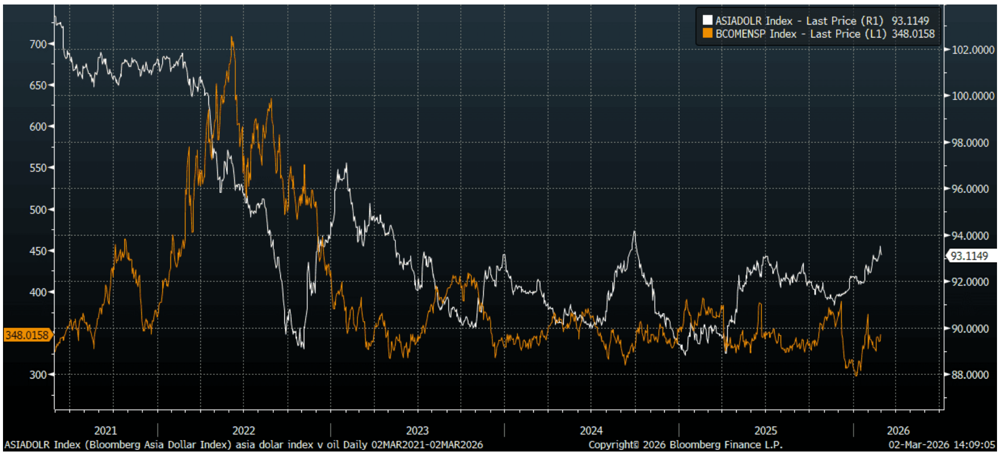
ASIA

ASIA FX: Energy Prices Surge Drives Losses, Albeit Likely To Varying Degrees

Asian FX is all weaker versus the USD, albeit to varying degrees. This is not surprising given the broader USD rise (albeit away from session highs), along with risk aversion in the equity space post the weekend hostilities in Iran and the broader Middle East region. Spillover from higher energy prices are also a headwind for Asia FX. The figure below plots the BBG Asia dollar index versus the spot energy price index. The most prominent example is back in 2022, but since then periods of higher energy prices have weighed on the Asian FX index. The impact can vary from currency to currency. The table below plots the correlation (for the past 12 month) between Citi terms of trade (ToT) proxies for each currency within the region and the BBG spot energy price index. Further energy price gains, all else equal, will be expected to weigh on the ToT backdrop and may aid USD gains versus Asia FX.

- The correlations are negative for the likes of Malaysia and Indonesia but are closer to flat compared to elsewhere in the region. Still, relative performance may not be driven by commodity price exposure alone, with starting points for trade positions, along with exposure to broader risk trends also important.
- USD/CNH got close to 6.8875, but sits back lower now at 6.8685, still comfortably above recent low, but only off 0.10% in CNH terms for the session. CNH's tendency to show stability during times of financial market stress may be aiding the yuan.
- PHP is the weakest performer in the FX space so far today, with USD/PHP up around 0.70% so far today. Outside of the above headwinds, the already negative starting point for its trade balance may be acting as an additional headwind. The pair was last near 58.09, close to the 200-day EMA resistance, which market recent highs.
- South Korean markets are out today, but the 1 month NDF is still higher, last near 1452 (earlier we got to 1456.11). We would expect selling interest to resume on any push back into the 1460/80 region.
- USD/THB spot is in 31.30/35 region and brings us back near the 50-day EMA resistance point (31.35). The Thailand authorities may be comfortable letting THB weaken in the near.
- In Indonesia BI is expected to take a more pro-active approach, with earlier headlines stating just as much. Spot USD/IDR was last near 16830/35, with a move above 16900 likely to be met by increased intervention risks.

Fig 1: Asia FX index & Spot Commodity Energy Prices



Source: Bloomberg Finance L.P./MNI

Table 1: Citi Terms Of Trade Proxies & Energy Price Correlation (Past 12 months)

Citi Terms Of Trade Proxy	Spot Energy Price Correlation
CNY	-0.62
KRW	-0.74
TWD	-0.75
SGD	-0.73
THB	-0.73
MYR	-0.20
IDR	-0.11
PHP	-0.43
INR	-0.57

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

ASIA: Regional PMIs Strong, Taiwan at 5-Yr Highs

- S&P Global Taiwan Feb. Manufacturing PMI rises to 55.2 from 51.7 in Jan., the highest reading since Dec. 2021, according to the statement from the agency.
- Index in Feb. is the third consecutive month in the expansion territory
- Output rises to 55.5 vs 51.6 in Jan, for the highest reading since July 2021 and third consecutive month of expansion
- New orders rise vs prior month and the highest reading since July 2021
- Taiwan's manufacturing industry saw the quickest improvement in business conditions since the end of 2021 in Feb. Stronger global demand conditions drove the sharpest increases in output and new orders for over four-and-a-half years. The notable pick up in demand and accumulation of backlogs suggest that the sector is on course for further increases in output in the near-term. Employment growth remained relatively lackluster. (per BBG)
- The Phlippines Mfg PMI rose to +54.6 from +52.9, highest since 2017
- Output up to 56.3 vs 54.3 prior and new orders up.
- The Thailand Mfg PMI rose to +53.5 from +52.7.
- Output up to +56.7 from 55.1 in Jan, new orders up on prior month.
- The Vietnam Mfg PMI rises to +54.3 from +52.5 for the eighth consecutive month of expansion.

- Output hits highest levels since July 2024.

source: Bloomberg Finance LP / MNI

THAILAND CPI Miss Has BoT With Limited Policy Options:

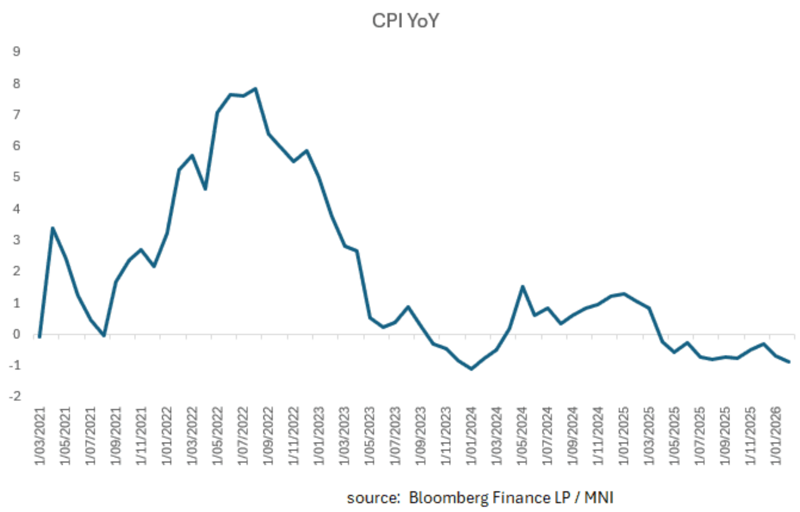
* Thailand's February CPI YoY turned more negative than forecast as the pace of deflation increases.

* CPI in February declined -0.88% from -0.66% prior with officials making statements upon release suggesting the Middle East conflict will see upward pressure in March.

* The continued deflation is attributed to government-subsidized utility prices (electricity and water) and lower energy costs. This marks the 10th consecutive month of negative inflation.

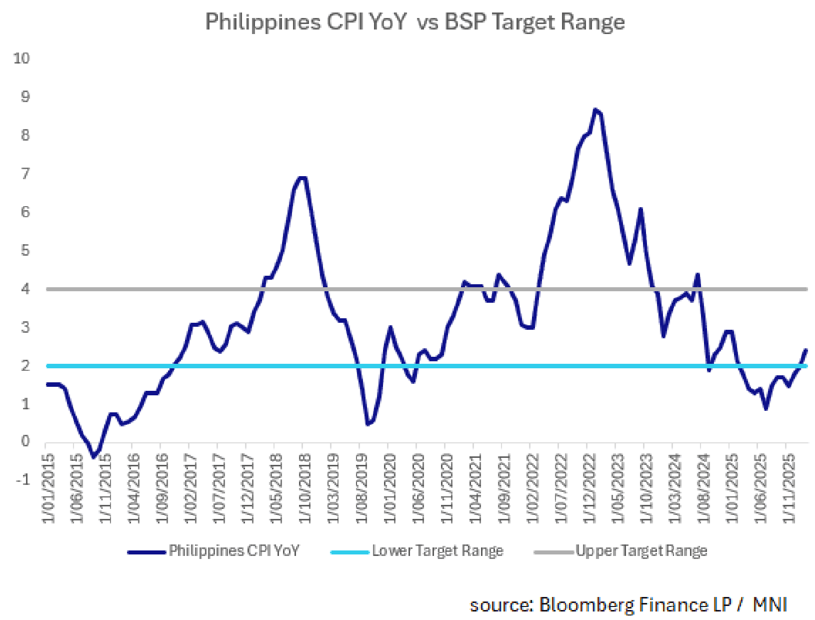
* This leaves the BoT with limited options now with rates at 1.00% as it awaits government policy to drive growth.

* BBG has reported that authorities were reviewing the CPI structure in early 2026 due to concerns that it was not accurately reflecting actual household costs



PHILIPPINES: February CPI Up as Base Effects Fade

- For the first time in a year, Philippines CPI moved above the bottom end of BSP range of 2.00%.
- February saw a rise in consumer prices of +2.4% YoY, from +2.0% in January.
- Core CPI rose to +2.9% YoY
- Prices in the capital rosee +1.9% YoY
- MoM inflation was softer than expected at +0.2% (est. +0.3%, prior +0.8%)
- At the last monetary policy meeting on 19 February 2026, Bangko Sentral ng Pilipinas (BSP) Governor Remolona described inflation as "manageable" despite a projected "slight uptick" later in the year. Remolona noted that any immediate rise in inflation is driven primarily by supply-side factors, which are viewed as temporary. The BSP's risk-adjusted inflation forecast for 2026 was revised upward to 3.6% (from 3.1%), partly due to higher global oil and rice prices. Inflation is expected to move closer to the central bank's 3.0% midpoint target by 2027. The Governor emphasised that inflation expectations remain "well anchored", providing the bank with flexibility to ease rates.
- Following the 19 February 2026 meeting, Governor Eli M. Remolona, Jr. indicated the bank's intent to reach a neutral rate—the theoretical level that neither stimulates nor restricts the economy—but emphasized doing so "smoothly" to avoid reigniting inflation. Future moves toward a fully neutral stance depend on inflation remaining within the 2.0%–4.0% target range.
- The BSP does not meet again until 23 April.



ASIA EQUITY FLOWS: SK See Inflows For 2nd Day, But Oil Spike Clouds Regional Outlook:

Offshore investors were once again buyers of South Korean equities, as onshore markets rebounded sharply yesterday. Still, the inflow was modest and only trimmed the prior 5-day outflow sum (to -$6.5bn). South Korean equities climbed strongly yesterday, but still remain more than 12% off late Feb highs. Near term sentiment is likely to remain volatile, given offshore equity losses and higher oil prices, with little signs of an off ramp for the conflict in Iran. There is also the risk of official support from the South Korean authorities.

* The Iran conflict, its impact on oil prices, with implications for inflation, growth etc (amidst a prolonged conflict) also looms over the rest of the region.
* Taiwan net outflows over the past 5 trading days have remained fairly consistent and has substantially trimmed 2026 to date inflows. The Taiex is well off late Feb highs, but still comfortably up for the year.
* Indian outflow momentum is also growing. Only RBI intervention is preventing a further move higher in spot USD/INR as well (which broke above 92.00 this week).
* In SEA, only Indonesia has seen net inflows of any note in the past 5-trading days. Still, with the JCI still close to 7500 support and USD/IDR spot just under 16900, sentiment is hardly on a firm footing.

Table 1: Asian Markets Net Equity Flows

	Yesterday	Past 5 Trading Days	2026 To Date
South Korea (USDmn)	464	-6500	-14891
Taiwan (USDmn)	-1584	-7881	1925
India (USDmn)*	-988	-2509	-2887
Indonesia (USDmn)	-12	105	-421
Thailand (USDmn)	-227	-184	1668
Malaysia (USDmn)*	-57	-34	318
Philippines (USDmn)	-22	4	358
Total (USDmn)	-2425	-16999	-13930

* Data Up To Mar 4

Source: Bloomberg Finance L.P./MNI

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