Weekly Macro Views (WMV)

Global Markets Research & Strategy

3 February 2025

Weekly Macro Update

Key Global Data for this week:

3 February	4 February	5 February	6 February	7 February
• **CH** Caixin China PMI Mfg • **US** ISM Manufacturing • **EA** CPI MoM	• **US** Durable Goods Orders • **US** Factory Orders • **US** JOLTS Job Openings • **NZ** Building Permits MoM	• **SK** CPI YoY • **NZ** Unemployment Rate • **SI** Retail Sales YoY • **US** ISM Services Index	• **UK** Bank of England Bank Rate • **US** Initial Jobless Claims • **TH** CPI YoY • **VN** CPI YoY	• **IN** RBI Repurchase Rate • **US** Change in Nonfarm Payrolls • **US** U. of Mich. Sentiment • **US** Unemployment Rate

Summary of Macro Views:

Global	• **Global:** Central Banks • **US:** FOMC holds interest rate • **EU:** ECB trims policy rates by 25bp
Asia	• **SG:** 1H25 Business Expectations • **CH:** Impact of trade war 2.0 • **HK:** Export outlook clouded by the tariffs • **MO:** A slow start to the year for the gaming sector

Asia	• **IN:** FY26 Budget – Consolidation and Consolation • **ASEAN:** US tariff impact on ASEAN • **ID:** Lowest inflation since 2000 • **PH:** Lower GDP growth in 4Q24
Asset Class	• **FX & Rates:** Tariff Hurts • **ESG:** Trump's potential impact on Indonesia's downstream mining sector • **Global Asset Flows**

OCBC

Global: Central Banks

Forecast – Key Rates

Bank of England (BoE)	Reserve Bank of India (RBI)
Thursday, 6th February	**Friday, 7th February**

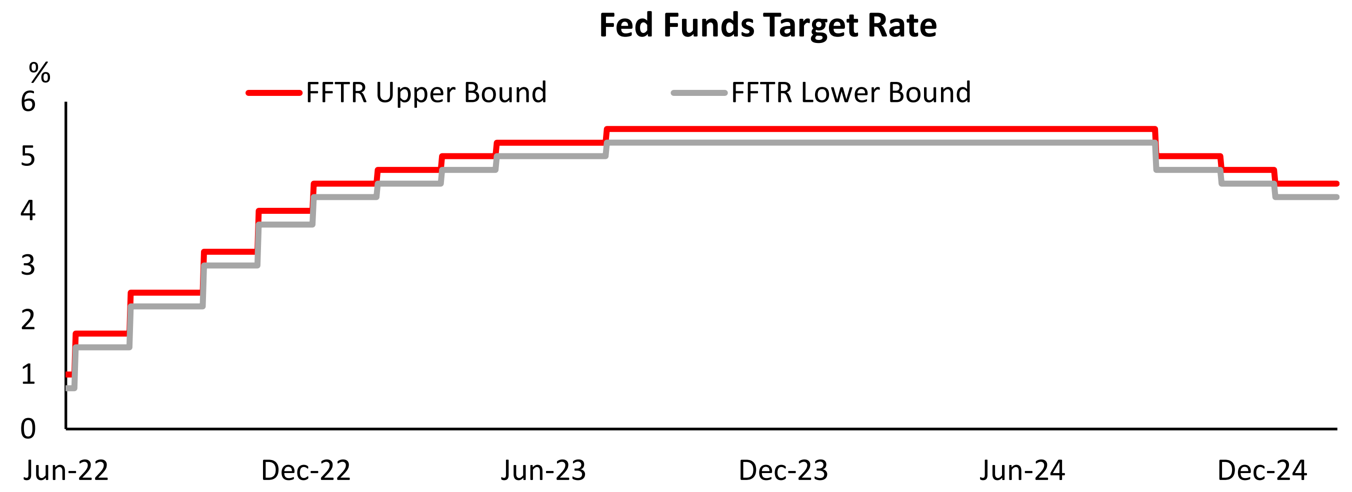
House Views

Bank rate	*Repurchase Rate*
Likely cut by 25bps from 4.75% to 4.50%	**Likely cut by 25bps from 6.50% to 6.25%**

Source: OCBC, Bloomberg

US: FOMC holds interest rate

- During the FOMC meeting on January 28-29, the Federal Reserve kept policy rates unchanged at 4.25% - 4.50%, in line with market expectations. The accompanying statement bore a hawkish undertone, notably omitting the phrase that inflation had "made progress" toward the 2% target, which instead stated that "inflation remains somewhat elevated." Chairman Powell later downplayed it where he characterized the adjustment as "a little language cleanup," adopting a more dovish tone in his subsequent remarks.
- With an above trend GDP for 2024 at 2.8%, unemployment just slightly north of 4%, and core PCE above 2%, the Fed appears poised to pause policy rates in the near term, with Powell stating that, "we do not need to be in a hurry to adjust our policy stance".
- We maintain our expectation that the Federal Reserve will implement a total of 75bp in rate cuts throughout 2025.

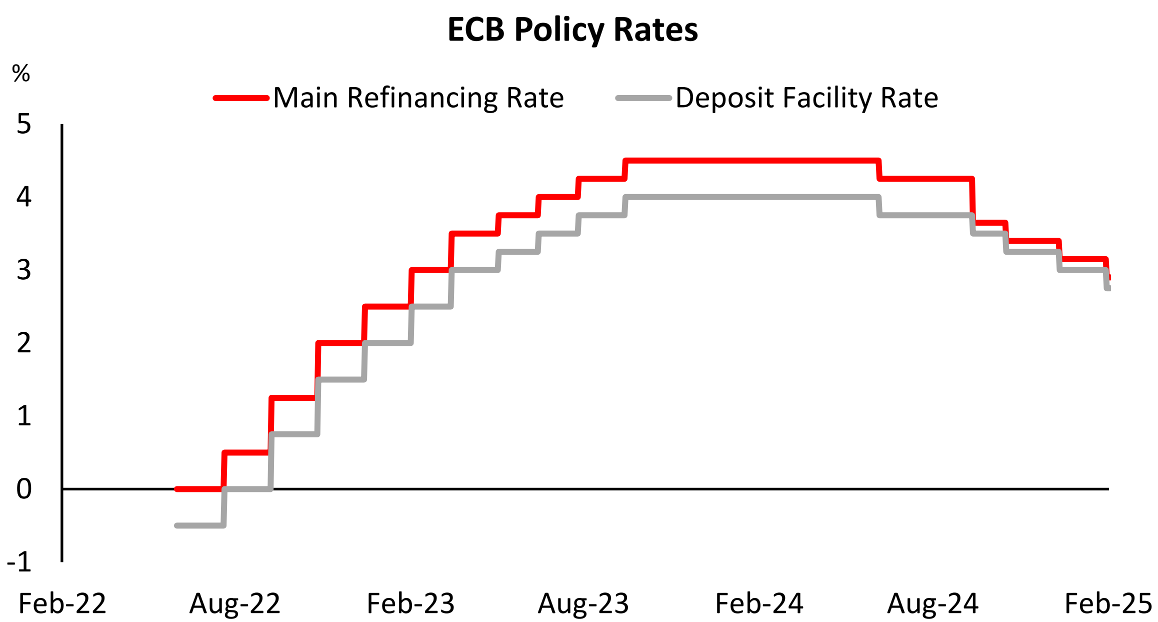


Source: Bloomberg, OCBC.

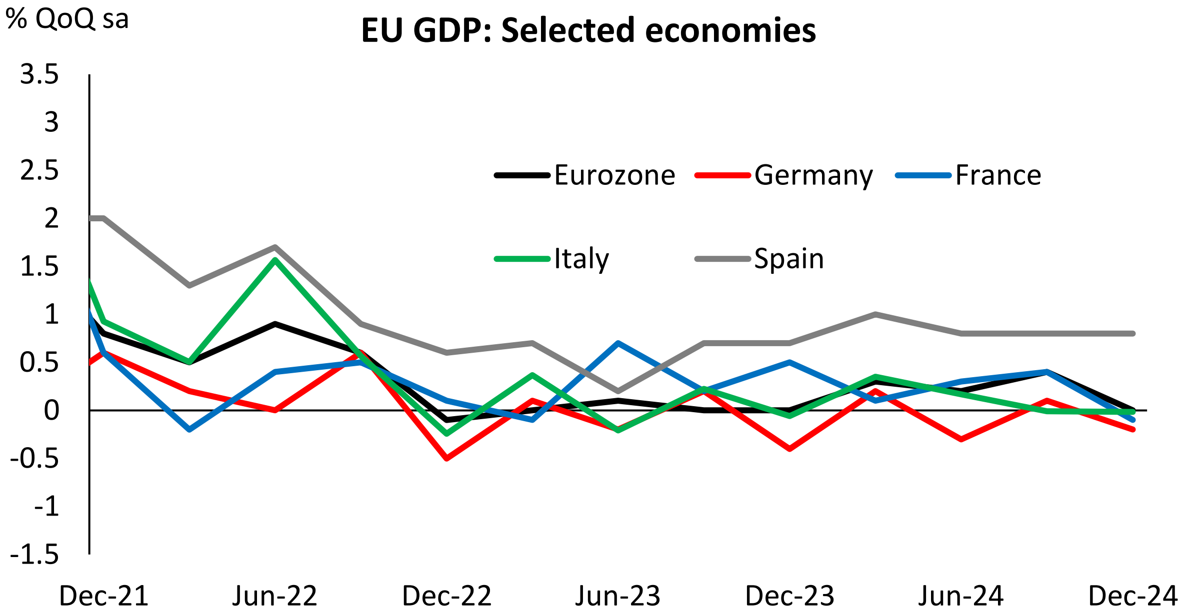
OCBC Source: Bloomberg, OCBC

Euro Area: ECB trims policy rates by 25bp

- The ECB trimmed its policy rate by 25bp, in line with expectations. President Christine Lagarde stated that the disinflationary process remains on track and expresses optimism for a rebound in demand. However, she also acknowledged the prevailing near-term weakness within the Eurozone economy - an assessment that has remained largely unchanged since the December meeting. In her remarks, Lagarde stated that there has been no discourse at which the ECB might cease its rate cuts, suggesting the notion that rates are still in restrictive territory.
- For 2025, we expect the ECB to deliver 50bp cuts, as the current outlook for the Eurozone remains particularly fragile, with the largest economies, Germany and France, experiencing negative growth.



Source: ECB, Bloomberg, OCBC.

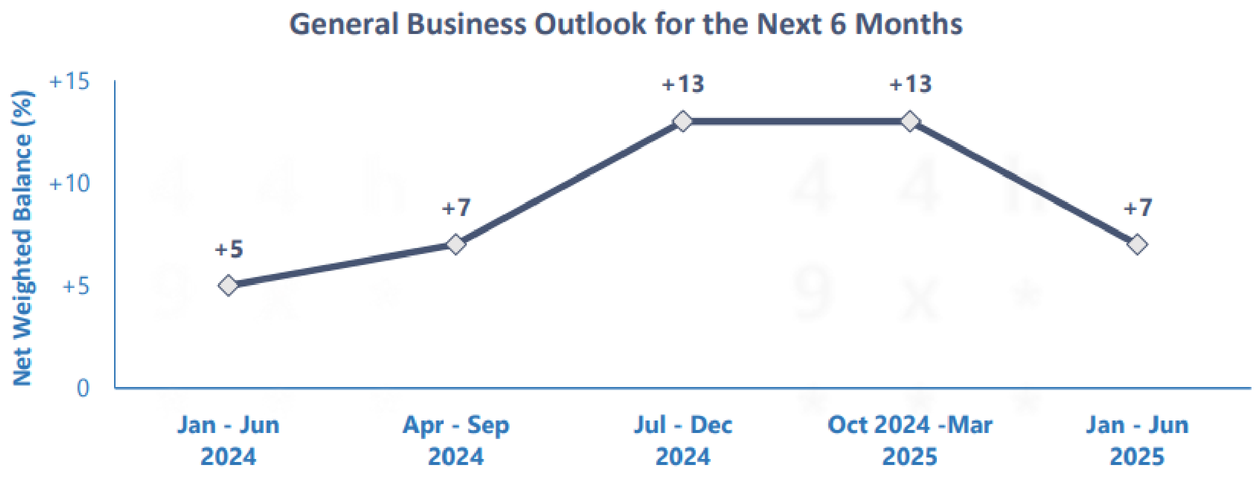


Source: Bloomberg; OCBC.

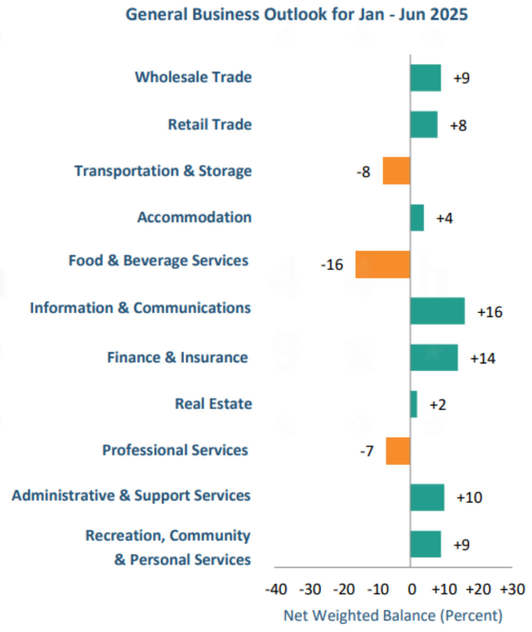
Source: Bloomberg, OCBC.

Singapore: 1H25 Business Expectations

- A net weighted balance of manufacturing firms anticipating a stronger 1H25 rose from 10% (three months ago) to 16%, whereas that for services firms dipped from 13% to 7%, according to the latest business expectations surveys.
- The most upbeat manufacturing industries were electronics (25% aided by semiconductors), transport engineering (24%, aided by aerospace and followed by marine & offshore activities), followed by general manufacturing (16%) whereas the biomedical cluster was the weakest link (1%). For services, the most optimistic were infocomms (16%) and finance & insurance (14%), whilst most pessimistic were F&B services (-16%), transportation & storage (-8%), and professional services (-7%).



Source: Singstat



Source: Singstat

Source: Singstat, OCBC.

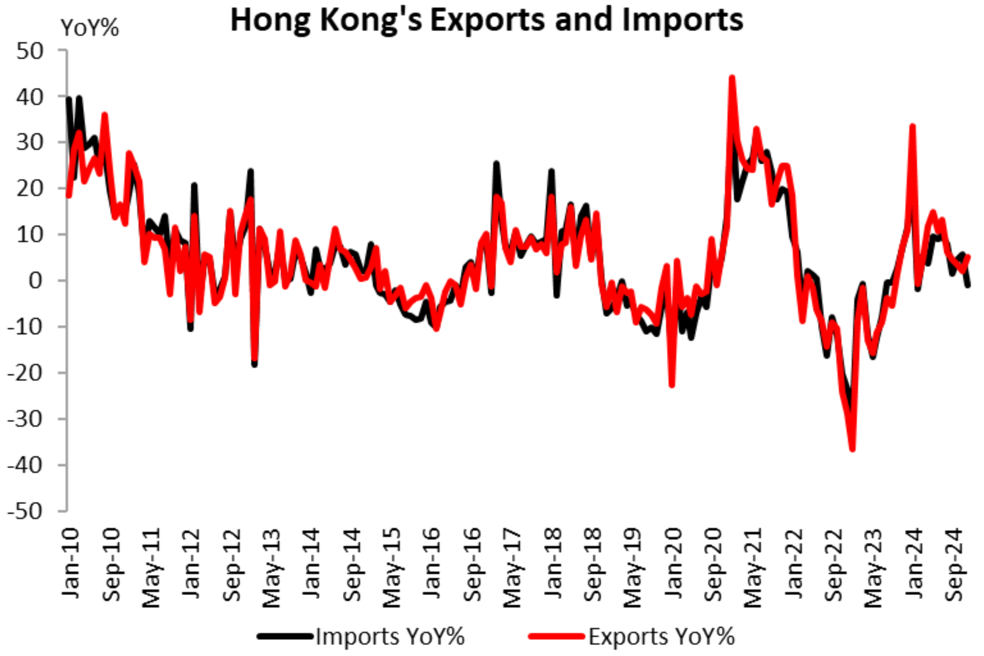
China: Impact of trade war 2.0

- Compared to our November 2024 assumptions, two key unexpected developments have emerged. First, Trump invoked the International Emergency Economic Powers Act (IEEPA) to implement the tariffs immediately, rather than using Section 301 as in Trade War 1.0. This accelerates the direct impact on China, with effects starting as early as Q1 2025, rather than later in the year. Second, the imposition of higher tariffs on U.S. neighbors introduces indirect effects that are more difficult to quantify. Mexico has become an increasingly important assembly hub for Chinese goods destined for the U.S., meaning tariffs on Mexican and Canadian exports will likely reduce demand for Chinese intermediate and capital goods. Additionally, a tariff-induced global economic slowdown could further weigh on China's trade outlook, though the full impact remains uncertain.
- While the immediate risks are evident, China may also find opportunities in the broader application of tariffs. Higher tariffs on Canada and Mexico may force U.S. firms to seek alternative suppliers. Given China's entrenched role in global supply chains post-Trade War 1.0, it could indirectly benefit from increased demand for alternative sourcing in sectors where Mexican and Canadian exports face headwinds. Additionally, as Canada and Mexico respond with retaliatory tariffs, China's negotiating position with the U.S. may strengthen, and it could also acquire U.S. goods at discounted prices, further enhancing its strategic economic leverage.
- Considering both direct and indirect effects, we estimate that the latest tariff announcements may lower China's GDP growth by 0.2%–0.3% in 2025. The full impact of the tariffs—originally expected in 2026—will now likely be brought forward to 2025 due to earlier-than-expected implementation.

Source: Bloomberg, OCBC

Hong Kong: Export outlook clouded by the tariffs

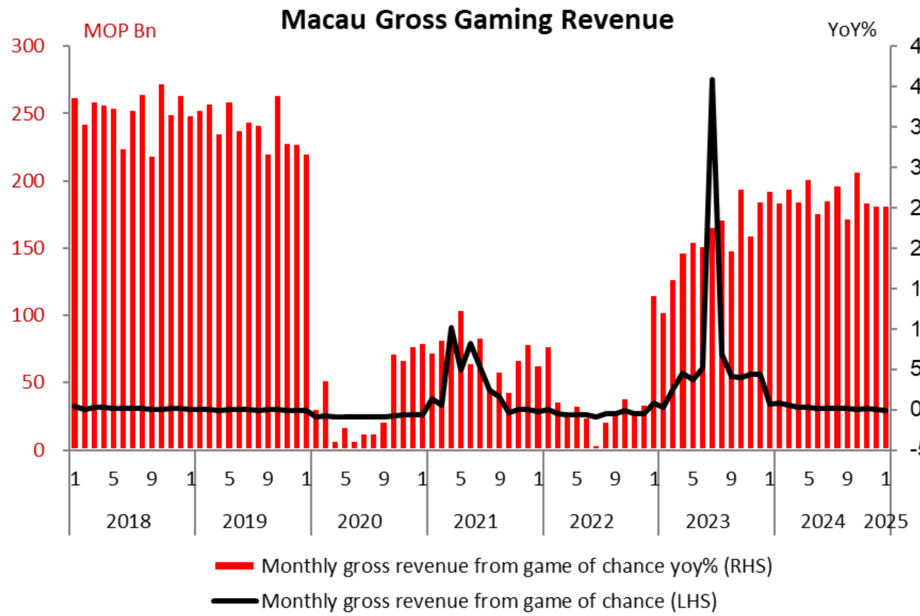
- Growth of merchandise exports picked up to 5.2% YoY in December, partly due to the front-loading of exports, while that of imports fell by 1.1% YoY (+2.1% YoY and +5.7% YoY respectively in November). During the period, trade deficit narrowed to HK$34.5 billion, from that of HK$43.4 billion in November.
- For 2024 as a whole, Hong Kong's merchandise exports and imports grew by 8.7% YoY and 6.0% YoY respectively, after two consecutive years of decline. On quarter-to-quarter terms, the value of merchandise exports and imports decreased by 1.1% and 0.6% respectively on a seasonally adjusted basis.
- Looking forward to the remainder of 2025, Hong Kong's trade performance is expected to weaken further, partly due to the high base effect and heightened trade tensions.



Source: HK Census and Statistics Department, OCBC

Macau: A slow start to the year for the gaming sector

- Macau's gross gaming revenue rose marginally by 0.3% MoM (-5.6% YoY) to MOP18.25bn in January 2025, indicating a slow start to the year despite the Chinese New Year effect.
- Looking ahead to 2025, gross total gaming revenue is expected to refresh post-Covid high. Yet, with the normalised base, year-on-year growth should fall to a mid- to high single digit figure (5%-8% according to our in-house forecast). According to the annual budget, the Macau government projected the gaming revenue to increase further to MOP240.0 billion in 2025 (+5.8% YoY).
- Separately, Macau's visitor arrival has reached a post-COVID daily high, at 219,092, during the Chinese New Year holiday period. The average daily arrival number was at around 170,000 for the eight-day Chinese New Year holiday in 2024.



Source: DICJ, OCBC

India: FY26 Budget – Consolidation and Consolation

- The budget announcement for fiscal year 2025-26 (i.e., April 2025 until March 2026 and from here referred to FY26), announced on 1 February 2025, showed that the fiscal consolidation targets had been achieved as we had expected.
- But the quality of consolidation remains a source of consolation rather than confidence.
- The Reserve Bank of India (RBI) is beset with its own challenges of tight banking sector liquidity amid the need to lower its policy rate. We still expect a 25bp cut by RBI at its 7 February meeting.

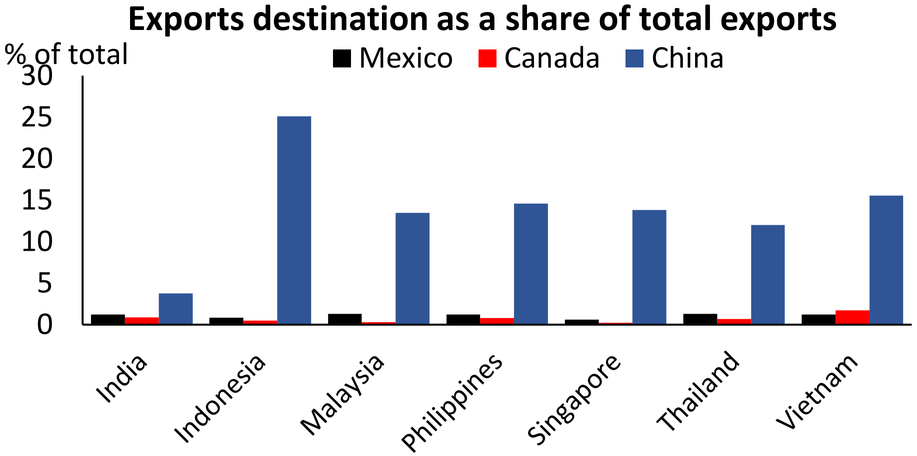
INR crores	2023-24 (Actuals)	2024-25 (BE)	2024-25 (RE)	2025-26 (BE)	%YoY	2023-24 (Actuals)	2024-25 (BE)	2024-25 (RE)	2025-26 (BE)
1. Revenue Receipts	**2729036**	**3129200**	**3087960**	**3420409**		**14.5**	**14.7**	**13.2**	**10.8**
Tax Revenue (Net to Centre)	2327251	2583499	2556960	2837409		10.9	11.0	9.9	11.0
Non-Tax Revenue	401785	545701	531000	583000		40.8	35.8	32.2	9.8
Capital Receipts	1714411	1691312	1628527	1644936		-5.3	-1.3	-5.0	1.0
Recovery of Loans	26646	28000	26000	29000		1.9	5.1	-2.4	11.5
Other Receipts	33122	50000	33000	47000		-28.1	51.0	-0.4	42.4
Borrowings and Other Liabilities	1654643	1613312	1569527	1568936		-4.8	-2.5	-5.1	0.0
Total Receipts	4443447	4820512	4716487	5065345		6.0	8.5	6.1	7.4
9. Total Expenditure	**4442542**	**4820512**	**4716487**	**5065345**		**5.9**	**8.5**	**6.2**	**7.4**
On Revenue Account	3494252	3709401	3698058	3944255		1.2	6.2	5.8	6.7
Interest Payments	1063872	1162940	1137940	1276338		14.6	9.3	7.0	12.2
Grants in Aid for creation of capital assets	303916	390778	299891	427192		-0.8	28.6	-1.3	42.4
On Capital Account	949195	1111111	1018429	1121090		28.3	17.1	7.3	10.1
Effective Capital Expenditure	1253111	1501889	1318320	1548282		19.8	19.9	5.2	17.4
Fiscal Deficit	**1653738**	**1613312**	**1569527**	**1568936**					
%GDP	-5.6	-4.9	-4.8	-4.4					

Source: Ministry of Finance, India; OCBC.

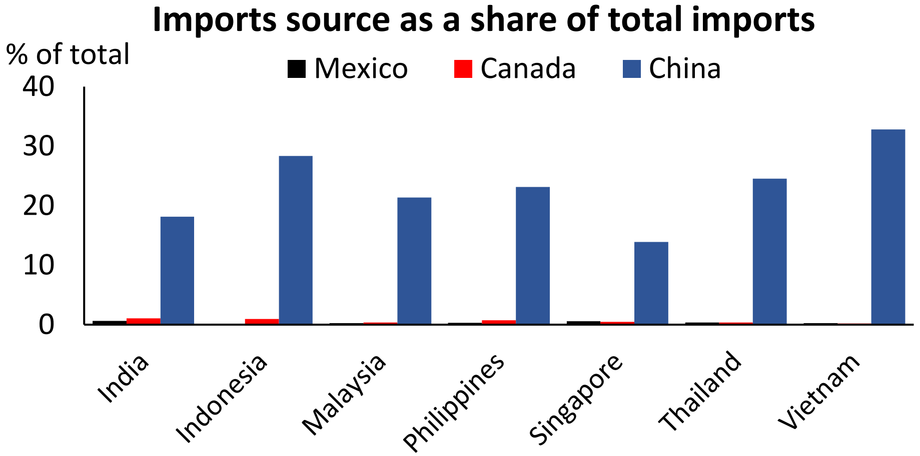
Source: Ministry of Finance, OCBC.

ASEAN: US tariff impact on ASEAN

- The direct of US tariffs on Mexico and Canada for the ASEAN and Indian economy is fairly limited. The trade channel impact is low given the direct shares of exports to and imports from Mexico and Canada are lower than the bigger trading partners of the US, EU and Japan. The impact of higher tariffs on Mainland China means modestly weaker growth for China and subsequently some weakness in demand for ASEAN and India exports.
- However, this is likely to be offsets from the investment channel especially since the magnitude of tariffs at 10% is significantly lower than 60% which US President Trump had alluded to previously. Higher tariffs on China's exports to the US will support the ongoing supply chain diversification in the region. This implies that FDI outflows from China into the ASEAN countries will continue to remain robust.
- On balance, we expect the economic growth impact from this round of tariffs to be minimal for ASEAN and India. We maintain our 2025 and 2026 GDP growth forecasts but acknowledge that the downside risks to growth are intensifying.



Note: The latest data is as of 2023, except for Vietnam, which is based on 2022 data. Source: UN Comtrade, OCBC Calculation.



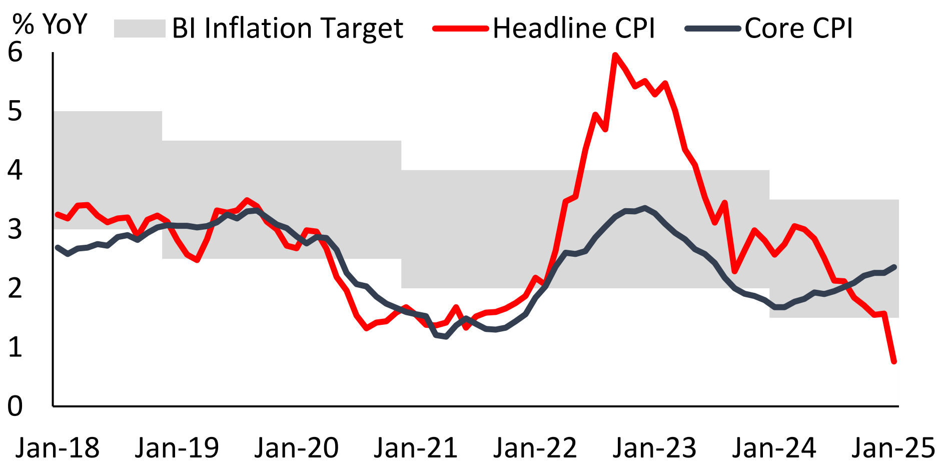
Note: The latest data is as of 2023, except for Vietnam, which is based on 2022 data. Source: UN Comtrade, OCBC Calculation.

Source: BI, BPS, CEIC, OCBC.

Indonesia: Lowest inflation since 2000

- Headline CPI eased significantly to 0.8% YoY in January 2025 (vs Consensus: 1.9%, OCBC: 1.8%) from 1.6% in December 2024, marking the lowest reading since January 2000, according to Statistics Indonesia (BPS).
- Meanwhile, the core print rose slightly to 2.4% YoY from 2.3% in December, largely reflecting elevated gold prices. Looking at the drivers, the lower CPI reading was primarily led by an 8.8% deflation in the 'housing, water, electricity & other fuel' category from 0.6% in December, which contributed -1.4 percentage points (pp) to the headline numbers, versus a 0.1pp contribution in the previous month.
- This was mainly due to a 50% temporary electricity tariff discount effective in January and February 2025. This has more than offset the uptick in the 'food, beverage, and tobacco' CPI (3.7% YoY from 1.9% in December), with its contribution rising to 1.1 pp to the headline print from 0.5 pp in the previous month, on account of higher prices for red chili, rice, eggs, and proteins.

Indonesia: Headline and core CPI



Source: Statistics Indonesia (BPS), Bloomberg, OCBC.

Source: BI, BPS, CEIC, OCBC.

Philippines: Lower GDP growth in 4Q24

- GDP growth surprised to the downside, holding steady at 5.2% YoY in 4Q24. For 2024, the Philippine economy rose marginally higher to 5.6% YoY versus 5.5% in 2023.The demand side drivers were mixed. Government spending rebounded in 4Q24 while investment spending slowed after two consecutive quarters of double-digit growth rates. Meanwhile, household spending growth eased to 4.7% YoY versus 5.2% in 3Q24 as economic activities may have been affected by destructive storms in 4Q24. Imports growth slowed to 3.2% YoY versus 6.4% in 3Q24, while exports growth of goods and services rebounded to 3.2% YoY versus -1.4% in 3Q24 as strong services exports more than offset the continued underperformance in goods export growth.
- We maintain our 2025 GDP growth forecast of 6.0% YoY, implying a strong rebound in 1Q25 growth, driven by robust and improving household spending and higher investment spending. With growth registering a slower pace of expansion and further evidence of disinflation, this will provide room for the BSP to deliver another 25bp cut at its 13 February meeting. We expect the policy rate to be at 5.50% by end-2025.

%YoY, unless stated	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Real GDP growth	7.1	6.4	4.3	6.0	5.5	5.8	6.4	5.2	5.2
Demand-side									
Household Final Consumption Expenditure	7.0	6.4	5.5	5.1	5.3	4.6	4.7	5.2	4.7
Government Final Consumption Expenditure	3.6	6.2	-7.1	6.7	-1.0	1.7	11.9	5.0	9.7
Gross Fixed Capital Formation	6.2	10.9	4.3	8.2	10.2	2.1	9.7	7.6	4.8
Exports of Goods and Services	14.4	1.1	4.7	2.5	-2.5	8.4	4.2	-1.4	3.2
Imports of Goods and Services	7.2	4.2	-0.6	-1.6	2.0	2.2	5.3	6.4	3.2
Supply-side									
Agriculture, Forestry & Fishing	-0.3	2.2	0.2	0.9	1.3	0.5	-2.3	-2.7	-1.8
Manufacturing	3.8	2.2	1.0	1.9	0.5	4.4	3.9	3.0	3.1
Construction	6.5	11.0	3.5	14.5	8.4	7.0	16.1	9.0	7.8
Services	9.8	8.3	6.0	6.8	7.4	6.9	6.8	6.3	6.7

Source: Philippines Statistics Authority, CEIC, OCBC.

FX & Rates

FX & Rates: Tariff Hurts

- **DXY.** Trump's ignition of trade war undermined sentiments and tariffs may undermine global trade, growth, sentiments and pose risks of inflation for US. This may derail its disinflation journey and imply fewer Fed cuts in 2025/26. Further hawkish re-pricing alongside risk-off sentiments will keep USD supported in the interim, with little expectations for a deal or truce. Hence any USD dips may be shallow for now. On Asian FX, we expect policymakers to step in to smooth excessive volatility. But more broadly in consideration of tariffs on Canada, Mexico and to some extent China, as well as Trump setting expectations for tariffs to hit European Union at some point. Alongside high-beta FX (AUD, NZD), we would also expect CAD, MXN, EUR, RMB and RMB-proxy such as KRW, THB, MYR to come under pressure. On the other hand, FX that are more domestic-oriented (less open trade, lower correlation with RMB) such as PHP and typical safe haven proxy, such as JPY, CHF and gold may be less affected.

- **USD Rates.** Tariff news over the weekend drove yields higher; bond reaction has narrowed somewhat as of writing with long-end yields even a tad lower. USTs benefitted from some safe haven flows in the previous days when tariff threats came, in a lighter form. Now given higher oil and other commodity prices, inflation fear likely dominates and inflation worries may be more reflected at the front-end i.e. denting expectation for rate cuts, than at the long end where there may be growth concern at play – note 10Y real yield has retraced from recent peak. Net-net, near-term reaction is likely a bearish flattening of the curve; we do however note that the 2Y breakeven is elevated after the steady increases over past months which suggests potential inflation impact of tariffs is partially in the price.

- **EURUSD.** EUR may continue to face downward pressure on a few factors: 1/ stagnation in the Euro-area; 2/ risk that ECB may need to cut below neutral to support growth; 3/ rise in energy costs; 4/ tariffs hitting Europe's exports when growth is already stagnating.

ESG

ESG: Trump's potential impact on Indonesia's downstream mining sector

- Trump has revoked a 2021 executive order signed by Biden that sought to ensure 50% of all new vehicles sold in the US by 2030 were electric, which won the support of US and foreign automakers. Trump will be halting the distribution of unspent government funds for vehicle charging stations from a US$5 bn fund and is considering ending EV tax credits. There are also plans to terminate state emissions waivers that function to limit sales of gasoline-powered automobiles.
- Trump's rollback on EV incentives under the Inflation Reduction Act (IRA) could discourage US automakers from investing in nickel smelters and battery plants in Indonesia. This can impact the demand for critical minerals crucial to the EV ecosystem, potentially reinforcing China's influence over Indonesia's nickel downstream sector. Indonesia, as the world's largest nickel producer and a significant producer of other minerals like cobalt, is also expected to strengthen EV-related ties with other countries like Japan and South Korea.
- Similarly, reduced US presence in the clean energy sector presents an opportunity for countries with established clean energy capabilities, e.g. China, to capitalise on US and global market demands. China's solar module export trajectory is expected to continue growing even with higher US tariffs on Chinese clean energy products, as Europe and Asia are key export regions for China's solar modules.
- The US has also exited from its role as a co-leader alongside Japan in Indonesia's Just Energy Transition Partnership (JETP), which aims to mobilise about US$20bn in loans and grants from developed nations to accelerate its transition away from coal. However, the JETP has made little progress since being signed in 2022, because of factors such as the lack of appetite among international financial institutions to fund early coal plant retirements.

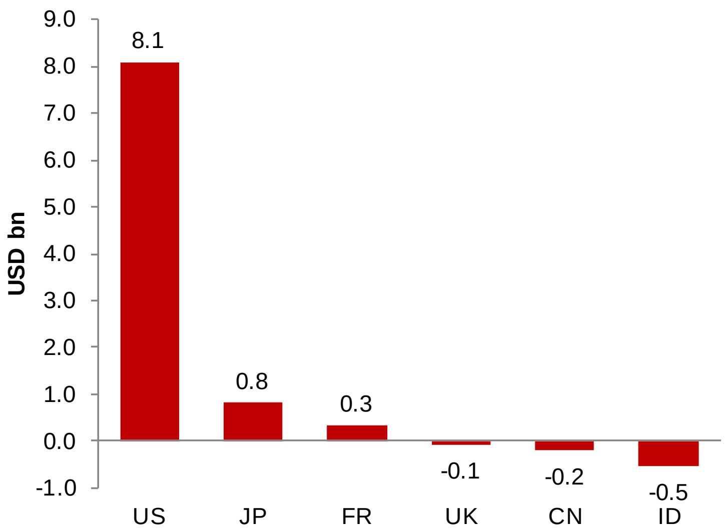
Source: Reuters, OCBC

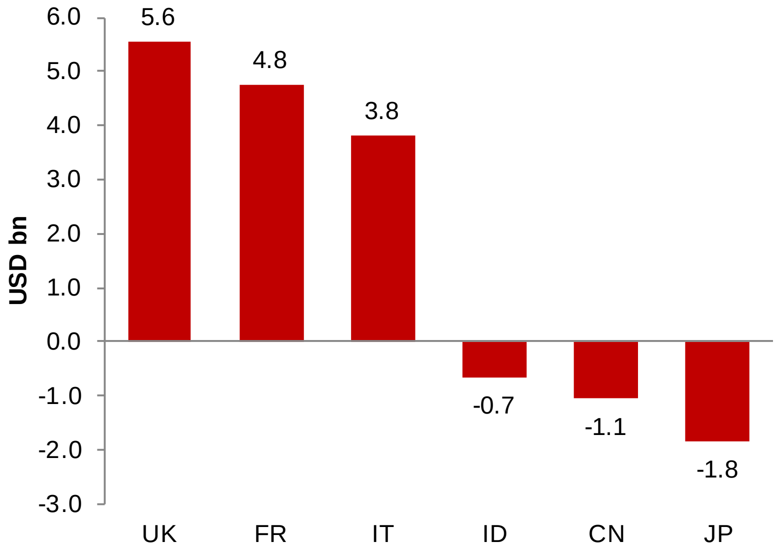
Asset Flows

Global Equity & Bond Flows

- Global equity markets saw net inflows of $23.9bn for the week ending 29 January 2025, a decrease from the inflows of $5.9bn last week. Global bond markets reported net inflows of $13.3bn, an increase from last week's inflows of $11.3bn.
- Global bond markets reported net inflows of $17.5bn, an increase from last week's inflows of $13.3bn.

Equity top gainers & losers	Bonds top gainers & losers

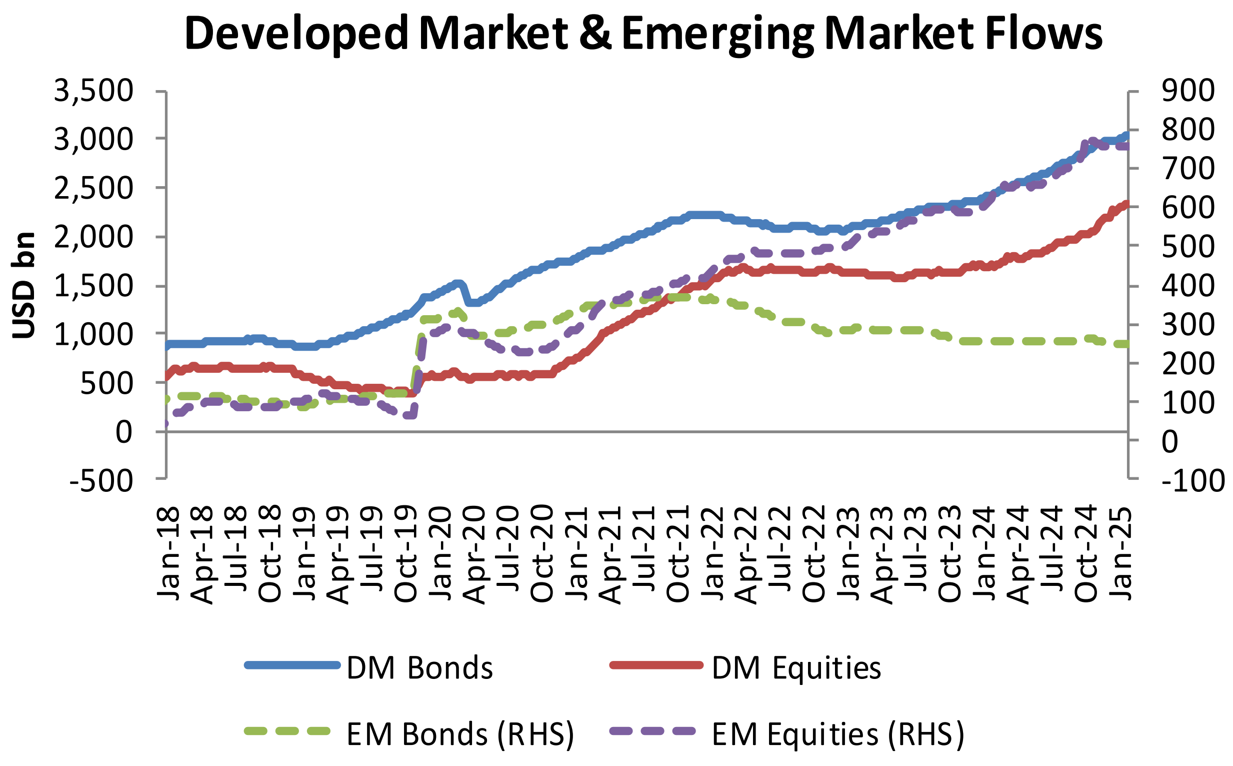




Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($22.8bn) saw inflows and Emerging Market Equities ($1.01bn) saw inflows.
- Developed Market Bond ($15.7bn) saw inflows and Emerging Market Bond ($1.7bn) saw inflows.



Source: OCBC, EPFR

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