Weekly Macro Views (WMV)

Global Markets Research & Strategy

3 March 2025

Weekly Macro Update

Key Global Data for this week:

3 March	4 March	5 March	6 March	7 March
• **CH** Caixin China PMI Mfg • **US** ISM Manufacturing	• **JN** Jobless Rate • **AU** Retail Sales MoM • **SK** Industrial Production YoY	• **SK** GDP YoY • **AU** GDP YoY • **TH** CPI YoY • **US** Durable Goods Orders • **PH** CPI YoY	• **EC** ECB Deposit Facility Rate • **MA** BNM Overnight Policy Rate • **US** Initial Jobless Claims • **SK** CPI YoY • **VN** CPI YoY	• **US** Change in Nonfarm Payrolls • **US** Unemployment Rate • **CA** Unemployment Rate • **EC** GDP SA YoY

Summary of Macro Views:

Global	• **Global:** Central Banks, • **Global:** New tariff threats • **US:** Easing of PCE in January • **US:** Initial jobless claims highest in 5 months
Asia	• **SG:** Personal Disposable Income grew 9.9% YoY • **SG:** Business Receipts Index increased 8.5% YoY • **CH:** PMI improved post CNY holiday • **CH:** Waiting for the upcoming Two Sessions • **HK:** Budget - Everything in moderation • **MO**: GDP grew by 8.8% YoY in 2024

Asia	• **IN & ASEAN-5:** “Reciprocal Trade and Tariff” implications • **IN:** GDP growth improved in 4Q24 • **ID:** Headline inflation dropped overstated • **ID:** Danantara launched • **MY**: Record investment in 2024; higher PPI in January 2025 • **PH:** Trade starts on solid footing • **TH:** BoT delivers 25bp rate cut • **TH:** Mixed January economic activity
Asset Class	• **Palm oil:** Higher Prices • **FX & Rates:** Consolidation • **ESG:** Simplification of EU carbon border tax rules • **Global Asset Flows**

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Global: Central Banks

Forecast – Key Rates

European Central Bank (ECB)	Bank Negara Malaysia (BNM)
Thursday, 6th March	**Thursday, 6th March**

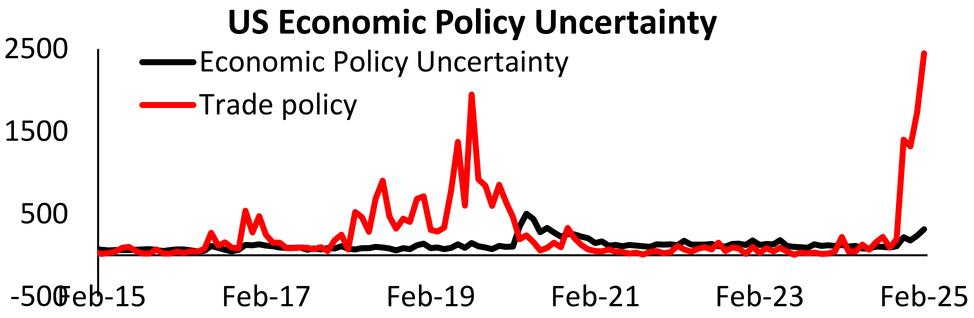
House Views

Deposit Facility Rate	*Overnight Policy Rate*
Likely *cut* by *25bps* from *2.75%* to *2.50%*	**Likely hold at 3.00%**

Source: OCBC, Bloomberg

Global: New tariff threats

- US president Trump threat China with an additional 10% tariff on Chinese goods (on top of the 10% imposed on 4 February) in addition to the 25% tariffs on imports from Mexico and Canada which will take effect on 4 March. President Trump also suggested that new 25% tariffs on the European Union will be announced "very soon" and reiterate that reciprocal tariffs are scheduled for April 2025. Meanwhile, on product specific tariffs, President Trump directed the commerce department on 25 February to being investigation on copper imports, which the findings of the report are due by November 2024. More recently on 27 February, trump announced plans a “25% or higher” tariff on computer chips and semiconductors.
- Meanwhile, the volatile White House meeting between Trump and Ukrainian President Zelensky last Friday (28 February), which scuppered the expected signing of a minerals deal between the US and Ukraine, added to global uncertainties. Nonetheless, President Zelenskiy noted that the minerals deal with the US is “ready” to be signed, speaking to journalists after the European leaders' summit in London on Sunday, March 2. Meanwhile, UK Prime Minister Keir Starmer stated that the UK and France would gather a “coalition of the willing” to draft a peace plan to present to the US.

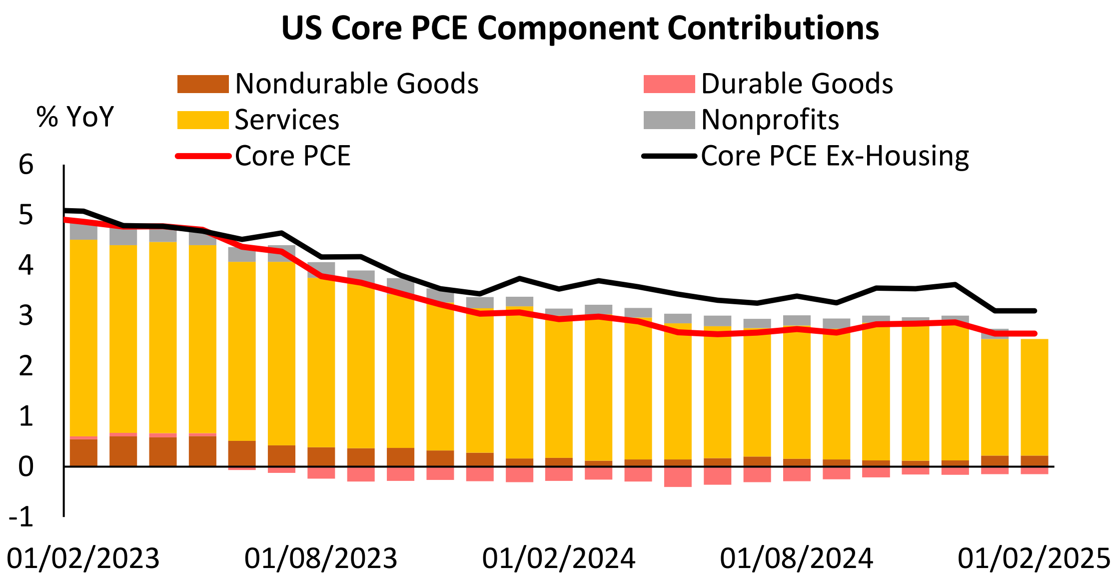


Source: “Measuring Economic Policy Uncertainty” by Scott Baker, Nicholas Bloom and Steven J. Davis at www.PolicyUncertainty.com.

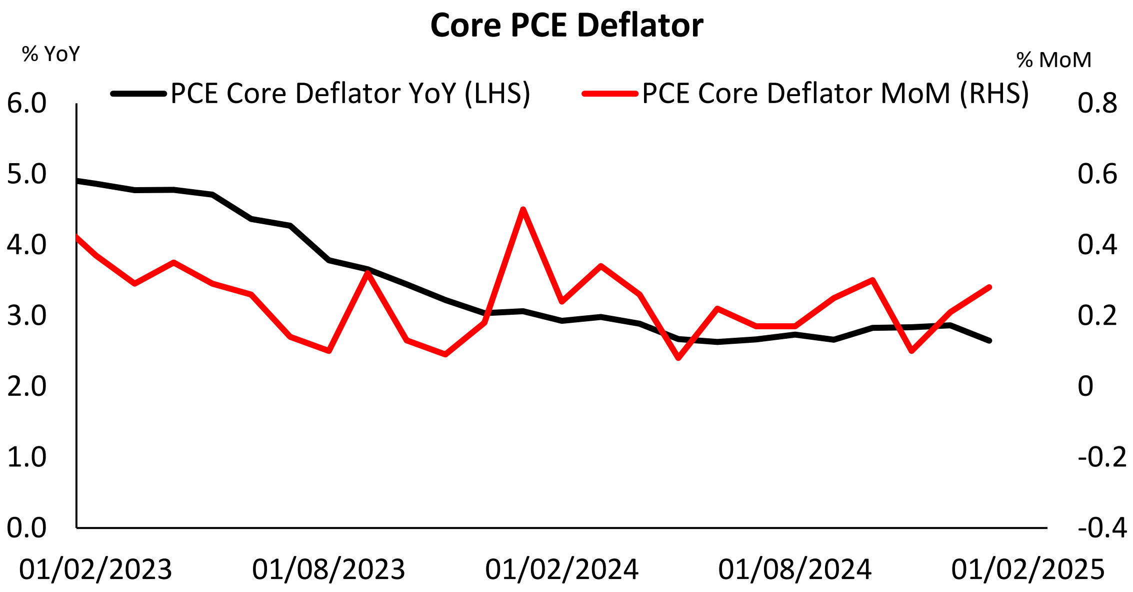
Source: Policy Uncertainty, Various Sources, OCBC.

US: Easing of PCE in January

- Headline PCE eased to 2.5% YoY in January, reversing the increase of 2.6% in December. Similarly, core PCE eased to 2.6% YoY in January versus 2.9% in December. Goods inflation rose by 0.5% MoM in January, ticking up from 0.1% in December. Within this, PCE for nondurable goods increased by 0.6% MoM (December: 0.4%), the second consecutive month of positive price growth while durable goods prices rose by 0.5% MoM from 0.1% in December.
- Services inflation rose by 0.2% MoM in January, slowing compared to the 0.4% increase in December. Housing and utilities PCE inflation rose by a similar 0.3% MoM in January compared to December. Meanwhile, financial and insurance PCE inflation slowed to 0.2% MoM from 0.5% in December.



Source: BEA, Bloomberg, OCBC.



Source: BEA, Bloomberg, OCBC.

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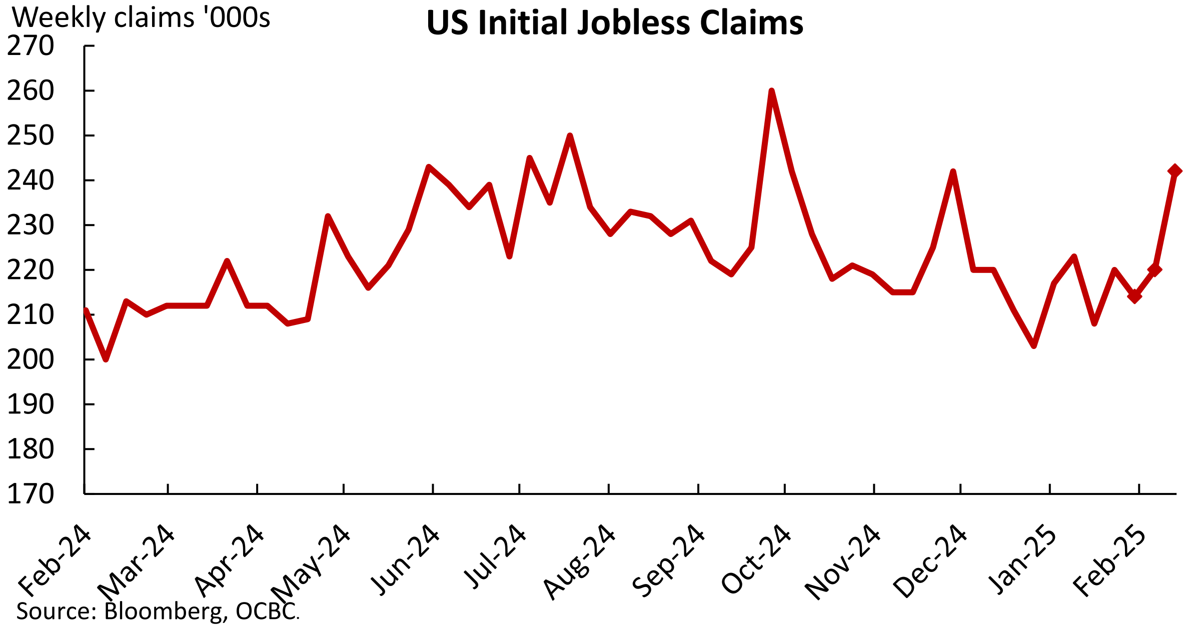
Source: Bureau of Economic Analysis, Bloomberg, OCBC.

US: Initial jobless claims highest in 5 months

- Initial jobless claims registered a new 242K applications for unemployment benefits, the largest increase in 5 months. The print was higher than the consensus of 221K and the previous week print of 220K.
- The jump in the unemployment benefits was likely driven by snowstorms that affected various regions across the country. The claims data does not include federal government employees who were dismissed by the newly formed Department of Government Efficiency (DOGE), as their claims are filed separately under the Unemployment Compensation for Federal Employees (UCFE) program, which reported 614 initial claims.
- The labor market appears to be softening which is supportive of our house view of a more accommodative monetary policy by the Fed with three more 25bp cuts in 2025.



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Source:Bloomberg, OCBC.

Singapore: Personal Disposable Income grew 9.9% YoY

- Nominal personal disposable income increased by 9.9% YoY 4Q24, surpassing the 6.7% increase recorded in 3Q24. This growth is mainly attributed to a stronger increase in employee compensation and government support measures, such as the MediSave Bonus and Retirement Savings Bonus from the Majulah Package, aimed at easing cost of living challenges, covering healthcare expenses, and enhancing retirement savings.
- The personal savings also experienced substantial increases, 19.6% YoY in 4Q24, as compared to the modest 1.2% in the previous quarter. Consequently, the personal saving rate—the ratio of personal savings to personal disposable income—climbed to 37.6% YoY

Nominal Growth in Personal Disposable Income and Saving, Private Consumption Expenditure and Compensation of Employees, and Personal Saving Rate

	1Q 2024	2Q 2024	3Q 2024	4Q 2024
	Year-on-Year Percentage Change			
Personal Disposable Income	6.0	3.4	6.7	9.9
Personal Saving	3.2	-6.5	1.2	19.6
Private Consumption Expenditure	7.6	8.0	9.4	4.8
Compensation of Employees	5.5	4.3	5.0	5.8
	Per Cent			
Personal Saving Rate	36.2	28.8	32.0	37.6

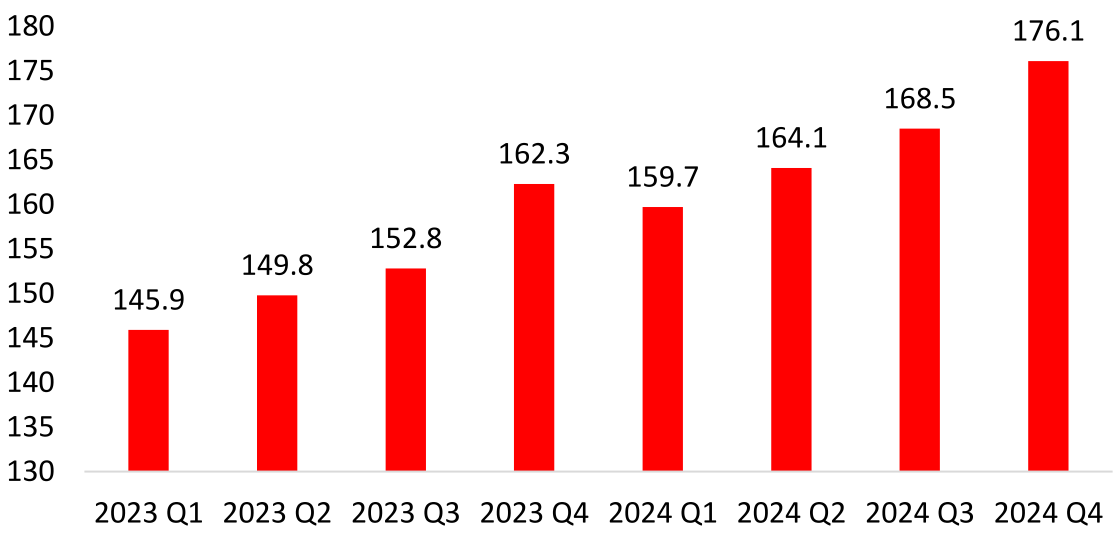
Source: Singstat

Source: Singstat, OCBC

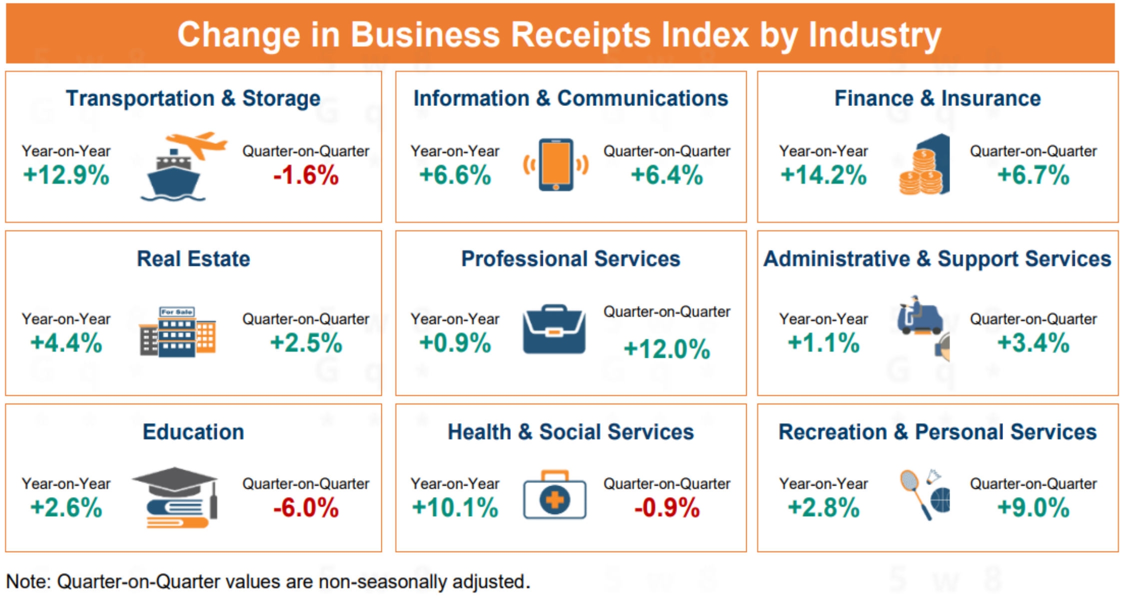
Singapore: Business Receipts Index increased 8.5% YoY

- The business receipts for the services sector (excluding Wholesale Trade, Retail Trade, Accommodation and Food Services) rose 8.5% YoY in 4Q24 (4.5% QoQ nsa).
- The Finance & Insurance Industry registered the highest increase of 14.2% YoY, primarily attributed to robust performance of the banking and fund management sectors. The Transportation and Storage sector experienced growth of 12.9% YoY, primarily fueled by Water Transport, Warehousing, and Freight Transport Arrangement Services. Similarly, the Health and Social Services sector saw a 10.1% rise in revenue, largely due to an increase in medical income.

Business Receipts Index



Source: Singstat, OCBC

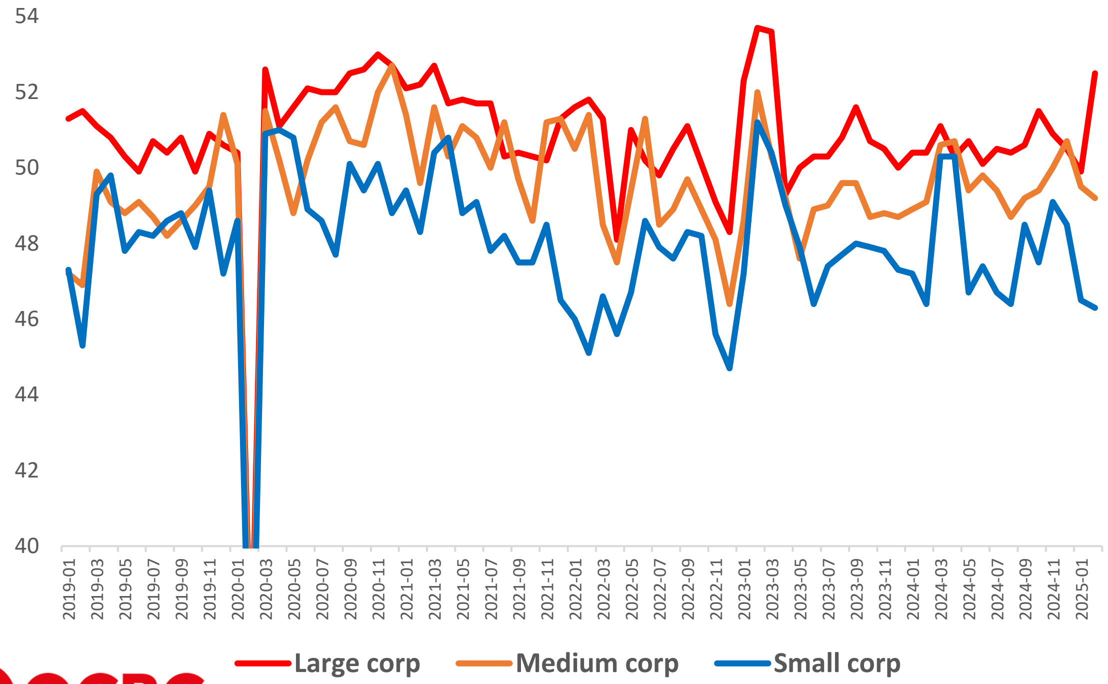


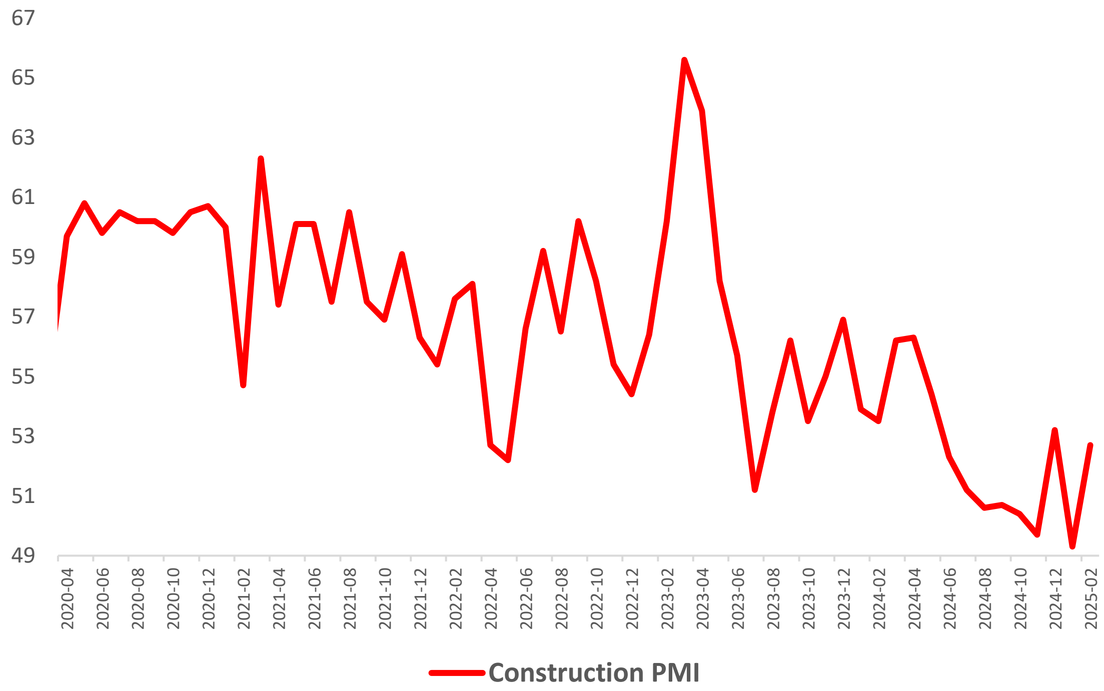
Source: Singstat

Source: Singstat, OCBC

China: PMI improved post CNY holiday

- China's manufacturing PMI rebounded to 50.2 in February, up from 49.1 in January, as activity picked up post-Chinese New Year. Both production and new orders returned to expansion territory, while new export orders surged by over 2 points to 48.6 from 46.4, likely reflecting frontloading activities ahead of potential trade disruptions.
- Non-manufacturing PMI also improved to 50.4 from 50.2, mainly due to a sharp rebound in construction PMI, which climbed from 49.3 to 52.7. However, new orders declined to 46.1 from 46.4, in line with a weakening service PMI, which fell to 50 from 50.3.





Source: Bloomberg, Reuters, OCBC

China: Waiting for the upcoming Two Sessions

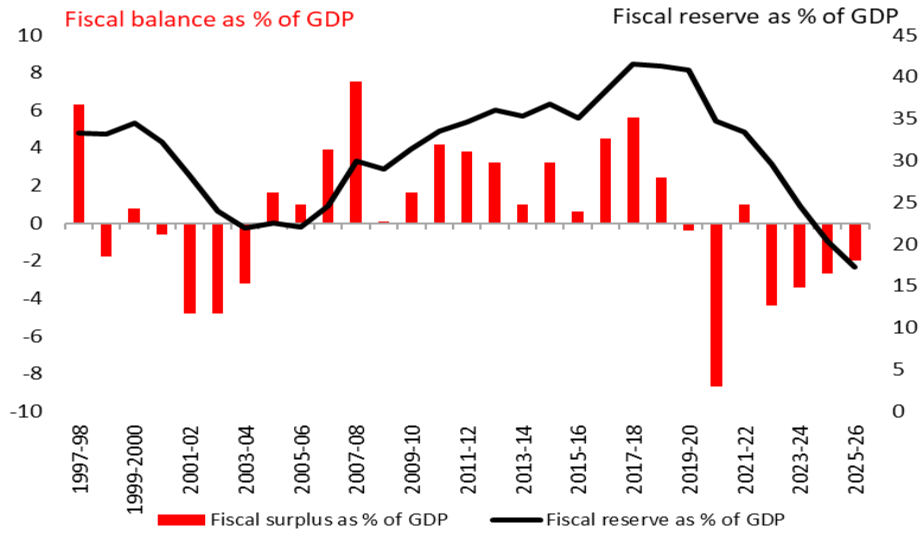
- At the latest Politburo meeting, policymakers reaffirmed their commitment to more proactive and effective macroeconomic policies, focusing on expanding domestic demand, stabilizing the real estate and equity markets, and mitigating external risks. The meeting also emphasized stabilizing expectations and boosting market vitality, reinforcing the December Politburo message on property market stabilization, which sets the tone for the upcoming Two Sessions.
- Consensus is building that China will raise its fiscal deficit target to 4% this year while maintaining its 5% growth target. However, a notable potential shift lies in the inflation target, which may be lowered from 3% to 2%. During the 2025 local Two Sessions meetings, 27 out of 31 provinces revised their inflation targets downward to around 2%. This reflects both a pragmatic response to prolonged low inflation and a shift in policy focus from “inflation prevention” to “economic recovery.” A lower CPI target could shift from being an "upper-bound constraint" to an "expectations-guiding" tool, allowing for greater monetary policy flexibility. With inflationary pressures subdued, this adjustment could provide more room for monetary easing, reinforcing expectations of further policy support.

Source: Bloomberg, Reuters, OCBC

Hong Kong: Budget - Everything in moderation

- The FY2025-26 budget clearly focuses on fiscal consolidation, with a dash of revenue enhancement measures, though all delivered at a moderate pace and restrained manner. Budgeted fiscal deficit would be reduced to HK$67.0 billion (2.0% of GDP), from that of HK$87.2 billion (2.7% of GDP) in FY2024-25. Total bond issuance would increase to HK$150-195 billion, with government debt to GDP ratio maintained at 12-16.5%. Government's plan of balancing the book or returning to surplus would be postponed to FY2028-29.
- A slew of tax concessions or relief measures would be scaled back in the next fiscal year, slashing the total government expenses by an estimated HK$3.8 billion (0.5% of total government expenditure in FY2024-25) alongside cost savings from the adjustment of public transport subsidy schemes and discontinuation of HK$2,500 student grant. On top of that, civil servants would face a pay freeze for the year, while 10,000 posts would be axed in the next two years.
- On revenue enhancement measures, a milder step was taken this year with only adjustment in government fees/charges and piecemeal tax hikes (i.e. increasing air passenger departure tax, imposing boundary facilities fee on private cars etc.). Together, these measures would bring an additional HK$4.2 billion revenue annually (0.7% of total government revenue in FY2024-25).

Fiscal balance and reserve



Source: Hong Kong Financial Services and the Treasury Bureau, OCBC

Hong Kong: Budget - Everything in moderation

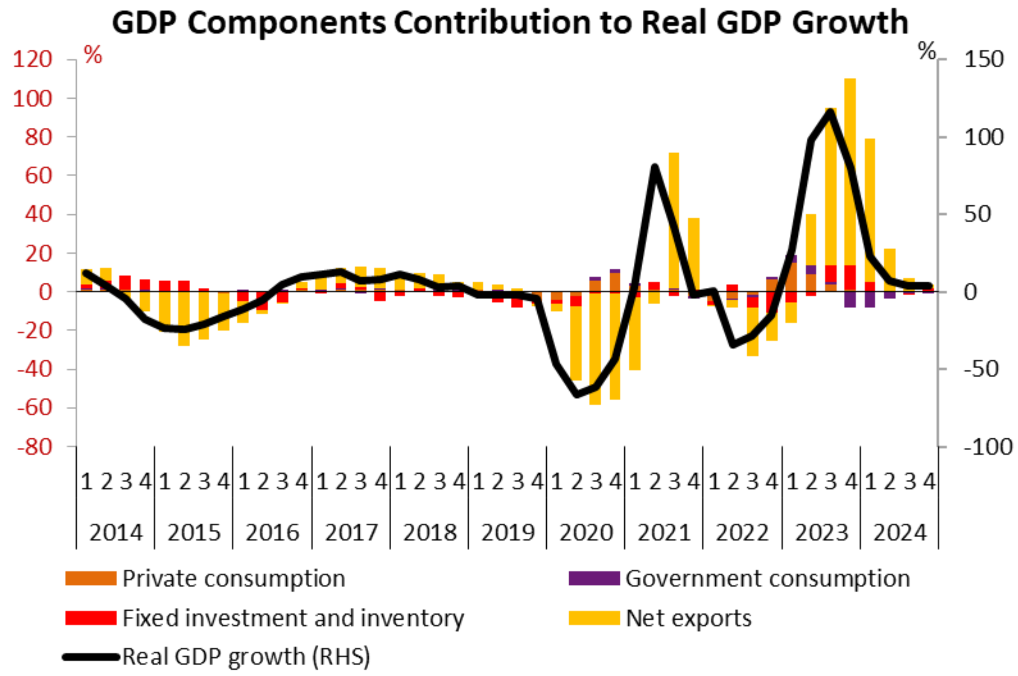
- There were fewer fireworks or sparks in terms of support measures and industry policies in the budget. The government will suspend commercial land plot sales in coming year, and consider rezoning commercial sites to residential use, in a bid to support the struggling commercial property market. On the other hand, maximum of properties chargeable to a nominal stamp duty of HK$100 will be raised from HK$3 million to HK$4 million with immediate effect, benefiting 15% of total property transactions.
- Much like last year, the government vowed to step up efforts to attract talents and enterprises, including enhancing the New Capital Investment Entrant Scheme. Separately, riding on the Deepseek craze, HK$1 billion was earmarked for the establishment of the Hong Kong AI Research and Development Institute. To support fundraising for tech and biotech firms, a dedicated "technology enterprises channel" for listing of tech firms would be taken forward. Meanwhile, a host of measures were also rolled out to support financial, cultural and tourism sectors
- The government's GDP forecast for 2025 was pitched at 2.0%-3.0% (forecast range at 2.5%-3.5% in last year budget), in line with market's median forecast and our in-house forecast of 2.2%. Meanwhile, the headline inflation was tipped at 1.8% (vs. our estimate at 2.0%).

	2024 Actual	Government forecast		Our forecast (2025)
		2025	2026-2029	
Real GDP growth (yoy%)	2.5%	2.0-3.0%	2.9%	2.2%
Headline Inflation (yoy%)	1.7%	1.8%	-	2.0%
Underlying Inflation (yoy%)	1.1%	1.5%	2.5%	-

Source: Budget 2025-26, Hong Kong Financial Services and the Treasury Bureau, OCBC

Macau: GDP grew by 8.8% YoY in 2024

- Macau's real GDP rose by a slower pace of 3.4% YoY in the final quarter last year (3Q: 3.8% YoY), dragged by the moderated growth in exports of services. For 2024 as a whole, Macau's GDP grew by 8.8% YoY (in-house forecast: 9% YoY), rebounding to around 86.4% of the pre-pandemic level in 2019.
- During the final quarter of 2024, growth of exports of gaming services slowed further to 4.3% YoY (3Q: 13.1% YoY), while exports of other tourism services fell by a moderated pace at 6.0% YoY (3Q: -14.5% YoY). Taken together, exports of services grew by a slower pace of 2.1% YoY in 4Q (3Q: 2.5% YoY). On domestic front, the private consumption expenditure recorded modest gain at 2.9% YoY (2Q: 4.3% YoY), amid sustained recovery of local economic activities, coupled with a tight job market. Meanwhile, government consumption reverted to a growth at 6.3% YoY (3Q: -0.6% YoY).
- Macau's real GDP rose by a slower pace of 3.4% YoY in the final quarter last year (3Q: 3.8% YoY), dragged by the We revise downward Macau's annual economic growth to 4.0% in 2025, from the previous estimate of 5%, taking into account the more challenging external environment and lagged recovery in China's outbound tourism. Separately, the unemployment and inflation rate are pitched at 1.7% and 0.8% YoY respectively for 2025.



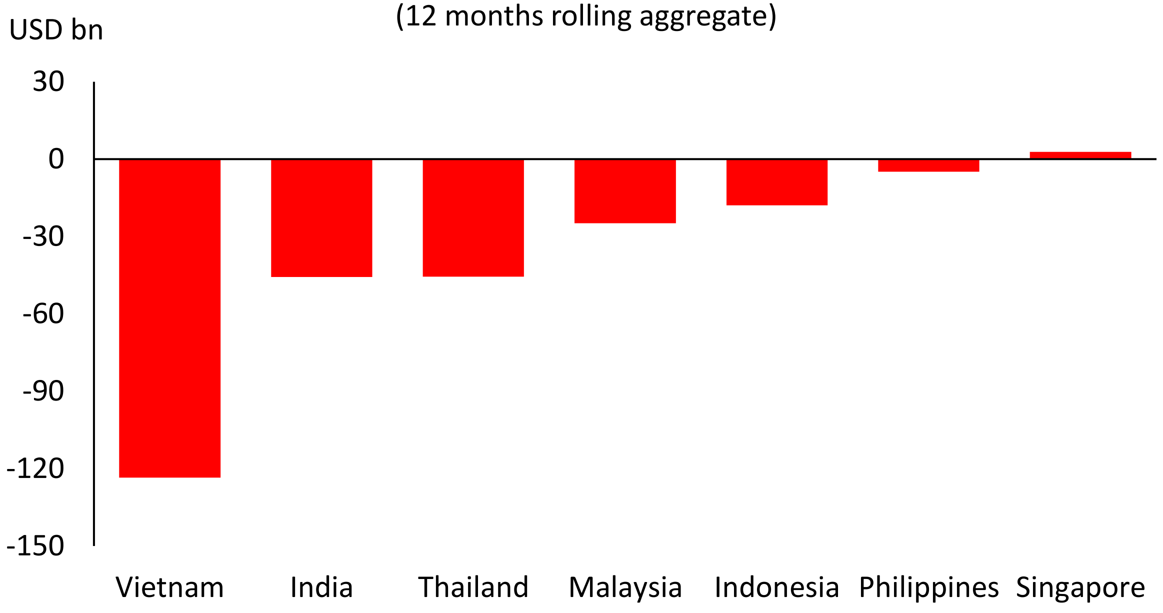
Source: DSEC, OCBC

India & ASEAN-5: “Reciprocal Trade and Tariff” implications

- During his campaign trail, US president Trump had focused on the imposition of blanket tariffs on key trading partners. Our analysis of blanket tariffs on ASEAN showed Vietnam was most exposed, followed by Thailand, Malaysia, Indonesia and the Philippines. In the extreme case, blanket tariffs of 20% along with tariffs on China of 60% can shave off ASEAN growth by 1.3pp and China’s growth by 1pp.
- **On 13 February 2025, the US White House memo on “Reciprocal Trade and Tariff” with more detailed criteria:**
  - Tariffs imposed on US products;
  - “Unfair, discriminatory, or extraterritorial taxes imposed by our trading partners on United States businesses, workers, and consumers, including a value-added tax”;
  - “Costs to United States businesses, workers, and consumers arising from nontariff barriers…”;
  - “Policies and practices that cause exchange rates to deviate from their market value, to the detriment of Americans; wage suppression”; and
  - “Any other practice that… imposes any unfair limitation on market access or any structural impediment to fair competition with the market economy of the United States.”

US trade balance

(12 months rolling aggregate)



Source: US Census Bureau, CEIC, OCBC Calculation. Last updated: 24 February 2025.

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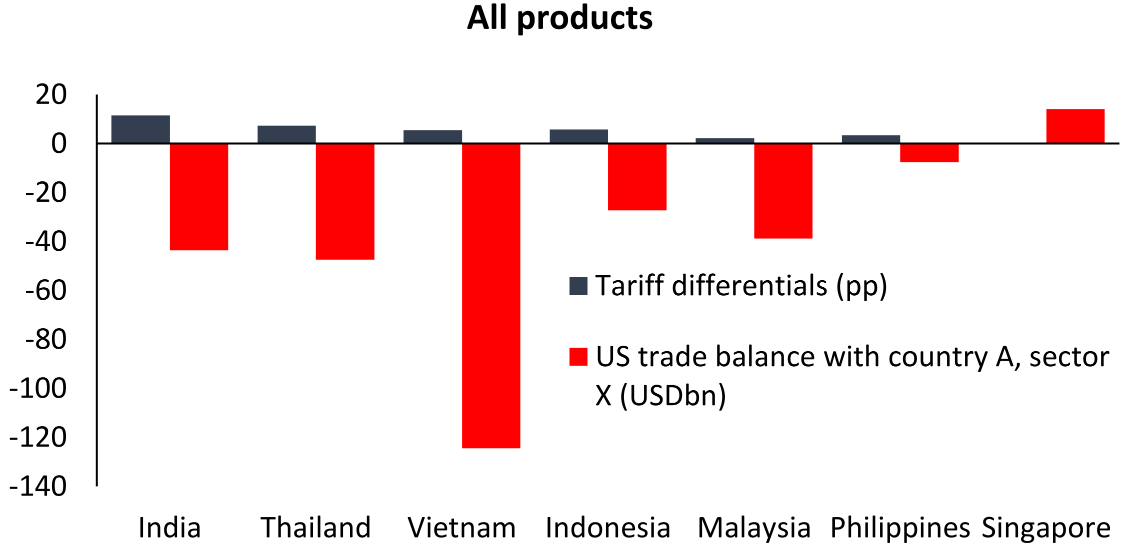
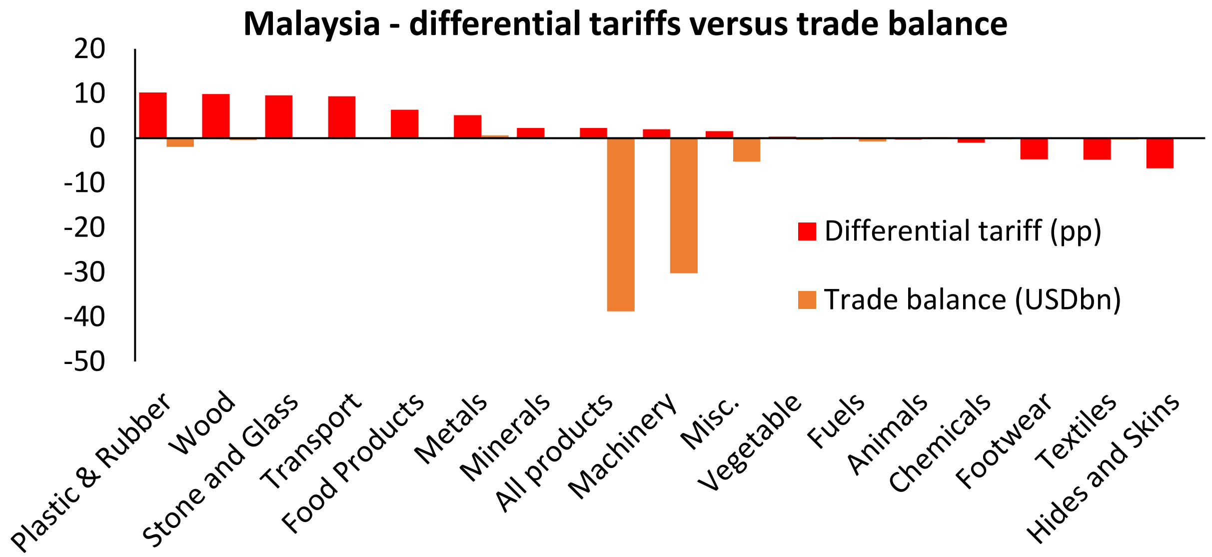
India & ASEAN-5: i. Tariffs imposed on US products (I)

- In our piece, *ASEAN-5 & India: Potential implications of reciprocal tariffs & more,* we analyse the detailed implications of the latest tariff criterion. Vietnam, India, and Thailand are most exposed; next in the pecking order are Indonesia and Malaysia. Singapore needs to be vigilant despite the FTA and close economic-security ties with the US.
- As an example, we look at the differential import tariffs across India and the ASEAN-5 countries for the key sectors. For Malaysia, for example, the tariff differential is minimal with the US for vegetables, fuels, chemicals, and animals. The differential tariffs are the largest for plastics & rubber, wood, stone & glass, as well as transportation. Rubber & wood accounted for 1.5% of total exports in 2024.



Source: WITS, OCBC. Note: Tariffs are based on 2016 calculations, trade balance is from 2022.



Source: WITS, OCBC.

India & ASEAN-5: i. Tariffs imposed on US products (II)

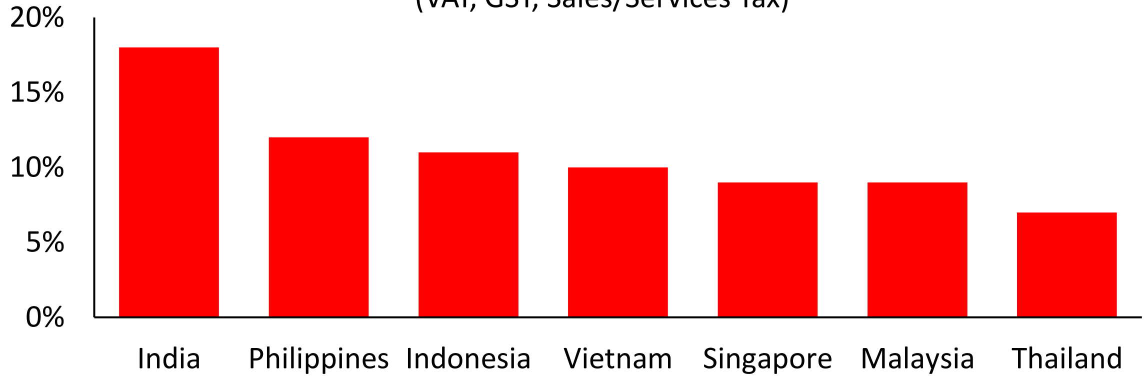
Heat map of sector vulnerabilities by economy and sector																
	Animals	Chemicals	Food Product	Footwear	Fuels	Hides and Skins	Machinery and Electronics	Metals	Minerals	Misc.	Plastic and Rubber	Stone and Glass	Textiles and Clothing	Transport	Vegetable	Wood
India																
Thailand																
Vietnam																
Indonesia																
Malaysia																
Philippines																
Singapore																
	This shows sub-sectors where the differential tariff is above 10pp; US runs a deficit with country A, sector X															
	This shows sub-sectors where the differential tariff is above 5pp; US runs a deficit with country A, sector X															
	This shows sub-sectors where the differential tariff is above 0-5pp; US runs a deficit with country A, sector X															
	US runs a surplus with country A, sector X; not accounting for tariff differentials															
Source: WITS; OCBC.																

India & ASEAN-5: ii. “Unfair, discriminatory, or extraterritorial taxes…”

- It is unclear how this criterion will work in terms of imposing higher bilateral tariffs with US and trading partners.
- The criteria for imposing a broad-based consumption tax, either as the value-added tax (VAT) or the goods and services tax (GST), is usually determined based on domestic macroeconomic considerations.
- Using this as a measure of unfair trade practises will complicate the landscape for India and the ASEAN economies considering the need for such a tax measure to generate fiscal revenues. The US itself does not charge a nationwide GST or VAT.

Broad-based consumption tax rate*

(VAT, GST, Sales/Services Tax)



Source: PwC; KPMG; OCBC. Note:* In the case of multi-tier rates or different rates for sales and services, we take the average or most commonly use rate.

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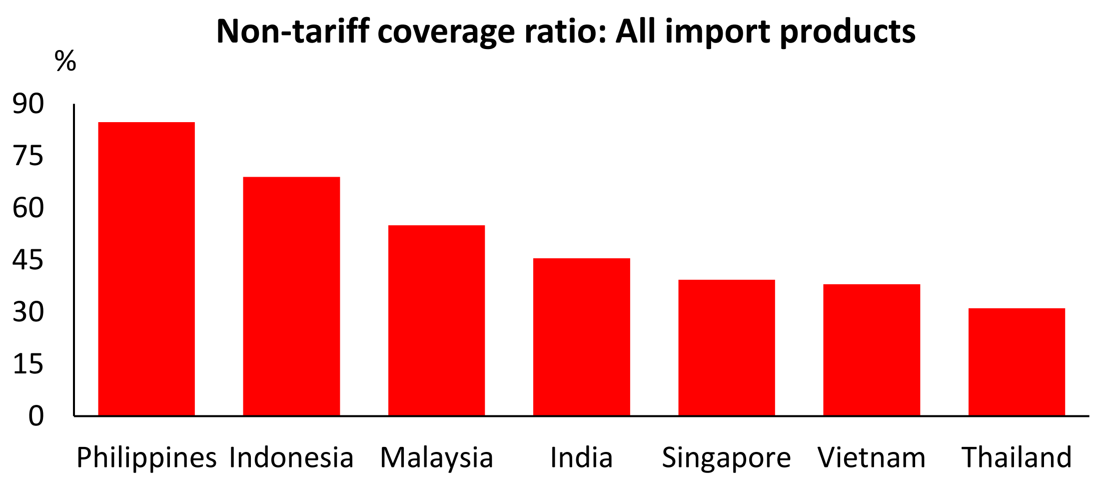
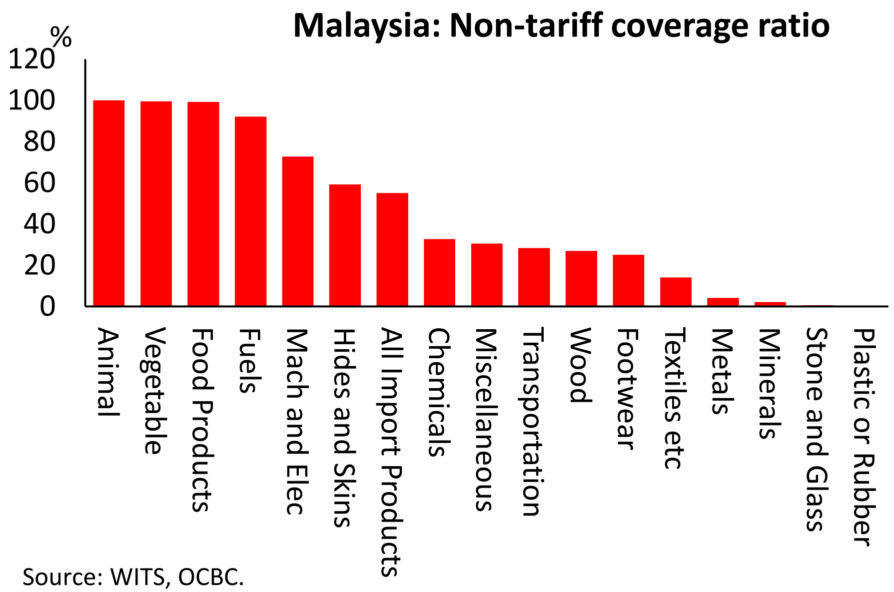
India & ASEAN-5: iii. “Costs to US…non-tariff barriers”

- Non-tariff measures are “regulations like packaging requirements, labelling requirements, quotas on imports that affect trade”, as defined by the World Integrated Trade Solution (WITS). These non-tariff measures (NTM) are relatively elevated for India and the ASEAN region.
- These sectors could be exposed to some sort of additional scrutiny from the US. However, similar to the VAT/GST, the existent of some of these NTMs are a reflection of domestic policy priorities such as prioritising commodity usage, particularly food, for domestic consumption.



Source: WITS, OCBC.



Source: WITS, OCBC.

Note: The coverage ratio is calculated by determining the value of imports of each commodity subject to NTMs, aggregating by applicable HS commodity group, and expressing the value of imports covered as a percentage of total imports in the HS commodity group

India & ASEAN-5: iv. "Policies and practices that cause exchange rates…"

- In its November 2024 bi-annual report to Congress on "Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States", the US Treasury found that no trading partner met all three criteria for enhanced analysis in the current review period of the four quarters through June 2024.
- Seven economies – "China, Japan, Korea, Taiwan, Singapore, Vietnam, and Germany – constitute Treasury's Monitoring List".
- Vietnam being on the list, taken together with the sectoral tariff differentials, VAT and NTMs, likely exacerbate its vulnerability.

Country	FX Intervention			Current Account			Bilateral Trade
	Net Purchases (% of GDP, Trailing 4Q)	Net Purchases (USDbn, Trailing 4Q)	Net Purchases 8 to 12 Months+	Balance (% of GDP, Trailing 4Q)	3 Year Change in Balance (% of GDP)	Balance (USDbn, Trailing 4Q)	Goods and Services Surplus with the US (USDbn, Trailing 4Q)
Canada	0.0	0	No	-0.8	0.0	-18	**31**
Mexico	0.4	7	No	-0.2	-2.8	-5	**159**
China	0.3 — -1.5 *	58 — -267	Yes	1.2**	-0.9	211	**247**
Germany	0.0	0	No	**6.4**	-1.0	296	**88**
United Kingdom	0.0	0	No	-2.2	-0.5	-77	-15
Japan	-1.5	-62	No	**4.2**	0.3	169	**66**
Korea	-0.5	-9	No	**3.7**	-1.7	69	**50**
Ireland	0.0	0	No	**13.5**	4.0	74	13
India	-0.5	-17	No	-0.7	-1.1	-27	**45**
Netherlands	0.0	0	No	**9.8**	0.7	117	-71
Taiwan	-1.4	-11	No	**14.7**	-1.1	114	**57**
Switzerland	-7.4	-68	No	**7.1**	4.3	65	0
France	0.0	0	No	-0.7	-0.2	-21	**17**
Singapore	**9.4**	49	**Yes**	**20.1**	1.9	104	-31
Vietnam	-1.5 ***	-6	No	**5.4**	4.3	24	**112**
Italy	0.0	0	No	1.0	-3.0	23	**47**
Brazil	0.0	-1	No	-1.4	0.1	-32	-25
Australia	-0.2	-3	No	-0.7	-3.6	-12	-34
Thailand	-0.5 ***	-3	No	2.0	1.2	10	**40**
Malaysia	-2.2 ***	-9	No	1.5	-3.2	6	**23**
Memo: Euro Area	0.0	0	No	2.5	-0.3	401	**114**

Note: Current account balance measured using BOP data, recorded in U.S. dollars, from national authorities.

† In assessing the persistence of intervention, Treasury will consider an economy that is judged to have purchased foreign exchange on net for 8 of the 12 months to have met the threshold. Other patterns of intervention, such as less frequent interventions, might also meet the criterion depending on the circumstances of the intervention.

* China does not publish FX intervention, forcing Treasury staff to estimate intervention activity from monthly changes in the PBOC's foreign exchange assets and monthly data on net foreign exchange settlements, adjusted for changes in outstanding forwards. Based on the PBOC's foreign exchange assets data, intervention was persistent. Based on net foreign exchange settlements data, intervention was not persistent.

** Treasury is aware of statistical anomalies that may suggest that China's current account surplus is higher than what is reported in the official balance of payments data. See "Box 1: Anomalies in China's Current Account Data" in the June 2024 Report for more details. For consistency with other data in the Report, official balance of payments data are reported here. Using customs data, China's current account surplus would be 2.7% of GDP.

*** Authorities do not publish FX intervention. Authorities have conveyed bilaterally to Treasury the size of net FX purchases during the four quarters ending June 2024.

Sources: Haver Analytics; National Authorities, U.S. Census Bureau; Bureau of Economic Analysis, and U.S. Department of the Treasury Staff Estimates.

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India & ASEAN-5: Potential implications of reciprocal tariffs

- Taking together the various criteria, we see **India, Thailand and Vietnam as most exposed.** However, given the nuances related to the trade criteria, **sector and product specific tariff adjustments for certain economies,** as we discussed under the first section, **such as Malaysia and Indonesia cannot be ruled.**

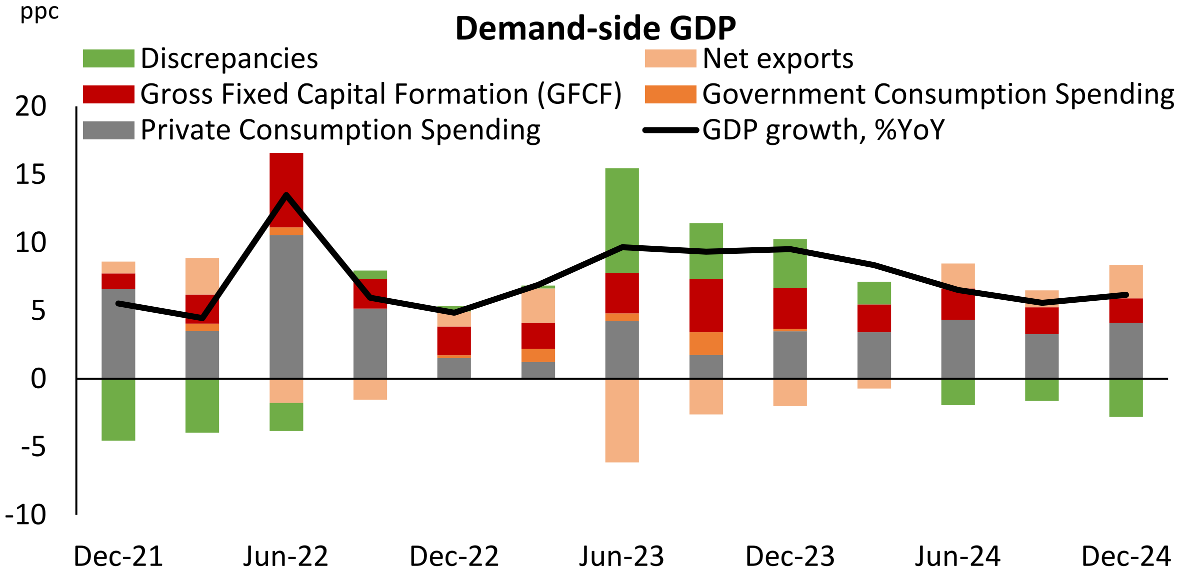
Heat map based on OCBC analysis				
	Differential tariffs imposed	**VAT rate**	**Non-Tariff Measures**	**Criterion based on bi-annual Treasury report**
India				
Thailand				
Vietnam				
Indonesia				
Malaysia				
Philippines				
Singapore				

Source: OCBC.
Notes: **Red shows** US running a trade deficit with country X above USD40bn and tariff differentials above 5pp of an overall basis; Consumption-based tax rate 10% or above; non-tariff measures = NTM coverage ratio above 50%; Bi-annual Treasury Report as highlighted on the Treasury's Monitoring List as of November 2024.
Orange shows US running a trade deficit with country X and tariff differentials above 5pp of an overall basis; existence of consumption-based tax; NTM coverage ratio between 30-50%.
Green shows US running a surplus with the country X, minimal overall tariff differentials; No mention in the bi-annual Treasury report.

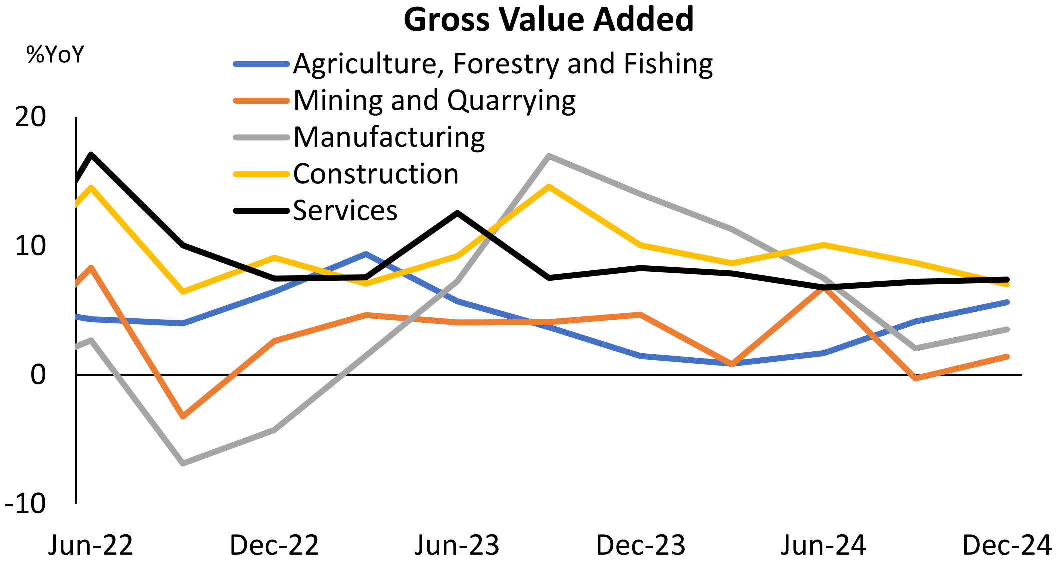
Source: OCBC.

India: GDP growth improved in 4Q24

- GDP growth improved to 6.2% YoY in 4Q24 versus 5.6% in 3Q24, broadly in line with expectations. The improvement was mixed – household spending, government consumption and export growth improved in 4Q24 versus 3Q24 while investment spending growth slowed modestly to 5.7% YoY versus 5.8% in 3Q24. On a Gross Value Added (GVA) basis, the economy recorded 6.2% YoY growth in 4Q24 versus 5.8% in 3Q24, led by the agriculture, mining, services and manufacturing sectors while growth in construction sector slowed.
- For FY25, i.e., year ending March, we expect GDP growth of 6.2% YoY, consistent with growth in first three quarters averaging 6.1%. We expect the Reserve Bank of India (RBI) to lower its policy rate by a cumulative 50bps in 2025, sooner rather than later considering the uneven growth picture and significant headwinds from US tariffs given India's susceptibility.



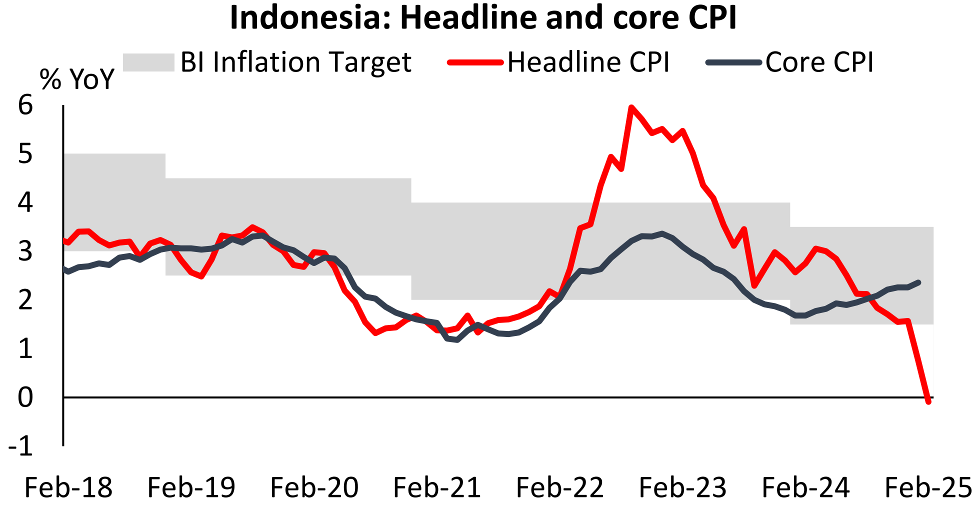
Source: CEIC; OCBC



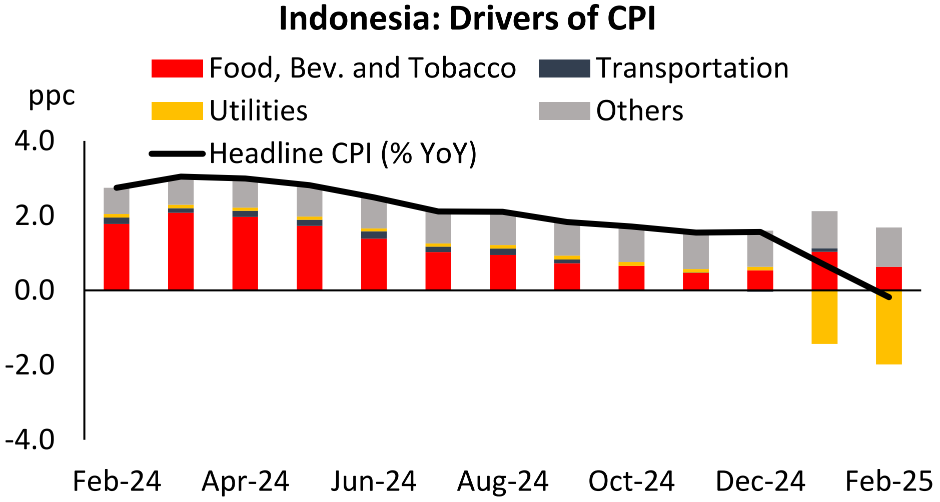
Source: CEIC; OCBC.

Indonesia: Headline inflation dropped overstated

- Headline inflation dropped by 0.1% YoY in February versus 0.8% in January (Consensus & OCBC: 0.6%). The impact was primarily driven by a 50% discount in utilities prices for January and February. Excluding the utilities (weight of 16.4% in the CPI basket), headline CPI eased to 2.2% YoY in February versus 2.5% in January. But core CPI was higher at 2.5% YoY in February versus 2.4% in January (mainly because of gold prices).
- Inflationary pressures are mild, but the headline drop is overstated by supply factors. Notwithstanding, the benign inflation outlook is supportive of at least another 25bp rate cut from Bank Indonesia (BI), but the timing will depend on IDR considerations. Sooner rather than later works better for BI (and other ASEAN central banks, e.g. BoT last week), in our view, because US tariff policies for ASEAN are still under consideration rather than announced



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



Source: BPS, CEIC, OCBC.

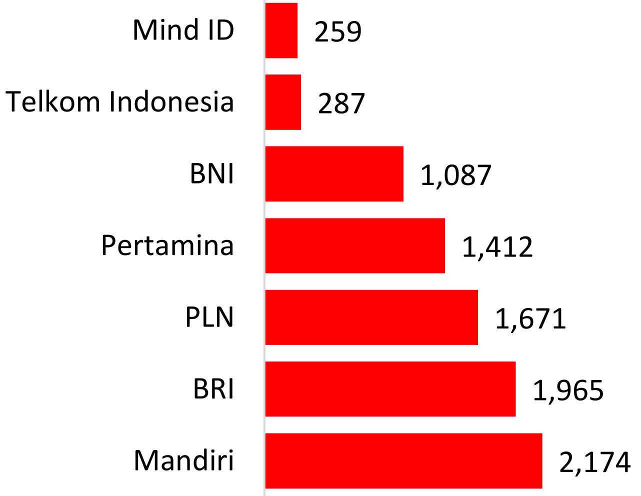
Source: BPS, CEIC, OCBC.

Indonesia: Danantara launched

- President Prabowo Subianto launched the Danantara Indonesia on 24 February 2025, a new sovereign wealth fund, which will invest up to USD20bn in its initial stage in various high impact sectors including downstreaming industries, food production & securities, renewable energy and advanced manufacturing. President Prabowo also revealed that the funds aims to manage over USD900bn in assets, as parts of efforts to boost Indonesia's economic growth to 8%.
- Investment and Downstream Minister Rosan Roeslani will head Danantara, with SoEs Minister Erick Thohir helming the supervisory board, and former presidents serving on the advisory board.

Appointed officials	Position
Rosan Roeslani Minister of Investment & downstreaming	Chief executive officer (CEO)
Pandu Sjahrir Entrepreneurs	Chief Investment Officer (CIO)
Dony Oskaria Deputy Minister of SOEs	Chief Operating Officer (COO)
Erick Thohir (SOE Minister), **Muliaman Hadad**, **Sri Mulyani** (Finance Minister), **Tony Blair** (Former UK PM).	Supervisory board
Joko Widodo (Former President, 2014-24) **Susilo Bambang Yudhoyono** (Former President, 2004-14)	Advisory Board

Initial holdings

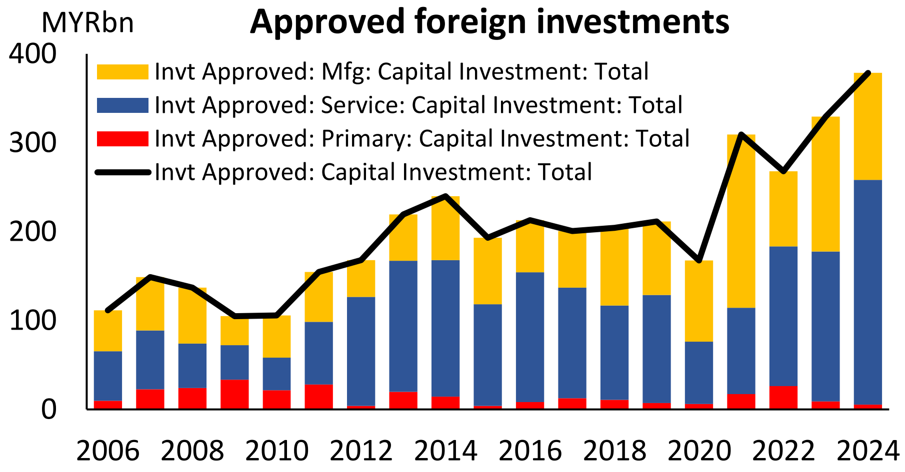


Note: Assets (IDR trn) as of December 2023.

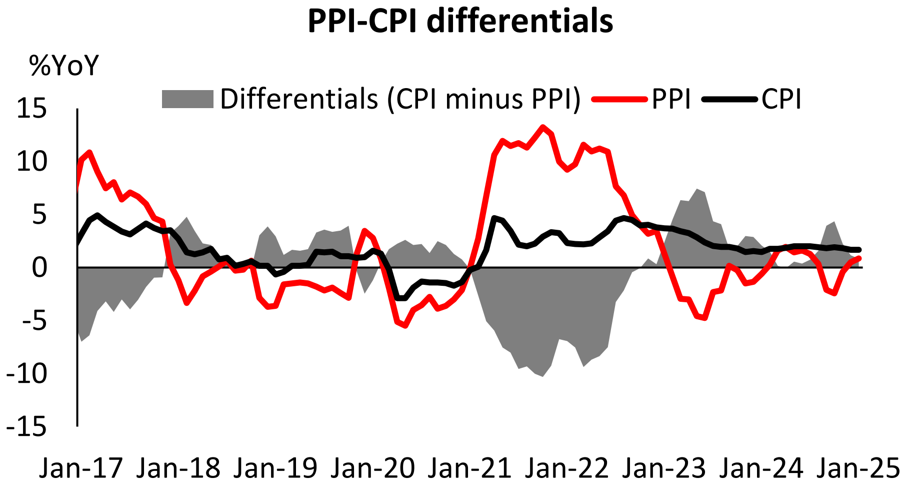
Source: BI, CEIC, OCBC.

Malaysia: Record investment in 2024; higher PPI in January 2025

- Approved investment rose by 14.9% YoY to a record of MYR378.5bn in 2024 from MYR329.5bn in 2023, led by services (MYR252.bn), manufacturing (MYR120bn), and the primary sector (MYR5.3). Domestic investments accounted for 55% (MYR208.bn) of the total, while foreign investments were primarily from the US (MYR32bn), Germany (MYR32.bn), China (MYR28bn), Singapore (MYR27.3bn), and Hong Kong (MYR91.5bn). In addition, the Investment, Trade and Industry Minister Zafrul Abdul Aziz announced the formation of a new data centre task force, adding that the government plans to roll out an incentive framework aimed at enhancing local economic benefits and job creation.
- Elsewhere, the Producer Price Index (PPI) rose by 0.8% YoY in January 2025, extending the 0.5% rise in December 2024. By sector, the agriculture, forestry & fishing sector grew by 16.5% YoY in January, down from 23.8% in December. The mining and manufacturing sectors' negative PPI readings moderated to -1.3% and -0.6%, respectively, from -7.0% and -1.0% in December. Meanwhile, the electricity & gas supply PPI eased to 0.4% from 0.9%, while the water supply PPI increased to 7.6% from 6.7%.



Source: CEIC, OCBC.



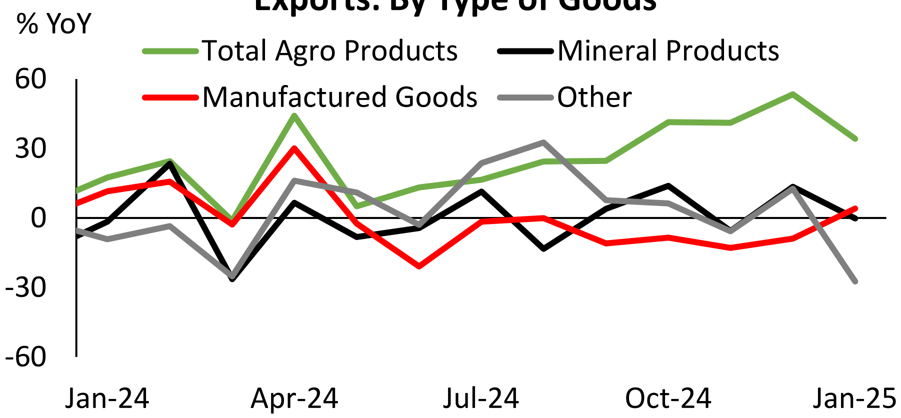
Source: CEIC, OCBC

Source: DOSM, CEIC, OCBC.

Philippines: Trade starts on solid footing

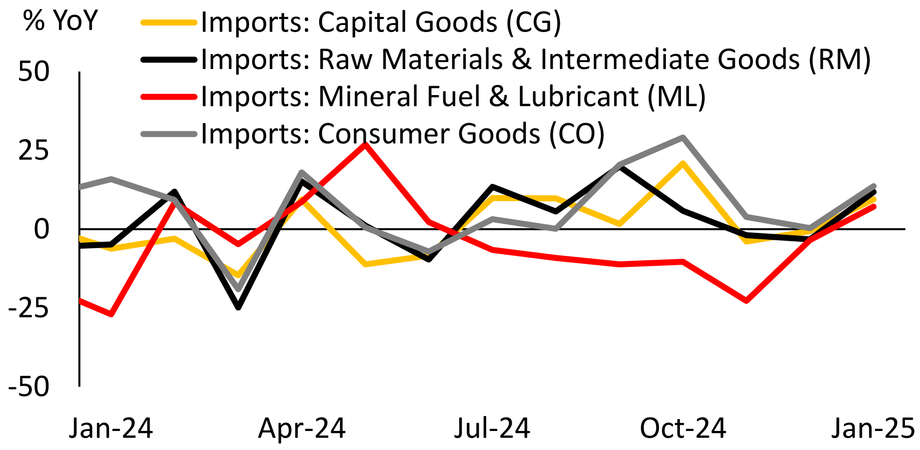
- Exports and imports growth rebounded by 6.3% YoY and 10.8% YoY in January, respectively, up from -1.9% and -1.5% in December 2024. Consequently, the trade deficit widened to USD5.1bn versus USD4.1bn in December.
- Export growth was mixed in all key sectors. Exports of agro products and manufactured goods rose by 34.2% YoY (December: 53.4%) and 4.1% YoY (December: -8.9%). This more than offset the contraction in 'mineral products' and 'other' categories. On the import side, by end-use, growth was solid across the board with consumer goods (13.7% YoY) leading, followed by intermediate goods (11.8%), capital goods (9.5%), and mineral goods (7.1%) rising in January.
- Looking ahead, we maintain our full year 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. That said, the risk to growth outlook is clouded by potential imposition of tariffs.

Exports: By Type of Goods



Note: Our classification for Other includes 'forest products, 'petroleum products', 'special transactions', 'others'
Source: Philippine Statistics Authority, CEIC, OCBC

Imports: By End-use

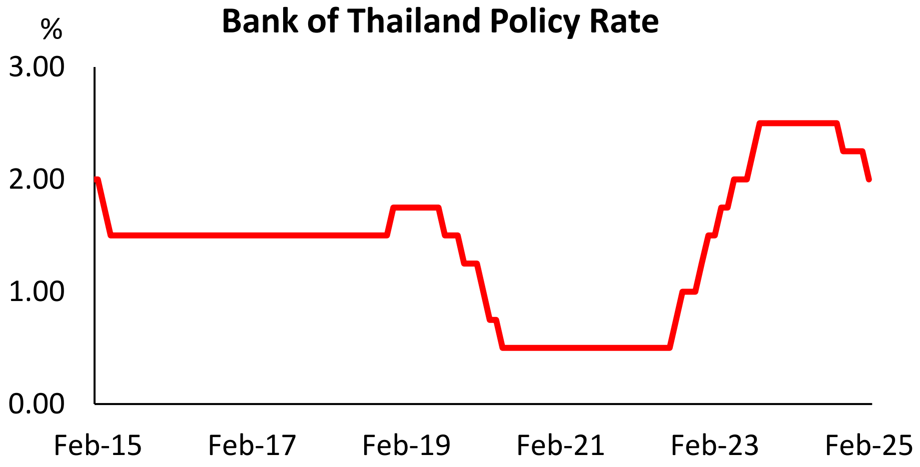


Source: Philippine Statistics Authority, CEIC, OCBC.

Source: Philippine Statistics Authority, CEIC, OCBC.

Thailand: BoT delivers 25bp rate cut

- Bank of Thailand (BoT) delivered a 25bp rate cut at its 26 February meeting. This in line with our expectations but against consensus expectations. The Monetary Policy Committee (MPC) voted 6-1 in favour of the cut, which was emphatic. One member voted for the policy rate to remain unchanged.
- BoT characterised the rate cut as an insurance against rising growth uncertainties noting that it could help cope with "future uncertainty", while headline inflation is expected to stabilise at the low end of the BoT's 1-3% target range. Another justification for the 25bp rate cut was to help alleviate tighter financial conditions "without affecting long-term financial stability risks".
- We had seen merit in BoT easing to buffer against external headwinds. However, the room to ease further from this point onward is expected to be limited. As such, we have BoT remaining on hold for the rest of 2025. That said, this does not necessarily mean that the pressure on the BoT to cut further will be alleviated given the relatively anaemic growth outlook. The onus is on the government to address to uplift growth through cyclical and structural reform policies.



Source: Bank of Thailand, CEIC, OCBC.

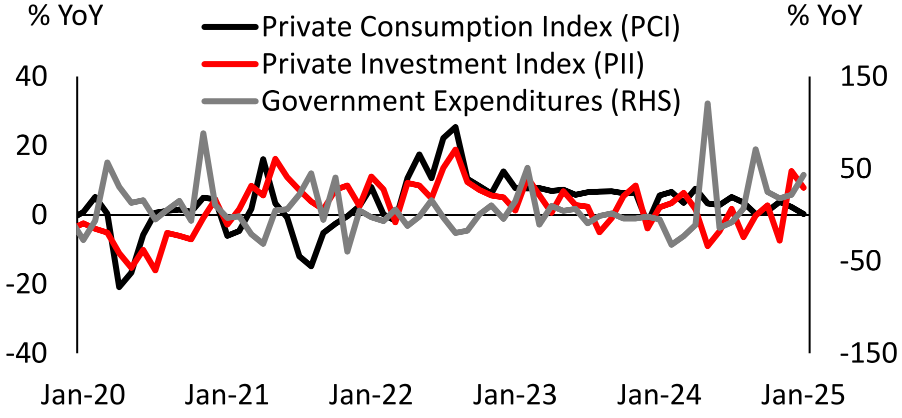
Source: Bank of Thailand, CEIC, OCBC.

OCBC

Thailand: Mixed January economic activity

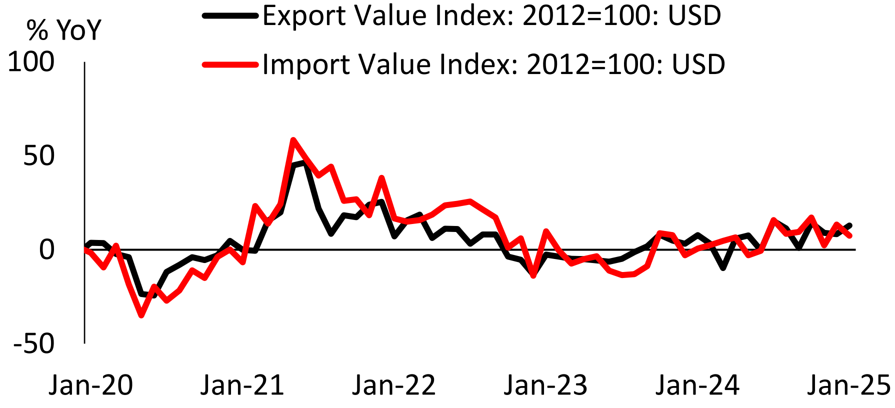
- January economic activity continued to show mixed performance relative to December 2024. Export growth accelerated, while growth in the private sector slowed. However, government spending remained robust.
- On the domestic demand front, growth in private consumption index and private investment index slowed to 0.3% YoY and 7.8% YoY, respectively, down from 2.3% and 12.7% in December 2024. By contrast, government spending rose to 43.3% YoY (December 2024: 21.8%). On the external front, export growth picked up in January compared to December 2024, along with an increase in tourist arrivals. By contrast, import growth slowed. As a result, this led to a broadly stable current account surplus of USD2.7bn (December: USD2.9bn).
- The uneven recovery in economic growth momentum persisted into January. Unsurprisingly, this could have supported BoT's decision to ease its policy rate, at its 26 February meeting, as a buffer against external headwinds. Looking ahead, we forecast 2025 GDP growth to improve to 2.8% YoY, up from 2.5% in 2024.

Domestic Demand



Source: Bank of Thailand, CEIC, OCBC.

Export and Import Value Index



Source: Bank of Thailand, CEIC, OCBC.

OCBC

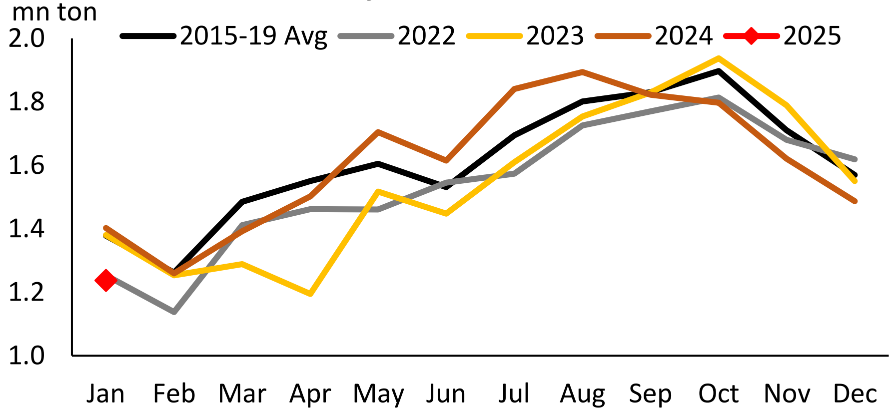
Source: Bank of Thailand, CEIC, OCBC.

Commodities

Palm oil: Higher prices

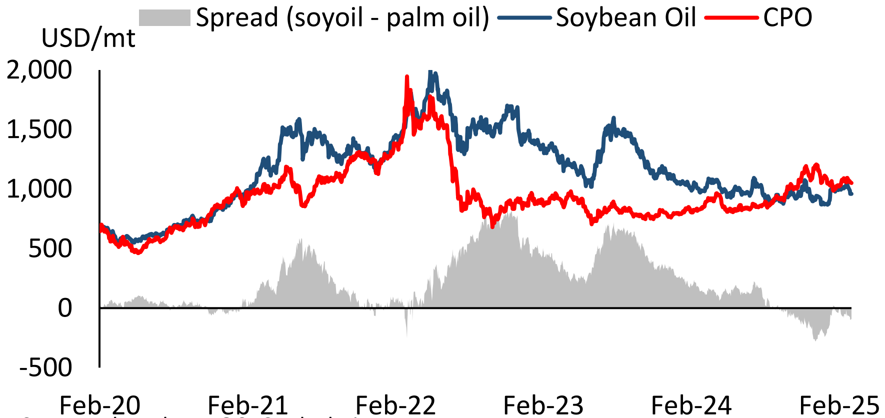
- Benchmark CPO prices averaged MYR4,738/mt in February, up from MYR4,596/mt in January 2025. While we see upside risk to our MYR4,500/mt price forecast for 1Q25, we continue to expect prices to moderate from 2Q25 onwards, partly due to anticipated production improvements, bringing average prices to ~MYR4,200/mt for the year.
- Heavy rainfall since late 2024 persisted through February, with flooding reported in key palm regions of Malaysia and Indonesia. On the policy front, Indonesia's B40 biodiesel mandate is expected to be fully implemented by February 2025, following initial delays, as part of efforts to reduce dependence on imported diesel. This could potentially reduce exportable CPO by ~2mn tonnes, absent meaningful productivity gains.
- Meanwhile, India, the world's largest vegetable oil buyer, saw its palm oil imports plunge 64.8% YoY (December 2024: -44.1%) to 275k tonnes in January 2025, while sunflower oil imports rose 31.0% YoY to 288.3k tonnes. This reflects a continuing shift among refiners towards cheaper vegetable oil alternatives, as CPO continues to trade at a rare premium, albeit narrowing.

Malaysia CPO Production



Source: Malaysian Palm Oil Board, CEIC, OCBC.

Soybean Oil - Palm Oil Spread



Source: Bloomberg, OCBC calculation.

Source: Bloomberg, MPOB, CEIC, OCBC.

FX & Rates

FX & Rates: Consolidation

- **DXY.** USD started the week on a softer footing as risk sentiments regain footing. European leaders working with Ukraine on a plan to stop the fighting, better PMIs across the region including China, Taiwan, Indonesia, Thailand were some of those drivers. Elsewhere, markets remain hopeful: 1/ on expectations China will deliver support measures to boost domestic demand at its NPC/CPPCC meeting (start on Tue); 2/ Trump may delay tariff implementation timeline (again). The latter can prove "noisy" for markets. If the tariffs were imposed as scheduled, then we may see risk-off sentiment returning and the USD may jump in response.
- **USD Rates.** UST yields are expected to consolidate around current levels before payrolls on Friday. Soft payroll may push 10Y real yield further lower, while 10Y breakeven may be sticky downward at 2.3% level for now, as price data show mild disinflation/stability. Overall, the downside to long end yields may be more limited before the next catalyst. The dynamics may also be changing in that, additional growth concerns may also be reflected at the short end with market appearing less reluctant to bring forward rate cut expectations. Current 10Y UST yield level is around our multi-month expectation of 4.25%, with near-term range seen at 4.20%-4.34%; we maintain our medium-term downward bias to yields.
- **EURUSD**. EUR found support as European leaders were seen coming together to offer Ukraine support. Elsewhere, Trump brought up 25% tariff on EU (no effective date yet). 2-way trades likely. CPI estimate is in focus today – a strong print may aid EUR's recovery – before the ECB meeting (Thu). Markets have already priced in 85bps of cut this year. Any hawkish surprise may see dovish expectations pare back and can be supportive of EUR.
- **CNY Rates.** PBoC conducted CNY1.4trn of outright reverse repos in February, while maturity was CNY800bn, thereby net injecting CNY600bn of 3M and 6M liquidity. This more than covers the CNY200bn shortfall in MLF rollover. PBoC net drained CNY195.5bn via OMOs this morning, and there is a total of 1.463trn of reverse repos maturing for the rest of the week. Liquidity remains on the tight side. With heavy NCD maturities for months to come, the funding pressure is likely to stay. We had expected a narrowing in the offshore-onshore spread but at current levels, further narrowing may be slow.

OCBC

ESG

ESG: Simplification of EU carbon border tax rules

- The European Commission adopted a new package of proposals to simplify EU rules to reduce complexity of EU requirements for businesses, including changes across the areas of sustainability reporting (CSRD and EU Taxonomy), sustainability due diligence and carbon border adjustment mechanism (CBAM).
- The EU will be scaling back its carbon border tax and exempting small importers from CBAM obligations. This is done through introducing a new CBAM cumulative annual threshold of 50 tonnes per importer, thus eliminating CBAM obligations for approximately 182,000 or 90% of importers, mostly SMEs, while still covering over 99% emissions in scope.
- For companies that remain in the CBAM scope, rules will be simplified for companies including the calculation of embedded emissions and reporting requirements.
- This can achieve a reduction in administrative burden and make local industries more competitive. The EU has affirmed that the simplification proposals will not weaken the EU's climate commitments.

CBAM definitive regime (from 2026)

EU importers of goods covered by CBAM will register with national authorities where they can also buy **CBAM certificates.** The price of the certificates will be calculated depending on the **weekly average auction price of EU ETS allowances** expressed in €/tonne of CO_2 emitted.

EU importers will **declare the emissions** embedded in their imports and **surrender** the corresponding number of certificates each year.

If importers can prove that a **carbon price has already been paid** during the production of the imported goods, the corresponding amount **can be deducted.**

	SECTOR					
ITEM	CEMENT	FERTILISERS	HYDROGEN	IRON & STEEL	ALUMINIUM	ELECTRICITY
Reporting metrics	Per tonne of good					Per MWh
GHG covered	CO_2	CO_2 (N_2O for some)	CO_2	CO_2	CO_2 & PFCs	CO_2
Type of emission covered during transitional period	Direct and indirect					Direct
Type of emission covered after implementation (2026)	Direct and indirect		Direct (subject to review)			Direct
Determination of direct emissions	Based on actual emissions*1					Based on default values*2
Determination of indirect emissions	Based on default values*2					N/A

*1: Default values may be used where the actual emissions cannot be adequately determined.
*2: Actual emissions may be used where certain conditions are met.

OCBC

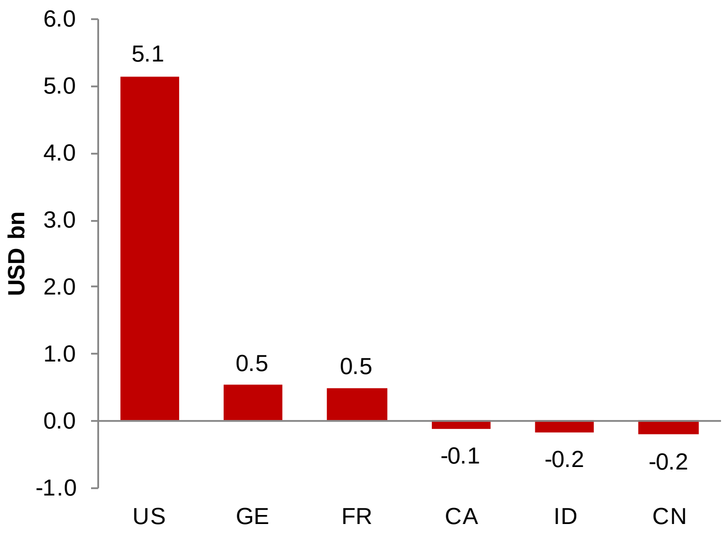
Source: European Commission

Asset Flows

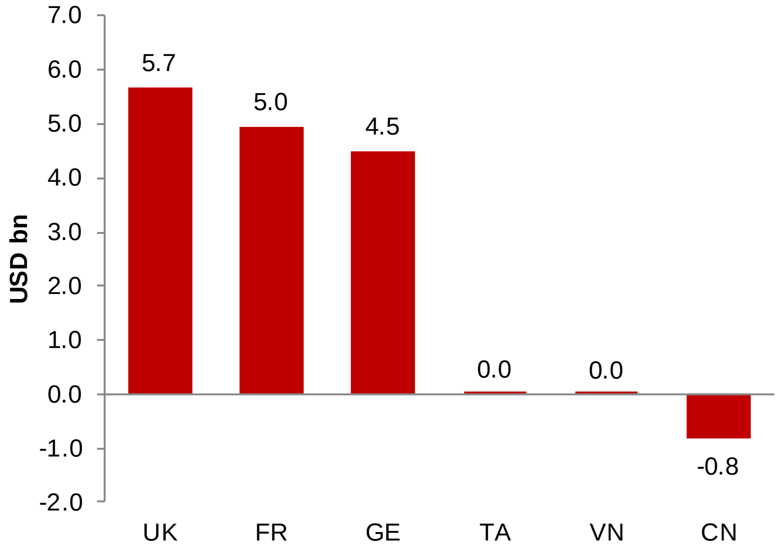
Global Equity & Bond Flows

- Global equity markets saw net inflows of $27.1bn for the week ending 26 February 2025, an increase from the inflows of $16.6bn last week.
- Global bond markets reported net inflows of $23.8bn, an increase from last week's inflows of $16.05bn.

Equity top gainers & losers



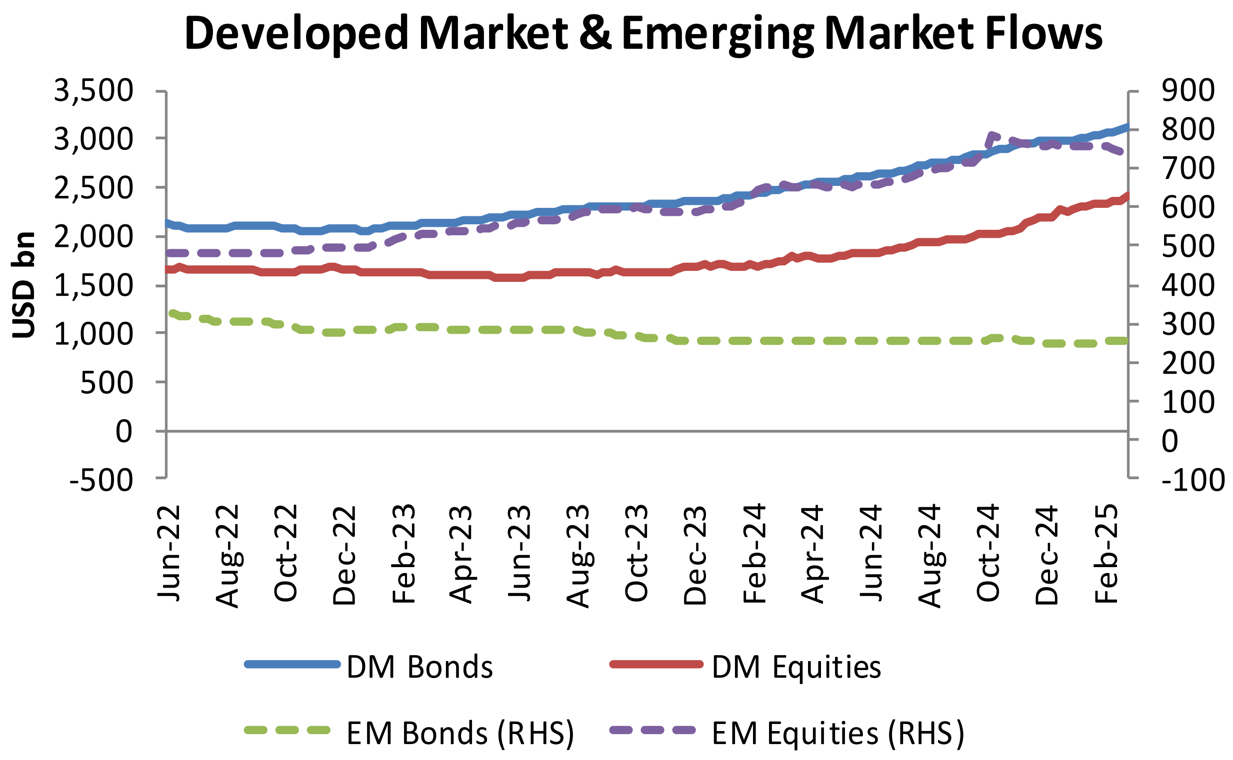
Bonds top gainers & losers



Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($32.1bn) saw inflows and Emerging Market Equities ($5.06bn) saw outflows.
- Developed Market Bond ($22.6bn) saw inflows and Emerging Market Bond ($1.06bn) saw inflows.



Source: OCBC, EPFR

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