

*Market Monitor – Asia*

## More Asian economies secured trade deals with the US



- Multiple Asian economies concluded trade agreements with the US in late July, reducing their reciprocal tariff rates to a range of 15-20%.
- Taiwan's economic growth accelerated markedly in Q2, while South Korea, Singapore and Malaysia maintained steady growth.
- The Bank of Japan and Bank of Korea kept rates unchanged in July, while Bank Indonesia and Bank Negara Malaysia each cut rates by 25 basis points.

### More Asian economies secured trade deals with the US

#### **Multiple Asian economies successfully reached trade agreements with the US.**

Following the trade deal with Vietnam in early July, the US announced trade agreements with more Asian economies, including Indonesia on 22<sup>nd</sup> July, Japan on 23<sup>rd</sup> July and South Korea on 30<sup>th</sup> July. These agreements reduced their exposure to previously threatened tariff rates. On 31<sup>st</sup> July, US President Trump signed an executive order, that listed modified reciprocal tariff rates based on the trade agreements and negotiation progress. The revised reciprocal tariff rates represent substantial reductions from initially proposed levels, with Japan and South Korea securing 15% rates, while Taiwan and Vietnam face 20%, and Indonesia, Thailand, Malaysia, and Cambodia each see 19% tariffs (from the outset, Singapore is subject to a 10% baseline tariff, the lowest level in US reciprocal tariff policy).

#### **Some Asian economies offer significant investment and import commitments in their trade deals with the US.**

For instance, Japan will invest USD 550 billion in the US, while South Korea agrees to make new investments of USD 350 billion. In addition, South Korea reportedly will purchase USD 100 billion worth of energy products from the US. Indonesia also pledged to purchase billions of dollars in US aircraft, agricultural and energy products. Overall, these investments would help form closer economic ties with the US, but it remains to be seen how a shift in US trade policy would affect Asian supply chain activities.

## Economic Research

**Manufacturing activity in Asia remained largely mixed.** The ASEAN manufacturing purchasing managers' index (PMI) returned to expansionary territory at 50.1 in July, marking the first expansion since March, after remaining in contractionary territory throughout Q2. Survey data indicated renewed production growth and a moderate decline in new orders. However, manufacturing sectors in advanced Asian economies remained subdued, with PMI readings declining in Japan (from 50.1 in June to 48.9 in July), South Korea (from 48.7 to 48.0), and Taiwan (from 47.2 to 46.2). Despite recent trade agreements with the US, certain demand would have already been front-loaded amid earlier tariff fears. Hence, the trade outlook in Asia remains uncertain.

### Most Asian economies maintained steady growth in Q2

**South Korea resumed economic expansion in Q2, while Taiwan posted stronger growth.** South Korea's economy recovered to 0.5% year-on-year (YoY) growth in Q2 from zero growth in Q1, supported by improved private consumption and steady export performance. The recovery was underpinned by a restoration of domestic political stability following the presidential election in June, which revived consumer sentiment, while external demand for semiconductors, petroleum and chemical products drove export growth. Meanwhile, Taiwan's economic growth accelerated significantly, with GDP expanding by 8.0% YoY in Q2, up from 5.5% in Q1. Strong GDP performance was primarily driven by merchandise export growth, which contributed 5.8 percentage points (ppts) to headline GDP growth, while capital investment added 1.6 ppts. These figures highlighted robust demand in Taiwan's AI industry.

**Singapore and Malaysia maintained steady economic growth in Q2.** Singapore's GDP growth edged higher to 4.3% YoY in Q2 from 4.1% in Q1, with faster growth seen in both the manufacturing (from 4.3% to 5.0%) and services sectors (from 3.7% to 4.1%). However, the Ministry of Trade and Industry cautioned that significant uncertainty and downside risks persist in the global economy for 2H 2025, primarily due to US trade policy uncertainty. Malaysia's GDP growth increased modestly to 4.5% YoY in Q2 from 4.4% in Q1, mainly driven by an expansion in the services sector (from 5.0% to 5.3%). Meanwhile, domestic consumer demand remained resilient, supported by stable labour market conditions.

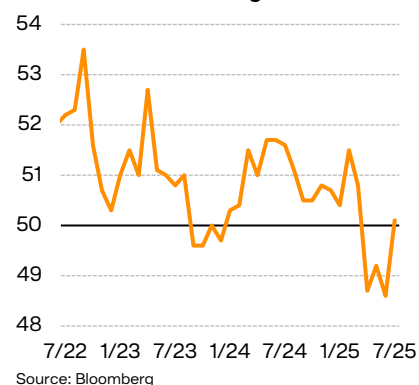
**Most Asian economies experienced benign inflation except for Japan.** Japan's headline inflation moderated to 3.3% YoY in June from 3.5% in May, reflecting slower price gains in energy prices. However, Japan's core inflation (excluding fresh food and energy) accelerated to 3.4% YoY in June from 3.3% in May, indicating persistent underlying inflationary pressures. In contrast, South Korea's inflation stayed in check at 2.2% YoY in June, while Taiwan's inflation slowed to 1.4% YoY in June. ASEAN economies also reported stable headline inflation, with Singapore recording 0.8% YoY, Malaysia 1.1%, Thailand -0.3%, the Philippines 1.4% and Vietnam 3.5% in June and Indonesia 2.4% in July.

### BI and BNM cut rates in July

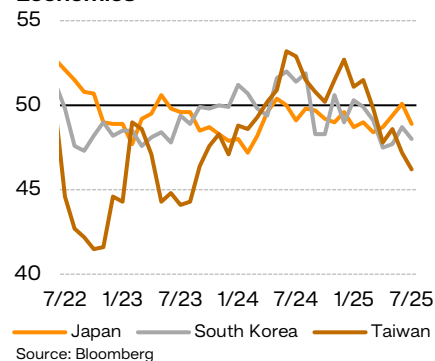
**The BoJ and BoK held rates unchanged, while BI and BNM cut rates.** The Bank of Japan (BoJ) maintained its policy rate unchanged at 0.5% in July, while

**August 2025**

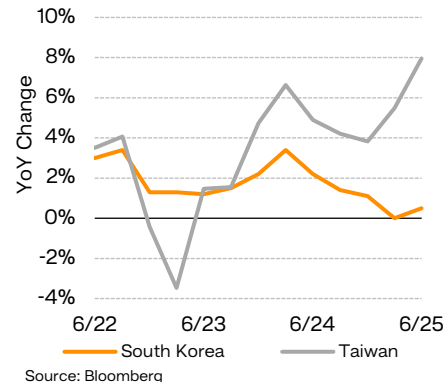
**ASEAN Manufacturing PMI**



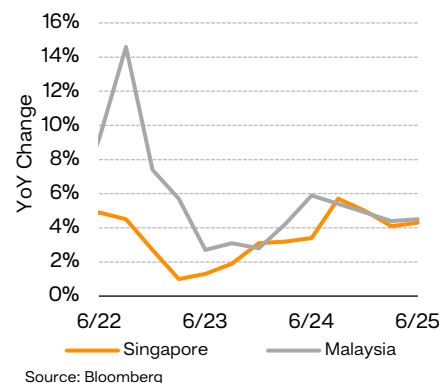
**Manufacturing PMI of Select Asian Economies**



**GDP of Select Asian Economies**



**Growth of Select ASEAN Economies**



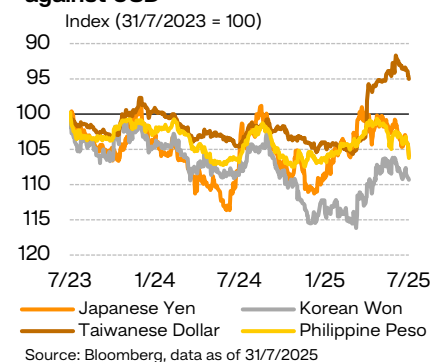
upgrading its core inflation forecast for fiscal years 2025 and 2026 to 2.8% and 1.9%, respectively. BoJ governor Ueda emphasised that despite the US-Japan trade deal reducing some uncertainty, the impacts of US tariffs on Japan's economy remain unclear, warranting continued caution regarding the timing of future rate adjustments. Meanwhile, the Bank of Korea (BoK) held its policy rate steady at 2.5%, with the monetary policy board citing increasing risks associated with high household debts and soaring housing prices. Conversely, both Bank Indonesia (BI) and Bank Negara Malaysia (BNM) cut rates in July. BI reduced its policy rate by 25 basis points (bps) to 5.25%. Similarly, BNM reduced its overnight policy rate by 25 bps to 2.75%. Both central banks pointed out that stabilising economic growth was a key consideration in their decisions of to cut rates.

### Asian currencies declined while stock markets mostly surged

**Asian currencies experienced broad-based depreciation in July.** After months of decline, the US dollar rebounded notably in July, as the conclusion of various US trade deals likely reversed bearish sentiment against the US dollar. In July, the Japanese yen, Korean won, Taiwanese dollar and Philippine peso depreciated by 4.5%, 2.8%, 2.1% and 3.4% against the US dollar, respectively.

**Most Asian stock markets recorded robust gains in July.** Market sentiment improved, as more Asian economies reached trade deals with the US. South Korea's, Taiwan's and Singapore's stock markets increased by 5.7%, 5.8% and 5.3% in July. Notably, Thailand's and Indonesia's stock markets demonstrated exceptional performance, surging by 14.0% and 8.0% in July.

**Exchange Rate of Asian Currencies against USD**



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