Greater China — Week in Review

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Highlights: more policy supports amid uncertainty

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China's exports showed surprising resilience in April, with total outbound shipments rising by 8.1% YoY, despite a sharp escalation in trade tensions with the United States. Nevertheless, China's export growth slowed to 4.8% YoY in May. The sharpest drag came from exports to the United States, which contracted by 34.5% YoY, deepening from April's -21.0%.

While there were signs of frontloading activity in the first half of May following the temporary trade truce, momentum faded by late May, indicating that the boost from early shipments has largely been exhausted. Recent shipping data suggests that export activity stabilized in early June, with a modest rebound recorded in the first week. Looking ahead, we believe the tariff-related shock is largely priced in, and the trajectory of China's exports will increasingly hinge on underlying demand fundamentals rather than temporary policy noise.

Regarding US-China trade talk, as of June 12, what has been confirmed by both sides is that a framework agreement to ease export controls has been reached, marking a modest but notable step toward de-escalation. As U.S. Commerce Secretary Lutnick put it, the deal "puts meat on the bones" of the consensus reached last month in Geneva. But the key question remains: what kind of "meat" is on the table? While details remain limited, it appears both sides are preparing for partial compromises, with the U.S. expected to relax certain technology export controls in exchange for China's conditional easing of rare earth export restrictions.

Nevertheless, it seems that China's push for the removal of the 20% fentanyl-related tariff remains unsuccessful. The next thing to watch is whether this agreement leads to an extension of the current 90-day trade truce, providing a more stable window for further negotiations.

While the negotiations have not resolved the underlying trade frictions, the framework agreement acts as a "pressure release valve" in U.S.-China economic relations. It lowers the immediate risk of further escalation and creates space for broader discussions on more contentious issues, including tariffs and strategic decoupling.

Domestically, China's aggregate social financing (ASF) increased by CNY2.3 trillion in May, exceeding market expectations. The stronger-than-expected data was mainly driven by robust government bond issuance. In contrast, on-balance-sheet new yuan loans remained subdued, rising by only CNY620 billion. Within this, medium- to long-term corporate loans rose by just CNY330 billion, CNY170 billion less than the same period last year, reflecting corporate caution amid rising trade-related uncertainties.

On the monetary front, M2 growth moderated slightly to 7.9% in May, down from 8.0% in April. In contrast, M1 growth accelerated further to 2.3%, narrowing the M2-M1 gap. The rebound in M1 was largely attributable to a low base, as corporate demand deposits fell in May 2024 due to regulatory crackdowns on “manual interest top-ups” for deposits.

Looking ahead, we expect the gradual disbursement and utilization of fiscal funds to offer further support to M1 growth, providing incremental tailwinds to near-term credit and liquidity conditions.

On June 5, 2025, the People’s Bank of China (PBoC) issued Open Market Buyout Reverse Repo Tender Announcement No. 1, announcing it would conduct RMB 1 trillion in buyout-style reverse repo operations on June 6, with a 91-day maturity. This marks the first time since the instrument’s launch in October 2024 that such operations have been announced at the beginning of the month, deviating from the previous pattern of month-end announcements.

The move represents a substantial injection of medium- to short-term liquidity into the financial system, aiming to ease funding pressures in the banking sector. In addition, the PBoC plans to conduct a second RMB 400 billion operation on June 16, reinforcing its commitment to maintaining ample liquidity conditions.

The September 2024 Politburo meeting marked a notable policy pivot, introducing for the first time the objective of “promoting stabilization and recovery in the property market.” This policy direction was reaffirmed and escalated at the State Council executive meeting on June 13, 2025, which explicitly called for “stronger efforts to stabilize and recover the real estate market.” Notably, the meeting proposed integrating “high-quality housing” development into the broader urban renewal strategy, supported by a comprehensive suite of measures spanning urban planning, land supply, fiscal incentives, and financial tools. The emphasis on “good housing” aims to reorient competition among developers away from price-based rivalry toward product quality, thereby fostering the emergence of high-standard residential developments and supporting long-term sectoral transformation.

Key Development	
Facts	**OCBC Opinions**
▪ China's State Council called for more support to property market in the latest meeting on 13 June.	▪ Notably, the meeting proposed integrating "high-quality housing" development into the broader urban renewal strategy, supported by a comprehensive suite of measures spanning urban planning, land supply, fiscal incentives, and financial tools. The emphasis on "good housing" aims to reorient competition among developers away from price-based rivalry toward product quality, thereby fostering the emergence of high-standard residential developments and supporting long-term sectoral transformation.

Key Economic News	
Facts	**OCBC Opinions**
▪ China's aggregate social financing (ASF) increased by CNY2.3 trillion in May, exceeding market expectations. The outstanding stock of ASF grew by 8.7% YoY, unchanged from April.	▪ The stronger-than-expected data was mainly driven by robust government bond issuance, with net local government bond issuance rebounding to CNY1.46 trillion. ▪ In contrast, on-balance-sheet new yuan loans remained subdued, rising by only CNY620 billion. Within this, medium- to long-term corporate loans rose by just CNY330 billion, CNY170 billion less than the same period last year, reflecting corporate caution amid rising trade-related uncertainties. ▪ However, medium- to long-term household loans showed signs of recovery. Over the past three months, these loans increased by CNY456.2 billion, up CNY119.8 billion YoY, suggesting marginally improving housing demand. ▪ On the monetary front, M2 growth moderated slightly to 7.9% in May, down from 8.0% in April. In contrast, M1 growth accelerated further to 2.3%, narrowing the M2-M1 gap. The rebound in M1 was largely attributable to a low base, as corporate demand deposits fell in May 2024 due to regulatory crackdowns on "manual interest top-ups" for deposits. ▪ Looking ahead, we expect the gradual disbursement and utilization of fiscal funds to offer further support to M1 growth, providing incremental tailwinds to near-term credit and liquidity conditions.

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