

Greater China — Week in Review

1 December 2025

Highlights: China's engineer dividend

China's manufacturing PMI edged up to 49.2 in November from 49.0, showing early signs of stabilization. The standout improvement came from new export orders, which jumped 1.7pts to 47.6, likely reflecting the near-term lift from the US-China trade truce. Production also firmed to 50.0 (from 49.7), while business expectations improved modestly to 53.1 from 52.8.

By contrast, the non-manufacturing PMI softened to 49.5 from 50.1. Within this, construction activity saw a mild rebound, with the construction PMI rising to 49.6 from 49.1. However, services weakened more noticeably: the services PMI slipped to 49.5, falling below the 50 threshold for the first time since September 2024. The pullback in services sentiment was sharper than typical seasonal patterns, in my view reflecting both the fading post-holiday boost and spillover weakness from real-estate-linked industries. This reinforces our view that China's growth is likely to decelerate further in 4Q to below 4.5%. Focus will be on the Politburo meeting next week and Central Economic Working Conference closer to the middle of December.

A private Chinese commercial aerospace firm last week unveiled a hypersonic missile with an effective range of 500–1,300 km and a speed of Mach 5–7. **The specifications alone are not headline-grabbing by global standards, but what truly caught my attention was the price tag — just RMB 700K. Yes, RMB, not USD.**

So are we entering an era where hypersonic weapons become affordable, scalable, and deployable at mass? Based on initial reports, the dramatic cost reduction reflects the company's adoption of industrialized, assembly-line production methods — a sharp departure from the traditional "high-end boutique" approach that has long defined hypersonic technology.

To me, this launch is not merely the debut of a new system. It marks a potential inflection point: China's hypersonic development is shifting from elite craftsmanship to industrialized replication. And that shift carries strategic implications far beyond the aerospace sector.

Recent Ukraine war has offered a sobering reminder that once high-precision inventories are exhausted, modern warfare quickly regresses into attrition. In that sense, China's much-discussed "involution" is indeed a double-edged sword: it exacerbates deflationary pressures, but it has also turbo-charged China's industrial competitiveness.

The broader takeaway, in my view, is this: the diffusion of industrial-engineering discipline across sectors is becoming a defining comparative advantage for China. **This "engineer dividend" will likely remain one of the key growth drivers for the Chinese economy over the next five years**, shaping not only its manufacturing landscape but also its technological and strategic trajectory.

Tommy Xie Dongming
Head of Asia Macro Research
xied@ocbc.com

Keung Ching (Cindy)
Greater China Economist
cindyckeung@ocbc.com

In November, RMB showed a degree of resilience that stood out against a choppy global FX backdrop. Even as the U.S. dollar staged a brief rebound, the RMB managed to extend its appreciation against the USD. The shift in market expectations over the past week—with Fed rate-cut odds rising again—reintroduced downward pressure on the dollar, providing an additional tailwind for the RMB.

Seasonality also played its part. The fourth quarter is traditionally a peak period for corporate FX settlement, as exporters convert foreign-currency earnings into RMB ahead of year-end. Given this year's relatively solid export performance, settlement demand had already been running at a high level.

What I found particularly interesting in conversations with corporates is the timing behavior. With uncertainty lingering over whether the Fed will cut rates in December, many exporters preferred to front-load their FX conversion. By settling earlier, they not only avoided potential dollar swings but also locked in more favorable RMB receipts.

Taken together, these seasonal, fundamental, and behavioral factors are likely to underpin the RMB through December as well.

Hong Kong's housing price continued its recent uptrend, with the residential property price index rising by 0.5% MoM in October, widening the year-to-date gain to 1.8%. Meanwhile, rental index hovered at record high level, after rising cumulatively by 4.0% in the first ten months this year.

Developers' pricing strategy remained rather conservative to boost sales, despite the decline in unsold inventory. Despite the broader recovery in housing prices, we did not see pick-up in trading activities. Total transaction stayed within recent range at 5714 cases (+1.3% MoM) in October.

The increase in non-local/end-user demand and a more favourable policy mix continued to point to a brighter outlook. However, the road to further rebound will be supported with volume and increased rent-to-own conversions. We expect the residential property prices to rise by 3% this year, and have an estimated 1-4% upside in 2026.

Hong Kong's exports performance held up in October, with growth of merchandise exports and imports accelerating to 17.5% YoY and 18.3% YoY respectively (September: 16.1% YoY and 13.6% YoY), though partly due to a lower base a year ago. In sequential terms, exports fell by 0.1% MoM to HKD461.8 billion in October, as decline in exports to mainland China offset the increases to US and other major trading partners. During the period, trade balance deficit narrowed to HKD39.9 billion in October, from that of HKD50.2 billion in September.

For the first ten months of 2025 as a whole, the value of total exports and imports grew by 13.8% YoY and 13.6% YoY respectively, beating market estimates. We expect Hong Kong's trade performance to weaken in the coming months, albeit only mildly, due to the ongoing US-China trade truce and still solid demand in Asian countries.

Key Development	
Facts	OCBC Opinions
In November, RMB showed a degree of resilience that stood out against a choppy global FX backdrop.	- Even as the U.S. dollar staged a brief rebound, the RMB managed to extend its appreciation against the USD. The shift in market expectations over the past week—with Fed rate-cut odds rising again—reintroduced downward pressure on the dollar, providing an additional tailwind for the RMB. - Seasonality also played its part. The fourth quarter is traditionally a peak period for corporate FX settlement, as exporters convert foreign-currency earnings into RMB ahead of year-end. Given this year's relatively solid export performance, settlement demand had already been running at a high level. - What I found particularly interesting in conversations with corporates is the timing behavior. With uncertainty lingering over whether the Fed will cut rates in December—and the associated risk of USD volatility—many exporters preferred to front-load their FX conversion. By settling earlier, they not only avoided potential dollar swings but also locked in more favorable RMB receipts. - Taken together, these seasonal, fundamental, and behavioral factors helped underpin the RMB through November.

Key Economic News	
Facts	OCBC Opinions
China's manufacturing PMI edged up to 49.2 in November from 49.0, showing early signs of stabilization.	- The standout improvement came from new export orders, which jumped 1.7pts to 47.6, likely reflecting the near-term lift from the US-China trade truce. Production also firmed to 50.0 (from 49.7), while business expectations improved modestly to 53.1 from 52.8. - By contrast, the non-manufacturing PMI softened to 49.5 from 50.1. Within this, construction activity saw a mild rebound, with the construction PMI rising to 49.6 from 49.1. However, services weakened more noticeably: the services PMI slipped to 49.5, falling below the 50 threshold for the first time since September 2024. The pullback in services sentiment was sharper than typical seasonal patterns, in my view reflecting both the fading post-holiday boost and spillover weakness from real-estate-linked industries. - On the construction side, the marginal recovery likely benefited from the rollout of new policy-based financial instruments in Q4 and the partial deployment of local government debt quotas. A noteworthy development on the fiscal front is the Ministry of Finance's decision to front-load part of the 2026 local government debt quota to support funding needs of key projects in 1Q26. This move has clearly helped lift forward expectations among construction firms.
Hong Kong's housing price continued its recent uptrend, with the residential property price index rising by 0.5% MoM in October, widening the year-to-date gain to 1.8%. Meanwhile, rental index hovered at record high level, after rising cumulatively by 4.0% in the first ten months this year.	- Analyzed by flat size, the price indexes of mass-market and medium-sized properties (Class A, B and C; below saleable area of 100 square meter) and large-sized properties (Class D and E; saleable area of 100 square metre or above) rose by 0.4% MoM and 0.9% MoM respectively in October. - Developers' pricing strategy remained rather conservative to boost sales, despite the decline in unsold inventory. Despite the

	broader recovery in housing prices, we did not see pick-up in trading activities. Total transaction stayed within recent range at 5714 cases (+1.3% MoM) in October. ▪ The increase in non-local/end-user demand and a more favourable policy mix continued to point to a brighter outlook. However, the road to further rebound will be supported with volume and increased rent-to-own conversions. We expect the residential property prices to rise by 3% this year, and have an estimated 1-4% upside in 2026.
▪ Hong Kong: Exports performance held up in October, with growth of merchandise exports and imports accelerating to 17.5% YoY and 18.3% YoY respectively (September: 16.1% YoY and 13.6% YoY), though partly due to a lower base a year ago. In sequential terms, exports fell by 0.1% MoM to HKD461.8 billion in October, as decline in exports to mainland China offset the increases to US and other major trading partners. During the period, trade balance deficit narrowed to HKD39.9 billion in October, from that of HKD50.2 billion in September.	▪ Exports to major trading partners showed mixed performance in October. During the month, total merchandise exports to mainland China fell by 7.7% MoM (Sep: +13.1% MoM), while exports to US rose sharply by 56.0% MoM (Sep: +56.0% MoM). ▪ For the first ten months of 2025 as a whole, the value of total exports and imports grew by 13.8% YoY and 13.6% YoY respectively, beating market estimates. We expect Hong Kong's trade performance to weaken in the coming months, albeit only mildly, due to the ongoing US-China trade truce and still solid demand in Asian countries.

Selena Ling
Head of Research & Strategy
lingssselena@ocbc.com

Tommy Xie Dongming
Head of Asia Macro Research
xied@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
cindyckeung@ocbc.com

Herbert Wong
Hong Kong & Taiwan Economist
herberhtwong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavyanavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
ahmad.enver@ocbc.com

Jonathan Ng
ASEAN Economist
jonathanng4@ocbc.com

Ong Shu Yi
ESG Analyst
shuyiong1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Head of FX & Rates Strategy
francescheung@ocbc.com

Christopher Wong
FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong
Head of Credit Research
wongvkam@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
ezienhoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
wonghongwei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
menqteechin@ocbc.com

This report is solely for information purposes and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein or to participate in any particular trading or investment strategy. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this report is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this report may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This report may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, it should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. In the event that you choose not to seek advice from a financial adviser, you should consider whether the investment product mentioned herein is suitable for you. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Bank of Singapore Limited ("BOS"), OCBC Investment Research Private Limited ("OIR"), OCBC Securities Private Limited ("OSPL") and their respective related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future, interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial or securities related services to such issuers as well as other parties generally. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, BOS, OIR, OSPL or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

The information provided herein may contain projections or other forward looking statements regarding future events or future performance of countries, assets, markets or companies. Actual events or results may differ materially. Past performance figures are not necessarily indicative of future or likely performance.

Privileged / confidential information may be contained in this report. If you are not the addressee indicated in the message enclosing the report (or responsible for delivery of the message to such person), you may not copy or deliver the message and/or report to anyone. Opinions, conclusions and other information in this document that do not relate to the official business of OCBC Bank, BOS, OIR, OSPL and their respective connected and associated corporations shall be understood as neither given nor endorsed.

Co.Reg.no.: 193200032W