Greater China — Week in Review

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Highlights: China's engineer dividend

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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.

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.

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