Greater China — Week in Review

4 August 2025

Highlights: Anti-involution push

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As expected, China did not unveil any major new policy initiatives during the July Politburo meeting. Given the stronger-than-anticipated growth in the first half of 2025 and the frontloading of fiscal measures earlier in the year, the meeting placed greater emphasis on the implementation of existing policies rather than introducing additional stimulus.

On monetary policy, in contrast to the April 25 Politburo meeting, which explicitly referenced "timely RRR and interest rate cuts," the latest communiqué made no mention of further outright rate cuts. While this does not preclude future rate cuts, it suggests that the sense of urgency has eased since the height of trade-related uncertainty in April. Nevertheless, we believe there is still scope for further monetary accommodation in the second half of the year to support reflation efforts.

Capital market reform remains a policy priority. The Politburo reiterated its commitment to "enhancing the appeal and inclusiveness of the domestic capital market and consolidating its recovery momentum," underscoring the role of equity markets in boosting investor confidence and supporting broader economic stabilization.

On anti-involution, the meeting reinforced the ongoing "anti-involution" push, calling for improvements in market competition order, regulation of disorderly competition, and enhanced capacity governance in key industries.

Last week, there are more discussions about "anit-involution" from China's various government agencies. On Monday, the Ministry of Industry and Information Technology (MIIT) announced in an online statement that it would "consolidate the results of a sweeping crackdown on 'neijuan' (involution) competition in the electric vehicle sector" and tighten oversight of key industries such as solar power.

On Wednesday, the National Development and Reform Commission (NDRC) released draft guidelines aimed at strengthening oversight and coordination of government-backed investment funds. The objective is to prevent redundant spending and the crowding-out of private capital, while channeling support toward advanced manufacturing, strategic emerging industries, and innovation-driven sectors. The guidelines emphasize avoiding homogeneous competition and enhancing investment efficiency.

On Friday, at a press conference, the NDRC said it is expediting work to regulate disorderly low-price competition among enterprises. On one front, efforts are under way to accelerate the revision of the Price Law. The draft amendment clarifies criteria for identifying unfair pricing practices—such as predatory pricing—and focuses on curbing behavior that seeks to undercut competitors or monopolize markets by selling below cost. The amendment also broadens the scope of predatory pricing regulation to include services. The draft is currently open for public consultation, with authorities welcoming feedback from all sectors of society.

On another front, the NDRC is enhancing policy communication and public guidance. In industries where "involution-style" competition is particularly acute, targeted cost surveys will be conducted to assess production and operational realities. Enterprises will be urged to voluntarily align their pricing practices with fair competition principles.

Separately, China's top three on-demand delivery service operators—Alibaba Group Holding, Meituan, and JD.com—have pledged to engage in "rational" competition and avoid excessive subsidies. The commitments came after the State Administration for Market Regulation (SAMR) summoned the platforms in late July to address disorderly competition concerns.

On data, China's manufacturing PMI slipped to 49.3 in July from 49.7 in June, with both production and orders weakening. The new orders index fell to 49.4 from 50.2, while new export orders eased to 47.1 from 47.7. Production activity expansion slowed, and demand indicators moved into contraction territory, highlighting persistent supply–demand imbalances.

China has officially announced the implementation plan for the national childcare subsidy program. From a consumption perspective, unlike the "trade-in" program, the childcare subsidy is unlikely to generate a meaningful multiplier effect. As such, the direct impact on consumption may be limited. A CNY200 billion subsidy would likely contribute only 0.2–0.3 percentage points to overall retail sales.

In Hong Kong, weak-side convertibility undertaking was triggered again last week, and the HKMA stepped and bought a total of HK$7.458 bn. Correspondingly, the aggregate balance would fall to HK$79.02 bn on Tuesday. While HIBOR did not respond much to the latest FX intervention, we are of the view that rates will become more responsive as aggregate balance falls to a lower level.

According to preliminary data, Hong Kong's real GDP growth steadied at 3.1% YoY in the second quarter of 2025 (1Q25: 3.0% YoY), amid broad-based improvement from private consumption to export. On a seasonally adjusted basis, the economy grew by a slower pace of 0.4% QoQ (1Q25: 1.8% QoQ). Our full-year GDP growth forecast for 2025 is revised up to 2.6% YoY, from the earlier estimate of 2.2% YoY, on the back of better-than-expected performance in 1H.

During 2Q25, private consumption expenditure reverted to growth at 1.9% YoY (1Q25: -1.2% YoY), after four straight quarters of contraction. Growth in goods and service exports paced up to 11.5% YoY and 7.5% YoY respectively (1Q25: 8.4% YoY and 6.3% YoY), thanks to still solid external demand and export front-loading flow. Meanwhile, gross domestic fixed capital formation and government consumption grew further by 2.9% YoY and 2.5% YoY (1Q25: 1.1% YoY and 0.9% YoY).

While we believe that positive wealth effects stemming from recent asset market rallies may contribute further to the economic recovery in periods ahead, it is still too early for complacency. Global economic growth is set to slow further in the 2H, meanwhile the sentiment in asset market can quickly turnaround.

Hong Kong's housing market is showing broadening signs of stabilization, as rental yield exceeds mortgage rate following the sharp fall in HIBORs. Housing prices flatlined in May and June, while rents extended the recent rally. The residential property rental index rose further by 0.3% MoM in May (0.5% MoM in May), widening the year-to-date gain to 1.6%.

According to preliminary data, Macau's GDP grew by 5.1% in real terms in the second quarter, on the back of strong recovery in exports of service and steady domestic consumption.

Total exports of services reverted to growth at 5.8% YoY (1Q25: -4.0% YoY) during the quarter, on the back of sharp increase in visitor arrivals. Meanwhile, growth of private consumption and government consumption held steady at 0.3% YoY and 1.1% YoY. In the first half, Macau's GDP expanded by 1.8% YoY, and our full-year growth forecast for Macau was at 2.6% YoY.

Recovery of the gaming sector in Macau paced up in the past few months, alongside enhanced non-gaming offerings, including concerts and shopping festivals. Gross gaming revenue surged by 19.0% YoY to MOP21.06 billion in June and MOP22.13 billion in July.

Key Development	
Facts	**OCBC Opinions**
▪ As expected, China did not unveil any major new policy initiatives during the July Politburo meeting.	▪ Given the stronger-than-anticipated growth in the first half of 2025 and the frontloading of fiscal measures earlier in the year, the meeting placed greater emphasis on the implementation of existing policies rather than introducing additional stimulus. ▪ On monetary policy, in contrast to the April 25 Politburo meeting, which explicitly referenced "timely RRR and interest rate cuts," the latest communiqué made no mention of further outright rate cuts. While this does not preclude future rate cuts, it suggests that the sense of urgency has eased since the height of trade-related uncertainty in April. Nevertheless, we believe there is still scope for further monetary accommodation in the second half of the year to support reflation efforts. ▪ On property market, notably, the term "real estate" was absent from the meeting statement. Instead, policymakers emphasized "thoroughly implementing the spirit of the Central Urban Work Conference and promoting high-quality urban renewal." This indicates a strategic shift in focus—from cyclical stimulus toward structural, long-term urban development. As such, the likelihood of large-scale real estate stimulus appears low in the near term. ▪ On anti-involution, the meeting reinforced the ongoing "anti-involution" push, calling for improvements in market competition order, regulation of disorderly competition, and enhanced capacity governance in key industries. While the early July Central Financial and Economic Affairs Commission meeting advocated for the "orderly exit of outdated capacity," this Politburo meeting's language suggests a more measured and targeted approach—particularly in sectors identified as having structural overcapacity. ▪ Capital market reform remains a policy priority. The Politburo reiterated its commitment to "enhancing the appeal and inclusiveness of the domestic capital market and consolidating its recovery momentum," underscoring the role of equity markets in boosting investor confidence and supporting broader economic stabilization.
▪ China has officially announced the implementation plan for the national childcare subsidy program.	▪ Effective from January 1, 2025, a subsidy of RMB 3,600 per child per year will be granted until the child reaches the age of three. All legally registered children under three years of age—regardless of whether they are the first, second, or third child—will be eligible. For children born before January 1, 2025, who remain under three years old, the subsidy will be disbursed on a pro-rata basis according to the number of eligible months. ▪ From a consumption perspective, unlike the "trade-in" program, the childcare subsidy is unlikely to generate a meaningful multiplier effect. As such, the direct impact on consumption may be limited. A CNY200 billion subsidy would likely contribute only 0.2–0.3 percentage points to overall retail sales.

Key Economic News	
Facts	**OCBC Opinions**
▪ China's manufacturing PMI slipped to 49.3 in July from 49.7 in June, with both production and orders weakening.	▪ The new orders index fell to 49.4 from 50.2, while new export orders eased to 47.1 from 47.7. Production activity expansion slowed, and demand indicators moved into contraction territory, highlighting persistent supply–demand imbalances.

	▪ Two factors contributed to the softer readings. First, manufacturing output has entered its seasonal lull, with high temperatures and heavy rainfall disrupting production and causing a typical seasonal pullback. Second, as the earlier "frontloading" export push fades, export momentum has weakened, weighing on sentiment in export-oriented industries such as equipment manufacturing. ▪ Despite the softer activity data, the business expectations index rose to 52.6 from 52.0, suggesting that manufacturers remain cautiously optimistic about the near-term outlook.
▪ Hong Kong: Growth of merchandise exports and imports slowed to 11.9% YoY and 11.1% YoY respectively in June. In sequential terms, exports fell by a faster pace of 3.7% MoM, amid broad-based decline in exports to major trading partners. During the period, trade balance deficit widened to HKD58.9 billion, from that of HKD27.3 billion in May.	▪ Despite the weakening momentum, for the first half of 2025 as a whole, the value of total exports and imports still recorded solid growth at 12.5% YoY and 12.6% YoY respectively. ▪ Breaking down, exports to major trading partners continued to show mixed performance in June. Total merchandise exports to Asia as a whole grew by 17.2% YoY, while exports to Netherlands and US plummeted by 35.5% YoY and 12.1% YoY respectively. ▪ We expect Hong Kong's trade performance to weaken further in the second half, due to the high base a year ago and the slowing global growth.
▪ Hong Kong's housing market is showing broadening signs of stabilization, as rental yield exceeds mortgage rate following the sharp fall in HIBORs. Housing prices flatlined in May and June, while rents extended the recent rally. The residential property rental index rose further by 0.3% MoM in May (0.5% MoM in May), widening the year-to-date gain to 1.6%.	▪ Analyzed by flat size, the rental 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 further by 0.3% MoM and 0.9% MoM respectively in June. ▪ Trading activities picked up somewhat in June, recording a total of 5,955 cases. Other high frequency data suggested that housing price rose for the two straight weeks, to seven-month high. With HIBOR falling sharply in early May, and the average rental yield staying flat at 2.94%, our in-house estimate of buy-rent gap fell to -1.14%, meaning that it now cost less to own a residential property than renting one.
▪ According to preliminary data, Hong Kong's real GDP growth steadied at 3.1% YoY in the second quarter of 2025 (1Q25: 3.0% QoQ), amid improvement in private consumption and export boom. On a seasonally adjusted basis, the economy grew by 0.4% QoQ (1Q25: 1.8% QoQ). Our full-year GDP growth forecast for 2025 is revised up to 2.6% YoY, from the earlier estimate of 2.2% YoY, on the back of better-than-expected performance in 1H.	▪ During 2Q25, private consumption expenditure reverted to growth at 1.9% YoY (1Q25: -1.2% YoY), after four straight quarters of contraction. Growth in goods and service exports paced up to 11.5% YoY and 7.5% YoY respectively (1Q25: 8.4% YoY and 6.3% YoY), despite the threat of US' tariff. Meanwhile, gross domestic fixed capital formation and government consumption grew further by 2.9% YoY and 2.5% YoY (1Q25: 1.1% YoY and 0.9% YoY). ▪ While we believe that positive wealth effects stemming from recent asset market rallies may contribute further to the economic recovery in periods ahead, it is still too early for complacency. Global economic growth is set to slow further in the 2H, meanwhile the sentiment in asset market can quickly turnaround.
▪ According to preliminary data, Macau's GDP grew by 5.1% in real terms in the second quarter, on the back of strong recovery in exports of service and steady domestic consumption.	▪ Total exports of services reverted to growth at 5.8% YoY (1Q25: -4.0% YoY) during the quarter, on the back of sharp increase in visitor arrivals. Meanwhile, growth of private consumption and government consumption held steady at 0.3% YoY and 1.1% YoY. In the first half, Macau's GDP expanded by 1.8% YoY, and our full-year growth forecast for Macau was at 2.6% YoY. ▪ Recovery of the gaming sector in Macau paced up in the past few months, alongside enhanced non-gaming offerings, including concerts and shopping festivals. Gross gaming revenue surged by 19.0% YoY to MOP21.06 billion in June and MOP22.13 billion in July. The share of VIP segments increased further, from 24.4% in

	4Q24 to 26.7% in 2Q25, though still within recent range after the regulatory shifts. In the first half this year, visitor arrival and gross gaming revenue increased by 14.9% YoY and 4.4% YoY respectively.

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