Greater China — Week in Review

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Highlights: China's new five-year goals and US-China relations

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China's new five-year plan and US-China relations were two key focuses last week. The Fourth Plenary Session of the 20th Central Committee of the Communist Party of China (CPC) concluded in Beijing last week. The communiqué reaffirmed the goal of laying a solid foundation and advancing on all fronts toward the basic realization of socialist modernization by 2035.

China outlined seven key social and economic development goals for the 15th Five-Year Plan (2026–2030), emphasizing high-quality growth driven by stronger household consumption, technological self-reliance through breakthroughs in core areas, and deeper reform and opening-up to enhance market efficiency. The plan also calls for strengthening cultural confidence and national soft power, improving living standards via better employment and more equitable public services, advancing green development by achieving carbon peak and cutting pollution, and reinforcing national security through better risk management. Notably, for the first time, the plan explicitly targets a "significant increase in the household consumption rate," underscoring the shift toward demand-side reform. Detailed quantitative targets and flagship projects will be released in the 15th Five-Year Plan Outline to be reviewed at the National People's Congress in March next year.

The statement suggests that while China will continue to deepen structural reforms, it has not shifted away from its growth ambitions. The reference to attaining "moderately developed country" status implies that China's per capita GDP could rise from the current US$13,500 to roughly US$20,000–30,000 within a decade. This, in turn, points to an implied annual growth target of around 5% during the 15th Five-Year Plan period.

China and the United States reached a preliminary framework agreement on Sunday after two days of talks in Kuala Lumpur, marking a tentative de-escalation in tensions ahead of a potential leaders' meeting. According to the news release, both sides engaged in candid, in-depth, and constructive consultations on key economic and trade issues of mutual concern — including U.S. Section 301 measures targeting China's maritime logistics and shipbuilding sectors, the extension of the reciprocal tariff suspension period, fentanyl-related tariffs and law enforcement cooperation, agricultural trade, and export controls. The new framework is likely to reduce the risk of imminent tariff concern.

In my column with Malaysia's leading English-language daily newspaper the Star, I argued why our base case remained that both countries will eventually reach an understanding to avoid further tariff escalation. Below are the extracts from my column.

"At first glance, China appeared to take a more proactive stance in this latest round of friction. It is observed that in the one to two months leading up to a leaders' summit, US policymakers often roll out a string of hardline, China-focused measures. The logic is tactical: by applying pressure ahead of high-level dialogue, Washington tests Beijing's restraint, knowing that Chinese officials attach great symbolic and

political importance to ensuring that summits proceed smoothly. American diplomats have long recognized this sensitivity—and exploited it.

A vivid example was seen ahead of the 2022 Bali summit, when the US introduced a series of punitive measures targeting China's technology and export sectors, while Beijing refrained from major retaliation to preserve the diplomatic atmosphere. The current episode bears striking resemblance—except that this time, Beijing is not standing still.

That difference, in my view, is telling. The Western narrative tends to describe China's recent behavior as more "assertive," implying a shift toward greater strategic confidence or even defiance. But I would argue otherwise. What we are witnessing is not strategic aggression—it is defensive assertiveness. Beijing has learned from past cycles that remaining overly cautious before summits invites more pre-emptive US pressure. By acting early, China aims to set boundaries and deter Washington from further "tests" before negotiations begin.

A more assertive China raises the risk that both sides overestimate their ability to compel concessions from one another. By contrast, a more defensive China implies greater caution and calibration. Beneath the noise, both sides have strong incentives to keep the situation manageable. With the US election cycle heating up and China still navigating a fragile domestic recovery, neither can afford a prolonged escalation.

In that sense, the latest re-escalation could paradoxically serve as a prelude to de-escalation. China's limited yet firm responses help it enter the upcoming talks from a position of self-respect, while still leaving room for compromise. As such, our base case remains that both countries will eventually reach an understanding to avoid further tariff escalation."

For this week, attention will turn to the upcoming details of China's 15th Five-Year Plan, including the full text of the "Proposals" and the General Secretary's explanatory remarks, which are expected to be released in the first half of this week. Follow-up ministerial study sessions and potential official guidebooks will also be worth watching for additional policy signals. On the external front, markets will keep a close eye on developments in China–U.S. economic and trade negotiations and possible head of state Summit, where any sign of progress could further anchor sentiment.

Lastly, on RMB, the willingness to sell foreign currency jumped to 71% in September from 61% in August, the highest level since August 2023, even as onshore USD deposits remained near record highs. This sharp rise suggests improving confidence in the RMB, likely helping to anchor the currency in the near term despite the recent rebound in the broad dollar index.

In Hong Kong, inflation stayed weak, with headline CPI rising at a steady pace of 1.1% YoY in September 2025 (1.1% YoY in August). Netting out the effect of all government's one-off relief measures, underlying CPI increased by a slightly slower pace of 1.0% YoY (1.1% YoY in August).

Looking ahead, pressures from domestic costs and external prices should stay mild. We pitched full-year inflation at 1.4% and 1.6% for 2025 and 2026 respectively.

Despite the ongoing economic recovery, Hong Kong's labor market slack has increased. The seasonally adjusted unemployment rate rose to 3.9% in the three-month ending September 2025, the highest since Aug-Oct 2022, while underemployment rate was little changed at 1.6%. Increases in unemployment rate were virtually across-the-board, with more notable deterioration in the construction (at 7.2%) and manufacturing sectors (3.9%).

Given the still-sluggish hiring sentiment, jobless rate is likely to linger at elevated level in periods ahead. We revised upward our full year unemployment rate forecast to 3.6% (+0.1 percentage point) and 3.7% (+0.2 percentage point) respectively for 2025 and 2026.

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Key Development	
Facts	**OCBC Opinions**
▪ China and the United States reached a preliminary framework agreement on Sunday after two days of talks in Kuala Lumpur, marking a tentative de-escalation in tensions ahead of a potential leaders' meeting.	▪ According to the news release, both sides engaged in candid, in-depth, and constructive consultations on key economic and trade issues of mutual concern — including U.S. Section 301 measures targeting China's maritime logistics and shipbuilding sectors, the extension of the reciprocal tariff suspension period, fentanyl-related tariffs and law enforcement cooperation, agricultural trade, and export controls. The new framework is likely to reduce the risk of imminent tariff concern.
▪ The Fourth Plenary Session of the 20th Central Committee of the Communist Party of China (CPC) concluded in Beijing last week. The communiqué reaffirmed the goal of laying a solid foundation and advancing on all fronts toward the basic realization of socialist modernization by 2035.	▪ China outlined seven key social and economic development goals for the 15th Five-Year Plan (2026–2030), emphasizing high-quality growth driven by stronger household consumption, technological self-reliance through breakthroughs in core areas, and deeper reform and opening-up to enhance market efficiency. The plan also calls for strengthening cultural confidence and national soft power, improving living standards via better employment and more equitable public services, advancing green development by achieving carbon peak and cutting pollution, and reinforcing national security through better risk management. Notably, for the first time, the plan explicitly targets a "significant increase in the household consumption rate," underscoring the shift toward demand-side reform. Detailed quantitative targets and flagship projects will be released in the 15th Five-Year Plan Outline to be reviewed at the National People's Congress in March next year. ▪ The statement suggests that while China will continue to deepen structural reforms, it has not shifted away from its growth ambitions. The reference to attaining "moderately developed country" status implies that China's per capita GDP could rise from the current USD 13,500 to roughly USD 20,000–30,000 within a decade. This, in turn, points to an implied annual growth target of around 5% during the 15th Five-Year Plan period. ▪ As China's economic challenge transitions from supply-side constraints to demand-side bottlenecks, this communiqué notably omits the phrase "supply-side structural reform." Instead, it introduces a new formulation—"closely combining investment in material and human capital, guiding new supply through new demand, and creating new demand through new supply." This shift underscores a stronger policy orientation toward stimulating domestic demand, suggesting that macro policy in the coming years will place greater emphasis on the demand side of the economy.

Key Economic News	
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▪ Hong Kong: Inflation stayed weak, with headline CPI rising at a steady pace of 1.1% YoY in September 2025 (1.1% YoY in August). Netting out the effect of all government's one-off relief measures, underlying CPI increased by a slightly slower pace of 1.0% YoY (1.1% YoY in August).	▪ Breaking down, cost of "housing" (+1.7% YoY) and "transport" (+2.2% YoY) increased the most in September. Meanwhile, "durable goods" (-3.1% YoY) and "clothing and footwear" (-3.7% YoY) kept the price pressure tamed. ▪ Looking ahead, pressures from domestic costs and external prices should stay mild. We pitched full-year inflation at 1.4% and 1.6% for 2025 and 2026 respectively.

▪ Hong Kong: Despite the ongoing economic recovery, labor market slack has increased. Hong Kong's seasonally adjusted unemployment rate rose to 3.9% in the three-month ending September 2025, the highest since Aug-Oct 2022, while underemployment rate was little changed at 1.6%.	▪ Unemployed persons rose further to the highest level since 2022, at 155k in the three-month ending September 2025. Increases in unemployment rate were virtually across-the-board, with more notable deterioration in the construction (at 7.2%) and manufacturing sectors (3.9%). ▪ Given the still-sluggish hiring sentiment, jobless rate is likely to linger at elevated level in periods ahead. We revised upward our full year unemployment rate forecast to 3.6% (+0.1 percentage point) and 3.7% (+0.2 percentage point) respectively for 2025 and 2026.

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