Greater China — Week in Review

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Highlights: US-China trade truce

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The United States and China reached a trade truce following the Trump–Xi meeting in South Korea on October 30. China's equity market ended lower in a knee-jerk reaction, but we think this had little to do with the meeting's outcome and was more likely a case of "buy the rumor, sell the fact." Under the agreement, the "fentanyl-related tariff" on Chinese goods will be halved to 10% from the original 20%, while the 24% reciprocal tariff on Chinese products will remain suspended for another year. That said, the existing 10% base tariff will continue to apply, keeping the overall additional tariff rate on Chinese goods at around 20% in 2025—broadly in line with most Asian peers. The U.S. will also suspend for one year the implementation of the 50% ownership "penetration rule" under export controls, as well as the Section 301 investigations into China's maritime, logistics, and shipbuilding sectors. In response, China will make corresponding adjustments or temporarily suspend its related countermeasures. Overall, we see this as a constructive truce that helps reduce uncertainty and stabilize the global economic outlook.

China has adopted a noticeably more assertive tone toward Taiwan since the Victory Day Parade on 3 September 2025, when it showcased several cutting-edge weapons systems.

On 25 October, Beijing marked the 80th anniversary of Taiwan's "restoration" by designating it as the Commemoration Day of Taiwan's Restoration, a new national observance approved by the NPC Standing Committee. Coinciding with the occasion, China's commercial satellite Jilin-1 released eight high-resolution images of Taiwan, underscoring both technological prowess and confidence in achieving "complete reunification."

In the following days, Xinhua News Agency published three consecutive commentaries by the same pseudonymous author "Zhong Taiwen". The first article, "The Origin and Nature of the Taiwan Question" (Oct 26), traced the historical and legal foundations of the issue, reiterating that Taiwan is an inalienable part of China's territory. The second, "The Benefits of Cross-Strait Development and Reunification" (Oct 27), argued that reunification would enhance Taiwan's economy and improve people's livelihoods through deeper integration. The final piece, "National Reunification Is Inevitable and Unstoppable" (Oct 28), framed reunification as a historical inevitability and the collective aspiration of the Chinese people, stressing that no separatist force can reverse this course.

While the hot spot is returning to the centre stage again, an immediate confrontation still appears unlikely, especially with President Trump's planned visit to China in April 2026 and a reciprocal visit by President Xi later in the year. The key watch point over the next twelve months will be whether Taiwan emerges as part of a broader U.S.–China "grand bargain."

Domestically, China's manufacturing PMI fell 0.8 MoM to 49.0 in October, slipping deeper into contraction territory. Meanwhile, the construction PMI remained subdued at 49.1 (-0.2ppt MoM), hovering near a multi-year low for this time of year. That said, the gradual rollout of incremental fiscal measures in October has started to ease funding constraints on investment. Market expectations have improved in response, with the construction sector's business activity expectations index rebounding 3.6ppt to 56.0, suggesting a potential pickup in construction sentiment ahead.

In contrast, the services PMI edged up 0.1ppt to 50.4, supported by strong holiday travel and pre–Double 11 promotional campaigns that buoyed consumer-facing industries. With the extension of the U.S.–China trade truce and the expected recovery in export orders, we anticipate the manufacturing PMI to rebound modestly in the coming months as business confidence stabilizes.

China's industrial profits accelerated to 3.2% YoY in the first nine months, up from 0.9% in the January–August period. In September alone, profits surged 21.6% YoY, 1.2ppt faster than in August. However, on a MoM basis, profits rose only 1.1%, well below the historical seasonal average, suggesting that the rebound was largely statistical rather than cyclical. We believe the sharp YoY surge in September profits mainly reflected a low base from last year, while the underlying recovery momentum remains constrained by weak producer prices and still-insufficient effective demand.

While these "anti-involution" policies have helped to lift sentiment at the margin, their ability to sustain a genuine recovery in industrial prices and profitability will ultimately depend on consistent enforcement and broader improvements in demand over the coming months.

According to advanced reading, Hong Kong's real GDP growth paced up to 3.8% YoY in the third quarter of 2025 (2Q25: 3.1% YoY), the fastest pace since 2023, due to sustained recovery in private consumption and widening trade surplus. On a seasonally adjusted basis, the economy grew by 0.7% QoQ (2Q25: 0.4% QoQ). For the first three quarters in a whole, the economy grew by 3.3% YoY.

During the quarter, private consumption expanded by 2.1% YoY (2Q25: 1.9% YoY), contributing around 1.4 percentage point of growth, same as the previous quarter. Growth in goods and service exports held steady at 12.2% YoY and 11.7% YoY respectively (2Q25: 11.5% YoY and 12.6% YoY), while growth in goods and service imports both slowed. Contribution of net exports reverted to positive zone at 1.6pp in the third quarter. On the other hand, while gross domestic fixed capital formation and government consumption continued to increase by 4.3% YoY and 1.6% YoY respectively (1Q25: 1.9% YoY and 2.5% YoY), the contribution to growth from investment (including changes of inventories) and public spending diminished.

Our full-year GDP growth forecast for 2025 is revised up back to 3.4% YoY, above the government forecast range at 2%-3%. In parallel, we raised our 2026 forecast to 2.6%. Notwithstanding the broader growth, HK's labour market is expected to stay soft under the shadow of structural imbalance. On a separate note, we see two-way risk to inflation, but with slight bias to the upside. We tip the 2025 unemployment rate and inflation forecast at 3.6% and 1.4% YoY respectively for 2025, and 3.7% and 1.6% respectively for 2026.

Hong Kong's housing market continued to show signs of bottoming out, with pace of increase in housing prices starting to catch up with the increase in rents. The residential property price index rose by 1.3% MoM in September, the biggest monthly gain in more than a year, and completely erased all year-to-date losses. Meanwhile, rents extended its recent uptrend, but in a steady and grinding manner. In the first nine months this year, the residential property price and rental index rose cumulatively by 1.1% and 3.9% respectively.

According to preliminary data, Macau's GDP expanded by 8.0% YoY in the third quarter, surprising market to the upside. For the first three quarters of 2025, the real economy grew by 4.2% YoY, but still below the 2019 size by 11.6%. In light of better-than-expected performance in exports of services, we revised our full-year growth forecast to 5.0% this year, from the previous estimate of 2.6%.

During the third quarter, growth of total exports of services accelerated to 10.5% YoY (2Q25: 6.0% YoY), on the back of sharp increase in visitor arrivals. Growth of private consumption and government consumption expenditure also paced up somewhat to 0.8% YoY (2Q25: 0.3% YoY) and 2.7% YoY (2Q25: 1.0% YoY) respectively, after the meagre growth in the first two quarters. On the other hand, gross fixed capital formation declined further by 26.1% YoY (2Q25: -3.7% YoY), owing to decreases in private and public construction projects.

Barring abrupt slowdown in mainland China's economy and sharp turnaround in asset market sentiment, we expect total gross gaming revenue to grow by around 5% in 2026, while full-year tourist arrivals to increase by 6-9% YoY. Riding on the sustained recovery of external demand, Macau's 2026 real GDP growth is tipped at 3.0%. Meanwhile, unemployment rate and inflation rate are pitched at 2.1% and 0.6% respectively.

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Key Development	
Facts	**OCBC Opinions**
▪ China has adopted a noticeably more assertive tone toward Taiwan since the Victory Day Parade on 3 September 2025.	▪ On 25 October, Beijing marked the 80th anniversary of Taiwan's "restoration" by designating it as the Commemoration Day of Taiwan's Restoration, a new national observance approved by the NPC Standing Committee. The move was widely interpreted as a symbolic reaffirmation of China's sovereignty claim over Taiwan. Coinciding with the occasion, China's commercial satellite Jilin-1 released eight high-resolution images of Taiwan, underscoring both technological prowess and confidence in achieving "complete reunification." ▪ In the following days, Xinhua News Agency published three consecutive commentaries by the same pseudonymous author "Zhong Taiwen": "The Origin and Nature of the Taiwan Question" (Oct 26), "The Benefits of Cross-Strait Development and Reunification" (Oct 27), and "National Reunification Is Inevitable and Unstoppable" (Oct 28). Together, these pieces framed reunification as both a historical necessity and a path to mutual prosperity, reflecting a coordinated narrative push in official discourse.

Key Economic News	
Facts	**OCBC Opinions**
▪ China's manufacturing PMI fell 0.8 MoM to 49.0 in October, slipping deeper into contraction territory.	▪ The production index dropped sharply by 2.2ppt to 49.7, falling below the 50 threshold for the first time in six months and performing notably weaker than its seasonal trend. The sharp pullback in production likely reflected the fading impact of earlier "front-loading of production" and persistently high inventory levels. The new orders index also declined by 0.9ppt, while renewed uncertainty in U.S.–China tariff policy weighed on external demand — the new export orders index fell 1.9ppt to 45.9, the second-lowest reading this year. ▪ Meanwhile, the construction PMI remained subdued at 49.1 (-0.2ppt MoM), hovering near a multi-year low for this time of year. That said, the gradual rollout of incremental fiscal measures in October has started to ease funding constraints on investment. Market expectations have improved in response, with the construction sector's business activity expectations index rebounding 3.6ppt to 56.0, suggesting a potential pickup in construction sentiment ahead. ▪ In contrast, the services PMI edged up 0.1ppt to 50.4, supported by strong holiday travel and pre–Double 11 promotional campaigns that buoyed consumer-facing industries. With the extension of the U.S.–China trade truce and the expected recovery in export orders, we anticipate the manufacturing PMI to rebound modestly in the coming months as business confidence stabilizes.
▪ China's industrial profits accelerated to 3.2% YoY in the first nine months, up from 0.9% in the January–August period. In September alone, profits surged 21.6% YoY, 1.2ppt faster than in August.	▪ However, on a MoM basis, profits rose only 1.1%, well below the historical seasonal average of 11.3%, suggesting that the rebound was largely statistical rather than cyclical. ▪ We believe the sharp YoY surge in September profits mainly reflected a low base from last year, while the underlying recovery momentum remains constrained by weak producer prices and still-insufficient effective demand. From a pricing perspective, the PPI improved to –2.3% YoY in September (vs. –2.9% in August) and

	was flat MoM, indicating tentative stabilization in domestic market order as the impact of recent "anti-involution" measures began to filter through. ▪ While these "anti-involution" policies have helped to lift sentiment at the margin, their ability to sustain a genuine recovery in industrial prices and profitability will ultimately depend on consistent enforcement and broader improvements in demand over the coming months.
▪ According to advanced reading, Hong Kong's real GDP growth paced up to 3.8% YoY in the third quarter of 2025 (2Q25: 3.1% YoY), the fastest pace since 2023, due to sustained recovery in private consumption and widening trade surplus. On a seasonally adjusted basis, the economy grew by 0.7% QoQ (2Q25: 0.4% QoQ). For the first three quarters in a whole, the economy grew by 3.3% YoY.	▪ During the quarter, private consumption expanded by 2.1% YoY (2Q25: 1.9% YoY), contributing around 1.4 percentage point of growth, same as the previous quarter. Growth in goods and service exports held steady at 12.2% YoY and 11.7% YoY respectively (2Q25: 11.5% YoY and 12.6% YoY), while growth in goods and service imports both slowed. Contribution of net exports reverted to positive zone at 1.6pp in the third quarter. On the other hand, while gross domestic fixed capital formation and government consumption continued to increase by 4.3% YoY and 1.6% YoY respectively (1Q25: 1.9% YoY and 2.5% YoY), the contribution to growth from investment (including changes of inventories) and public spending diminished. ▪ Our full-year GDP growth forecast for 2025 is revised up back to 3.4% YoY, above the government forecast range at 2%-3%. In parallel, we raised our 2026 forecast to 2.6%. Notwithstanding the broader growth, HK's labour market is expected to stay soft under the shadow of structural imbalance. On a separate note, we see two-way risk to inflation, but with slight bias to the upside. We tip the 2025 unemployment rate and inflation forecast at 3.6% and 1.4% YoY respectively for 2025, and 3.7% and 1.6% respectively for 2026.
▪ Hong Kong's housing market continued to show signs of bottoming out, with pace of increase in housing prices starting to catch up with the increase in rents. The residential property price index rose by 1.3% MoM in September, the biggest monthly gain in more than a year, and completely erased all year-to-date losses. Meanwhile, rents extended its recent uptrend, but in a steady and grinding manner. In the first nine months this year, the residential property price and rental index rose cumulatively by 1.1% and 3.9% respectively.	▪ However, one thing that had been missing in the broader recovery story was the resurgence of market activities. Transaction stayed flat at 16,700 cases in Q3, comparable to that of 16,754 in Q2. As the 'low-rate honeymoon' ends, we expect to see some turbulences in housing market ahead, potentially capping further upside room for prices. ▪ The recent rebound in HIBORs was about to nudge our in-house estimate of buy-rent gap back to the positive territory (i.e. buying properties are again conceived as more costly than renting properties). That said, with tailwinds such as increase in non-local/end-user demand and a more favourable policy mix in the picture, the outlook of housing market decisively improves. Taken together, while residential property cycle is taking a turn for the better, but a V—shaped recovery still appears some way off. We expect the residential property prices to rise by 0-3% this year, and have an estimated 1-4% upside in 2026. ▪ On a separate note, we still hold on to a bearish view on the commercial real estate (CRE) market, despite the increased leasing demand for office space and rebound in retail sales, amid the overhang of over-supply and limited rental return. The property prices of retail spaces and office are expected to fall by a moderated 5.5% in 2026, after the forecasted decline of 8.5% this year. The local authorities were also expected to suspend the sales of commercial land plot for the second straight year in order to support the CRE market.
▪ Macau: According to preliminary data,	▪ During the third quarter, growth of total exports of services

Macau's GDP expanded by 8.0% YoY in the third quarter, surprising market to the upside. For the first three quarters of 2025, the real economy grew by 4.2% YoY, but still below the 2019 size by 11.6%. In light of better-than-expected performance in exports of services, we revised our full-year growth forecast to 5.0% this year, from the previous estimate of 2.6%.	accelerated to 10.5% YoY (2Q25: 6.0% YoY), on the back of sharp increase in visitor arrivals. Growth of private consumption and government consumption expenditure also paced up somewhat to 0.8% YoY (2Q25: 0.3% YoY) and 2.7% YoY (2Q25: 1.0% YoY) respectively, after the meagre growth in the first two quarters. On the other hand, gross fixed capital formation declined further by 26.1% YoY (2Q25: -3.7% YoY), owing to decreases in private and public construction projects. ▪ The imbalanced economic recovery is likely to persist, in the absence of meaningful recovery in domestic demand. Despite the ongoing effort to diversify the economy structure, the burden of growth now falls almost entirely on the gaming sector in the near-term horizon, and challenge ahead lies in sustaining its momentum. Barring abrupt slowdown in mainland China's economy and sharp turnaround in asset market sentiment, we expect total gross gaming revenue to grow by around 5% in 2026, while full-year tourist arrivals to increase by 6-9% YoY. Riding on the sustained recovery of external demand, Macau's 2026 real GDP growth is tipped at 3.0%. Meanwhile, unemployment rate and inflation rate are pitched at 2.1% and 0.6% respectively.

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