

Greater China – Week in Review

Highlights: I like Shenzhen

While I am still recovering from a stomach flu picked up during my trip to Shenzhen last week, the visit itself was an eye-opener. I've visited the city many times, but this was probably the first time I truly understood it. Walking through Dongmen Shopping District, just outside China's first McDonald's outlet opened in 1990, I found a square buzzing with a different kind of economic activity: live streamers.

Singers, dancers, and casual talkers faced their phones and cameras, supported by an ecosystem that was both improvised and industrial. For popular streamers, it really takes a village—teams of five to ten staff managing lighting, multiple screens, audio, and online engagement, all packed into small mobile carts that looked almost like moon rovers. Others operated solo, one-man teams waiting for luck, algorithms, and audiences to converge. Together, they drew crowds, attention, and spending, turning the square into a living marketplace.

What struck me most was how inclusive this ecosystem is. Entry barriers are low, formats are diverse, and outcomes are highly unequal—but that is precisely why it works as a shock absorber for the economy. As China transitions from an investment- and manufacturing-led model toward a more service-oriented economy, live streaming represents a grassroots solution to job creation, especially for younger workers and migrants. It blurs the line between formal and informal employment, consumption and production, entertainment and livelihood.

Shenzhen has always been a test bed for growth models—from manufacturing to tech, and now to digital services. Dongmen felt like a real-time experiment in how China is finding new ways to absorb labour, monetize attention, building personal IP and sustain vibrancy even as traditional engines slow. It may not look like GDP on a spreadsheet—but on the ground, it feels very much like an economy adapting in motion.

Another stop that left a deep impression on me was Shuibei Gold and Jewelry District, China's largest gold and jewellery wholesale hub. I happened to be there at the height of the gold frenzy—just days before prices sharply reversed on Friday—which made the experience particularly vivid.

Shuibei is not defined by one or two malls, but by an entire district densely packed with thousands of wholesalers and trading shops. Everywhere you turn, electronic screens update gold prices in real time, refreshing every second. Buyers crowd shoulder to shoulder, eyes fixed on the numbers, waiting for the right moment to buy the dip or sell into strength.

While investors in the US and Europe tend to favour ETFs and paper exposure, Chinese investors continue to show a strong preference for physical gold—something tangible, visible, and trusted. In Shuibei, gold is not an abstract hedge or a line item in a portfolio. It is a cultural asset, a store of value, and a

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form of household savings.

What impressed me most was the pervasive sense of safety and order. High-value gold is displayed openly across thousands of counters, yet there is no obvious heavy security presence. Walking through Shuibei feels no different from strolling through a regular shopping mall. That quiet confidence—where trust, enforcement, and social order are largely invisible—is itself an important, often overlooked form of economic infrastructure.

Taken together with Dongmen's live-streaming economy, Shenzhen offers a fascinating snapshot of China's growth experiment. The city is innovating simultaneously at both ends of the spectrum: hyper-digital, platform-driven services on one side, and centuries-old concepts of value and trust on the other.

In January, both China's manufacturing and non-manufacturing PMIs slipped back below the 50 expansion-contraction threshold. The manufacturing PMI declined to 49.3, down 0.8ppt MoM, with the magnitude of the fall exceeding typical seasonal patterns. Within manufacturing, the production index stood at 50.6. While still marginally in expansion territory, it fell 1.1ppt MoM, reflecting not only off-season effects but also a clearer softening in demand conditions. This was corroborated by the new orders and new export orders indices, which dropped to 49.2 and 47.8 respectively, down 1.6ppt and 1.2ppt MoM. Together, these indicators suggest that demand momentum remains fragile, keeping firms cautious on capacity expansion.

According to advance estimates, Hong Kong's real GDP growth beat market expectations at 3.8% YoY in the fourth quarter of 2025 (3Q25: 3.7% YoY), supported by sustained recovery in private consumption and investment. On a seasonally adjusted basis, the economy grew by 1.0% QoQ (3Q25: 0.9% QoQ), marking the fastest pace of expansion since 4Q23. For full-year 2025, real GDP increased by 3.5% YoY, slightly above our in-house forecast of 3.4% and exceeding government's projection of 3.2%.

During the quarter, private consumption expenditure rose by 2.5% YoY (3Q25: 2.4% YoY). Gross domestic fixed capital formation accelerated sharply, growing by 10.9% YoY (3Q25: 3.4% YoY), while growth in government consumption moderated further to 1.4% YoY (3Q25: 2.0% YoY). The contribution from net exports turned negative in the fourth quarter, as import growth outpaced export growth. Exports of goods and services increased by 15.5% YoY and 4.9% YoY respectively (3Q25: 12.0% YoY and 6.6% YoY), while imports of goods and services expanded by 18.4% YoY and 3.1% YoY respectively (3Q25: 11.7% YoY and 2.3% YoY).

Looking ahead, the downward trend in local interest rates, benign asset market sentiment, resilient external demand and a supportive policy environment should continue to underpin the macroeconomic outlook. We expect the growth momentum to be broadly sustained over the coming quarters and project real GDP growth of 2.6% in 2026.

According to preliminary data, Macau's real GDP grew by 7.6% YoY in the fourth quarter of 2025 (3Q25: 3.7% YoY), underpinned by strong growth in exports of services. For 2025 as a whole, the real economy grew by 4.7% YoY, below our growth forecast at 5.0%, bringing the total economic output back to 89.6% of

its 2019 level.

During the quarter, growth in total exports of services slowed somewhat to 9.8% YoY, while visitor arrivals surged by 15.4% YoY. Increases in government consumption expenditure, private consumption expenditure and gross fixed capital formation came in at 1.3% YoY, 1.1% YoY and 0.9% YoY respectively.

Macau's gross gaming revenue (GGR) rose to post-Covid high at MOP292.46 billion in 2025 (up by 9.1% YoY), exceeding our growth forecast at 8.5%. GGR will likely see solid growth in 2026, with the rate of expansion of VIP segment outpacing that of other segments. We tip the year-on-year growth of GGR at 5% for 2026, taking into account the higher base.

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 1.8% and 0.6% respectively.

Hong Kong's housing market is showing clear signs of bottoming out, after three consecutive years of consolidation. A wave of positive catalysts, including the narrowing buy-rent-gap, improved affordability, policy driven population influx, a more favourable housing policy mix, and broader economic recovery, all contributed to the demand driven recovery last year. The official property price and rental index rose cumulatively by 3.3% YoY and 4.3% YoY respectively in 2025, in line with our estimates. Building on the ongoing momentum, Hong Kong's housing prices and rent are poised for further gain in 2026.

Separately, the quota of RMB business facility will be doubled to RMB200 billion with effect from 2 Feb, in response to the growing appetite for offshore yuan funding. The facility allows banks to take loans with up to one year tenor and interest rate benchmarking the SHIBOR.

Key Economic News	
Facts	OCBC Opinions
<ul style="list-style-type: none"> In January, both manufacturing and non-manufacturing PMIs slipped back below the 50 expansion–contraction threshold. The manufacturing PMI declined to 49.3, down 0.8ppt MoM, with the magnitude of the fall exceeding typical seasonal patterns. 	<ul style="list-style-type: none"> Within manufacturing, the production index stood at 50.6. While still marginally in expansion territory, it fell 1.1ppt MoM, reflecting not only off-season effects but also a clearer softening in demand conditions. This was corroborated by the new orders and new export orders indices, which dropped to 49.2 and 47.8 respectively, down 1.6ppt and 1.2ppt MoM. Together, these indicators suggest that demand momentum remains fragile, keeping firms cautious on capacity expansion. By contrast, price dynamics showed a notable improvement. In January 2026, the input prices index rose to 56.1 (+3.0ppt MoM), while the output prices index increased to 50.6 (+1.7ppt MoM), driven mainly by recent gains in selected commodity prices. Importantly, the output prices index moved back above 50 for the first time in nearly 20 months, which could help stabilise corporate revenue expectations and alleviate pressure on profit margins at the margin. Firm-size divergence widened further, underscoring an accelerating structural transition. Large enterprises remained relatively resilient, with a PMI of 50.3 and still in expansion territory. In contrast, medium-sized and small enterprises recorded PMIs of 48.7 and 47.4, down 1.1ppt and 1.2ppt MoM, respectively, highlighting continued stress among smaller firms. On the non-manufacturing side, the services business activity index edged down modestly by 0.2ppt to 49.5. Construction PMI, however, weakened sharply to 48.8, down 4.0ppt MoM and below levels seen in recent years, signalling a meaningful slowdown. This weakness was likely driven by a combination of persistently low temperatures in recent weeks; and seasonal disruptions ahead of the Lunar New Year, including migrant workers returning home and temporary project suspensions.
<ul style="list-style-type: none"> Hong Kong: According to advance estimates, Hong Kong’s real GDP growth beat market expectations at 3.8% YoY in the fourth quarter of 2025 (3Q25: 3.7% YoY), supported by sustained recovery in private consumption and investment. On a seasonally adjusted basis, the economy grew by 1.0% QoQ (3Q25: 0.9% QoQ), marking the fastest pace of expansion since 4Q23. For full-year 2025, real GDP increased by 3.5% YoY, slightly above our in-house forecast of 3.4% and exceeding government’s projection of 3.2%. 	<ul style="list-style-type: none"> During the quarter, private consumption expenditure rose by 2.5% YoY (3Q25: 2.4% YoY). Gross domestic fixed capital formation accelerated sharply, growing by 10.9% YoY (3Q25: 3.4% YoY), while growth in government consumption moderated further to 1.4% YoY (3Q25: 2.0% YoY). The contribution from net exports turned negative in the fourth quarter, as import growth outpaced export growth. Exports of goods and services increased by 15.5% YoY and 4.9% YoY respectively (3Q25: 12.0% YoY and 6.6% YoY), while imports of goods and services expanded by 18.4% YoY and 3.1% YoY respectively (3Q25: 11.7% YoY and 2.3% YoY). Looking ahead, the downward trend in local interest rates, benign asset market sentiment, resilient external demand and a supportive policy environment should continue to underpin the macroeconomic outlook. We expect the growth momentum to be broadly sustained over the coming quarters and project real GDP growth of 2.6% in 2026.

<ul style="list-style-type: none"> Hong Kong's housing market is showing clear signs of bottoming out, after three consecutive years of consolidation. A wave of positive catalysts, including the narrowing buy-rent-gap, improved affordability, policy driven population influx, a more favourable housing policy mix, and broader economic recovery, all contributed to the demand driven recovery last year. The official property price and rental index rose cumulatively by 3.3% YoY and 4.3% YoY respectively in 2025, in line with our estimates. Building on the ongoing momentum, Hong Kong's housing prices and rent are poised for further gain in 2026. 	<ul style="list-style-type: none"> The turning point for housing market was when the market yield rose to multi-year high, and almost completely erased the buy-rent gap (i.e. our in-house estimate of difference between mortgage costs and interest forgone for down payment, as compared to monthly rents). The estimated gap narrowed from the high of 1.18% in October 2023, to the low of 0.13% in March 2025, before the streak of month-to-month increase in property prices started in April 2025. Intuitively, as and when the cost of renting is comparable to the cost of purchasing a property, households are incentivized to buy instead of lease properties. This "rent-to-purchase" conversion, together with the return of long-term investors, subsequently drove up housing prices. We expect to see a moderate increase in residential property prices by around 5% this year, due to still cautious buyer sentiment, limited downside of mortgage rate, and inventory overhang.
<ul style="list-style-type: none"> Hong Kong: Exports performance beat market expectation by a wide margin in December, with growth of merchandise exports and imports accelerating to 26.1% YoY and 30.6% YoY respectively (November: 18.8% YoY and 18.1% YoY). During the period, trade balance deficit swelled to HKD63.3 billion in December, the most since June 2022. 	<ul style="list-style-type: none"> Exports to the mainland China (+24.9%YoY) and most other Asian markets continued to record sharp growth, reflecting robust external demand. For the year as a whole, exports and imports rose by 15.4% YoY and 15.5% YoY respectively. Looking forward, we expect to see high single-digit growth in exports in 2026, amid the ongoing AI investment and structural resilience of Chinese exports.
<ul style="list-style-type: none"> Macau: According to preliminary data, Macau's real GDP grew by 7.6% YoY in the fourth quarter of 2025 (3Q25: 3.7% YoY), underpinned by strong growth in exports of services. For 2025 as a whole, the real economy grew by 4.7% YoY, below our growth forecast at 5.0%, bringing the total economic output back to 89.6% of its 2019 level. 	<ul style="list-style-type: none"> During the quarter, growth in total exports of services slowed somewhat to 9.8% YoY, while visitor arrivals surged by 15.4% YoY. Increases in government consumption expenditure, private consumption expenditure and gross fixed capital formation came in at 1.3% YoY, 1.1% YoY and 0.9% YoY respectively. Macau's gross gaming revenue (GGR) rose to post-Covid high at MOP292.46 billion in 2025 (up by 9.1% YoY), exceeding our growth forecast at 8.5%. GGR will likely see solid growth in 2026, with the rate of expansion of VIP segment outpacing that of other segments. We tip the year-on-year growth of GGR at 5% for 2026, taking into account the higher base. 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 1.8% and 0.6% respectively.

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