

Greater China – Week in Review

Highlights: Underlying strength

China's manufacturing PMI eased only marginally to 50.3 in April from 50.4 in March, but the underlying picture was more resilient than the headline suggests, showing China's manufacturing sector may have benefited from the Iran war.

First, new export orders rose to 50.3, returning to expansionary territory for the first time in two years. **Second**, PMIs for medium- and small-sized enterprises improved to 50.5 and 50.1, respectively, marking the first time in two years that all enterprise-size PMIs were in expansion. This suggests that China's exporters may be benefiting from order relocation amid global supply-chain disruptions. **Third**, the business expectations index strengthened further to 54.5 in April, pointing to improving confidence. In our view, the war has reinforced the market's re-rating of China's manufacturing resilience, supported by its comprehensive and reliable supply chain. This should remain a near-term tailwind for China's exports.

At the April Politburo meeting, China's top leadership struck a more optimistic tone on the economy, highlighting a strong start to the year and outperformance across key indicators.

On the fiscal side, the focus has moved to "optimizing expenditure structure," suggesting a reallocation of resources rather than a step-up in headline spending intensity. In terms of boosting domestic demand, the authorities no longer emphasized "stabilizing and reversing the decline in investment." Instead, they called for "accelerating the commencement of major projects with mature conditions." This shift likely reflects the improvement already seen on the investment side.

The change of policy tone also matched the latest construction PMI, which fell by 1.3ppt to 48.0 in April, remaining in contractionary territory and underperforming seasonal trends. After March's rebound, which was supported by post-holiday work resumption and the property market's "mini spring", construction activity softened again by more than usual seasonal patterns.

The policy emphasis is now moving from broad-based stabilization toward selective project implementation, suggesting that the investment impulse may become more measured in the coming quarters. This reinforces our view that China's growth momentum likely peaked in 1Q.

Nevertheless, China's strong start also prompted the rating agency Moody's to revise China's sovereign outlook from "negative" to "stable" while affirming the A1 long-term issuer rating, citing the economy and fiscal position's resilience amid domestic, trade and geopolitical headwinds.

Notably, the negative outlook was first placed in Dec 2023, and such outlooks are typically resolved—either via downgrade or stabilization—within a 12–24 month window. This revision therefore comes slightly beyond the usual

Tommy Xie Dongming
Head of Asia Macro Research

Keung Ching (Cindy)
Hong Kong & Macau Economist

timeframe. It is also worth highlighting that Moody's had been the sole major outlier maintaining a negative stance, suggesting that the latest move is, in part, a convergence toward broader market consensus.

China's ability over the past year to absorb external shocks—including tariff escalation and the Iran conflict—has likely been a key catalyst behind this shift. More structurally, major global disruptions have repeatedly triggered a re-rating of China's manufacturing depth and supply chain resilience, reinforcing its role as a global stabilizer in periods of uncertainty. To sum up, we see this adjustment as helping to put a floor under sentiment rather than acting as a fresh catalyst for a broad-based re-rating of China assets.

Hong Kong's merchandise exports and imports continued to record solid growth in March, at 35.8% YoY and 41.2% YoY respectively (Jan-Feb: 29.6% YoY and 34.1% YoY). During the period, trade balance deficit widened to HKD89.1 billion in March, up from HKD64.2 billion in February. From a GDP accounting perspective, net exports are therefore expected to remain a drag on overall economic growth in the first quarter.

In light of strong global demand for AI-related electronic products, we revised up the growth forecast of merchandise exports and import to 20% and 22% respectively for this year.

Early-cycle recovery in Hong Kong's housing market has evolved into a more durable uptrend in housing prices, with end-user demand improving alongside a gradual return of speculative interest. The official property price and rental index rose cumulatively by 4.4% and 0.8% respectively in the first quarter of 2026, accompanied by a notable pickup in transaction activity. Reflecting this strengthening momentum, we have revised up our full-year price growth forecast to 8.5%. In addition, with prices outpacing rents, the market yield is expected to revert to a downtrend.

On a separate note, Macau's first quarter real GDP grew by 7.1% YoY, supported by a low base effect from last year, bringing the total economic output back to 90.3% of its 2019 level, according to preliminary data. Growth was driven primarily by the exports of services, while weakness in public spending and investment posed drag.

During the quarter, growth of total exports of services and private consumption expenditure accelerated to 13.9% YoY and 2.8% YoY respectively. Yet, government consumption expenditure and gross fixed capital formation contracted by 4.8% YoY and 21.9% YoY respectively, highlighting the uneven growth picture.

Exports of service are expected to remain the key growth driver in 2026, with growth in gross gaming revenue (GGR) likely to slow but stay solid. We tip the year-on-year growth of GGR at 5% for 2026, taking into account the higher base. Riding on the steady expansion of exports of services, Macau's 2026 real GDP growth is tipped at 2.8%. Meanwhile, unemployment rate and inflation rate are pitched at 1.8% and 1.0% respectively.

Key Events	
Facts	OCBC Opinions
<ul style="list-style-type: none"> At the April Politburo meeting, China’s top leadership struck a more optimistic tone on the economy, highlighting a strong start to the year and outperformance across key indicators. 	<ul style="list-style-type: none"> Notably, the emphasis on external challenges was dialed down, with previous references to “international trade disputes” omitted from the readout. Both monetary and fiscal policies were framed around being more “precise and targeted.” In our view, this signals a shift toward better execution of existing measures rather than the rollout of incremental stimulus. On the fiscal side, the focus has moved to “optimizing expenditure structure,” suggesting a reallocation of resources rather than a step-up in headline spending intensity. On the monetary front, while the stance remains “moderately loose,” the Politburo stopped short of referencing specific easing tools such as policy rate cuts or RRR reductions. Instead, the emphasis was placed on maintaining ample interbank liquidity and broadly stable FX conditions. Given already abundant system liquidity — partly supported by ongoing capital inflows — we see a lower probability of additional RRR cuts this year. In terms of boosting domestic demand, the authorities no longer emphasized “stabilizing and reversing the decline in investment.” Instead, they called for “accelerating the commencement of major projects with mature conditions.” This shift likely reflects the improvement already seen on the investment side. By end-1Q, infrastructure and manufacturing investment had risen by 8.9% YoY and 4.1% YoY, respectively, while the contraction in real estate investment also narrowed from end-2025. In other words, earlier efforts to stabilize investment appear to be gaining traction. The policy emphasis is now moving from broad-based stabilization toward selective project implementation, suggesting that the investment impulse may become more measured in the coming quarters. This reinforces our view that China’s growth momentum likely peaked in 1Q.
<ul style="list-style-type: none"> Moody’s has revised China’s sovereign outlook from “negative” to “stable” while affirming the A1 long-term issuer rating, citing the economy and fiscal position’s resilience amid domestic, trade and geopolitical headwinds. 	<ul style="list-style-type: none"> Notably, the negative outlook was first placed in Dec 2023, and such outlooks are typically resolved—either via downgrade or stabilization—within a 12–24 month window. This revision therefore comes slightly beyond the usual timeframe. It is also worth highlighting that Moody’s had been the sole major outlier maintaining a negative stance, suggesting that the latest move is, in part, a convergence toward broader market consensus. In our view, China’s ability over the past year to absorb external shocks—including tariff escalation and the Iran conflict—has likely been a key catalyst behind this shift. More structurally, major global disruptions have repeatedly triggered a re-rating of China’s manufacturing depth and supply chain resilience, reinforcing its role as a global stabilizer in periods of uncertainty. That said, market impact should remain contained. Equity inflows have been normalizing in recent months ahead of the

	<p>announcement, indicating that expectations of a stabilization in outlook were already partly priced in. Importantly, Moody's continues to flag rising debt risks, which caps the scope for a more constructive re-rating narrative at this stage.</p> <ul style="list-style-type: none"> To sum up, we see this adjustment as helping to put a floor under sentiment rather than acting as a fresh catalyst for a broad-based re-rating of China assets.
--	--

Key Economic News	
Facts	OCBC Opinions
<ul style="list-style-type: none"> China's manufacturing PMI eased only marginally to 50.3 in April from 50.4 in March. 	<ul style="list-style-type: none"> The underlying picture was more resilient than the headline suggests, despite uncertainties from the Iran war. First, new export orders rose to 50.3, returning to expansionary territory for the first time in two years. Second, PMIs for medium- and small-sized enterprises improved to 50.5 and 50.1, respectively, marking the first time in two years that all enterprise-size PMIs were in expansion. This suggests that China's exporters may be benefiting from order relocation amid global supply-chain disruptions. Third, the business expectations index strengthened further to 54.5 in April, pointing to improving confidence. In our view, the war has reinforced the market's re-rating of China's manufacturing resilience, supported by its comprehensive and reliable supply chain. This should remain a near-term tailwind for China's exports. On services, the services PMI declined by 0.6ppt to 49.6 in April, returning to contractionary territory, though the fall was still milder than seasonal patterns. By sector, activity remained relatively firm in railway transportation, postal services, telecommunications, radio and television, and satellite transmission services, while wholesale, retail, and resident services stayed relatively weak. On construction, the construction PMI fell by 1.3ppt to 48.0 in April, remaining in contractionary territory and underperforming seasonal trends. After March's rebound, which was supported by post-holiday work resumption and the property market's "mini spring", construction activity softened again by more than usual seasonal patterns.
<ul style="list-style-type: none"> Hong Kong: Merchandise exports and imports continued to record solid growth in March, at 35.8% YoY and 41.2% YoY respectively (Jan-Feb: 29.6% YoY and 34.1% YoY). During the period, trade balance deficit widened to HKD89.1 billion in March, up from HKD64.2 billion in February. From a GDP accounting perspective, net exports are therefore expected to remain a drag on overall economic growth in the first quarter. 	<ul style="list-style-type: none"> Exports to most markets and of most major commodities increased visibly in March. Most notable increases were recorded in exports of "electrical machinery, apparatus and appliances, and electrical parts thereof", "telecommunications and sound recording and reproducing apparatus and equipment" and "non-ferrous metals". On a separate note, imports of petroleum and petroleum products surged by 95.7% month-on-month in March, nearly doubling from the prior month. This sharp increase was driven by higher energy prices and precautionary stockpiling amid expectations of prolonged disruptions to energy supplies from

	<p>the Middle East.</p> <ul style="list-style-type: none"> For the first quarter of 2026 as a whole, the value of merchandise exports and imports rose by 32.0% YoY and 37.0% YoY respectively. A visible trade deficit of HKD168.4 billion, equivalent to 9.8% of the value of imports of goods, was recorded during the quarter. As a result, net exports are likely to have exerted a negative contribution to GDP growth during the first quarter. In light of strong global demand for AI-related electronic products, we revised up the growth forecast of merchandise exports and import to 20% and 22% respectively for this year.
<ul style="list-style-type: none"> Hong Kong: Total deposits and loans and advances rose by 0.1% MoM and 1.3% MoM respectively in March. Meanwhile, Hong Kong dollar loan-to-deposit ratio fell to 72.3% at the end of March, from 72.4% at the end of February, as Hong Kong dollar deposits (0.7% MoM in March) increased at a faster pace than Hong Kong dollar loans (0.6% MoM). 	<ul style="list-style-type: none"> For the first quarter as a whole, increase in loans for use in Hong Kong (including trade finance) paced up to 3.0% QoQ (0.2% QoQ in 4Q25). Analysed by economic use, the increase in loans during the first quarter was mainly led by loans to financial concerns and trade finance. The looser monetary conditions and bottoming out of property market should continue to support loan demand. Total loans and advances are expected to see mild growth at around 5% in 2026.
<ul style="list-style-type: none"> Early-cycle recovery in housing market has evolved into a more durable uptrend in housing prices, with end-user demand improving alongside a gradual return of speculative interest. The official property price and rental index rose cumulatively by 4.4% and 0.8% respectively in the first quarter of 2026, accompanied by a notable pickup in transaction activity. Reflecting this strengthening momentum, we have revised up our full-year price growth forecast to 8.5%. In addition, with prices outpacing rents, the market yield is expected to revert to a downtrend. 	<ul style="list-style-type: none"> Increase in housing prices outpaced that of rents in the first quarter of 2026, suggesting demand leakage from the leasing market, enabled by compression in the rent-own spread and improved affordability. Rental growth in the Class A and B segments (units with area less than 69 m²), which are typically dominated by first-time buyers and upgrader households transitioning from rental accommodation, remained subdued at 0%–1.1% in the quarter. By contrast, rental indices for larger units in Class D and E segments (units with area 100 m² or above) increased more sharply, by 2.7% in 1Q26. Due to the notable rebound in property prices, the estimated number of residential mortgage loans in negative equity plunged to 11,424 cases at end-March 2026, down by 46.4% from 21,304 cases at end-2025. Looking into 2026, our baseline forecast is upgraded to 8.5% YoY rise in the overall residential price index and a milder 3.5% YoY rise in rent index, consistent with the drivers already in place—improved affordability, positive carry, supportive policy mix, and steady demographic tailwinds. The mass market should continue to outperform on deeper demand pools and superior rental yields. That said, upside will remain constrained by inventory overhangs and interest-rate uncertainty. The recovery is likely to be steady rather than V-shaped, with sentiment and financing conditions remaining key swing factors.
<ul style="list-style-type: none"> Macau’s first quarter real GDP grew by 7.1% YoY, supported by a low base effect from last year, bringing the total economic output back to 90.3% of its 2019 level, according to preliminary data. Growth was driven primarily by the exports of services, while weakness in public spending and 	<ul style="list-style-type: none"> During the quarter, growth of total exports of services and private consumption expenditure accelerated to 13.9% YoY and 2.8% YoY respectively. Yet, government consumption expenditure and gross fixed capital formation contracted by 4.8% YoY and 21.9% YoY respectively, highlighting the uneven growth picture. Exports of service are expected to remain the key growth driver

investment posed drag.

in 2026, with growth in gross gaming revenue (GGR) likely to slow but stay solid. We tip the year-on-year growth of GGR at 5% for 2026, taking into account the higher base. Riding on the steady expansion of exports of services, Macau's 2026 real GDP growth is tipped at 2.8%. Meanwhile, unemployment rate and inflation rate are pitched at 1.8% and 1.0% respectively.

Disclaimers

This report is solely for information purposes and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein or to participate in any particular trading or investment strategy. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this report is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this report may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This report may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, it should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. In the event that you choose not to seek advice from a financial adviser, you should consider whether the investment product mentioned herein is suitable for you. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Bank of Singapore Limited ("BOS"), OCBC Securities Private Limited ("OSPL") and their respective related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future, interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial or securities related services to such issuers as well as other parties generally. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, BOS, OSPL or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

The information provided herein may contain projections or other forward looking statements regarding future events or future performance of countries, assets, markets or companies. Actual events or results may differ materially. Past performance figures are not necessarily indicative of future or likely performance.

Privileged / confidential information may be contained in this report. If you are not the addressee indicated in the message enclosing the report (or responsible for delivery of the message to such person), you may not copy or deliver the message and/or report to anyone. Opinions, conclusions and other information in this document that do not relate to the official business of OCBC Bank, BOS, OSPL and their respective connected and associated corporations shall be understood as neither given nor endorsed.

Co.Reg.no.: 193200032W

Additional disclosures and disclaimers applicable only to clients of Bank of Singapore Limited

This material is being made available to you through an arrangement between Bank of Singapore Limited (Co Reg. No.: 197700866R) ("BOS") and Oversea-Chinese Banking Corporation Limited ("OCBC Bank") (Co Reg. No.: 193200032W). BOS and OCBC Bank shall not be responsible or liable for any loss (whether direct, indirect or consequential) that may arise from, or in connection with, any use of or reliance on any information contained in or derived from this material, or any omission from this material, other than where such loss is caused solely by BOS' or OCBC Bank's wilful default or gross negligence.

The DIFC Branch of BOS has not conducted or produced any research contained in this material and is acting solely as a conduit in forwarding it to you.

For BOS clients in the United Kingdom:

This research has been prepared by OCBC Bank and made available to BOS. It is intended solely for informational purposes and does not constitute investment advice, a personal recommendation, or an offer or solicitation to buy or sell any financial instruments. Any payments or non-monetary benefits received or paid will be fully disclosed in accordance with applicable regulations, promptly and transparently, and will not influence the advice or services offered to you. If you would like more information about any inducements received, please contact your Relationship Manager.

Cross Border Disclaimer and Disclosures

Please refer to https://www.bankofsingapore.com/Disclaimers_and_Disclosures.html for cross-border marketing disclaimers and disclosures.