By Global Markets | 5 January 2026

Greater China – Week in Review

Highlights: Setting the tone

Tommy Xie Dongming
Head of Asia Macro Research

Keung Ching (Cindy)
Hong Kong & Macau Economist

I spent my December holiday in China, including Yunnan Province and Shanghai. Yunnan has clearly gained traction among foreign tourists from ASEAN. But it was Shanghai that delivered the more unexpected macro anecdote.

One weekday morning—typically off-peak hours—we headed to a shopping mall for a karaoke session, only to be told that every single room was fully booked. The dominant customer segment? Retirees. Apparently, the silver-haired crowd had beaten us to the mic.

China's senior citizens are emerging as an increasingly important consumer group in China. From a macro perspective, elderly consumption plays a meaningful "stabilizer" role in the Chinese economy. It provides steady support to services, tourism, leisure, and healthcare, and is structurally less sensitive to cyclical fluctuations than youth consumption. In this sense, senior spending helps establish a downside cushion for domestic demand, especially during periods of economic uncertainty.

However, elderly consumption is unlikely to become the primary growth engine of the economy. Its spending profile—largely local, service-oriented, and experience-driven—generates relatively limited multiplier effects. It does not meaningfully stimulate capital investment, technological upgrading, or large-scale industrial expansion. As a result, the economy's upside potential still depends heavily on younger and middle-aged cohorts, whose consumption typically activates longer and broader value chains, including housing, education, mobility, digital services, and family formation.

Ultimately, elderly consumption will remain a structurally important and expanding component of domestic demand, anchoring the rise of China's "silver economy." But to meaningfully raise the economy's growth ceiling, China still needs to improve youth income expectations, strengthen employment prospects, restore household wealth confidence, and cultivate new industrial growth drivers.

Against this backdrop, despite ongoing headwinds—including continued weakness in the property sector, uncertainties surrounding exports, and declining industrial profits—the manufacturing PMI returns to the expansion territory. Pro-growth policies are gradually gaining traction, and high-tech manufacturing continues to show resilience. As such, industrial output is likely to maintain steady growth in 4Q, providing a degree of macro stability even as domestic demand remains uneven.

China's manufacturing PMI rebounded more than expected to 50.1 in December, returning to expansionary territory for the first time since April 2025. 16 out of 21 sectors recorded sequential improvements. In our view, the recovery was supported by still-resilient external demand alongside ongoing policy support. ￼ That said, the recovery remains uneven across firm sizes. The manufacturing PMI for small enterprises slipped to 48.6 from 49.1, while PMI readings for large and medium-sized firms continued to improve. This divergence highlights the still-fragile transmission of the recovery, with smaller firms facing tighter financing conditions and weaker pricing power. Sectorally, the rebound in manufacturing sentiment appears to be primarily driven by high-tech industries, while traditional sectors continue to face structural and cyclical headwinds.

At the National Fiscal Work Conference held on 27–28 December 2025, policymakers reaffirmed that China will continue to implement a more proactive fiscal policy in 2026. The meeting outlined six key policy priorities, with the foremost being to "anchor growth on domestic demand and accelerate the building of a strong domestic market." In our view, this signals a meaningful strategic shift—from a policy framework previously centered on stabilizing investment toward a more balanced approach that places investment and consumption on equal footing. More importantly, the consumption agenda itself has been upgraded, evolving from broad-based stimulus toward more targeted, precision-oriented leveraging mechanisms.

Looking ahead to 2026, we estimate that the narrow fiscal deficit ratio is likely to settle around 4.0%, implying a headline deficit of approximately RMB 5.9 trillion. Macro policy is set to become more proactive and front-loaded, which should provide additional support to activity in early 2026. The first batch of RMB 62.5bn in ultra-long special government bonds to support the nationwide durable goods "trade-in" program has also been issued ahead of schedule.

The recovery of Hong Kong's housing market gained further momentum. The official residential property price index rose by a faster pace at 0.9% MoM in November, widening the year-to-date gain to 2.8%. Meanwhile, rental index refreshed record highs, rising cumulatively by 4.3% so far this year.

We expect the housing prices to rise modestly in 2026, supported by higher rent-to-buy conversion rate, increase in non-local/end-user demand and a more favourable policy mix.

Hong Kong's exports performance stayed strong, with growth of merchandise exports and imports still solid at 18.8% YoY and 18.1% YoY respectively in November (Oct: 17.5% YoY and 18.3% YoY). During the period, trade balance deficit widened to HKD48.5 billion in November, from that of HKD39.9 billion in October.

Exports to the mainland China and most other Asian markets remained robust, reflecting resilience beyond export frontloading and China's success in the export diversification strategy. 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.

The pace of increase in retail sales held steady at 6.5% YoY in value terms in November, on the back of positive wealth effects stemming from stock market rally and bottoming out of housing prices. Added to that, increase in visitor arrivals and lower interest rate environment also contributed.

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.

Macau is set to end 2025 on a strong note, delivering high single-digit gaming revenue gains, a sharp increase in visitor arrivals, and meaningful progress in non-gaming investment.

Key Development	
Facts	**OCBC Opinions**
▪ At the National Fiscal Work Conference held on 27–28 December 2025, policymakers reaffirmed that China will continue to implement a more proactive fiscal policy in 2026.	▪ The meeting outlined six key policy priorities, with the foremost being to "anchor growth on domestic demand and accelerate the building of a strong domestic market." In our view, this signals a meaningful strategic shift—from a policy framework previously centered on stabilizing investment toward a more balanced approach that places investment and consumption on equal footing. More importantly, the consumption agenda itself has been upgraded, evolving from broad-based stimulus toward more targeted, precision-oriented leveraging mechanisms. ▪ By channeling fiscal resources toward high-multiplier, technology-intensive consumption categories, and coordinating these efforts with ultra-long special treasury bonds, interest-subsidy schemes, and front-loaded local fiscal tools, the policy mix is designed to work on multiple fronts. On the demand side, it aims to strengthen households' willingness and capacity to spend; on the supply side, it incentivizes intelligent upgrading and elderly-friendly transformation across industries. Taken together, these measures should help inject more durable and self-sustaining momentum into the recovery of domestic demand. ▪ Looking ahead to 2026, we estimate that the narrow fiscal deficit ratio is likely to settle around 4.0%, implying a headline deficit of approximately RMB 5.9 trillion. This would comprise about RMB 5.0 trillion in central government bond issuance and roughly RMB 900 billion in local general bonds. Beyond this, both the quota and scope of special local government bonds are expected to expand further, with annual issuance rising to around RMB 4.8–5.0 trillion. Meanwhile, the scale of ultra-long special treasury bonds could increase to roughly RMB 1.5 trillion, including RMB 150 billion for equipment upgrades, RMB 250 billion for consumer goods replacement programs, RMB 100 billion for the National Venture Capital Guidance Fund, and about RMB 1 trillion earmarked for major infrastructure and strategic projects.

Key Economic News	
Facts	**OCBC Opinions**
▪ China's manufacturing PMI rebounded more than expected to 50.1 in December, returning to expansionary territory for the first time since April 2025.	▪ Encouragingly, 16 out of 21 sectors recorded sequential improvements. In our view, the recovery was supported by still-resilient external demand alongside ongoing policy support. ▪ Both demand and supply indicators improved meaningfully. The production index rose to 51.7 from 50.0, while the new orders index recovered to 50.8 from 49.2, signaling a broad-based pickup in activity. New export orders also improved to 49.0 from 47.6, suggesting some stabilization in external demand conditions. Meanwhile, the business expectations index surged to 55.5, the highest level since March 2024, reflecting a notable improvement in forward-looking sentiment.

	▪ That said, the recovery remains uneven across firm sizes. The manufacturing PMI for small enterprises slipped to 48.6 from 49.1, while PMI readings for large and medium-sized firms continued to improve. This divergence highlights the still-fragile transmission of the recovery, with smaller firms facing tighter financing conditions and weaker pricing power. Sectorally, the rebound in manufacturing sentiment appears to be primarily driven by high-tech industries, while traditional sectors continue to face structural and cyclical headwinds. ▪ The non-manufacturing PMI also rebounded, rising to 50.2 from 49.5. Within this, the construction PMI jumped sharply by 3.2 points to 52.8, with the increase exceeding typical seasonal patterns. In our view, three factors contributed to this strength. First, warmer-than-usual winter temperatures in parts of southern China supported construction activity. Second, with year-end targets and the Spring Festival approaching, firms accelerated project schedules to meet deadlines. Third, stronger funding support from front-loaded fiscal resources has likely helped accelerate infrastructure project execution. ▪ Looking ahead, macro policy is set to become more proactive and front-loaded, which should provide additional support to activity in early 2026. ▪ First, the 2026 local government debt quota has been allocated in advance. ▪ Second, the NDRC has released the advance batch of 2026 “Two New and One Major” projects and central budget investment plans totaling around RMB 295bn, which should help speed up funding disbursement and project implementation. ▪ Third, the first batch of RMB 62.5bn in ultra-long special government bonds to support the nationwide durable goods “trade-in” program has also been issued ahead of schedule. ▪ Overall, while recent PMI data point to a tentative cyclical stabilization, the quality and breadth of the recovery remain uneven, underscoring the importance of sustained policy support—particularly for smaller firms and traditional sectors—going into 2026.
▪ The recovery of Hong Kong’s housing market gained further momentum. The official residential property price index rose by a faster pace at 0.9% MoM in November, widening the year-to-date gain to 2.8%. Meanwhile, rental index refreshed record highs, rising cumulatively by 4.3% so far this year.	▪ Analyzed by flat size, the price 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 by 0.9% MoM and 0.4% MoM respectively in November. ▪ On the other hand, rental index rose at a steady pace of 0.2% MoM in November. With the growth of housing prices outpacing rent in recent months, the market yield is expected to peak and revert to a downward trend. Meanwhile, transaction stayed flat at 5,588 cases in November, comparable to the monthly average of 5,567 in the third quarter. ▪ We expect the housing prices to rise modestly in 2026, supported by higher rent-to-buy conversion rate, increase in non-local/end-user demand and a more favourable policy mix.

▪ Exports performance stayed strong, with growth of merchandise exports and imports still solid at 18.8% YoY and 18.1% YoY respectively in November (Oct: 17.5% YoY and 18.3% YoY). During the period, trade balance deficit widened to HKD48.5 billion in November, from that of HKD39.9 billion in October.	▪ Exports to all major trading partners recorded sharp growth in November. Total merchandise exports to mainland China and US rose by 16.4% and 44.4% YoY respectively. For the first 11 months of 2025 as a whole, the value of total merchandise exports and imports increased by 14.3% and 14.1% respectively, despite undergoing ups and downs in the US-China trade relations. ▪ Exports to the mainland China and most other Asian markets remained robust, reflecting resilience beyond export frontloading and China's success in the export diversification strategy. 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.
▪ The pace of increase in retail sales held steady at 6.5% YoY in value terms in November, on the back of positive wealth effects stemming from stock market rally and bottoming out of housing prices. Added to that, increase in visitor arrivals and lower interest rate environment also contributed.	▪ In sequential basis, total retail sales fell by 4.1% MoM in value terms in November, after recording strong growth during the Golden week holiday in October. Sales in most outlets recorded varied degree of declines, with the exception of "clothing, footwear and allied products" (26.1% MoM) and "department stores" (10.7% MoM). ▪ Stronger fundamentals, alongside the sales promotion initiatives, point to further recovery in retail sales in periods ahead. We expect retail sales to record mild gain this year (YTD: 0.4% YoY).
▪ 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. ▪ Macau is set to end 2025 on a strong note, delivering high single-digit gaming revenue gains, a sharp increase in visitor arrivals, and meaningful progress in non-gaming investment.

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 Investment Research Private Limited ("OIR"), 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, OIR, 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, OIR, OSPL and their respective connected and associated corporations shall be understood as neither given nor endorsed.

Co.Reg.no.: 193200032W

Disclaimers

This material is being made available to you through an arrangement between Bank of Singapore Limited (Co Reg. No.: 197700866R) (the "Bank") and Oversea-Chinese Banking Corporation Limited ("OCBC Bank") (Co Reg. No.: 193200032W). The Bank 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 the Bank's or OCBC Bank's wilful default or gross negligence.

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