

## Greater China – Week in Review

### Highlights: Reflation process accelerating

Chinese equities declined for a third consecutive week, pressured by persistent uncertainty surrounding the Middle East conflict, higher oil prices, and fresh U.S. tariff actions. This came despite genuinely encouraging macro data, with March PMIs returning broadly to expansion territory for the first time since December.

China's manufacturing PMI rebounded meaningfully in March, rising to 50.4 from 49.0 in February. The raw materials purchase price index surged to 63.9 in March, up 9.1ppts from the previous month, marking the sharpest increase since the post-COVID commodity spike. The move was driven primarily by soaring oil and petrochemical input costs amid the Middle East conflict. Meanwhile, the output price index also rose sharply to 55.4 from 50.6, reaching its highest level since March 2022.

The simultaneous rise in both input and output prices suggests that producers were able to pass through at least part of the higher cost burden downstream. In our view, this is an encouraging signal for China's reflation process. We project China's PPI to rise 0.4% YoY in March, which would mark its first positive print in 40 months and a meaningful step forward in the reflation trajectory. This should continue to support the recovery in industrial profits.

The dollar index moved back above 100 last Friday. Even so, the yuan strengthened against the dollar, with USD/CNY retreating to the 6.88 range. In my view, the yuan's counter-trend strength last week reflected a combination of cyclical and structural drivers. On the cyclical side, firmer daily fixing by the PBoC and better-than-expected PMI data helped support sentiment. On the structural side, rising CIPS-enabled trade settlement, likely driven by ongoing de-dollarization demand, appears to be providing an additional tailwind for the currency.

Data from the Cross-Border Interbank Payment System (CIPS) show that the system recorded its highest transaction value in the past 12 months in March. Average daily transaction value rose to RMB920.5bn, while the number of transactions increased to 35,740, up sharply from RMB619.7bn and 25,930 transactions in February. On April 2 alone, transaction value climbed further to RMB1.22tn, while transaction volume also increased to nearly 42,000.

On April 2, 2026 — exactly one year after the original "Liberation Day" — President Trump signed two major executive orders imposing new tariffs on pharmaceuticals and overhauling metals duties. In particular, Trump imposed a 100% ad valorem tariff on imported patented pharmaceutical products and their active pharmaceutical ingredients (APIs), invoking Section 232 of the Trade Expansion Act. This is particularly relevant for China, given its role as one of the world's largest producers of APIs and key starting materials. The new tariff therefore poses a direct threat to Chinese API exports to the U.S., and the market reaction was swift: the CSI 300 Health Care Index fell 1.9% on Friday.

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The latest data from the China Index Academy suggests that the property market is showing early signs of stabilization, albeit with a continued divergence between the primary and secondary segments.

In March, the average price of second-hand residential properties across 100 cities declined by 0.34% MoM to RMB 12,792 per square meter. Importantly, the pace of decline narrowed by 0.2ppts from the previous month, marking the third consecutive month of moderation. In contrast, the primary market remained relatively resilient. The average price of newly built residential properties rose marginally by 0.05% MoM to RMB 17,115 per square meter, extending its positive momentum, with prices up 2.24% YoY.

Key Events	
Facts	OCBC Opinions
<ul style="list-style-type: none"> <li>On April 2 alone, transaction value climbed further to RMB1.22tn, while transaction volume also increased to nearly 42,000.</li> </ul>	<ul style="list-style-type: none"> <li>Data from the Cross-Border Interbank Payment System (CIPS) show that the system recorded its highest transaction value in the past 12 months in March. Average daily transaction value rose to RMB920.5bn, while the number of transactions increased to 35,740, up sharply from RMB619.7bn and 25,930 transactions in February.</li> <li>On the structural side, rising CIPS-enabled trade settlement, likely driven by ongoing de-dollarization demand, appears to be providing an additional tailwind for RMB.</li> </ul>

Key Economic News	
Facts	OCBC Opinions
<ul style="list-style-type: none"> <li>The latest data from the China Index Academy suggests that the property market is showing early signs of stabilization, albeit with a continued divergence between the primary and secondary segments.</li> </ul>	<ul style="list-style-type: none"> <li>In March, the average price of second-hand residential properties across 100 cities declined by 0.34% MoM to RMB 12,792 per square meter. Importantly, the pace of decline narrowed by 0.2ppts from the previous month, marking the third consecutive month of moderation. On a YoY basis, prices remained under pressure, falling 8.55%, highlighting that the secondary market is still in a phase of balance sheet adjustment and weak demand recovery.</li> <li>In contrast, the primary market remained relatively resilient. The average price of newly built residential properties rose marginally by 0.05% MoM to RMB 17,115 per square meter, extending its positive momentum, with prices up 2.24% YoY.</li> </ul>
<ul style="list-style-type: none"> <li>China's manufacturing PMI rebounded meaningfully in March, rising to 50.4 from 49.0 in February.</li> </ul>	<ul style="list-style-type: none"> <li>One key driver was the "natural" recovery as Lunar New Year distortions faded. That said, the strength of the rebound still stood out. The new orders index rose by 3.0ppts MoM to 51.6, a larger increase than the typical post-holiday recovery seen in previous years.</li> <li>From a demand perspective, domestic orders improved solidly, with the domestic demand orders index rising by 2.8ppts to 52.0. External demand also showed resilience. The new export orders index increased by 4.1ppts to 49.1. Although still slightly below the 50 threshold, the magnitude of the rebound suggests export activity likely remained relatively firm in March.</li> <li>Meanwhile, non-manufacturing PMI also moved back into expansion territory, rising from 49.5 to 50.1. However, the recovery was less convincing in construction. The construction PMI rose by 1.1ppts to 49.3 in March, but the rebound was weaker than the usual post-Lunar New Year pattern, pointing to a relatively slow resumption of work after the holiday.</li> <li>The raw materials purchase price index surged to 63.9 in March, up 9.1ppts from the previous month, marking the sharpest increase since the post-COVID commodity spike. The move was driven primarily by soaring oil and petrochemical input costs</li> </ul>

	<p>amid the Middle East conflict. Meanwhile, the output price index also rose sharply to 55.4 from 50.6, reaching its highest level since March 2022.</p> <ul style="list-style-type: none"><li>▪ The simultaneous rise in both input and output prices suggests that producers were able to pass through at least part of the higher cost burden downstream. In our view, this is an encouraging signal for China's reflation process. We project China's PPI to rise 0.4% YoY in March, which would mark its first positive print in 40 months and a meaningful step forward in the reflation trajectory. This should continue to support the recovery in industrial profits.</li></ul>
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