

## Greater China — Week in Review

28 April 2025

### Highlights: China's bottom-line thinking

China's property stocks fell as a knee-jerk reaction to the latest April Politburo statement, with market speculations for more aggressive property support measures proving overly optimistic ahead of the meeting.

The April Politburo meeting introduced the concept of the "Four Stabilities"—stabilizing employment, enterprises, markets, and expectations. This new framework echoes the "Six Stabilities" first proposed during the July 31, 2018, Politburo meeting at the height of U.S.-China trade tensions under President Trump's first term, which focused on stabilizing employment, finance, foreign trade, foreign investment, investment, and expectations.

The renewed emphasis on stability reflects the leadership's bottom-line thinking. Employment remains fundamental to people's livelihoods and is a critical driver of consumption. The Politburo specifically noted that for enterprises significantly impacted by tariffs, the government will increase the proportion of unemployment insurance refunds to help stabilize jobs and will work to strengthen a tiered and categorized social assistance system, reinforcing the social safety net.

On the macro policy front, the messaging has shifted from "implementing more proactive and effective macro policies" to "accelerating the implementation of more proactive and effective macro policies." This signals a clear urgency to speed up the execution of existing measures rather than introducing entirely new stimulus programs.

On the fiscal side, the shift points to a faster pace of government bond issuance. The issuance of ultra-long-term special government bonds and capital injection special bonds officially began on April 24, about one month earlier than in 2024. This front-loading of fiscal efforts is aligned with the broader guidance to act early rather than late.

On the monetary side, the Politburo emphasized "timely cuts to the reserve requirement ratio (RRR) and policy interest rates, maintaining ample liquidity, and strengthening support for the real economy." The People's Bank of China (PBoC) has already conducted a larger-than-expected CNY 600 billion Medium-Term Lending Facility (MLF) operation in April, resulting in a net liquidity injection of CNY 500 billion—the largest net MLF injection since December 2023. Consequently, China's interbank funding costs have eased notably.

For now, the PBoC appears to be managing liquidity well through a combination of MLF operations and targeted structural measures. However, given the current circumstances—including tariff-related external pressures, subdued domestic inflation trends, and a heavier government bond issuance schedule in

**Tommy Xie Dongming**  
Head of Asia Macro Research  
[xied@ocbc.com](mailto:xied@ocbc.com)

**Keung Ching (Cindy)**  
Greater China Economist  
[cindyckeung@ocbc.com](mailto:cindyckeung@ocbc.com)

May and June—we believe the window for a RRR cut in the second quarter has effectively opened.

China's industrial sector posted a solid recovery in the first quarter of 2025, delivering stronger-than-expected results before the market's expectations were reshaped in April by escalating U.S. tariff actions.

In Q1, industrial profits grew by 0.8% YoY, reversing from a 3.3% YoY contraction recorded in 2024. Industrial revenue also improved notably in March, supported by a rebound in industrial production, with total revenue increasing by 3.4% YoY.

Under the stimulus of large-scale equipment renewal initiatives, profits in the specialized equipment and general equipment sectors rose by 14.2% and 9.5% YoY, respectively. This reinforced the positive momentum across the broader industrial sector. Overall, equipment manufacturing profits increased by 6.4% YoY in Q1, accounting for 32.0% of the total profits of industrial enterprises above designated size. The sector contributed 2.0 percentage points to the overall profit growth, underscoring its role as a key driver of industrial earnings recovery.

While the Q1 performance reflects resilient fundamentals and early policy support effects, the external environment has become more challenging post-April amid heightened global trade tensions. Going forward, the resilience of the equipment manufacturing sector and the implementation of domestic stimulus measures will be critical in cushioning the potential headwinds from external shocks.

For this morning, focus will be on the State Council press conference with senior officials from the National Development and Reform Commission, Ministry of Human Resources and Social Security, Ministry of Commerce and PBoC will share the detailed plans how to stabilize employment and support economic growth.

Hong Kong's labour market showed signs of broad weakening, as unemployment rate before seasonal adjustment rose across sectors. The unemployment rate went up by 0.3 percentage point to 3.2% in the first quarter of 2025, while the total unemployed persons rose to the highest level since 4Q 2022 (at 122.8k). However, during the same period, the seasonally adjusted unemployment rate and underemployment rate stayed unchanged at 3.2% and 1.1% respectively.

Anecdotal evidence suggested that hiring sentiment turned worse, in view of the widening trade war and growing macro uncertainties, though we have yet to see corporate's preemptive downsizing. To reflect the cyclical pain ahead, we revised the full-year unemployment rate forecast for Hong Kong higher to 3.3%, from the previous 3.1%.

Inflationary pressure in Hong Kong held steady, with headline CPI rising at 1.4% YoY in March, same as that in February. Meanwhile, underlying CPI (netting out the effect of all Government's one-off relief measures) rose at slightly slower pace of 1.0% YoY (1.1% YoY in February). The smaller increase was mainly due to fall in inbound and outbound transport fares and charges for package tours.

Price pressure is likely to stay tamed in the near term, with deflationary pressure from mainland spreading to and manifesting in Hong Kong. Prices of basic food (majority of them sourced from mainland) fell to the lowest level since mid-2023. In view of the still-sluggish domestic demand, and limited impact from tariff imposition, we revised down the full-year inflation forecast to 1.7%, from the earlier estimate of 2.0%.

Key Development	
Facts	OCBC Opinions
<ul style="list-style-type: none"> <li>China concluded its April Politburo meeting last Friday.</li> </ul>	<ul style="list-style-type: none"> <li>The April Politburo meeting introduced the concept of the "Four Stabilities"—stabilizing employment, enterprises, markets, and expectations. This new framework echoes the "Six Stabilities" first proposed during the July 31, 2018, Politburo meeting at the height of U.S.-China trade tensions under President Trump's first term, which focused on stabilizing employment, finance, foreign trade, foreign investment, investment, and expectations.</li> <li>The renewed emphasis on stability reflects the leadership's bottom-line thinking. Employment remains fundamental to people's livelihoods and is a critical driver of consumption. The Politburo specifically noted that for enterprises significantly impacted by tariffs, the government will increase the proportion of unemployment insurance refunds to help stabilize jobs and will work to strengthen a tiered and categorized social assistance system, reinforcing the social safety net.</li> <li>On the macro policy front, the messaging has shifted from "implementing more proactive and effective macro policies" to "accelerating the implementation of more proactive and effective macro policies." This signals a clear urgency to speed up the execution of existing measures rather than introducing entirely new stimulus programs.</li> <li>On the fiscal side, the shift points to a faster pace of government bond issuance. The issuance of ultra-long-term special government bonds and capital injection special bonds officially began on April 24, about one month earlier than in 2024. This front-loading of fiscal efforts is aligned with the broader guidance to act early rather than late.</li> <li>On the monetary side, the Politburo emphasized "timely cuts to the reserve requirement ratio (RRR) and policy interest rates, maintaining ample liquidity, and strengthening support for the real economy."</li> </ul>

Key Economic News	
Facts	OCBC Opinions
<ul style="list-style-type: none"> <li>In Q1, industrial profits grew by 0.8% YoY, reversing from a 3.3% YoY contraction recorded in 2024. Industrial revenue also improved notably in March, supported by a rebound in industrial production, with total revenue increasing by 3.4% YoY.</li> </ul>	<ul style="list-style-type: none"> <li>Among the 41 major industrial sectors, 24 sectors achieved YoY profit growth in the first quarter. Notably, the manufacturing sector showed significant improvement, with profits rising by 7.6% YoY. The impact of the "Two Priorities, Two New" policies—focused on promoting advanced manufacturing and upgrading traditional industries—has become increasingly evident.</li> <li>Under the stimulus of large-scale equipment renewal initiatives, profits in the specialized equipment and general equipment sectors rose by 14.2% and 9.5% YoY, respectively. This reinforced the positive momentum across the broader industrial sector. Overall, equipment manufacturing profits increased by 6.4% YoY in Q1, accounting for 32.0% of the total profits of industrial enterprises above designated size. The sector contributed 2.0 percentage points to the overall profit growth, underscoring its role as a key driver of industrial earnings recovery.</li> <li>While the Q1 performance reflects resilient fundamentals and early policy support effects, the external environment has become more challenging post-April amid heightened global trade</li> </ul>

	<p>tensions. Going forward, the resilience of the equipment manufacturing sector and the implementation of domestic stimulus measures will be critical in cushioning the potential headwinds from external shocks.</p>
<ul style="list-style-type: none"> <li>▪ Hong Kong: Labour market showed signs of broad weakening, as unemployment rate before seasonal adjustment rose across sectors. The unemployment rate went up by 0.3 percentage point to 3.2% in the first quarter of 2025, while the total unemployed persons rose to the highest level since 4Q 2022 (at 122.8k). However, during the same period, the seasonally adjusted unemployment rate and underemployment rate stayed unchanged at 3.2% and 1.1% respectively.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Compared to December 2024 – February 2025, Hong Kong’s unemployed person jumped by 9.9% (or 11.1k) in the first quarter of 2025, partly due to seasonality factor. Meanwhile, total labour force continued to shrink, by 5.8k to 3,815.5k.</li> <li>▪ Relatively notable increases in unemployment rate were observed in the information and communications sector, social work activities sector, professional and business services sector, and construction sector.</li> <li>▪ Anecdotal evidence suggested that hiring sentiment turned worse, in view of the widening trade war and growing macro uncertainties, though we have yet to see corporate’s preemptive downsizing. To reflect the cyclical pain ahead, we revised the full-year unemployment rate forecast higher to 3.3%, from the previous 3.1%.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Hong Kong: Inflationary pressure held steady, with headline CPI rising at 1.4% YoY in March, same as that in February. Meanwhile, underlying CPI (netting out the effect of all Government’s one-off relief measures) rose at slightly slower pace of 1.0% YoY (1.1% YoY in February). The smaller increase was mainly due to fall in inbound and outbound transport fares and charges for package tours.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Among the components of CPI, prices of “durable goods”, “basic food” and “clothing and footwear” fell by 0.5% YoY, 1.5% YoY, and 2.8% YoY respectively in March.</li> <li>▪ Price pressure is likely to stay tamed in the near term, with deflationary pressure from mainland spreading to and manifesting in Hong Kong. Prices of basic food (majority of them sourced from mainland) fell to the lowest level since mid-2023. In view of the still-sluggish domestic demand, and limited impact from tariff imposition, we revised down the full-year inflation forecast to 1.7%, from the earlier estimate of 2.0%.</li> </ul>

**Selena Ling**  
Head of Research & Strategy  
[lingssselena@ocbc.com](mailto:lingssselena@ocbc.com)

**Tommy Xie Dongming**  
Head of Asia Macro Research  
[xied@ocbc.com](mailto:xied@ocbc.com)

**Keung Ching (Cindy)**  
Hong Kong & Macau Economist  
[cindyckeung@ocbc.com](mailto:cindyckeung@ocbc.com)

**Herbert Wong**  
Hong Kong & Taiwan Economist  
[herberhtwong@ocbc.com](mailto:herberhtwong@ocbc.com)

**Lavanya Venkateswaran**  
Senior ASEAN Economist  
[lavanvavenkateswaran@ocbc.com](mailto:lavanvavenkateswaran@ocbc.com)

**Ahmad A Enver**  
ASEAN Economist  
[ahmad.enver@ocbc.com](mailto:ahmad.enver@ocbc.com)

**Jonathan Ng**  
ASEAN Economist  
[jonathanng4@ocbc.com](mailto:jonathanng4@ocbc.com)

**Ong Shu Yi**  
ESG Analyst  
[shuyiong1@ocbc.com](mailto:shuyiong1@ocbc.com)

## **FX/Rates Strategy**

**Frances Cheung, CFA**  
Head of FX & Rates Strategy  
[francescheung@ocbc.com](mailto:francescheung@ocbc.com)

**Christopher Wong**  
FX Strategist  
[christopherwong@ocbc.com](mailto:christopherwong@ocbc.com)

## **Credit Research**

**Andrew Wong**  
Head of Credit Research  
[wonqvkam@ocbc.com](mailto:wonqvkam@ocbc.com)

**Ezien Hoo, CFA**  
Credit Research Analyst  
[ezienhoo@ocbc.com](mailto:ezienhoo@ocbc.com)

**Wong Hong Wei, CFA**  
Credit Research Analyst  
[wonghongwei@ocbc.com](mailto:wonghongwei@ocbc.com)

**Chin Meng Tee, CFA**  
Credit Research Analyst  
[menqteechin@ocbc.com](mailto:menqteechin@ocbc.com)

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, a 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.



# GLOBAL MARKETS RESEARCH

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