

—The macroeconomy—

## **Mizuho China Business Express Economic Journal**

(No. 91)

### **Summary**

At +6.2% y-o-y, real GDP growth in April–June was down slightly on the previous quarter’s figure of +6.4%, though it remained within the government’s target for 2019 of +6.0–6.5%. Economic indicators accelerated slightly in June. For now, the authorities will continue to pursue measures already introduced. Provided the employment and earnings environment remains stable, it seems the authorities are prepared to tolerate some economic slowing as they promote reforms in the run up to 2020.

#### **1. June’s economic indicators improved slightly on the previous month**

- **Growth slowed to +6.2% in April–June**
- **Production, investment and consumption all grew at a slightly faster pace**
- **The price of new homes grew at a slightly slower pace across all tiers of city**
- **Imports and exports both contracted**
- **CPI growth remained high, though PPI growth slowed**
- **New bank loans saw a net increase, with total social financing also expanding slightly**

#### **2. The policy response: The authorities will stick with their previous policy response for now; reforms will be promoted toward 2020**

- **The government will focus on implementing already-introduced economic measures (Li Keqiang)**
- **There is just one year to go to achieve decisive results regarding reforms (Xi Jinping)**

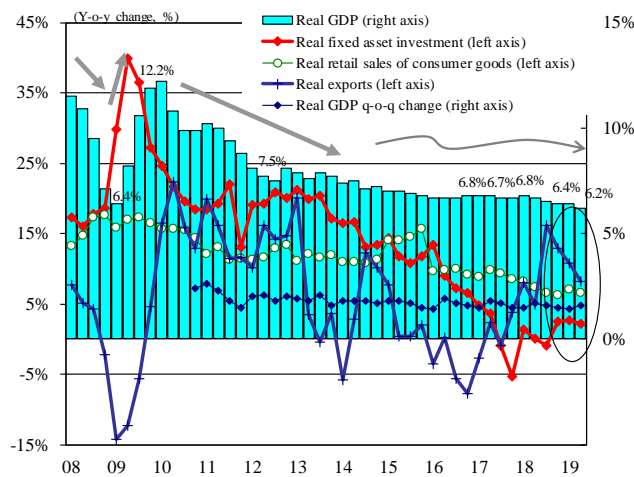
**1. June’s economic indicators improved slightly on the previous month**

**• Growth slowed to +6.2% in April–June**

On July 15, the National Bureau of Statistics (NBS) announced<sup>1</sup> that China’s real GDP growth rate in January–June 2019 stood at +6.3% on the same period last year (from here on, all figures refer to a ‘same-period previous-year comparison’ unless otherwise specified). At +6.2%, growth in April–June was down on the previous quarter’s figure of +6.4%, though it remained within the government’s target for 2019 of +6.0–6.5% (Fig. 1). Growth was up +1.6% on the previous quarter.

The 2Q figure of 6.2% represented the lowest quarterly pace of growth since 1992. However, a comparison between Q1 2009 and Q1 2019, when growth hit its second slowest pace of +6.4%, shows nominal GDP nonetheless growing by 2.9 times over this ten year period. This suggests the economy is continuing to grow and steadily expand despite this recent slowdown (Fig. 2).

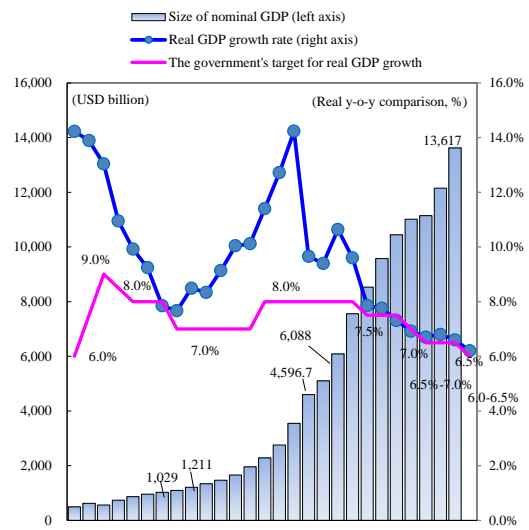
**Fig. 1: GDP and major economic indicators (quarterly)**



Note: The real RMB value of exports is indexed using the producer price index (PPI); the real value of fixed asset investments is indexed using the price index of investment in fixed assets; and the real value of retail sales of consumer goods is indexed using the retail price index (RPI).

Source: National Bureau of Statistics of China, CEIC

**Fig. 2: Government GDP growth rate targets and actual results**



Note: The government began publishing its targets at the end of 1993. The target stood at 8–9% in 1995, 6.5–7% in 2016 and 6.0–6.5% in 2018. The 2019 growth rate figure is a Mizuho Research Institute forecast.

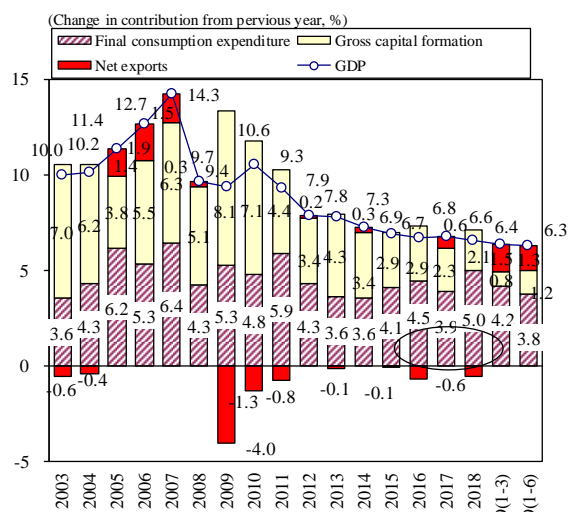
Source: National Bureau of Statistics of China, CEIC, and the NPC  
<http://www.npc.gov.cn>

A glance at contribution levels by demand item over January–June shows the contribution of final consumption hitting +3.8% , down 0.4%Pt on the +4.2% figure recorded in Q1, while the contribution of net exports came in at +1.3%Pt, down 0.2%Pt on Q1’s figure of +1.5%Pt. At +1.2%Pt, though, the contribution of gross capital formation was up 0.4%Pt on Q1’s figure of +0.8%Pt. A glance at the details shows the contribution of domestic demand unchanged at +5%Pt in both January–March and January–June, with the slowdown from +6.5% to +6.3% instead connected to a -0.2%Pt slide in the contribution of external demand (Fig. 3).

<sup>1</sup> NBS, July 15, 2019, “National Economy Maintained the Stable and Progressing Momentum in the First Half of 2019”  
[http://www.stats.gov.cn/english/PressRelease/201907/t20190715\\_1676034.html](http://www.stats.gov.cn/english/PressRelease/201907/t20190715_1676034.html)

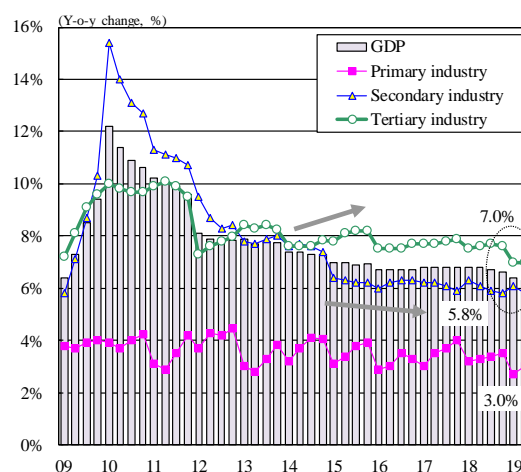
A breakdown by sector shows the primary industry growing by +3.0% over January–June, up on the +2.7% figure recorded in Q1, though growth in the secondary sector fell from +6.1% in Q1 to +5.8%. At +7.0%, growth in the tertiary industry was unchanged on Q1 (Fig. 4).

**Fig. 3: Breakdown of GDP by demand item**



Source: National Bureau of Statistics of China, CEIC

**Fig. 4: GDP by sector**



Note: The figures denote the most recent period.  
Source: National Bureau of Statistics of China, CEIC

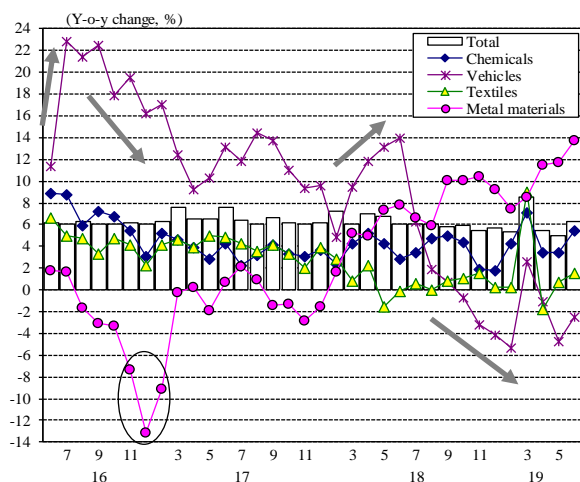
**• Production, investment and consumption all grew at a slightly faster pace**

June’s economic indicators improved slightly overall on the previous month. At +6.3%, value-added industrial production in June was up on May’s +5.0% (the m-o-m figure was +0.7%) (Fig. 5). NBS spokesman Mao Shengyong said industrial production had been pulled higher by +9.0% growth in the hi-tech manufacturing sector<sup>2</sup>.

At +5.8% (June: +6.3%), nominal fixed asset investment in January–June was up on January–May’s +5.6% (the m-o-m figure was +0.4%). At +4.1%, investment in infrastructure construction was up slightly on the 4.0% figure recorded in January–May, with manufacturing investment also edging up from 2.7% to 3.0% (Fig. 6).

<sup>2</sup> NBS, July 15, 2019, “国家统计局新闻发言人就 2019 年上半年国民经济运行情况答记者问 (An NBS Spokesperson Answers Journalist Questions about Economic Performance in 1H, 2019)”  
[http://www.stats.gov.cn/tjsj/sjjd/201907/t20190715\\_1676116.html](http://www.stats.gov.cn/tjsj/sjjd/201907/t20190715_1676116.html)

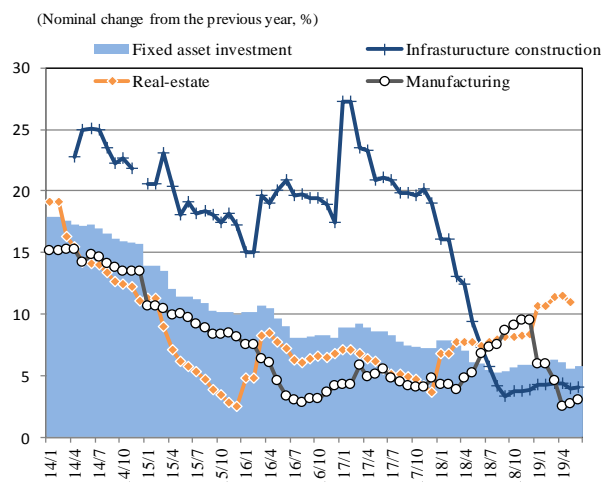
**Fig. 5: Value-added industrial production**



Note: The value-added industrial production amount. The figure for January shows the aggregate year-on-year change for the period January–February.

Source: CEIC

**Fig. 6: Fixed asset investment**



Note: The figures show a same-period previous-year comparison of the cumulative results for periods lasting from the beginning of the target year until the month in question.

Source: National Bureau of Statistics of China, CEIC

Nominal retail sales of consumer goods grew by +9.8% in June, up on May’s +8.6% (the m-o-m figure was +1.0%) (Fig. 7). NBS spokesman Mao Shengyong explained that “with the national standards for pollutant discharge of motor vehicles switched from Stage V to VI, promotional efforts (price cuts, etc.) were stepped up in June to increase automobile sales...driving the total retail sales of consumer goods to increase about 1.6 percentage points.” Internet retail sales of goods and services hit RMB 4,816.1 billion over January–June (goods: RMB 3,816.5 billion; services: RMB 999.6 billion), with net shopping growing by +21.6% to account for 19.6% of total retail sales of consumer goods (RMB 19,521.0 billion, +8.4%)<sup>3</sup>.

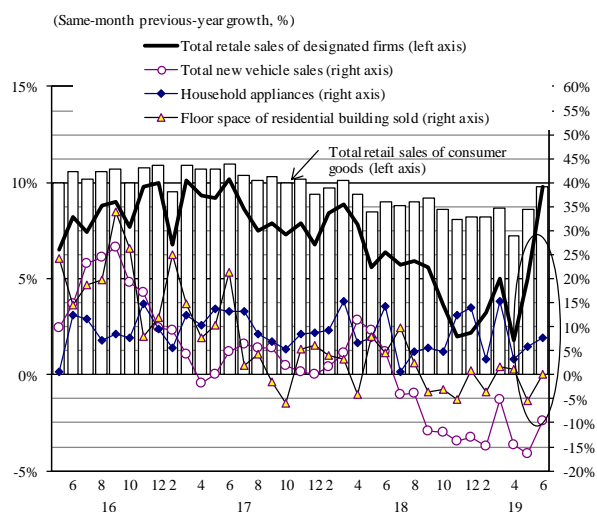
Sales of new vehicles hit 2.0560 million in June (-9.6%). This represented an improvement on May in terms of both numbers and the y-o-y result (May: 1.9126 million and -16.4%) (Fig. 8). Sales were boosted when car showrooms rushed to slash their inventories ahead of the introduction of new emissions standards in some regions in July, though sales might drop back again in July. Sales had trended upward until 2017 (28.941 million and +3.6%), but in 2018 they hit 28.0398 million (-3.1%) to record the first y-o-y decline since 1990, with the pace of the contraction then hitting -12.4% (12.318 million) over the first half of 2019. The slowdown was probably because the tax break on purchases of small passenger vehicles (instituted in October 2015) was abolished at the end of 2017<sup>4</sup>, with consumer sentiments also hit by uncertainty about US/China trade frictions. On July 10, the

<sup>3</sup> NBS, July 17, 2019, “Total Retail Sales of Consumer Goods up by 8.4 percent in First Half of 2019” [http://www.stats.gov.cn/english/PressRelease/201907/t20190717\\_1676774.html](http://www.stats.gov.cn/english/PressRelease/201907/t20190717_1676774.html)

<sup>4</sup> On December 15, 2016, the Ministry of Finance and the State Administration of Taxation announced that the tax cut on purchases of new vehicles with low emissions would be extended one year to the end of 2017. However, the tax rate will rise from 5% to 7.5%, so the size of the cut (compared to the normal tax rate of 10%) will be halved in 2017 (2.5%). Ministry of Finance: “关于减征 1.6 升及以下排量乘用车车辆购置税的通知 (Circular on the Lowering of the Purchase Tax on Passenger Vehicles with Emissions of 1,600cc or Less)” [http://szs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201612/t20161215\\_2483048.html](http://szs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201612/t20161215_2483048.html)  
On September 29, 2015, the State Administration of Taxation issued Notice No. 104 [2015]. This announced that the purchase tax on

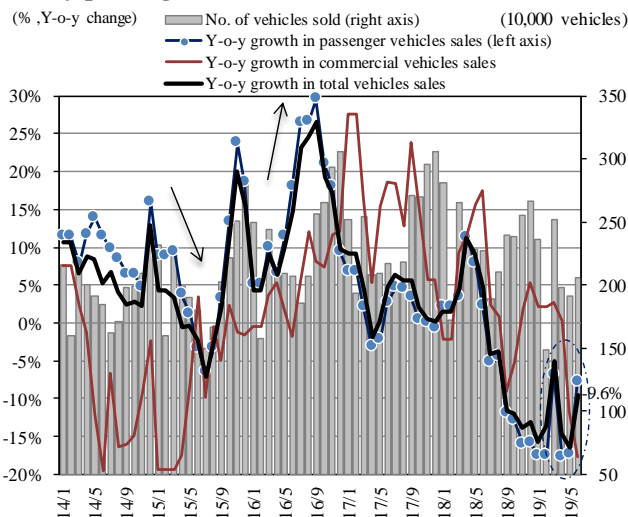
China Association of Automobile Manufacturers (an industry body) said sales in January–June had fallen below forecasts, with sales of new vehicles in 2019 expected to slide on the previous year<sup>5</sup>.

**Fig. 7: Retail sales of consumer goods; retail sales by item; floor space of residential building sold**



Note: Designated firms: firms with an annual turnover of RMB 5 million or over; the household appliance data also refers to sales by these designated firms; February = the cumulative results for January–February.  
 Source: CEIC

**Fig. 8: Number of vehicles sold (by passenger vehicles and commercial vehicles)**



Note: The figure for January and February shows cumulative y-o-y growth for the period January–February.  
 Source: China Association of Automobile Manufacturers, CEIC

**• The price of new homes grew at a slightly slower pace across all tiers of city**

At -1.8% (757.86 million m<sup>2</sup>), the floor space of residential buildings sold posted negative growth in January–June after previously recording positive growth of +7.7% in 2017 and +1.3% in 2018. Housing sales bottomed out and began recovering in April 2015 following measures by the authorities to prop up the real-estate market. The People’s Bank of China (PBC) lowered deposit and lending rates six times from November 2014, for instance, while the (lowest) down payment rate for second homebuyers was cut from 60% to 40% (March 30, 2015) and the down payment rate for first-time homebuyers was also lowered to 25% (September 30, 2015). Thereafter, buying restrictions pioneering in Shanghai and Shenzhen in March 2016<sup>6</sup> subsequently spread to other cities with surging house prices<sup>7</sup>, with the restrictions being tightened further<sup>8</sup>.

passenger vehicles with emissions of 1,600cc or less would be lowered from 10% to 5% from October 1, 2015 to the end of 2016. <http://www.chinatax.gov.cn/n810341/n810755/c1827947/content.html>

<sup>5</sup> China Association of Automobile Manufacturers, July 18, 2019, “CAAM Monthly Press Conference (July 2019) Held in Beijing” [http://www.caam.org.cn/chn/21/cate\\_158/con\\_5225106.html](http://www.caam.org.cn/chn/21/cate_158/con_5225106.html)

<sup>6</sup> On March 25, 2016, the down payment rate for second homebuyers was lifted from 40% to 50–70% in Shanghai. Shenzhen has lifted the down payment rate for second homebuyers from 30% to 40%. Both moves represent a tightening of restrictions on purchases by non-resident buyers.

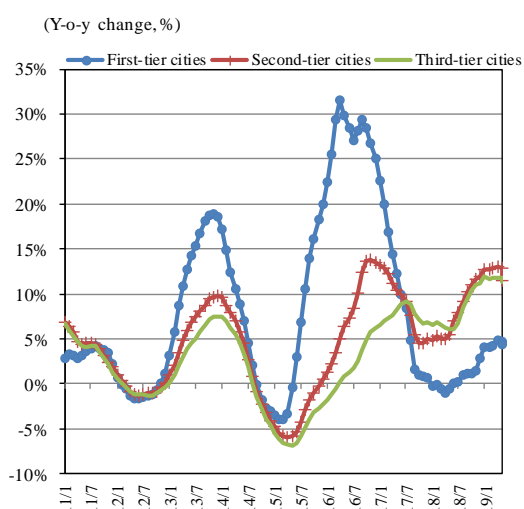
<sup>7</sup> Similar tightening measures have also spread to cities with conspicuous house price inflation, with Xiamen, Nanjing and Hefei introducing similar regulations from the end of April to mid-July 2016, for example. Reference: Economic Information Daily, July 14, 2016, “房地产现严重分化 因城施策将是下半年楼市政策主线 (China’s acute property price bifurcation problem: Main real-estate measures in 2H influenced by the regional policies)”, etc. [http://www.china.com.cn/shehui/2016-07/14/content\\_38877726.htm](http://www.china.com.cn/shehui/2016-07/14/content_38877726.htm)

People’s Daily on October 11, 2016 entitled “限购、限贷，近期已有 20 城市推出新举措 楼市调控 因城施策 (Restrictions on housing purchases and loans recently introduced in 20 cities: Restrictions geared to meet the circumstances of each city).”

In June, all 70 cities surveyed saw the price of new homes rising on the previous year, a four-month trend that began in March. At +4.4% in first-tier cities (May: 4.8%), +11.4% in second-tier cities (May: 12.8%) and +11.4% in third-tier cities (May: 11.7%), growth was down slightly on May across all tiers of city (Fig. 9)<sup>9</sup>.

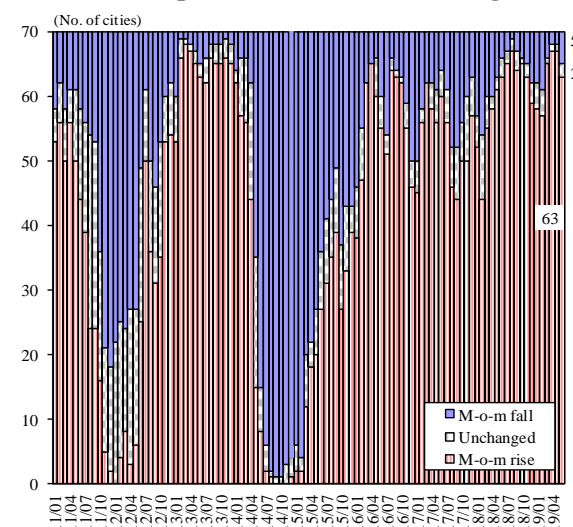
On a monthly basis, 63 of the 70 cities surveyed saw the price of new homes rising, down from 67 in May. Two cities saw prices moving flatly on the previous month (up from one in May), while five cities saw prices falling on the previous month (up from two in May) (Fig. 10)<sup>10</sup>.

**Fig. 9: New-homes prices (Y-o-y)**



Note: First-tier cities: Beijing, Shanghai, Guangzhou and Shenzhen  
 Second-tier cities: Capitals other than first-tier cities (municipality), capitals of autonomous regions, Dalian, Qingdao, Ningbo, and Xiamen.  
 Third-tier cities: Cities other than first-tier and second-tier cities (35 of the 70 cities surveyed)  
 Source: CEIC

**Fig. 10: Number of cities recording m-o-m changes in sales prices of residential buildings**



Source: National Bureau of Statistics of China, CEIC

**• Imports and exports both contracted**

Exports dipped by -1.3% (\$212.84 billion) and imports by -7.3% (\$161.86 billion) in June, with exports and imports both down on the previous year and the trade balance hitting \$50.98 billion (Fig. 11). The accumulative figures for January–June show exports up +0.1% (\$1,171.2 billion) and imports down -4.3% (\$990.0 billion), with

Restrictions on housing purchases were introduced in 20 cities at the time the article was written. <http://www.fangchan.com/news/6/2016-10-11/6191397283909931925.html>

<sup>8</sup> The 21st Century Business Herald, March 20, 2017, “北京最严楼市调控“认房又认贷” 下半年全国楼市降温可期 (Checks on housing and loan records: Beijing’s strictest real estate controls set to chill housing markets nationwide in 2H).” Beijing has introduced ‘the toughest controls in history.’ It lifted the down payment rate for second home purchases to at least 60 percent on March 17, for instance, with the rate lifted to at least 80% for buyers who will not be living at the property. Furthermore, the city has also suspended issuances of mortgage loans for individuals with maturities of 25 years or more, while homes bought by companies cannot be resold for at least three years. [http://epaper.21jingji.com/html/2017-03/20/content\\_58356.htm](http://epaper.21jingji.com/html/2017-03/20/content_58356.htm)

<sup>9</sup> Of the 70 cities surveyed, the following three cities saw the fastest home price growth: Xian +25.1%, Dali +22.9%, Sanya +22.6% (June).

<sup>10</sup> NBS, July 16, 2019, “Sales Prices of Residential Buildings in 70 Medium and Large-sized Cities in June 2019” [http://www.stats.gov.cn/english/PressRelease/201907/t20190716\\_1676345.html](http://www.stats.gov.cn/english/PressRelease/201907/t20190716_1676345.html)  
 From January 2018, the data no longer includes the sales price of affordable housing.

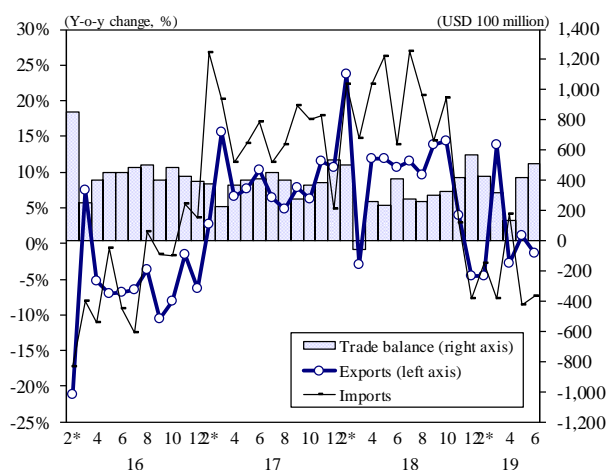


China’s trade surplus up 33.9% on the same period last year at +\$181.16 billion.

When it came to the export commodity structure, the Ministry of Commerce stated that “(1) trade with belt-and-road countries rose by +9.7% while trade with the EU climbed by +11.2% and trade with the US dipped by -9.0%; (2) general trade exports grew by +9.5% and their contribution to the total export figure also rose by +5.2%Pt, with general trade exports accounting for 58.8% of all exports, up 1.8%Pt on the same period last year; (3) the distribution of export-creating regions grew more balanced, with exports from the central and western regions rising by +13.4% (up +1.1%Pt) to account for 17.5% of the total figure, while exports from eastern China grew by +4.7% to account for 82.5% of the total; (4) the export item structure continued to improve, with exports of high-quality, high-added-value goods (such as new-energy vehicles, integrated circuits, processing machinery, excavating equipment, medical machinery, and industrial robots) growing at a fast clip (in particular, the average export price of new-energy vehicles was six times higher than the price of traditional vehicles)<sup>11</sup>.”

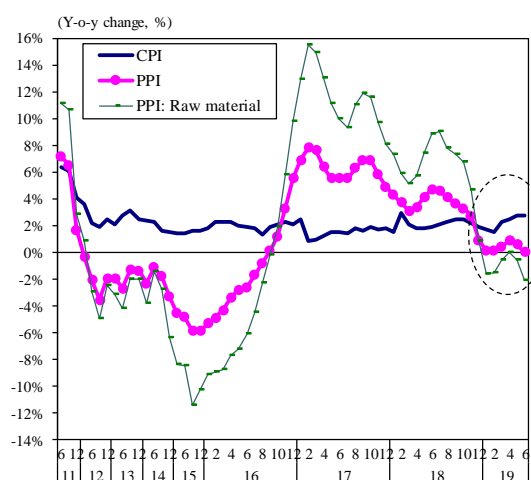
Trade with the US (exports and imports) continued to fall sharply, though exports to Asia expanded (Figs. 13 and 14).

**Fig. 11: Imports/exports; trade balance**



\* The figures show the trade balance and a same-period previous-year comparison of the cumulative results for January–February.  
Source: China Customs Statistics

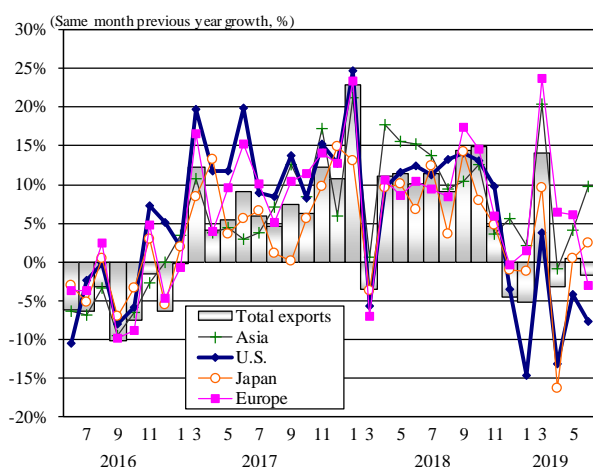
**Fig. 12: CPI, PPI**



Note: The data from June 2011 to 2015 only shows the quarterly (March, June, September and December) figures.  
Source: National Bureau of Statistics of China, CEIC

<sup>11</sup> The Ministry of Commerce, July 12, 2019, “商务部外贸司负责人谈 2019 年上半年我国对外贸易情况 (MOFCOM Department of Foreign Trade Comments on the Foreign Trade Situation of China in the First Half of 2019)” Monetary amounts and rates of change are RMB denominated.  
<http://www.mofcom.gov.cn/article/ae/sjgd/201907/20190702881436.shtml>

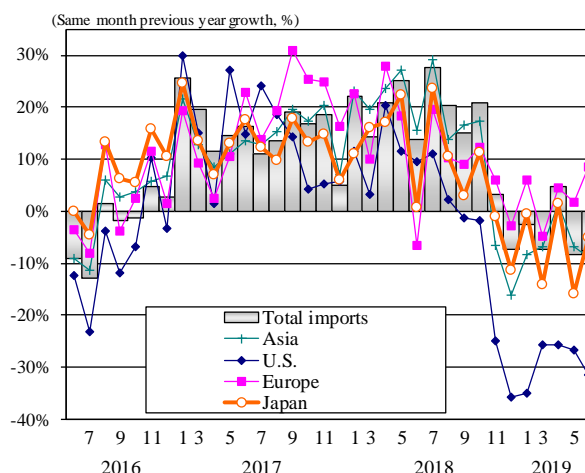
**Fig. 13: Exports by major region**



Note: The figure for January shows a same-period previous-year comparison of the cumulative results for January–February.

Source: China Customs Statistics, CEIC

**Fig. 14: Imports by major region**



Note: The figure for January shows a same-period previous-year comparison of the cumulative results for January–February.

Source: China Customs Statistics, CEIC

**• CPI growth remained high, though PPI growth slowed**

In June, CPI (Consumer Price Index) growth hit +2.7%, unchanged on May’s figure. At +2.2%, the average for January–June was below the government’s target of +3.0% (Fig. 12). At -0.1% m-o-m, CPI growth dipped into negative territories on a monthly basis (May: +0.0%). A breakdown of the CPI data shows food price inflation accelerating to +8.3% (May: +7.7%). The price of fruit rose even faster at +42.7% (May: +26.7%), though vegetable prices grew at a slower pace at +4.2% (May: +13.3%). At +21.1%, pork price inflation continued to accelerate, up from +18.2% in May (Figs. 15 and 16). At +1.4%, non-food prices grew at a slightly slower pace in June (May: +1.6%).

The impact of the pork cycle<sup>12</sup> waned after a peak in May 2016, though it bounced back after bottoming out in June 2017. Pork prices fell further into negative territories again from March 2018, though the pace of this contraction slowed from May 2018 and prices grew again from December 2018, with the trend shifting slightly during the ongoing phase of price declines. During this time, pork production recorded two consecutive years of negative growth in 2015 and 2016. It then picked up by +0.5% in 2017 to hit 54.52 million tons, though it dropped back by -0.9% in 2018 to hit 54.04 million tons.

In June, PPI (Producer Price Index) growth hit +0.0%, down on May’s figure of +0.6%. According to the NBS<sup>13</sup>, a y-o-y comparison for June shows: prices rising at a slower m-o-m pace when it came to the mining and washing of coal (+3.4%) and non-metallic mineral products (+2.5%); prices shifting from positive to negative growth when it came to the processing of petroleum, coking and other fuels (-1.9%), the extraction of petroleum and natural gas (-1.8%), and the manufacture and processing of ferrous metals (-0.5%). The NBS also explained that the +0.0%

<sup>12</sup> This is a cycle whereby: farmers respond to lower pork prices by raising fewer pigs→supply falls and prices rise→farmers increase output→supply increases and prices stabilize→farmers raise fewer pigs.

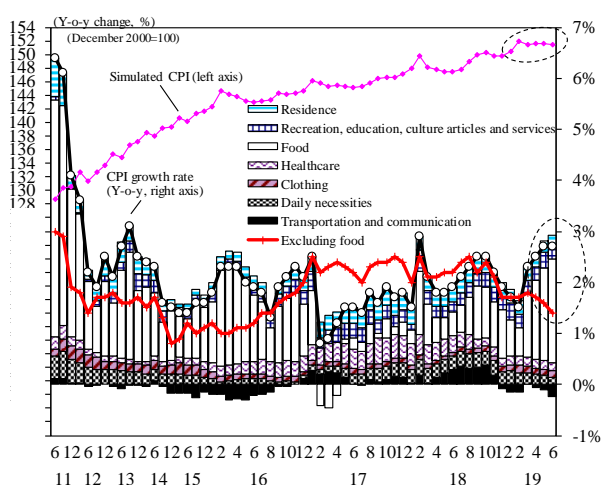
<sup>13</sup> NBS, July 10, 2019, “国家统计局城市司处长董雅秀解读 2019 年 6 月份 CPI、PPI 数据 (Dong Yaxiu, Head of the Urban Division of the NBS, Deciphers the June 2019 CPI and PPI Data)”  
[http://www.stats.gov.cn/tjsj/sjjd/201907/t20190710\\_1675201.html](http://www.stats.gov.cn/tjsj/sjjd/201907/t20190710_1675201.html)



PPI growth in June was the combined result of price changes on the previous year (+0.3%Pt) and new price rises (-0.3%Pt).

At a press conference on July 15<sup>14</sup>, NBS spokesman Mao Shengyong said that although PPI had risen by +0.3% over January–June, the relation between supply and demand would be impacted by the international environment (including international commodity market conditions) going forward, with prices likely to continue fluctuating at a gentle pace. He also explained that the CPI and PPI data would rise at a gentle pace and move stably on the whole in future, adding that economic growth would only slow slightly over the second half of the year and would still come in at a world-beating +6.3%. As such, the spokesman indicated that China was not facing any particularly deflationary or inflationary conditions.

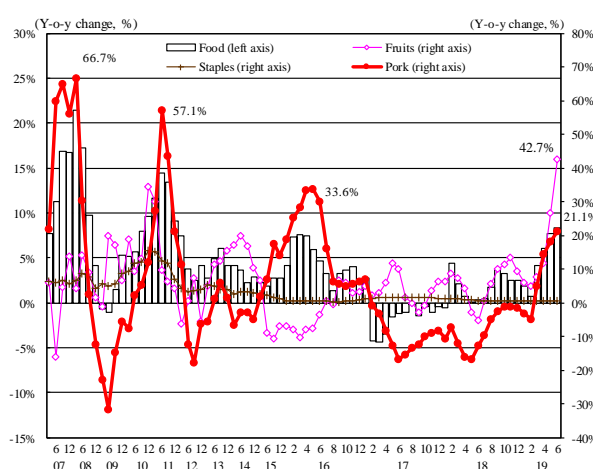
**Fig. 15: CPI; Growth contribution by item**



Note: The contribution rate by item is calculated by Mizuho Bank (China) based on the y-o-y growth rate and consumption expenditure statistics for each item. The simulated CPI data is calculated by Mizuho Bank (China) based on the m-o-m growth rate for each month, with December 2000 as the base month. The data from June 2011 to 2015 only shows the quarterly (March, June, September and December) figures.

Source: National Bureau of Statistics of China, CEIC

**Fig. 16: Food prices**



Note: The data up until 2015 only shows the quarterly (March, June, September and December) figures.

Source: National Bureau of Statistics of China, CEIC

**• New bank loans saw a net increase, with total social financing also expanding slightly**

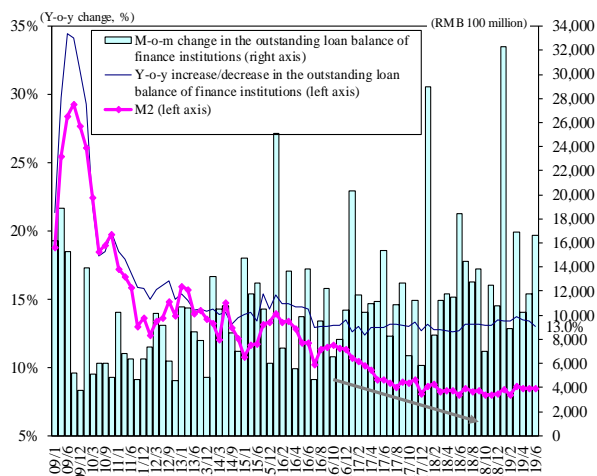
According to the PBOC, M2 money supply growth hit +8.5% in June, unchanged on May. New bank loans increased by a net RMB 1,660.0 billion in June, up from RMB 1,180.0 billion in May (Fig. 17).

Total social financing, which includes funds procured from non-bank sources, rose to a net RMB 2,260.0 billion in June, up on May’s figure of RMB 1,395.2 billion. A glance at the details reveals that: RMB loans, corporate bonds and local government revenue bonds grew at a faster pace; entrusted loans went from contraction to expansion; and foreign currency loans went from expansion to contraction. Trust loans fell for the 18th straight

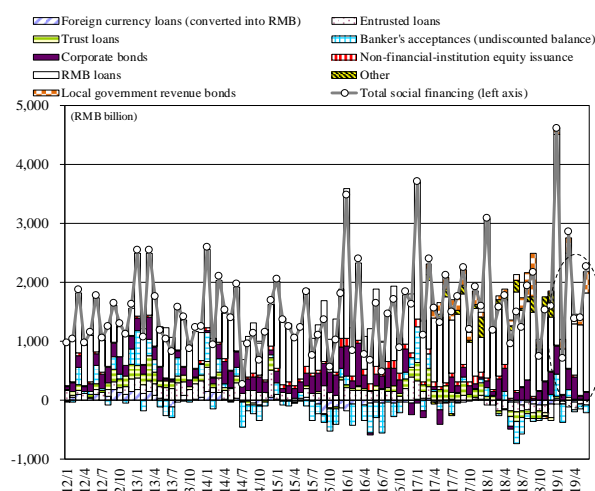
<sup>14</sup>Same as footnote 2. It is likely Mao Shengyong was also trying to allay concerns about stagflation (the simultaneous occurrence of an economic recession and inflation) with his comments.

month, with banker’s acceptances also decreasing at a faster pace. Non-financial-institution equity issuances grew at a slower pace compared to May (Fig. 18).

**Fig. 17: Financial institution lending; the money supply**



**Fig. 18: Total social financing (net increase and decrease)**



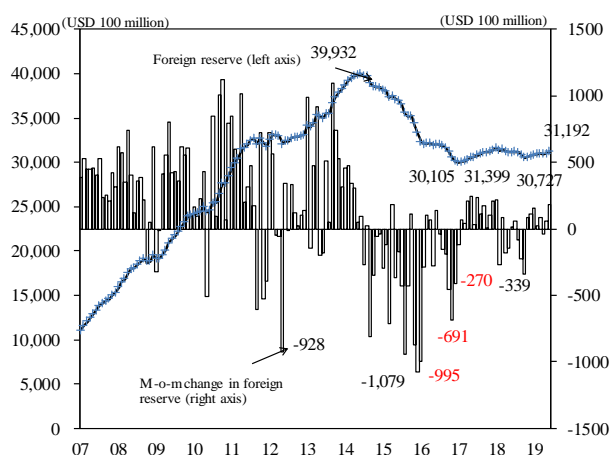
Note: The graph shows January and end-of-quarter figures up until 2015. The figure in the graph shows the y-o-y change in the outstanding loan balance for the most recent month.

Source: PBOC, CEIC

Source: PBOC, CEIC

Foreign exchange reserves stood at \$3,119.23 billion at the end of June, up \$18.23 billion on May. SAFE Press Spokesperson Wang Chunying said the dollar had weakened and asset prices had risen in international finance markets on the global trade environment and the currency policies of major central banks, for example. She explained that foreign exchange reserves had swollen as a result of these fluctuations in exchange rates and asset prices<sup>15</sup> (Fig. 19).

<sup>15</sup> The State Administration of Foreign Exchange, July 8, 2019, “国家外汇管理局新闻发言人、总经济师王春英就 2019 年 6 月份外汇储备规模变动情况答记者问 (SAFE Press Spokesperson and Chief Economist Wang Chunying answers journalist questions about foreign exchange reserve movements in June 2019.)” <http://www.safe.gov.cn/safe/2019/0708/13588.html>

**Fig. 19: Foreign exchange reserves**

Note: The foreign reserve data shows the June 2014 at peak, end of 2016, 2017 and 2018, and the latest monthly figure.

Source: People's Bank of China, CEIC

## **2. The policy response: The authorities will stick with their previous policy response for now; reforms will be promoted toward 2020**

At +6.3%, the real GDP growth rate fell within the government's target range in the first half of 2019. Nonetheless, growth slowed to +6.2% in the second quarter, with discussions now under way about whether to introduce some new economic policies. Recent comments by key figures suggest the authorities are prepared to tolerate some economic slowing as they prioritize structural reform in the run up to 2020, when these reforms are set to be completed.

### **• The government will focus on implementing already-introduced economic measures (Li Keqiang)**

During his speech at the opening ceremony of the Annual Meeting of the New Champions 2019<sup>16</sup>, held at Dalian on July 2, Premier Li Keqiang recognized that the Chinese economy faced new headwinds, but he added that “we must implement well the macro policy measures we have introduced...and do a good job in anticipatory adjustment and fine-tuning in order to create conditions for the steady operation of the economy. This does not mean that we will resort to massive stimulus measures, or return to the old approach of expansion in scale and inefficient growth.” As such, he suggested the priority for now would be on the implementation of the economic measures launched around the time of the National People's Congress in March (a package totaling around RMB 2 trillion, including tax cuts and cost reductions), with the government not introducing any new stimulus above and beyond these measures.

### **• There is just one year to go to achieve decisive results regarding reforms (Xi Jinping)**

At a meeting held to review the reform of party and state institutions on July 5, Xi Jinping said there was just over one year to go to achieve decisive results in reforms in crucial areas and key links by 2020, with the general

<sup>16</sup> China Net, July 4, 2019, “Full text of Premier Li Keqiang's speech at the opening ceremony of Annual Meeting of the New Champions 2019” [http://english.gov.cn/premier/speeches/2019/07/04/content\\_281476747574784.htm](http://english.gov.cn/premier/speeches/2019/07/04/content_281476747574784.htm) China Net, July 6, 2019, “李克强在 2019 年夏季达沃斯论坛开幕式发表特别致辞后回答问题以及同国际工商、金融、智库、媒体界代表对话交流实录 (Premier Li Keqiang Answers Questions and Exchanges Opinions with Representatives from the Fields of Business, Finance, Think Tanks and the Media After a Special Speech at the Opening Ceremony of the Annual Meeting of the New Champions 2019)” [http://www.gov.cn/premier/2019-07/06/content\\_5406845.htm](http://www.gov.cn/premier/2019-07/06/content_5406845.htm)

secretary calling for strength to be focused on pursuing these reforms<sup>17</sup>. 2020 is deadline for the Three Tough Battles strategy<sup>18</sup>, which centers around the prevention and elimination of major risks (predominantly financial risks; see the last report). At the Third Plenary Session of the 18th Central Committee of the Communist Party of China (Third Plenum)<sup>19</sup>, held in November 2013, the government also announced it would enhance the decisive role of market mechanisms in resource allocation. At the time, the government announced a major reform plan covering 60 aspects, including enhancing market structures, transforming government functions, reforming fiscal and tax budgets, integrating rural and urban development, and constructing new liberalized economic structures. 2020 is also the deadline for achieving results in these areas.

For now, the authorities will continue to pursue measures already introduced. Provided the employment and earnings environment remains stable, it seems the authorities are prepared to tolerate some economic slowing as they promote reforms in the run up to 2020.

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<sup>17</sup> China Net, July 5, 2019, "Xi stresses consolidating achievements in reform of Party, State institutions"  
[http://english.gov.cn/news/top\\_news/2019/07/05/content\\_281476749819736.htm](http://english.gov.cn/news/top_news/2019/07/05/content_281476749819736.htm)

<sup>18</sup> Three tough battles = Preventing major risks, targeted poverty alleviation and pollution control.

<sup>19</sup> China Net, November 15, 2013, "中共中央关于全面深化改革若干重大问题的决定 (Decision of the CCCPC on Some Major Issues Concerning Comprehensively Deepening the Reform)"  
[http://www.gov.cn/jrzq/2013-11/15/content\\_2528179.htm](http://www.gov.cn/jrzq/2013-11/15/content_2528179.htm)

China Net, November 12, 2013, "中国共产党第十八届中央委员会第三次全体会议公报 (Communiqué of the Third Plenary Session of the 18th Central Committee of the Communist Party of China)"  
[http://www.gov.cn/jrzq/2013-11/12/content\\_2525960.htm](http://www.gov.cn/jrzq/2013-11/12/content_2525960.htm)