

—The macroeconomy—

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Summary

China's real GDP growth rate for January–March stood at -6.8%, with growth dipping into negative territories for the first time since the quarterly GDP data was first announced in 1992, though economic indicators improved in March compared to January–February. China is being pushed to expand domestic demand on concerns of a slump in external demand on the spread of COVID-19 in the US and Europe. Meetings of the Central Committee Political Bureau announced 'the introduction of comprehensive macro-policy tools.' The meetings focused on ensuring people's employment, basic livelihoods, stable food and energy, and stable supply chains, etc. (the 'Six Guarantees').

1. March's economic indicators improved on January–February

- **At -6.8%, the Q1 GDP data dipped into negative territories for the first time since the first quarterly GDP announcement was made in 1992**
- **Production, investment and consumption all fell, though they improved on January–February**
- **New homes prices grew at a slower pace in all tiers of city**
- **Imports and exports both contracted at a slower pace**
- **CPI growth slowed while PPI growth fell further into negative territories**
- **Net new bank loans and total social financing expanded**

2. The policy response: 'The introduction of comprehensive macro-policy tools' (Central Committee Political Bureau meetings)

- **With the goal of doubling GDP growing problematic, the government might try to save political face by hitting its targets for poverty reduction**
- **'The introduction of comprehensive macro-policy tools' (Central Committee Political Bureau meetings)**

1. March's economic indicators improved on January–February

At -6.8%, the Q1 GDP data dipped into negative territories for the first time since the first quarterly GDP announcement was made in 1992

On April 17, the National Bureau of Statistics (NBS) announced¹ that China's real GDP growth rate for January–March stood at -6.8% on the same period last year (from here on, all figures refer to a 'same-period previous-year comparison' unless otherwise specified), with growth dipping into negative territories for the first time since the quarterly GDP data was first announced in 1992. Growth was also sharply down on the previous quarter's figure of +6.0%, with GDP also shrinking by -9.8% compared to the previous quarter (Fig. 1).

Fig. 1: Breakdown of GDP by demand item

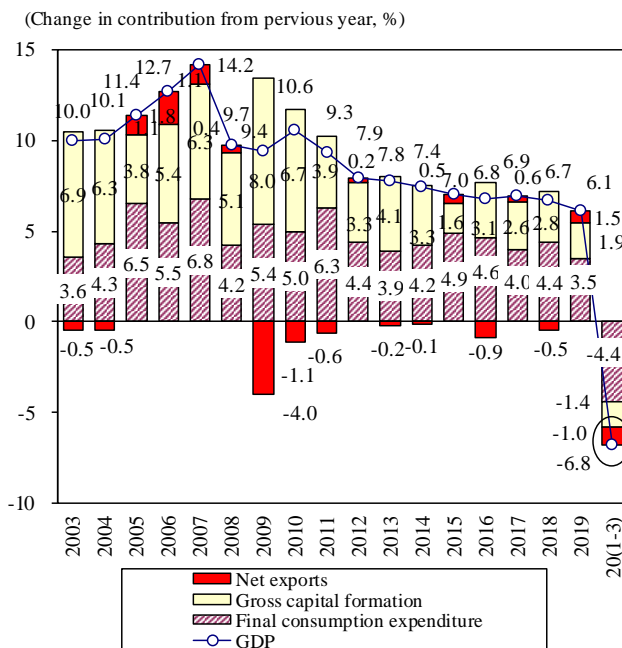
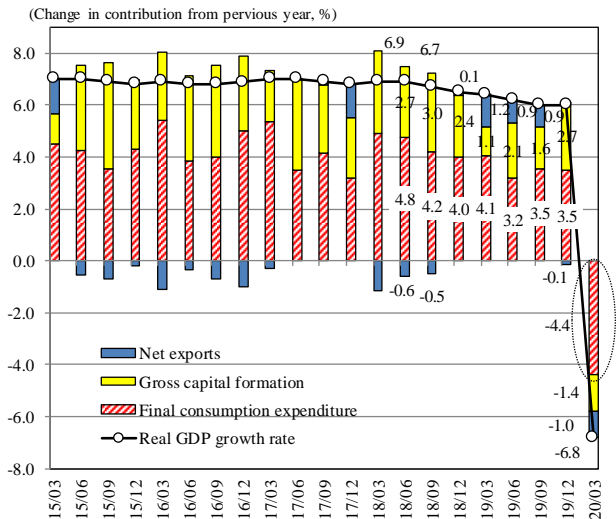


Fig. 2: Breakdown of GDP by demand item (quarterly)

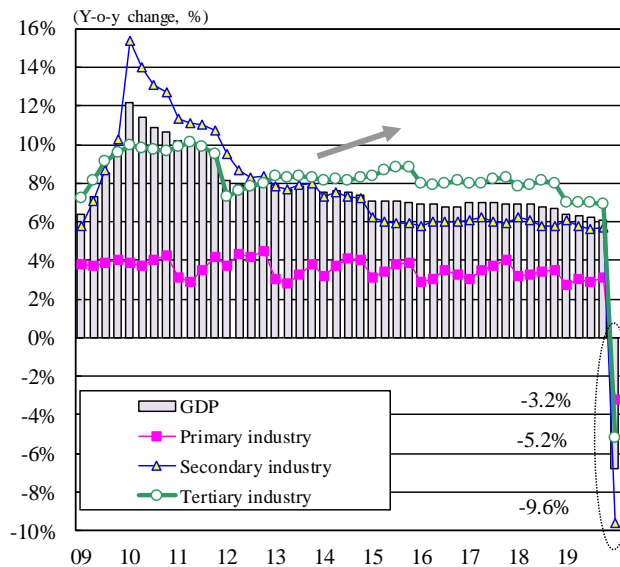


A glance at contribution levels by demand item shows all three headings making negative contributions in January–March, with the contribution of final consumption expenditure dipping by -4.4Pt, gross capital formation by -1.4Pt, and net exports by -0.1Pt. On a quarterly basis, external demand had made a positive contribution from Q4 2018 to Q3 2019, but it then made a slightly negative contribution in Q4 2019, with all three headings then making a negative contribution in Q1 2020 (Fig. 2).

A breakdown by sector shows primary industry contracting by -3.2% over January–March, secondary industry by -9.6% and the tertiary industry by -5.2%, with secondary industry undergoing a particularly sharp fall (Fig. 3).

¹ NBS, April 17, 2020, "Decline of Major Economic Indicators Significantly Narrowed Down in March" http://www.stats.gov.cn/english/PressRelease/202004/t20200417_1739339.html

Fig. 3: GDP by sector



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

Fig. 4: Policies to stimulate automobile consumption (State Council press conference, April 9)

- Easing restrictions on automobile purchases
Guangzhou, Shenzhen, Hangzhou: Increasing the quota of new license plates
Shanghai: Holding more number plate auctions
Guiyang: Eliminating purchase restrictions
Hainan: Eliminating restrictions on new energy vehicle purchases
- Subsidies for new car purchases
Guangzhou, Shenzhen, Zhuhai, Foshan, Ningbo, Changsha, Nanchang
Subsidies for new car purchases; Jiaying is providing vouchers for discounts on car purchases
- Subsidies for replacing used vehicles with new ones
Shanghai, Nanjing, Changchun, Guangzhou, Foshan
- Subsidies for scrapping old vehicles
Beijing, Tianjin, Shaanxi, Hainan, Jinan, Chengdu, Wuhan, Taiyuan
- Removing checkpoint entry restrictions into urban areas
Henan, Hebei, Liaoning, Yunnan, Hunan, Xinjiang, Chongqing, Ningbo
- Promoting the used automobile trade
Removing restrictions on the transport of used cars between regions; Hunan has set up a special funding scheme to encourage used car distribution
- Moves to encourage automobile usage
Liaoning, Guangdong, Zhejiang, Xinjiang, Harbin, Guilin
Moves to promote the use of automobiles in rural areas, group purchases, car usage, online car purchases, and used car purchases, etc.
- Improving the automobile usage environment
Hainan, Guizhou, Guangzhou, Shenzhen
Supporting the construction of new energy charging facilities and parking facilities

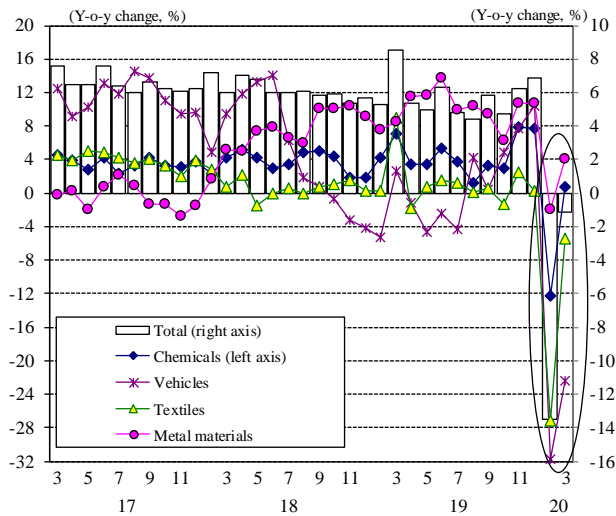
Source: State Council website, April 9, 2020
<http://www.gov.cn/xinwen/gwylflkjz86/wzslqt.htm>

Production, investment and consumption all fell, though they improved on January–February

March's economic indicators improved on January–February's (the comparison is made with the average for January–February to level out the impact of the Chinese New Year holiday). At -1.1%, value-added industrial production in March improved on January–February's -13.5% (January–March = -8.4%; the indicator dipped -24.9% m-o-m in February before growing by +32.1% m-o-m in March). (Fig. 5). The production of hi-tech products grew by +8.9%, with computers, communication equipment and other electronic equipment hitting +9.9%, industrial robots +12.9%, and generators +20.0%.

At -16.1%, nominal fixed asset investment in January–March improved on January–February's figure of -24.5%. The standalone monthly figure for March also improved to -9.5% (the figure for March stood at +6.1% m-o-m as opposed to -22.1% m-o-m in February). At -19.7%, investment in infrastructure construction in January–March improved on January–February's -30.3% figure, with manufacturing investment also up (from -31.5% to -25.2%) and real estate investment also improving (from -16.3% to -7.7%) (Fig. 6).

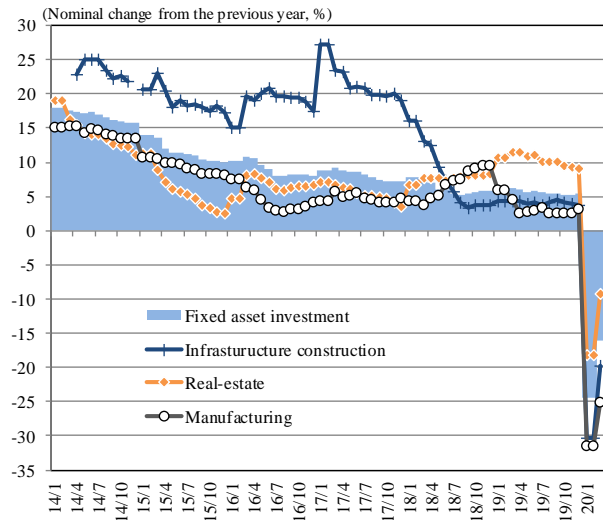
Fig. 5: Value-added industrial production



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 shrank by -15.8% in March, an improvement on January–February’s figure of -20.5% (the monthly figure for March stood at +0.2% m-o-m as opposed to -3.6% m-o-m in February) (Fig. 7). Internet retail sales of goods and services hit RMB 2,216.9 billion over January–March (goods: RMB 1,853.6 billion; services: RMB 363.3 billion), with net shopping growing by +5.9% to account for 23.6% of total retail sales of consumer goods during this period (RMB 7,858.0 billion, -19.0%).²

Sales of new vehicles fell sharply to 1.4302 million in March (-43.2%), following on from another sharp contraction in January–February (an average of 2.2371 million; -41.9%) (Fig. 8). 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. The figure then hit 25.7545 million (-8.2%) in 2019, with the pace of contraction accelerating. The decline was probably because the tax break on purchases of small passenger vehicles (instituted in October 2015) was abolished at the end of 2017,³ with consumer sentiments also hit by uncertainty about US/China trade frictions and so on. These negative factors have been joined by stalling production and sluggish sales due to the restrictions on mobility imposed to deal with the COVID-19 outbreak.

Total retail sales of consumer goods stood at approximately RMB 41 trillion in 2019, with automobile sales rising

² NBS, April 17, 2020, “Total Retail Sales of Consumer Goods Went down by 15.8 percent in March 2020” http://www.stats.gov.cn/english/PressRelease/202004/t20200420_1739765.html

³ 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

On September 29, 2015, the State Administration of Taxation issued Notice No. 104 [2015]. This announced that the purchase tax on 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.

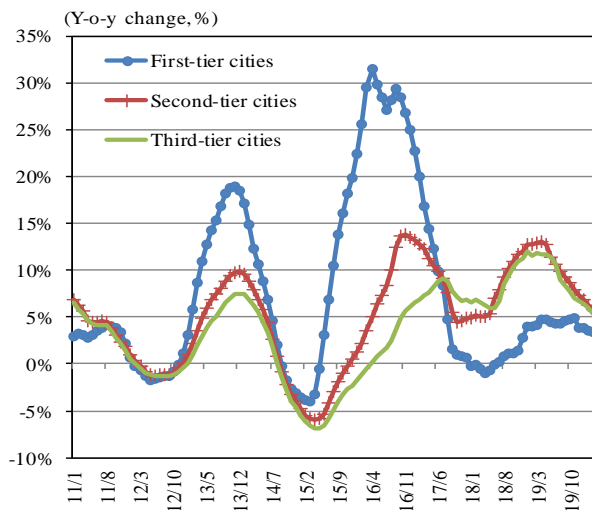
<http://www.chinatax.gov.cn/n810341/n810755/c1827947/content.html>

subsequently spread to other cities with surging house prices,⁶ with the restrictions being tightened further.⁷

In March, 63 of the 70 cities surveyed saw the price of new homes rising on the previous year, down two cities on February. Growth slowed when it came to first-tier cities (from +3.5% in February to +3.3%), second-tier cities (from +6.2% to +5.5%) and third-tier cities (from +5.9% to +5.3%) (Fig. 9).⁸

On a monthly basis, 38 of the 70 cities surveyed saw the price of new homes rising, up from 21 in February. Ten cities saw prices moving flatly on the previous month (down 16 on February), while 22 cities saw prices falling on the previous month (down from 23 in February) (Fig. 10).⁹

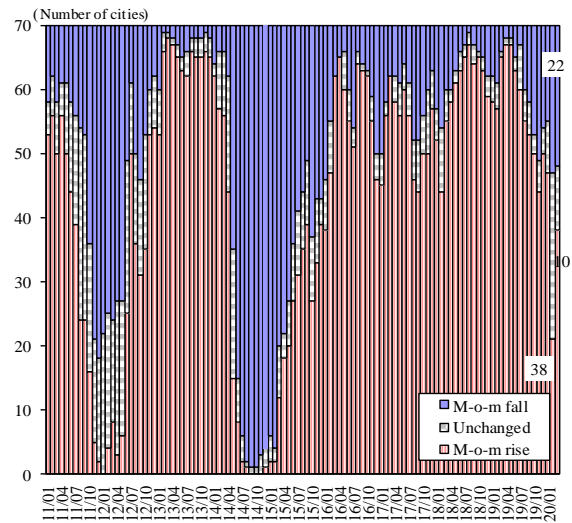
Fig. 9: New-homes prices (Y-o-y)



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

⁶ 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

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).” 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>

⁷ 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

⁸ Of the 70 cities surveyed, the following three cities saw the fastest home price growth: Hohhot +13.7%, Tangshan+13.2%, Xining+13.1% (March).

⁹ NBS, January 16, 2020, “Sales Prices of Residential Buildings in 70 Medium and Large-sized Cities in December 2019”

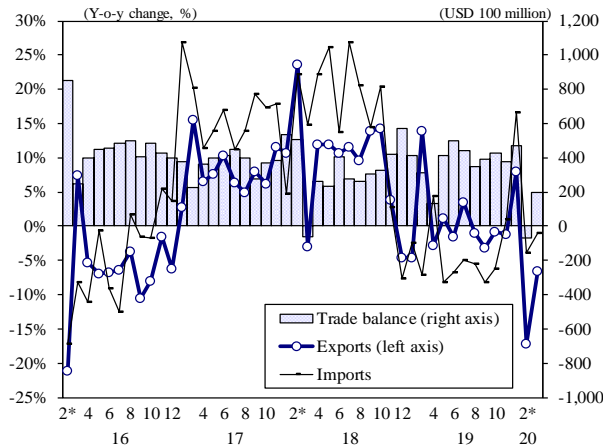
http://www.stats.gov.cn/english/PressRelease/202001/t20200116_1723191.html

From January 2018, the data no longer includes the sales price of affordable housing.

▪ **Imports and exports both contracted at a slower pace**

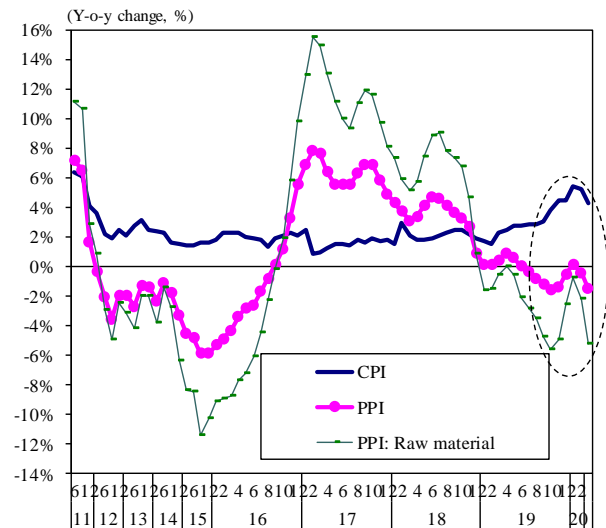
Exports fell by -6.6% (\$185.15 billion) and imports by -0.9% (\$165.25 billion) in March, with exports and imports both contracting at a slower pace compared to January–February. The trade surplus stood at \$19.90 billion (Fig. 11).

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

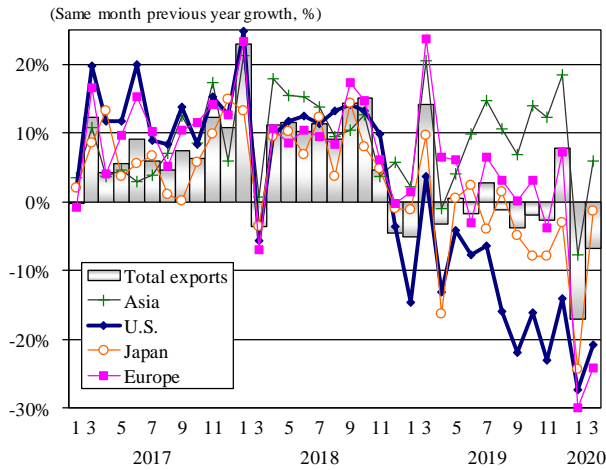


Note: The data from June 2011 to 2015 only shows the quarterly (March, June, September and December) figures.
Source: National Bureau of Statistics of China, CEIC

When it came to the trade situation in January–March, the Ministry of Commerce stated that “(1) exports to ASEAN increased by +2.4%, and exports to countries along the “Belt and Road” decreased by -1.8%...higher than the overall export growth rate (-11.4%), [though] exports to the US, the European Union, and Japan fell by 23.6%, 14.2%, and 14.1%, respectively. (2) Exports of private enterprises accounted for 51.4% of the total, up 2.1 percentage points year on year. (3) Exports of integrated circuits and medical devices [performed strongly]...exports of products like apparel, shoes, boots, and furniture [performed weakly] (4) Exports of the processing trade fell by -17.3%.”¹⁰ Imports from the US had showed signs of recovery, but they dipped into negative territories again entering 2020 (Figs. 13 and 14).

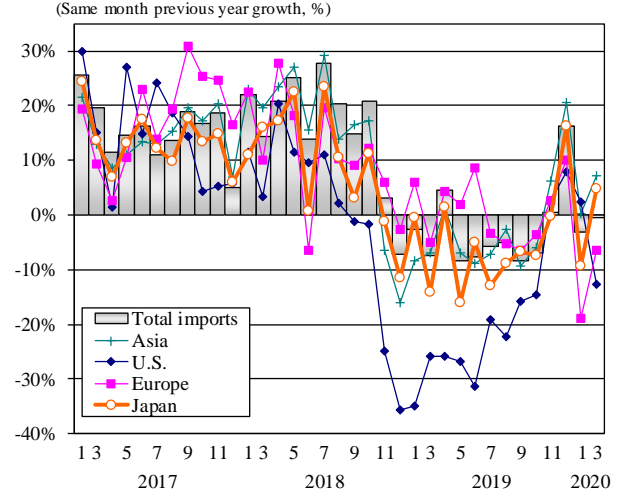
¹⁰ State Council website, April 17, 2020, “商务部外贸司负责人谈 2020 年一季度我国对外贸易情况 (“Head of the Department of Foreign Trade of the Ministry of Commerce Comments on China’s Foreign Trade in the First Quarter of 2020)” The article uses RMB-denominated y-o-y figures. http://www.gov.cn/xinwen/2020-04/16/content_5503242.htm

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

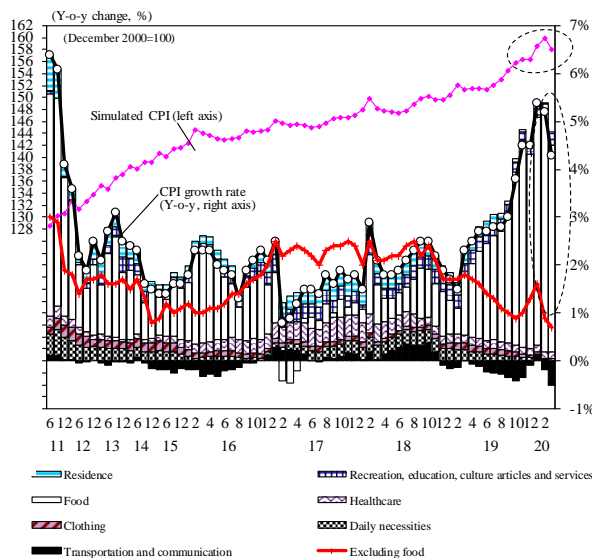


Note: The figure for January shows a same-period previous-year comparison of the cumulative results for January–February.
Source: China Customs Statistics, CEIC

▪ CPI growth slowed while PPI growth fell further into negative territories

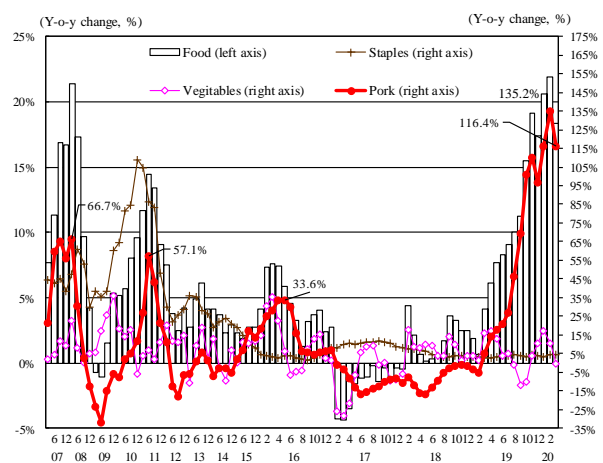
In March, CPI (Consumer Price Index) growth hit +4.3%, down on January–February’s figure of +5.3%. On a monthly basis, CPI growth stood at -1.2%. Average growth for January–March stood at +4.9%. (Fig. 12). A breakdown of the CPI data shows food price inflation slowing to +18.3% in March (January–February: +21.3%). At -0.1%, the price of vegetables began falling (January–February: +14.0%). At +116.4%, pork price inflation was also down on January–February’s figure of +135.2%. (Figs. 15 and 16). Non-food prices grew by +0.7% in March, down on January–February’s figure of +1.3%.

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

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

(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

The impact of the pork cycle¹¹ waned after a peak in May 2016, though it bounced back after bottoming out in June 2017. Pork prices fell sharply 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. It dropped back by -0.9% in 2018 to hit 54.04 million tons before falling sharply by -21.3% in 2019 to hit 42.55 million tons. This represented the first double-digit decline since 1996 (-13.4%).

At -1.5%, PPI (Producer Price Index) growth contracted at a faster pace in March (January–February: -0.2%). According to the NBS,¹² a comparison between February (-0.4%) and March shows: prices contracting at a faster pace when it came to the extraction of petroleum and natural gas (-21.7%), the processing of petroleum, coking and other fuels (-10.6%), the manufacture of chemical raw materials and chemical products (-5.3%), and the manufacture and processing of ferrous metals (-3.9%); prices contracting at a slower pace when it came to the mining and washing of coal (-3.6%, down 0.4Pt); and prices shifting from positive to negative growth when it came to the manufacture and processing of non-ferrous metals (-3.5%).

▪ **Net new bank loans and total social financing expanded**

According to the PBC, M2 money supply growth hit +10.1% in March, up on February's figure of +8.8%. New bank loans increased by a net RMB 1,602.1 billion, up on February's figure of RMB 1,573.6 billion (Fig. 17). Speaking about why M2 had grown by double digits for the first time since March 2017, Ruan Jianhong, head of the Statistics and Analysis Department at the PBC, said the economy had been hit hard by COVID-19 over January–March, with the Central Politburo and the State Council prudently determining and preparing a variety of policies to be implemented in a flexible manner with the support of the entire financial system and the people with the aim of reinforcing COVID-19 support measures and hedging against the negative impact of the outbreak. He added that commercial banks had lent heavily under this policy guidance, with M2 growth accelerating sharply.¹³

¹¹ 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.

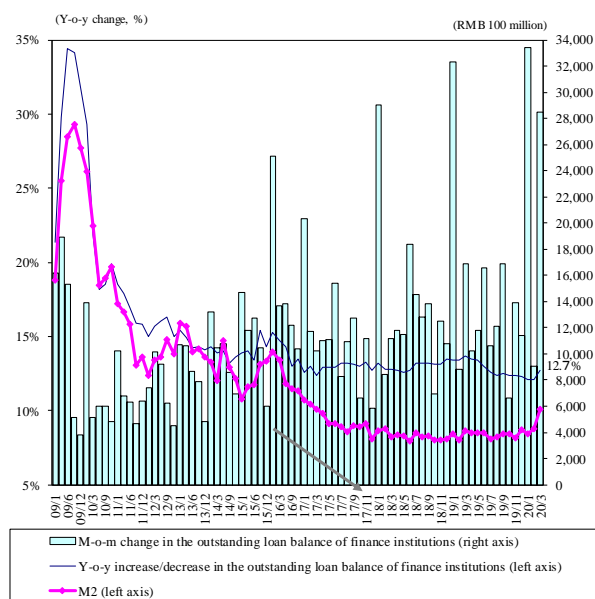
¹² NBS, April 10, 2020 “国家统计局城市司高级统计师董莉娟解读2020年3月份CPI和PPI数据 (NBS Senior Statistician, Dong Lijuan Deciphers the March 2020 CPI and PPI Data)”

http://www.stats.gov.cn/tjsj/sjjd/202004/t20200410_1737881.html

¹³ PBC, April 10, 2020, “2020年第一季度金融统计数据新闻发布会文字实录 (Transcript of the Q1 2020 Financial Statistics Press Conference)”

<http://www.PBC.gov.cn/goutongjiaoliu/113456/113469/4005810/index.html>

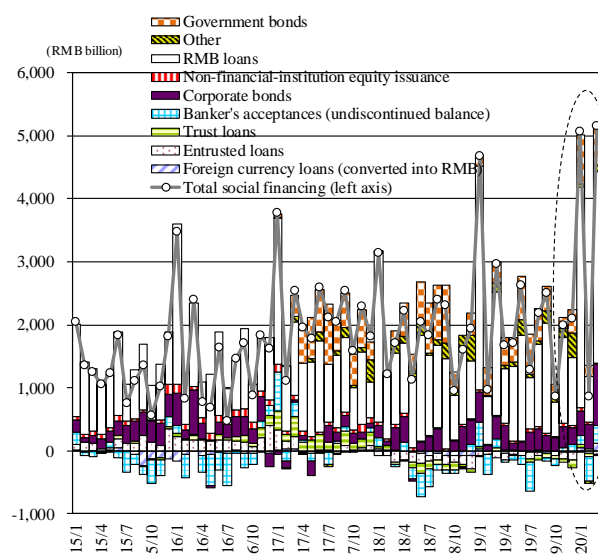
Fig. 17: Financial institution lending; the money supply



Note: The graph shows January and end-of-quarter figures up until 2016. The figure in the graph shows the y-o-y change in the outstanding loan balance for the most recent month.

Source: PBC, CEIC

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



Source: PBC, CEIC

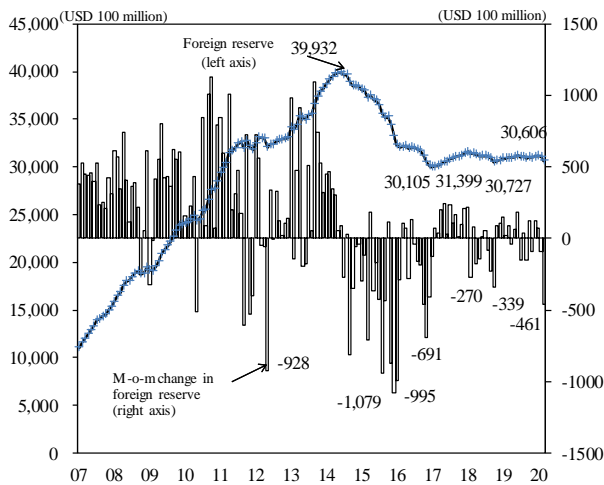
Total social financing, which includes funds procured from non-bank sources, increased by a net RMB 5,149.2 billion in March, up on February's figure of RMB 857.8 billion. A glance at the details reveals that: RMB loans, foreign currency loans, corporate bonds, government bonds,¹⁴ and loan repayments grew at a faster pace; non-financial-institution equity issuances grew at a slower pace; banker's acceptances began growing again; trust loans and deposit-taking financial institution ABS fell at a slower pace; and entrusted loans fell at a faster pace (Fig. 18). Foreign exchange reserves stood at \$3060.63 billion at the end of March, down \$46.09 billion on the end of February and \$47.29 billion (-1.5%) on the end of 2019. SAFE Press Spokesperson and Chief Economist Wang Chunying said international financial markets had shifted sharply as COVID-19 spread across the world and crude oil prices plummeted, with several currencies sliding against the greenback on dollar bullishness, for example, and major-country asset prices also undergoing some sharp adjustment. She added that the exchange rate and asset price fluctuations had comprehensively acted to push down China's foreign exchange reserves¹⁵ (Fig. 19). In a press conference on April 17, Ms. Wang also explained that foreign investment in China's domestic equity markets had fallen by \$10 billion in January–March,¹⁶ with foreign exchange reserves also apparently pushed down by capital outflows during this time.

¹⁴ Since December 2019, sovereign bonds and ordinary bonds by local governments have been bundled together as 'government bonds' under the 'local government revenue bonds' heading. PBC, January 17, 2020, "2019 年金融统计数据新闻发布会文字实录" <http://www.PBC.gov.cn/goutongjiaoliu/113456/113469/3961307/index.html>

¹⁵ SAFE, April 7, 2020, "SAFE Press Spokesperson and Chief Economist Wang Chunying Answers Media Questions on Foreign Exchange Reserves for March 2020" <http://www.safe.gov.cn/en/2020/0407/1665.html>

¹⁶ State Council website, April 17, 2020, "国务院新闻办就 2020 年一季度外汇收支数据举行新闻发布会 (The State Council Information Office Holds a Press Conference Regarding the Foreign Exchange Balance in Q1 2020)." Foreign investment in Chinese bonds rose by \$16.7 billion. http://www.gov.cn/xinwen/2020-04/17/content_5503585.htm

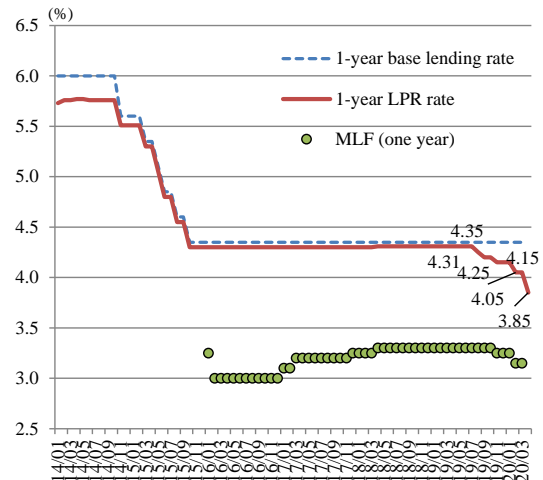
Fig. 19: Foreign exchange reserves



Note: The foreign reserve data shows the June 2014 at peak, end of 2016, 2017, 2018 and 2019, and the latest monthly figure.

Source: PBC, CEIC

Fig. 20: Interest rate movements



Source: National Interbank Funding Centre, PBC

2. The policy response: ‘The introduction of comprehensive macro-policy tools’ (Central Committee Political Bureau meetings)

With the goal of doubling GDP growing problematic, the government might try to save political face by hitting its targets for poverty reduction

Economic activity has slowed on the restricted movement of people and goods due to the COVID-19 outbreak. The authorities have tried to stabilize the economy and society through a number of financial and fiscal policy responses (Fig. 21). Mao Shengyong, spokesperson of the National Bureau of Statistics,¹⁷ had suggested mid-March that the government might be able to control the impact of the COVID-19 outbreak in the short term, but the virus then spread to the US and Europe. As such, concerns grew about the impact on external demand in particular, with the authorities pushed to maintain growth through an expansion of domestic demand.

With real GDP growth slowing sharply in January–March, Mr. Mao was asked during a press conference on April 17 whether the government could hit the target of doubling China’s 2010 GDP by 2020 or whether it would need to revise its growth forecast target for 2020.¹⁸ In response, the spokesperson said China has already more-or-less finished building a moderately prosperous society in all respects. He admitted that some problems still remained, particularly when it came to reducing poverty.¹⁹ While emphasizing the challenges of poverty alleviation, Mr. Mao

¹⁷ NBS, March 16, “国家统计局新闻发言人就 2020 年 1-2 月份国民经济运行情况答记者问 (An NBS Spokesperson Answers Journalist Questions about Economic Performance in January and February 2020)”

http://www.stats.gov.cn/tjsj/sjjd/202003/t20200316_1732372.html

¹⁸ Though we will have to wait for an official announcement at the delayed National People’s Congress, it seems the target will remain unchanged on 2019 at ‘around +6.0%’. When it comes to revising the GDP growth target, some officials have suggested not setting targets for 2020 owing to the large number of uncertainties, while others have suggested setting a target of around +3–5% in order to guide sentiments.

¹⁹ The number of people in poverty (classified in 2020 as people with an annual net income of less than RMB 4,000) stood at 55.75 million in 2015 and 5.51 million at the end of 2019. The government’s aim is to reduce this to zero by the end of 2020, the last year of the 13th Five-Year Plan. This is one of the three battles needing to be won for the ‘building of a moderately prosperous society in all respects,’ with the other two being the prevention and

avoided any direct mention of the goal of doubling GDP.²⁰ With this goal growing problematic following the spread of COVID-19 within China and abroad, it seems the government might try to save political face by hitting its targets for poverty reduction.

Fig. 21: Policies launched after the COVID-19 outbreak (Executive Meeting of the State Council, April 14)

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| <ol style="list-style-type: none"> 1. <u>Tax and fee cuts: Business expenses were cut by RMB 1.6 trillion</u> <ol style="list-style-type: none"> (1) Value-added tax relief was introduced for micro and small-sized enterprises and self-employed businesses (2) The export tax rebate rate for selected products was raised (3) The loss carry-forward period for restaurants, hotels and other companies in the transportation and hospitality sectors was extended (4) Employers' social insurance contributions were temporarily lowered or waived (5) Payments to the Housing Provident Fund were deferred (6) Roads and expressways were made toll-free (7) Electricity and gas rates for enterprises were cut (8) The government also utilized the carry-over effect of last year's tax and fee reductions 2. <u>Financial support: Financial institutions were provided with RMB 3.55 trillion in low-cost capital to issue low-interest loans to businesses</u> <ol style="list-style-type: none"> (1) The required reserve ratio was lowered three times (2) Re-lending and re-discounts (3) RMB 880 billion in principal and interest payments of corporate loans had been deferred as of the end of March 3. <u>The future direction</u> <ol style="list-style-type: none"> (1) Further intensify the proactive fiscal policy (2) Allocate an additional amount of local government special bonds in advance (3) Strengthen the role of the financial sector in supporting the real economy, especially smaller businesses (4) Provide support to manufacturing and service-providing companies to lower their renting and hiring costs (5) Better meet the subsistence needs of people living in difficulty |
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Source: State Council website, April 14, 2020, 「李克强主持召开国务院常务会议」
http://www.gov.cn/premier/2020-04/14/content_5502345.htm

▪ **'The introduction of comprehensive macro-policy tools' (Central Committee Political Bureau meetings)**

The Political Bureau of the Communist Party of China Central Committee met under the chair of general secretary Xi Jinping on March 27²¹ and April 17²² to study and analyze the economic situation and so on. Fig. 22 compares the two meetings. The March meeting called for the swift deliberation and introduction of 'comprehensive macro-policy tools.' These include policies to "appropriately raise the fiscal deficit ratio, issue special treasury bonds [to deal with COVID-19], increase the scale of special bonds for local governments, and guide the interest rate to decline in the loan market."

The April meeting touched on the 'stabilization of employment, finance, foreign trade, foreign investment, investment, and expectations,' the 'Six Stabilities' emphasized since a similar meeting in July 2018. Additionally, it also expounded on the 'Six Guarantees,' namely 'securing people's employment, basic livelihoods, market

elimination of major risks (financial risks, etc.) and pollution control (improving the environment).

²⁰ NBS, April 17, 2020, "国家统计局新闻发言人就 2020 年一季度国民经济运行情况答记者问 (An NBS Spokesperson Answers Journalist Questions about Economic Performance in the first quarter of 2020)"

http://www.stats.gov.cn/tjsj/sjjd/202004/t20200417_1739461.html

²¹ State Council website, March 28, 2020, "Xi chairs leadership meeting on COVID-19 response, economy"

http://english.www.gov.cn/news/topnews/202003/28/content_WS5e7ea40cc6d0c201c2cbfab.html

²² State Council website, April 17, 2020, "Xi chairs leadership meeting on regular epidemic control, economic work"

http://english.www.gov.cn/news/topnews/202004/18/content_WS5e9a3d40c6d0b3f0e9495c37.html

independence, stable food and energy, stable industry chains and supply chains, and the operation of grassroots organizations.’

The April meeting emphasized more than the March meeting that “monetary policies should be more flexible and balanced and instruments such as reserve requirement ratio cuts, interest rate reductions and reloans should be fully leveraged.” Following on from this, it was announced on April 20 that the Loan Prime Rate (LPR) would be lowered to 3.85%, the first cut since the rate was lowered to 4.05% on February 20 (Fig. 20).

Fig 22: A comparison of the statements released after the Political Bureau of the Communist Party of China Central Committee meetings of March 27 and April 17, 2020

April 17, 2020	March 27, 2020
Recognition of the current situation	
<ul style="list-style-type: none"> ▪ The first quarter of 2020 was extremely unusual. The sudden COVID-19 outbreak had an unprecedented impact on China’s economic and social development. Under the firm guidance of the Central Committee and with all Chinese people working together as one, the country is battling strongly to bring the epidemic under control, with economic and social management gradually getting back to normal and production and daily life rapidly returning to orderly conditions. ▪ China’s economy has demonstrated great resilience. Production and business activities are gradually getting back or have already returned to normal levels. The epidemic has led to the rapid development of many new industries and businesses. 	<ul style="list-style-type: none"> ▪ Through the extreme hardships and efforts of citizens from all across China, the COVID-19 outbreak is gradually being contained and important successes are being achieved, with economic and social life rapidly returning to normal. ▪ Major changes are taking place in the epidemic control and economic situations in China and abroad. Overseas, the coronavirus outbreak has been spreading at an accelerated pace, seriously impacting world economic and trade growth. China is facing an increasing pressure of imported cases as well as new challenges in terms of economic development, especially the industrial chain recovery.
Policy measures	
<ul style="list-style-type: none"> ➤ With economic development facing an unprecedented test, steadily implement policies to support economic and social development based on a thorough understanding of the challenges, risks and uncertainties together with an increased sense of urgency. ▪ Plan COVID-19 prevention and economic policies in an integrated manner. ▪ Under the new normal of COVID-19 prevention, stick firmly to the general policy trend of seeking progress amid stability; adhere to the new development concept and continue to focus on supply-side structural reforms; continue to pursue high-quality development based on reform and opening-up. ▪ Resolutely fight the Three Tough Battles; strengthen policies aimed at the ‘stabilization of employment, finance, foreign trade, foreign investment, investment, and expectations’ (the ‘Six Stabilities’); <u>secure people’s employment, basic livelihoods, market independence, stable food and energy, stable industry chains and supply chains, and the operation of grassroots organizations (the ‘Six Guarantees’)</u>. ▪ Steadfastly implement a strategy to expand domestic demand; protect economic development and overall social stability; ensure targets and tasks are achieved 	<ul style="list-style-type: none"> ➤ Speed up the return to normal work and life after epidemic containment measures become regular practices ▪ Strengthen hedging through macro-policy tools, release demand in the domestic market, and implement comprehensive policies to <u>‘stabilize employment, finance, foreign trade, foreign investment, investment, and expectations’ (the ‘Six Stabilities’)</u>. ▪ Dynamically optimize and put together ‘guidelines for re-opening operations and controlling COVID-19’ while striving to minimize the damage caused by COVID-19. ▪ Strive to achieve annual targets and tasks related to economic and social development; ensure strategic targets and tasks are achieved when it comes to completing the building of a moderately prosperous society and alleviating poverty. ➤ Adjust and strengthen the implementation of macro-policy tools ▪ Swiftly deliberate and introduce ‘comprehensive macro-policy tools’; adopt proactive fiscal measures and ensure monetary policies are more flexible and balanced; <u>raise the debt-to-GDP ratio, issue special treasury bonds and increase the scale of special bonds for local governments, guide the interest rate to</u>

April 17, 2020	March 27, 2020
<p>with regards to poverty eradication; build a moderately prosperous society in all respects.</p> <ul style="list-style-type: none"> ➤ Use stronger macro-policy tools to cushion the epidemic fallout <ul style="list-style-type: none"> ▪ Adopt proactive fiscal measures such as raising the debt-to-GDP ratio, <u>issuing special government bonds to support the virus fight, and increasing the issuance of local government bonds, as well as raising the utilization efficiency of capital to help stabilize the economy.</u> ▪ Ensure monetary policies are more flexible and balanced and instruments such as <u>reserve requirement ratio cuts, interest rate reductions and reloans are be fully leveraged</u> to ensure reasonable and sufficient liquidity and a lower interest rate in the loan market; channel capital into the real economy, especially medium-sized, small and micro enterprises. 	<p><u>decline in the loan market, and ensure rational and sufficient liquidity.</u></p> <ul style="list-style-type: none"> ▪ Firmly implement policies to reduce taxes and fees; accelerate the issuance and usage of local government special bonds; swiftly and firmly undertake the preliminary preparation and construction for priority projects. ▪ Thoroughly utilize the driving role of monetary policies such as reloans, re-discounts, and deferrals of loan principal repayments/interest payments; enhance transmission mechanisms; alleviate fundraising difficulties/costs. ▪ Swiftly identify, organize and resolve problems and bottlenecks troubling regions and companies; promote the re-opening of operations and full production through industrial-chain collaboration.
<ul style="list-style-type: none"> ➤ Actively expand domestic demand <ol style="list-style-type: none"> 1. Release the potential of consumption by steadily re-opening businesses, production, shops and markets, stimulating consumer spending, and increasing public spending as appropriate. 2. Actively expand investment in an effective manner by renovating old and dilapidated residential areas, strengthening investment in traditional and new infrastructure, promoting reform and upgrade of traditional industries, and boosting investment in emerging strategic industries. 3. Mobilize the vitality of private investment. 4. Support sales of export products in the domestic market. 5. Take measures to improve small and medium-sized firms' abilities to survive and thrive, including advancing tax and fee cuts and lowering financing and rental costs. 6. Make efforts to maintain the stability and competitiveness of the country's industrial and supply chain; promote the re-opening of operations and full production through industrial-chain collaboration. 7. Steadily and resolutely implement social security policies. Ensure the full completion of the poverty eradication target on schedule by strengthening poverty eradication strategies and focusing on workers in poverty-stricken regions when re-opening business and production. 8. Steadily implement employment policies in focus industries and layers while prioritizing the employment of graduates. 9. Improve the social security system; protect basic lifestyles by guaranteeing a minimum standard of living and providing temporary price assistance without delay. 10. Sufficiently ensure China's food security; strengthen the agricultural base by ensuring agricultural 	<ul style="list-style-type: none"> ➤ Swiftly boost demand in the domestic market <p>Orderly crank up the resumption of malls and markets and ensure the normal operation of the lifestyle-related service sector, with effective prevention and control measures in place.</p> <ul style="list-style-type: none"> ▪ Expand household consumption, reasonably raise public consumption, activate brick-and-mortar businesses while maintaining the prevailing trend of new online consumption. ▪ Strengthen international economic cooperation to accelerate the construction of global logistics supply chain systems and ensure the smooth flow of international freight transportation. ➤ Ensure agricultural production, stabilize supply and prices of key non-staple food, organize spring plowing, further support the farmers, and strengthen pest control and measures to prevent weather-related disasters. <ul style="list-style-type: none"> ▪ Continue to restore hog production, and tackle difficulties faced by animal husbandry and aquaculture sectors. ▪ Accelerate the start/restart of strategic poverty alleviation strategies, help impoverished people return to their posts and get employed, and take timely measures to support those slipping back to or falling into poverty due to COVID-19.

April 17, 2020	March 27, 2020
<p>production and stabilizing the supply and prices of key non-staple food.</p> <p>11. Resolutely fight the battle of pollution control.</p> <p>12. Promote the calm and healthy development of the real estate market based firmly on the concept that ‘housing is used for living in, not for speculation.’</p> <p>➤ Reform and opening-up Solve development problems by pushing forward reform without hesitation and skillfully utilizing reform methods; improve structural mechanisms for allocating production factors via markets.</p> <p>➤ Firmly promote wider opening-up by facilitating the smooth flow of international logistics, strictly controlling the quality of epidemic prevention and control supplies for export, and jointly advancing high-quality development under the Belt and Road Initiative.</p>	

Notes: * The Three Tough Battles = (1) Preventing and eliminating major risks, (2) completely eradicating poverty, and (3) tackling pollution.
 Doubling GDP in 2020 compared to 2010. *The stabilization of employment, finance, foreign trade, foreign investment, investment, and expectations.

Source: State Council website, March 27 and April 17

http://www.gov.cn/xinwen/2020-03/27/content_5496366.htm

http://www.gov.cn/xinwen/2020-04/17/content_5503621.htm

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