

# China Policy

## Limited new stimulus in 2H22

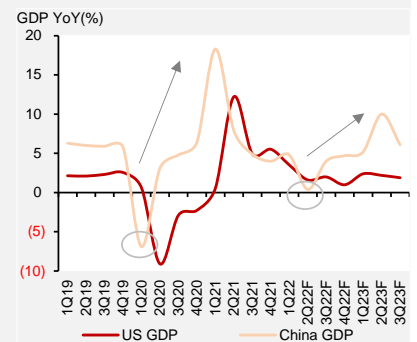
The politburo emphasized the multiple targets of epidemic control, growth stability and development security at the meeting yesterday as it suggested flexibility on the GDP growth target for 2022. This indicates that new policy stimulus may be limited in 2H22. The policymaker said to maintain zero-Covid policy, which may continue to influence the economic resumption progress in 2H22. The politburo vowed to stabilize property market while requiring local governments to take the responsibility of resolving the stalled projects. Looking forward, as China's economy is expected to resume in a gradual manner, we maintain the forecast for GDP growth at 3.5% in 2022 and 6.6% in 2023.

- **Policymaker suggests flexibility on the GDP growth target.** GDP growth is important, as it is a key for employment and social stability. However, it is not the only goal for the Chinese policymaker. The politburo emphasized the high-quality development at the meeting as it maintained the multiple targets of pandemic control, growth stability and development security. The Chinese policymaker realized it is impossible to achieve the 5.5% growth target as the politburo said to strive to achieve the best result. It required the provinces with large economies to take the lead while the provinces with better conditions should strive towards the expected targets. We maintained our conclusion in the report [“China Economy: In the resumption cycle with slowing pace in near term”](#) on 18 July that China had given up its growth target of 5.5% for 2022. The new growth target in the policymaker's mind may be about 4%, indicating the GDP growth should rebound from 2.5% in 1H22 to 5.3% in 2H22. It is not an easy task as the property market malaise and zero-Covid policy may continue to restrain economic resumption progress.
- **China will maintain zero-Covid policy with effort to speed up vaccine & medicine development.** The politburo vowed to maintain zero-Covid policy as it said China should do the cost benefit analysis from the political perspective. Under the zero-Covid policy, local governments must respond rapidly after the outbreak of the epidemic and resolutely control its spread. Therefore, the zero-Covid policy may continue to restrain economic resumption in 2H22. The politburo also required to accelerate the vaccine and medicine development.
- **More proactive attitude in expanding demand yet with limited new policies mentioned.** The politburo said to use government special bond fund well to support aggregate demand. It required monetary authority to maintain easing liquidity and facilitate more credit supply to business. The politburo also said to make a good use of policy banks' new credit and infrastructure investment fund. But all those mentioned policies are not new.
- **The policymaker vowed to stabilize property market and resolve the stalled housing projects.** The politburo vowed to stabilize property market while reiterating “housing is for living in, not for speculation”. It required local governments to shoulder the responsibility of ensuring the delivery of housing projects. The politburo also said to keep financial system stability while resolving the risk of some small banks.
- **More friendly attitude towards platform companies.** The politburo confirmed the target of completing the reform of the platform economy by the

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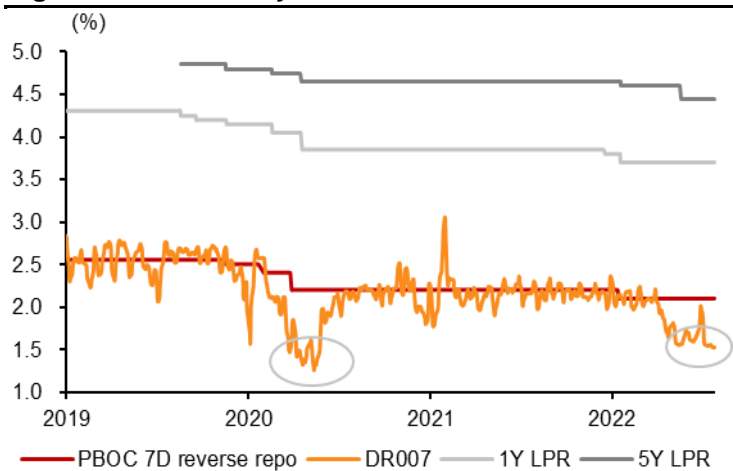
Source: Wind, CMBIGM

### Related Reports

1. “China Economy: In the resumption cycle with slowing pace in near term” – 18 July 2022

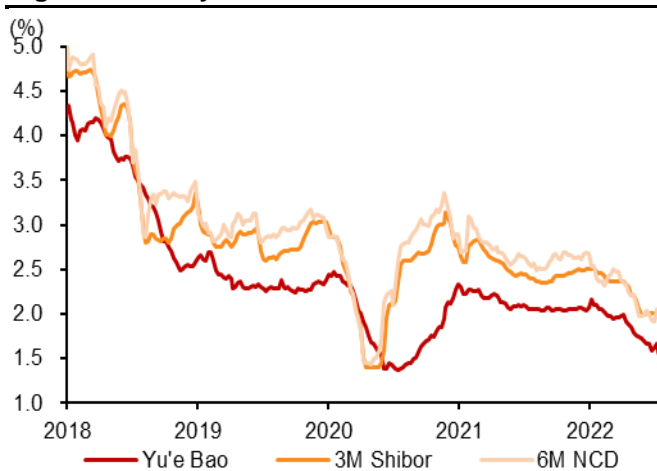
end of this year. Then the regulation of the sector will be normalized and a slew of “green lit investment cases” will be launched. It indicates some platform companies will be encouraged to invest in new projects the authority allows.

**Figure 1: PBOC Policy Rates**



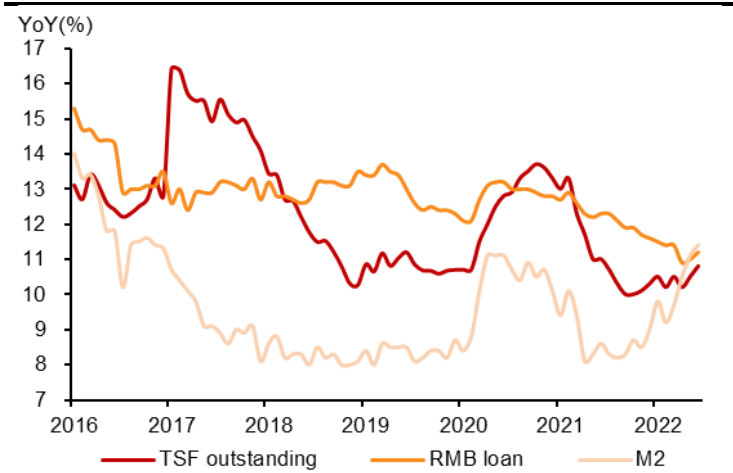
Source: WIND, CMBIGM

**Figure 2: Money Market Rates**



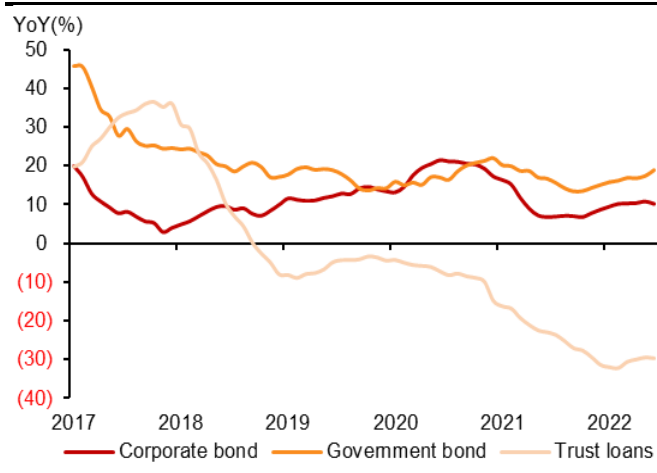
Source: WIND, CMBIGM

**Figure 3: Credit & M2 Growth**



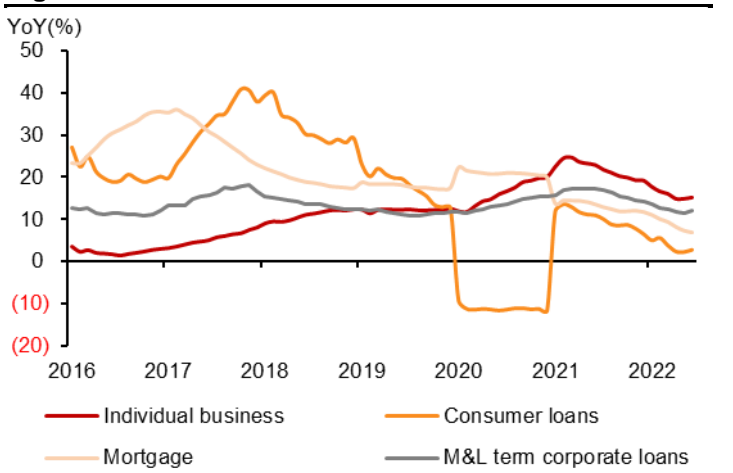
Source: WIND, CMBIGM

**Figure 4: Outstanding Bond & Trust Loans**



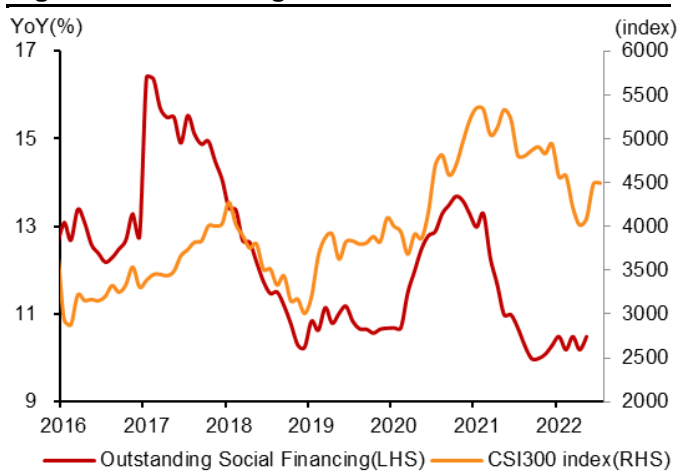
Source: WIND, CMBIGM

**Figure 5: Renminbi Loan Growth**



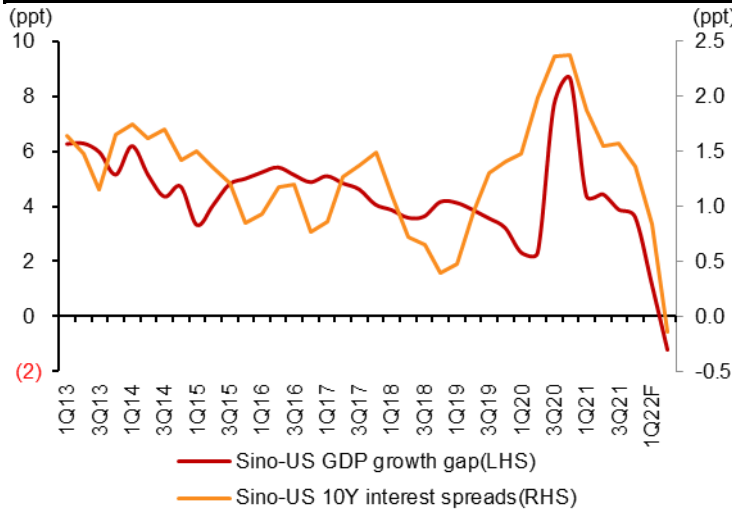
Source: WIND, CMBIGM

**Figure 4: Outstanding SF & CSI300 Index**



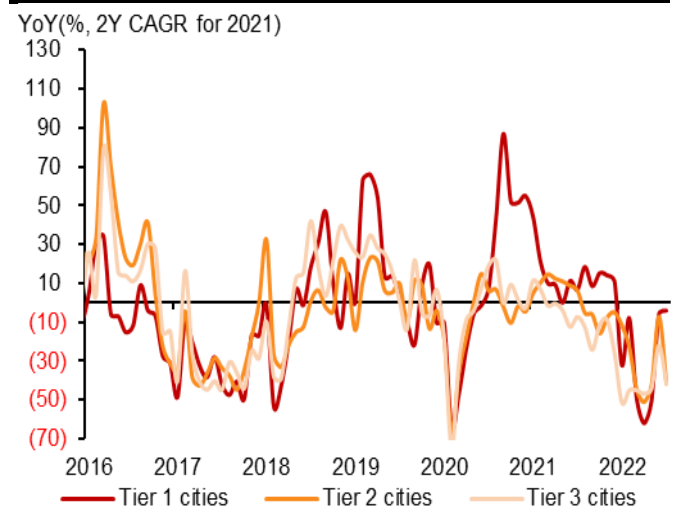
Source: WIND, CMBIGM

**Figure 7: Sino-US GDP Growth Gap & Interest Spread**



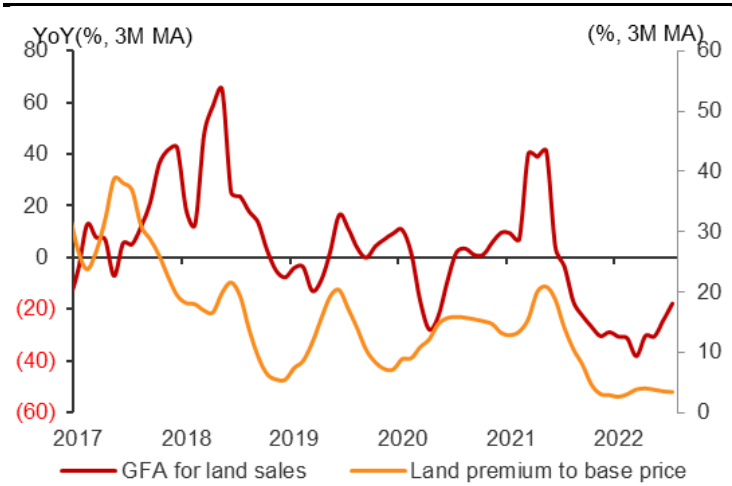
Source: WIND, CMBIGM

**Figure 8: GFA Sold for Commodity Buildings**



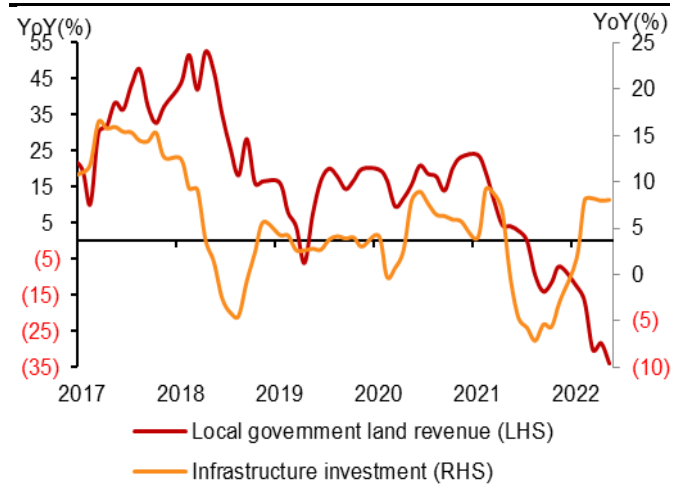
Source: WIND, CMBIGM

**Figure 9: Land Market**



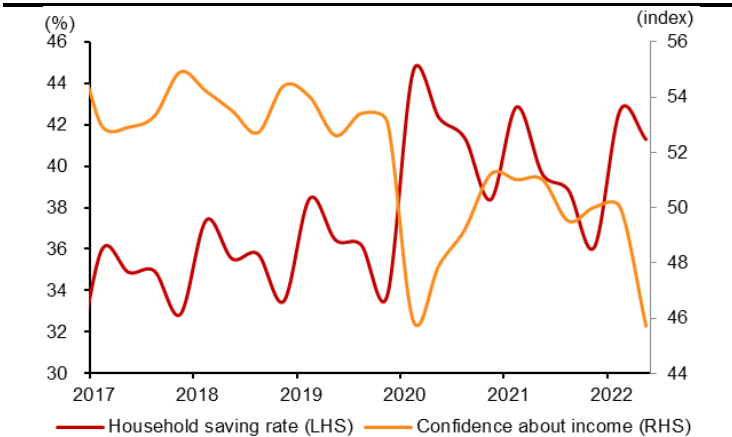
Source: WIND, CMBIGM

**Figure 10: Land Income & Infrastructure Investment**



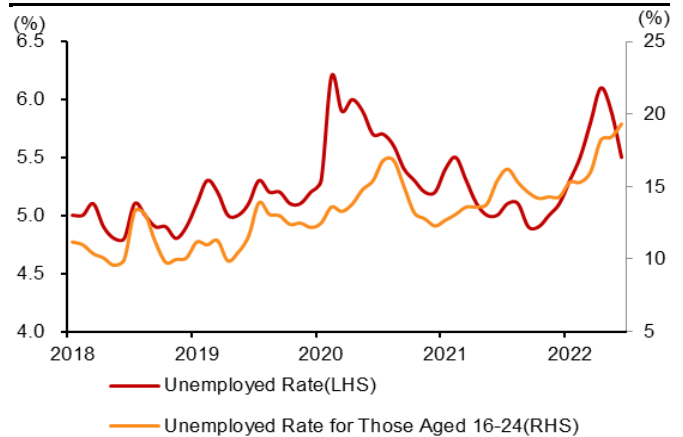
Source: WIND, CMBIGM

**Figure 11: Household Confidence**



Source: WIND, CMBIGM

**Figure 12: Urban Unemployment Rate in Survey**



Source: WIND, CMBIGM

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