

What to watch for Two Session Economic Policies

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Measures & policies, so far

- Late Jan. to late Feb.

Supplying Short-term liquidity to financial markets and support enterprises on the frontlines of fighting the coronavirus.

- Late Feb. to late March

Funding work and production resumption MSMEs in key sectors

- After late March

Supporting recovery of investment and consumption. consumption vouchers, announcement to issue Special Treasury Bonds.

Measures & policies, so far

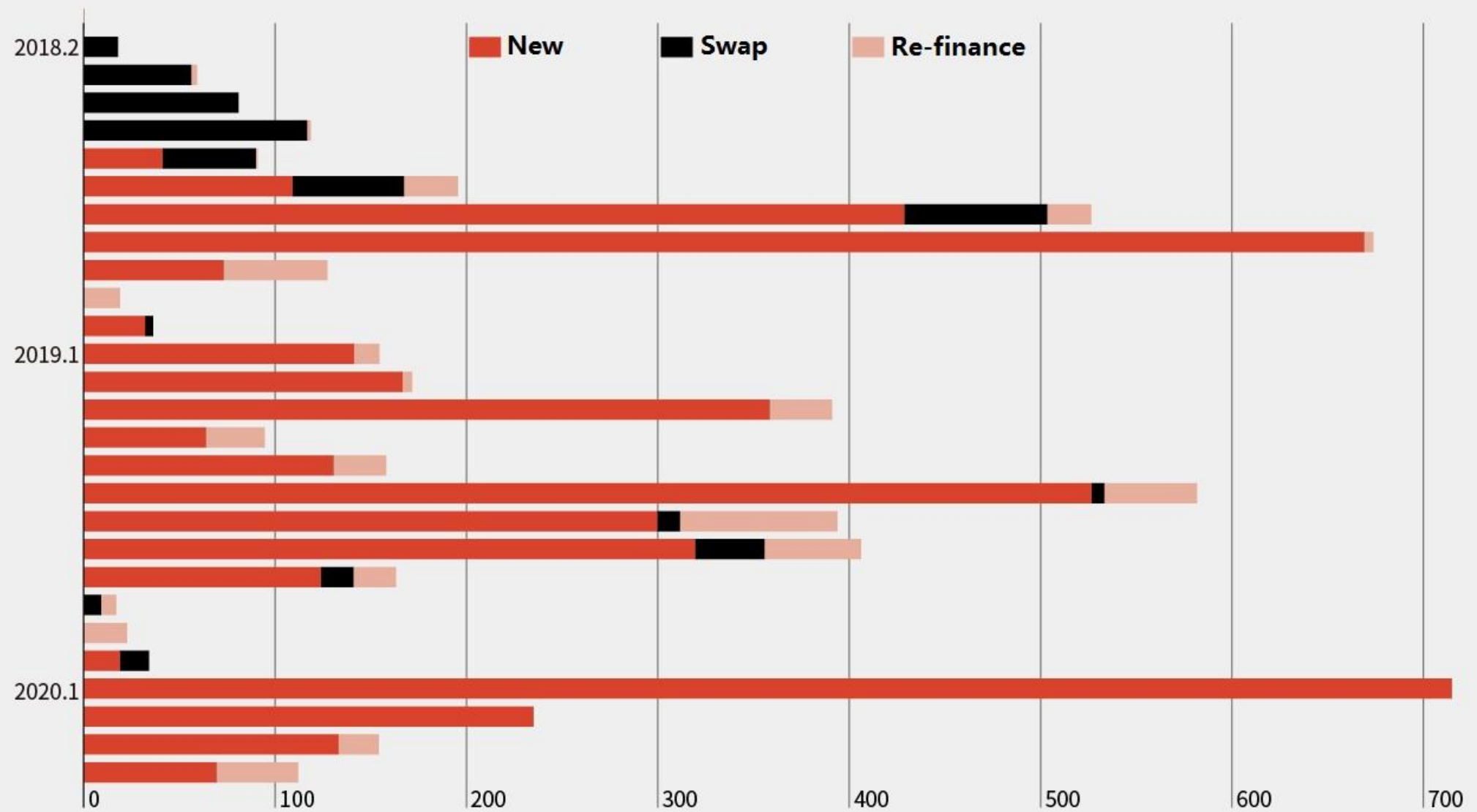
- Targeted support through central bank lending and central bank discounts:

	First phase	Second phase	Third phase
Quotas	RMB300 billion	RMB500 billion	RMB1 trillion
Announced date	Jan. 30 2020	Feb. 26 2020	April 20 2020
Target	enterprises on the frontlines of fighting the coronavirus	work and production resumption of MSMEs in key sectors	More MSMEs
Up to May 5	7,037 enterprises had obtained a combined 269.3 billion yuan	399.6 billion yuan had been disbursed	
Interest rate	average annual interest rate 2.5%	lowered the interest rates,3.05%-4.38%	5.5%

Measures & policies, so far

- By the end of April, the Ministry of Finance approved local governments to issue 2.29 trillion yuan (\$323 billion) of SPBs, compared with 2.15 trillion in 2019.
- Local governments would issue another 1 trillion yuan (\$141.2 billion) of special-purpose bonds (SPBs) by the end of May.

Issuance of Special-Purpose Bonds since 2018



Source: MOF, public information, compiled by Caixin

(in billion RMB)

What to expect on more active fiscal policy?

- Budget deficit ratio above the long-held red line of 3%.
- Local governments to issue more special purpose bonds (SPBs).
- Issue special treasury bonds (STBs) for the first time since 2007.

Do we need fiscal deficit monetization?

- The independence of monetary policy.
- Spark inflation and endanger national credit.
- Chinese economic policy leaves enough room for growth and there is no need to resort to extreme measures.

Debate on fiscal deficit monetization



Liu Shangxi

v.s.



Ma Jun

What reform plans will be set out?

- The Central Committee of the Communist Party and the State Council issued a sweeping reform document on May 18., vowing to improve China's "socialist market economy" .
- land and labor markets
- restructure capital markets
- state-owned enterprises

Thank you