

Economic QuickView



Government Work Report 2024: Enhanced consistency in macro-policy orientation to ensure stability and promote high-quality development

- The Central Government maintains the same GDP growth target for 2024 at around 5%, with a budgeted deficit-to-GDP ratio of 3.0%
- Starting from 2024, there will be regular issuances of ultra-long special treasury bonds for a few years, with an expected amount of RMB 1 trillion in 2024
- Expediting the development of a modernised industrial system and new quality productive forces ranks as the top major work in 2024

The Mainland authorities set similar economic targets for 2024, reflecting the policy focus on maintaining stability. The Government Work Report outlines the Central Government's major economic goals and policy priorities for the year. For 2024, the key economic targets, including GDP growth, the surveyed urban unemployment rate and CPI inflation, are set at around 5.0%, 5.5% and 3.0%, respectively. These targets are largely the same as last year. For total new urban job creation, the target for 2024 is marked as "over" 12 million, compared to "around" 12 million for 2023. The figures are similar, but they underscore the policy determination to generate as much employment as possible. In addition, the number of college graduates is expected to be over 11.7 million in 2024.

While Premier Li Qiang said that achieving the targets for 2024 will not be easy, he added that the growth target is well aligned with the objectives of the 14th Five Year Plan and the goal of basically realising modernisation. Besides, there is room for enhancing consistency in macro policy orientation to uplift the overall economic potential through transforming the growth model, making structural adjustments, improving quality, and enhancing effectiveness. Overall, the 2024 Government Work Report (Report) reflects a policy focus on upgrading the Chinese Mainland's economic structure and solidifying the foundation for long-term sustainable development.

Key Economic Targets and Policy Orientation for 2024

	2023 Target	2023 Actual	2024 Target
Economic growth	Around 5%	5.2%	Around 5%
New urban job creation	~12 million	12.44 million	>12 million
Surveyed urban unemployment rate	~5.5%	5.20%	~5.5%
Consumer price inflation	~3.0%	0.20%	~3.0%
Special local government bond quota	RMB 3.80 trillion	RMB 3.96 trillion	RMB 3.90 trillion
Fiscal deficit (% of GDP)	~3.0%	3.8%	~3.0%
Monetary policy stance	Implement a prudent monetary policy in a <u>targeted</u> way	-	Implement a prudent monetary policy in a <u>flexible, appropriate targeted & effective</u> way
Fiscal policy stance	Enhance the <u>intensity</u> and <u>effectiveness</u> of proactive fiscal policy	-	<u>Appropriately intensify</u> and <u>improve</u> the <u>quality & effectiveness</u> of proactive fiscal policy

The intensity of proactive fiscal policy will be enhanced, aiming for improvements in quality and effectiveness. For 2024, the Central Government maintains a measured approach to delivering public spending, with the target of deficit-to-GDP at 3% (around RMB 4.06 trillion of government deficit, up by RMB 180 billion from 2023), compared to the deficit-to-GDP of around 3.8% in 2023. The proposed issuance amount of special-purpose local government bonds in 2024 is raised to RMB 3.9 trillion, up by RMB 100 billion from the target in 2023. Moreover, the Central Government announced a new proposal to issue regular ultra-long special treasury bonds starting in 2024 and over the next few years, with an expected amount of RMB 1 trillion in 2024. The proceeds are expected to fund major projects for national development. It should be noted that these special treasury bonds will not be counted as government deficits. Overall, these proposed bond issuances reveal that the Central Government is upping its support for the economy, in which infrastructure investment is likely to remain a stabilising force for the economy ahead. The Central Government also plans to increase transfer payments to local governments, especially for regions facing economic difficulty. Meanwhile, there is a call for tightened spending discipline and a better use of fiscal resources, with tax and fee reduction policies showing a structural priority to scientific and technological innovation.

Monetary policy will be implemented in a flexible, appropriate, targeted and effective way. The growth targets for credit and money supply in 2024 are basically the same as in 2023. The 2024 Government Work Report also adds that adequate liquidity will be maintained and a steady decline in overall financing costs will be promoted. It suggests that the overall monetary stance is likely to remain accommodating for growth in 2024. In the meantime, the Report requires stronger monetary policy effectiveness via adjustments to the monetary structure and improvements to the policy transmission mechanism. In the first two months of 2024, the People's Bank of China (PBoC) stepped up its monetary easing with a reduction in the reserve requirement ratio by 50 basis points (bps) and a cut in the 5-year Loan Prime Rate by 25 bps. Both adjustments were considered large. While the impacts of the latest monetary easing will further emerge, there is room for the PBoC to conduct stimulus in the future.

Major Tasks in Government Work Report in 2023 and 2024

Order	2023	2024
1 st	Expanding domestic demand	Accelerating the development of a modernised industrial system & new quality productive forces
2 nd	Accelerating the development of a modernised industrial system	Enhancing science & education and consolidating the foundations for high-quality development
3 rd	Unswervingly consolidating & developing the public sector and supporting the non-public sector	Expanding domestic demand
4 th	Intensifying efforts to attract and utilise foreign investment	Deepening reform to reinforce the internal growth impetus
5 th	Effectively preventing and defusing major economic and financial risks	Pursuing high-quality opening up and promoting mutual benefits
6 th	Stabilising grain output and advancing rural revitalisation	Diffusing major risks by better coordination in security and development
7 th	Continuing the transition to green development	Supporting agriculture, rural areas & rural residents and advancing rural revitalisation
8 th	Meeting people's basic living needs and developing social programmes	Promoting regional development between urban & rural areas and between regions
9 th	-	Enhancing ecological conservation and promoting green & low-carbon development
10 th	-	Improving the people's well-being and promoting better and new ways of social governance

Accelerating the development of a modernised industrial system & new quality productive forces ranks as the top major task for 2024. The 2024 Government Work Report lists 10 major tasks, up from 8 a year ago. Details of these 10 major tasks are also expanded. This reflects a more concrete policy path for future development. Specifically, the Report puts the development of a modernised industrial system and new quality productive forces as top policy priorities for the nation to promote high-quality development. Specifically, policies will be formulated to develop the digital economy, like big data, AI, and smart cities, as well as the integration of digital technology into the real economy. The 2nd major task is enhancing science and education. This includes reforming the education system, advancing strength in science and technology, and developing talents. These goals are highly complementary to the 1st major task. From a broader perspective, the Report indicates the Central Government's focus on strengthening the nation's technology and innovation capacity to enhance resilience and build long-term sustainable productive forces.

Domestic demand continues to play a crucial role in supporting the economy. In 2023, domestic demand did the heavy lifting to drive growth, with final consumption and gross capital formation accounting for 82.5% and 28.9% of GDP growth, respectively. For 2024, measures will be taken to develop digital, environmentally-friendly, and health-related consumption, as well as spending on new products and services like smart homes, entertainment, tourism, sports events, and domestic brands with Chinese design elements. As revealed in February 2024, the Report highlighted again the policies to promote consumer goods trade-in programmes and boost spending on intelligent connected new-energy vehicles, electronic products, and other big-ticket items. Regarding investment, RMB 700 billion will be earmarked in the Central Government budget for investment.

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And, greater flexibility will be given to the proceeds from special-purpose local government bonds. And there will be a reform on investment approval and a new mechanism for cooperation between government and private capital. Overall, these suggest that consumption and investment are likely to remain two of the major supporting pillars for the economy.

Efforts to attract foreign investment will be intensified. A notable policy is introduced under the 5th major task, "Pursuing high-quality opening up and promoting mutual benefits", which proposes to remove all market access restrictions on foreign investment in manufacturing and reduce the restrictions in telecommunication and healthcare services. Given the potential of the Mainland's consumer market and various favourable policy support for advanced manufacturing production, these opening up initiatives are set to attract more foreign investment to build factories and set up businesses in the Chinese Mainland.

The housing market and local government debts remain the key areas for risk prevention and diffusion. Regarding housing policies, the phrase "Housing is for living in, not for speculation" was not included in Premier Li's speech on 5 March. And, further refinements on property-related regulations will be made to meet the justified financing needs of developers, ensuring a steady development of the property market. Additionally, existing measures like lowering mortgage rates and ensuring property completion would be further improved. There is also a focus being put on boosting the building and supply of government-subsidised housing, along with the development of urban renewal projects and dual-use public infrastructure. Regarding local government financing conditions, a package of measures to defuse risks from existing debts and mitigate risks from new debts will be implemented. Government debt management mechanisms will be developed to improve monitoring. This reflects a targeted approach to preventing and controlling risks.

The Mainland authorities will continue to support Hong Kong and Macau in terms of economic development. The Report highlights that the Central Government will continue to support Hong Kong and Macau to grow their economies and improve their people's livelihoods. It adds proactive support for Hong Kong and Macau in the development of the Greater Bay Area (GBA) to better integrate the two SARs with national strategies. Going forward, more policies to deepen economic integration among the GBA cities are anticipated.

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