

# China | Understanding 2024 Government Work Report

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China's annual "two sessions", namely the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC) officially commenced on March 5 and March 4 respectively this year, which have always been the top priority in China's political agenda. In particular, National People's Congress is China's top legislature, while the National Committee of the Chinese People's Political Consultative Conference is the country's top political advisory body. 2024 is also the year that NPC has established for 70 years and CPPCC for 75 years. (See our previous [Economic Watch: China | What do we expect for 2024 "two sessions"?](#))

On March 5, delegates from around the country at all of the administrative levels including province, municipality and county etc. listened and reviewed the 2024 Government Work Report presented by Premier Li Qiang that discussed the most important issues concerning various dimensions of national and international affairs, ranging from the summary of last year's economic achievements and main risks to the announcement of 2024 key economic targets and policy stimulus, from promoting high-end manufacturing, green economy and technology advancement to outlining the blueprint of "Chinese-style modernization", etc.

The main takeaways of this year's "two sessions" include the following important perspectives: 2024 economic growth target and a series of other key economic targets; 2024 monetary and fiscal policy outlook; the blueprint of New Quality Productivity and "Chinese-style modernization" and the continuation of high-level opening-up policy to promote trade and FDI inflows.

Here are some highlights of the main takeaways of this year's Government Work Report:

- **GDP growth target for 2024 is set to be at "around 5%" and other economic targets are also promulgated.** The "around 5%" growth target is in line with our expectation in our previous [Economic Watch: China | What do we expect from 2023 "two sessions"?](#), and is similar to the growth target of 2023. The "around 5%" growth target sufficiently considers the ongoing economic slowdown and at the same time the authorities' determinations to stimulate housing market and to rebuild the market confidence given that China still has policy room to maneuver the growth prospective. It is marginally higher than IMF's China growth forecasting at 4.6% and market consensus forecasting at 4.6%.

Other economic targets of 2024 were also promulgated in the Government Work Report which are listed below: (Table 1)

- (i) The employment target of 2024 is to create over 12 million new urban jobs this year, and a surveyed urban unemployment rate is set at 5.5%. The two employment targets are the same as of 2023.
- (ii) The inflation target of 2024 is set to be around 3%, which in our opinion is difficult to achieve given the current deflationary environment which has been lasting for almost a year.
- (iii) Household income growth is set to be in line with nominal GDP growth which is around 7% based on our forecast.

- (iv) The economic targets also include a more balanced Balance of Payments (BoP) in 2024 and to promote export quality and growth.
- (v) The Government Work Report also highlights the determination of reducing carbon emission, controlling the consumption of fossil fuels and reducing the energy consumption per GDP unit by 2.5%.
- (vi) National security and military budget is set to be 7.2% growth in 2024.
- **Expansionary fiscal policy to support growth recovery and reverse market sentiments.** Several key figures on fiscal expansion in 2023 include:
  - (i) Fiscal budget is announced to be -3% of GDP which is higher than the previous year's deficit budget at -2.8%. The total deficit scale will reach RMB 4.06 trillion.
  - (ii) The general public expenditure scale is set to be RMB 28.5 trillion.
  - (iii) The special-purpose local government bonds issuance quota is set to be RMB 3.9 trillion in a bid to support infrastructure investment, higher than the previous year's RMB 3.65 trillion announcement, but lower than last year's actual total local government bond issuance at RMB 5.99 trillion.
  - (iv) From 2024, the Ministry of Finance will issue Special Government Bond; and in 2024, the amount of Special Government Bond will be RMB 1 trillion (equivalent to the actual 2023 amount).
- **Monetary policy will continue expansionary to support growth, and the aggregate financing cost (the policy rate) is expected to further decline.** Several perspectives of monetary policy are noteworthy as below:
  - (i) Under the announcement of lowering financial cost, we anticipate 2-3 LPR cuts in 2024 and another 2 RRR cuts this year after FED materializes interest rate cut possibly in June 2024, on top of the recent RRR cut and asymmetric 5-year LPR cut at the beginning of the year.
  - (ii) The Government Work Report also announced M2 and total social financing annual growth should be in line with the nominal GDP growth rate and inflation, which we estimate will be around 7-8%. This target is similar in the previous several years' government report in "two sessions".
  - (iii) The authorities also re-emphasized the targeted easing measures, in particular, it mentioned that the monetary policy will be more "targeted" to support SME financing.
  - (iv) The report also continued to advocate the development of technology finance, green finance, inclusive finance, aging finance and digital finance.
- **To promote "New Quality Productivity" and "Chinese style modernization".** In our opinion, "Chinese style modernization" and New Quality Productivity is a new political slogan but intrinsically similar to the previous one such as "Chinese new growth model" which was originally raised in 2021. (see our previous [Economic Watch | Understanding China's new growth model](#)) "Chinese style modernization" is a combination of several factors: high-end manufacturing, upgrading of value chain, green economy transformation, digital economy and technology advancement. That means, the authorities are promoting more advanced "Made-in-China" brands supported by technology and green transformation. Look forward, the authorities are supporting China's economic transformation from previous real estate and "old"

infrastructure driven economy to a green economy, high-end manufacturing and technology driven economy; from export and investment driven economy to consumption driven economy. Beyond the economic implications, “Chinese style modernization” should also consider common prosperity of the people, balanced regional development, etc.

There are three streams of high-end manufacturing are particularly mentioned in the Government Report:

- (i) New industry and future industry: including not only EV, solar panel, lithium battery as the already successful “new 3 products”; but also hydrogen energy, new materials, creative medicine, biotech, commercialized aerospace, etc.
  - (ii) To deepen the development of digital economy, particularly to promote “AI+”, platform enterprises, big data, cloud computing, block chain, 5G etc.
  - (iii) The front-tier technology advancement which is related to national security, such as submarine, aerospace and aircraft carrier etc.
- **To continue high-level reform and opening-up policy, particularly to support international trade and attract FDI inflows guiding them to the high-end manufacturing and green economy.**
    - (i) The Work Report announced a series of policies to support international trade, including (1) to expand imports of commodities and high-quality products, (2) to implement negative list for cross-border goods; (iii) to promote digital trade, service trade and (3) to support trade related exhibitions in China.
    - (ii) China’s historical low FDI inflows have been attracting global eyes recently. In the Government Report, it delivered the message to the world that they are still growth oriented and know how to balance growth and national securities. First, it announced to persist reform and opening up policy and enhance foreign investor’s sentiments to invest in China by promulgating more preferential policies on FDI. Second, it signals to continue to support Chinese economic growth and to avoid systemic financial risks, as the stable domestic environment is the prerequisite of foreign FDI. Third, it announced to shrink the negative list of FDI inflows and removes the previous restrictive measures in manufacturing sector of FDI inflows. Finally, it also announced to play an active role in the international relationship, such as to establish deeper investment and trade relationship with One Belt One Road (OBOR) and RCEP countries. Although the China-US long-term trade war, technology war and finance war will persist in the future, Chinese government could still seek some marginal improvement of bilateral relationship with the US. (see our recent [Economic Watch: China | Should we worry about the falling FDI?](#))

**Table 1. COMPARISON OF 2023 AND 2024 TARGETS ANTICIPATED TO BE ANNOUNCED BY THE GOVERNMENT WORK REPORT**

	2023 target	2023 actual	2024 target
<b>GDP</b>	Around 5%	5.2%	Around 5%
<b>CPI</b>	3%	0.2%	3%
<b>M2</b>	In line with nominal GDP growth	11.3%	In line with nominal GDP growth
<b>Total social financing</b>	In line with nominal GDP growth	9.5%	In line with nominal GDP growth
<b>Fiscal Deficit</b>	-2.8%	-3.8%	-3%
<b>Special Government Bond</b>	No issuance	RMB 1 trillion	RMB 1 trillion
<b>Local Government Special Bond</b>	RMB 3.65 trillion	RMB 5.99 trillion	RMB 3.9 trillion
<b>Survey unemployment rate</b>	5.5%	5.2%	5.5%
<b>Newly increased urban employment</b>	12 million	12.44 million	12 million

Source: BBVA Research, 2023 and 2024 Government Work Report

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