



PREVIEW: China's Two Sessions annual meeting from March 4th

- The two sessions is expected the maintain the theme of "power consolidation" from October's Party Congress.
- Xi Jinping is expected to solidify his third term as the Chinese President; a new Premier is expected to be announced alongside new senior financial and PBoC officials.
- China's 2023 GDP growth target could range between 5.0%-5.5% and be as high as 6.0%, according to Reuters sources.

OVERVIEW

BACKGROUND: The two sessions is expected the keep the theme of "power consolidation" going, in a continuation of October's Party Congress. This year marks the first two sessions after China optimized its COVID-19 response in early January. The meetings are expected to bring about major reforms, with government appointments anticipated, whilst new economic targets are to be unveiled.

SCHEDULE: The first session of the 14th National Committee of the Chinese People's Political Consultative Conference (CPPCC) will begin on March 4, 2023 in Beijing. The 14th National People's Congress (NPC) will open its first annual session in Beijing on March 5, 2023, according to the Global Times. Chinese President Xi is expected to open the first meeting with a speech on Saturday.

PERSONNEL

PRESIDENT XI: The meetings will provide a stage for a final formalisation of Xi Jinping's unprecedented third term as Chinese President. As a reminder, at the Party Congress in October 2022, Xi was reappointed as General Secretary of the Chinese Communist Party (CCP), and as Chairman of the Military Commission - two of the three top spots in China - with the third being the President of the People's Republic of China.

OTHER PERSONNEL: A new Premier is expected to be announced alongside new senior financial and PBoC appointments in Xi Jinping's bid to bring the financial system under his control. Sources via Bloomberg said Chinese authorities are mulling reforms at the Central Financial Work Commission to allow the CCP to assert more influence over financial policy.

- **Ding Xuexiang** - Xi's chief of staff, is expected to become the head of the Central Financial Work Commission, according to Bloomberg sources.
- **Li Qiang** - former Shanghai Communist Party chief, is expected to be appointed the new Premier.
- **He Lifeng** - who is expected to replace Liu He as Vice Premier - is also reportedly being considered for a top PBoC role, according to WSJ sources.
- **Zhu Hexin** - currently chairman of Citic Group Corp., is reportedly being considered as the next PBoC Governor (as current Chief Yi Gang approaches retirement age), according to WSJ and Bloomberg.
- **Liu He** - is expected to step down as Vice Premier, but will continue to play a role in US-Sino relations, WSJ reported.

Desks suggest that changes at the central bank may not signal a major shift in monetary policy, but the PBoC's approach could be slightly less hawkish amid the pro-growth agenda.

TARGETS

ECONOMIC TARGETS:

- **GROWTH:** China may aim for a higher 2023 GDP growth target than the 4.5%-5.5% band proposed in November, and it could range between 5.0%-5.5% or even be as high as 6.0%, according to sources involved in policy discussions cited by Reuters. Recent data backs the notion of a higher GDP target, with the latest Official Chinese NBS PMIs notably topping expectations in February. ING's Greater China chief economist said in a note



that this upbeat data gives the Government strong reasons to set a strong growth target of 5.5% to 6%. On the flip side, one source via Reuters which favours a more modest GDP growth target suggested: "the property sector is still falling and it's difficult to fill the gap while foreign trade is likely to drag on economic growth this year." In relevant news, China's MOFCOM on Thursday suggested many Chinese businesses are reporting falling export orders.

- **INFLATION:** Reuters sources said China is to stick to its long-standing inflation target of around 3%. "Monetary policy is likely to relax more in the coming months to counter the deflation pressure as well as the yuan appreciation. Inflation for the full year in 2023 will nonetheless sit comfortably below the official target", according to a snippet from state-controlled CGTN, published on February 11th 2023.

INFRASTRUCTURE:

- Reuters sources suggest that the Chinese Government is to unveil more stimulus during the NPC, to counter the weakness in the property market alongside weaker global demand for Chinese exports.
- **In a bid to spur growth, the government is expected to widen its annual budget deficit to around 3% of GDP this year and issue some CNY 4trln in special bonds to support investment spending, according to Reuters sources.**
- The desk at ING warns - "Our concern is that the government may need to slow down fiscal spending and be very selective in its infrastructure investments. In this case, infrastructure may not be a growth factor, and China's overall economic growth could be slower than we expect."

TECHNOLOGY:

- Self-reliance in advanced technology has been an area of focus amid the technology war with the US.
- Recent reports suggest that the US has convinced Japan and the Netherlands – among the largest manufacturers of semiconductor manufacturing equipment - to join it in expanding a ban on exports of chip-making technology to China. Beijing accused the US of deliberately targeting Chinese companies.
- China is reportedly pledging USD 1.9bln toward the country's top memory chipmaker Yangtze Memory Technologies, according to Bloomberg sources.
- "We believe that there will be funding from the government for both public and private research bodies to engage in R&D, with the ultimate aim of achieving self-reliance in advanced technology", according to ING.

PREVIOUS TARGETS SET BY THE TWO SESSIONS (VIA ING):

	2018	2019	2020	2021	2022	2023
GDP target	around +6.5%	+6% to 6.5%	nil	+6% or above	5.5%	ING expect target set at around 5%
CPI target	around 3%	around 3%	around 3.5%	around 3%	around 3%	around 3%
Fiscal balance (% GDP)	-2.6%	-2.8%	-3.6% or more	around -3.2%	around -2.8%	around 4.5%
Monetary policy	neutral	neutral	flexible	flexible CNY 3.65 trillion (actual issuance)	prudent, flexible	neutral, flexible
Approval of special local government bond limit	CNY1.35 trillion	CNY2.15 trillion	CNY3.75 trillion	3.4676 trillion+CNY150bn for small bank capital injection)	Planned CNY 3.65 trillion (of which CNY200bn for small bank capital injection) Actual CNY 4.0384 trillion	CNY4 trillion

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