



China: Vice Premier Liu He reaffirms pro-growth and market-friendly policy tone

Bottom line:

Chinese Vice Premier Liu He attended the World Economic Forum in Davos and delivered a speech today (January 17th). He emphasized that Chinese policymakers would prioritize economic development, let the market play a fundamental role in the economy, and promote a higher-level of opening-up to the rest of the world. He reaffirmed that property remained as one of the nation's pillar industries, and policymakers might ease property policy further from both the demand and supply side. In general these comments are consistent with the recent pro-growth tone and aim to help further restore investors' confidence in the economy.

Main points:

1. Vice Premier Liu He attended the World Economic Forum in Davos and delivered a speech about the Chinese economy and policy today (January 17th). The last time Liu He gave a speech at the World Economic Forum in Davos was in January 2018 when he laid out China's plan of deleveraging and derisking. In general Liu He's comments are consistent with the recent pro-growth tone and aim to help further restore investors' confidence in the economy. We summarize our key takeaways below.

- Liu He reaffirmed that policymakers would prioritize economic development, let market play a fundamental role in the economy (Liu emphasized that it's not possible for China to shift back to the planned economy track) and promote higher-level of opening up.
- He further stated that policymakers would relax restrictions in the property sector imposed when the sector was overheated, and help expand effective demand. Property remains as one of the nation's pillar industries, and he indicated that the property sector accounts 40% of bank lending, 50% of local government revenues, and 60% of urban households' assets.
- Liu He clarified that "dual circulation" focuses on expanding domestic demand, but policymakers would stick to opening up and enhancing international cooperation.
- On common prosperity, Liu He stated that this would be a long-term policy goal and aimed to reduce inequality. Policymakers would promote development and encourage wealth creation.
- In the Q and A on China's Covid situation, he mentioned dining-in, tourism and transportation services have largely normalized in China, and inbound tourists

Maggie Wei

+86(10)6627-3189 | maggie.wei@gsgh.cn
Beijing Gao Hua Securities Company Limited

Hui Shan

+852-2978-6634 | hui.shan@gs.com
Goldman Sachs (Asia) L.L.C.

Lisheng Wang

+852-3966-4004 | lisheng.wang@gs.com
Goldman Sachs (Asia) L.L.C.

Xinquan Chen

+852-2978-2418 | xinquan.chen@gs.com
Goldman Sachs (Asia) L.L.C.

Yuting Yang

+852-2978-7283 | yuting.y.yang@gs.com
Goldman Sachs (Asia) L.L.C.

Andrew Tilton

+852-2978-1802 | andrew.tilton@gs.com
Goldman Sachs (Asia) L.L.C.

only needed to provide 48-hour negative Covid test results. Liu believed that the recovery of GDP growth to its normal pace is highly possible, and expect imports to improve significantly, firms to step up investment, and household consumption to normalize. He said that the healthcare system functions normally now and Covid policy focuses on treatment of the elderly population.

2. Liu He's comments addressed market concerns on policy uncertainties around the property sector and "common prosperity," and should help further restore confidence of investors. For example, [a recent headline](#) quoting a former NDRC official Peng Sen saying that measures to advance "common prosperity" may be introduced in the near term led to many investor questions and concerns. As the economy recovers further from the peak of Covid infections, we expect broad activity growth to rebound from weak levels in late 2022. Whether property transactions could stabilize and eventually rebound on a nationwide basis remains to be seen, but we view these comments as a signal that more demand easing measures could be announced and large developers' funding conditions might improve further on the back of policy support.

Disclosure Appendix

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