

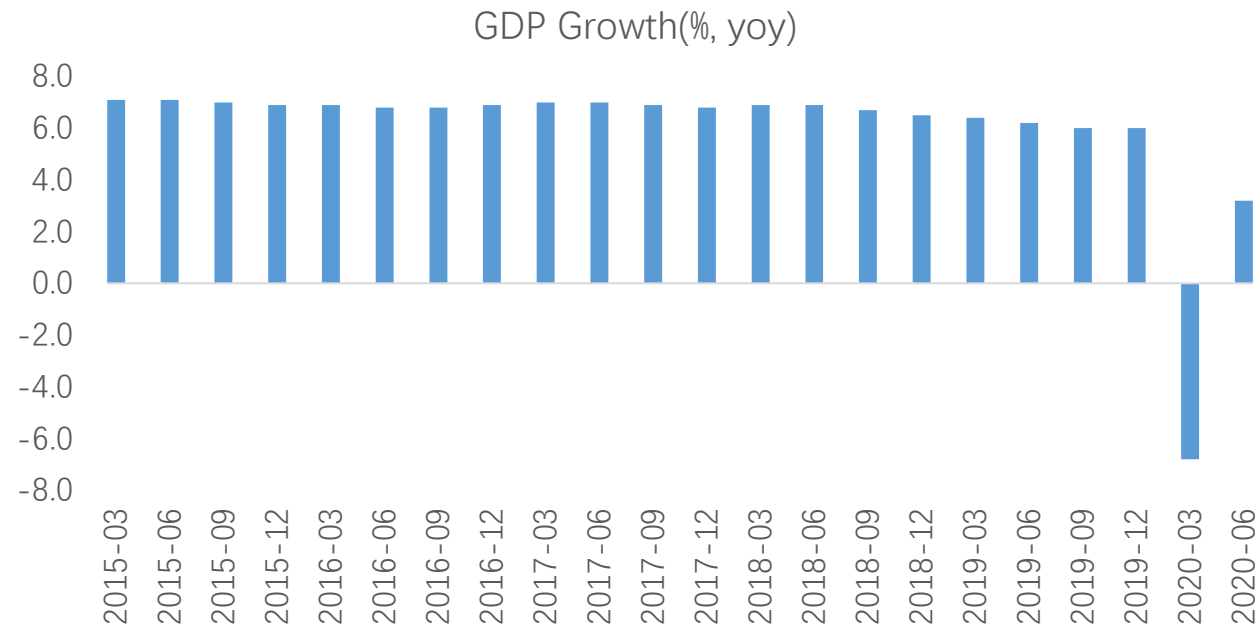
# **Further Consolidating the Momentum of China's Economic Recovery**

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*The following opinions are solely my own and do not express the views or opinions of DRC.*

# 1. Chinese economy recovery picked up momentum

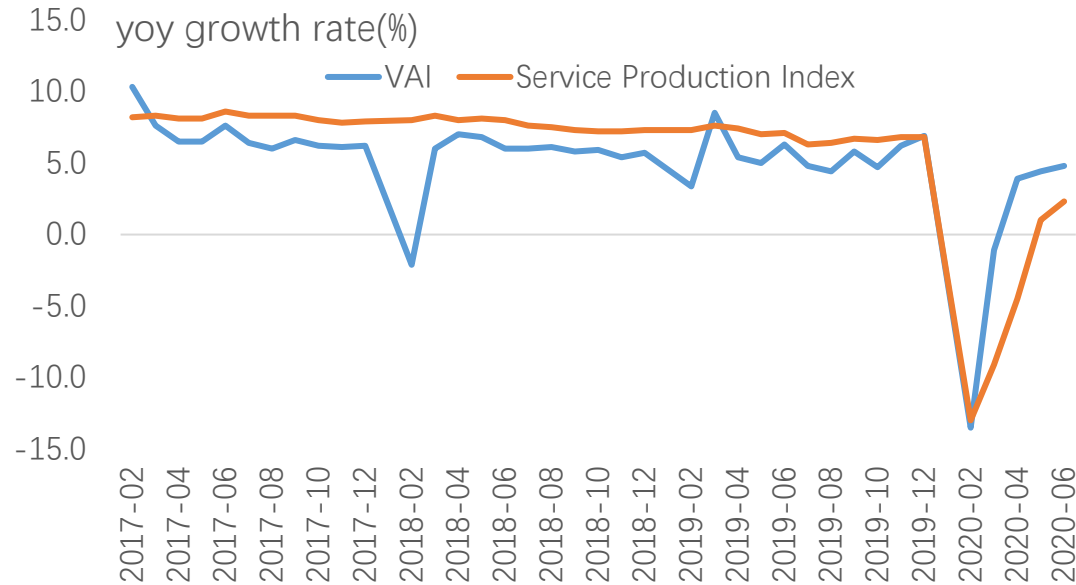
- In the first quarter, GDP declined 6.8%, which is the lowest point since the date when the quarterly GDP data was released.
- In the second quarter, GDP rebounded 3.2% yoy, which is helpful to achieve a slightly positive growth for the whole year.



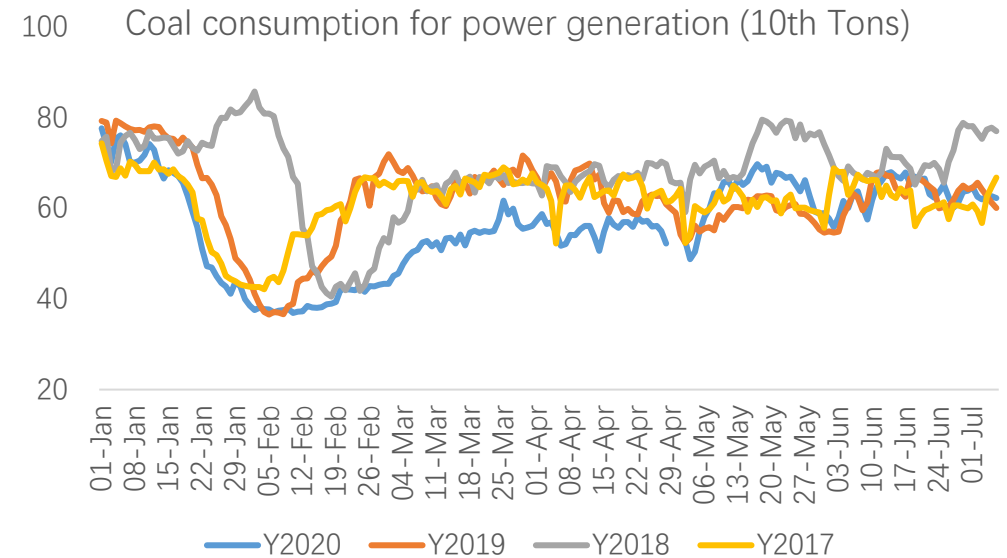
Source: National Bureau of Statistics of China

# Industrial and service production expanded again

- VAI growth rate was close to the average level of last year.
- YoY growth rate of electricity output went up in the consecutive three months, increasing to 6.5% growth last month.
- More than 95% of consumer service business reopened at the end of June.



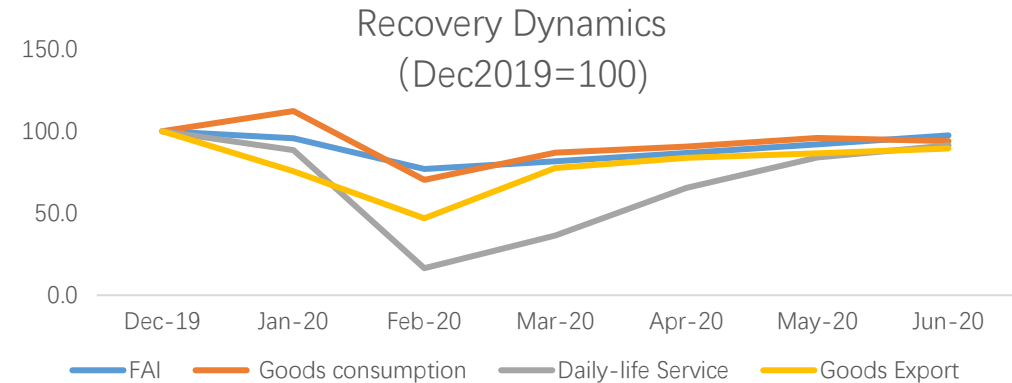
Note: Data in February is the average of Jan and Feb.  
Source: National Bureau of Statistics of China



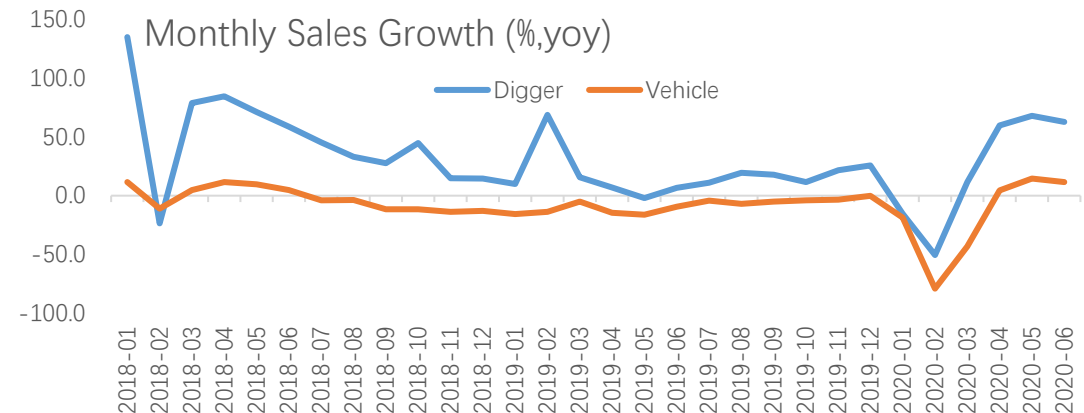
Source: Wind

# Momentum of investment recovery is stronger than consumption and trade

- The yoy growth rate of monthly investment increased in the consecutively three months.
- Digger sales surged more than 60 percent yoy in the second quarter.
- Vehicle sales recorded the growth of 11.6 percent in June.



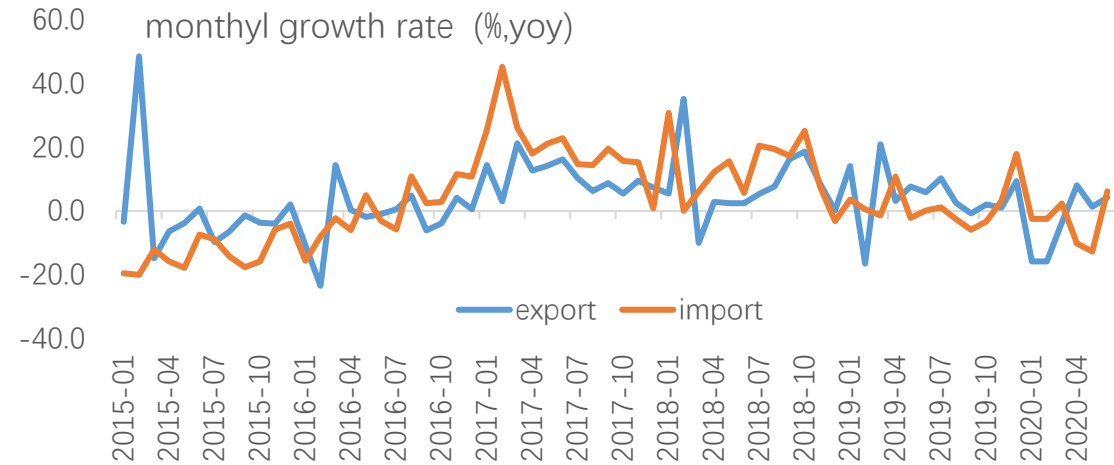
Source: Wind, online data, Calculated by authors



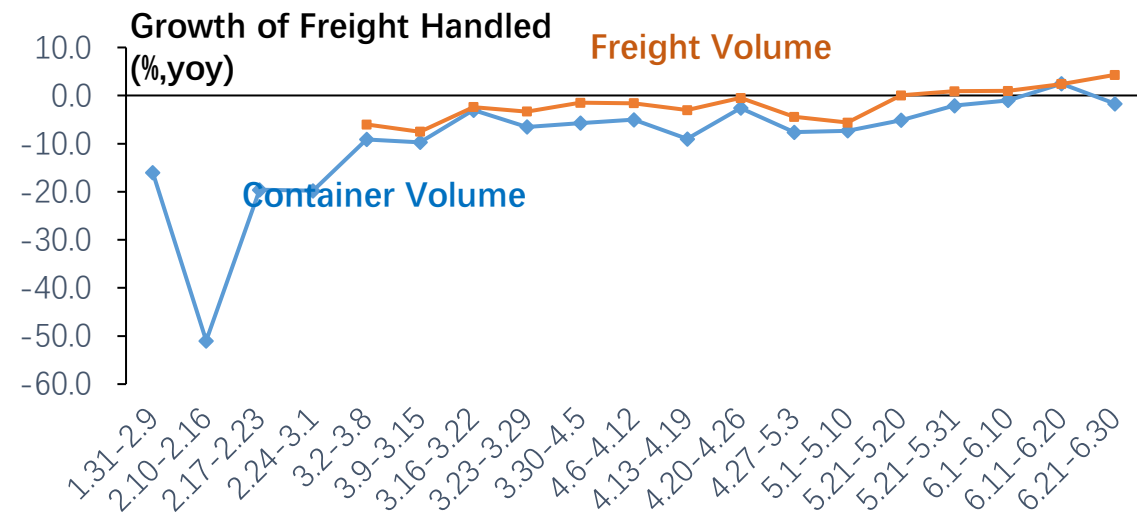
Source: Wind

# Trade recovered slowly but resiliently

- Goods export went up yoy in the consecutively three months.
- Tamount of import and export trade recorded the first positive monthly growth since the beginning of this year.
- The volume of freight handled of major ports in eastern province increased by 2.4%. and the container volume by 0.6%.



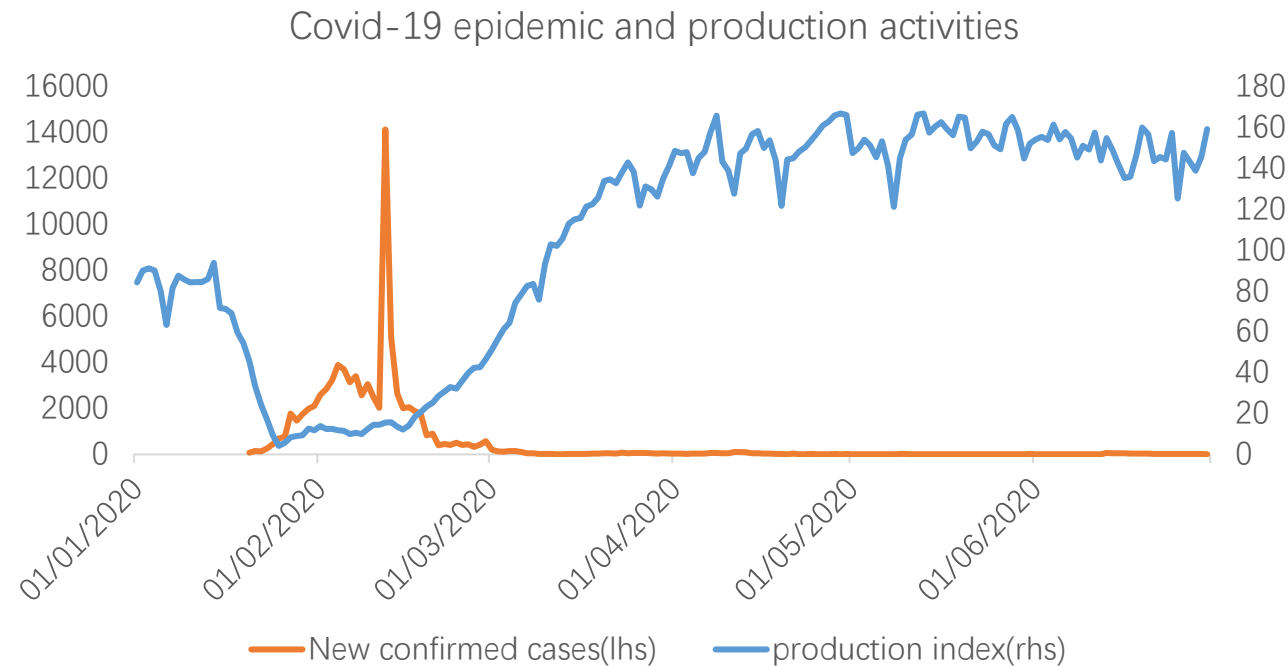
Source: Wind



Source: Major Ports

## 2. What are the driving forces behind economic recovery?

- Since the mid of February, the new confirmed cases dropped quickly, and the reopening process speed up at the same time.



Source: Wind and calculated by the author

# Supportive economic policies

## **More positive fiscal policy**

- More than 10% of GDP
- Deficit increase
- Expanding special bonds issuance for local governments
- Issuing special treasury bonds for fighting covid-19
- Tax reduction and etc

## **More flexible monetary policy**

- Cut down required reserve ratio
- Refinancing loan and rediscounting
- Deferring the repayment of SME loan
- Encouraging corporate bond issuance
- Create new financing tools for SMEs
- Financing-cost saving for real economy
- lowering loan interest rate and etc

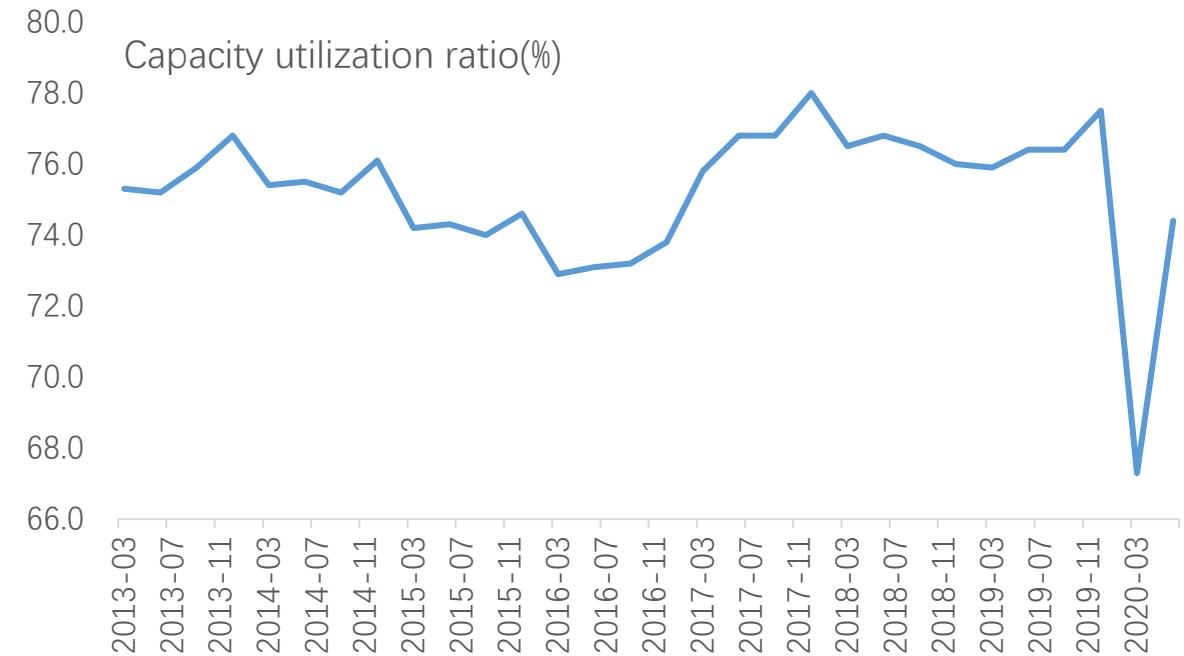
# Protect enterprises and vulnerable groups

- Reduction of housing rent, electricity power price and highway toll and other fees
- Rebate of unemployment insurance
- Expanding enrollment of graduate
- Enhancing export credit insurance
- Improving credit line and tax rebate
- Encouraging cross-border e-commerce
- Some export oriented goods were also allowed to be sold in the domestic market.



### 3. Fine-tuning policies to consolidate the recovery

- The first is to expand the domestic effective demand.
- Effective investment requires more essential factor support.
- Strengthening the consumer confidence
- Promoting the recovery of daily-life service,
- Encouraging the new-form demand such as online healthcare, education, office.



Source: Wind

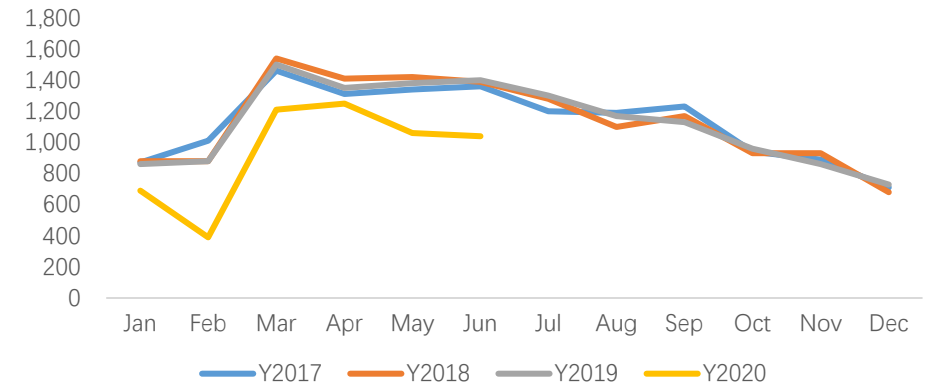
- Stabilizing the employment and residential income.

- Speeding up the development of platform and sharing economy
- Creating more community service jobs and flexible jobs.
- Expanding the scope covered by unemployment insurance

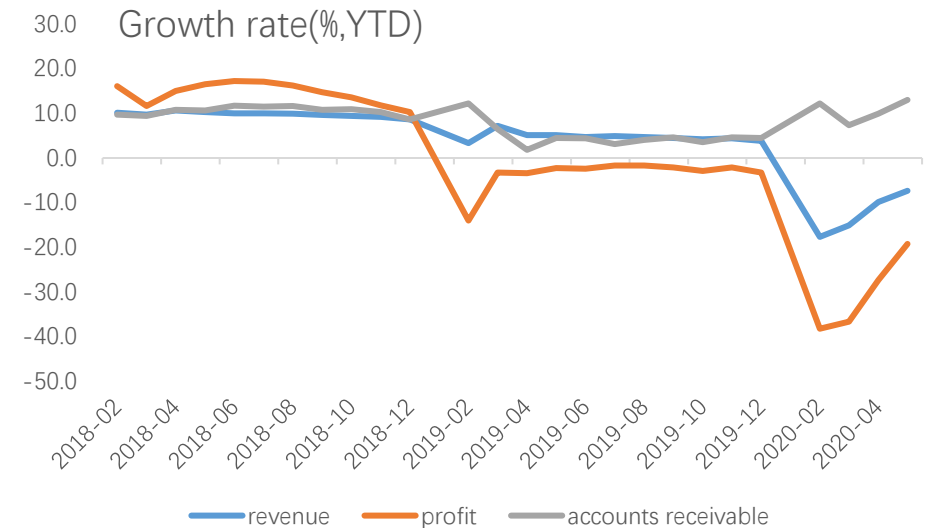
- Solving the difficulties faced by enterprises

- Flattening the possible cliff effect
- Improving financing guarantee
- Expanding the scope of qualified mortgages
- Clearing up arrears

Monthly new urban employment( thousand)



Source: Wind



Source: Wind

# Strengthening the policy coordination and implementation

- Avoiding the premature exit of the supportive policies
- Facilitating the operation of local governments by increasing the inter-government transfer payment and appropriately enhancing the share of local fiscal income
- Some special bonds for local governments can be used to supplement the capital of medium and small banks
- Appropriate macro-prudential measures are necessary.

Thank you!