



### Seven major aspects for a successful economy in 2022

1. Ensuring macro-scale policies are prudent and effective;
2. Implementing micro-scale policies to continuously stimulate the vitality of market entities;
3. Introducing structural policies to unclog the national economic cycle;
4. Implementing solid science and technology policies;
5. Pushing reform and opening-up policies to activate the impetus of development;
6. Introducing regional policies to enhance the balance and coordination of development;
7. Moving forward social policies to hold the bottom line of people's livelihood.

# What lies ahead for China's economy in the coming year?

Huang Yixuan

China's top leaders have set the tone for the nation's economic policies next year, highlighting stability as the top priority.

Economic work next year should prioritize stability on top of pursuing progress, and macro-scale policy should be prudent and effective, the annual Central Economic Work Conference said, stating that China will continue to adopt proactive fiscal policies and prudent monetary policies.

Despite the positive achievements made in 2021, the leaders did not mince words about the multiple pressures faced by China in terms of contraction in demand, shock in supply, and weaker expectations.

Amid the more complex and uncertain external environment after the pandemic, China should stand up to difficulties while also maintaining firm confidence, they said, as the country's economy is highly resilient with unchanging long-term positive fundamentals.

Heavy emphasis was laid on economic "stability" at the meeting, with the term being mentioned 25 times, said Han Wenxiu, deputy director in charge of routine work of the Office of the Commission for Financial and Economic Affairs of the CPC Central Committee.

The conference put forward policy directions in seven major aspects to have a successful economy in 2022: ensuring macro-scale policies are prudent and effective; implementing micro-scale policies to continuously stimulate the vitality of market entities; introducing structural policies to unclog the national economic cycle; implementing solid science and technology policies; pushing reform and opening-up policies to activate the impetus of development; introducing regional policies to enhance the balance and coordination of development; and moving forward social policies to hold the bottom line of people's livelihood, Han pointed out.

The importance of ensuring stability on six fronts and security in six areas was reiterated, which can be bolstered by more prudent and effective macro-scale policies.



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The six fronts referred to are employment, the financial sector, foreign trade, foreign investment, domestic investment and expectations, while the six areas mentioned were job security, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments.

What remains unchanged from the previous central economic conference in 2020 includes the principle that "housing is for living in, not for speculation," the strategy to expand domestic demand, resolutely curbing new hidden debt of local government, and ensuring prudent monetary

and mitigate risk.

Policies in the science and technology sector will focus more on practical implementation. The reform of the science and technology management system will be accelerated in line with a three-year action plan.

### Capital matters

Another highlight was the plan to set a "traffic light" for capital.

Compared with last year's term of "strengthening anti-monopoly and preventing the disorderly expansion of capital," this year's conference mentioned the need "to play the positive role of capital as a factor of production, while at the same time effectively controlling its negative role" and "to set a 'stoplight' for capital and strengthen the effective supervision in accordance with the law to prevent the capital from running amok."

The setting of "traffic lights" is meant to emphasize the necessity to clarify the dos and don'ts for capital, said Luo Zhiheng, vice president and chief macro analyst of the research institute at Yuekai Securities.

As an important part of China's market economy, the private economy should ultimately serve the people and also high-quality development while promoting economic development, Luo said.

Xiong Yuan, chief economist at Guosheng Securities, expected the economic growth target for 2022 to be set between 5 percent to 5.5 percent, while the Chinese Academy of Social Sciences (CASS) also suggested a 5-percent GDP growth target in its latest report.

Li Xuesong, deputy director of the Institute of Quantitative & Technical Economics at CASS, said China's potential economic growth would be about 5.5 percent in 2022, but the actual growth pace may be slightly lower than the potential rate due to the recurrence of the pandemic and price hikes in commodities.

"We suggested the GDP target be set at above 5 percent, leaving some room for improvement while also helping all parties to concentrate their efforts on promoting reform and innovation to boost high-quality development," Li said.

policy to be flexible and moderate to maintain a reasonable abundance of liquidity.

The conference also restated the directive for guiding financial institutions to increase support for the real economy, especially small and micro-scale enterprises, science and technology innovation, as well as green development.

Unlike the 2020 conference which focused on "cross-cyclical" adjustment, this year it placed emphasis on the organic combination of "cross-cyclical" and "counter-cyclical" macro-scale policies.

"Counter-cyclical policies were used in the rapid spreading stage of COVID-19, mainly to support the fight against the pandemic and the resumption of work and production, while the policies were then gradually withdrawn after the orderly recovery of the economy and society," said Wen Bin, chief researcher at China Minsheng Bank.

"The conference revisited the counter-cyclical approach, which once again illustrates the greater pressure and challenges facing the economy next year, while also signaling China's determination to maintain stable operation of the national economy," Wen said.

The fiscal policies, meanwhile, place more emphasis on effectiveness and precision. New measures on tax cuts and fee reductions are to be introduced to better support market entities, bolster the development of the manufacturing industry,