

What to watch for at the 2025 China Two Sessions

Chinese policymakers are expected to maintain last year's growth target to signal confidence in growth stabilisation, and we expect a greater focus on boosting domestic demand this year



Around 5%

Our expectations for this year's GDP growth target

Two Sessions to set this year's key economic targets

China's annual Two Sessions kicks off next week in Beijing, with the Chinese People's Political Consultative Conference (CPPCC) set to open on 4 March and the National People's Congress (NPC) set to open on 5 March. These meetings will take place over a week and will lay out China's key policy priorities for the year.

The main market focus will be the government work report delivered by Premier Li Qiang at the start of the NPC on 5 March, which will lay out China's main quantitative targets for economic

growth.

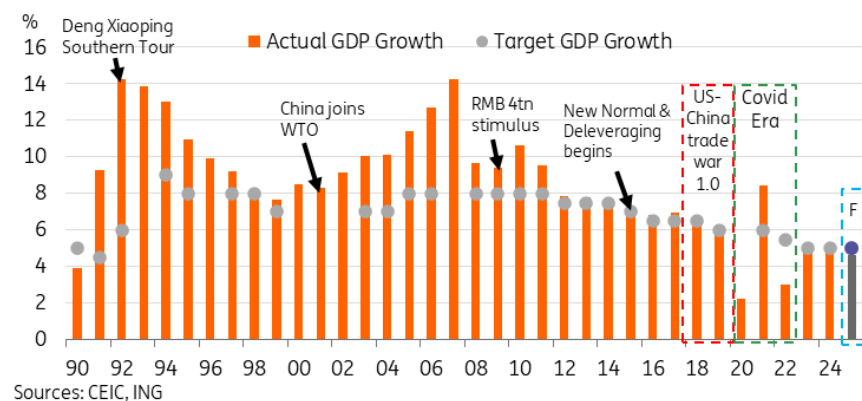
The headline will undoubtedly be China’s GDP growth target, which we expect to remain unchanged at “around 5%” again this year. We believe this target will signal confidence that China can maintain steady growth despite heightened external uncertainties.

Policymakers tend to attach high importance to accomplishing this goal, and since targets were started in 1990, growth has only fallen notably short of target twice, in 1990 and 2022. The strength of fiscal and monetary support tends to align with the year’s growth target, so a stronger target implies we will also see stronger stimulus measures and vice versa.

Provinces have already published their growth targets for the year, and most growth targets have been set between 5-6% growth, with stable or slightly lower targets compared to last year. Overall, the sum of the parts should still be enough for China to set the “around 5%” target.

Additionally, we expect the inflation target will be lowered. This shouldn’t have a significant impact on actual policy – historically the inflation target was more relevant when inflation tended to run too hot. With that said, deflationary pressure has led to a significant undershoot of CPI inflation for the last few years, and bringing the 3% target to a more internationally aligned 2% level makes sense.

China rarely fails to achieve its growth target after it is set



A more supportive policy stance is likely to be signalled

The government work report will also feature sections on the year’s fiscal and monetary policy direction. We are expecting more supportive language for both.

In terms of fiscal policy, the general term “proactive fiscal policy” has been in place for recent years, though the language around that term tends to change every year. We are expecting a generally positive tone on fiscal policy. We may see a higher fiscal deficit target and local government bond issuance target to signal a stronger fiscal policy push this year.

In terms of monetary policy, we expect a notable shift this year, moving from the “prudent monetary policy” descriptor to “moderately loose monetary policy” for the first major shift since 2011. This change will likely entail further room for rate and RRR cuts this year – we are currently forecasting 30bp of cuts to the 7-day reverse repo rate, and 100bp of cuts to the RRR this year, with the first cut potentially coming as early as March.

Two Sessions Economic Targets

	2021	2022	2023	2024	2025F
GDP (% YoY)	Above 6%	Around 5.5%	Around 5%	Around 5%	Around 5%
Inflation (% YoY)	Around 3%	Around 3%	Around 3%	Around 3%	Around 2%
New urban employment	Around 11 mn	Around 11 mn	Around 12 mn	Around 12 mn	Around 12 mn
Urban Unemployment Rate (%)	Around 5.5%	Around 5.5%	Around 5.5%	Around 5.5%	Around 5.5%
Fiscal deficit (% of GDP)	Around 3.2%	Around 2.8%	3%	3%	Around 3.5%
Special government bond issuance (RMB)	3.65 tn	3.65 tn	3.8 tn	3.9 tn	4.5 tn
Fiscal Policy Stance	"More sustainable and higher quality proactive fiscal policy"	"Improve the effectiveness of proactive fiscal policy"	"Adhere to proactive fiscal policy"	"Moderately strengthen proactive fiscal policy"	"Implement a more proactive fiscal policy"
Monetary Policy Stance	"Prudent monetary policy should be flexible, precise, reasonable and appropriate"	"Strengthen the implementation of prudent monetary policy"	"Adhere to prudent monetary policy"	"Prudent monetary policy"	"Implement a moderately loose monetary policy"

Sources: Chinese government website, ING

Watch the domestic demand theme closely this year

Last year, China’s ability to complete the growth target was in large part due to stronger-than-expected external demand and the spillover impact on manufacturing, while weak private sector and household confidence were significant headwinds to domestic demand.

This year, the external demand picture looks likely to soften amid rising trade protectionism. As such, if China is to maintain steady growth this year, domestic demand needs to pick up the slack.

In last year’s Two Sessions, expanding domestic demand was the third objective listed in the “2024 Government Work Tasks” section, behind promoting “new quality productive factors” and boosting science and innovation. We expect that expanding domestic demand could move to become the first objective laid out this year, highlighting its greater importance this year.

This year’s policies to support domestic demand are likely to prominently feature the expanded trade-in policy as well as equipment renewal subsidies. The government report will be worth combing over carefully to see if other newer directions to support domestic demand are highlighted.

USDCNY: don’t expect changes to the currency stability objective

While the renminbi is not typically a major focus of the government work report, there has always been a sentence within the monetary policy section on the stance toward the exchange rate. The language of “maintaining RMB stability at a reasonable level” has been in place for much of the past decade, with the occasional mention of further improving the exchange rate mechanism. We expect policymakers to keep this language in place at this year’s Two Sessions – any unexpected change to this language could naturally have big implications on our USDCNY outlook.

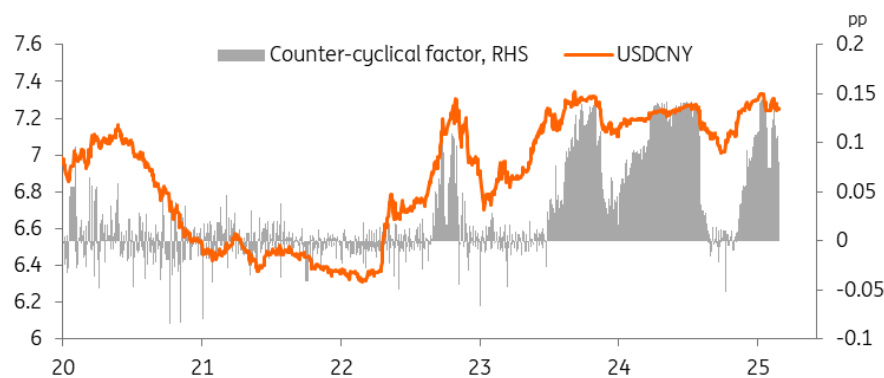
After Trump’s US election victory and the threats of elevated tariffs against China, many in the markets have debated whether or not China will intentionally devalue the CNY to help offset some of the impact of tariffs.

We have been arguing in the past few months that this fear is overblown, as intentional devaluation would likely be ineffective to offset the impact of tariffs as Trump could easily respond with further tariff hikes, which would also throw away all of the benefits gained from currency

stability over the past few years, including limiting capital outflows, maintaining domestic purchasing power, and facilitating RMB internationalisation.

Our baseline forecast for USDCNY remains steady at 7.00-7.40 for the year. However, an increase to 7.50 could occur if tariffs are more damaging than anticipated, US monetary policy is more hawkish or Chinese monetary policy is more dovish than expected. Despite this, we do not foresee China intentionally devaluing its currency.

PBoC efforts to maintain currency stability will likely continue



Sources: Refinitiv, CEIC, ING

Author

Lynn Song

Chief Economist, Greater China

lynn.song@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.