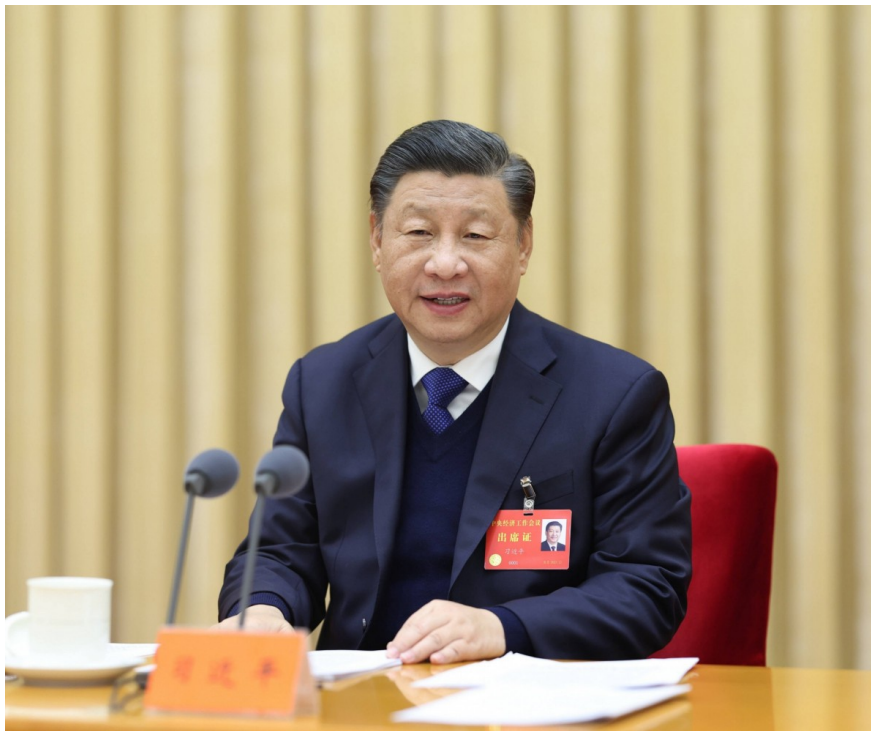


## China: President Xi has more say on economic policy

As Liu He has left the group of top government officials, President Xi has more say on economic policy. But this may not mean inconsistency of policies, almost the opposite, we think that the likelihood of policy continuity has increased



China's Xi Jinping at the Central Economic Work Conference in December 2021

### President Xi has a concerted group of officials surrounding him

China has a top government official team that is more concerted than before. This implies President Xi has even more say in policy direction.

Liu He was once Xi's chosen economic advisor, educated in the West, not only responsible for China's external policy but also for plans for future growth. But Liu He did not have a political background, which is one of his weaknesses working in the government. After the past weekend, we know that Liu He has left the top government team.

The central bank governor Yi Gang and the banking regulator Guo Shu Qing have also left the top government team.

## Personnel change does not necessarily mean policy direction change

We do not think there will be big policy changes because most, if not all, existing policy decisions has been agreed with Xi. This applies to potential changes in the central bank governor, banking regulator and economic adviser.

- Covid: Keeping in mind that it was Xi who allows more flexibility in Covid policy after Shanghai's long lockdown back in March-May, there is possible further flexibility, e.g. what we have heard from the media is the debate on the number of quarantine days for foreigners entering Mainland China.
- Real estate: There is little room to give more help to real estate property developers as doing so will risk the credibility of government reform (for property developers, that means the deleveraging reform). There could be some targeted policy to help mortgagors that bought uncompleted projects but they should not be considered preferential policies for real estate developers.

Xi may request its team to be more responsive and creative when solving new and urgent social-economic issues.

### Two Sessions in March is important

We should see the confirmed personnel of the PBoC governor, the head of banking regulator and the one or a team in charge of economic advisory in the Two Sessions in March 2023. The challenge for the Two Sessions will be a high fiscal deficit in 2023. Too small a budget cannot stabilise the economy, but too big could hit the market's nerve.