

# China's Central Economic Work Conference outlines support priorities for 2023

The two-day Central Economic Work Conference focuses support on consumer spending, and on technology



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## Growth is the top priority for 2023

The key takeaway from the Work Conference is that the government wants growth via domestic consumption, and this will be the top priority in 2023.

## Sectors to benefit from policy support

There are quite a few sectors to benefit from next year's policies. **New-energy car and elderly services** will enjoy preferential policies.

At the same time, the government knows that technology is important for growth. As such, policies will be tilted to support research and production of technology services and products. This relates to the work conference's emphasis on protecting private enterprises' legal rights.

Combining the two policies implies that **platform technology** companies may face fewer hurdles

in 2023.

The two key differences next year will be living with Covid and supporting **real estate developers**. The first of these is already in progress. The latter is tricky. The government's intention is not to let the real estate sector increase financial risk. But too much policy support for developer's financing could end up with another round of over-leverage.

## Aggressive fiscal stimulus and moderate monetary easing

The main tools for growth will be fiscal stimulus and stable monetary policies. We expect there will be a fiscal deficit of around 8% of GDP next year. But monetary policy will be similar to this year, meaning that there could be a couple of RRR cuts, rolling over a re-lending program to help SMEs and the real estate sector, together with a couple of 10bp cuts in 7D reverse repo as well as the 1Y medium lending facility rate.

## More solid policies will be announced in March

This Central Economic Work Conference usually prepares the groundwork for the March Government Work Report. By then, we should see more concrete policies applying the themes we see in this Work Conference.

But in the mean time, the economy is struggling to recover from rising Covid cases. Residents have been cautious about going to crowded places though air and train tickets for the Chinese New Year are in demand. We expect that economic recovery from now until March will be bumpy.

**Our GDP forecasts is -0.4%YoY for 4Q22, 2.06% for the whole of 2022 and 4.3% for 2023.**

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