

# Economic guide set for year ahead

High-quality development and preventing systemic risks were key focuses at conference

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High-quality development and forestalling risks will be the major theme of China's economic policies next year, according to decisions made at the Central Economic Work Conference, held in Beijing from Dec 18 to 20.

The annual meeting, which sets the tone for China's economic policies, was attended by President Xi Jinping, who is also general secretary of the Communist Party of China Central Committee, and all major leaders from the Party, central and local government bodies and the military.

The meeting for the first time put forward the idea of Xi Jinping Thought on Socialist Economy with Chinese Characteristics for a New Era, which mainly focuses on a new development concept and stresses the Party's leadership in economic management, people-oriented development, the new economic normal, the market's role in resource distribution and supply-side structural reform.

The thought is the "theoretical crystallization" of the past five years of practice in pushing forward China's economic development, and the "latest fruit" of socialist political economy with Chinese characteristics, according to a statement released after the meeting.

Those at the meeting decided that high-quality development is

the "indispensable foundation for sustainable and healthy economic development". Apart from efficient economic growth, analysts said, high-quality development also entails balanced social and environmentally friendly development.

"Social issues, including growing inequality, social security, healthcare services and education, are priorities on the government's agenda," said Margit Molnar, head of the China economics desk at the Organisation for Economic Co-operation and Development. "The objective is lifting all boats."

Environmental concerns have prompted China to step up environmental inspections, she added. "Rigorous supervision of the phasing out of obsolete and polluting capacity in several industries is likely to contribute to reducing pollution."

Meeting participants decided China will try to make progress in "forestalling major risks, targeted poverty reduction and pollution control" while sticking to supply-side structural reform.

Participants agreed to continue to adopt a prudent and neutral monetary policy and a proactive fiscal policy, maintain "reasonable growth of credit and social financing scale", and keep the yuan's exchange rate "basically stable at a reasonable equilibrium level".

The participants vowed to safeguard the bottom line of preventing systemic financial risks and make

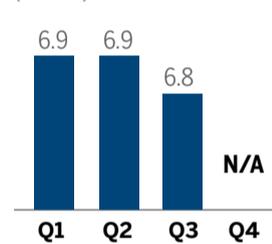


President Xi Jinping addresses the Central Economic Work Conference, held in Beijing from Dec 18 to 20.

XIE HUANCHI / XINHUA

## Quarterly GDP growth in 2017 (y-o-y)

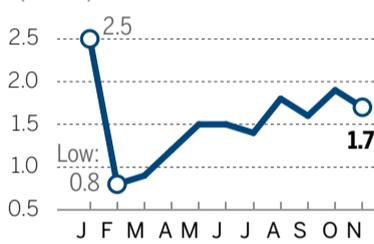
(Unit: %)



Source: National Bureau of Statistics

## Consumer price index growth in 2017 (y-o-y)

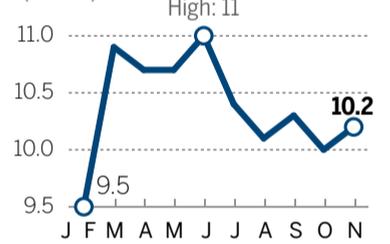
(Unit: %)



Source: National Bureau of Statistics

## Retail sales growth in 2017 (y-o-y)

(Unit: %)



Source: National Bureau of Statistics

the financial sectors better serve the real economy.

Analysts said a main challenge for China next year is to maintain robust growth while pushing deleveraging and cutting corporate debt to prevent financial risks.

"Given that growth in the past decade or so was very much driven by debt-financed investment, deleveraging may lead to a sharp reduction in investment," Molnar said. "Therefore it is important to make

sure that investment projects with a net present value obtain financing."

Meeting participants also said that China "will improve the long-term mechanism for ensuring the stable and healthy development of the real estate market" and encourage both housing rentals and purchases.

It will "keep the continuity and stability of the real estate market's regulatory policies and clarify the distribution of powers among cen-

tral and local governments".

Dai Yiyi, an economist at Xiamen University in East China's Fujian province, said that it shows the country's real estate regulatory stance will largely remain unchanged if there are no major changes in the market situation.

Xinhua contributed to this story.

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the initiative to promote free trade," said Miao.

Tang agreed and noted that, at the same time, China may be the only trade power willing and able to take a leadership role because it meets a number of criteria.

"The economy of that (leading) country should have a large amount of demand for foreign trade and an open market. Meanwhile, the country should be at the front line of technology and innovation," said Tang. "And China is the only one that can meet these criteria."

For Xi, innovation has been another key theme. He has called for

advanced technologies to be "embedded" into the real economy to foster growth.

In his speech at the Party Congress, Xi said "innovation is the primary force driving development, and it is the strategic underpinning for building a modernized economy. We will strengthen basic research in applied sciences, launch major national science and technology projects, and prioritize innovation in key generic technologies, cutting-edge frontier technologies, modern engineering technologies, and disruptive technologies."

According to the National Bureau of Statistics, China's spending on

technology research and development rose 10.6 percent to 1.57 trillion yuan in 2016, accounting for 2.11 percent of GDP. The figure should, if anything, be larger once numbers for 2017 are calculated.

And even as it took a greater role in the global arena through 2017, China — led by Xi — continued to work on internal issues, such as pushing forward with structural reforms to the economy and working to lift more people out of poverty. The goal, as Xi made clear, is to create a "moderately prosperous society" by the end of the decade.

The president also addressed concerns over rising property prices and

underscored that houses were for people to live in, not for speculation.

Chan of the One Belt One Road Research Institute said: "The cooling measures issued from the central government to local related authorities this year have seen effect. Purchasing of homes was restricted."

"While we may see more people going to those first-tier cities, like Beijing, Shanghai and Shenzhen, the population structure in the rest will be more stable, and with those restrictions we will see less speculation."

One of the main issues is the continuation and completion of the grand project of eliminating poverty

throughout the country.

In 2011, China set a line that describes people with annual incomes below 2,300 yuan per year as poor. The progress to date has been nothing short of astounding, with the rural population living in poverty decreasing from 770 million in 1978 to 55.75 million in 2015. Through 2016, another 12.4 million people were lifted out of poverty.

Fighting poverty is crucial for China to become a moderately prosperous society, Xi said in his Party Congress address. He set 2020 as the target for all provinces below the poverty line to climb above that threshold.