What’s New Policies of the New Chinese Government

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提要

• Growth Policy
• Fiscal Policy
• Monetary Policy
• Real Estate Policy
• Income Distribution Policy
• 1. Growth Policy

First Quarter Growth

中国2013年一季度GDP同比增长7.7%

中国3月CPI同比上升2.1%
Infrastructure Investment Increase

Banking Lending
“Fast Growth” was deleted first time in the past 18 years

• New goal: Promote Sustainable and Health economic Development
Annual Growth Target is 7.5%

- maintain a proactive fiscal policy and prudent monetary policy

- 24 provinces set growth target above 10%,

- 11 provinces set growth target above 12%

Average Projection for Chinese Economic Growth

<table>
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<th>12 二季</th>
<th>12 三季</th>
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2. Fiscal Policy

Fiscal Revenue
Fiscal Policy

• Replacing turnover tax with a value-added tax in service sectors
• Reform of local debt system and land sell policy for local government;
• Income tax on housing transition
• Reduce income tax for SMEs
• Social Security Reform: We will help the poor, but lazy

Longer Term Fiscal Policy

• Restrict and remove non tax revenue
• Reduce share of turnover tax and increase the share of income tax and property tax
• Reform of revenue share system of Central and local Government
• Large increase paid dividend to MoF by state owned enterprises
• Reduce expenditure in construction and increase in social welfare
• Result based budget allocation system
• Budget control by People’s Congress
3. Monetary Policy

- Further liberalize interest rates and regulate bond market;
- Strengthening regulation of shadow banks
- Strengthening regulation on local government financing vehicle
- Adding more private owned banks and rural banks
- Further pushing the convertibility of Renminbi under capital accounts
4. Real Estate Policy

Housing Prices in 70 Cities

2011–2013年70个大中城市的
新建商品住宅90-144平方米价格变化
Construction of New House

Income of Sell and Rent
Local Government Land Sell Revenue

图表 3: 土地出让金增速下滑

Five New Policies on Real Estate

• Local government is responsible for housing price stability
• Restrict speculative investment, restrict owning of housing
• Increasing urban housing land supply
• Speed up construction of low cost housing
• 20% of income tax for housing sell
5. Income Distribution Policy

Growth of GDP and Labor Income

1978-2011年国内GDP与城乡居民收入
**Profit of the State Owned Enterprises**

2002-2011年国有及国有控股企业

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**Reduce Share of Government Revenue in GDP**

- Taxes reduction of SMEs
- Reduce personal income tax
- Government Revenue growth
- Reduce Government Expenditure
- Prohibit banquets of Government
Reduce Profit of large State Enterprises

• Increase deposit rate by 0.5 percentage point

• Break monopoly power of the large enterprises

• Increase dividend paid to the State of the State Enterprises

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