All eyes focused on crucial government meeting in China as economy continues to slow

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The November 4–8 meeting of the Standing Committee of China’s National People’s Congress is set to be one of the most important for years.

The main announcements to come from the meeting will be what measures the Xi Jinping regime undertakes to stimulate the flagging economy, now experiencing its lowest growth since the beginning of the 1990s.

In late September and earlier this month, authorities, led by the People’s Bank of China, initiated a series of financial measures aimed at stimulating the stock market and the real estate sector, which provided a certain boost.

But the opinion of economic and financial analysts both in China and internationally is that more must be done to boost consumption spending. Unless that happens, the target growth rate for this year of “about 5 percent” will not be achieved, let alone a viable growth path established for the future.

Reuters has reported that a major measure under consideration is the approval of 10 trillion yuan ($1.4 trillion) in borrowing over coming years, to shore up local governments and boost the real estate sector. It said 6 trillion yuan in debt would be raised to help local authorities deal with their financial problems, with 4 trillion yuan to be used to fund purchases of land and properties over the next five years.

Chinese government officials have said there is more stimulus to come, and it will be aimed at lifting domestic demand.

Speaking to Bloomberg on the sidelines of the IMF meeting in Washington last week, vice finance minister Liao Min said: “The goals are to enhance the strength of macro policies to expand domestic demand and reach this year’s GDP growth target. And in the meantime, to coordinate with monetary policy to push for the restructuring of the economy, particularly to boost domestic demand, including consumption.”

He said the next round of policies would be of “quite a large scale” but gave no details. These would only come at the conclusion of the Standing Committee meeting because there was a “legal process to go through for China’s fiscal policy.”

The outcome will be keenly observed internationally for two reasons. The first is the impact of the slowing Chinese economy, the world’s second largest, on global growth.

The IMF has said the Chinese government should provide a boost to the domestic economy. Without measures to lift domestic consumption, IMF chief Kristalina Georgieva has warned that Chinese annual growth could fall “way below” 4 percent in the future.

The second issue is the drive by the Chinese government to try to boost the economy through exports, particularly in high-tech areas such as green technology and electric vehicles. This is in line with the perspective of President Xi Jinping and the government that future Chinese growth must be based on the development of high-quality new productive forces.

This policy has come under an international attack, led by the US, resulting in the imposition of tariffs and other restrictions on the export of Chinese products. In Washington for the IMF gathering, US Treasury Secretary Janet Yellen criticised the measures announced so far for failing to deal with alleged Chinese overcapacity and weak domestic demand.

In the lead-up to the meeting, she said China’s policies were leading to “industrial overcapacity in

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critical industries, threatening the viability of American and other firms and increasing the risk of overconcentrated supply chains that undermine global economic resilience.”

The latest data from China indicate the extent of the mounting problems in its domestic economy. According to figures released by the National Bureau of Statistics on Sunday, industrial profits at large Chinese companies in September were down by 27.1 percent from a year earlier, following a 17.1 percent fall for August.

Only the high-tech sector showed an increase with profits climbing by 6.3 percent for the first six months of the year.

Overall, the economy expanded by 4.6 percent in the September quarter from a year earlier. It was the lowest rate since the March quarter of 2023.

Figures compiled by Bloomberg show the extent of the slowdown in the economy and that many provinces are falling even behind the official target of 5 percent, itself the lowest for some three decades.

The data showed that provinces accounting for a third of the economy were performing worse this year than the country as a whole. Only five provinces out of a total of 26 which reported third-quarter numbers were showing growth higher this year than 2023, and some 11 reported a steeper decline than the overall economy.

“The worst performers so far this year,” Bloomberg reported, “are Tibet, Jilin and Hainan, whose 3.2 percent gain is 6 percentage points lower than in 2023.

“Guangdong, which made up more than 10 percent of the economy last year, expanded just 3.4 percent, the weakest result since the pandemic and down 1.4 percentage points from the whole of 2023. GDP nationwide expanded 4.8 percent in the first nine months, versus 5.2 percent last year.”

When the Chinese government, under intense pressure from powerful corporations, both international and domestic, abandoned its Zero-COVID policy at the end of 2022, it was widely predicted that with the lifting of restrictions the economy would experience a “bounce back.”

There was a slight increase in the early months of 2023, but it rapidly petered out as consumption spending has remained stagnant.

Any stimulus measures will be highly dependent on the actions of local government authorities. But they are labouring under an increased mounting of debt as their revenues from land sales fall, because of the slump in the real estate sector which has seen major companies, such as Evergrande, go under.

The central government has promised to help local governments pay off their debts, but their problems continue to worsen. The deficits for all local governments increased by 3 percent this year to reach 11.2 trillion yuan ($1.6 trillion) to the end of September, according to the Ministry of Finance.

Whatever decisions are made at next week’s top-level meeting, they will be determined both by economic and political calculations. On the economic front, the central government does not want the kind of stimulus measures it practised in the past, not least because it fears that this will only further increase debt.

But at the same time, it is acutely aware that whatever political legitimacy it enjoys in the eyes of the working class, as well as sections of would-be upwardly mobile sections of the middle class, depends on whether it can continue to ensure economic expansion. And that capacity is increasingly being called into question.

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