

China: 19th National Congress Report Lays Out Long Term Plan

- The Communist Party of China's General Secretary Xi Jinping delivered a report that charts out China's plan to move into a new era of great modern socialist country by middle of the 21st century.
- In the economic policy space, no major surprises as China is set to continue its market reform measures in the next 5 years, highlighting policies that are still ongoing, including upgrading of manufacturing sector, SOE reform, rebalancing towards consumption, market reforms, market-based interest rate and exchange rate, and Belt & Road Initiative.
- Next sequence of events: the National Congress will run from 18 Oct to 24 Oct and on 25 Oct at the First Plenary Session of the Central Committee, a new leadership will be elected in place for the next 5 years.

A New Era For China

The Communist Party of China (CPC) began its 19th National Congress on Wed (18 Oct), which takes place every five years. On behalf of the 18th Central Committee of the CPC, General Secretary Xi Jinping, who is also President of China, delivered to the Party delegates a report titled "Secure a decisive victory in building a moderately prosperous society in all respects and strive for the great success of socialism with Chinese characteristics for a new era."

The report, delivered in 3 and one-half hours, contained little surprises as most of the goals and plans have already been mooted in the past 5 years, and one that stood out was a 2-step plan, from 2020 to 2035 and from 2035 to 2050, to achieve a "great modern socialist country" by middle of 21st century.

Since the 18th National Congress in 2012, China's nominal GDP rose from RMB54 trillion to RMB80 trillion (about US\$8.2tn to US\$12.1tn) over the past five years. More than 60 million people have been lifted out of poverty in the same period.

Further Market Reforms In The Next 5 Years

In the economic policy front, no major surprises as Xi outlined a number of known areas, challenges and opportunities that are likely to be the focus in the next 5 years, and possibly beyond. These include:

- China now faces the **contradiction** between "unbalanced and inadequate" development and the people's ever-growing needs for a better life. This contradiction is a shift from previous one, which was described as one between "the ever-growing material and cultural needs of the people and backward social production."
- **Manufacturing sector** remains a core sector in China, by working faster to build China into a manufacturer of quality to push Chinese industries up to the medium-high end of the global value chain, and fostering a number of world-class advanced manufacturing clusters.
- Improve **macro-regulation** by better coordinating fiscal, monetary, industrial, regional, and other economic policies.
- On **state-owned enterprises (SOE)**, China will further the reform to make them "stronger, better and bigger," as well as to develop mixed-ownership economic entities, and turn Chinese enterprises into world-class, globally competitive firms.
- **Rebalancing towards consumption** by improving systems and mechanisms for stimulating consumer spending, and leveraging the fundamental role of consumption in promoting economic growth.

- **Investment** is still an important driver: reform of the investment and financing systems to be deepened to enable investment to play a crucial role in improving the supply structure.
- Reiterated that **houses** are meant to be lived in and not for speculation, which could mean the tightened measures on property markets could remain.
- **Rule of law** will be further strengthened with the deepening of national supervision system and establishment of supervisory commissions at the national, provincial, city, and county levels, which share offices and work together with the Party's disciplinary inspection commissions, as well as formulation of national supervision law.
- **Long range plan for China** to develop into a "great modern socialist country" by the middle of the 21st century, to become a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful.
- **Market reform** to continue although it looks to be more balance to address the rapid declines of foreign exchange reserves in the past few years: China will not close its door to the world, and it will only become more and more open, with the importance of both "bringing in" and "going global". This includes pursuing of the **Belt and Road Initiative** as a priority, which was mentioned 5 times during the speech.
- The speech also called for more **market-based interest rates and exchange rates** that could herald in some major reforms within the 5 years. The speech also reiterated the importance of improving the financial regulatory system to "forestall systemic financial risks", suggesting the deleveraging policy will remain in place.

Election Of Central Committee Members The Next Focus

With the key report and roadmap delivered, the next focus for the outside world will be who the Central Committee members will be at the end of the National Congress to transition into the 5 years.

Most importantly, the question is who will retire from, and enter into, the Politburo and Politburo Standing Committee (PSC) for the next 5 years. The PSC forms the pinnacle of power in Chinese politics and will lead China in the next 5 years and beyond.

The 19th National Congress is particularly significant, as the newly elected members in the PSC are to succeed both Xi and Li who are due to retire at the 20th National Congress in 2022.

While it is almost certain that Xi Jinping and Premier Li Keqiang will remain in the PSC, the make up of the rest of the PSC is still up in the air at this point and whether the PSC will remain at its current format of 7 members.

The Next Sequence Of Events:

- **The 19th National Congress will run from 18 Oct to 24 Oct**, during which the Party delegates will debate the Central Committee's report, amendments to the Party's Constitution, and election of the Central Committee members at the end of the National Congress.
- **After the close of the National Congress, on 25 Oct** the Central Committee will hold its first Plenary Session to elect members to the PSC. Upon the close of the Plenary Session, a communiqué will be issued and the new Politburo will hold its first press conference.

Recent Publications

- 17 Oct [Singapore: The Not-So-Surprising Decline In NODX](#)
- 16 Oct [Singapore: Property Market Stirring With More En-Bloc Activities](#)
- 13 Oct [Singapore: MAS Maintains Neutral SGD NEER Policy Stance But Maybe Not For Long](#)
- 12 Oct [Commodities Strategy: Palladium Powers Ahead Of The Precious Metals Complex](#)
- 10 Oct [Malaysia: Foreign Reserves Rise As Foreigners Resume Bond Buying](#)



Disclaimer: This analysis is based on information available to the public. Although the information contained herein is believed to be reliable, UOB Group makes no representation as to the accuracy or completeness. Also, opinions and predictions contained herein reflect our opinion as of date of the analysis and are subject to change without notice. UOB Group may have positions in, and may effect transactions in, currencies and financial products mentioned herein. Prior to entering into any proposed transaction, without reliance upon UOB Group or its affiliates, the reader should determine, the economic risks and merits, as well as the legal, tax and accounting characterizations and consequences, of the transaction and that the reader is able to assume these risks. This document and its contents are proprietary information and products of UOB Group and may not be reproduced or otherwise.