

Macro Note

China: Central Economic Work Conference (CEWC) Preview

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CEWC Against Backdrop Of Growth Moderation And Trade Anxiety

China's November economic data showing a larger-than-expected moderation in both export and import growth as well as easing inflation suggests that the growth slowdown could accelerate into 2019. The pick-up in new RMB loans during the month was largely due to seasonal factors, but supporting credit expansion to the SMEs will be one of the key policy moves to prevent a sharper growth downturn.

We maintain our forecast that China's GDP growth rate will moderate further to 6.4% y/y in 4Q18 for full-year 6.6% growth. Our 2019 growth forecast for China remains at 6.3% until we see greater clarity on the US-China trade developments despite some positive signals this week. On the assumption of a long negotiation process, the negative impact on exports, investment and private consumption will show up more clearly in early 2019. The extension of the downturn in China's property market from 2H18 could also weigh on the outlook for investment and private consumption.

Chinese policymakers have used a mix of proactive fiscal and monetary policies to soften any potential drag on growth, which include further broadening of tax measures (new deductions for personal income tax effective 1 Jan 2019) and cuts to the reserve requirement ratio (RRR). We can expect further stepping up in Chinese policy actions should the trade negotiations hit a road bump.

What To Watch

An early assessment of the US-China trade negotiations is likely to be embedded in the guidance of 2019 economic outlook and mitigating measures at the upcoming annual Central Economic Work Conference (CEWC) set on 19-21 December. The CEWC will be attended by Chinese state leaders, ministers, provincial governors and senior advisers with the key role of setting the policy priorities and tone for the coming year. However, China's key economic targets for 2019 will only be announced during the annual National People's Congress (NPC), or parliamentary session in March 2019 as part of the Government Work Report.

Growth and reforms will be on top of the agenda list against the backdrop of economic slowdown and trade tensions with the US. There are also some expectations of stimulus measures as well as more details on recent reports of an increase in market access to foreign companies and on the reported revisions to the Made in China 2025 Plan where some targets could be delayed. The Chinese government may also set a lower growth target for 2019 compared to "about 6.5%" target set in the last two years.

PBoC's Policy Measures

Along with the CEWC, we continue to expect another reserve requirement ratio (RRR) cut from the central in late 2018-early 2019, after having making its fourth RRR reduction in 2018 alone ([China: Fourth RRR Cut For The Year](#), 8 Oct 2018). We do not anticipate any policy interest rate cut from PBoC over the next 3-6 months, given that the US Fed is still on the rate hike path as the European Central Bank is moving towards policy normalization. As such, any aggressive cuts in RRR or even policy interest rate cuts would be a signal that the US-China negotiations may not be turning out well.

China's Central Economic Work Conference (CEWC) Under President Xi Jinping

Year	Date	Key Focus Area
2018	19-21 Dec	Possible areas: macroeconomic targets for 2019; mitigation measures on impact of trade on real economy; further support for private enterprises; adjustments to the Made in China 2025 Plan; mid-term review and adjustments to the 13th 5-Year Plan (2016-2020)
2017	18-20 Dec	Stability of economic growth; supply side reform and restructuring; management of risks; poverty reduction; pollution control
2016	14-16 Dec	Stability of economic growth; supply side improvements and rationalization; support for real economy and entrepreneurial spirit; healthy growth of housing market; financial stability; SOE reform
2015	18-21 Dec	To pursue tax cuts and more fiscal measures; reduce costs of financing; stabilize housing market
2014	9-11 Dec	Growth stability through steady monetary policy and proactive fiscal stance
2013	10-13 Dec	Growth stability through steady monetary policy and proactive fiscal stance; ensure private consumption as the main base of economic growth, with investment spending the essential driver, supplemental by exports
2012	15-16 Dec	Growth stability with increasing role by private consumption; steady expansion of loan growth; stable RMB exchange rate; guiding housing market; prevent systemic risks

Source: Xinhua, Reuters, UOB Global Economics & Markets Research

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