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China, after Emergency Countermeasures towards the Stock Market approaches the Season of the Beidaihe Meeting

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The Chinese government since May has taken a number of economic stimulus measures towards specific areas or industries and the GDP growth rate of the 2nd quarter of 2015 successfully landed at 7.0% YoY, just the same as it was in the 1st quarter of 2015. Because anticipated new growth engines only ignite weakly, the government is barely keeping up with the momentum of growth by public investments. As the month turned to July, we saw the Greek crisis, however, what got more attention were the sudden drop of the Shanghai and Shenzhen stock exchange market and the countermeasure the Chinese government took in trying to hold it. The Shanghai Composite Index at the end of May had been climbing up to two and a half times compared to last year's. However, since the People's Bank of China lowered their interest rate in November last year, the stock market might have begun to overheat. Behind the rise, some people vaguely noticed that the government had intention to raise the stock prices and to make use of it in reforming the balance sheet of state owned enterprises with heavy debts. However, ordinary people, coming late into the stock market only believing in the bullish government led market, panicked when stocks fell in June. The government's efforts made the share prices bottom out on July 9th and then prices were stabilized, though many economists do not have a good attitude towards this government intervention. For the Chinese leadership led by Xi Jinping, their priority had become more and more to bring the stability to the market rather than keeping the sound stock market, because the Beidaihe Meeting, a once in year highly important event, had come just around the corner.

Aside from the stock market, on the 8th and 9th in July, the BRICS and Shanghai Cooperation Organization Summit was held in Ufa, Russia and President Putin and President Xi Jinping held a summit talk just after the establishment of the BRICS New Development Bank (Headquartered in Shanghai). On the 20th, the Politburo Standing Committee of the Communist Party decided to hold the Fifth Plenum of Central Committee in October, where the Thirteenth Five Year Plan would be discussed.

From now, the point of attention will be the Beidaihe Meeting to be held from the end of July to early August. Issues, such as personnel reshuffling amongst the high ranking officials, that may predict a new list of Politburo Standing Committee member to be disclosed during the 19th National Congress in autumn of 2017, delicate anti-corruption campaign, reform of the People's Liberation Army, foreign policy adjustment if any with the U.S. and Japan, and further reform of financial sector, may come up. Xi Jinping's leadership, being narrowly succeeded in keeping a GDP growth rate in the target of 7% and stabilizing the stock market, with keeping strong footsteps in foreign policies, should succeed in surviving this year's Beidaihe Meeting as well, and we should carefully watch and listen to it.

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