

Schroders Quickview



Few surprises from China's National People's Congress



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- **Targets set for a steady, but rapid rate of economic development**
- **Positive news for China's economic development, but investors will be keeping an eye on near-term moves to contain growth**
- **Our strategy remains unchanged**

Whilst the National People's Congress (NPC) – the annual meeting of China's legislative body – is not due to conclude until the 14th March, the policies that have arisen from the meeting so far have been largely in line with market expectations. A few highlights are outlined below:

- The goal for 2010 is to exercise better macro control and maintain a steady, but rapid rate of economic development. Targets include GDP growth at 8%, CPI at 3%, and loan growth of CNY7.5 trillion.
- The intention is to continue with a moderately easy monetary policy and a proactive fiscal policy. However, fixed asset investment (FAI) growth is likely to decelerate in 2010 as the NPC calls for strict control on new projects.
- China's policy on the property market should maintain the status quo, with no further policies seen to be needed for now. Several high level officials have indicated that the government feels currently policy is working, with speculation being curbed.
- Domestic consumption looks set to be a policy focus, with a view to both long-term structural change and, in the short term, to compensate for decelerating FAI growth.
- Finally, merger & acquisition activity and industrial consolidation is being encouraged, as is the development of new energy/material, technology and environmental protection measures.

Positive moves, but market sensitivity in the near term

We believe the policy directions are positive for both short-term and long-term economic development in China. In the near term, however, the market is likely to remain very sensitive to any government initiatives that focus on reining in excess liquidity and containing inflation expectations.

As the policy talks are so far in line with our expectations, there have been no changes to our overall strategy regarding China. Specifically, we continue to favour areas relating to domestic consumption, as well as select industrial names within the new energy and healthcare sectors.

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