

**Chinese economy**

## China unveils \$1.4tn package to shore up economy

Beijing braces for trade tensions with US under Trump but measures disappoint investors



Markets had hoped that Chinese authorities would unveil stimulus measures targeted at consumers © Kevin Frayer/Getty Images

**Joe Leahy** and **Wenjie Ding** in Beijing and **Cheng Leng** and **Arjun Neil Alim** in Hong Kong 10 HOURS AGO

---

China has announced a Rmb10tn (\$1.4tn) fiscal package to bail out local governments and help shore up its faltering economy, as it braces for increased trade tensions with the US under Donald Trump.

The long-awaited fiscal plan is one of the biggest to target the country's troubled local authorities, but it disappointed investors expecting more support for flagging household consumption in the world's second-largest economy.

The measures announced on Friday by the National People's Congress, China's rubber-stamp parliament, follow a [monetary stimulus package released in September](#) that was Beijing's biggest since the coronavirus pandemic.

As part of the bailout, Beijing would authorise local governments to issue bonds over three to five years to restructure most of an estimated Rmb14tn in "hidden" or "implicit" debts, finance minister Lan Fo'an said in a rare press briefing at the Great Hall of the People in Beijing.

These debts are mostly held by thousands of off-balance sheet finance vehicles that local governments used to invest in infrastructure and property-related sectors.

Many of these bets went sour when [China's](#) real estate market entered a deep

slowdown three years ago, sinking local government finances and undermining the broader economy.

“There is a sense of disappointment in markets — yields are lower and the yuan is weaker,” said Mitul Kotecha, head of emerging market macro strategy for Asia at Barclays, of the fiscal package.

China’s renminbi was down 0.3 per cent at less than Rmb7.16 to the dollar on Friday afternoon. The country’s central bank on Thursday [set its daily fix for the currency](#) at its lowest level in a year, at Rmb7.166, as the dollar surged following Trump’s victory.

Lan said Beijing would authorise local governments to issue Rmb6tn in new bonds over three years for the debt restructuring and would reallocate a further Rmb4tn in previously planned bonds over five years for the same purpose.



Finance minister Lan Fo'an told a rare press conference that officials were ‘studying’ further stimulus measures © Ng Han Guan/AP

Local governments would be able to swap these bonds for those of their finance vehicles, bringing the debts on to their own balance sheets. This would lead to lower financing costs, saving Rmb600bn in total, Lan said.

Lan estimated that “hidden debts” would be reduced to Rmb2.3tn once the swaps and another debt programme related to slum redevelopment were in place.

This would free up resources previously “constrained” by the debt problems and allow local governments to refocus spending on “development and public welfare

improvement”, he said.

On additional stimulus measures, Lan said officials were “studying” extra steps to recapitalise big banks, buy unfinished properties and strengthen consumption.

“We are planning the next phase of fiscal policy and are intensifying countercyclical adjustments,” the finance minister said.

But analysts say China needs to urgently deal with other problems dogging its domestic economy, including the housing slump, before a 60 per cent increase in tariffs threatened by [Trump](#) during the US election hit its exports.

If fully implemented without Chinese countermeasures, the Trump tariffs could knock several percentage points off China’s GDP at a moment when the economy was highly vulnerable, analysts said.

highly vulnerable, analysts said.

“There has been such a build-up in this NPC meeting that the expectations were pretty high,” said Barclays’ Kotecha.

He suggested that Beijing was keeping some powder dry to be able to respond to potential tariffs from Trump and might announce more measures further down the line.

Larry Hu, economist at Macquarie, said the announcement “may be disappointing for those who were expecting the NPC meeting to approve a massive fiscal package”.

“But the expectation is unrealistic, because the policy goal is to achieve the GDP growth target and reduce tail risks, not to reflate the economy in any meaningful way,” he said.

Beijing’s stimulus efforts became more urgent in September after it became clear that third-quarter GDP growth, which came in at 4.6 per cent year on year, was set to miss the official annual target of 5 per cent.

The US-listed shares of two of China’s largest companies, Alibaba and JD, were both trading down in the pre-market session in New York.

Commodities including Brent crude, the international oil benchmark, and iron ore declined on Friday, suggesting lower growth expectations for the world’s second-largest economy.

The Australian dollar, which is often directly affected by shifts in the strength of the economy, weakened 0.6 per cent.

---

[Copyright](#) The Financial Times Limited 2024. All rights reserved.

---



