Chapter 1
China’s Economic Performance in 2019

In 2019, the weakening of global trade expansion and the escalation of trade frictions between China and the US restrained the growth of private investment in Chinese manufacturing industry, the growth of profits of the industrial enterprises fell sharply, and the downward pressure on economic growth continued to increase. The growth rate of real gross domestic product (GDP) was 6.1%, down 0.6 percentage points over the previous year (see Fig. 1.1). In response to the downward pressure at home and from abroad, the Chinese government strengthened and improved macro-control policies and measures, such as reduction of tax and fee, improvement of business environment, and support for the real economy. Therefore, the national economy showed a trend of steady growth.

1.1 The Share of Secondary Industry to GDP Declined

In 2019, Chinese industrial production expansion slowed down. The share of the secondary industry in GDP continued to decline to 39.0%, the lowest in the past 20 years (see Fig. 1.2). At the same time, the share of the tertiary industry in GDP increased to 53.9%, and the share of primary industry was basically unchanged.¹

In term the contribution rates in 2019, the contribution rate of the second industry to GDP growth increased to 36.8%, a rise of 2.4 percentage points over the previous year; the contribution rate of the tertiary industry to GDP growth decreased to 59.4%, down 2.1 percentage points over the previous year (see Fig. 1.3).

Since 2014, the contribution rate of the secondary industry to GDP growth has declined rapidly, and it has turned to recovery in recent two years. Whether this trend

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¹The continuous growth of the tertiary industry ensures the stable growth of employment. In 2019, 13.52 million new jobs will be created in cities and towns, exceeding the expected target of more than 11 million for seven consecutive years.
Fig. 1.1 The growth rate of real GDP. Source CQMM team calculations on CEIC data.

Fig. 1.2 The shares of the three industries in GDP. Source CQMM team calculations on CEIC data.
1.1 The Share of Secondary Industry to GDP Declined

![Figure 1.3: The contribution rate to GDP growth. Source: CQMM team calculations on CEIC data](image)

can be sustained will depend on the adjustment of industrial structure, especially manufacturing industry, and the improvement of production efficiency.

In 2019, the growth rate of fixed asset investment continued to decline. The contribution rate of capital formation to GDP growth declined to 31.2%, down 10.3 percentage over the previous year, the lowest in the past 20 years. As the growth rate of real income of residents slowed down, the growth rate of consumption was difficult to increase rapidly. The contribution rate of final consumption to GDP growth declined to 57.8%, down 8.1 percentage points over the previous year. Despite the escalation of trade frictions between China and the US in 2019, the contribution rate of net exports of goods and services to GDP growth rose to 11.0%, up 18.4 percentage points over the previous year (see Fig. 1.4).

1.2 The Growth Rate of Fixed Asset Investment and Private Investment Declined

In 2019, the total social fixed asset investment (excluding farmers) increased by 5.4%, a decrease of 0.5 percentage points over the previous year (see Fig. 1.5). Since 2010, the investment growth rate has continued to decline. In term of ownership, the investment of state-owned and state-holding enterprises increased by 6.8%, up 4.9 percentage points over the previous year; the private investment increased by 4.7%, down 4.0 percentage points. The share of private investment in total investment was
Fig. 1.4 The contribution rate to GDP growth, by expenditure method. Source CQMM team calculations on CEIC data

Fig. 1.5 The growth rate of fixed asset investment in term of ownership. Source CQMM team calculations on CEIC data
56.4%, down 5.6 percentage points, the lowest in the past decade. The growth rate of private investment, reached the bottom in 2016, increased in 2017 and 2018, but fell again in 2019 owing to trade friction between China and the US.

In 2019, the rebound in the manufacturing investment has stopped. The investment in manufacturing industry increased by 3.1%, a sharp decrease of 6.4 percentage points over the previous year, the lowest in the past 15 years (see Fig. 1.6). The strict implementation of policies to prevent financial risks and strengthen financial supervision has basically restrained the rapid growth of real estate investment and infrastructure investment. Real estate investment increased by 9.1%, a slight increase of 0.8 percentage points; infrastructure investment increased by 3.8%, which was the same as the previous year. The sharp decline of investment growth in manufacturing industry should be the main factor to restrain the growth of total investment.

Further, in term of the private investment in manufacturing industry (see Fig. 1.7), the investment grew at 2.8%, down 7.5 percentage points over last year. The cumulative growth rate in all months of 2019 fell sharply compared with the same period of last year. It shows that the slow expansion of global trade and the trade frictions between China and the US had a negative impact on Chinese export-oriented private manufacturing investment, and reversed its recovery trend since 2017.

![Fig. 1.6 The growth rates of investment of major industries. Source CQMM team calculations on CEIC data](image-url)
Fig. 1.7 The growth rate of commutative private investment. Source: CQMM team calculations on CEIC data.

In 2019, to respond the continuous decline in investment growth, Chinese macro-control policies had changed greatly, such as tax reduction and fee reduction, improving the business environment, supporting the development of the real economy. The new energy investment grew rapidly, the investment in the weak areas continued to develop, and the investment structure was gradually improving. In 2019, investment in high-tech industry was growing rapidly, increasing by 17.3%, a rise of 2.4 percentage points over the previous year. Among them, investment in high-tech manufacturing increased by 17.7%, up 1.6 percentage points over the previous year, accounting for more than 20% of all manufacturing investment. In addition, investment in high-tech services increased by 16.5%, a rise of 3.6 percentage.

1.3 Production Grew Stably, the Growth Rate of Profit Declined Sharply

In 2019, the growth rate of industrial production is moderate and stable. The added value of industries above designated size in real term increased by 5.7%, a dropped of 0.5 percentage points over the previous year, the lowest in the past 20 years (see Fig. 1.8). Among them, the industrial added value of state-owned and state-holding enterprises increased by 4.8%, an decrease of 1.4 percentage points; the industrial added value of private enterprises increased by 7.7%, an increase of 1.5 percentage points; the industrial added value of foreign-funded and Hong Kong, Macao and Taiwan invested enterprises increased by 2.0%, an decrease of 2.8 percentage points. The growth rate of the industrial added value of private enterprises reached its lowest
level of 5.9%, and the industrial added value of other types of ownership began to recover slightly for two consecutive years.

In term of industries, in 2019, the added value of the manufacturing industry increased by 6.0%, a decrease of 0.5 percentage points over the previous year (see Fig. 1.9). Among them, the added value of general equipment manufacturing, special equipment manufacturing, automobile manufacturing, computer, communication and other electronic equipment manufacturing increased by 4.3, 6.9, 1.8 and 9.3% respectively, down 2.9, 4.0, 3.1 and 3.8 percentage points over the previous year; The added value of the manufacturing of railway, ship, aerospace and other transportation equipment, electrical machinery and equipment manufacturing, and instrument manufacturing increased by 7.4, 10.7 and 10.5% respectively, up 2.1, 3.4 and 4.3 percentage points. In addition, the added value of high-tech manufacturing industry increased by 8.8%, a decline of 2.9 percentage points. The added value of high-tech manufacturing industry accounted for 14.4% of enterprises above designated size, only up 0.5 percentage points, which played a limited supporting role in the stable growth of industrial economy.

In 2019, the growth of profit of the industrial enterprises declined sharply. The total profits of industrial enterprises above designated size contracted by 3.3%, and the growth rate dropped by 13.6 percentage points compared with the previous year (see Fig. 1.10). In the past five years, the growth rate of profits of the industrial enterprises has rebounded rapidly from −2.3% in 2015 to 8.5% in 2016, to 21.0% in 2017, then decreased to 10.3% in 2018, and turned negative again in 2019. In
Fig. 1.9  The growth rate of industrial added value in real term. *Note* a The value added of manufacturing; b General equipment manufacturing; c Special equipment manufacturing industry; d Automobile manufacturing industry; e Railway, ship, aerospace and other transportation equipment; f Electrical machinery and equipment manufacturing; g Manufacturing of computer, communication and other electronic equipment; h Instrument manufacturing industry. *Source* CQMM team calculations on CEIC data.

Fig. 1.10  The growth rate of total profits enterprises above designated size. *Note* a Industrial enterprises above designated size; b State-owned; c State-holding; d Private; e Foreign, Hongkong, Macao and Taiwan; f The rest. *Source* CQMM team calculations on CEIC data.
1.3 Production Grew Stably, the Growth Rate …

In terms of the ownership, the profit of state-owned enterprises decreased by 19.0%, a decrease of 13.3 percentage points over the previous year; the profit of state-holding enterprises decreased by 12.0%, an decrease of 24.6 percentage points; the profit of private enterprises increased by 2.2%, an increase of 9.7 percentage points; the profit of foreign and Hong Kong, Macao and Taiwan enterprises decreased by 3.6%, a decrease of 5.5 percentage points; Profits of other industrial enterprises decreased by 5.6%, a sharp decrease of 25.5 percentage points.

In 2019, the export was sluggish, and the export order index fell below the threshold value of 50. The impact of the global market had directly restrained the profit growth of the export-oriented manufacturing enterprises. The total profit of manufacturing enterprises grew by −5.2%, a drop of 13.9 percentage points compared with the previous year (see Fig. 1.11). Among them, the profits of general equipment manufacturing, special equipment manufacturing, automobile manufacturing and instrument manufacturing enterprises increased by 3.7, 12.9, −15.9 and 5.9% respectively; the profits of railway, ship, aerospace and other transportation equipment manufacturing, electrical machinery and equipment manufacturing, as well as computer, communication and other electronic devices increased by 11.9, 10.8 and 3.1% respectively.

In 2019, the weakening of global trade expansion and the escalation of trade frictions between China and the US have caused a great negative impact on Chinese

![Fig. 1.11](image_url) The cumulative growth of total profits. Note a The added value of the manufacturing; b General equipment manufacturing; c Special equipment manufacturing industry; d Automobile manufacturing industry; e Railway, ship, aerospace and other transportation equipment; f Electrical machinery and equipment manufacturing; g Manufacturing of computer, communication and other electronic equipment; h Instrument manufacturing industry. Source CQMM team calculations on CEIC data
export-oriented manufacturing production. The rapid decline of the growth rate of the private investment in manufacturing industry and the general contraction of profit growth of all kinds of industrial enterprises had not only put downward pressure on economic growth, but also directly restrained the growth of fiscal revenue, thus weakening the ability of expansionary fiscal policies with tax reduction and fee reduction.

### 1.4 Imports and Exports Slowed Down, Share with the US Shrunk

In 2019, the growth rate of Chinese import and export of goods slowed down. The total export (RMB value) increased by 5.0%, a decrease of 2.1 percentage points over the previous year; the total import (RMB value) increased by 1.6%, a decreased of 11.3 percentage points. The trade surplus reached 2918 billion yuan, an increase of 593.29 billion yuan (see Fig. 1.12).

In term of countries or regions, in 2019, Chinese exports to the US accounted for 16.7% of the total exports, down 2.5 percentage points over the previous year; the exports to the European Union accounted for 17.1%, up 0.7 percentage points; the exports to ASEAN accounted for 14.4%, up 1.6 percentage points (see Fig. 1.13a).

Chinese imports from the US accounted for 5.9%, down 1.4 percentage points over the previous year; the imports from the European Union accounted for 13.4%, up 0.5 percentage points; the imports from ASEAN accounted for 13.6%, up 1.0 percentage points (see Fig. 1.13b).

![Graph showing the cumulative growth rate of import and export (RMB)](image)

**Fig. 1.12** The cumulative growth rate of import and export (RMB). *Source* CQMM team calculations on CEIC data
1.4 Imports and Exports Slowed Down, Share with the US Shrunk

It shows that the escalation of trade frictions between China and the US had led to a significant decline in Chinese share of trade with the US, and the trade transfer effect had increased the share of trade between China and the European Union or ASEAN.

Affected by the escalation of trade frictions between China and the US, the exchange rate of US dollar against RMB once exceeded 7 in August 2019, and then fluctuated. By the end of 2019, the exchange rate was 6.976, about 1.9% lower than that of the beginning of the year (see Fig. 1.14). Since the central bank launched the reform of RMB exchange rate pricing mechanism in August 2015, the RMB exchange rate against the US dollar has maintained the trend of basic stability with fluctuation. At the end of the year, foreign exchange reserves totaled $3.11 trillion, nearly the same as the previous year.

Fig. 1.13  a The export share to the major trading partners. b The import share from the major trading partners. Source CQMM team calculations on CEIC data
Fig. 1.14  The exchange rate of RMB against the US dollar. *Source* CQMM team calculations on CEIC data.

Fig. 1.15  The main indicators of CPI (last year = 100). *Source* CQMM team calculations on CEIC data.
1.5 **CPI Rose Sharply, PPI Dropped, the Growth of Consumption Slowed Down**

In 2019, the impact of African swine fever greatly increased pork price. CPI rose 2.9% in 2019, up 0.8 percentage points over the previous year; core CPI excluding food and energy prices rose 1.6%, down 0.3 percentage points. On the other hand, the international crude oil price rose first and then fell, leading to the fall of the price of raw materials. Combined with the decline in the growth rate of investment in the domestic market, the producer price index (PPI) of the industry decreased by 0.3%, a decline of 3.8 percentage points (see Figs. 1.15 and 1.16).

In 2019, the growth of residential income continued to slow down slightly. The per capita real disposable income increased by 5.8%, down 0.7 percentage points, the lowest growth rate in the past five years. Among them, the per capita real disposable income of urban residents increased by 5.0%, a decreased of 0.6 percentage points. The per capita real disposable income of rural residents increased by 6.2%, a decreased of 0.4 percentage points (see Fig. 1.17).

In 2019, with the decline of growth rate of real income, the growth rate of consumption fell accordingly. The total retail sales of social consumption goods increased by 8.0% in nominal terms, down 1.0 percentage points. The total retail sales of social consumption goods increased by 6.0% in real terms, down 0.9 percentage points. The per capita consumption expenditure increased by 5.5% in real terms, down 0.7 percentage points; the per capita consumption expenditure of urban residents increased by 4.6% in real terms, the same as that of the previous year; the per capita

![Fig. 1.16](image-url) The price indexes. *Source* CQMM team calculations on CEIC data
The cumulative growth rates of GDP and per capita disposable income in real term. Source CQMM team calculations on CEIC data

Consumption expenditure of rural residents increased by 6.5%, down 1.9 percentage points (see Fig. 1.18).

The growth rate of cumulative consumption per capita in real term. Source CQMM team calculations on CEIC data
In recent years, the slow growth of Chinese labor productivity has restrained the rapid growth of real income of residents and the consumption. In the long run, with the accelerating the process of population aging, the growth rate of consumption expenditure was more difficult to increase rapidly. Therefore, the rapid growth of labor productivity in Chinese industry, especially in manufacturing industry should be the fundamental to ensure the labor productivity and then the rapid growth of the real income of residents. How to expand the effective investment in manufacturing industry, promote industrial upgrading, and accelerate the growth of labor productivity is an important issue to be solved.

1.6 Monetary Policies Continued to Be Prudent

In 2019, while strictly preventing and controlling financial risks, the monetary policies remained prudent. Cash in circulation (M0) increased by 5.4% in the whole year, an increase of 1.8 percentage points over the previous year; M1 increased by 4.4%, an increase of 2.9 percentage points; M2 increased by 8.7%, an increase rate of 0.6 percentage points. The total amount of new social financing was 25.6 trillion yuan, an increase of 3.1 trillion yuan. Among them, RMB loans increased by 16.9 trillion yuan, an increase of 1.2 trillion yuan. The new RMB loans accounted for 66% of the total amount of new social financing, a decrease of 3.7 percentage points (see Fig. 1.19).

In 2019, among the new RMB loans, the real economy accounted for 56.2%, an increase of 4.8 percentage points over the previous year (see Fig. 1.20). Households accounted for 44.2%, down 1.3 percentage points; the proportion of loans to real estate also fell to 34.0%, down 5.9 percentage points.

Since 2016, the share of new RMB loans to real economy sharply decreased to 48.2%. This not only reduced the efficiency of the use of credit resources, but also inhibited the expansion of the investment demand of the real economy. At the same time, it aggravated the bubble of the real estate market and raised the systemic risk of the financial system. Since 2017, this share had recovered for three consecutive years. Although it still failed to reach the level of 63.0% of 2015, it shows that a series of policies on financial services for the real economy had improved the structure of new RMB loans.

In addition, based on the fundamental requirements of financial services for the real economy, monetary authorities should deepen the structural reform of the financial supply, and improve the transmission efficiency of the monetary policies.

The People’s Bank of China (PBOC) started an interest rate reform on Aug 20, 2019, which we regard as a pragmatic start to unifying the “dual tracks” of interest rates—one for rates in the money market and the other for lending rates. Under the reform, the PBOC has improved the formation mechanism of the loan prime rate

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2 *China’s macroeconomic forecast and analysis—spring report 2018*, by research team of the Research Center for Macroeconomic at Xiamen University.
Fig. 1.19 The total amount of new social financing and new RMB loans. Source CQMM team calculations on CEIC data

(LPR), eliminating the lower limit of loan interest rate, and effectively reducing the interest burden of enterprises. At the same time, China increased financial support to small and micro enterprises, private enterprises of manufacturing industries. In 2019, the weighted interest rate of newly issued corporate loans was 5.12%, down about 0.48 percentage points over the previous year. At the end of the year, the LPR loan accounted for 90% of total loan.3

3People’s Bank of China: monetary policy implementation report, No. 4, 2019.
1.7 Tax Revenue Slowed Down, and the Fiscal Expenditure Stable

In 2019, the nominal growth rate of general public budget revenue was 3.8%, down 2.4 percentage points over the previous year; the nominal growth rate of general public budget expenditure was 8.1%, down 0.6 percentage points (see Fig. 1.21). Affected by the sharp decline of profit growth of industrial enterprises above designated size, the growth rate of tax revenue declined significantly. The annual tax revenue increased by 1.0%, a decrease of 7.3 percentage points; the tax revenue accounted for 83.0% of the general public budget revenue, down 2.3 percentage points. The revenue from the state-owned land of local governments was about 7.3 trillion yuan, growing by 11.4%, a decrease of 13.6 percentage points.

In 2013, the growth rate of tax revenue declined from the double-digit to single digit, and it dropped to 4.3% in 2016, it rebounded to 10.7% in 2017 and dropped to 1.0% in 2019, the lowest in the past 30 years. Under the financial and tax system with VAT as the main source of tax, the slowdown of industrial production, the contraction of PPI and the decline of the growth rate of corporate profits had greatly inhibited the growth of tax revenue. In order to ensure the fiscal revenue, local governments had to increase the price of land, obtain loan resources through land mortgage by restricting land supply. This directly increased the debt burden of local governments, and then expanded the risk of the financial system.

Although the growth rate of fiscal revenue continued to decline, fiscal expenditure rose stably. By introducing a series of policies and measures, such as reducing taxes and fees, improving the business environment, supporting the development of the real economy, especially stabilizing the investment in the manufacturing industry, the investment structure had been improved while the economic growth had been stabilized, and the economic transformation and upgrading trend had been continued.
First of all, greater tax reduction and fee reduction policies had reduced the burden of enterprises. In 2019, more than 2 trillion yuan of tax reduction and fee reduction had been added. Among them, the social security expenses of enterprises were reduced by 425.2 billion yuan. Greater efforts had been made to reduce taxes and fees, and optimize the business environment by reducing the burden of enterprises, enhancing the vitality of micro enterprises, and improving the operation of private and small and micro enterprises. Secondly, reduction of tax and expansion of transfer income of residents had stabilized the growth of residential income. The special deduction policy of personal income tax issued at the beginning of 2019 has deducted six major items and reduced the tax burden of residents. The per capita net transfer income of residents increased by 9.9%, up 1.0 percentage points over the previous year; the proportion of net transfer income in disposable income was 18.5%, up 0.2 percentage points. Among them, the per capita net transfer income of urban residents increased by 8.2%, up 1.1 percentage points; the proportion of the net transfer income in the per capita disposable income of urban residents was 17.9%, up 0.1 percentage points. The per capita net transfer income of rural residents increased by 12.9%, up 0.7 percentage points; the proportion of the net transfer income in the per capita disposable income of rural residents was 20.6%, up 0.6 percentage points. Finally, China will continue to work hard to improve the investment structure, to protect the
environment. In some weak links, such as ecological protection and environmental governance, investment achieved rapid growth.

To sum up, global trade continued to decline in 2019. The growth rate of global trade in goods and services was 1.0%, a decrease of 2.6 percentage points over the previous year. Among them, the trade of developed countries increased by 1.3%, a decrease of 1.9 percentage points. The trade of emerging and developing countries increased by 0.4%, a decrease of 4.2 percentage points.4

Affected by this, the growth rate of Chinese industrial export delivery value continued to grow negatively from August to November 2019. In December, the growth rate returned to 0.4%. The slowdown of global trade expansion and the escalation of trade frictions between China and the US restrained the growth of private investment in export-oriented manufacturing industry, and the profit growth of industrial enterprises shrunk. In order to cope with the increasing downward pressure on the economy, while continuing to implement the prudent monetary policies, the financial policies increased efforts to promote tax reduction and fee reduction, ensuring the overall smooth operation of the national economy, improving the quality of development, and laying a solid foundation for building a moderately prosperous society in all respects by 2020.

In 2020, China and the US reached the first phase of trade agreement in mid-January, which strengthened the expectation that China and the US will avoid further escalation of trade frictions. In January 2020, the International Monetary Fund (IMF) predicted that the global economic growth will increase from 2.9% in 2019 to 3.3% in 2020 and 3.4% in 2021.

There are three main favorable factors supporting the growth of global economy: first, the monetary policies of major countries continue to be loose; China US trade negotiations are getting better; the rebound in manufacturing activities and global trade is also an important factor. The IMF forecasts that the growth rate of global trade in goods and services will rebound to 2.9 and 3.7% in 2020 and 2021 respectively. Among them, in 2020, the trade of developed countries, emerging and developing countries will grow by 2.2 and 4.2%, respectively. The rebound of global trade will greatly strengthen the investment of Chinese export-oriented manufacturing industry and improve the profit growth prospects of manufacturing enterprises.

The outbreak of the COVID-19 pandemic in late January, however, has great impact on the Chinese economic growth in 2020. In response to the COVID-19 pandemic, prevention and control measures have been taken, such as isolation of residents at home and delay of resumption of work, production, and business activities. By the end of February, although the COVID-19 pandemic has begun to decline, in order to prevent the recurrence of the COVID-19 pandemic, all provinces maintain different control efforts and take different time to resume the work, production, and business activities according to the actual situation. The negative impact of the COVID-19 pandemic on Chinese economy in the first quarter of 2020 and the first half of the year cannot be ignored.

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4International Monetary Fund (IMF): world economic outlook, January 2020.
2020 is the year of building a moderately prosperous society of China in all respects and the last year of the 13th five-year-plan. Though the Chinese economic will grow stably in the long run, the downward pressure on the economy is still large in the short run.

In 2019, the Chinese government’s macro-control mode has fundamentally changed in response to the declining growth rate of private investment due to the impact of the global market. In terms of the monetary policies, based on the fundamental requirements of financial services for the real economy, the monetary policies adheres to the “stable” tone, at the same time, by deepening the structural reform of the financial supply, reforming the formation mechanism of the loan prime rate (LPR), reducing the interest burden of the real economy, and improving the price transmission efficiency of the monetary policies; while maintaining reasonable and abundant liquidity, China should improve the investment structure of credit resources, steadily increase the share of new RMB loans to the real economy; increase financial support to private, small and micro enterprises.

In 2019, in terms of the fiscal policies, the burden of enterprises had been effectively reduced and the vitality of micro enterprises had been strengthened through greater tax reduction and fee reduction and the optimization of business environment; the special additional deduction policy of personal income tax and the strengthening of the growth of net transfer income to the residents had stabilized the growth of disposable income of residents; more importantly, and some policies and measures to stabilize the investment in manufacturing industry ensure the rapid growth of new energy investment and the investment structure is gradually optimized. These measures will be able to continuously consolidate the foundation of Chinese economic growth and promote the orderly transformation of growth momentum.

China must adhere to the new development concept and promote the development of high quality. China must adhere to the structural reform of supply side, persist in reform and opening up. China must ensure stability on the six fronts and security in the six areas, and ensure stable economic performance is of crucial significance. China need to pursue reform and opening up as a means to stabilize employment, ensure people’s wellbeing, stimulate consumption, energize the market, and achieve stable growth. China need to blaze a new path that enables us to respond effectively to shocks and sustain a positive growth cycle.

In 2020, it is an important part of deepening the reform of interest rate and improving the formation mechanism of the loan prime rate (LPR) in the loan market. This can not only reduce the loan interest rate of enterprises, but also help to improve the efficiency of market allocation of credit resources. At the same time, in terms of the fiscal policies, while the supply side continues to implement policies such as tax reduction and fee reduction and optimization of business environment, it is also necessary to increase the incentive of the demand side to the residential sector, and stabilize the income growth of residents, especially rural residents, through tax reduction, expansion of transfer income and stabilization of the employment market. Therefore, it is necessary to make full use of government bonds and all kinds of expenditure tools, appropriately increase the ratio of fiscal deficit to GDP, activate the financial stock funds, and improve the efficiency of the use of financial funds.
Through the above monetary and fiscal policies, it is expected that in 2020, while stabilizing growth and achieving the goal of doubling, China will vigorously promote economic restructuring and improve growth efficiency. Based on this, this report attempts to analyze the possible macroeconomic effects of LPR reform and fiscal expenditure expansion using China’s Quarterly Macroeconometric Model (CQMM model).