

**CHINA'S PARLIAMENTARY SESSIONS
2016: MORE REFORMS WITH
LOWER GROWTH TARGETS**

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Executive Summary

1. China lowered its economic growth target for 2016 to between 6.5% and 7%, and its defence budget growth to 7.6% at its annual National People's Congress (NPC) held from 3 March to 16 March 2016.
2. The NPC scrutinised and approved the 13th Five-Year Plan (2016-2020) for China's socioeconomic development in the next five years. Premier Li Keqiang promised that the Chinese economy would continue to grow at an average annual rate of at least 6.5% from 2016 to 2020.
3. With the ruling party's tightening of control of the media and ideology, the NPC delegates were evidently more cautious than before in voicing their views on such sensitive issues as ideology, financial reform, state-owned-enterprises, property development and foreign policy.
4. Although China missed the targeted GDP growth in 2015, the Li government could claim some credit for restructuring the economy.
5. The services industry for instance accounted for 50.5% of total GDP, 2.3 percentage point higher than that of 2014. Some 66.4% of GDP growth came from domestic consumption, up 15.2 percentage point year on year.
6. Li is actively searching for new sources of growth, which include the decentralisation of centrally controlled administrative power, more tax rebates and streamlining of administrative approval.
7. As expected, the NPC has approved all reform plans and Premier Li's government report. Nevertheless, the real challenges and resistance from entrenched institutional interests have recently surfaced.
8. The year 2016 is expected to be a painful year for China's economic restructuring. The industrial overcapacity and local property bubbles have become so serious

that any deleveraging and destocking that come too fast may lead to economic and social instability.

9. During the NPC session, a protest by thousands of state coal mine workers in the Heilongjiang province was sparked by comments made by the Heilongjiang Governor Lu Hao who said that the coal mining group had not withheld salaries despite suffering heavy financial losses.