

China: Consumption getting greater attention from policymakers, but details still unclear

Bottom line: On March 16, the State Council unveiled a “special action plan” to boost consumption. As a follow-up, the National Development and Reform Commission (NDRC), together with several other ministries, held a press conference on March 17 to answer journalist questions. The action plan outlined the broad approach that the government is adopting to boost consumption, including raising income and wealth, improving the social safety net, expanding the consumer goods trade-in program, increasing the quality of consumer products, promoting services consumption, and removing various purchase restrictions. However, neither the action plan nor the press conference provided detailed packages and programs beyond what had already been announced at the “Two sessions.”

Main points:

1. Both the Central Economic Work Conference last December and the Government Work Report delivered by Premier Li Qiang at the March “Two Sessions” placed “boosting consumption” as the top priority for this year’s policy focus. During the press conference on March 6, the head of NDRC Zheng Shanjie announced that a comprehensive consumption action plan would be introduced soon. On March 16, the State Council unveiled a “special action plan” to boost consumption. As a follow-up, NDRC along with several other ministries held a press conference on March 17 to answer journalist questions.
2. The action plan released by the State Council provides the government’s high-level thinking on how to boost consumption. We summarize the key pillars of the plan (Exhibit 1):
 - **Increase income and wealth:** Given the weak labor market and elevated youth unemployment rate last year, policymakers vowed to support employment and increase the minimum wage. Property and equity accounted for around 70% of total household assets. Declining property prices weighed on consumer confidence and constrained households’ willingness to spend, especially in top-tier cities. They reiterated the policy priority to stabilize the property and stock markets, echoing the tone in previous communications.
 - **Strengthen social safety net:** In addition to increasing government pension and healthcare payments, officials mentioned that the National Health Commission (NHC) is working on an implementation plan to boost birth rates, but no details were made public. On March 13, Hohhot, the

Andrew Tilton

+852-2978-1802 | andrew.tilton@gs.com
Goldman Sachs (Asia) L.L.C.

Hui Shan

+852-2978-6634 | hui.shan@gs.com
Goldman Sachs (Asia) L.L.C.

Lisheng Wang

+852-3966-4004 |
lisheng.wang@gs.com
Goldman Sachs (Asia) L.L.C.

Xinquan Chen

+852-2978-2418 |
xinquan.chen@gs.com
Goldman Sachs (Asia) L.L.C.

Yuting Yang

+852-2978-7283 |
yuting.y.yang@gs.com
Goldman Sachs (Asia) L.L.C.

Chelsea Song

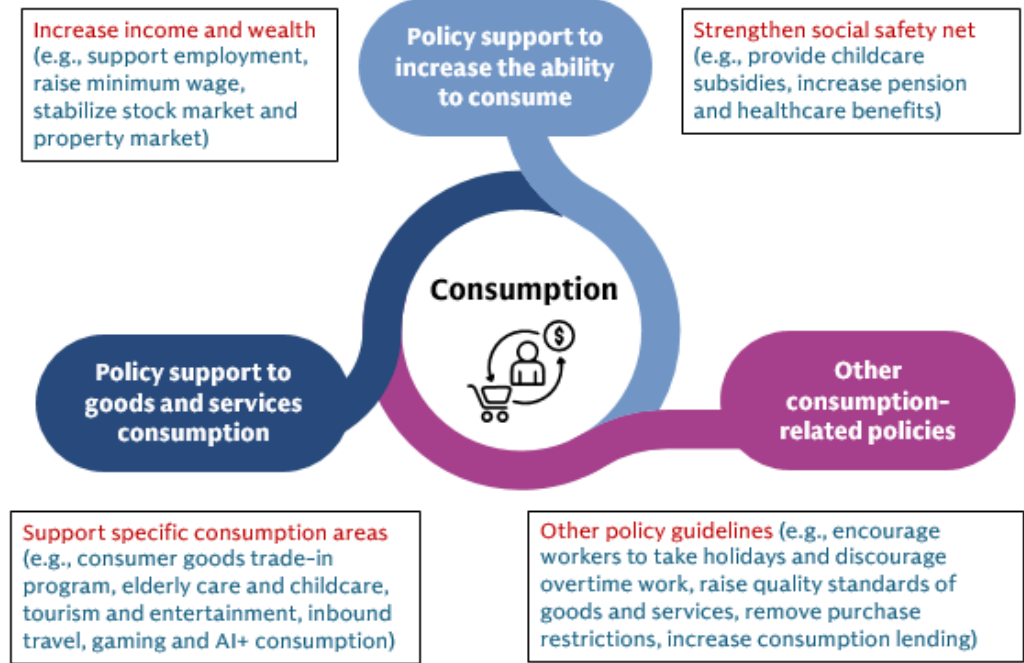
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capital city of China's Inner Mongolia Autonomous Region, announced it will offer a cash handout for newborns in the city (Exhibit 2). Specifically, the first child will receive a one-time subsidy of RMB 10k, the second child will receive RMB 10k per year until he/she reaches five years old (RMB 50k in total). For the third and additional child, the annual subsidy is RMB 10k per child until the child turns 10 (RMB 100k in total). The size of the subsidy is relatively high compared with other cities, but the macro implication is limited if it is only the city of Hohhot giving out the subsidy. We previously estimated a 10-30 bp boost to annual GDP if similar programs are implemented nationwide.

- **Specific sectors of goods and services consumption:** Policymakers listed a number of consumption areas that they support, including elderly care and childcare, restaurant and household services, tourism and entertainment, "ice and snow" economy (winter sports and leisure), and Intellectual Property (IP), gaming and "AI+" consumption. China's services consumption accounted for 46% of household spending in 2024, which has large room to increase given the share is around 60% in developed countries such as the US. The press conference reiterated the plan to double the central government subsidy for the consumer goods trade-in program from RMB 150bn last year to RMB 300bn this year (Exhibit 3). Note that the last year's trade-in program covered only September-December, so the monthly subsidy will be smaller this year ($300/12=25$) than last year ($150/4=37.5$). We estimate that the RMB 300bn central government subsidy could raise retail sales by RMB 440bn, which would translate into 0.5pp and 0.2pp boosts to 2025 full-year retail sales and nominal GDP growth, respectively.
 - **Other consumption-related policies:** The Ministry of Finance (MOF) noted that fiscal interest subsidies will be provided for loans to businesses in the services sector as well as household consumption loans. The government will encourage workers to take holidays and discourage overtime work given China's long working hours. On the supply side, they vowed to raise quality standards of goods and services, build consumption-related facilities, ease purchase restrictions for autos and loosen inspections and regulations in the consumption sector.
3. In our view, the direction of consumption boosting measures is correct but both funding and implementation matter for the effectiveness of China's consumption stimulus. Given the muted consumer confidence in China (Exhibit 4), stabilizing property prices, improving labor demand and establishing a better social safety net are necessary to improve household income and facilitate a more sustainable consumption recovery, in our view. The announcement of a nationwide childcare subsidy and the April Politburo meeting are key to watch in coming months.

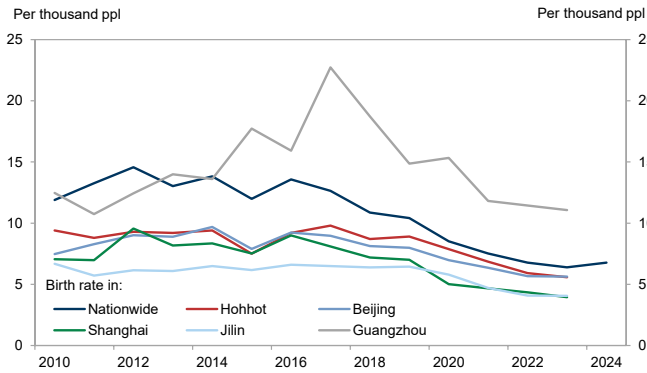
Yuting Yang

Exhibit 1: Policymakers focused more on demand-side stimulus to boost consumption



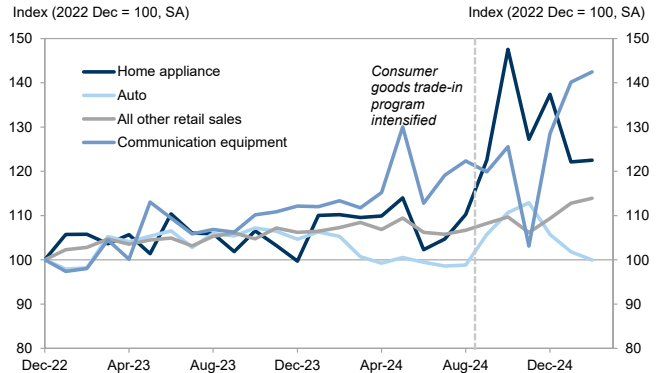
Source: State Council, Goldman Sachs Global Investment Research

Exhibit 2: The birth rate in Hohhot was lower than the nationwide level



Source: Wind

Exhibit 3: The ongoing consumer goods trade-in program boosted sales of communication equipment meaningfully in January-February 2025



Source: NBS, CEIC, Goldman Sachs Global Investment Research

Exhibit 4: China’s consumer confidence bottomed out post the September policy pivot in 2024



Source: NBS

Disclosure Appendix

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