



## Asia Economics Analyst

# China's upcoming 20th Party Congress and its policy implications

- The Chinese Communist Party will hold its 20<sup>th</sup> Party Congress on October 16. The meeting is highly anticipated as this Congress (and the first Plenum immediately after it) will elect the new Politburo and its Standing Committee, a group of the most senior leaders in China, who will be in office for the next five years. In this report, we outline the leadership reshuffling process in China, and discuss its policy implications.
- Technically speaking, the Party Congress is focused on personnel reassignment, and thus it does not make major policy announcements. However, policies can be indirectly affected by a change in the top leadership. Besides the reshuffling of national leaders, China watchers also take note of changes affecting provincial heads ("party secretaries"), as they (especially those for the top provinces in terms of GDP, or leading municipalities) can end up sitting in the Politburo and even on its Standing Committee. The reshuffling of local officials is also important for policy implementation.
- The Party and government institutions that matter for macroeconomic policies have been evolving as Chinese policymakers continue to adjust the regulatory framework and the organization of government institutions. In recent years, the Central Commission for Comprehensively Deepening Reforms under the Politburo, the Central Financial and Economic Affairs Commission under the Politburo, and the State Council Financial Stability and Development Committee have been directly involved in designing economic policies, besides ministries and bureaus such as the Ministry of Finance, the National Development and Reform Commission, and the People's Bank of China.
- Policymakers tend to prioritize stability ahead of the Congress – in recent days we have seen incrementally tighter Covid control measures in response to local Covid outbreaks, more efforts on ensuring property completions (for projects under construction) and an emphasis on exchange rate stability. After the Party Congress, we expect better policy coordination and more efficient implementation as personnel issues are settled. However, we do not expect major policy shifts immediately after the Congress, either on "Dynamic Zero Covid" or the property sector. We expect medium- to long-term policy goals to be maintained as well, including manufacturing upgrading, supply chain security, de-carbonization and the promotion of common prosperity.

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## China's upcoming 20th Party Congress and its implications

The Chinese Communist Party will hold its 20<sup>th</sup> Party Congress on October 16. The meeting is highly anticipated as this Congress (and the first Plenum immediately after it) will elect the new Politburo and its standing committee, a group of the most senior leaders in China, who will be in office for the next five years (or longer). While the Congress is focused on personnel changes, market participants might be concerned about major shifts in policies after personnel issues are settled. Technically speaking, the reappointment of *government* leaders will be completed after the “Two Sessions” (National People’s Congress (NPC) and National Committee of the Chinese People’s Political Consultative Conference (CPPCC)) in March of next year. We do not expect major policy changes immediately after the Party Congress – policymakers appear quite committed to conservative property policy (“housing is for living in, not for speculation”) and Covid control (though we might see China begin to move away from its dynamic Zero Covid policy by Q2 next year).

### 1. The 20<sup>th</sup> National Party Congress and its agenda

The 20<sup>th</sup> National Party Congress is part of the process that will eventually elect the Politburo and its Standing Committee, a group of the most senior Party leaders in China, who will be in office for the next five years, until late 2027 when the 21<sup>st</sup> Party Congress may take place. Party leaders also hold senior positions in the government.

The upcoming 20<sup>th</sup> National Party Congress is more important than the previous one in late 2017, as Government and Party leaders serve five-year terms, and are usually in office for two terms. Party congresses that fall on even-numbered years (e.g., 2002 and 2012) generally involve more changes in personnel while those falling on odd-numbered years (e.g., 2007 and 2017) can be viewed as analogous to the mid-term elections held for the US Congress, with the reassignment of a smaller share of senior policymakers. Exhibit 1

**Exhibit 1: Even numbered Party Congresses tend to see more personnel changes than odd numbered ones**

Date of the CCP Congress	Term of the CCP Congress	General Secretary	Chairman of CMC**	President	Premier
9/1/1982 - 9/11/1982	12th (1982-1987)	Hu Yaobang	Deng Xiaoping*	Li Xiannian	Zhao Ziyang
10/25/1987 - 11/1/1987	13th (1987-1992)	Zhao Ziyang*	Deng Xiaoping	Yang Shangkun	Li Peng
10/12/1992 - 10/18/1992	14th (1992-1997)	Jiang Zemin	Jiang Zemin	Jiang Zemin	Li Peng
9/12/1997 - 9/18/1997	15th (1997-2002)	Jiang Zemin	Jiang Zemin	Jiang Zemin	Zhu Rongji
11/8/2002 - 11/14/2002	16th (2002-2007)	Hu Jintao	Jiang Zemin^	Hu Jintao	Wen Jiabao
10/15/2007 - 10/21/2007	17th (2007-2012)	Hu Jintao	Hu Jintao	Hu Jintao	Wen Jiabao
11/8/2012 - 11/14/2012	18th (2012-2017)	Xi Jinping	Xi Jinping	Xi Jinping	Li Keqiang
10/18/2017 - 10/24/2017	19th (2017-2022)	Xi Jinping	Xi Jinping	Xi Jinping	Li Keqiang

\* Zhao Ziyang held the position from 1987-1989, Jiang Zemin took the position from him in 1989.

+ Deng Xiaoping held the position from 1983-1990.

^ Jiang Zemin held the position from 1990-2005, Hu Jintao took the position from him in 2005.

\*\*CMC - China Central Military Commission

President and Premier were appointed at the "Two Sessions" in the next year of the Party Congress

Source: www.people.com.cn, China State Council

The official agenda of the 20<sup>th</sup> Party Congress has not been released, but given the announcement that it will start on October 16, it would typically unfold along the following schedule:

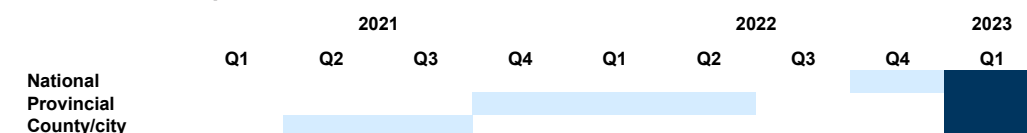
- **October 16:** The current General Secretary of the Party (Xi Jinping) would give a speech on the first day of the Congress to summarize past achievements of the Party, and discuss what the Party aims to achieve in the future. The Congress would then review the work report of the previous Central Committee, make amendments to the Party Constitution, and then elect the new Central Committee.
- **October 22:** The Congress usually lasts for seven days, so it is likely to conclude on October 22.
- **October 23:** The day after the Congress elects the Central Committee, the Central Committee will hold the first plenum to elect the Politburo and its Standing Committee. The public announcement of the new Standing Committee of the Politburo typically occurs that same day.

## **2. An overview of the typical timeline for reshuffling events, various plenums following the Congress and their topics**

A typical party and government reshuffle involves the following process – city-level party leaders (or below) reshuffle first, followed by provincial-level party leaders, then the National Party Congress and the first plenum elect the Politburo and its Standing Committee. This reshuffling of party leaders then completes and is followed by a government reshuffle. City/provincial level government leaders will be elected before

the nationwide “Two Sessions” of the following year to reassign national government leaders. [Exhibit 2](#)

**Exhibit 2: The whole process of reshuffling involves both the Party and the government**



Light blue bars represent reshuffling of party roles; dark blue bars represent reshuffling of government roles.

Source: [www.people.com.cn](http://www.people.com.cn), [www.npc.gov.cn](http://www.npc.gov.cn)

The reshuffling of party and government offices around the 20<sup>th</sup> Party Congress will be completed after the Two Sessions to be held in March 2023. After personnel issues are settled, the Central Committee of the Party will hold the third to seventh Plenums over the upcoming five years, with topics ranging from economic policies and reforms, to Party leadership. [Exhibit 3](#) offers a preview of the upcoming Plenums after the Congress and the topics that are usually addressed. We also summarize the key upcoming high-level policymaker meetings in [Exhibit 4](#).

**Exhibit 3: The third and the fifth plenums are usually more relevant for macroeconomic policies**

Plenum	Usual date	20th Party Congress term possible date	Usual Topic
First Plenum	the next day after Congress concludes	Oct 23, 2022	Politburo And Its Standing Committee Revealed
Second Plenum	Jan-Feb of the next year	Feb 2023	Discussion On Reassignment Of Government Leaders
Third Plenum	second year after the Congress	Oct/Nov 2023	Policy/Institutional Design/Reform Document
Fourth Plenum	usually one Year after the Third Plenum	Sep/Oct 2024	Uncertain
Fifth Plenum	usually in the year that ends With 5 Or 0	Sep/Oct 2025	Five Year Plan
Sixth Plenum	one Year after The Fifth Plenum	Q3/Q4 2026	Uncertain
Seventh Plenum	only a few days before the 21st Party Congress	Oct 2027	Preparation For The Next Party Congress

Grey shaded ones are about the economy

Source: [www.12371.cn](http://www.12371.cn) (a Party-run online education platform for Chinese Communist Party members)

**Exhibit 4: A series of high-level policymaker meetings will occur over the next year**

DATES (POSSIBLE)	EVENTS
Oct 9 2022*	Seventh plenum of the 19th Party Congress
Oct 16 2022*	Start date of the 20th party congress
Oct 23 2022	First plenum of the 20th party congress
Oct 2022	Politburo meeting possibly on economic policy
Nov 2022	Nationwide financial work conference
Early Dec 2022	Politburo meeting on 2023 economic policy outlook, preparation for CEWC
Mid Dec 2022	Central Economic Work Conference (CEWC)
Jan/Feb 2023	Second Plenum of the 20 <sup>th</sup> party congress
Mar 2023	Two sessions - NPC and CPPCC
Oct/Nov 2023	Third plenum of the 20th party congress

Source: Xinhua, [www.gov.cn](http://www.gov.cn)

### 3. Looking into the Politburo and its Standing Committee

The Politburo consists of 25 members, and the Standing Committee usually consists of 7-9 members. The Politburo (in particular its Standing Committee) is effectively the most powerful body within the Party. As top government positions are held by these members, they are also the most-senior policymakers in the government. [Exhibit 5](#)

**Exhibit 5: Current Politburo and its Standing Committee members**

The ranking order of Politburo members follows the one on the official website of the Chinese Communist Party

<b>19th Politburo of the Chinese Communist Party (CCP)</b>				
<b>Name</b>		<b>Position</b>	<b>Age</b>	<b>Starting Year*</b>
<b>Standing Committee</b>				
Xi Jinping	习近平	General Secretary of the Central Committee, Chairman of the Central Military Commission (CMC), President	69	2007
Li Keqiang	李克强	Premier of the State Council	67	2007
Li Zhanshu	栗战书	Chairman of the Standing Committee of the National People's Congress (NPC)	72	2017
Wang Yang	汪洋	Chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC)	67	2017
Wang Huning	王沪宁	Primary Secretary of the CCP Central Secretariat, Head of the Central Policy Research Office	67	2017
Zhao Leji	赵乐际	Secretary of the Central Commission for Discipline Inspection	65	2017
Han Zheng	韩正	Primary Vice-Premier of the State Council	68	2017
<b>Other Members</b>				
Ding Xuexiang	丁薛祥	Director of the General Office of the CCP	60	2017
Wang Chen	王晨	Vice Chairman of the Standing Committee of the NPC	71	2017
Liu He	刘鹤	Vice Premier of the State Council	70	2017
Xu Qiliang	许其亮	Vice Chairman of the CMC	72	2012
Sun Chunlan	孙春兰	Vice Premier of the State Council	72	2012
Li Xi	李希	Party Secretary of Guangdong	66	2017
Li Qiang	李强	Party Secretary of Shanghai	63	2017
Li Hongzhong	李鸿忠	Party Secretary of Tianjin	66	2017
Yang Jiechi	杨洁篪	Director of the Office of Foreign Affairs	72	2017
Yang Xiaodu	杨晓渡	Director of the National Supervisory Commission	69	2017
Zhang Youxia	张又侠	Vice Chairman of the CMC	72	2017
Chen Xi	陈希	Head of the Organization Department of the CCP	69	2017
Chen Quanguo	陈全国	Deputy Head of the Central Rural Work Leading Group (Party Secretary of Xinjiang, till 2021)	66	2017
Chen Min'er	陈敏尔	Party Secretary of Chongqing	62	2017
Hu Chunhua	胡春华	Vice Premier of the State Council	59	2012
Guo Shengkun	郭声琨	Secretary of the Political and Legal Affairs Commission of the CCP	68	2017
Huang Kunming	黄坤明	Director of the Propaganda Department of the CCP	65	2017
Cai Qi	蔡奇	Party Secretary of Beijing	66	2017

\*Starting year refers to the starting year of being in the Standing Committee for Politburo Standing Committee members and the starting year of being in the Politburo for others

Source: www.gov.cn

General pattern for personnel selection:

- **Important local leaders:** The Party Secretaries of the four centrally-administered municipalities, Guangdong Province (province with the largest GDP), and Xinjiang are usually in the Politburo.
- **Term limits:** Both government and party positions follow five-year terms, and there is no term limit for the Chairman of Central Military Commission, nor the Central



Committee (including the General Secretary) of the CCP. President and Vice President (government roles) used to face the “two term” limit, which was in the Constitution from 1982 to 2018. Premier (also government role and currently Li Keqiang) still faces the “two term” limit. President Xi is widely expected to stay and start his third five-year term as the leader of the government, the Party and its military.

- Age: Since the 1990s, the phrase “seven up, eight down” has referred to the implicit convention that Politburo standing committee members need to retire if they are 68 or older at the time of the Party Congress, but can stay/enter the standing committee if they are 67 or younger. However, this may not necessarily hold for the 20<sup>th</sup> Party Congress, and we avoid making predictions about specific personnel-related appointments as there is still limited visibility on that front.
- Party head and government head: Since the 14<sup>th</sup> Congress of the CCP (in October 1992), the general secretary of the Communist Party and the President of the PRC have been the same person. This person has also been the chairman of the military, except in 2003-2005, when Hu Jintao was the general secretary of the Party and the President of the PRC, while Jiang Zemin was the chairman of the military.

#### 4. What government/party bodies matter for economic policies?

Beyond the typical ministries that are in charge of macroeconomic policies such as the Ministry of Finance, the NDRC, the PBOC, and regulators of the financial sector such as CBIRC and CSRC, one feature of the party and government set-up in recent years has been the establishment of various commissions, both under the Politburo of the CCP and the State Council. Exhibit 6

The commissions that matter most for macroeconomic policies include the Central Comprehensively Deepening Reforms Commission and the Central Financial and Economic Affairs Commission, which are under the Politburo, and the Financial Stability and Development Committee, which is under the State Council. Under the spirit of enhancing coordination between various party and government bodies, and further improving supervision based on function rather than just industry, these commissions were established (or restructured from previous government/Party institutions) to lead the design of economic policies. “Commissions” are usually under the Party while “Committees” are usually under the government, but that is not necessarily always the case.

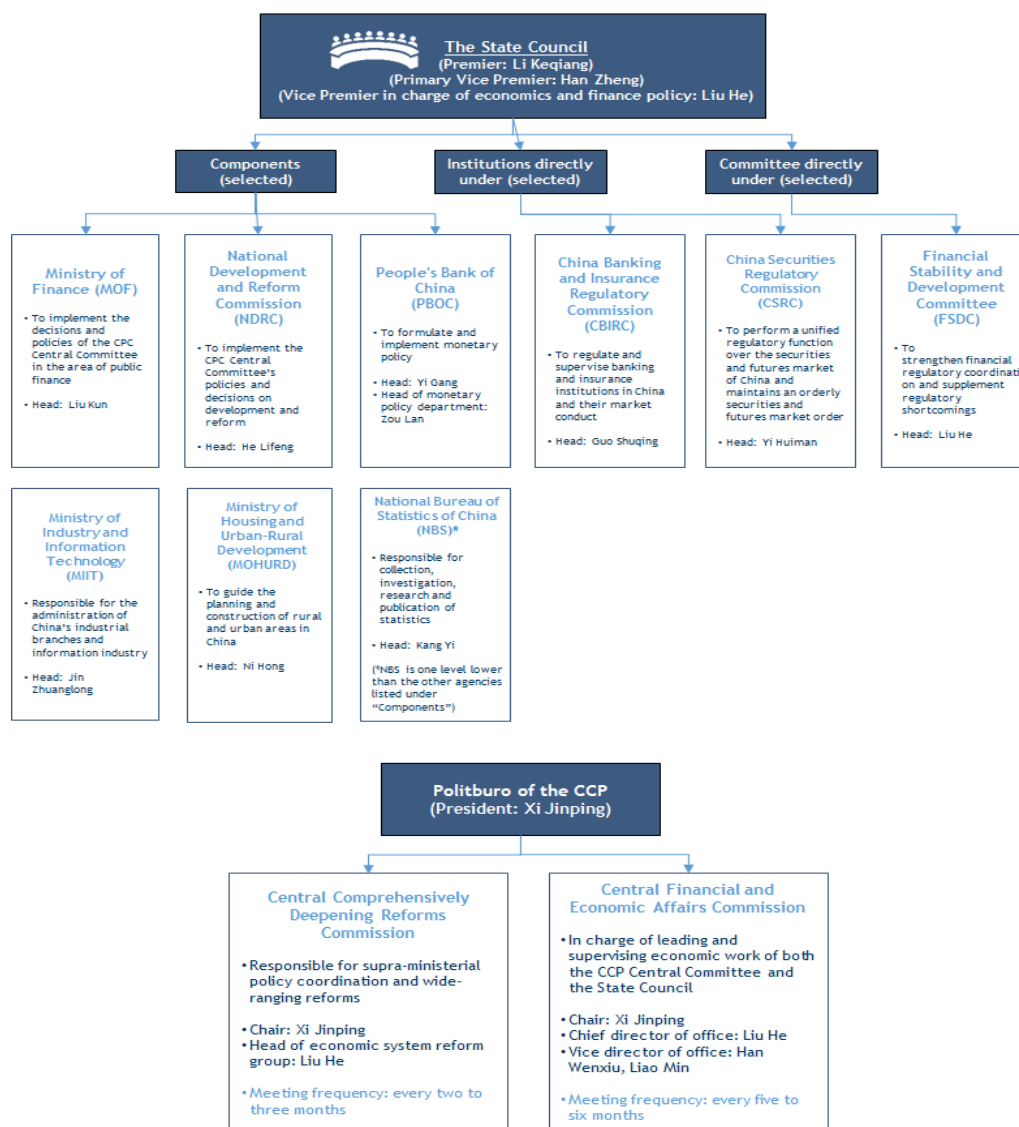
Specifically,

- The Central Comprehensively Deepening Reforms Commission: The Commission sits under the Politburo of the Party and is mainly engaged in designing policies and pushing for structural reforms. Xi Jinping is the current chair of this commission. This Commission meets every two months, and recent meeting topics have centered around innovation, technology, and SOE reforms.
- The Central Financial and Economic Affairs Commission, which is also under the Politburo, is the top Party institution for designing economic policies. Xi Jinping is the current chair of this commission.

- The State Council Financial Stability and Development Committee: The top government body for coordinating cross-industry regulations pertaining to primarily financial issues. Liu He is the current head of this committee.

#### Exhibit 6: A few ministries and Commissions are in charge of designing macroeconomic policies

Selected Party and government bodies involved in China's macroeconomics policy



Source: China State Council, Xinhua

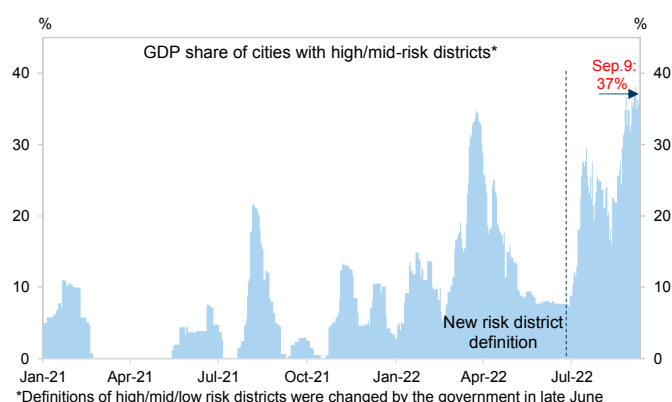
Broadly speaking, leadership changes at the MOF and the NDRC have aligned with government reshuffles, i.e., the Finance Minister and the NDRC head are reappointed usually after the new State Council comes into office. However, the PBOC governor could stay in office for longer. One limit for how long the PBOC governor could stay in office is age – officials in cabinet minister-ranked jobs have to retire at 65, though this might not be a binding constraint – the previous PBOC governor, Zhou Xiaochuan, was promoted to “*vice national-level leader*” rank and thus exempted from this age restriction and retired in 2018 when he was 70 years old. There will likely be a leadership reshuffle for Ministry of Finance, NDRC and PBOC in March 2023.

#### 5. What are the policy implications of the 20<sup>th</sup> Party Congress?

Policymakers tend to prioritize stability ahead of the Congress – in recent days we have seen incrementally tighter Covid control measures in response to local Covid outbreaks, more efforts on ensuring property completions (for under-construction projects), and an emphasis on exchange rate stability.

In light of local Covid outbreaks, we have seen incremental tightening of Covid control measures ahead of the Party Congress. [Exhibit 7](#) For example, policymakers advocated “staying put” for the mid-autumn festival (Sep 10-12) and the Golden Week (October 1-7) and required negative Covid tests for those taking long-haul public transportation. The incremental tightening of Covid control measures will continue to weigh on service activity growth in the coming weeks.

**Exhibit 7: GDP share of cities with high/mid-risk districts rose and stayed elevated**



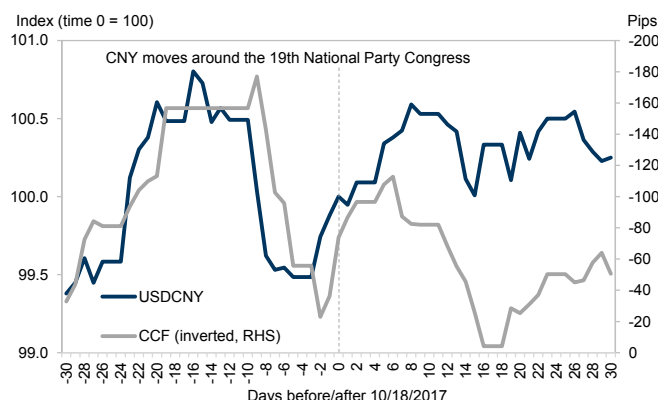
Source: NHC, CEIC, Goldman Sachs Global Investment Research

Stability also implies more growth-supportive measures. In Zhengzhou, where mortgage boycotts and suspended property construction projects are mostly located, local governors vowed to restart all suspended property construction projects in the next one month. This could help mitigate homebuyers' concerns, provide support for construction activity and bolster market sentiment.

Policymakers have also moved to prioritize stability in the exchange rate. CNY has depreciated rapidly against the US dollar (with USDCNY approaching the psychologically important 7 threshold) since mid-August, and the PBOC pushed back against depreciation by cutting the FX reserve requirement ratio. These moves signaled the PBOC was uncomfortable with the rapid depreciation of the currency, especially ahead of the 20th Party Congress. We found a similar pattern ahead of the 19th Party Congress in October 2017, when policymakers discouraged CNY depreciation through more negative countercyclical factors (CCF) ahead of the Congress. [Exhibit 8](#)



### Exhibit 8: PBOC pushed back against depreciation ahead of the 19th Party Congress in October 2017



Source: Bloomberg, Goldman Sachs Global Investment Research

Policy coordination and implementation could also be improved after personnel issues are settled, although we do not expect immediate policy changes after the Congress, either on Dynamic Zero Covid or the property sector.

Focusing on long-run goals and maintaining policy determination have been stressed by senior policymakers in recent years, despite occasional downward pressures to overall growth. For example, policymakers' swift normalization of monetary policy in mid-2020 suggests policymakers are quite keen on preventing over-stimulus and focusing on improving structural imbalances in the economy. Indeed, with China's per-capita GDP rising past the world average last year ([Exhibit 10](#)), the country's growth potential is slowing in light of demographic headwinds. The policy reaction function would likely be different under this context, compared with 15-20 years ago, regardless of personnel changes.

We therefore do not expect immediate policy changes after the Party Congress. Policymakers might only pivot away from the "Dynamic Zero Covid" policy after Two Sessions next year, and also appear quite committed to the conservative policy stance that "housing is for living-in, not for speculation", despite the bigger drag to overall growth from the housing downcycle since 2021 ([Exhibit 9](#)). We expect medium- to long-term policy goals to be maintained, such as manufacturing upgrading/supply chain security, de-carbonization, and promoting common prosperity.

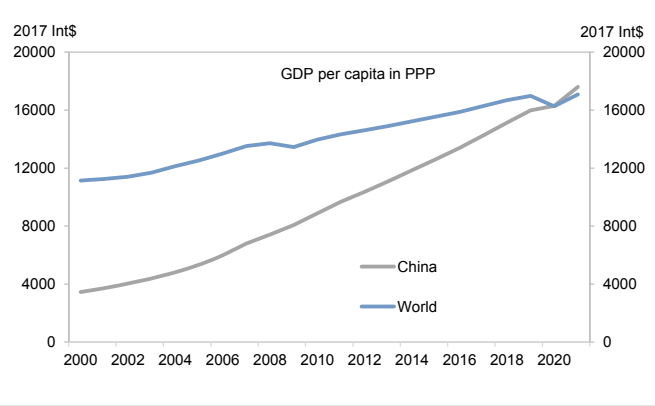
*The author would like to thank Xinni Cai, the intern on the Asia economics research team, for all of her contributions to this report.*

**Exhibit 9: The property sector’s contribution to GDP growth has turned increasingly negative in recent quarters**



Source: Haver Analytics, Goldman Sachs Global Investment Research

**Exhibit 10: China’s GDP per capita surpassed the world average in 2021**



Source: Haver Analytics

# Disclosure Appendix

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We, Maggie Wei, Hui Shan, Lisheng Wang, Xinquan Chen, Yuting Yang and Andrew Tilton, hereby certify that all of the views expressed in this report accurately reflect our personal views, which have not been influenced by considerations of the firm's business or client relationships.

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