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China's Rebalancing: Recent Progress, Prospects and Policies

by Rui C. Mano and Jiayi Zhang

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I N T E R N A T I O N A L M O N E T A R Y F U N D

IMF Working Paper

Asia Pacific Departments

China's Rebalancing: Recent Progress, Prospects and Policies**Prepared by Rui C. Mano and Jiayi Zhang¹**

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Abstract

While China's growth gathered momentum in 2017, rebalancing was uneven and decelerated along many dimensions reflecting the temporary factors behind the growth pickup. Going forward, rebalancing is expected to proceed as these temporary factors recede, but elevated income inequality and leverage will remain a challenge. The authorities are already pursuing several pro-rebalancing policies which could be expanded to support each dimension of rebalancing while reducing trade-offs between them.

JEL Classification Numbers: E21, E61, E66

Keywords: China, rebalancing, macro-policy framework, policy coordination

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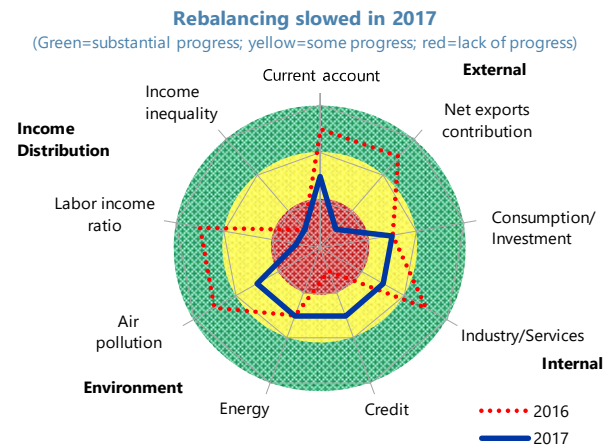
¹ International Monetary Fund. We thank James Daniel, Sonali Jain-Chandra, and Markus Rodlauer for helpful discussions. We also thank Weicheng Lian and Yu Shi for their comments. Remaining mistakes are our sole responsibility.

1. Rebalancing the Chinese economy is critical. Economic and social rebalancing is a major priority of the Chinese authorities, viewed as necessary to achieving their long-term development goals. The 12th Five-Year Plan (2011-2015) already included core elements of rebalancing, including boosting consumption, increasing the share of services in the economy, liberalizing interest rates, and opening the capital account (Lardy and Borst 2013).

2. This paper uses the 4-dimensional rebalancing framework of Zhang (2016) to assess economic developments in 2017. The four dimensions considered are (i) external (external to domestic demand), (ii) internal (investment to consumption, industry to services and less credit-intensive growth), (iii) environmental (reduce pollution), and (iv) distributional (reduce inequality). Each dimension in turn includes a set of summary indicators.

A. Developments and drivers in each dimension of rebalancing

3. Rebalancing decelerated in 2017. Progress was uneven: external and distributional reversed, internal saw mixed progress, and environmental progressed. The same temporary factors that supported growth were behind the slowdown in rebalancing.

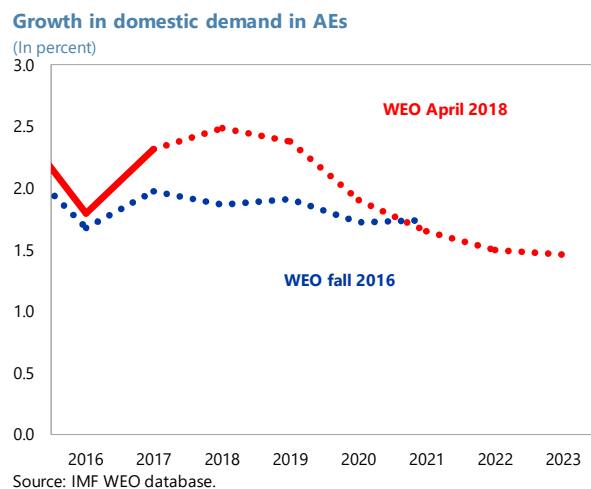


Source: IMF staff estimates.

Note: Green = significant progress; yellow = moderate progress; red = reversal of rebalancing. See Appendix A.

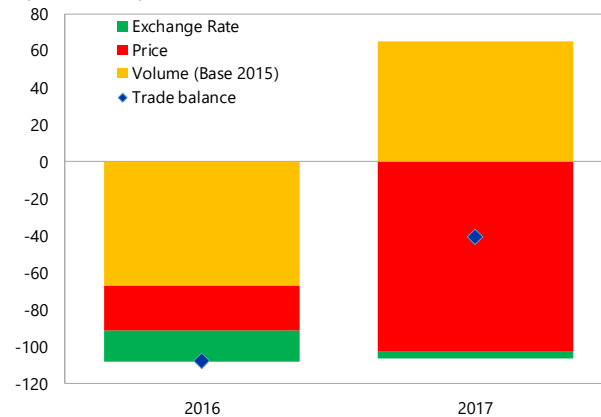
External Rebalancing Took a Step Back

4. Reflecting the global recovery, external demand became a major driver of Chinese real growth in 2017. The contribution of external demand to real GDP growth in 2017 was 0.6 percentage points, the largest since the Global Financial Crisis. The switch in contribution from 2016 to 2017 was 1.3 percentage points, much higher than the rise in headline real GDP growth of 0.2 percentage points. Real exports and imports both rose sizably in 2017 by 9.2 and 6.9 percent respectively (versus 0.4 and 2.5 on average in 2015-2016).



5. In nominal terms though, the current account surplus declined due to unfavorable terms-of-trade. The current account (CA) surplus declined to 1.4 percent of GDP, declining by about \$25 bn in nominal terms with the trade balance declining by around \$35 bn. The nominal decline in the trade balance is more than fully attributable to RMB denominated terms-of-trade (ToT), as the CA would have risen on real trade alone and exchange rate movements had a negligible impact.² A sharp rise in the prices of raw materials is behind the decline in ToT, despite marginally higher export prices.

Decomposing the yearly change in trade balance
(In USD billions)



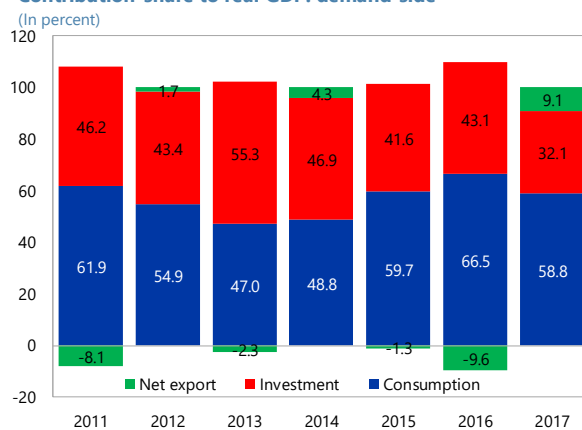
Source: CEIC and IMF staff estimates.

Internal Rebalancing Saw Mixed Progress

6. Internal rebalancing progressed in real terms...

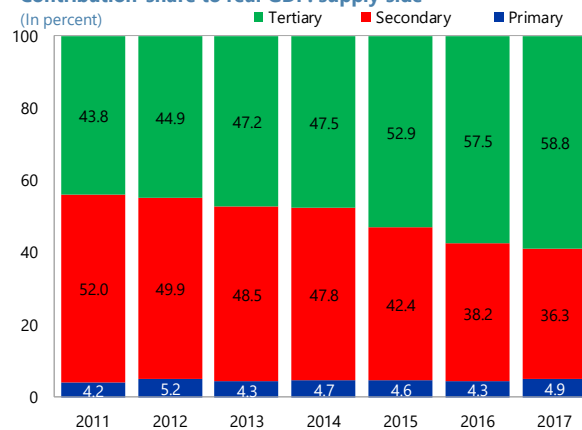
- **On the demand-side, investment was weak** as real estate investment and manufacturing growth were sluggish. Infrastructure investment remained the anchor of fixed asset investment (FAI) and accounted for about 28 percent of total FAI in 2017, up from 23 percent in 2011 (appendix chart B1.1).
- **On the supply-side, services remained a key driver**, particularly the IT sector, while the real estate sector contributed only 0.3 percentage points to real GDP growth, down from 0.5 percentage points in 2016. Other services also posted robust growth and their contribution to growth held steady in 2017 (appendix chart B1.2).

Contribution share to real GDP: demand side



Source: CEIC.

Contribution share to real GDP: supply side



Source: CEIC and IMF staff estimates.

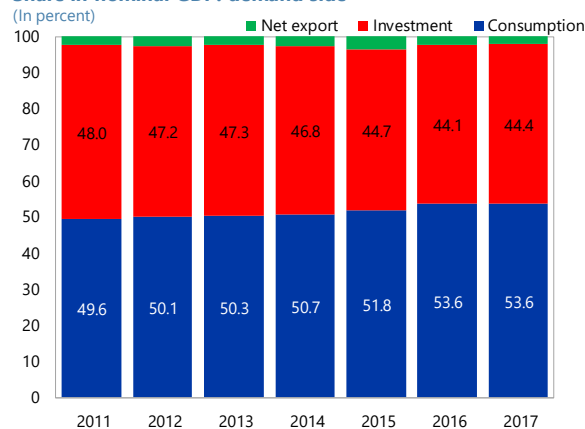
² The average bilateral RMBUSD rate depreciated 1.7 percent in 2017.

7. But in nominal terms rebalancing slowed because of the strong rebound in PPI.

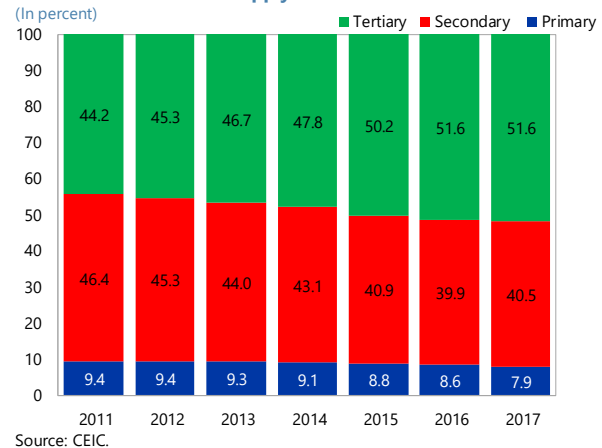
Producer prices had been in deflationary territory for 54 quarters up to late-2015. Over 2016-17, PPI inflation witnessed a sharp turnaround, culminating in a yearly inflation of 6.3 percent in 2017. An overall rebound in Chinese aggregate demand and global trade (appendix chart B1.2-1.5), as well as capacity cuts in steel and coal all played a role (see Ding and Mano, 2018 and Box 2.1 in IMF 2018).

- **On the demand-side, investment prices surged** on the back of the PPI rebound, while CPI remained subdued depressing nominal consumption growth.
- **On the supply-side, industry posted strong nominal growth** as the industry deflator grew 6.3 percent, while the deflator inflation in services was 3.2 percent.

Share in nominal GDP: demand side



Share in nominal GDP: supply side



8. The PPI reflation also supported deleveraging. Free cash flow grew at a fast pace, both in the downstream and particularly in the upstream industries, driven both by increases in pre-tax profits due to higher prices and by a reduction in taxes and fees paid by corporates. Thus, nonfinancial private debt grew at a slower pace and credit intensity improved.³

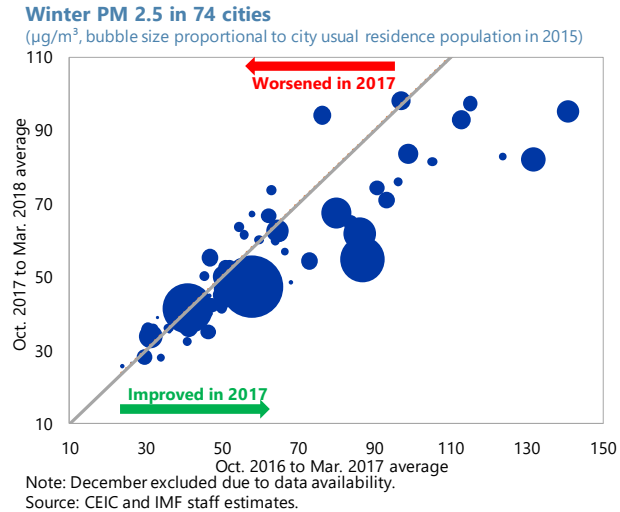
Environmental Rebalancing Progressed

9. Environment protection has increasingly become a major goal of the authorities.

Tackling pollution was elevated by President Xi to one of the "three critical battles" for the next three years in his recent address to the 19th party congress.

³ For example, the regression coefficient of nominal GDP growth on bank loan growth at the provincial level was 0.63 in 2017 compared to the coefficient for 2011-16 at 0.31.

10. 2017 was a banner year in terms of government actions. The ratio of coal consumption in China's total energy use fell from 67 percent to around 60 percent, while some 20 million polluting vehicles were taken off the roads. The Beijing metro area saw an intensive campaign to switch heating systems away from coal to electricity and natural gas. Its last large coal-fired power plant was shut down in March 2017. There was also a nation-wide inspection campaign to check compliance with environmental standards.

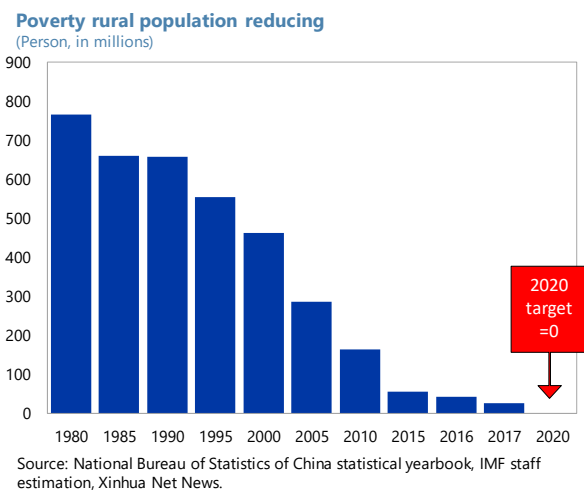


11. Consequently, there was a generalized improvement in air quality during the winter. Indices measuring pollution (PM 2.5) in 74 cities declined almost uniformly, particularly in densely populated cities. And the electricity intensity of growth continues to improve.

12. Many of these actions were administrative, and market-based measures will likely be needed to sustain improvements. The crack down on polluting industries is likely to continue, possibly adversely affecting growth and local labor markets, which in turn could conflict with growth and employment targets. Going forward, the focus on more systematic approaches already under consideration or implementation, such as a carbon or coal tax and environment protection tax, could help sustain the improvement.

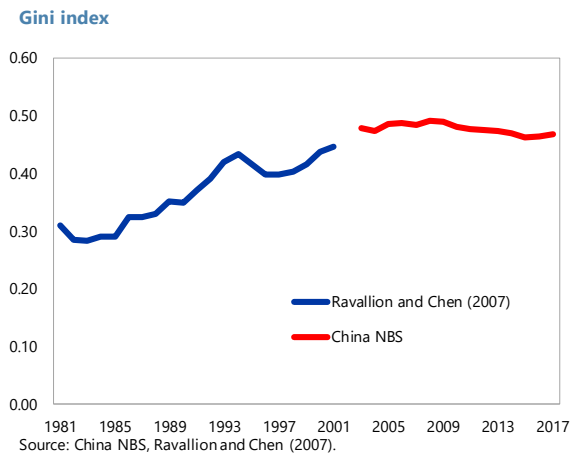
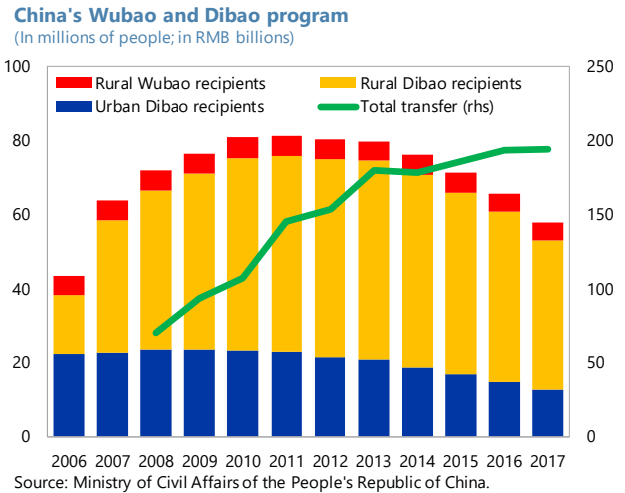
Distributional Rebalancing Took a Step Back

13. The authorities continue to achieve remarkable progress in poverty reduction. The number of people under the national poverty line has declined from 765 million in 1980 to just less than 27 million in 2017, a rate of reduction of about 20 million per year. The target to reduce this number to zero seems within reach, but the remaining poor will be the hardest to target.



14. This progress reflects several coordinated policies. The authorities have strengthened significantly policies to support the poorest, with growing disbursements under the two main social-assistance programs in China, Dibao and Wubao⁴, even though the number of recipients fell as incomes grew above eligibility thresholds. Other programs not specifically targeting the poor, but with large positive effects on lower income households, expanded, such as the shanty town renovation project and the rural health and pension systems.⁵

15. However, inequality remains stubbornly elevated and earlier success has stalled more recently. China's Gini index remains high and has increased marginally in 2017 to 0.467, not far below the peak level of 0.491 in 2008. The ratio of urban-to-rural incomes follows the same pattern, declining steadily up to 2012 but flattening since 2013. Median disposable income which had grown above mean disposable income, grew comparatively less in 2017 (appendix chart B1.6). Labor income to GDP fell marginally in 2017 after rising for several years.



⁴ Dibao provides cash assistance to people whose monthly income is below a minimum livelihood threshold. Wubao covers the elderly, disabled and children without supporting family members by providing a basic allowance, medical care, funeral expenses, and 9-year compulsory education if the recipient is under 16.

⁵ The New Rural Cooperative Medical Scheme and the New Rural Social Pension Scheme, introduced in 2003 and 2009, respectively.

16. Spatial inequality increased, and convergence across provinces remaining a challenge.

Several regions with lower-than-average GDP per capita were further left behind in 2017, notably in the northeast (Liaoning, Jilin and Heilongjiang) but also in the west (Qinghai, Gansu and Ningxia) and Hainan. On the other hand, most rich coastal provinces and municipalities of Beijing and Chongqing overperformed. The PPI inflation in 2017 supported the growth of several lagging provinces, and yet many could not converge to the national average (only Hebei, Henan, Xinjiang, and Shanxi exited the group of provinces struggling to converge).

17. There are many factors behind elevated inequality in China. Rapid urbanization amid insufficient health and education coverage for migrants and structural change continue to be challenges (Jain-Chandra and others 2018). The structure of fiscal expenditure in the past has hindered greater equalization across geography and economic status. Poorer provinces rely greatly on transfers from the central government, which are still insufficient despite recent increases (Wingender, 2018). Moreover, fiscal spending does not rely much on direct transfers, resulting in unusually high savings rates of poorer households compared to other economies (Zhang and others, 2017).

B. Putting it all together: Tradeoffs, Outlook and Policies

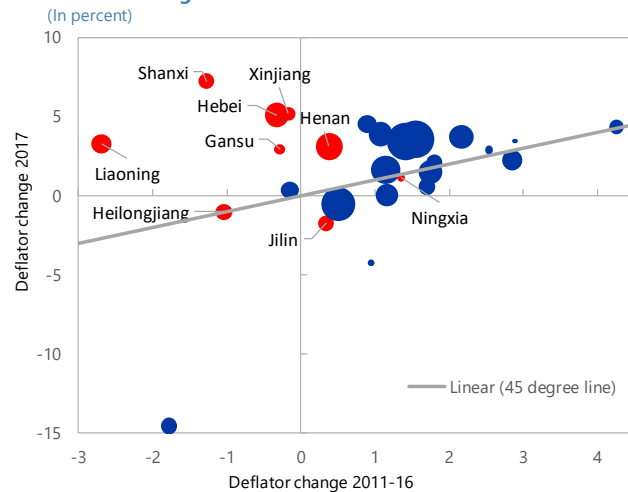
18. Rebalancing dimensions reinforce each other but also involve trade-offs. Going forward, rebalancing is expected to proceed as temporary factors recede, but elevated income inequality and leverage will remain a challenge. Improving the mix of policies is essential to (i) support each dimension of rebalancing while (ii) undoing trade-offs between them.

Diverging provinces, 2017



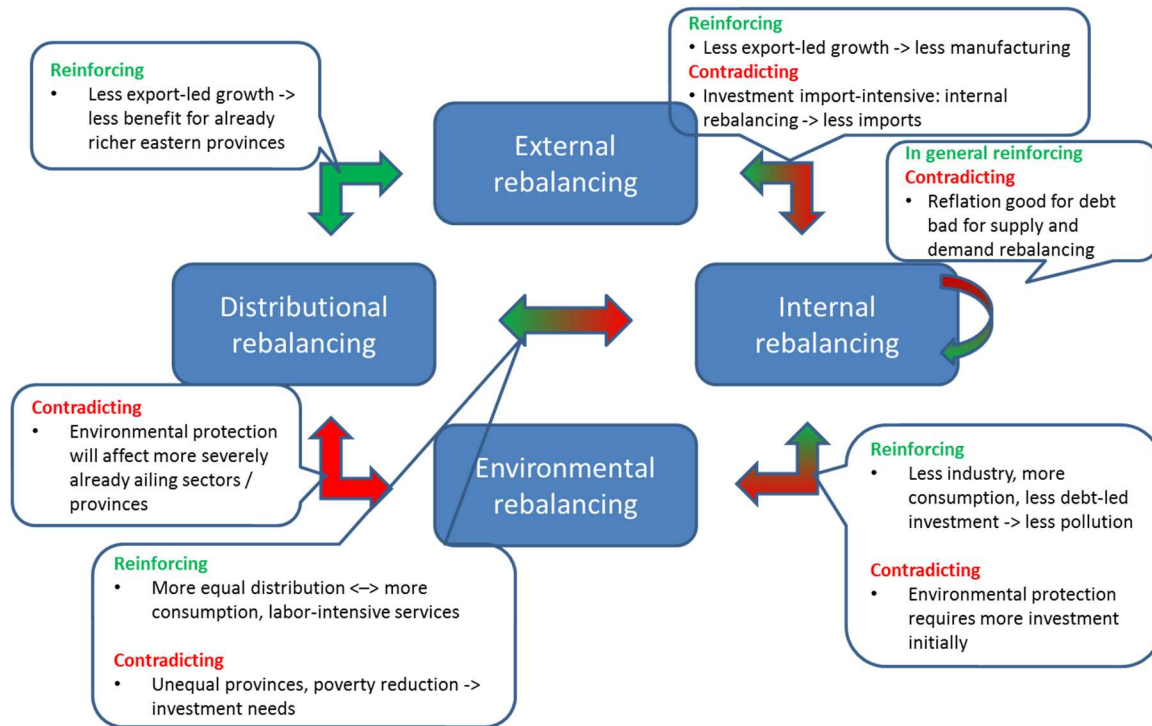
Note: A province is considered a "diverging province" when its per capita GDP in 2016 and per capita GDP growth rate in 2017 are both below ("lagging") or both above the national average ("advancing"). The rest are considered converging provinces.
 Source: CEIC, IMF staff estimates.

Deflator change: 2017 vs 2011-16



Note: Bubble size based on nominal GDP in 2017. Red color=provinces that both grew less than the average between 2011-16 and had lower per capita GDP than the average in 2016.

Source: CEIC and IMF staff estimates.



Rebalancing Dimensions Reinforce each Other but Also Involve Trade-offs

19. While rebalancing dimensions reinforce each other in general... External rebalancing requires a move away from export-intensive manufacturing facilitating internal rebalancing. Larger consumption supports the services industry and requires less of manufacturing. More consumption, less investment and manufacturing all reduce pollution. More consumption and labor-intensive services help reduce inequality. External rebalancing reduces spatial inequality as export-intensive growth primarily benefits already-rich coastal provinces.

20. ...but there are trade-offs. Lowering import-intensive investment could widen the external imbalance. Reflation of PPI may facilitate deleveraging but worsens other dimensions of internal rebalancing, as in 2017. Environmental protection and reducing inequality may require initial investments and slow internal rebalancing. Environmental protection may affect already-struggling regions disproportionately, given their productive structure.

21. The synergies and tensions across rebalancing dimensions inform the outlook and policy requirements.

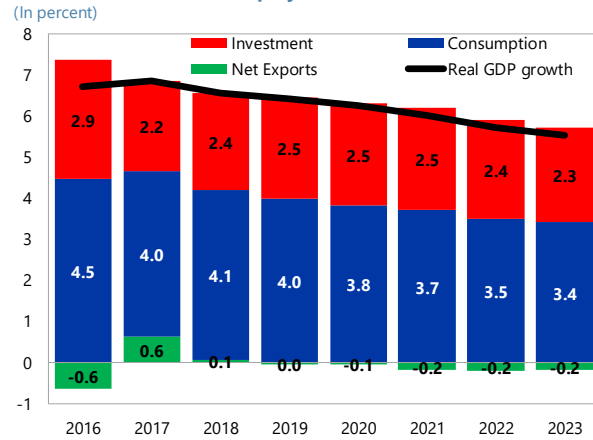
Favorable Outlook for Rebalancing, Though not Without Challenges

22. External rebalancing is expected to resume. Given global demand projections and China's domestic demand developments, external demand is not projected to be a major growth driver going forward, despite expected larger demand in Advanced Economies. The current account surplus is projected to decline gradually with unfavorable terms of trade and lower real trade balances playing a role.

23. Internal rebalancing is also expected to progress, but deleveraging remains a challenge. Consumption and services are

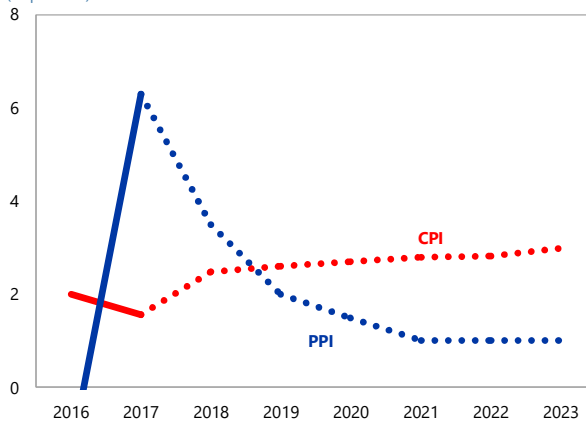
expected to remain growth drivers, while public investment is marginally revised down, reflecting the focus on deleveraging and increased efforts to limit local government investment. The PPI reflation will moderate and credit to GDP will rise further⁶ unless tightening measures result in slower credit growth to the real economy, beyond reducing intra-financial flows.

Contribution to real GDP projections



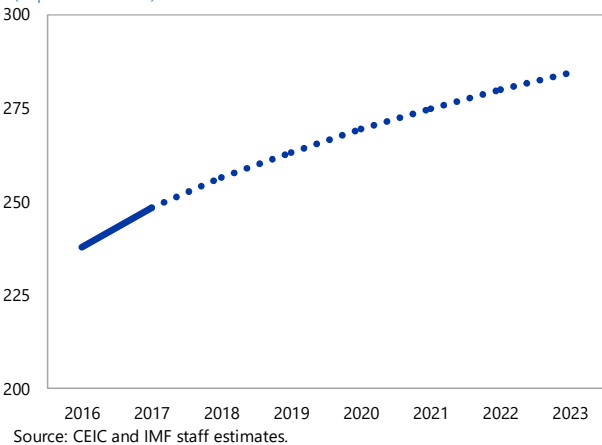
PPI-CPI differential

(In percent)



Total non-financial sector private debt

(In percent of GDP)



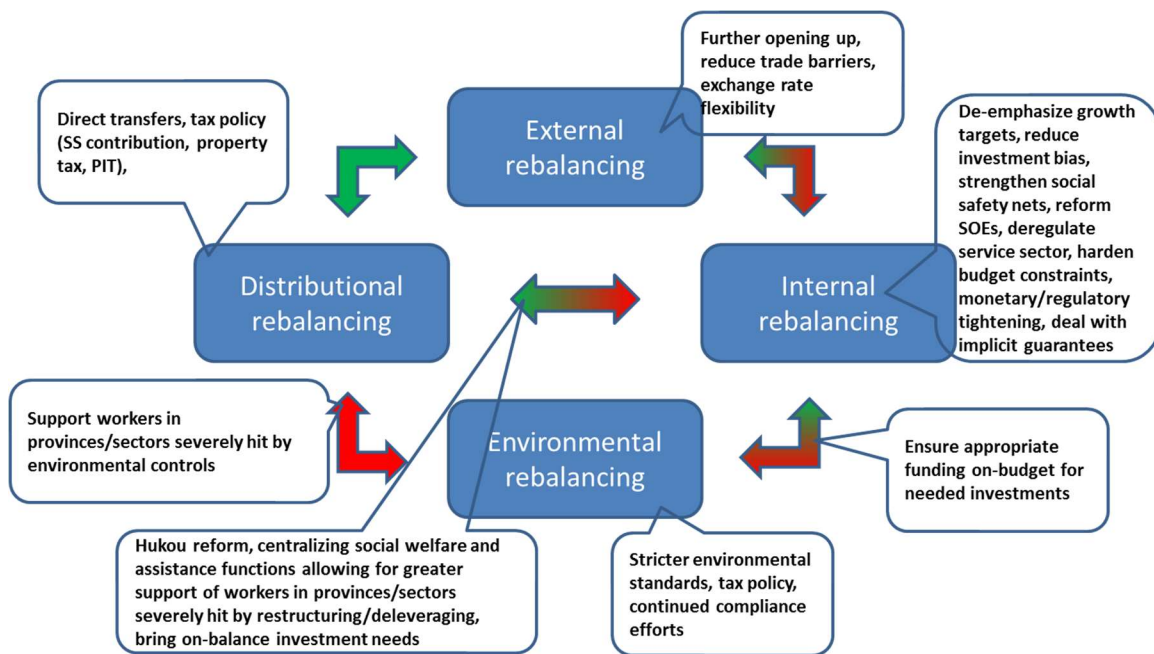
24. Environmental rebalancing is set to continue. Environmental protection will continue to be a major policy initiative, confirmed by the recent government reorganization which increased the scope of action of the Ministry of Environment. More investments are needed to bring the energy production mix and water/sewage systems to greener levels. Such activities will remain supportive of investment in the medium-term and slow the consumption-investment

⁶ As mentioned in the developments section, the PPI reflation of 2017 led to an increase in within-industry credit efficiency. Additionally, less credit-intensive services continued to represent a larger share of the economy. The within-industry improvement will likely fade as PPI inflation normalizes more than offsetting gains in the structure of the economy, thereby returning the economy to a path of rising credit to GDP.

rebalancing. Currently planned market-based mechanisms like environment protection taxes and carbon emissions trading should be implemented swiftly to sustain improvements.

25. Distributional rebalancing will remain a challenge. Demographics, urbanization and structural change in the economy are projected to keep income inequality elevated (Jain-Chandra and others 2017). Moreover, environmental rebalancing could put further strain on the heavy-industrialized but already struggling regions in the Northeast. Finally, digitalization and technology upgrading are likely to have an uncertain impact on inequality, boosting access of underserved communities to financial services and supply chains but also potentially displacing low skilled workers at increasing rates.

The Role of Pro-Rebalancing Policies



26. The authorities see rebalancing as a major goal and have aligned their economic targets accordingly. Table C1 matches the 4-dimensional rebalancing framework used in this paper with targets in the last two five-year-plans (2010-2015 and 2015-2020) and recent announcements⁷. Targets and recent announcements cover all four dimensions of rebalancing, particularly Internal, Environmental and Distributional rebalancing with External rebalancing featuring somewhat less prominently in the authorities' own objectives.

27. Several rebalancing-enhancing policies are already being implemented... Notable examples include opening sectors to foreign investment, strengthening social safety nets by, for example, increasing budget support for health care, instituting and enforcing heavier penalties

⁷ Particularly at the 19th Party Congress and the 13th National People's Congress.

on pollution, and supporting the poor through direct transfers. Most policies target individual dimensions of rebalancing, but have positive synergies with other dimensions.

28. And more efforts to advance rebalancing are advisable in two broad areas:

- **Policies that reinforce each dimension of rebalancing**

- External rebalancing: further opening up protected sectors to foreign investment and reducing trade barriers, making the exchange rate more flexible;
- Internal rebalancing: reduce emphasis of growth targets and their inherent investment bias, further improve social safety nets including pension and healthcare provision to reduce precautionary savings and raise consumption (Zhang and others, 2017), deregulating the service sector, hardening budget constraints of SOEs and LGs while reducing implicit guarantees, continue regulatory tightening to rein-in leverage, reforming the financial sector including dealing with implicit guarantees;
- Environmental rebalancing: further strengthen environmental standards, increased reliance on market-based “green” incentives, e.g. through implementing environment protection tax;
- Distributional rebalancing: reforming intergovernmental relations that will increase the resources available to local governments and strengthen equalizing transfers across regions, tax policy that reduces income inequality, including making social security contributions more progressive while broadening income tax payments and instituting wealth taxes like a recurrent property tax, boosting expenditures that target inequality, including direct transfers to the poor and rural investments;

- **Policies that help undo trade-offs across rebalancing dimensions**

- Internal-Environmental trade-off: ensure appropriate on-budget investments in green infrastructure;
- Internal-Distributional trade-off: Hukou reform, centralizing social welfare and assistance functions allowing for greater support of workers in provinces/sectors most affected by restructuring/deleveraging, bringing on-budget investment needs to support struggling regions;
- Environmental-Distributional trade-off: centralizing social welfare and assistance functions allowing for greater support of workers in provinces/sectors most affected by environmental controls;

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Appendix A. Indicators in the Rebalancing Scorecard

- “External rebalancing”: the indicators used are current account balance in percent of GDP and contribution of net exports to real GDP growth.
- “Internal rebalancing”: indicators reflect three dimensions; demand, supply and credit. On the demand side, the indicators used are the share of investment and consumption in nominal GDP and the differential between the contributions of consumption and investment to real GDP growth. On the supply side, the indicators used are the share of the tertiary sector in nominal GDP and employment and the differential between the contributions of the tertiary and the secondary sectors to real GDP growth. On the credit side, the indicators used are the share of private credit in GDP, credit intensity (the amount of credit needed for an additional unit of output) and the differential in return on assets between SOEs and private enterprises.
- “Environmental rebalancing”: the indicators used are energy intensity (electricity consumption per unit of output) and average PM2.5 in 74 cities.
- “Income distribution”: the indicators used are the Gini index, the share of labor income in GDP, the urban-rural income gap, and the growth rate differential between the median and mean of disposable income. The labor income ratio is proxied by the ratio of household disposable income to GDP.

Table A1: Rebalancing scorecard summary indicators

		2015	2016	2017
1. External rebalancing				
Contribution of net exports to GDP growth	<i>Difference in ratio</i>	-0.5	-0.6	1.3
Current account balance	<i>Difference in ratio</i>	0.5	-0.9	-0.4
FX reserve coverage	<i>Annual % change</i>	-17.4	1.8	7.7
National saving rate	<i>Difference in ratio</i>	-1.6	-1.6	-0.1
2. Internal rebalancing				
Demand side				
Growth contribution of consumption vs investment	<i>Difference in ratio</i>	1.1	0.3	0.3
Share of private consumption (Nominal)	<i>Difference in ratio</i>	0.6	1.3	-0.3
Share of investment (Nominal)	<i>Difference in ratio</i>	-2.0	-0.6	0.3
Supply side				
Growth contribution of Tertiary vs Secondary sector	<i>Difference in ratio</i>	0.8	0.6	0.1
Share of Tertiary sector (Nominal)	<i>Difference in ratio</i>	2.4	1.4	0.2
Share of Tertiary sector in total employment	<i>Difference in ratio</i>	1.8	1.8	1.7
Credit Side				
Private credit	<i>Annual % change</i>	7.2	9.3	3.6
Credit intensity	<i>Annual % change</i>	24.0	31.8	-26.9
Return on asset: SOE - private	<i>Annual % change</i>	8.0	-0.3	-27.8
3. Environmental rebalancing				
Energy intensity of output	<i>Annual % change</i>	-3.7	-1.0	-3.7
PM 2.5 (Weighted by usual residence)	<i>Annual % change</i>	...	-10.9	-3.6
4. Income distribution				
Gini	<i>Annual % change</i>	-1.5	0.6	0.4
Labor income	<i>Difference in ratio</i>	0.0	0.6	-0.4
Urban/rural income gap	<i>Annual % change</i>	-0.7	-0.4	-0.3
Real disposable income growth: Median – Mean	<i>Difference in growth rate differential</i>	-2.1	-0.3	-2.0

Note: Green denotes significant progress, yellow moderate progress and red represents reversal of rebalancing. Table A2 explains coloring rules.

Table A2 Rebalancing Scorecard Coloring Thresholds

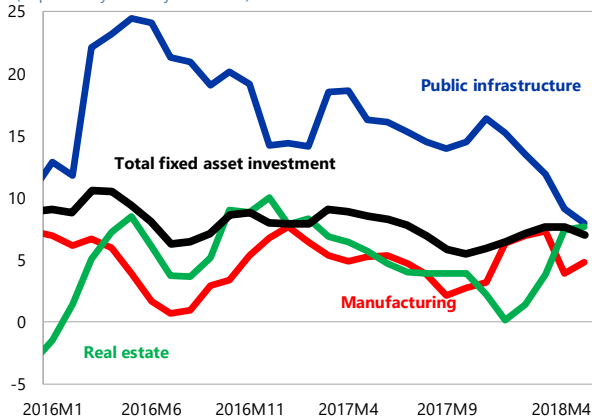
Categories		Indicators	Benchmark	
1. External Rebalancing		Contribution of net exports to GDP growth	Difference	>0.5 <0
		Current account balance	Difference	>0 <-0.5
		FX reserve coverage	Annual change	>0 <-5
		National saving rate	Difference	>0 <-0.5
2. Internal Rebalancing	Demand side	Growth contribution of consumption vs investment	Difference	<0 >0.5
		Share of private consumption (nominal)	Difference	<0 >0.5
		Share of investment (nominal)	Difference	>0 <-0.5
	Supply side	Real growth rate of tertiary vs secondary sector	Difference	<0 >0.5
		Share of tertiary sector in GDP (nominal)	Difference	<0 >0.5
		Share of tertiary sector in total employment	Difference	<0 >0.5
	Credit side	Private credit	Annual change	>0 <-5
		Credit intensity	Annual change	>0 <-5
		Return on asset: SOE – private	Annual change	>0 <-5
3. Environmental Rebalancing	Energy intensity of output	Annual change	>0 <-5	
	PM 2.5	Annual change	>0 <-5	
4. Income Distribution	Gini	Annual change	>0 <-5	
	Labor income	Difference	<0 >0.5	
	Rural/urban income gap	Annual change	>0 <-5	
	Real disposable income growth: Median – Mean	Difference	<0 >0.5	

The algorithm for coloring rules is: if the change in a rebalancing indicator means regress in rebalancing, said indicator is assigned the color red. To distinguish yellow from green, a simple threshold of 0.5 percentage points if the variable is measured in differences or 5 percent if the indicator is measured in annual percent changes is used.

Appendix B. Additional Figures

B1.1 Drivers of investment growth

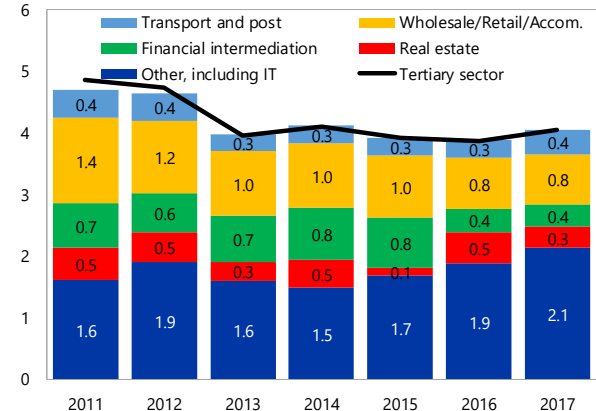
(In percent year-on-year 3mma)



Source: CEIC.

B1.2 Contribution to real GDP growth

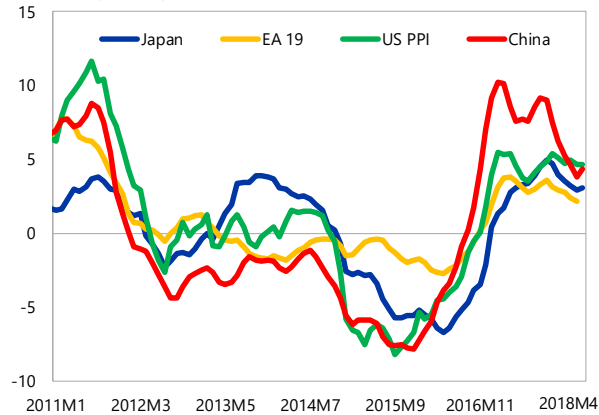
(In percent)



Source: CEIC and IMF staff estimates.

B1.3 PPI of intermediate goods

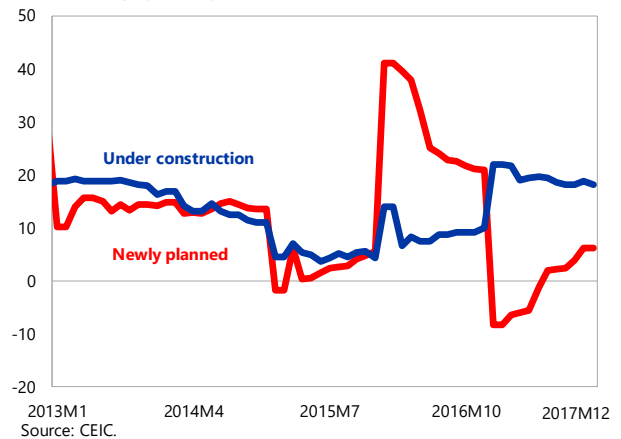
(In percent, year-on-year)



Source: CEIC and Haver Analytics.

B1.4 Fixed asset investment total pipeline

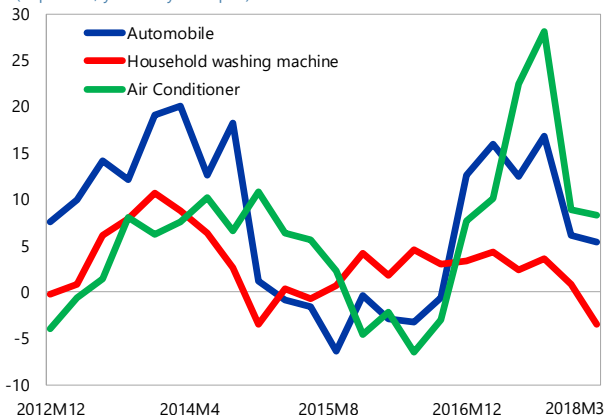
(Percent change, year-on-year)



Source: CEIC.

B1.5 Consumer durable goods sales volume

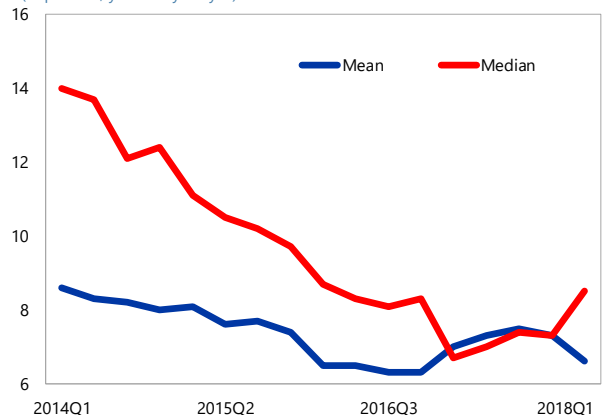
(In percent, year-on-year 4qma)



Source: CEIC.

B1.6 Growth of real disposable income per capita

(In percent, year-on-year ytd)



Source: CEIC.

Table C1: Matching the Rebalancing Framework Used in This Note to the Authorities' Own Targets and Recent Announcements

Zhang (2016) rebalancing framework	How the Authorities see Rebalancing: Targets in Five Year Plans (FYP) and recent announcements		
	12th FYP (2010-2015)	13th FYP (2015-2020)	More recently --19th Party Congress (PC), 13th National People's Congress (NPC), others
External rebalancing			<ul style="list-style-type: none"> • 19th Party Congress: Announced a unified negative list for foreign investment to be implemented in 2018. • Following the 19th PC: MOF promised to remove foreign ownership cap for futures firms, securities companies and fund managers in 3 years. • 13th NPC: Premier Li stated intention to open manufacturing sectors to foreign competition while protecting intellectual property rights, to open service sectors to foreign investment, and to lower trade tariffs further. • Following the NPC: The Ministry of Industry and Information Technology announced that "Made in China 2025" will provide equal treatment to foreign companies. • Liu He at Davos: Re-affirmed intention to open up financial and manufacturing sectors to foreign investment.
Internal rebalancing	<ul style="list-style-type: none"> • Increase service sector share in GDP to 47% • Increase resident disposable income by 7% from 2010 • Expand urban basic pension coverage to include at least 357 million people • Increase national basic medical insurance participation rate by 3% from 2010 	<ul style="list-style-type: none"> • Increase service industry share in GDP to 56% • Increase resident disposable income by more than 6.5% from 2015 • Increase pension participation rate to 90% (+8 ppts from 2015) 	<ul style="list-style-type: none"> • 19th PC: Financial deleveraging is one of the three "tough battles" to ensure China becomes a moderately prosperous society by 2020. Boost modernization of service sector and facilitate integration between service and agriculture sector. Open service sector to private sector and improve regulation/supervision. Announced plans to eliminate the policy that discriminates non-SOE firms based on ownership regarding investment. • 13th NPC: Strengthen public services and social safety net by 2020. Emphasized need to balance the relationship between local and central government.
Environmental rebalancing	<ul style="list-style-type: none"> • Decrease water usage per unit industrial value added by 30% from 2010 level • Increase agriculture water usage efficiency to 0.53 • Increase non-fossil fuel's share in primary energy consumption to 11.4% • Reduce energy intensity by 16% from 2010 • Reduce carbon intensity by 17% from 2010 • Increase forest coverage to 21.7% 	<ul style="list-style-type: none"> • Decrease water usage per unit of GDP by 23% from 2015 • Increase non-fossil fuel's share in primary energy consumption to 15% • Reduce energy intensity 15% from 2015 • Reduce carbon intensity 18% from 2015 • Increase forest coverage to 23.04% • PM 2.5 concentration in cities with values higher than 35 mcg/m³ needs to be reduced by 18 percent from 2015 • Set upper threshold of construction land increase to less than 5.36 million acres by 2020 from 2015 	<ul style="list-style-type: none"> • 19th PC: Environmental protection is one of the three "tough battles" to ensure China becomes a moderately prosperous society by 2020. Formulated the concept of "Beautiful China" and incorporated into the two-stage development plan for building a great modern socialist country. • 13th NPC: Establish regulatory agencies to manage state-owned natural resource assets and monitor natural ecosystems, and develop a nature reserves system composed mainly of national parks. • Paris Agreement: Carbon intensity reduce 60%-65% from 2005 levels by 2030. • Capacity reduction efforts will be expanded beyond coal and steel industries to retire outdated/polluting capacity. National Energy Administration (NEA) announced a target for capacity cut in coal-powered electricity generation. The first batch involves 100 outdated units with installed capacity totaling 4.72MW.
Distributional rebalancing	<ul style="list-style-type: none"> • Increase urbanization rate to 51.5% • Increase 9-year-education completion rate (graduate/enrollment) to 93% • Increase high school enrollment rate to 87% • Increase rural resident net income by 7% from 2010 • Keep unemployment rate in urban cities (registered) below 5% • Renovate additional 36 million housing units for shanty town development 	<ul style="list-style-type: none"> • Increase average education years received by labor force to 10.8 by 2020 (+0.57% from 2015) • Reduce rural poverty population by 55.8 million • Renovate additional 20 million housing units for shanty town development 	<ul style="list-style-type: none"> • 19th PC: Poverty reduction is one of the three "tough battles" to ensure China becomes a moderately prosperous society by 2020. • Increase support to poverty and border areas, intensify development in west and northeast regions. Build a more efficient regional development coordination system. • Improve rural land system to stabilize farmers' land ownership. Build modern agricultural system and connect farmers with modern agricultural industry. • NDRC published a notice to further release restrictions on Hukou and expand public services to non-Hukou residence.
Other rebalancing			<ul style="list-style-type: none"> • Made in China 2025 introduced in 2015 prioritizes projects and investments in high-tech/innovative industries.