

China mulls \$1.4 trillion in extra debt ahead of US polls

FEAR OF HEAVY DUTIES. Trump has vowed to levy 60% duties on imports from China

Reuters

China is considering approving next week the issuance of over 10 trillion yuan (\$1.4 trillion) in extra debt in the next few years to revive its fragile economy, a fiscal package which is expected to be further bolstered if Donald Trump wins the US election, said two sources with knowledge of the matter.

China's top legislative body, the Standing Committee of the National People's Congress (NPC), is looking to approve the fresh fiscal package, including 6 trillion yuan which would partly be raised via special sovereign bonds, on the last day of a meeting to be held from November 4-8, said sources.

TACKLING DEBT RISKS

The 6 trillion yuan worth of debt would be raised over three years, including 2024, said the sources, adding the proceeds would be used to help local governments address debt risks. The planned total amount, to be raised by issuing both special treasury and local government bonds, equates to over 8 per cent of the output of China, which has been hit hard by a prop-



FINANCIAL PUSH. The Chinese authorities are contemplating approving the 10 trillion yuan stimulus package. REUTERS

erty sector crisis and ballooning debt of local governments.

Reuters is confirming that the Chinese authorities are contemplating approving the 10 trillion yuan stimulus package, an amount that financial analysts have said they expect Beijing to consider.

The spending plans suggest that Beijing has switched into a higher stimulus gear to prop up the economy.

The central bank, in late September, announced the most aggressive monetary support measures since the Covid-19 pandemic. The government followed up weeks later by flagging more fiscal stimulus without specifying financial details of

the package, stoking intense speculation in global markets about the size of the new spending.

The State Council Information Office and the news department of the NPC Standing Committee did not immediately respond to Reuters requests for comment. The sources cautioned that the plans are not finalised yet and remain subject to changes. China's top legislative body generally holds its meeting every two months — with the forthcoming meeting initially planned for late October now being rescheduled to early November, said one of the sources.

The meeting's timing, which coincides with the week of the US presidential

vote on November 5, offers Beijing greater flexibility to adjust the fiscal package, based on the election outcome, said the sources.

TO 'TRUMP' SANCTIONS

Beijing may announce a stronger fiscal package if Trump wins a second presidency as his return to the White House is expected intensify the economic headwinds for China, the two sources said.

Republican candidate Trump has gained in recent polls to erase much of the early advantage of his Democratic opponent, Vice-President Kamala Harris. Trump has vowed to impose 60 per cent duties on imports from China.

As part of its latest fiscal package, the NPC Standing Committee is also expected to greenlight all or part of up to 4 trillion yuan worth of special-purpose bonds for idle land and property purchases over the next five years, said the sources. The latest move is aimed at enhancing local governments' ability to manage land supply and alleviate liquidity and debt pressures on both local governments and property developers, they added.