

Policies energize hard-hit economy

Wave of measures has helped companies weather epidemic

By XU WEI
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China's policy package aimed at steering the economy back on track is starting to pay off, aiding a gradual rebound in key service sectors, while analysts and industry insiders call for continuous support to counter headwinds and underpin a sustained recovery.

The National Bureau of Statistics said on Sunday that the purchasing managers' index for China's nonmanufacturing sector came in at 53.8 in July, marking the second consecutive month that the sector expanded. A reading above 50 indicates expansion, while a reading below it reflects contraction.

The NBS said the PMI reading for the catering, accommodations and transportation sectors in July exceeded 60, the result of a host of pro-growth policies issued since May.

Zhao Qinghe, a senior statistician with the NBS, said in a statement after the release of the data that the nation's service sector has been on the recovery track over the past two months, and activity in all the surveyed service sectors shows growing confidence among businesspeople.

The central government has come up with various policy measures to support companies in the services sector, especially catering, tourism, culture and transportation, which have been hit hard by the surge of COVID-19 outbreaks in parts of the country since March.

A State Council executive meeting chaired by Premier Li Keqiang on Friday reiterated the need to support struggling industries, including catering, retail, tourism and transportation, as policymakers pledged to extend extra value-added tax deductions in the services sector.

Key measures that have already been rolled out include offering tax refunds and fee cuts to businesses, deferring their social security payments and encouraging State-owned housing authorities to reduce or exempt rent for micro and small businesses.

By July 20, China had offered a total package of over 3 trillion yuan (\$444 billion) to support those measures, according to the State Taxation Administration.

Under a policy document jointly issued by six central government departments, smaller firms in the service sector that are tenants of State-owned houses in areas classified as medium- and high-risk for COVID-19 will enjoy a six-month rent exemption this year, while those in other areas will be exempted from paying rent for three months.

By July 20, the government had spared 936,400 smaller businesses from paying 53.8 billion yuan in rent for State-owned property, according to the Ministry of Housing and Urban-Rural Development.

Shanghai, one of the hardest hit cities by the pandemic this year, scaled up subsidies to reduce rent and taxes on property and urban land use for qualified businesses, among other measures. Beijing is offering up to 30 million yuan worth of coupons for accommodations, as part of its efforts to speed up the recovery of tourism and boost consumption.

Yang Fang, a senior researcher at the Institute of Digital Economy at Zhongnan University of Economics and Law in Wuhan, Hubei province, said the government's policy offerings have spurred consumer spending, stabilized the cash flow of businesses and contributed significantly to efforts to protect market players, ensure public well-being and steady the job market.

She explained that a major drag on consumer spending is the catering sector, whose revenues dropped 7.7 percent year-on-year in the first half of this year.

However, the recurrence of the epidemic in some areas last month, including Gansu and Anhui provinces and Shanghai, has cooled economic activity, while the slowdown in growth of residential income, which grew by only 2.6 percent year-on-year in the second quarter, has continued to weigh on the growth of the service sector, she said.



In one of the latest policy measures, the Ministry of Culture and Tourism and the People's Bank of China, the central bank, called for financial institutions to scale up their credit support for businesses in the cultural and tourism sector in a policy document published on July 25.

The document said cultural and tourism businesses will be offered preferential financial services, and financial institutions will issue new loans to help such businesses withstand the fallout of the epidemic.

It warned lenders against blindly restricting or cutting off loans to businesses and said that more work must be done to lower financing costs.

Qiu Liang, the owner of a rural hotel in Taining county, Fujian province, said the number of guests received at his hotel started growing in June, with over 70 percent of rooms being booked on a daily basis, up from 30 percent at the beginning of this year.

As part of the aid packages from the gov-

ernment, his hotel enjoyed a three-month waiver in rent, he added.

Like many smaller companies, Qiu said the fact that his business lacked fixed assets as collateral made it difficult for him to obtain credit support from financial institutions.

"It is our hope that the government can encourage lenders to come up with special credit products for hotels and homestays to help us better get through epidemic-related difficulties," he said.

A meeting of the Political Bureau of the Communist Party of China Central Committee — the Party's core leadership — on Thursday pledged to enable China's macro policies to play a proactive role in boosting demand, calling for monetary policies to effectively offset sluggish consumer spending.

The meeting also affirmed the nation's dynamic zero-COVID strategy, saying that new outbreaks must be contained immediately, and there should be zero complacency in fighting the epidemic.

Liang Si, a researcher from the Bank of China's research institute, said a rebound in consumer spending since May has fueled the recovery of sectors, including catering and tourism, but uncertainties brought about by the epidemic and rising costs have continued to dampen expectations and confidence among various market players.

He highlighted the need for different regions to adopt targeted aid packages for businesses based on the severity of the epidemic's influence.

"The issuance of more coupons will help businesses attract more customers, while incentives can be offered to employers that refrained from laying off workers," he said.

Yang, from Zhongnan University of Economics and Law, also highlighted the significance of rolling out more coupons for businesses and consumers to spur spending.

The digital transformation for the service sector should be expedited to proactively foster new models of consumption and spawn new business models, she added.

State Council working harder to shore up nation's job market

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The central government has scaled up measures to create jobs and stabilize the job market, pledging to continue to issue loans to eligible startups and self-employed individuals and help college graduates and migrant workers find jobs.

In its executive meeting on July 13, the State Council, China's Cabinet, adopted a host of measures to shore up employment, including a policy stipulating that guarantee loans of up to 200,000 yuan (\$29,700) will be provided to eligible startups and self-employed households, with interest subsidies to be offered from government funds.

The meeting called for local governments to earmark funds to help business incubation

bases lower rents and other fees for startups.

The meeting came as China's urban unemployment rate reached 5.7 percent for the first half of this year, with the surveyed urban unemployment rate dropping from 6.1 percent in April to 5.5 percent in June, according to the National Bureau of Statistics.

The Government Work Report this year set the target of creating 11 million urban jobs and maintaining the urban unemployment rate at or below 5.5 percent.

Meanwhile, the jobless rate for people age 25 to 59 was 4.5 percent in June, down by 0.6 percentage points from May and close to the average level last year. Fu Linghui, a spokesman with the NBS, told a news conference on July 15 that the nation has turned the tide for the rise in urban employment rate as the economy is gradually recovering.

Youth unemployment remains a major challenge in the nation's labor market as the unemployment rate for people age 16 to 24 reached 19.3 percent in June.

Fu attributed the rise in youth unemployment to frictional unemployment — the fallow period between successive jobs — as most young people were entering the job market for the first time. He highlighted the need to continue giving priority to helping key groups, including the young people, find work in a bid to stabilize the job market.

The State Council meeting on July 13 called for intensified efforts to help with the employment of college graduates, which totaled a record high of 10.76 million this year, saying that policies will be rolled out to support the hiring of graduates in outsourcing industries. It pledged to offer tailored

employment services to graduates who have yet to find jobs and carry out public works programs effectively.

The meeting also decided to allow workers on flexible payrolls to join basic pension and medical insurance programs where they work and extend social insurance subsidies to graduates and those having difficulty finding jobs when they engage in flexible employment.

Zhang Ying, head of the job promotion department at the Ministry of Human Resources and Social Security, told a news conference on July 22 that helping unemployed graduates find jobs will continue to be a priority going forward.

She said the government will provide tailored services for unemployed graduates, including boosting recruitment at the grassroots level and providing more internships.

Policy Digest

Travelers' COVID-19 test results valid nationwide

The joint prevention and control mechanism for COVID-19 has urged provincial-level authorities to ease people's ability to travel by recognizing the results of nucleic acid tests that are conducted outside their jurisdictions.

In a notice issued on Friday, the mechanism, which was created by the State Council, China's Cabinet, said the authorities should have a full understanding of the need to prevent and control COVID-19 in a more scientific and accurate way, and take effective measures to promote mutual recognition of nucleic acid test results from other parts of the country. Test results accessed through different channels, including smartphone applications, websites and health codes from different provinces, are equally valid as long as they fall within the period of validity required by local authorities, according to the notice.

Authorities should recognize these results and must not deny people access to public places or public transportation, even if they haven't taken tests offered in the areas they are visiting, the notice said. It added that authorities are forbidden from requiring those with valid test results to test again.

Authorities should also act immediately to ensure officials in their provinces at the grassroots level implement the mutual recognition of the test results, and make the policy better known to the public by issuing statements and news reports, according to the notice.

Efforts urged to better prevent drownings

The Ministry of Education and four other ministries have jointly issued a notice asking provincial authorities to step up efforts to prevent drownings among primary and middle school students during summer time.

The notice, published on the Ministry of Education's official website on Thursday, said authorities in the fields of education, public security, civil affairs, water resources and rural affairs should prioritize the safety of students and take strict, concrete and meticulous measures to prevent such accidents.

The ministries required authorities to focus on open waters in rural areas and those that students walk by on their way to and from school; to obtain information about the ownership of such waters, and their depths; to investigate whether the grounds around these waters are equipped with warning signs and rescue materials; and to identify waters that are particularly dangerous.

Authorities should organize regular patrols of the waters, especially in the afternoons and evenings, and prevent students from swimming in them, the notice said.

Furthermore, public security authorities at all levels should intensify patrols on key shorelines and carry out regular training and drills to improve their response to water accidents. Authorities should also urge governments at the grassroots level to set up barriers and warning signs and install lifesaving equipment, including buoys and ropes, by the waters, the notice said.

Plan calls for urban infrastructure system

The country should establish an urban infrastructure system that is sound, efficient, functional, smart, environmentally friendly and safe by 2035, the Ministry of Housing and Urban-Rural Development and the National Development and Reform Commission said in a joint plan issued last month.

According to the plan issued to provincial governments and State Council departments, the authorities should link their efforts to the country's goal of basically achieving socialist modernization by 2035. They should plan, in a moderately proactive way, to build infrastructure that will benefit industrial development and national security.

Key tasks include promoting systematic construction of urban infrastructure to strengthen the resilience of cities; enhancing the connectivity of the projects so that different regions, including rural areas, can make use of them; and improving the construction of green and smart projects. The plan also laid out major campaigns for authorities to carry out to improve the quality of urban infrastructure, including those involving transportation, water systems and hygiene.

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