

# China's Two Sessions: NPC/ CPPCC Targets, Stimulus, and EM/Commodity Implications

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**China's Two Sessions, the National People's Congress (NPC) and Chinese People's Political Consultative Conference (CPPCC), convene each March to set economic targets, approve fiscal and monetary policy, and signal policy priorities for the year ahead. The 2026 meetings come amid a mixed macro backdrop:** property sector stabilization remains incomplete, consumer confidence is fragile, and external demand faces structural headwinds. For investors, the key questions are whether stimulus will be sufficient to stabilize growth, how targets will shape commodity demand, and what the implications are for EM equities and global risk sentiment.

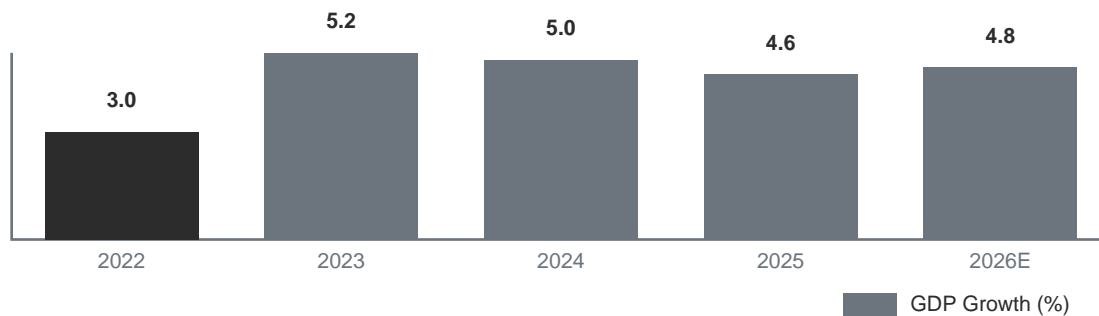
## Executive Summary

The 2026 Two Sessions are expected to maintain a growth target around 4.5 to 5.0%, with fiscal support focused on consumption, strategic industries, and property sector stabilization. Monetary policy is likely to remain accommodative, with further RRR cuts and targeted lending support. The meetings will signal priorities for new productive forces (AI, green tech, advanced manufacturing) and may announce measures to support household income and domestic demand. Commodity implications depend on the scale of infrastructure and property support; industrial metals and energy could see upside if stimulus exceeds expectations. EM equities, particularly China A-shares and Hong Kong listings, are sensitive to policy tone and delivery.

## Key Takeaways

- Growth target likely 4.5 to 5.0%; fiscal deficit may expand modestly to support demand. Quality of growth matters as much as headline GDP.

### China GDP Growth Target vs Actual (2022-2026E)



Source: National Bureau of Statistics, Consensus Forecasts

- **Stimulus focus:** consumption vouchers, property support, strategic industries (AI, semiconductors, green tech). Monetary easing via RRR cuts and targeted lending.
- **Commodity implications:** industrial metals (copper, aluminum) and energy sensitive to infrastructure and property measures. Upside if stimulus exceeds expectations.
- **EM and China equities:** policy credibility and execution matter. A-shares and H-shares can re-rate on credible stimulus; disappointment would pressure EM broadly.

## Growth Targets and Fiscal Stance

The NPC typically announces the annual GDP growth target, fiscal deficit ratio, and local government bond quotas. In 2026, consensus expects a target in the 4.5 to 5.0% range, consistent with a gradual slowdown and structural rebalancing. The fiscal stance is likely to remain **expansionary**: the central government deficit may hold or expand slightly, with special bond issuance for infrastructure and strategic projects. Local government financing remains constrained by debt limits, but central transfers and refinancing mechanisms could provide relief. The key is whether fiscal support is front-loaded and sufficiently targeted to stabilize property and boost consumption.

## Monetary Policy and Credit

The PBoC has room for further easing. RRR cuts have been used to support liquidity; additional cuts in 2026 are plausible if growth weakens or deflationary pressures persist. Lending rates may edge lower to reduce financing costs for households and corporates. The focus is likely on **targeted support**: relending for small firms, green finance, and strategic sectors. Broad credit growth has been modest; a meaningful acceleration would require stronger demand and confidence. Investors should watch for signals on property financing, developer support, and household mortgage relief.

## Property Sector and Consumption

Property remains the largest swing factor. Sales and starts have stabilized at low levels; a durable recovery requires household confidence and income growth. The Two Sessions may announce additional measures: further relaxation of purchase restrictions, support for project completion, or programs to convert unsold inventory to affordable housing. Consumption support could include vouchers, tax incentives, or subsidies for specific goods (e.g., autos, appliances). The effectiveness of past measures has been mixed; markets will judge credibility and scale.

## Strategic Industries and New Productive Forces

China continues to prioritize strategic industries: semiconductors, AI, new energy vehicles, and advanced manufacturing. The Two Sessions will reinforce support for these sectors through fiscal allocation, regulatory clarity, and industrial policy. This has implications for global supply chains, commodity demand (lithium, copper, rare earths), and equity sector rotation. Domestic champions in these areas may benefit from policy tailwinds; overcapacity in some segments (e.g., solar, batteries) remains a risk for margins.

## Commodity Implications

China is the largest consumer of industrial metals, and commodity demand is highly sensitive to infrastructure spending and property activity. A credible stimulus package would support copper, aluminum, and steel; iron ore and coking coal would benefit from steel production. Energy demand (oil, LNG) is more linked to industrial activity and transport. If stimulus disappoints, commodity prices could face headwinds; if it exceeds expectations, industrial metals could rally. The base case is modest upside from current levels, with volatility around the Two Sessions announcements.

## EM and Global Risk Sentiment

China's policy credibility affects EM broadly. A credible, well-received stimulus would support risk sentiment, lift China A-shares and H-shares, and provide a tailwind for EM equities and currencies. Disappointment could pressure EM assets and reinforce concerns about global growth. The correlation between China policy and EM performance has been strong in recent years. Investors with EM exposure should monitor the tone of announcements and market reaction in the days following the meetings.

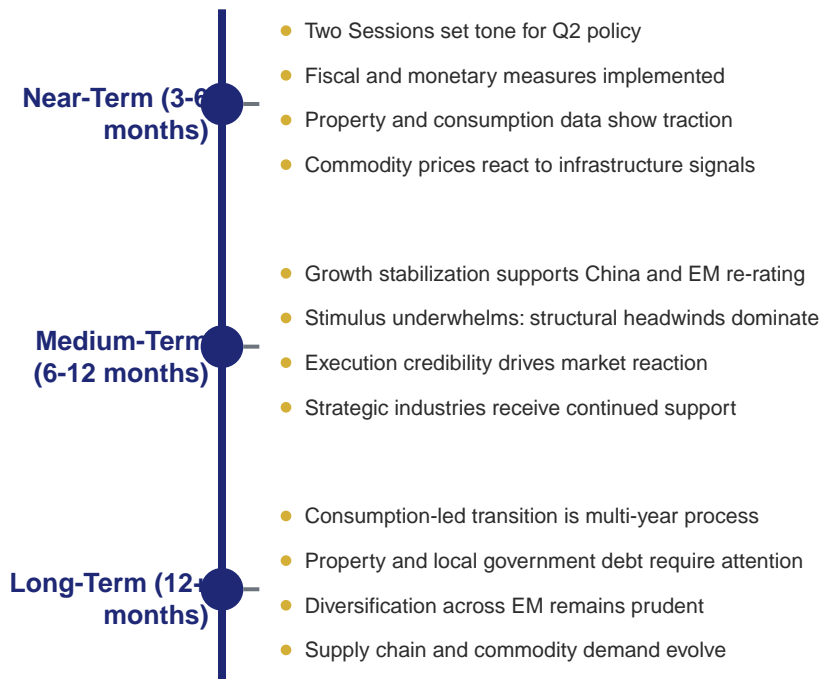
## Timeline and Outlook

**Near-Term Outlook (3 to 6 months):** Two Sessions announcements will set the tone for Q2. Fiscal and monetary measures will be implemented; property and consumption data will show whether stimulus is gaining traction. Commodity prices will react to infrastructure and property signals.

**Medium-Term Outlook (6 to 12 months):** Execution matters. If growth stabilizes and confidence improves, China and EM assets could re-rate. If stimulus underwhelms, structural headwinds (demographics, debt, property overhang) may dominate.

**Long-Term Outlook (12+ months):** China's transition to consumption-led, higher-quality growth is a multi-year process. Strategic industries will receive continued support; property and local government debt will require sustained attention. Diversification across EM remains prudent.

## Timeline Overview



Source: AVANTAS Research Analysis

## Risk Factors

**Policy Disappointment Risk:** Stimulus may fall short of expectations, pressuring China and EM assets. Implementation delays or insufficient scale could undermine confidence.

**Property Risk:** A renewed deterioration in property could require larger fiscal support and weigh on growth. Developer defaults and local government stress remain tail risks.




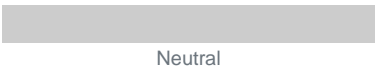
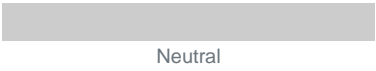
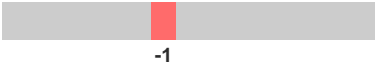
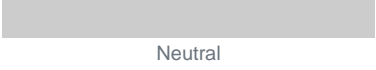
**Geopolitical Risk:** Trade tensions, technology restrictions, or strategic competition could constrain China's growth and affect supply chains. Policy response may be defensive.

**Commodity Volatility Risk:** Demand uncertainty creates two-way risk for industrial metals. Supply disruptions (e.g., Chile copper) could amplify moves.

## Conclusion

China's Two Sessions will set the policy framework for 2026. Investors should focus on growth targets, fiscal stance, and property measures. Credible stimulus would support commodities and EM; disappointment would pressure risk assets. Position for volatility around the meetings and maintain selectivity in China and EM exposure.

## Asset Class Impact

Asset	View	Commentary
China A-Shares	 +1	Overweight. Re-rate potential on credible stimulus; policy tone and delivery critical.
China H-Shares / HK	 +1	Overweight. Sensitive to policy announcements; valuation discount to A-shares.
Industrial Metals	 +1	Overweight. Copper, aluminum, steel benefit from infrastructure and property support.
EM Equities (ex-China)	 Neutral	Neutral. China policy affects EM sentiment; selectivity by country fundamentals.
EM FX	 Neutral	Neutral. Risk sentiment and commodity prices drive flows; China stimulus supportive.
China Property	 -1	Underweight. Structural overhang; policy support may stabilize but full recovery uncertain.
Global Commodities	 Neutral	Neutral. Two-way risk around stimulus scale; industrial metals most sensitive.

Source: AVANTAS Research Analysis