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Premier Wen's comments in the NPC yesterday on property market

In his Government Working Report to the National People's Congress (NPC) on 5th Mar, Premier Wen Jia-bao re-iterated to promote stable and healthy development of the property market. More pro-active and effective policies will be implemented to underpin market confidence and real estate investment, with a view to promoting stable and orderly development of the real estate industry. The government will increase fiscal injection to speed up implementation of welfare housing and public rental housing. Related mortgage and tax policies to encourage home purchase for own-use and purchase of second home, particularly for those in the ordinary housing segment, will be implemented.

As expected, there is **neither surprise on the upside, nor any on the downside**. **The Premier merely re-iterated the central government's policy direction to support the property market in the context of (i) boosting domestic demand and (ii) maintaining social stability**. The Premier's re-statement is nevertheless necessary to maintain market confidence, in our view, inasmuch as the real estate sector was not included in the top ten industries under the central government's policy support.

Against this backdrop, we believe that:

- (i) The central government will continue to **leave it to the local governments to fine-tune the policy measures** to customise for the specific need for the provinces / cities.
- (ii) Given that the central government's policy intent is to maintain a stable property market, **we don't expect the central government to roll out more aggressive policy measures**, such as income tax rebate, **unless there is unexpected deterioration in market condition**.
- (iii) The absence of new policy measures suggests that market forces would play a more essential role in the property market adjustments, particularly in the high-end segment of the residential market. Having said that, more measures are available if necessary to brace the



market against unfavourable circumstances. The Premier's undertakings should provide a "safety net" and inject confidence to the property market, conducive to its current round of adjustment.

----The End----

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