Monetary Policies Back High-quality Economic Growth

Policy Express

By LIN Yuchen

China's monetary and financial policies have delivered clear results in supporting the real economy, according to officials at a press conference held by the State Council Information Office on January 15.

Based on full-year financial data, the effectiveness of monetary and financial policies in supporting the real economy is evident.

The People's Bank of China (PBOC) announced that in response to evolving economic and financial conditions, it has expanded the quota for its relending program supporting technological innovation and industrial upgrading from 800 billion RMB to 1.2 trillion RMB.

The scope of eligible recipients has also been widened to include private small and medium-sized enterprises (SMEs) with high levels of research and development investment, further strengthening financial backing for innovation.

China's economic structure has continued to improve in recent years, with new growth drivers gaining momentum. In the first 11 months of 2025, the value added of high-tech industries above designated size rose by 9.2 percent year on year, making them a key engine of economic growth.

The State Council Information Office holds a press conference about effects of monetary and financial policies on high-quality development of the real economy in Beijing, January 15. (PHOTO: XINHUA)

At the same time, financial support for technology continues to increase, while financing costs have significantly decreased. In November 2025, interest rates on newly issued loans in the technology sector and the digital economy were 0.32 and 0.51 percentage point lower, respectively, than a year earlier.

Loans in priority areas such as technology, green development, inclusive finance, elderly care and the digital economy all recorded double-digit growth, reflecting progress in advancing what policymakers describe as the "five key areas" of financial services.

To support green transition, the central bank has included projects with direct carbon-reduction effects — such as energy efficiency upgrades and low-carbon energy transformation — under its carbon emission reduction support tool. This tool is operated quarterly, providing one-year relending funds, with annual operations capped at 800 billion RMB.

Financial opening up and cross-border financing have also been enhanced. In 2025, China introduced more facilitative cross-border financing policies for high-tech, specialized and innovative firms and technology-focused SMEs, while launching pilot programs for green foreign debt. These measures have helped companies secure nearly 10 billion USD in financing to date, supporting green and low-carbon projects.

Support for the private sector has been reinforced. The PBOC has decided to establish a one trillion RMB relending facility dedicated to private enterprises, particularly SMEs and micro enterprises.

In addition, tools supporting technology innovation bonds and private enterprise bond financing have been merged into a unified risk-sharing mechanism, offering a combined relending quota of 200 billion RMB.

On the consumption side, policies continue to focus on expanding domestic demand. A 500 billion RMB relending program for service consumption and elderly care has already seen 118.4 billion RMB disbursed by the end of 2025.

Meanwhile, outstanding consumer loans — excluding mortgages — reached 21.2 trillion RMB by November 2025.

The authorities say further efforts will center on lowering financing costs, supporting employment and entrepreneurship, and meeting increasingly diverse consumer financing needs.

New Vision for Govt Investment Fund Management

By SUN Jin & LIU Yuanyuan

Working measures to guide the planning and allocation of government investment funds, as well as improve the evaluation and management of government investment fund allocations, were released on January 12 by the National Development and Reform Commission (NDRC) and three other government departments. The NDRC also released administrative measures for evaluating the allocation of government investment funds.

Liu Guoyan, a researcher at the Chinese Academy of Macroeconomic Research, said that the combination of the two measures are expected to enhance the efficiency of fiscal fund utilization and optimize the country's capital supply structure.

The working measures stipulate that government investment funds should better leverage their guiding role, emphasize their policy-oriented positioning, and provide robust and effective support for major strategic initiatives, key sectors and areas where the market fails to function adequately.

Government investment funds should also be navigated to promote the deep integration of scientific and technological innovation with industrial innovation, optimize the layout of productive forces, accelerate the cultivation and development of new quality productive forces, and facilitate the transformation and upgrading of traditional industries, the measures noted.

According to the measures, national-level government funds should adopt a big-picture approach. They must prioritize key areas such as building a modern industrial system and overcoming technological bottlenecks, and support eligible cross-regional major projects and private-sector investments with strong demonstration effects. The objective is to address industrial chain weaknesses, overcome critical constraints, and concentrate resources on strategic areas where government funds can lead by example.

When local government funds or their sub-funds are invested, they must align those investments with both their policy mandates and local conditions. They are required to follow national guidelines on building a unified domestic market and regulating local investment incentives. Priority must be given to upgrading industries, boosting innovation, supporting small and medium-sized private enterprises, and nurturing tech startups, which will encourage broader participation from private capital.

The working measures also include a negative list that explicitly bans government funds being used in specific investments.

The working measures provide clear planning before investments are made and ongoing guidance during implementation, Liu said. "The measures clearly define the fund's investment targets, establish positive and negative lists, and provide detailed provisions to standardize fund investment activities and further emphasize policy-oriented guidance."

She noted that the administrative measures focus on oversight after investments are made. They introduce a comprehensive evaluation system that assesses how well funds align with national policy goals throughout their entire operational cycle, using both quantitative data and qualitative judgment.

According to Liu, the two measures mark a new stage in the development of China's government investment funds, focusing on standardization, quality and effectiveness. With clearer strategic direction and stronger performance evaluation, these funds are better equipped to support national strategies and drive high-quality economic growth.

Rules for Used NEV Batteries Updated

By LI Linxu

A new comprehensive regulation for the recycling and comprehensive utilization of used power batteries of new energy vehicles (NEVs) has been recently unveiled, with implementation slated from April 1, 2026.

The regulation was jointly released by six government bodies, including the Ministry of Industry and Information Technology (MIIT) and the National Development and Reform Commission.

The move comes as China's NEV industry is expanding rapidly. Latest statistics show that in 2025, NEV production and sales reached 16.63 million and 16.49 million units respectively, each posting year-on-year growth of nearly 30 percent.

In recent years, with the rapid growth of the NEV industry, NEV power batteries are entering a phase of large-scale retirement, necessitating further regulation of the recycling and comprehensive utilization of used batteries, according to an official from MIIT.

Staff members assemble a new energy vehicle at a workshop in Qingdao, Shandong province. (PHOTO: XINHUA)

Industry experts estimate that the country's used power battery generation would exceed one million tonnes by 2030.

The new document is built upon a series of core principles designed to enhance traceability, assign clear responsibility, and ensure environmental and safety compliance throughout the battery lifecycle. It aims to establish a coherent and enforceable system from production to recycling and comprehensive utilization.

It outlines a full-channel, full-chain and full-lifecycle management of used batteries. A national NEV power battery traceability information platform is being established to track batteries from production to end-of-life, requiring manufacturers to code and label batteries and report data.

It clarifies the recycling responsibilities of both battery and NEV manufacturers, and stipulates that the establishment of recycling service stations must comply with the laws and regulations.

Entities such as battery enterprises, NEV manufacturers, and scrap motor vehicle recycling and dismantling enterprises must standardize the transfer of used batteries.

Activities involving the comprehensive utilization of used batteries must comply with laws and regulations on resource utilization, environmental protection and safety production, and obtain necessary approvals like project approval and pollutant discharge permits.

The new policy, which replaces four previous guidance documents on battery recycling, includes a six-month transition window for existing NEV models to comply with the new information reporting requirements.

Case Study

Energy and Manufacturing in Shaanxi Embrace Transformation

By Staff Reporters

Once known for its heavy industries and raw resource extraction, Shaanxi province in northwest China is rapidly reinventing itself as a hub of green innovation.

From turning coal into biodegradable plastics to exporting smart electric trucks and tech-enhanced agricultural products worldwide, the province is leveraging science and sustainability to drive high-quality economic growth. This transformation encompasses energy, agriculture and advanced manufacturing, driven by R&D investment, university-industry collaboration, and a clear shift toward low-carbon, high-value production.

Moving toward the 'new'

In Yulin, Shaanxi's energy heartland, the traditional coal chemical industry is shedding its "crude and polluting" image. The second phase of the 15-million-ton-per-year clean coal conversion demonstration project of SHCCIG Yulin Chemical Co., Ltd. recently reached a milestone: The control room for its vinyl acetate monomer unit was topped out. As the world's largest coal-to-chemicals project under construction, it symbolizes Yulin's push to upgrade the entire coal value chain.

At China Energy Yulin Chemical, the world's first commercial plant producing polyglycolic acid (PGA), a fully biodegradable plastic derived from coal, has entered stable operation. "We're turning coal into high-end, eco-friendly materials," said Tao Long, manager of the PGA production unit. "Our focus is on high-end and low-carbon development."

Supported by national demonstration initiatives and its status as an Energy Revolution Innovation Zone, Yulin has attracted approximately 200 billion RMB in investment to build a modern coal chemical cluster.

Across Shaanxi, this shift is accelerating: The province now operates a full industrial chain covering coal-to-oil, coal-to-ethylene glycol, and coal-based advanced materials. All coal-fired power units meet ultra-low emission standards. Renewable energy capacity has grown nearly nine-fold over the past decade, surpassing 40 gigawatts. Carbon capture projects have already stored 450,000 tons of CO_2.

Turning tech into value

In the village of Jinmi in Zhashui county, technology is revitalizing rural livelihoods. Fungi farming, once at the mercy of the weather, now thrives in smart greenhouses with real-time sensors and mobile monitoring. Seven locally developed fungus strains, bred at an academician-led research station, account for the county's entire mushroom yield.

The village has moved beyond raw produce, creating value-added goods like fungus beer, biscuits and health supplements. Recently, it shipped 1,000 kilograms of dried fungi to Dubai, expanding its global footprint. Annual production exceeds 100 million fungus bags, with a brand value of 5.323 billion RMB, the highest in China.

"The fungi show how technology can unlock ecological value," said Wang Xiaoning, director of Shangluo city's Development and Reform Commission.

Linking intelligence to global market

In the Shaanxi Automobile Group's intelligent factory, one new-energy heavy-duty truck rolls off the line every 4.8 minutes. "We used to build diesel trucks; now, battery-electric and hydrogen models dominate," said senior technician Wu Xiaoming.

The company has shifted decisively toward electrification and autonomous driving, integrating electric drive-trains, lightweight materials, and 5G-enabled vehicle-to-infrastructure systems. From January to November 2025, it sold 20,882 new energy trucks, a 266 percent year-on-year increase, capturing 11.24 percent of China's market share.

This momentum extends across the province. In the first three quarters of 2025, Shaanxi's exports of new-energy vehicles rose by 73.3 percent compared to the same period in 2024.

"Shaanxi will deepen openness in aviation, auto parts and advanced coal chemicals," said Zhao Yide, secretary of the Communist Party of China Shaanxi Provincial Committee. "By combining our strengths in science and sustainability, we are building a high-quality, globally competitive economy."

The "Zhenbeitai" watchtower in Yulin, northwest China's Shaanxi province. Yulin has positioned itself to play an important role in China's energy transition. (PHOTO: XINHUA)

China-Spain Industrial Chain Cooperation Deepened

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It will focus on high-end computer numerical control machine tools, precision components and related fields, and carry out technological R&D and formulate industry standards.

In November 2025, a joint venture between Chinese battery giant CATL and multinational automaker Stellantis broke ground for a major lithium iron phosphate battery plant in Spain's northeastern region of Aragon. The factory fully uses renewable energy and will go into production by the end of 2026.

Areas such as clean energy, smart grids, and energy storage technologies have seen closer cooperation between China and Spain. Thanks to technological innovation, investment collaboration and policy support, Chinese and Spanish enterprises have achieved a win-win result, and provided feasible experience for the global transition to clean energy.

China National Chemical Engineering 13th Construction Co., Ltd. signed a contract to establish a renewable fuel facility in southern Spain. It will use waste oils as raw materials to produce low-carbon fuels for aviation, shipping and traffic.

The cooperation between the enterprises of the two nations in areas such as photovoltaic power, wind power, and digital energy management has been fruitful, injecting new impetus into the green and low-carbon development of both countries, according to the Chinese Ambassador to Spain, Yao Jing.