

China Launches €130 Billion Long-Term Debt Issuance to Stimulate Economy

China has announced a long-term sovereign debt issuance valued at more than one trillion yuan (about 130 billion euros), which will begin this Friday. The Chinese government intends to finance a fiscal stimulation to revitalize the world's second-largest economy, which still faces uncertainties due to the COVID-19 crisis.

China's Ministry of Finance said Monday that the issuance will include bonds with maturities of 20, 30 and 50 years, marking the fourth time in 26 years that the country has issued such long-term special debt. Initially, 30-year bonds will be launched, followed by 20-year bonds on May 24 and 50-year bonds on June 14. The auctions will continue until November, when a final batch of 30-year bonds will be offered.

The debt issuance will be structured in three main tranches: 300 billion yuan in 20-year bonds, 600 billion yuan in 30-year bonds and one trillion yuan in 50-year securities. Analysts predict that the bond sales will boost annual economic growth by one percentage point. In addition, the issuance is expected to offset the impact of potential U.S. protectionist tariffs on Chinese goods.

Led by Xi Jinping, the Chinese government is moving toward a fiscal stimulus strategy to help the nation reach its ambitious 5% growth target for this year. Analysts anticipate that the government will reduce minimum reserve requirements for lenders, freeing up funds for bond purchases.

Investors have responded positively to the news. The CSI 300 index, which represents mainland China's largest stocks, recovered from a 0.9% drop following the announcement. Similarly, the Hong Kong Stock Exchange, which was down 0.4% earlier, also posted gains. Chinese bonds rallied, driven in part by disappointing credit data, which fueled expectations of further monetary easing. Chinese 10-year bond yields fell to 2.3%.