Focus

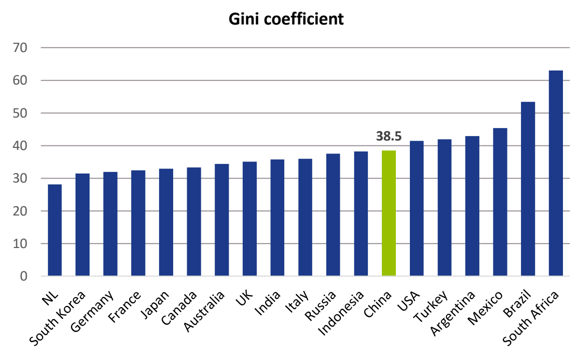
During 2021, the Chinese Communist Party (CCP) made some moves, which were, at least to outsiders, quite surprising. E-commerce goliath Alibaba was fined an historical amount of USD 2.8 billion. Didi, the world's largest ride-hailing company, was forced to refuse new users and remove its products from app stores. Consequently, the market cap of Didi dropped by USD 21.5 billion. The CCP also banned after-school private tutoring since, according to the CCP, it was mostly helping the rich. What do all these incidents have in common? The explanation of Xi Jinping, China's president, is to achieve "common prosperity".

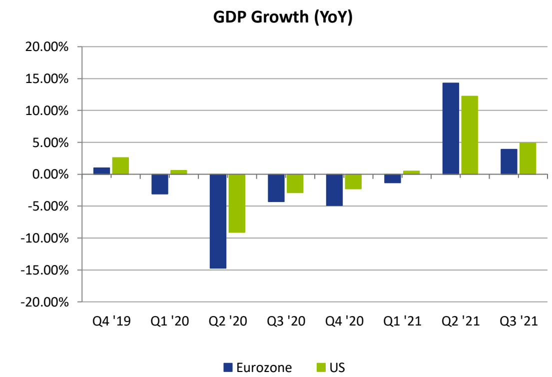
Xi Jinping mentioned this term in 2021 more often than in the six years before combined. In the final months of 2021, he even wrote an elaborate essay on common prosperity, in which he dubbed it as "an essential requirement of socialism and an important feature of Chinese-style modernization". The goal of achieving common prosperity has been around since the 1950's, but it was deemed to be less important in the 1970's when China slowly embarked on its free market reforms. Now, the policy is at the top of China's social-economic agenda again and it marks a significant shift in Chinese policy. This does beg the question, why now?

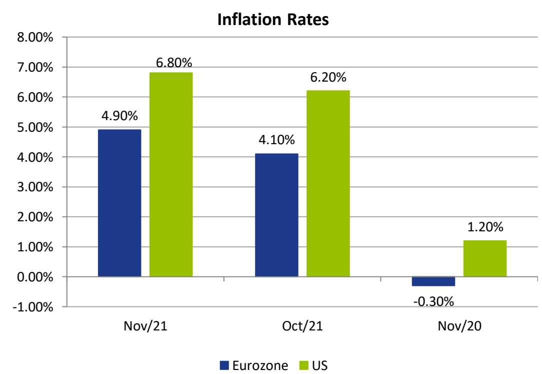
China's economic growth over the last 30 years has been astounding. China's GDP rose from 5% of the US GDP in 1990 to approximately 66% in 2020, according to World Bank data. It seems that China has now shifted its focus on mitigating the negative side effects of quantitative growth, and instead focus on qualitative growth. Negative side effects such as income inequality, which has moved Beijing to draft new policies. Xi stated in his essay that the division between poor and rich in other countries "has led to social disintegration, political polarization, and rampant populism". According to a 2019 study, the total income in China earned by the top 10% surged from 27% in 1978 to 41% in 2015, while the income share of the bottom half of the population decreased in this period from 27% to 15%. When considering the Gini coefficient, a measurement of income inequality, China scores significantly worse than countries such as Canada, France, Germany and Japan (see graph). Income inequality is a problem in China and Xi is considering wealth redistribution to counter this problem. This was discussed in the CCP Central Financial and Economic Affairs Commission.

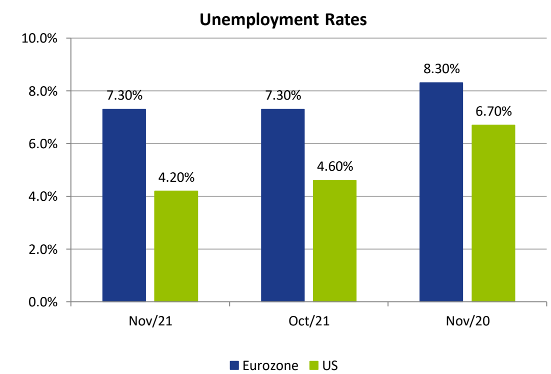
The CCP is currently exploring the possibility to thoroughly reform the tax system, placing a larger tax burden on higher incomes . As of right now, a number of existing policies is enforced more vigorously and some new policies are implemented:
- Enforcement of competition's law and new anti-monopoly measurements, exemplified by Alibaba and Didi;
- Encouragement to return more to society. This already resulted in companies like Alibaba and Tencent to donate USD 15.5 billion and USD 7.75 billion respectively to charity
- Improve general education levels, for instance by banning private tutoring.

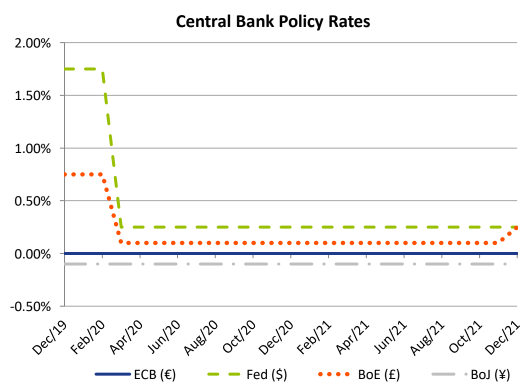
Economically speaking, the effects of these changes are already visible. China's astounding growth rates will most probably not continue at the same pace. A Japanese thinktank has revised its estimate of which date the China's GDP will be larger than that of the US from 2029 to 2033. Foreign direct investments in China are also decreasing from USD 163 billion in 2020 to USD 157 billion in 2021.
For the coming 15 years China will focus on achieving its revived goal of common prosperity. Only time will tell what the exact end game will be, but as always with drastic policies such as these, there are those that are fearful and those that are hopeful.











Country Ratings	S&P	Moody's	Fitch
Netherlands	AAA	Aaa	AAA
Germany	AAA	Aaa	AAA
France	AA	Aa2	AA
United Kingdom	AA	Aa3	AA-
Russia	BBB-	Baa3	BBB
United States	AA+	Aaa	AAA
Japan	A+	A1	A
China	A+	A1	A+
Australia	AAA	Aaa	AAA

Review & preview

A Brussels draft proposal of the 'green taxonomy' shows that the European Commission wants to designate investing in gas and nuclear energy as a 'green' investment for the foreseeable future. According to the proposal, investing in gas - under certain conditions - would be considered sustainable until 2030, while investing in nuclear energy would be designated as sustainable until 2045. However, the definition system is causing great dissension among the member states. France gets about 70% of its electricity from nuclear power plants and is therefore in favour of nuclear power as a sustainable investment. On the other hand, Austria and Germany are against the green label for nuclear power. The final plans will be presented later in January 2022.

Consumer goods and services in the Netherlands were 5.2% more expensive in November 2021 than a year earlier, according to the Statistics Netherlands (CBS). According to the European Union's harmonised index of consumer prices (HICP), inflation in the Netherlands was as high as 5.9% in November. Prices paid by Dutch people for goods and services such as gas, electricity and clothes have not risen this much on an annual basis since September 1982. Payroll services provider ADP announced that it expects a small wage increase for employed people in 2022, but that this will not be enough to compensate for the high inflation. Rabobank expects inflation to average 3.8% in 2022.

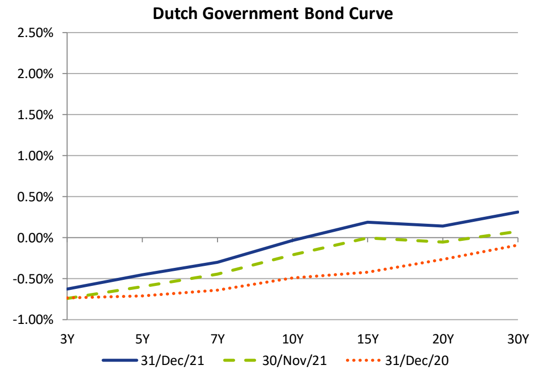
The Bank of England (BoE) raised its key interest rate in December 2021 from 0.10% to 0.25%. It was the first rate hike since March 2020. In a statement, the Bank of England expressed the hope that the rate hike combats the rising inflation. Inflation in the United Kingdom reached 5.1% in November 2021. The BoE expects inflation to continue to rise and reach its peak in April 2022 around 6%, mainly due to higer energy prices and pay rises. The inflation target for the BoE is 2%.

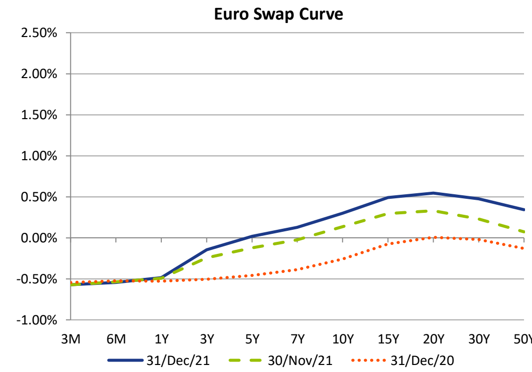
China's central bank, the People's Bank of China (PBOC), cut interest rates for the first time since April 2020. The 1-year loan prime rate (LPR) fell 5 basis points from 3.85% to 3.80%, while the 5-year LPR remained constant at 4.65%. The decrease ensures that Chinese companies can borrow at a lower rate for shorter maturities. The PBOC already provided relief to banks earlier this month, when it reduced the amount of cash banks are required to keep in reserve. The PBOC also announced an increased use of monetary policy instruments in its monetary policy for the coming period, while it also promised to provide more support to the real economy.

Prices of existing owner-occupied homes in the Netherlands rose by 20.1% year-on-year in November. This was revealed by new figures from CBS and the Dutch Land Registry at the end of December. The percentage has not been this high since February 2000. The average selling price last month was just over EUR 400,000. In 2000, the average house price was less than EUR 160,000. According to the CBS, 16,048 houses changed hands in November. That is 13% less than in the same month last year. The explanation is sought in the fact that potential sellers are not able to find another home.

Agenda

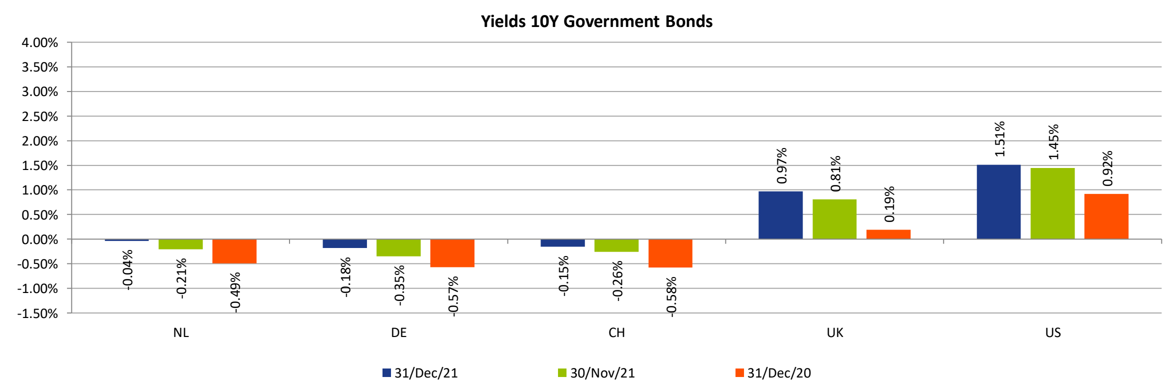
January 7 Inflation Eurozone
January 7 Unemployment United States
January 10 Unemployment Eurozone
January 11 Inflation rate Netherlands
January 19 Inflation rate United Kingdom
January 26 Interest rate decision Fed





Bank Ratings	S&P	Moody's	Fitch
Rabobank	A+	Aa2	A+
ING Bank	A+	Aa3	AA-
ABN AMRO	A	A1	A
BNG Bank	AAA	Aaa	AAA
NWB Bank	AAA	Aaa	n.a.
Deutsche Bank	BBB+	A2	BBB+
BNP Paribas	A+	Aa3	AA-
Barclays Bank	A	A1	A+
Credit Suisse Int.	A+	A1	A

Currencies	31/Dec/21	30/Nov/21	31/Dec/20
EUR/USD	1.137	1.134	1.222
EUR/GBP	0.841	0.853	0.894
EUR/CHF	1.038	1.042	1.081
EUR/JPY	130.895	128.315	126.180
EUR/DKK	7.437	7.437	7.442
EUR/SEK	10.294	10.231	10.050
EUR/CAD	1.437	1.449	1.555
EUR/AUD	1.565	1.591	1.588
EUR/CNY	7.229	7.217	7.977



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