

China Economy

Key implications of 7.30 Politburo meeting

What's new? The eye-catching Politburo Meeting was held on 30 Jul 2019 headed by President Xi. After the Chinese economy posted 6.2% GDP growth in 2Q19, the Meeting offered some clues on how the top authority will boost the economy, which is now mired in domestic weakness and trade tensions with the U.S. Instead of more brand-new stimulus, we think the Meeting by and large maintained previous stands on economic development and prescribed some detailed tactics.

- **Key focus unchanged, without mentioning “deleveraging”; more specific prescriptions.** Compared with previous Politburo meetings, particularly the one in April, macro policy direction and guidelines remained unchanged, except that structural deleveraging was not mentioned this time. Supply-side structural reforms, high-quality development and all-rounded open-up topped the agenda. Unlike previous meetings, however, this time's guidelines were more specific and detailed with respect to investment areas, which we discuss in a later paragraph and “employment first” policies, which will pay special attention to college graduates, migrant workers, veterans, and etc.
- **Reaffirmed a firm stand on real estate.** In addition to restating the importance of “housing is for living in, not for speculation” and long-term management mechanism of real estate, the Meeting specifically emphasized for the first time that government will not loose grip on housing market as a short-term stimulant for the real economy (“不将房地产作为短期刺激经济的手段”). In recent weeks, a couple of austerity measures have been unwind to cool real estate financing and investment involving both financial institutions and real estate developers. We believe policy relaxation regarding the real estate market should not be anticipated in 2H19, although “One City, One Policy” may imply heterogeneity for certain local markets.
- **Investment – to bolster manufacturing, “new” infrastructure, areas of weakness.** The Meeting aims to enhance investment in the following areas, (1) manufacturing investment; (2) “Projects to bolster areas of weakness”, e.g. shattered urban community renovation, urban parking lots, cold-chain logistics facilities, etc. These “areas of weakness” are closely related to the life of urban and rural residents, boosting investment of which will accomplish dual missions to uplift people's livelihood as well as economic growth; (3) “new infrastructure” projects, such as the information network.
- **Consumption – exploit demand and the rural market.** Regarding domestic consumption, the Meeting mentioned adopting reform to exploit potential consumption demand and enlarge the consumption market. We expect consumption boost will continue to be rolled out in various categories of goods, including cars, home appliances, etc. The emphasis on kickstarting rural consumption market will encourage and reward further penetration into lower-tier cities and rural areas of retail corporates.

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