

China Macro Flash

Politburo Meeting Confirms No Major Shift in Macro Policies

- The Politburo of CPC held a meeting today setting the tone for economic policies in 2H of the year. This is the second such meeting this year, and there is a tendency for the Politburo to discuss economic issues on a quarterly basis (in the past on a semi-annual basis). The thrust of the meeting appears consistent with that of the State Council.
- **Policy tone for 2H**
 - Implementing stable macro policies (featuring fine-tuning) and flexible micro policies, with social policies protecting the most vulnerable;
 - Focusing on improving growth quality and efficiency;
 - Maintaining proactive fiscal policy and prudent monetary policy, and promoting steady and healthy development of the property market;
 - Increasing support to small and medium enterprises;
 - Stabilizing foreign trade;
 - Pushing ahead fiscal, financial and price reforms.
- **Our takeaway:** As long as growth stays within a reasonable range, the priority would be restructuring and reform. The lower bound of the range is around 7.5% annual growth this year, and the absolute bottom line for the government is 7% annual growth in the near term. As growth has not breached the lower bound yet, no stimulus (even mini-stimulus) is expected. The policies introduced in the past week (tax cut for small and micro enterprises, export facilitation and financing mechanism reform for railway investment) are more structural in nature.

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