

# CHINA ECONOMICS RAPID RESPONSE

Politburo Meeting (Jul. 23)

 24th July 2023

## More support signalled but follow-through remains in question

The readout of the Politburo’s quarterly meeting on economic affairs has just been published by state media. It struck a dovish tone but fell short of delivering any major new announcements.

China’s leadership is clearly concerned. At the previous Politburo meeting dedicated to the economy back in April, they noted that the recovery was proceeding better than expected. Now they are calling it tortuous, with the meeting readout quickly turning to the numerous challenges facing the economy, including insufficient domestic demand, financial difficulties in some sectors and a grim external environment. It mentions risks (风险) seven times, up from three times in April.

The readout suggests that the leadership’s priority moving forward is to “expand domestic demand”, though it remains light on policy specifics. Those hoping for a new approach to stimulus involving greater transfers to households are likely to be disappointed. The readout talks about boosting consumption but only indirectly, via supporting household incomes. We understand this to mean that rather than give households handouts, policy efforts should primarily focus on supporting employment, a goal that has now been elevated to a “strategically high level”.

In practice, this means support looks set to remain focused on helping firms and shoring up investment spending. The meeting readout makes plenty of promises in this regard, but few are backed up by concrete measures. For instance, it talks about stepping up the role of government investment but doesn’t discuss how the current constraints on such spending, such as bond issuance quotas, will be adjusted. Pledges to shore up private investment and FDI ring hollow given the lack of clarity on how this will be achieved. Politburo meetings set the overall direction of policy and leave the specifics to be ironed out elsewhere. So perhaps these pledges will be followed by meaningful policy changes over the coming months. But at this stage it is simply too early to tell what the impact will be.

One area of particular importance is the property sector. On this front, there were some hints of a further shift to a more supportive stance. Xi’s catchphrase that “houses are for living in, not for speculation” was dropped (it had appeared in April), a sign the purchase controls may be relaxed further. The readout also vowed to better meet residents’ housing needs and signalled a desire to step up the construction of social housing.

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All told, the Politburo meeting struck a dovish tone and made it clear the leadership feels more work needs to be done to get the recovery on track. This suggests that some further policy support will be rolled out over the coming months. But the absence of any major announcements or policy specifics does suggest a lack of urgency or that policymakers are struggling to come up with suitable measures to shore up growth. Either way, it's not particularly reassuring for the near-term outlook.