China: July Politburo meeting preview: Stronger easing rhetoric likely, but demand-side stimulus remains key

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Bottom line:

China's top leadership is expected to convene the July Politburo meeting before month-end to set the H2 macro policy stance. After weaker-than-expected Q2 GDP, we expect policymakers to strengthen easing rhetoric and accelerate implementation of already-planned demand-side measures, while maintaining their strategic focus on high-tech sectors and key supply chains. However, resilient exports and a still-achievable full-year growth target suggest limited urgency for broad-based, sizable near-term stimulus. Several easing measures remain available for H2, but demand-side support—especially fiscal easing—will be key to stabilizing growth and market sentiment, in our view. We expect central and local governments to accelerate bond issuance and proceeds spending in coming months, speed up implementation of the new policy-based financial instrument, and leave the door open for additional easing later this year if needed.

Main points:

1. China's top leadership is expected to convene the July Politburo meeting before month-end—usually in the final week of July based on past practice—to set the H2 macro policy stance (Exhibit 1). Given weaker-than-expected Q2 GDP and still-elevated growth headwinds, we expect policymakers to adopt a more cautious growth outlook, strengthen their easing rhetoric, and pledge faster implementation of already-planned demand-side support, while maintaining their strategic focus on high-tech sectors and key supply chains. Premier Li Qiang's call at a 13 July symposium with experts and entrepreneurs to "intensify counter-cyclical adjustment, make full and effective use of existing policies, study and prepare incremental policies in advance, and make systematic efforts to unleash the potential of domestic demand" reinforces our view. Although recent policy communications have re-emphasized boosting consumption, the focus appears largely supply-side and long-term, implying limited near-term growth impulse. With exports still resilient and the 4.5-5.0% full-year growth target still on track (real GDP grew 4.7% yoy in H1), policymakers may see limited urgency for broad-based, sizable near-term stimulus, in our view.

2. Several easing tools are available for H2, but we believe demand-side support—especially fiscal easing—will be critical to stabilizing growth and market sentiment. Ongoing and planned measures remain tilted toward technology, investment, and "high-quality growth" (Exhibit 3). Our H2 policy expectations are as follows:

- **Fiscal:** Government funding capacity remains ample for H2, including RMB6.8tn of unspent government bond new issuance quota as of end-June (out of the

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RMB11.9tn approved for the full year; Exhibit 2), this year's RMB800bn new policy-based financial instrument ("新型政策性金融工具", up from RMB500bn last year), the more-than-RMB400bn year-on-year increase in outstanding fiscal deposits, and the RMB100bn special funding program with fiscal-financial coordination for promoting domestic demand ("财政金融协同促内需专项资金"). We also estimate that around RMB1.8tn of unused government bond issuance quota had accumulated from prior years by end-2025—RMB0.6tn in central government bonds (CGBs) and RMB1.2tn in local government bonds (LGBs)—and this could be tapped relatively easily with Ministry of Finance (MOF) approval if necessary (see past examples here and here). We expect central and local governments to accelerate their bond issuance and proceeds spending in coming months, speed up implementation of the new policy-based financial instrument, and leave the door open for additional easing later this year if needed. Unlike previous major easing cycles, we expect government spending this time to favor high-tech manufacturing (e.g., AI infrastructure, digital economy), strategic supply chains (e.g., food, energy, and semiconductors), the green transition, people's livelihoods (e.g., urban renewal), and the "Six Networks" projects (i.e., water networks, new power grids, computing power networks, next-generation communication networks, urban underground pipeline networks, and logistics networks), reflecting stronger policy support for China's "New Quality Productive Forces."

- **Monetary:** We maintain our baseline forecast of no policy rate or RRR cuts through the remainder of 2026, though the probability could rise if growth slows further. We expect the PBOC to keep liquidity broadly ample through various liquidity management instruments (e.g., overnight reverse repos, outright reverse repos, CGB purchases) and targeted credit easing.
- **Housing:** We expect more large cities to follow Shanghai and Shenzhen in easing local housing policies, but the magnitude is likely to be modest and the pace gradual. Potential measures include broader use of housing provident funds to lower blended mortgage rates, smoother implementation of cash-backed settlement for urban village redevelopment, and faster local government-led housing inventory destocking.
- **Consumption:** Despite more policy communication on supporting consumption, we see no major, incremental demand-side stimulus beyond measures planned during this year's "Two Sessions". Policymakers will continue the consumer goods trade-in program, national childbirth subsidies, social safety-net enhancements, and temporary interest subsidies for eligible consumption-related loans. They may also expand credit support to improve services supply quality, remove auto purchase restrictions, encourage government consumption, and accelerate consumption tax reform in coming quarters. However, we see no quick fix for China's consumption weakness and expect the combined growth impact of the above-mentioned measures to remain limited given weak labor market conditions, subdued income expectations, and still-unfavorable property-related wealth effects.

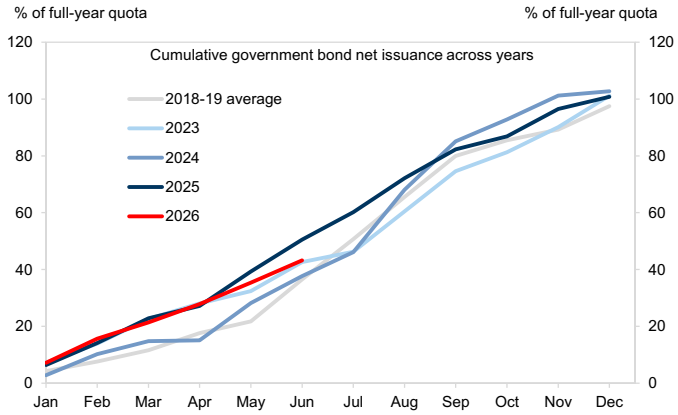
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Exhibit 1: Upcoming key macro catalysts for China markets

Date	Events
End-Jul 2026	Politburo meeting on economic policies
24 Sep 2026 (likely)	President Xi's potential state visit to the US (invited by US President Trump)
19 Oct 2026	Q3 2026 GDP release
Fall 2026 (likely)	The 5th Plenum of the 20th CCP Central Committee
11 Nov 2026	Expiration of tariff/rare earth control pause agreed at Trump-Xi meeting in South Korea
18-19 Nov 2026	APEC 2026 China (in Shenzhen)
Early to mid-Dec 2026	Politburo meeting on economic policies
Mid-Dec 2026	Central Economic Work Conference
14-15 Dec 2026	G20 Summit in Miami

Source: Government websites, Data compiled by Goldman Sachs Global Investment Research

Exhibit 2: The government has fulfilled 43% of 2026 full-year bond issuance quota as of end-June, with the pace of issuance slowed notably in Q2 compared to historical run-rate



Government bond net issuance includes central government general bonds (CGGB), central government special bonds (CGSB), local government general bonds (LGGB) and local government special bonds (LGSB), for the use of their annual new quotas. Local government refinancing bond issuance for debt resolution is not included.

Source: Wind, CEIC, Goldman Sachs Global Investment Research

Exhibit 3: Ongoing and planned policy easing measures tilt toward technology, investment and "high-quality growth"

Easing dimension	Policy measures announced for 2026	Description	Status	Estimated impact on 2026 GDP growth
Investment	"Two Majors" Investment for strategically important projects	RMB800bn, unchanged from last year	Ongoing	None
	Equipment upgrade program	RMB200bn, unchanged from last year	Ongoing	None
	New policy-based financial instrument	RMB800bn (RMB300bn more than last year), for strategically important investment	To be implemented	+50bp *
	Special funding program with fiscal-financial coordination	RMB100bn, to promote domestic demand (especially private investment and household consumption)	Unclear	Less than +10bp
	National-level Merger & Acquisition Fund	To ease the exit of venture capital and improve the investment efficiency, NDRC mentioned that policymakers will establish a national-level Merger & Acquisition Fund this year.	Unclear	n.a.
	Relending program for private enterprises, technological innovation, the agriculture sector and SMEs	A total of RMB2.1tn increase in relending quotas, including a new RMB1tn program for private enterprises, an additional RMB600bn quota to support technological innovation and related corporate bond issuance, and an extra RMB 500bn quota for the agriculture sector and SMEs. A 25bp cut to various relending rates.	Quota increased but yet to be fully used	n.a.
Consumption	Consumer goods trade-in program	RMB250bn, RMB50bn less than last year	Ongoing	-5bp or smaller
	Nationwide childbirth subsidy	RMB3.6k per child annual subsidy for newborns under 3yrs old (unchanged from last year)	Ongoing	Less than +10bp *
	Strengthening social safety net	Increasing the minimum basic pension for urban and rural residents by RMB20 per month (consistent with last year's adjustment)	Ongoing	Less than +5bp
	Interest rate subsidies	Providing temporary fiscal subsidies of 1pp for the interest payments of eligible consumer and services business loans.	Ongoing	Negligible
Housing	Urban renewal	Official estimates suggest total investment on urban renewal will exceed RMB15tn during the 15th FYP (2026-30), or RMB3tn annually, higher than the 2023-24 average of RMB2.8tn (2025 data not yet available)	Ongoing	n.a. (some projects could be funded by measures in the "investment" part
Other	Local government debt resolution	RMB2.8tn planned for this year (unchanged from last year)	Ongoing	None

* Some easing measures were launched in late 2025, with part of the growth impulse falling in 2026.

Source: Government websites, Goldman Sachs Global Investment Research

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