China: July Politburo meeting strengthens easing rhetoric and emphasizes faster implementation of planned measures

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Bottom line:

On 30 July, the Politburo held its July meeting to set the H2 policy stance. Top leadership appeared comfortable with the ongoing shift toward new growth drivers such as high-tech manufacturing and AI, but became more cautious on near-term headwinds in domestic demand compared to the April Politburo meeting. Policymakers strengthened their easing rhetoric, pledging to "step up counter-cyclical adjustments, and make greater efforts to expand domestic demand and optimize supply," in line with our expectations and recent policy communications. That said, the focus is on faster implementation of planned easing measures rather than near-term rollout of new stimulus, while policymakers maintained their strategic focus on high-tech manufacturing and AI supply chains. 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. **Economic assessment and macro policy stance**: At the July Politburo meeting today (30 July), top leadership appeared comfortable with the ongoing economic transition, noting that "the economy has shown a development trend with growth momentum shifting toward innovation and economic structure optimizing" ("动能向新、结构向优"). That said, policymakers sounded more cautious on near-term growth headwinds than at the April meeting, where they described major indicators as "better than expected," following the weaker-than-expected Q2 GDP print. They called for "high attention to the difficulties and challenges in economic operation" and to "rise to challenges." Policymakers pledged to "fully unleash the efficacy of existing policies, step up counter-cyclical adjustments, timely plan and introduce pragmatic and effective incremental policies, and make greater efforts to expand domestic demand and optimize supply," in line with our expectation that policy support would focus on faster implementation of planned easing rather than near-term rollout of new stimulus. The tone was also consistent with Premier Li Qiang's remarks at the 13 July symposium with experts and entrepreneurs.

2. **Monetary and fiscal policy**: Policymakers reiterated their pledge to "implement a more proactive fiscal policy and a moderately loose monetary policy," while requiring macro policies to "exert force and improve efficiency" ("发力提效").

- On **fiscal policy**, policymakers called for "accelerating the progress of fiscal expenditures and the spending of bond proceeds, and vigorously promoting the implementation of 'Two Majors' investment ('两重'项目, referring to investment projects and areas of strategic importance such as high-tech manufacturing and key supply chains), as well as consumer goods trade-in and equipment upgrade programs." They also pledged to "optimize the implementation of fiscal-financial policies aimed at boosting domestic demand," consistent with messages from an 23 July *People's Daily* article by Finance Minister Lan Fo'an.

- On **monetary policy**, policymakers required "comprehensively utilizing and timely adjusting monetary policy instruments," while omitting the April readout's call to "keep interbank liquidity ample and FX broadly stable."

3. **Areas of focus**: To boost domestic demand, policymakers continued to emphasize the supply side, pledging to "expand high-quality supply to adapt to the consumption needs of different groups, and tap into the potential of services consumption." They also pledged to "steadily push forward the planning and construction of the 'Six Networks' projects" (i.e., water networks, new-type power grids, computing power networks, next-generation communication networks, urban underground pipeline networks, and logistics networks), while maintaining their strategic focus on high-tech manufacturing and AI supply chains.

4. **Problems to be addressed**: Policymakers continued to emphasize "anti-involution," local government debt resolution, property-market stabilization, and employment support. They specifically called for "creating a fair and orderly market competition environment," "vigorously developing services trade and promoting balanced trade development," "fostering the regulated and healthy development of the platform economy," "prudently advancing carbon peaking and carbon neutrality," and "resolutely preventing major and exceptionally serious accidents."

5. Separately, policymakers announced that the **5th Plenum of the 20th CCP Central Committee** will be held in October to study major issues related to Party self-governance (Exhibit 1). The readout's repeated references to "comprehensive and rigorous self-governance of the Party" ("全面从严治党") appeared consistent with past Politburo meetings ahead of Party-building-related plenums. Policymakers also reiterated the importance of the "correct view of performance" (正确政绩观).

6. The July Politburo meeting reinforces **our H2 policy expectations** (Exhibit 2):

- **Fiscal:** We expect central and local governments to accelerate their bond issuance and proceeds spending in coming months, speed up implementation of this year's RMB800bn new policy-based financial instrument ("新型政策性金融工具", up from RMB500bn last year) and the RMB100bn special funding program with fiscal-financial coordination to promote domestic demand ("财政金融协同促内需专项资金"), and leave the door open for additional easing later this year if needed. We believe government funding capacity remains ample for H2, and project pipelines may not be a major bottleneck in the first year of the 15th Five-Year Plan, despite declining returns on capital. Stronger easing rhetoric from the Politburo may give local officials somewhat more incentive to accelerate already planned easing measures, though ongoing local-level political turnover, anti-corruption pressure, and accountability risks suggest continued implementation frictions. 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 and RMB1.2tn in local government bonds—which could be tapped relatively easily with Ministry of Finance approval if needed (see past examples here and here).

- **Monetary:** We maintain our baseline forecast of no policy rate or RRR cuts through the remainder of 2026, though high-profile monetary easing could become more likely 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 scale is likely to be modest and the pace gradual. Potential measures include broader use of housing provident funds to lower blended mortgage rates, smoother cash-backed settlement for urban village redevelopment, and faster local government-led housing inventory destocking.
- **Consumption:** Despite more policy communication on supporting consumption, we do not expect significant new consumption stimulus in H2 beyond measures already planned during this year's "Two Sessions". Policymakers will likely continue the consumer goods trade-in program, marginal social safety-net enhancements, and temporary interest subsidies for eligible consumption-related loans. They may also expand credit support to improve services supply, remove auto purchase restrictions, increase 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 these 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
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
Oct 2026	The 5th Plenum of the 20th CCP Central Committee
Late Oct 2026 (likely)	Financial Street Forum (with PBOC, NFRA, CSRC and SAFE sessions)
3 Nov 2026	US Midterm Elections
10 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: We expect a modest fiscal expansion in H2 2026

Type	Instrument	2025	2026F
Monetary (eop)	RRR	Large banks: 7.5% Medium-sized banks: 5.5% Small banks: 5.0%	Large banks: 7.5% Medium-sized banks: 5.5% Small banks: 5.0%
	7-Day OMO	1.40%	1.40%
Fiscal (full year)	Effective on-budget deficit (% of GDP)	5.1%	5.1%
	Augmented fiscal deficit (% of GDP)	11.0%	11.5%
Credit (eop yoy)	TSF stock	8.3%	7.2%
Housing	Housing policy	Further reductions to mortgage rates; further relaxation on home purchase restrictions in Tier-1 cities; more bank lending for "whitelist" projects; cash-backed settlement of urban village renovation; continued policy support to destock existing housing inventories	Further reductions to mortgage rates (by expanding the use of housing provident funds); further relaxation on home purchase restrictions in Tier-1 cities; cash-backed settlement of urban village renovation; government programs to help destock existing inventories
FX (eop)	USDCNY	7.00	6.70

Source: Goldman Sachs Global Investment Research, Wind

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