Policy fine-tuning set to bolster growth

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There will be some micro policy fine-tuning in the second half of this year to help China's economy maintain steady growth amid extremely complicated domestic and international conditions, the Political Bureau of the Communist Party of China (CPC) Central Committee said in a statement published Tuesday.

"Major economic indicators for the first half of this year were within reasonable ranges of the central government's target set for the whole year, indicating economic and social development has enjoyed a good start," according to the statement released Tuesday after a meeting held by the Political Bureau of the CPC Central Committee presided over by General Secretary of the CPC Central Committee Xi Jinping.

The world's second-largest economy's growth slowed to 7.6 percent in the first half, the weakest first-half performance in three years and just above the central government's full-year target of 7.5 percent.

"China's economy will still maintain steady growth in the second half. But given the extremely complicated domestic and international conditions, macro policy should be stable, micro policy should be flexible and social policy should support the bottom line," the statement said.

The central government will continue to coordinate the multiple tasks of stabilizing growth, restructuring the economy and promoting reforms, according to the statement.

It also said the country will keep implementing proactive fiscal policy and prudent monetary policy, stabilize consumer prices and increase financial support for the real economy, as well as promote the stable and healthy development of the real estate sector.

Tuesday's statement was the latest in a batch of comments made by top Chinese officials on the economy. Premier Li Keqiang said early this month that the government will focus on restructuring and advancing reforms as long as the economic growth rate, employment and other indicators don't fall below certain thresholds and inflation doesn't rise beyond certain limits.

The bottom line for economic growth is 7 percent of annual growth, necessary for China to double its GDP between 2010 and 2020, Li was also quoted by the Beijing News last week as saying.

"As the economy has had a tendency to hit the bottom line, the government has proposed to stabilize the macroeconomy and keep micro policies flexible," Xu Hongcai, director of the Department of Information under the China Center for International Economic Exchanges, a government think tank, told the Global Times Tuesday.

"The key problem now is that micro policies lack flexibility. That's why the government has recently rolled out a series of policies such as tax reductions for small- and micro-sized enterprises to change the situation," Xu said.

The country's small- and micro-sized enterprises, with monthly sales revenue of no more than 20,000 yuan ($3,258), will be temporarily exempt from paying value-added tax and business tax starting from Thursday (August 1), according to a State Council meeting presided over by Premier Li last week.

Economists and analysts said a massive stimulus is unlikely in the second half.

"China will not roll out a new round of stimulus to drive the economy because a big turnabout in economic policies could only bring harm to enterprises and create more problems in the future," Feng Fei, director of the Research Department of the Industrial Economy at the Development Research Center of the State Council, told the Global Times.

"There is still much room for growth through economic restructuring and industrial upgrading," Feng said. "Urbanization could also serve as a main drive force to boost domestic demand and economic growth."

Wang Qinwei, a China economist with London-based Capital Economics, held the same view. "There will be a small stimulus in the second half of the year but these measures will only be aimed at stabilizing the economy rather than achieving a big rebound in economic growth," he told the Global Times Tuesday.

He said stimulus plans in previous years were aimed at keeping the country's economic growth above 8 percent, but now policymakers seem to be more flexible with GDP figures. He expects in the next two years, China's economy may fall but at a steady pace, so a hard landing will not occur.

Xinhua contributed to this story