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## China to Focus on Infrastructure Not Tax Cuts in 2020: BOC

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The various levels of Chinese government will face constrained fiscal power in 2020 due to the economic slowdown and authorities will likely prioritize infrastructure spending over more tax cuts to stimulate the economy, according to the Bank of China Research Institute.

“Local governments are confronted with slowing revenue growth and rising expenditure demand. That has created a dilemma in how to use their resources - whether to further cut taxes to boost economic vitality, or to expand infrastructure investment,” according to **Li Peijia**, a Beijing-based senior researcher at the bank. “I think officials would want to pay more attention to boosting effective investment, as it’s a more direct way to stabilize growth in a short time.”

China will allow local governments to sell more debt earmarked for infrastructure projects, probably boosting the annual quota to 3.24 trillion yuan (\$461 billion) in 2020 from 2.15 trillion yuan this year, Li said. The government announced Wednesday that it will allow local governments to sell some of the bonds earlier, without announcing a specific start date or quota for 2020.

The Institute expects China’s economic growth to “probably slip below 6%” in 2020 if there are no major policy adjustments, and consumer inflation will rise to 3.3% for the year. The U.S.-China trade war will continue to be a key risk and the impact of additional tariffs will last for at least two or three years, it said in a note released Thursday.

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