New steps to control investment

By Xin Zhiming (China Daily)
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The government is to strengthen the management of all new investment projects and will pull the plug on any that do not have appropriate approval.

Analysts said the measure is designed to stop the economy from overheating.

According to a document published Wednesday by the State Council on its website, all new projects must be properly authorized and abide by land use, energy efficiency, market access and environmental protection criteria.

Relevant departments must establish records for investment projects valued at more than 50 million yuan ($6.7 million) and submit all relevant information to upper-level governments, the document said.

In addition, from the start of next year, detailed information on all such projects must be made available to the public via the Internet, it said.

Projects found to be breaking the guidelines will be halted immediately and offenders punished, it said.

The document said there have been too many new investment projects in recent years, some of which have failed to follow relevant laws and regulations. Coupled with loose management and poor law enforcement, these have led to excessively fast investment growth and too much duplication.

The government has been increasingly concerned with the speed at which the economy has been growing, with figures for the first three quarters showing year-on-year growth of 11.5 percent.

It has said it must prevent the "relatively fast" economic growth from worsening and becoming overheated.

The central bank has raised the interest rate five times this year and commercial banks' reserve requirement ratio - the proportion of money they must hold in reserve - nine times.

Inflation remains one of the government's key concerns, following consumer price index growth of 6.5 percent in October, matching the decade-high figure reported in August.

Adding to policymakers' concerns, urban fixed-asset investment rose 26.9 percent year-on-year in the January to October period, up from 26.4 percent in the first nine months, according to official figures.

Although the authorities did not reveal how fast fixed-asset investment grew in October, it could be as much as 30 percent - an acknowledged danger line - analysts have said.

Chen Jijun, senior analyst with Beijing-based CITIC Securities, said: "I think there will be further tightening measures to rein in the fast-expanding economy, especially in the real estate sector."

There might not be a blanket tightening, which could spark a slump in investment, but it will be industry-specific, he told China Daily.

Those that consume large amounts of energy, for example, might be dealt the hardest blow by the regulators, he said.

Goldman Sachs (Asia) forecast in its latest research note there will be two more 27-basis-point interest rate hikes by the end of the year, and lowered its real GDP growth forecast for next year to 10.3 percent.

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