# Bank reserve ratio raised by 1%

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| Time | Before adjustment | After adjustment | Margin |
|---|---|---|---|
| December 25 | 13.5% | 14.5% | 1% |
| November 26 | 13% | 13.5% | 0.5% |
| October 25 | 12.5% | 13% | 0.5% |
| September 25 | 12% | 12.5% | 0.5% |
| August 15 | 11.5% | 12% | 0.5% |
| June 5 | 11% | 11.5% | 0.5% |
| May 15 | 10.5% | 11% | 0.5% |
| April 16 | 10% | 10.5% | 0.5% |
| February 25 | 9.5% | 10% | 0.5% |
| January 15 | 9% | 9.5% | 0.5% |

China will raise the reserve requirement ratio by one percentage point for commercial banks in an effort to cool the booming economy, the central bank announced Saturday.

The move, which will take effect on December 25, will push the ratio to a new high of 14.5 percent, after it reached a 10-year high of 13.5 percent on November 26.

This is the country's 10th rise in the reserve requirement ratio this year. It is aimed at "strengthening liquidity management in the banking system and checking excessive credit growth", the People's Bank of China said in a statement posted on its website.

The move follows the government's announcement at an annual economic conference concluded on Wednesday, which said the country would shift its monetary policy stance from "prudent", an approach it has followed for the last 10 years, to "tightening".

It is the first time China has raised the reserve requirement ratio by as much as one percentage point since September, 2003. The other nine rises this year were half a percentage point each.

It means that a tighter monetary policy has been adopted, said Song Guoqing, Professor of the Peking University.

The move, launched at the end of the year, is also to prevent a boom in credit, which usually rebounds at the beginning of a year, he said.

Concerns about investment, the prime driver of China's economic growth, has been growing this year, as urban fixed assets investment picked up pace by rising 26.9 percent year-on-year in the first 10 months.

As the coming CPI for the first 11 months is expected to reach a new high, the move is also a reflection of the government's decision to prevent inflation, which has so far been confined to food, from spilling over into other sectors, said Peng Xingyun, a researcher with the Research Institute of Finance under the Chinese Academy of Social Sciences.

Against a background of rising trade surplus and foreign exchange reserve, the rise is a further move to hedge excess liquidity in the country, said Peng.

It is estimated that a one percentage point rise of the reserve requirement ratio could reduce 400 billion yuan liquidity in the market.

At a conference held by the People's Bank of China on Wednesday, the central bank plans to use various monetary policy instruments to curb excess liquidity and to improve the RMB exchange rate forming mechanism to adjust the total demand and supply and to improve trade imbalances.

The central bank has raised interest rate five times this year.

"China's future monetary policies will depend on the country's economic situations," said Peng, adding "It does not necessarily mean more rises in interest rates or the reserve requirement ratio." (Xinhua)

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