China raising reserve-requirement ratio for commercial banks

STORY HIGHLIGHTS

·The reserve-requirement ratio would be raised by 0.5% on June 15, and another 0.5% on June 25.

·This will bring the ratio to a record high of 17.5 percent.

·The rise is aimed at strengthening liquidity management in the banking system.

BEIJING, June 7 (Xinhua) -- China's central bank on Saturday ordered lenders to set aside more money as reserve, the fifth such move this year. It was the latest effort to enhance liquidity management in the banking sector.

The reserve-requirement ratio would be raised by 0.5 percentage points on June 15, and another 0.5 percentage points on June 25, the People's Bank of China (PBOC) said on its website.

This will bring the ratio to a record high of 17.5 percent.

The PBOC also said that corporate financial institutions in the worst quake-hit areas including Chengdu and Mianyang, would postpone carrying out the regulation. But it didn't say how long the delayed period would be.

"The rise, a further materialization of the tight monetary policy, is aimed at strengthening liquidity management in the banking system," the statement said.

"The government adopted differential monetary policies to support reconstruction in the quake-hit areas," said Peng Xingyun, a senior expert with the Chinese Academy of Social Sciences (CASS).

Zhou Xiaochuan, the central bank governor said earlier that the PBOC was to take flexible monetary policy to aid after-quake reconstruction.

The 8.0-magnitude earthquake centered on Sichuan's Wenchuan County has so far caused 206.53 billion yuan of economic losses to the industrial and mining enterprises in the quake regions.

The PBOC had raised the ratio four times previously this year. The latest was on May 12 when it lifted the ratio to a new high of16.5 percent.

Yin Jianfeng, director of the Institute of Finance and Banking with the CASS, said the move would help the country reduce inflationary pressure and to control excessive investment.

"But the move will not be as effective as the government expected because inflation nationwide mainly resulted from surging production material and food prices," he said. "A simple monetary policy will not help."

The consumer price index (CPI), the main inflation gauge, was up 8.5 percent in April from a year earlier. This was nearly equal to February's 8.7-percent rise, the most since May 1996.

Some market experts said that after-quake restoration and reconstruction would beef up fixed assets investment, and add more inflation pressure to the nation's sizzling economy.

Soaring demand for cement, steel, copper, zinc, and a luminium were expected to push up the prices of basic building materials, according to the experts.

Zuo Xiaolei, Galaxy Securities chief economist, said huge foreign exchange reserves and economy unrest in neighbouring countries had posed great pressure to China's economy. This had forced the government to adjust its economic policy before it could reach a balance.

"A great deal of hot money swarmed into China's capital market, and the PBOC aims to hedging excessive monetary liquidity," said Wu Xiaoqiu, head of the Financial and Securities Research Institute of the China Renmin University.

Wu said the government was likely to carry out more monetary policies to curb inflation and liquidity in the near future.

China adopted the tight monetary policy late last year to prevent the economy from overheating. It was also to guard against a shift from structural price rises to evident inflation. The country adhered to the policy despite a global slowdown hit by the international credit crunch.

The country's economic growth slowed in the first quarter but still reported double-digit growth. It expanded 10.6 percent, compared with 11.7 percent in the same period a year ago.

China's monthly CPI rebounds to 8.5%

BEIJING, May 12 (Xinhua) -- China's consumer price index (CPI),the main gauge of inflation, rose 8.5 percent year on year in April, the National Bureau of Statistics said on Monday.

The figure, compared with 8.3 percent in March and a nearly 12-year-high of 8.7 percent in February, was broadly in line with most forecasts. Full story

PBOC: Cutting inflation to remain top goal

BEIJING, May 11 -- China's monetary authorities are struggling to address conflicting policy goals, but inflation will remain the top policy concern, the country's central bank governor said on Saturday.

While the United States and other countries are more focused on fending off a recession, China's monetary policy must target inflation over growth and employment, Zhou Xiaochuan, the People's Bank of China governor, told a forum in Lujiazui, Shanghai's financial center. Full story

China's producer price index up 8.1% in April

BEIJING, May 9 (Xinhua) -- The producer price index (PPI) for China's industrial products rose 8.1 percent in April over the same month last year, putting on more pressure on the nation's inflation rate, the National Bureau of Statistics said Friday.

The factory-gate prices of raw materials, fuel and power were up 11.8 percent. Full story

Inflation expected to go down in Q2

BEIJING, May 7 -- Inflation could dip to 7.5 percent in the second quarter from 8 percent in the first, but inflationary pressures will stay strong because of surging grain prices and robust investment, said a top government think tank.

"Seasonal changes and government measures to boost agricultural supplies may cause consumer prices to slide in the second quarter," the State Information Center said in a report. "But inflationary pressure is still mounting because of domestic and international factors." Full story

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