

China's local governments may issue bonds to finance stimulus package

2009-02-18 11:17:56 [Big Normal Small]

[Comment](#)



BEIJING, Feb. 18 —China's legislature yesterday reviewed a proposal to permit local governments to issue bonds to finance the 4-trillion-yuan (US\$586 billion) stimulus package.

The Standing Committee of the National People's Congress reviewed the report amid a string of proposals, Xinhua news agency said yesterday without revealing details.

Local governments are now banned from issuing bonds directly but some still managed to raise funds by issuing corporate bonds via their subsidiaries to fund public infrastructure construction.

However, the government will face a relatively huge fiscal deficit this year due to its proactive fiscal policy, such as the stimulus plan, and the slowing economy.

Of the 4 trillion yuan, the central government will fund only 1.18 trillion yuan, and others will come from local governments and private capital.

The pending deficit led to a discussion about allowing local governments to issue bonds and some media said 200 billion yuan of local government bonds would be issued via the central government this year.

The National Association of Financial Market Institutional Investors has said in a report that the country is expected to issue 1.4 trillion yuan of bonds this year to offset the deficit.

China's fiscal revenue tumbled 17.1 percent to 613 billion yuan last month from a year ago due to an economic slowdown, falling corporate profit and tax cuts.

(Source: Shanghai Daily)

[xinhuanet](#)

<input type="text"/>	<input type="button" value="SEARCH"/>
----------------------	---------------------------------------

Copyright © Chinadotcom All Rights Reserved

For advertising or other business potential, please E-mail to: english@bj.china.com