

China says will issue special bonds to boost ailing economy

AFP – China said Saturday it will issue special bonds to help its sputtering economy and that it had \$325 billion in funds raised that it can deploy in the next three months to shore up the property market, ease local debt and bolster banks.

The measures, announced at a highly anticipated press conference by Finance Minister Lan Fo'an and other officials, came on top of a series of steps announced over the last weeks that have included interest rate cuts and liquidity for banks.

China's economy has been blighted by a years-long property sector crisis and chronically low consumption. Officials are hoping to reverse the slowdown and achieve a growth target of five percent this year – enviable for many Western countries but a far cry from the double-digit expansion that for years boosted China.

On Saturday, Minister Lan said Beijing was "accelerating the use of additional treasury bonds, and ultra-long-term special treasury bonds are also being issued for use".

"In the next three months, a total of 2.3 trillion yuan of special bond funds can be arranged for use in various places," he added.

Beijing also plans to "issue special government bonds to support large state-owned commercial banks," Lan said, although he did not say how much.

The debt ceiling of local governments will also be increased so they can spend more on infrastructure and help protect jobs.

The move would "help ease liquidity and debt pressures on

local governments and real estate companies,” Vice Finance Minister Liao Min said.

Analysts expressed frustration that Beijing had refrained from putting a number on further fiscal stimulus.

“The key messages are that... the central government has the capacity to issue more bonds and raise fiscal deficit, and... the central government plans to issue more bonds to help local governments to pay their debt,” Zhiwei Zhang, president and chief economist at Pinpoint Asset Management, said.

Beijing was likely “still working on the minute details of the fiscal stimulus,” Heron Lim at Moody’s Analytics told AFP.

– Mortgage help –

China’s economic uncertainty is also fuelling a vicious cycle that has kept consumption stubbornly low.

Chinese policymakers have unveiled a string of stimulus measures including a suite of rate cuts and a loosening of rules on buying homes, but economists said that more action is needed to pull the economy out of its slump for good.

Earlier on Saturday, China’s top banks said they would cut lower interest rates on existing mortgages from October 25, state media said, following a government call for the action.

“Except for second mortgages in Beijing, Shanghai, Shenzhen and some other regions, the interest rates on other eligible mortgages will be adjusted” to no less than 30 basis points below the prime lending rate, the central bank’s benchmark rate for mortgages, state broadcaster CCTV said.

CCTV reported that major banks, including the Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China and China Construction Bank had announced that they would make the adjustments “in batches”.

The banks said the tweaks “will be uniformly done... and customers do not need to apply for them”, CCTV reported.

The People’s Bank of China last month requested that commercial banks lower such rates by October 31.

Beijing also last month slashed interest on one-year loans to financial institutions, cut the amount of cash lenders must keep on hand and pushed to lower rates on existing mortgages.

And the central bank this week boosted support for markets by opening up tens of billions of dollars in liquidity for firms to buy stocks.

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