



Saifuzzaman Chowdhury, land minister, and Mohammed Shawkat Jamil, managing director of United Commercial Bank (UCB), attend the bank's Annual Business Conference 2019 at BCDM, Savar on Tuesday.

China's record \$83b injection heightens worries over ailing economy

REUTERS, Shanghai

China's central bank injected a record \$83 billion into the country's financial system on Wednesday, seeking to avoid a cash crunch that would put further pressure on the weakening economy.

China's policymakers are pledging to step up stimulus measures this year and do more to protect jobs as economic growth cools to 28-year lows.

But a raft of measures last year from big rail projects to tax cuts seem to have had little impact so far, with recent data suggesting activity is cooling more quickly than expected.

"The news is clear - the economy needs help," said Trinh Nguyen, senior economist for emerging Asia at Natixis in Hong Kong.

Wednesday's open-market operation, the bank's largest net single-day injection on record, came a day after China's state planner, central bank and finance ministry all offered reassurances to investors, signalling more spending and other types of policy support.

But shockingly weak December trade data released earlier this week, along with shrinking factory activity, are stirring speculation over whether more rapid and aggressive policy measures are needed to turn the world's second-largest economy around.

Authorities now agree the economy needs more decisive support "and today's large injection reflects that," Nguyen added.

The People's Bank of China (PBOC) said Wednesday's injection

was aimed at ensuring there are ample funds in the financial system, which is facing strains as tax payments peak in mid-January, and as demand for cash picks up ahead of the Lunar New Year holidays starting in early February. "The banking system's overall

billion for new bank lending. The first stage, a 50-basis-point cut, came into effect on Tuesday. An equal-sized cut is scheduled for Jan. 25.

The move also came a day after money supply data showed several of China's key credit gauges con-

tinued to languish around record lows, despite government efforts to channel more funds to cash-starved companies and lower their financing costs.

While authorities have urged banks to keep lending to struggling firms and even dangled incentives, banks are wary of bad

loans after a long regulatory crackdown on riskier lending.

Many businesses, facing slowing sales, are in no mood to make the fresh investments that Beijing is counting on. New medium- and long-term corporate loans last month fell to less than half of average

Asked if the PBOC needed to cut benchmark interest rates, a PBOC deputy said on Tuesday that existing policy measures should be improved.

Analysts at OCBC said the comments suggest the PBOC is willing to give existing measures time to work, and is in no rush to switch to more aggressive tactics at this point.

"I have never seen such huge amounts of reverse repos ... the central bank is making its attitude known," said a trader at a brokerage house in Shanghai.

"It's saying, 'don't question my determination' to stabilize market expectations," the trader said.

Markets appear to agree that policymakers will stick with modest measures for some time yet.

Chinese stocks and money market rates, sensitive to hints of policy shifts, were little changed on Wednesday.

The seven-day repo rate, a closely watched measure of liquidity, was 2.6142 percent on Wednesday afternoon, slightly lower than the previous day's close.

"While the (PBOC's) net injection is big, it's little versus what a rate cut would release, which is what people in the market are watching for," said Ken Cheung, senior Asian FX strategist at Mizuho in Hong Kong.

In a rare encouraging sign, home prices remained buoyant in December, suggesting that at least some of Beijing's efforts at support are beginning to have an effect. Construction also appears to be slowly picking up as regulators fast-track approvals of more infra-



Headquarters of the People's Bank of China, the central bank, is pictured in Beijing.

REUTERS/FILE

liquidity is falling rapidly," it said in a statement.

While sizable injections are common this time of year ahead of the long holidays, the addition was much heavier than usual and follows a large cut in banks' reserve

ratios announced this month, which will free up a total of \$116

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