

China slashes interest rate by 1.08 percentage points to boost growth



China's central bank today announced it will cut benchmark interest rates by a surprising 1.08 percentage points, much more than its normal cuts.

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From Thursday, the one-year deposit interest rate will be reduced to 2.52 percent from 3.6 percent. The one-year lending rates will be cut to 5.58 percent from 6.66 percent.

It has also cut the proportion of money commercial bank must hold in reserves by 1 percentage point for big banks and 2 percentage points for smaller ones.

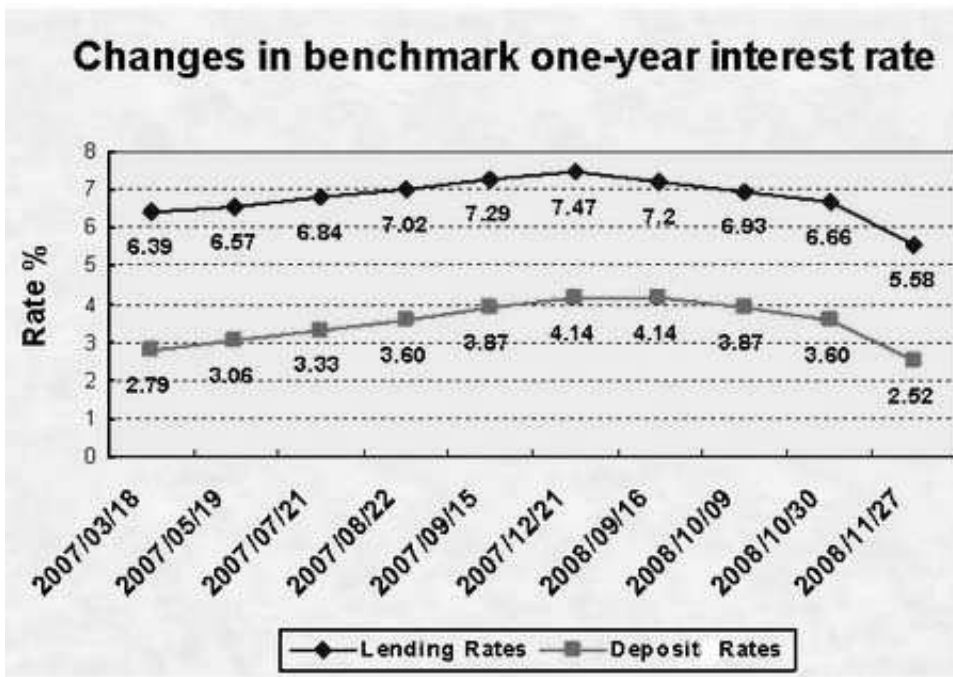
The central bank said in a statement the move is aimed to "bring out the role of monetary policy in supporting economic growth".

It was the fourth cut this year, as the economy slowed to 9 percent in the third quarter of this year, against 11.9 percent for last year.

It has also cut the proportion of money commercial banks must hold in reserves by 1 percentage point for big banks and 2 percentage points for smaller ones. After the adjustment, which will take effect from Dec 5, the proportion would drop to 16 percent for the 6 largest lenders, while it will fall to 14 percent for smaller ones.

The move sends a strong signal that the central policymakers have reached a consensus on adopting forceful policies to prevent any economic hard-landing, analysts said.

"Such a big adjustment in interest rates indicates that central policymakers have reached a consensus that the Chinese economy is facing tough times and forceful measures are needed to help it through," said Zhang Xiaojing, director of macroeconomic research department of the Chinese Academy of Social Sciences.



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