

Macro& Financial

Market News

PBC Decides to Lower Required Deposit Reserve Ratio for Some Financial Institutions to Replace Outstanding Medium-Term Lending Facility

To further support the development of real economy, optimize the liquidity structure of commercial banks and the financial market, reduce the financing cost and guide financial institutions to continue increasing support to small and micro enterprises, private enterprises and innovative enterprises, the PBC has decided to lower the required deposit reserve ratio for large commercial banks, joint stock commercial banks, city commercial banks, non-county rural commercial banks, and foreign-funded commercial banks by one percentage point, effective from October 15, 2018. The medium-term lending facility (MLF) due to mature on that day will not be renewed.

The PBC will continue the sound and neutral monetary policy, focus on targeted adjustment instead of massive supply of liquidity, keep liquidity at reasonable and adequate levels, and guide the reasonable growth of money, credit and aggregate financing to the real economy, in order to create a suitable monetary and financial environment for high-quality economic development and the supply-side structural reforms.

[\(PBC News\)](#) (Currently Available in English)

PBC Monetary Policy Committee Held Q3 2018 Meeting

On September 26, the Monetary Policy Committee of the People's Bank of China (PBC) held the third regular quarterly meeting in 2018 (its 82nd meeting) in Beijing.

The participants analyzed the domestic and international economic and financial situation. It is their consensus view that the Chinese economy has maintained a stable growth momentum with strong resilience, the overall supply and demand remains broadly balanced, and the switch to new growth drivers has gathered pace. Domestic demand has become an increasingly stronger driver for economic growth, the RMB exchange rate and market expectations have remained stable, and the economy has become more resilient against external shocks. The prudent and neutral monetary policy has brought about positive outcomes, as the macro leverage ratio has stabilized, the measures adopted to prevent and mitigate financial risks have produced results, and the financial sector has provided solid support for the real economy. The real economy and financial sector both have made good progress in structural adjustments, yet deep-seated problems and

critical contradictions still persist and the international economic and financial situation has become more complex. The Chinese economy faces tougher challenges.

It is agreed at the meeting that the PBC will continue to closely monitor new developments in the economic and financial situation and environment both at home and abroad, attach great importance to counter-cyclical adjustments, make forward looking judgments on the situation and take pre-emptive adjustment and fine tuning measures when necessary. The prudent monetary policy will remain neutral, money supply will be properly managed to keep liquidity at reasonably ample levels, and steps will be taken to guide the reasonable growth of money supply, credit and aggregate financing to the real economy. The financial system reform will be deepened, the two-pillar framework of monetary and macro-prudential policies and the monetary policy transmission mechanism will be improved. Based on the requirements in deepening supply-side structural reform, efforts will be made to guide improvements in financing and credit structures, to enable private enterprises to get financial support that matches their contributions to the economic and social development, to enhance the financial sector's capacity to serve the real economy, and to nurture a virtuous circle of economic and financial development. Meanwhile, the financial open-up will continue in a proactive and orderly manner to boost the vitality and resilience of the financial sector.

[\(PBC News\)](#) (Currently Available in Chinese)

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