

China vows to ease financing costs for real economy

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BEIJING - Chinese Premier Li Keqiang on Wednesday pledged to take various steps to give more financing support to the real economy while keeping credit growth at a proper level.

Although China's overall money and credit supply is not low, enterprises still have either difficulties accessing funds or face high financing costs that will bring risks to the broader economy, the premier said at an executive meeting of the State Council.

To ease financing costs, the meeting outlined ten specific measures that put the focus on optimizing credit structure in the backdrop of a prudent monetary policy and reasonable credit growth.

More support will be extended to small- and micro-sized enterprises, agriculture sector, services and energy-saving industries, according to a statement released after the meeting.

It also vowed to curb the irrational growth of fund-raising costs of financial institutions, cut redundant procedures, clean up unnecessary charges and improve credit management and efficiencies at commercial banks.

Along with those steps, China will develop some medium and small financial institutions that mainly serve small enterprises and the agriculture sector, while eyeing a multi-level capital market and diversified insurance products that would facilitate financing for enterprises.

Meanwhile, the country will steadily push the liberalization of interest rates to allow the market play its role.

The repeated stress on credit support to the targeted sectors comes as authorities hope the selective easing policies will help support growth while avoiding credit flow to the undesired property sector.

To boost the real economy, the People's Bank of China (PBoC) announced last month that it will cut the reserve requirement ratio (RRR) by 0.5 percentage points for banks engaged in proportionate lending to the farming sector or small- and micro-sized enterprises.

On April 22, an RRR reduction was introduced for county-level rural commercial banks and rural credit cooperative unions.

Helped partly by these efforts, China's economic growth showed more recovery signs in the second quarter after a bumpy start in the beginning of the year. Growth accelerated to 7.5 percent in the second quarter from the 7.4-percent expansion in the first.



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