

Chinese central bank to maintain neutral monetary policy to stable yuan

China's central bank will maintain its neutral monetary policy and keep liquidity and credit growth largely steady while keeping the yuan currency basically stable, it said on Friday.

The central bank's surprising cut in reserve requirement ratios (RRR) on April 17 and growing fears of a trade war with the United States have fanned market expectations of looser policy to support the economy.

The People's Bank of China will fend off systemic risks and use multiple monetary policy tools to ensure financial stability in the world's second largest economy, it said in its first-quarter monetary policy implementation report.

The central bank will strike a balance between stabilising economic growth, pushing structural changes and preventing risks, it said.

"On the one hand, it is necessary to control the liquidity scale to help deleverage and prevent financial risks. On the other hand, it is necessary to comprehensively consider changes in the macroeconomic environment and strengthen policy coordination," the central bank said.

China's overall debt level rose 2.7 percentage points in 2017 to 250.3 percent of gross domestic product due to impacts from China's supply-side reforms, improving economy and corporate profits, the bank said.

The corporate debt ratio fell 0.7 percentage points last year to 159 percent of GDP - the first decline since 2011, while household debt ratio climbed 4 percentage points to 55.1 percent of GDP, it said.

The central bank also plans to include negotiable certificates of deposit (NCDs) issued by financial institutions with assets of less than 500 billion yuan (\$79 billion) in its quarterly macro-prudential assessment (MPA) from the first quarter in 2019.

The central bank reaffirmed that it will keep the yuan basically stable while increasing the currency's two-way fluctuations and deepening market-based currency reforms.

The weighted average lending rate for non-financial firms, a key indicator reflecting corporate funding costs, rose 22 basis points in the first quarter to 5.96 percent, following a 2 basis points drop in the previous quarter.

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(\$1 = 6.3302 Chinese yuan renminbi; 1 Chinese Yuan renminbi = 10.61 INR)

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