



New Measure Ensures Ample Money Supply

The State Council recently decided that China should maintain a reasonable increase of monetary loans and social financing. The country will lower the reserve requirement ratio (RRR) for banks whose loans for real economic activities, the agriculture sector and small and micro enterprises have reached a certain proportion.

The money shortage in China's financial market in June of 2013 is still a fresh memory for many people which prompts them to believe the current slowdown in monetary loan growth will continue this year. In fact, this year has witnessed a steady growth of China's currency loan and social financing. As of the end of April, supply of broad money had grown at the rate of 13.2 percent. In the first four months, China's social financing scale expanded to RMB 7.18 trillion with a new increase of loans of RMB 3.79 trillion. Financing structures have also been optimized. According to recent data from China's central bank, by the end of April, medium and long term loan balance of the service sector increased 15.5 percent year-on-year with the growth rate up by 1.8 percentage points. In contrast, medium and long term loan balance of those industries featuring excess production capacity has a year-on-year increase of 5.9 percent, 1.6 percentage points lower than last year.

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