

## CHINA ECONOMY

# China trims lending rates again, one week after surprise cuts in key rates

PUBLISHED SUN, AUG 21 2022 10:59 PM EDT UPDATED MON, AUG 22 2022 2:29 AM EDT

Su-Lin Tan [WATCH LIVE](#)  
[@SULIN\\_TAN](#) [SHARE](#)

## KEY POINTS

China trimmed its key lending rates again on Monday, one week after it cut two interest rates in a surprise move.

The People's Bank of China trimmed its five-year loan prime rate to 4.30% from 4.45% and its one year- loan prime rate to 3.65% from 3.70% on Monday.

Last week, the Chinese central bank lowered the rate of one-year medium-term lending facility (MLF) loans to some financial institutions by 10 basis points.



A man looks at his smartphone as he walks past the People's Bank of China building on May 20, 2022 in Beijing.

[China trimmed its key lending rates again](#) on Monday, [one week after it cut two interest rates](#) in a surprise move.

The moves are seen as an attempt to revive credit demand and fire up the economy hurt by extended Covid lockdowns and property debt problems.

## RELATED INVESTING NEWS



The market is coming around to the reality the Fed is unlikely to stop raising rates soon

4 DAYS AGO

The People's Bank of China cut its five-year loan prime rate by 15 basis points to 4.30% from 4.45%, and lowered its one-year loan prime rate by 5 basis points to 3.65%.

Most new loans in China are based on the one-year LPR.

Last week, the Chinese central bank lowered the rate of one-year medium-term lending facility (MLF) loans to some financial institutions by 10 basis points. It also [cut the the seven-day reverse repo rate](#) by 10 basis points to 2%.

---

**Though the LPR cut may provide near-term relief, easing liquidity alone is unlikely to lead to a turnaround to the property market.**

David Chao

INVESCO

Positive reactions to last week's rate changes were short-lived, said analysts such as Navigate Commodities managing director Atilla Widnell.

"Fresh monetary easing/stimulus was seen as futile as 'flogging a dead horse,' given that China's economy desperately needs consumers back on the streets spending money," he said in a note.

In relation to the latest round of cuts, David Chao, global market strategist for Asia Pacific (ex-Japan) at Invesco said it hinted at the seriousness of the property market downturn.

However, he conceded that these cuts won't be enough to increase liquidity.

"It sends a strong message that policymakers are willing to take more forceful actions to stabilize the ailing market," he said in a note.

---

**VIDEO** 02:04

China's central bank needs to be a lot more aggressive, says economist

"Though the LPR cut may provide near-term relief, easing liquidity alone is unlikely to lead to a turnaround to the property market."

He added that lower mortgage rates haven't translated into higher property sales so far, "due to the lack of confidence in large developers and the presales model."

Chao said he doesn't expect these to be last of the monetary policy fixes to come from the Chinese authorities, especially when "central and local governments have the financial tools to provide an excess of 3 trillion yuan to boost the property sector."

### **Read more about China from CNBC Pro**

[Morgan Stanley picks China stocks to beat market volatility — and names two with 60% upside](#)

[JPMorgan says buy this undervalued Chinese biopharma stock that can rally more than 40% from here](#)

While today's rate cuts won't be a game changer, they are for now an encouraging sign, said asset manager Joshua Crabb, who is head of Asia Pacific equities at Robeco.

A more positive move would be for China to open up through changes to its Covid-19 policies, as that would be the repair the economy needs, he said.

"For now, it's a positive sign in the right direction ... but I think people are looking for something bigger in order to get a bit more excited about the market," Crabb told CNBC's "[Squawk Box Asia](#)" on Monday.

While the rate cuts will have "zero impact" on the current trajectory of both the economy and the property sector, China's slowdown has been inevitable, ACY Securities Chief Economist Clifford Bennett said.

The pandemic and China's economic reset were a coincidence, he added.

Last week, several economists downgraded their forecasts for China's growth. [Goldman Sachs lowered its 2022 full-year forecast to 3.0% from 3.3% growth, while Nomura cut its full-year growth projections](#) to 2.8% from 3.3%.



“If you will, Covid-19 has masked a far more fundamental and permanent shift in the nature of the China economy. From boom growth period, agrarian, to consumer society,” Bennett said.

“As impressive as all that be, the rapid and far easier growth pace of the past is at an end.”

But even at 2% GDP growth, China would remain a powerhouse as economies in Europe and the U.S. slow, Bennet said.

— *Correction: This story has been updated to remove a quote about rate cuts that was wrongly attributed to Joshua Crabb from Robeco.*