

**Yuan will be loosened, says Chinese leader Zhang Gaoli**  
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Chinese Vice-Premier Zhang Gaoli reaffirmed to a group of visiting senior foreign executives and officials today that the country will introduce market-based interest rates and a market-based exchange rate for the yuan currency.

Zhang, speaking at the annual China Development Forum, said China will "introduce a modern and competitive market system with fair and open market rules". He provided no details.

China's central bank will focus on liberalising bank deposit rates over the next two years, while loosening its grip on the yuan currency to give greater influence to market forces, a vice governor of the People's Bank of China said yesterday.

Central bank chief Zhou Xiaochuan said earlier this month deposit rates were likely to be liberalised in one to two years, but government economists and policy advisers told Reuters they believed the central bank was treading cautiously as economic growth slows.

The central bank already allows banks to set their own lending rates, but in practice they do not have full freedom because of controls on deposit rates.

Zhang added that a key government priority will be fiscal and tax reform, including development of "an open and standardised budget system", which is crucial as China moves to address issues associated with local government debt and local government finance.

China's local governments are responsible for 85% of total government expenditure but collect less than 50% of the country's total revenues, according to statistics compiled by the Asian Development Bank.

Zhang also said the government was moving forward with updating its value-added tax, excise and consumption tax.

Zhang said that a "fair and unified tax system" was needed.

A run of disappointing data showing China's economy lost steam at the start of 2014, and the country's first domestic bond default and subsequent media reports of trouble at other companies, have added to pressure in its financial markets. – Reuters, March 23, 2014

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