

Beijing rejects IMF's hard-landing warning for China's economy
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A senior Chinese official hit back on Saturday at International Monetary Fund warnings that China's economy faced the danger of a hard landing due to poor asset quality, saying the government was taking action to deal with financial risk.

Chinese Vice Finance Minister Zhu Guangyao said China worked closely with the IMF, but did not agree with all of its analysis.

"In general, we think they are a very professional financial institution, but some of the methodology used and some traditional thinking, they also need reform," he told journalists on the sidelines of the IMF and World Bank spring meetings in Washington.

"We hope that their analysis and methodology reflect a country's reality," he said. "We said not just to the IMF, but also to the World Bank, that not one size fits all. If your policy suggestion is (to be) a valuable suggestion, you must base it on reality."

IMF Managing Director Christine Lagarde warned of the risk of what she termed a "hard landing" in China, the world's second-largest economy, and negative repercussions on other emerging markets in her Global Policy Agenda released at the start of the meetings in Washington on Thursday.

While her report said the risk was small, it urged China to rein in risks in its shadow banking system and liberalize its financial sector to improve the allocation of credit.

Zhu said Chinese President Xi Jinping had recognized that China faced a challenge over the issue of shadow banks.

"We are beginning to take action, including strengthening management, monitoring and supervision," he said, adding that he believed China had handled the situation well, having drawn lessons from the 2008 collapse of Lehman Brothers.

"Compared with how the US and the Europeans handled Lehman Brothers and the sovereign debt issue, China is the most successful - so far!" he said.

Zhu said state-owned investment companies, known as local-government financing vehicles, were audited to clarify what was government debt and what was government-guaranteed debt.

"The picture is clear," he said. "Now we are facing the challenge, strengthening the management of the local government financing vehicle issue."

Zhu echoed other policymakers in describing a recent decline in the Chinese yuan, or renminbi, against the dollar as a result of market forces and said it was not a one-way phenomenon.

"We hope that with the change of supply and demand, the renminbi exchange rate can fluctuate up or down," he said.

The weakening of the yuan prompted worries in Washington that China's resolve to let market forces guide its currency was weakening.

In her report, Lagarde offered a different view. "I took the recent increase of the band of the renminbi as the move in the direction of internationalization. I won't characterize it as an intended depreciation of the currency," she said.

Overall, Lagarde's report urged countries to do more to boost growth.

Beijing's economy has been slowing, but it has been at pains to play down market speculation that it might launch a large stimulus package, saying instead that it would fine-tune policies to ensure unemployment did not rise.

On Thursday, Yi Gang, a vice governor of the People's Bank of China, said in Washington that China's government and central bank should be "very cautious" in implementing any stimulus programmes because they tended to be less efficient than natural market forces in boosting growth.

Zhu said China had recognized the need to change the speed of growth and added that a four-trillion-yuan (RM2 trillion) stimulus package launched in 2008 had worsened the country's environmental problems, which needed to be dealt with.

He said that after the years of fast growth, key priorities were to create jobs and improve living conditions. He said the government was addressing such issues by providing tax relief for small business and investing in housing and rural railways.

Zhu rejected the views of some analysts who link a government anti-corruption drive with the economic slowdown.

"We think anti-corruption is a very important job," he said. It's a fundamental principle for any government that it must be a clean government. They must serve the people." – Reuters, April 13, 2014.

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