China’s Relief Package

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Authorities in China took measures to stabilize China’s slumping stock market following a rout in Chinese stocks which sent the benchmark CSI 300 Index to a five year low this week.

Policymakers are looking to mobilize roughly 2 trillion yuan (£222 billion), predominantly from the offshore accounts of Chinese government-owned enterprises, acting as part of a stabilization fund to buy shares through the Hong Kong Exchange link.

In the meantime, India has overtaken Hong Kong — home to China’s most influential and innovative firms — to become the world’s fourth largest stock market, as global capital begins to flow out of China in light of stagnating growth and widespread uncertainty.

In an effort to circulate more money, the People’s Bank of China Governor Pan Gongsheng announced they will cut the reserve requirement ratio (the ratio of money a bank must hold in reserve to the amount of money it has on deposit) for banks within the next two weeks. The suggested 0.5 percentage-point cut is expected to provide the market with 1 trillion yuan (£111 billion) in long-term liquidity.

Economists believe the central bank will follow up with additional measures to steer money into sectors of national importance as China fights to revive the country’s dwindling economy.

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