

CHINA HAS GROWTH CONCERN IN RURAL BANK BOOST



China widened their efforts to support cash-strapped companies in Zhejiang and some rural areas that were hit by a credit squeeze that is slowing down the second-largest economy, just as Europe's debt crisis saps export demand. According to an announcement from its Hangzhou branch in Zhejiang, where small businesses have complained about lack of access to credit, the People's Bank of China cut the reserve ratio for more than 20 rural credit cooperatives nationwide by half a percentage point. Bank of America Merrill Lynch predicts that officials will lower the ratio for large commercial banks in early 2012. The evidence is mounting that growth has moderated in the economy that has led the global expansion, with all home sales falling 25 percent last month and a report yesterday signaled that manufacturing may shrink the most in almost three years. Premier Wen Jiabao has vowed to "fine tune" policy, as it is needed. "The unexpectedly sharp drop in China's flash PMI for November, if corroborated by other indicators, is likely to push policy makers to go beyond policy 'fine tuning' to outright easing," said Mark Williams, who is a London-based Asia economist at Capital Economics Ltd. "Confirmation that the People's Bank has lowered reserve requirements for some banks is likely to be only the start." Yesterday, the "flash" reading for the manufacturing PMI reported by HSBC Holding Plc and Markit Economics was 48, under the 50 level that is the border between expansion and contraction. Today, stocks in Asia headed lower after a German government debt auction overnight stocked concern that an untrammled European crisis will impair the global recovery. Investors failed to bid for 35 percent of the securities on offer from Germany, who is the largest economy in Europe. At 10:16 a.m. Tokyo time, the MSCI Asia Pacific was down 0.5 percent. Japan's government flagged the threat of Europe's woes posing to its rebound from the record earthquake in March, saying in a monthly economic assessment that they may cause "volatile" fluctuations in exchange rates and equities. Elsewhere in Asia, Hong Kong is scheduled to report on October trade figures today, and Taiwan releases its second estimate for gross domestic product in the third quarter, which was previously calculated at a 3.37 percent year-on-year gain. Belgium, considered a bellwether for the western European economy, may report on the businesses confidence sliding in November to its lowest level since 2009, when the global economy was pulling out of the recession that was caused by the American mortgage-market collapse. According to the median estimate in a Bloomberg News survey, Brazil may report its unemployment rate fell to 5.9 percent in the month of October, signaling sustained growth in emerging markets. The Hangzhou branch said in its statement yesterday that the Chinese central bank's move reduces the percentage of deposits the cooperatives are required to park with the central bank to 16 percent, a "normalization" after an increase a year ago. The statement also said that the extra 0.5 percentage point requirement had penalized lenders that failed to meet lending targets in rural areas, and was imposed after a check carried out each November.