GOLDMAN AND HSBC FORECAST A CHINA RATE CUT

Goldman Sachs Group Inc. and HSBC Holdings Plc forecast that China will cut interest rates in 2012, putting the blanks at odds with most of their rivals, who see the elevated inflation is preventing a reduction. The People's Bank of China reduced lenders' reserve requirements on November 30 for the first time since 2008 as Europe's debt crisis deepened further. Eleven of the twenty economists in a Bloomberg News survey conducted on Wednesday and Thursday say that rates will stay unchanged through next year and another four predict increases. Goldman and HSBC are among the five that see cuts. China's challenge in loosening monetary policy is to sustain the expansion of the world's second-largest economy without spurring price gains, fueling bad loans or reigniting a real estate boom that has already started to deflate. According to Mizuho Securities Asia Ltd., the inflation will remain too high for the benchmark one-year deposit rate to be lowered from the current 3.5 percent. ''The authorities should be careful that the loosening does not go too far in order to prevent a repeat of mistakes during the 2008 global financial crisis,'' said Ma Xiaoping, who is a Beijing-based economist with HSBC. Ma said that rates may be cut after inflation falls below 3 percent in the second half of next year. All across Asia, policy makers are moving to preserve growth. On Wednesday, in Tokyo, Prime Minister Yoshohiko Noda ordered a forth extra budget, a step unprecedented since the postwar reconstruction, while Thailand cute interest rates this week and Indonesia did the same on November 10. The data released in Tokyo showed yesterday that Japanese companies cut spending at a faster pace in the most recent quarter, adding to signs that a post-earthquake rebound is quickly fading. The Finance Ministry said that capital spending fell 9.8 percent from a year earlier. At 11:11 am in Tokyo, the MSCI Asia Pacific Index swung between gains and losses and was little changed. According to analysts' median estimate, data that was due on Thursday may show the US jobless rate holding steady at 9 percent. A better-than-forecast manufacturing expansion, that was reported on Thursday, indicated the world's largest economy is weathering the crisis that prompted a Federal Reserve-led effort this week to ease the borrowing costs for financial firms. In the euro-area, a report from Thursday showed that producer-price inflation cooled as austerity measures and weakness in global demand threaten to trigger a recession in the region. ''The current crisis is grimmer and more challenging than the global financial crisis triggered by the Lehman Brothers bankruptcy in 2008,'' Zhu Guangyao, who is a vice finance minister, said at forum in Beijing yesterday. ''So the most imperative task now is to try our best to simulate global economic growth.''