

ChiXi Consultants – China Moves to Boost Liquidity amid US Trade War

In an attempt to shore off potential issues at home, China will cut the amount of cash banks must hold in reserve as part of its efforts to support its economy.

MANHATTAN, NEW YORK, UNITED STATES, October 9, 2018 /EINPresswire.com/ -- The move will see 750bn yuan (\$109bn) in cash injected into the financial system.

The US is fighting a trade war with China which threatens the outlook for Chinese manufacturing and exports.

It is the fourth time the country's central bank has cut its reserve requirement this year.



China's Central Bank to Increase Liquidity

China's central bank said it would cut reserve requirement ratios by 100 basis points from 15 October. These are currently 15.5% for large commercial lenders and 13.5% for smaller banks.

Cutting reserve requirements frees up money for banks to lend to each other and consumers.

The People's Bank of China's move will release 1.2 trillion yuan in liquidity, with 450bn yuan of that due to offset maturing loans - meaning 750bn yuan will be injected into the financial system.

It comes as the US and China have imposed tariffs on one another's goods in a row that is hitting companies and risks hurting the global economy.

The [US has imposed tariffs on virtually half of all Chinese imports](#) into the US and has threatened to target all of its imports.

China has retaliated with its own set of tariffs, and has accused the US of launching the largest trade war in economic history.

Neither are showing signs of backing down, with the Trump administration escalating matters with accusations of election meddling and currency manipulation.

The row has hit China's stock market and currency, and there are tentative signs it is affecting China's economy.

"The ongoing China-US trade war is imposing headwind to China's growth, and monetary easing is being used to counter that," ChiXi Consultants said in a research note to its clients on Monday.

About ChiXi Consultants:

ChiXi Consultants is a Financial Planning and Investment Advisory firm that is geared toward individuals and institutions who are looking to achieve extraordinary levels of success. Our clients range from entrepreneurs, executives, board members and institutions who demand the same excellence in their advisors that they have demonstrated in their own lives. They require an intensely personal approach that relies upon years of experience, attention to detail, and above all else, objectivity and this is what ChiXi Consultants prides itself on providing.

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