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China's Central Bank Cuts Rates Again to Boost Economy

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BEIJING — China's central bank cut interest rates for the second time in three months Saturday, adding to signs the country's leaders are worried the economic slowdown is deepening too sharply.

The People's Bank of China announced a rate cut on one-year loans by commercial banks by 0.25 percentage point to 5.35 percent. The interest rate paid on a one-year deposit was lowered by 0.25 point to 2.50 percent.

Rates were last cut on Nov. 22. The new rates take effect Sunday.

Last year, China's economic growth fell to 7.4 percent — the lowest since 1990. It is expected to decline further this year, and a steep economic decline can raise the risk of politically dangerous job losses.

The latest round of cuts follow a string of tax reductions and other measures aimed at propping up growth. The government cut business taxes last week and has announced a pay hike for civil servants.

The lower rates are expected to reduce financial costs for state companies and are a signal to state-owned banks to boost lending to them.

Economic growth in the world's second-largest economy has slowed down steadily over the past two years, mostly as a result of government efforts to steer the economy to more self-sustaining growth based on domestic consumption and to reduce reliance on trade and investment.

Eswar Prasad, an economics professor at Cornell University, noted that China has been a primary driver of global economic growth and that the slowdown will

have a negative ripple effect throughout the world.

Still, Jay Bryson, global economist for Wells Fargo Securities in Charlotte, North Carolina, emphasized that China's economy is still growing, just at a slower rate.

"China is not collapsing. You're looking at a country that was growing at double digits, and now it's only going to grow 6 to 7 percent," he said.

"We're talking about slower global growth, not another 2009," he added, referring to the global financial crisis.

The impact of the slowdown will vary depending on a country's exposure to China. In the U.S., Bryson said most people won't notice the impact at all. While U.S. exports to China total about \$100 billion a year, he said that's less than 1 percent of the gross domestic product of the U.S., which has a \$17 trillion economy.