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CHINA

# China: Monetary policy unchanged

The PBoC did not change the Loan Prime Rates. We expect a stable monetary policy to last for a while



Leading members of the People's Bank of China, including Governor, Yi Gang (waving)

## Staying put

The Chinese central bank, the PBoC, kept the 1Y Loan Prime Rate at 3.85% and the 5Y Loan Prime Rate at 4.65%. The last time the central bank cut rates was in March.

## Next step

There are a few factors that could change the PBoC's monetary policy stance:

1. development of Covid-19 cases in China
2. the damages from the technology war on the domestic economy increasing quickly and immediately
3. the damages from the trade war get bigger

Among the three factors, we worry more about the technology war, but the impact should not be immediate in the sense that it would hurt GDP growth deeply in the current quarter. China has added [penalties](#) on its "unreliable entity list", which increases the chance of tit-for-tat on technology issues between the US and China. We need to monitor the development. But so

far, the risk is not immediate, which means the PBoC should continue to keep rates unchanged.

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