

As yuan tumbles, China 'surveys' foreign banks

REUTERS

Shanghai/Beijing, 30 June

China's central bank has surveyed some foreign banks in the past week about the interest rates they offer to their clients for dollar deposits, people familiar with the matter said, as authorities step up efforts to slow the yuan's depreciation.

The central bank also guided one commercial lender to lower such rates, one of the sources said, as recent weakness in the Chinese currency prompts authorities to more closely scrutinize foreign exchange dealings. But the source did not offer more details.

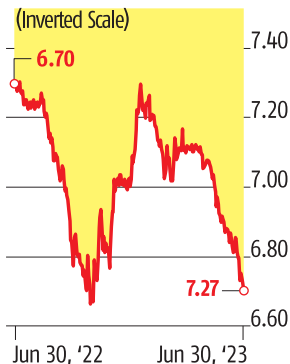
The move could potentially nudge companies, especially exporters, to convert more of their foreign exchange receipts into the yuan, which has weakened to near eight-month lows and lost nearly 5 per cent so far this year.

Total FX deposits in China stood at \$851.8 billion at end-May, data shows.

The People's Bank of China did not immediately respond to *Reuters* request for comments.

The PBOC said in mid-May that authorities will resolutely curb large fluctuations in the exchange rate and study the

Renminbi vs \$



strengthening of self-regulation of dollar deposits.

Weeks later, sources told Reuters that a self-regulatory body overseen by the central bank had told major state-owned banks to lower dollar deposit interest rates. Big banks were told to cap them at 4.3 per cent, from the previous ceiling of 5.3 per cent.

Factory activity shrinks

The factory activity in June contracted for a third month, while non-manufacturing activity was at its weakest since Beijing abandoned its strict "zero Covid" policy late last year. The latest data points to a patchy recovery in the world's second-largest economy as the growth momentum fizzles. The official manufac-

Economist flags \$3 trn of 'hidden' forex reserves

China is sitting on a \$6 trillion pile of money, half of which is "hidden," and that presents a new kind of risk to the global economy, according to Brad Setser. A lot of the country's forex reserves don't show up in the official books of the People's Bank of China, the former US official wrote in a report on *The China Project*. Instead, what can be called "shadow reserves" appear among the assets of entities such as state commercial lenders and policy banks, Setser said.

BLOOMBERG

turing purchasing managers' index (PMI) came in at 49.0 in June — compared to 48.8 in May and 49.2 in April — according to data from the National Bureau of Statistics released on Friday. June's reading was in line with the median forecast in a *Reuters* poll. Friday's figures also showed China posting its weakest official non-manufacturing PMI reading this year, coming in at 53.2 in June.