China: Low Inflation, despite Fed's ATM Stimulus

Contributed by Tom McGregor
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BEIJING: China continues to enjoy remarkable growth, despite a slow recovery in the US and sovereign debt crisis in Europe. The International Monetary Fund forecasts the nation to hit GDP growth of 7.7 percent this year. The job market remains strong and inflation levels are dropping, which means a better quality of life for Chinese consumers overall.

On Monday, Beijing announced that, "the September Consumer Price Index increased 1.9 percent reay-on-year. The CPI, a key inflation gauge, grew 2 percent in August and hit a two-year low of 1.8 percent in July," as disclosed by Chinese media reports.

China's central bank seems to be taking measures to fend off inflationary risks as its primary focus and these efforts deserve to be applauded.

As reported by Emerging Markets news Website, Yi Gang, deputy governor of the People's Bank of China, "delivering a speech on behalf of PBOC's governor … expressed confidence that inflation can be 'fine' this year in China, forecasting it at around 2.7 for the year. But during the 30-minute address he reiterated six times that the PBOC's main priority was combating inflation."

He explained the central bank's strategy is "looking at inflation and afterwards at growth, unemployment and the balance of payments, in that order, when deciding on monetary policy".

He calls for Beijing to push ahead only on small-scale stimulus measures to avoid creating a financial bubble.

To read the entire article from the China Daily, link here:

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