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The number of ships sailing from China to the U.S. is plunging after importers canceled orders. CFOTO/ DDP/ ZUMA PRESS

China Lowers Rates, Makes Lending Easier

BY REBECCA FENG

HONG KONG—China's central bank said Wednesday that it would cut interest rates and inject more liquidity into the financial system, seeking to bolster the economy in response to trade tensions with Washington.

The Chinese central bank said it would lower the reserve- requirement ratio— which determines how much banks have to hold in reserves— by 0.5 percentage point on May 15.

The cut will release around one trillion yuan, equivalent to $139 billion, of liquidity into the financial system and allow banks to lend more. The central bank previously lowered the ratio in September 2024.

The central bank also cut a key policy rate by 0.1 percentage point.

Hong Kong's Hang Seng Index rose more than 1% after the announcement, and main--land Chinese shares were higher.

Markets were also reacting to the possibility of formal U.S.-China trade talks. Treasury Secretary Scott Bessent and U.S. Trade Representative Jamieson Greer are traveling to Switzerland on Thursday to meet Beijing's lead economic representative.

The economic measures announced in Beijing on We d n e s d a y mark the first concrete ones since President Trump's tariffs hit Chinese goods in April. Beijing pledged to implement growth-supporting measures late last month to counter the challenge from the tariffs.

The Chinese economy hasn't felt the full tariff blow yet. It expanded 5.4% in the first quarter, getting a boost from a rush of exports headed to the U.S. Exports in March surged 12.4% year over year.

But the pain is beginning to show. The number of ships sailing from China to the U.S. is plunging after American importers canceled orders. Chinese factories are putting workers on leave, and a gauge of new export orders fell in April to its lowest since 2022. Chinese officials have expressed confidence that the country will achieve its 5% growth target this year, but economists are expecting growth to slow to 4% or less. So far, the government's measures to boost the domestic economy have been relatively limited, economists said.

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