

## 《Economists: Deflationary pressure to remain in China》

The deflation risk is set to continue. CCTV reporter Martina Fuchs talked to economists about their CPI and PPI expectations for this year, and how policymakers are likely to respond.

Soft domestic demand and depressed global commodity prices... the risk of deflation is looming in China.

Although consumer prices posted a 1.4 percent average increase over the past year, they remained considerably below the government's target of 3 percent for 2015. And they're set to stay low in 2016.

Deflationary cycles encourage consumers to hold off from buying and businesses to stay away from long-term investments, on expectations that prices will keep falling.

China's central bank is more bullish, expecting the consumer price index to climb 1.7 percent in 2016 from last year, while the producer price index is forecast to fall 1.8 percent year-on-year.

However, manufacturing activity and companies' factory-gate prices are still weakening, which is adding to the worries.

The official Purchasing Managers' Index stood at 49.4 in January, compared with the previous month's reading of 49.7 - below the 50-point mark that separates growth from contraction.

It was the weakest reading since August 2012, and highlights the severe pressure from falling prices and overcapacity in key sectors, such as steel and energy.

Like this staircase here, deflationary pressure is continuing to build up. Economists are expecting additional monetary policy easing, and for the PBOC to cut the required reserve ratio by 2 percentage points through 2016, starting this quarter.