

BUSINESS



Potential homebuyers check out housing projects at a real estate agency in Binzhou, Shandong province, in December.

CHU BAORUI / FOR CHINA DAILY

Efforts to narrow interest gap for housing seen paying off

Borrowers who peg to prime readings on Jan 1 able to enjoy major rate cuts

By WANG YING in Shanghai wang_ying@chinadaily.com.cn

China's implementation of adjustment mechanisms to narrow the gap between the interest rates of existing and newly issued mortgages has triggered a cut of existing home loan interest rates on the first day of 2025, and industry experts suggest there is still downward adjustment room considering the moderately loose monetary policy.

For commercial housing loan borrowers who peg their home loan interest rates to the latest loan prime rate readings — the pricing benchmark — on Jan 1, they may have seen a substantial reduction in mortgage rates nationwide on Wednesday, according to authoritative sources.

"About 80 percent of our customers chose Jan 1 as the loan adjustment date, and many of them can benefit from the decline of interest rates," Xu Tingting, head of a Beijing-based branch of Bank of Nanjing, was quoted by Xinhua News Agency as saying.

Xu said a sizable drop of 60 basis points was made on the over-five-year LPR in 2024, on which many lenders based their mortgage rates.



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"Taking the 30-year 1 million yuan (\$137,000) fully amortized mortgage for example, the monthly payment would be reduced by more than 300 yuan," Xu said.

On Nov 1, China initiated a normalized adjustment mechanism on the interest rates of existing mortgages. Under the mechanism, borrowers are eligible to negotiate with banks on the repricing cycle of their existing home loan interest rates in accordance with the latest LPR reading, according to statements

from China's six major commercial banks.

Differing from the previous annual repricing cycle, the new policies allow home loan borrowers to make a choice among three options, which are three months, six months and one year.

Individual mortgage loan owners who borrow under the housing provident fund program would find that their personal home loans borrowed before May 18, 2024 get adjusted according to the corresponding interest rates for both first and second homes since Jan 1, according to a notification published by the People's Bank of China on May 17.

Also taking the 30-year 1 million yuan fully amortized mortgage as an example, monthly payments will shrink from 4,270.16 yuan to 4,135.57 yuan, and a total of 48,500 yuan in interest expenses will be saved, CCTV.com reported.

It is worth noting that both the interest rates for commercial housing mortgages and loans under the housing provident fund program can be adjusted automatically, and eligible homebuyers do not require any additional applications.

The latest batch of mortgage rate adjustments is aimed at narrowing the interest rate gap between existing mortgages and newly borrowed ones, and up to 50 million households — or 150

million people — will be affected, with about 150 billion yuan in interest expenses being reduced per year, reported Chinese financial news outlet Yicai.

The adjustment to existing mortgage interest rates will help ease payment pressure on individual borrowers and boost consumption, said a Zhongtai Securities research report.

Saving 300 yuan in monthly payments for individual homeowners may create some 100 billion yuan in consumption potential, it suggested.

Ming Ming, chief economist of CITIC Securities, said he believes the LPR still has room for further downward adjustments, considering the central bank's stance on easing monetary policies.

Looking forward to 2025, China's central bank is expected to implement interest rate cuts amid the current moderately loose monetary environment, and an LPR cut will likely follow, said Wang Qing, chief macroeconomic analyst at Golden Credit Rating International.

"It is likely that the over-five-year LPR will get lowered significantly in 2025, an effective methodology of interest rate cuts for homeowners. And this can be regarded as a key strategy in promoting real estate market stabilization," Wang said.

New year brings buzz to Shandong's foreign trade

By ZHAO RUIXUE in Jinan zhaoruixue@chinadaily.com.cn

On the first day of 2025, Shandong province gave a significant push to the development of foreign trade by initiating a China-Europe freight train, international flights and a cargo shipment destined for overseas markets.

The China-Europe freight train, loaded with 15 million yuan (\$2.06 million) worth of goods such as coiled steel, machinery equipment and tires, commenced its journey from Jinan, capital of Shandong, on Wednesday.

"The train is expected to arrive in Almaty, Kazakhstan in seven days," said Zhang Yangjin, deputy general manager of Shandong Hi-Speed Group Co Ltd.

The group, overseeing the coordination of the Shandong China-Europe freight train service, has been actively integrating the service with cross-border e-commerce and trade logistics networks to enhance the efficiency of freight train operations, he said.

The China-Europe freight train service, a calling card of the Belt and Road Initiative, has played a pivotal role in boosting global trade dynamics and fostering stronger connections between China as well as Asian and European nations.

Last year, a total of 2,727 China-Europe freight trains departed from Shandong, a year-on-year increase of 6.3 percent, said China Railway Jinan Group Co Ltd.

On the same day, an international flight carrying 9.4 metric tons of goods, including electronic products and cross-border e-commerce parcels, took off from Yantai and landed in Osaka, Japan.

"The goods include those not only produced in Shandong, but also from neighboring provinces," said Song Wei, deputy general manager of the airport logistics unit, Shandong Airport Management Group Yantai International Airport Co Ltd.

Yantai, a major logistics gateway

to Japan and South Korea, handled a total of 22,000 tons of cross-border e-commerce parcels at its airport last year, a year-on-year increase of 109.5 percent.

"Through frequent cargo flights to South Korea from Yantai, South Korean consumers can receive their goods in as quickly as 37 hours," said Song.

Meanwhile, a containership departed from Qingdao port, carrying electronic products and new energy vehicles to destinations including Türkiye, Greece, Italy and France.

This year, Shandong plans to introduce a series of policy measures to facilitate international trade between local enterprises and overseas markets, said Wang Hong, deputy head of the Shandong Provincial Department of Commerce.

"We aim to focus on key industries, high technology and green products, supporting companies in participating in more than 360 overseas exhibitions and enhancing the international marketing public service system to drive coordinated trade and investment," said Wang.

In the first 11 months of 2024, Shandong's total import and export value reached 3.05 trillion yuan, a year-on-year increase of 3.1 percent. Exports accounted for 1.87 trillion yuan, a growth of 6.9 percent.

Notably, high-end manufacturing products such as ships, electronic components and machinery equipment demonstrated export growth exceeding 40 percent. The export value of electric vehicles, photovoltaic products and lithium batteries also surged by 11.1 percent, emerging as key highlights in Shandong's foreign trade landscape, according to data from the department.

In the first three quarters of 2024, the number of enterprises with actual imports and exports reached 67,800, an increase of over 4,700 compared to the same period of the previous year.

Skyline trail



A drone image shows the installation of a box girder on the Jinan-Binzhou High-speed Railway in Binzhou, Shandong province. The 145-kilometer-long HSR, featuring an operating speed of 350 km per hour, is the first HSR to link downtown Binzhou with the provincial HSR network, said China Railway Construction Corp's 24th bureau, a State builder involved in the project. PROVIDED TO CHINA DAILY



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