

Zhou probe bodes well for economy

By Li Qiaoyi and Liang Fei Source:Global Times Published: 2014-7-31

Move positive for market sentiment, say experts



A CNPC oil field in North China's Hebei Province Photo: IC



Inset: Zhou Yongkang Photo: AFP

The announcement on Tuesday about investigation of former security chief Zhou Yongkang, the latest step in an unprecedented crackdown on corruption, has ushered in new hopes and aspirations for the reform-bound Chinese economy, market watchers said on Wednesday.

The decision to have Zhou investigated for a "serious disciplinary violation" came on the same day when the Fourth Plenary Session of the 18th Central Committee of the Communist Party of China (CPC), a key Party session after November's Third Plenum, was announced to be held in October with the main theme revolving around the rule of law.

"We see these developments as a big positive for market sentiment," Bank of America Merrill Lynch economists in Hong Kong led by Lu Ting, said in an e-mail sent to the Global Times on Wednesday, referring to the investigation decision and the announcement of the upcoming Party plenum.

"With some high profile arrests under its belt, we believe the focus of the new government can start to shift from the anti-graft campaign to real institutional reforms, which are badly needed for China's long-term economic health," the economists believe.

China's economy, long known for its capacity to sustain fast growth, is heading toward a slower yet healthier growth.

To steer the transition, the central government has unveiled a slew of reform measures in an all-round revamp of the economy.

In an assessment of the implications of Tuesday's decisions for the economy, London-based Capital Economics said in a research note e-mailed to the Global Times on Wednesday that "the leadership's hard-line stance makes successful implementation of the Third Plenum reforms more likely," although some fields such as luxury goods and the hospitality industry have taken a hit from the anti-corruption campaign.

The announcement of an official investigation of Zhou was believed to have shown the Party's courage and resolution in its anti-graft campaign targeting both "tigers and flies."

The oil industry, which was embroiled in an anti-corruption storm highlighted by the downfall of Jiang Jiemin, the former head of the State-owned Assets Supervision and Administration Commission (SASAC) and a key protégé of Zhou, is taking a breath of fresh air in particular.

Jiang had previously been the former chairman of State-owned oil giant China National Petroleum Corporation (CNPC) before his promotion as the head of SASAC. He was removed from his post at SASAC in September after he was announced to be under investigation for suspected "serious disciplinary violations."

Shares in PetroChina Co, the listed arm of CNPC, rose 3.08 percent on the Shanghai Stock Exchange on Wednesday, while the overall Shanghai Composite Index shed 0.09 percent on the day. Shares in Sinopec Corp, the listed arm of China Petroleum & Chemical Corp, also rose 1.16 percent in Shanghai trading.

Sun Jianbo, chief strategist of China Galaxy Securities Co also envisioned normalization of China's stock markets in the longer term following the investigation into Zhou in a research report released on Wednesday.

Commending the investigation announcement as a landmark move, Chang Jian, chief China economist at Barclays Capital in Hong Kong, also said in a research note e-mailed to the Global Times that the anti-corruption drive should move to the next stage of "governing the country by law."

It is for the first time that a CPC Central Committee plenary session has set rule of law as the main theme for an upcoming Plenum.

"Further emphasis on the rule of law will have a positive effect on China's economic development and its structural reform," Xu Hongcai, director of the Department of Information under the China Center for International Economic Exchanges, told the Global Times on Wednesday.

"Companies and individuals should act according to the law and the government should also govern the country according to the law," Xu remarked.