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Fears eased over Wenzhou debts as plant orders rise
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Bankruptcies and multibillion yuan bank debts of Wenzhou's small and medium enterprises are not likely to pose an immediate danger to the mainland economy, economists say.
"China has about 40 million SMEs, including several hundred thousand in Wenzhou.
And only 100 SMEs in that city failed to pay off loans. The percentage is small," said Liao Qun, chief economist of CITIC Bank International.
As long as the economy grows at a stable pace, SMEs will survive, he said, adding that debt pressures will lighten.
Barclays Capital said banks have had fairly limited exposure to failed SMEs in Wenzhou, mainly through off-balance sheet credit commitments.The non-performing loan ratio will rise over the next few years, but not reach the previous record high of 20 percent, Barclays added.
Meanwhile, China's official measure of its manufacturing purchasing managers index and HSBC's China services PMI rebounded in September.
HSBC's China services PMI reading rose to 53, rebounding from an all-time low of
50.6 in August as it was boosted by new orders.
"[The reading] rebounded meaningfully, pointing to a possible bottoming out of the services economy towards the end of the year," said HSBC chief China economist Qu Hongbin. The manufacturing PMI last month rose 0.3 percent from August to 51.2 percent. There were also indications yesterday that the Wenzhou
municipal government is trying to bring private lending under control. "Any
loans with a rate four times the benchmark rates are loan shark lending, and no legal protection will apply to such loans," the municipal government and the Wenzhou branch of the People's Bank of China said in a joint circular.
The one-year benchmark lending rate is 6.56 percent. The warning came after operators of 26 Wenzhou-based small businesses absconded last month, unable to pay debts to loan sharks.

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