



# INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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**Statement by Gang Yi  
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**People's Republic of China**

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**YI Gang, Governor of the People's Bank of China**

**I. Global Economic and Financial Developments**

The global economy is facing a complex and challenging environment. High inflation is becoming the greatest challenge to economic development worldwide. Central banks in major advanced economies are aggressively tightening their monetary policies. New waves of COVID-19, geopolitical conflicts, and energy and food crises are taking place at the same time. These factors have weakened global growth momentum and caused turmoil in financial markets that merits close attention.

Equitable distribution of vaccines and medical supplies remains key to containing COVID-19 across the globe and achieving sustainable recovery. As of September 2022, China has provided more than 2.2 billion doses of vaccines to more than 120 countries, mostly developing countries, and international organizations. China has also actively promoted international cooperation in research, development, production and distribution of vaccines, and proactively fulfilled our commitment about COVID-19 vaccines as a global public good, taking concrete measures to improve their accessibility and affordability in developing countries. For example, China has worked with African partners on local production of COVID-19 vaccines, with annual capacity reaching around 400 million doses.

China has also called on all parties to contain spillovers from the Russia-Ukraine conflict and to safeguard the legitimate rights and interests of developing countries. In response to global food and energy insecurity, China has proposed a cooperation initiative on global food security. Since the beginning of the year, China has provided more than 15 thousand tons of emergency humanitarian food aid to developing countries in need.

In addition, we urge countries to join hands in improving global environmental governance, addressing climate change and extreme weather events, and accelerating green and low-carbon transition, in order to achieve a green recovery and development.

To address global economic challenges, all countries should continue to work together and build consensus. We must pursue development and eliminate poverty. Development is the master key to addressing all problems. We should promote stronger, greener and healthier global development, jointly support cooperation under the Global Development Initiative (GDI), and speed up the implementation of the 2030 Agenda for Sustainable Development. We should build international consensus around development and see to it that everyone in every country benefits more from the fruits of development in a more equitable way. We must remain open and oppose exclusion. Openness is the only way for social prosperity and progress, whereas protectionism will boomerang. We should uphold the multilateral trading system with the World Trade Organization at its core, build an open world economy, and especially take forceful measures to maintain the stability and resilience of the global industrial chains and supply chains. We must cooperate and oppose confrontation. The best way to addressing global challenges that keep emerging is by making concerted efforts. Contradictions and differences among countries are inevitable, but we should enhance mutual understanding on the basis of equality and respect.

## **II. Economic and Financial Developments in China**

Facing a complicated and challenging international environment as well as unexpected headwinds such as sporadic resurgence of COVID-19 and extreme weather, China has taken effective measures to strike the right balance between containing COVID-19 and pursuing economic and social development. In the first half of 2022, China's real GDP grew by 2.5 percent. In the third quarter, due to enhanced implementation of macro policies, the economy generally stabilized and recovered, with employment and overall prices remaining stable. In August, the value-added of industrial enterprises above the designated size grew by 4.2 percent year on year, 0.4 percentage point faster than that of July. The index of services production (ISP) increased by 1.8 percent year on year in August, an acceleration of 1.2 percentage points over July. Fixed assets investment in the first eight months of the year increased by 5.8 percent over the same period of last year, 0.1 percentage point higher than that of the first seven months, marking the first rebound since the beginning of the year. In August, the total retail sales of consumer goods increased by 5.4 percent year on year, 2.7 percentage points faster than that of July. Headline CPI increased by 2.5 percent year on year, whereas the core CPI remained stable and increased 0.8 percent year on year. The surveyed unemployment rate in urban areas in August registered 5.3 percent, 0.1 percentage point lower than the prior month. In the first eight months of the year, imports and exports grew by 10.1

percent over the same period of last year, and the actual utilized FDI increased by 16.4 percent year on year. China's balance of payments remained broadly balanced and showed resilience and robustness.

**On monetary policy**, the sound monetary policy has remained flexible and appropriate, as we implemented a package of effective policies to stabilize and support the overall economy. The PBOC has used a mix of monetary policy tools to keep liquidity abundant at a reasonable level. During the first half of 2022, the PBOC cut the reserve requirement ratio by 0.25 percentage point and provided liquidity support through multiple channels, such as central bank lending, rediscounts, the Medium-term Lending Facility (MLF), and Open-Market Operations (OMO). It also raised the incentive funding ratio for local financial institutions issuing inclusive micro and small business (MSB) loans and increased the special central bank lending for clean and efficient coal use. The PBOC introduced three new structural tools, namely central bank lending for sci-tech innovation, for inclusive elderly care services, and for transportation and logistics. In August 2022, the average interest rate on loans to enterprises averaged 4.05 percent, the lowest in recorded history. The PBOC continued to deepen the market-based exchange rate reform, enhanced the flexibility of the RMB exchange rate, and strengthened expectation management, making the RMB's depreciation the smallest among all the major non-USD currencies. The PBOC also upholds market principles and the rule of law in resolving risks, promotes the smooth operation of the real estate market, and continuously mitigates financial risks.

**On fiscal policy**, the proactive fiscal policy is more effective and efficient, and efforts were made to make it better targeted and more sustainable. China has strengthened the mix of tax- and fee-based policies, enhanced the value-added tax credit refund policy, and provided more support to small and medium-sized enterprises (SMEs) and key sectors through tax cut and fee reduction. As of September 20, the newly added fiscal support, in the forms of tax cut, fee reduction, tax rebates and tax/fee deferrals, has exceeded RMB3.4 trillion (USD0.48 trillion). China has also expanded the scale of financing guarantees and enhanced support for SMEs via government procurement. China quickened the pace to issue local-government special-purpose bonds. As of end-August, the accumulated issuance of newly approved special bonds has reached RMB3.52 trillion (USD0.49 trillion). Fiscal support has also been provided to facilitate policy-based developmental financial tools, policies to guarantee the delivery of pre-sold real estate projects, and lending policies to support equipment upgrade in certain sectors. The overall planning of financial resources has been

enhanced. The authority has maintained a relatively high level of expenditure and sped up its implementation, improved the system for the regular transfer of direct fiscal funds, guaranteed the expenditure in key areas, and maintained local governments' normal operations.

As for economic developments in the Hong Kong and Macau SARs, the economic growth in Hong Kong has accelerated due to the recently stabilizing COVID-19 situation and various support measures introduced by the authority. Its GDP grew by 1.0 percent in the second quarter, after contracting by 2.9 percent in the first quarter. Faced with downside risks from weak global growth, geopolitical tensions and uncertainties around rate hikes in the U.S., Hong Kong's growth for 2022 is expected to be somewhere between -0.5 percent and 0.5 percent. In the Macao SAR, the resurgence of COVID-19 has led to weaker external demand, causing the GDP to shrink by 24.5 percent in the first half of 2022. With heightened uncertainty down the road, the economy is expected to contract more than 10 percent in 2022.

### **III. About the Work of the IMF**

China highly appreciates the IMF's efforts in supporting its members, especially the developing and low-income countries, as they respond to the ongoing COVID-19, inflation, and energy and food crises. China also commends the Fund for its efforts in promoting global multilateral cooperation and reducing the risk of economic fragmentation.

**The IMF should continue to push ahead with its quota and governance reforms.** China supports a strong, quota-based, and adequately resourced IMF in preserving its central role in the global financial safety net. Quotas, rather than borrowing arrangements, should be the IMF's main source of financing. We look forward to the timely completion of the Sixteenth General Review of Quotas by December 2023 with positive results, so as to effectively accomplish the quota increase and quota share realignment. The increase and realignment should reflect members' relative weight in the global economy and strengthen the voice and representation of dynamic emerging markets and developing countries. With just a little more than one year left, we should narrow down reform options and approaches in a pragmatic manner.

China supports the IMF's efforts in channeling Special Drawing Rights (SDRs) to countries in need. We hope that relevant work will be implemented swiftly to provide tangible support to vulnerable countries. China is willing to channel a portion of its newly allocated SDRs to support low-income and vulnerable middle-income countries, especially African countries, and to support

the Resilience and Sustainability Trust (RST). China has already signed the RST contribution agreements with the IMF.

In implementing the G20 Debt Service Suspension Initiative (DSSI), China has provided the largest amount of debt service suspension among G20 countries. Through these tangible actions, China has made its own contributions. Currently, China is actively participating in the G20 Common Framework and welcomes the significant progress in the cases of Chad and Zambia. One important factor hindering the implementation of the Common Framework is the comparable participation of the private sector, for which all parties should take effective measures to urge the private sector to participate in debt restructuring. For countries with unsustainable debt, it is desirable that MDBs also participate in debt restructuring.

The IMF should continue to play its central role in the global financial safety net. China supports the IMF in establishing a new "Food Shock Window" within its emergency financing instruments, so as to provide timely support to countries affected by food crisis, especially low-income countries. The IMF should continue to play an active role in reducing the impacts of the COVID-19, the Russian-Ukraine conflict, food and energy crises, surging inflation and the rapid tightening of financial conditions on the global economy, including by providing professional analysis and advice to countries.

The global economy is faced with multiple challenges. The IMF, as an important multilateral institution, should continue to enhance the effectiveness of its bilateral and multilateral surveillance and call on countries to eliminate trade and supply restrictions as soon as possible to prevent global economic and financial fragmentation. China welcomes the IMF's continued efforts to focus on new trends such as digitalization and climate change, to promote the digital transformation of the economy, and to support inclusive global growth. Regarding the radical emission reduction approaches that are beyond multilateral consensus and lack feasibility in solving transition risks, the IMF should conduct further reviews in a pragmatic manner. China supports the IMF in implementing the results of its latest review of the Institutional Views on Capital Flows and helping its member countries properly address risks from disorderly capital flows with the right mix of policy tools, especially the spillovers of the rapid monetary tightening in developed countries to emerging market and developing countries.