

Xuan Changneng: Strengthening international macroeconomic policy dialogue and coordination to enhance global economic and financial resilience

Speech by Mr Xuan Changneng, Deputy Governor of the People's Bank of China, at the PBOC Home Forum, Annual Conference of Financial Street Forum 2023, Beijing, 9 November 2023.

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As the world economy is undergoing profound adjustments with slow and uneven growth, the impacts of ongoing squeeze in liquidity and geopolitical conflicts deserve close attention. It was clearly pointed out at the recent Central Financial Work Conference that "we should effectively advance the high-level opening-up of the financial markets, ensure national financial and economic security, place equal emphasis on both 'bringing in' and 'going global', steadily expand the institutional opening-up of the financial sector, and facilitate cross-border investment and financing, so as to attract more foreign financial institutions and long-term capital to invest and operate in China". Strengthening international dialogue on macroeconomic and financial policy will help promote policy coordination and joint cultivation of new growth drivers, enhance global economic and financial resilience, and achieve sustainable development and win-win cooperation.

Now, I would like to share my views in the following three aspects:

I. Ongoing recovery and improvement of the Chinese economy

Since the beginning of 2023, with the effective implementation of macro adjustment policies, China's major economic indicators have witnessed stable development and shown a clear upward trend. Positive factors and bright spots in the Chinese economic performance are on the rise, and expectations are improving. The first three quarters saw a year-on-year GDP growth of 5.2 percent. In Q3, the GDP registered a year-on-year rise of 4.9 percent and a month-on-month increase of 1.3 percent, up 0.8 percentage points, continuing the upward trend of recovery.

Industrial production has accelerated its recovery. In the first three quarters, the added value of Industrial Enterprises Above a Designated Size (IEDS) increased by 4 percent year on year, up 0.2 percentage points compared with that in H1. Specifically, the profits of IEDS in Q3 grew by 7.7 percent year on year. **The service industry has become a powerful driving force for economic rebound,** with service demand being constantly released and market vitality on a steady rise. In Q3, the added value of the service industry grew by 5.2 percent year on year, driving economic growth by 2.8 percentage points, a contribution rate of 56.7 percent. **New driving forces are growing fast,** with strategic emerging industries gathering strength, and the development of digital economy, photovoltaic technology, and new energy vehicles leading the world. In the first three quarters, investment in high-tech industries increased by 11.4 percent year on year, and the output of solar cells, charging piles, and new energy vehicles rose by 63.2 percent, 34.2 percent, and 26.7 percent,

respectively. **The balance of payments has seen improved soundness.** China's current account has maintained a reasonable surplus, and its cross-border trade, investment, and financing have become more active.

China's economy is expected to grow by around 5 percent this year, continuously maintaining a leading position among the major economies and playing as an important engine and stabilizer for global economic growth. Recently, the International Monetary Fund (IMF) has revised up its forecast for China's economic growth to 5.4 percent.

II. Complex and severe international situation

The world is facing many uncertainties and challenges, such as intensified geopolitical conflicts, widespread trade protectionism, as well as high inflation, high interest rates, and high debt.

Looking forward, the global economic recovery is sluggish. The geopolitical games, the cumulative effects of tightened global liquidity, the potential financial risks as well as the extreme weather events are important factors that may affect the growth of the global economy.

According to the *World Economic Outlook* released by the IMF in October, the global economic growth rate is expected to slow down from 3.5 percent last year to 3 percent this year and 2.9 percent next year. The tight monetary policies in the major developed economies have played a restraining role in controlling inflation, leading to an overall decline in inflation but impairing investment and consumption. The diverging situation of emerging economies and tightened global liquidity have increased uncertainties in the growth of highly indebted economies.

Financial risks are evolving. As inflationary pressures ease and the risk of economic recession rises among countries, major central banks will end rate hikes at the right time, which may blunt the marginal impact of tight monetary policies on currency exchange rates, stock markets, and cross-border capital flows in various countries. However, the cumulative effects will loom larger, and risks in some economies and sectors still deserve close attention.

Global geopolitical risks remain high, as conflicts between Russia and Ukraine, and Palestine and Israel are still going on. This will continue to affect the stability of international trade environment and the safety of industrial and supply chains, pose challenges to commodity prices, and increase the difficulty in coordinating international macroeconomic policies.

Green recovery fell short of expectations. Since the outbreak of the COVID-19 pandemic, countries' expenditures on green recovery have not reached the level as promised earlier, rendering global green spending insufficient to address ongoing environmental crises, such as climate change, natural destruction, and pollution.

III. Strengthening international macroeconomic policy dialogue and coordination

Economic globalization is the trend of the times and the shared aspiration of all peoples, and openness, cooperation, mutual benefit and win-win strategy are wise choices. Since the 18th National Congress of the Communist Party of China (CPC), the People's Bank of China (PBOC) has resolutely implemented President Xi Jinping's vision of global governance, and actively participated in global financial governance and policy coordination through global governance platforms and mechanisms such as the Group of Twenty (G20), the IMF, the Bank for International Settlements (BIS), and multilateral development banks (MDBs) to contribute Chinese wisdom, perform its due responsibilities, and safeguard the interests of China.

The world has entered a new period of turbulent changes, and the global governance system is undergoing crucial adjustment and reform. The PBOC will continue to actively participate in international economic and financial governance, maintain and strengthen macroeconomic and financial policy dialogue and coordination with other countries, especially the major economies, and support the construction of an open world economy. Half a month ago, the China-US Financial Working Group held its first meeting, during which the two sides conducted professional, pragmatic, frank, and constructive communication on monetary policies, financial stability, financial regulation, and other issues of mutual concern. Both sides agreed to maintain communication. Faced with the complex and severe international situation, we sincerely hope that all countries will strengthen dialogue and cooperation.

First, we need to effectively strengthen international macroeconomic policy dialogue and coordination, especially in critical areas such as global economic growth, risk prevention, digital economy, green development, and climate change, in a bid to jointly promote global economic growth and maintain financial stability.

Second, we need to unswervingly push forward global financial governance reforms to ensure equitable and efficient global financial governance. The IMF should press ahead with quota reforms to realign the proportion of quotas, so as to better reflect the relative positions of member countries in the global economy and enhance the voice and representation of emerging markets and developing countries.

Third, we need to uphold the authority and effectiveness of the multilateral trade system. We shall advance bilateral, regional, and multilateral cooperation, resolutely oppose the politicization of economic and trade issues, jointly maintain the stable and smooth operation of global industrial and supply chains, safeguard a diverse and stable global economic landscape, and push for an economic globalization that is more open, inclusive, balanced, and beneficial to all.

Fourth, we need to strengthen communication and cooperation in green finance. Currently, China is working to peak carbon emissions and achieve carbon neutrality. The PBOC will adhere to the green and open mindset, continuously leverage the resource allocation, risk management, and market pricing functions of green finance, and strive to build a sound financial system to support green and low-carbon development. We are willing to share China's experience with other countries and strengthen exchanges and cooperation in green finance standards and environmental information disclosure. Additionally, we would like to work with relevant countries to actively perfect the transition finance framework, enrich and improve products of

transition finance, and support the orderly transition of high-emission sectors and enterprises towards green and low-carbon development.

Finally, thank you for your attention to the financial work and your support for the PBOC. I wish the Forum a complete success!

Thank you!