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IMFC Statement by YI Gang
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I. Global Economic and Financial Developments

The world is sliding into recession. As the COVID-19 pandemic continues to spread across the globe, it brings heightened uncertainty and increasing downside risks to the global economy. In 2020, advanced economies and emerging markets and developing economies (EMDEs) alike are facing unprecedented economic and financial challenges.

Multilateral cooperation is essential in the fight against the pandemic. Countries need to better coordinate their public health and macroeconomic policies, so that they can respond in a more coordinated and effective way. It is also important for countries to enhance mutual trust, share information, and refrain from trade restrictions, all of which are particularly essential to ensure the provision and flow of the urgently needed medical and related supplies. At the same time, efforts should be made to maintain the normal functioning of the global supply chains and to preserve the open and rules-based multilateral trade system. Multilateral organizations, national governments, and the private sectors need to strengthen coordination and cooperation to help low-income countries in fighting the pandemic.

II. Economic and Financial Developments in China

China has adopted a two-pronged approach aimed at strictly containing the epidemic on the one hand and promoting economic and social development on the other. Through strenuous efforts by the people across the country, we have made significant progress in fighting the epidemic. Work and production have gradually resumed, and the economic and social order is being rapidly restored. Since March, more than 90 percent of production has resumed in many provinces, and the manufacturing and non-manufacturing PMIs rebounded to 52.0 and 52.3 respectively, whereas the composite PMI recovered to 53.0. As the economy is mainly driven by domestic demand, the economic impact of the COVID-19 pandemic is generally under control. China's growth remains resilient and the benign fundamentals in the long term have not changed.

The Chinese government has introduced a series of macroeconomic measures to support the fight against the pandemic. As for monetary policy, in order to ensure reasonable and sufficient liquidity in the system, the People's Bank of China (PBC) has cut the reserve requirement ratio three times since the outbreak, releasing RMB 1.75 trillion in long-term liquidity. Meanwhile, the PBC lowered the interest rate on excess reserves for financial institutions to 0.35 percent from 0.72 percent. In guiding rates down to reduce financing costs, the reverse repo rate in the PBC's open market operations further dropped by 20 basis points on March 30. In total, it has declined by 30 basis points since the beginning of the year. The average rate of general loans stood at 5.48 percent in March, 0.62 percentage point lower than before the Loan Prime Rate (LPR) reform. In strengthening inclusive financial support for micro-, small- and medium- enterprises (SMEs), the PBC further increased its relending and rediscounting for small- and medium-sized banks by RMB 1 trillion, on top of the existing RMB 800 billion. In addition, temporary suspension of interest and principal repayments was also granted to those SMEs that meet certain criteria and have encountered temporary liquidity difficulties, so as to help them cope with the difficulties.

In terms of fiscal policy, the Chinese government has adopted a series of measures to help contain the epidemic and to secure people's livelihood since the epidemic outbreak. These measures include tax relief and fee reductions, subsidized loans, and accelerated disbursement of unemployment benefits. China will also increase its fiscal deficits in an appropriate manner, issue special government bonds, and scale up local government special bonds.

With relevant supportive policies in place, China's financial market has remained stable, and the banking system is generally resilient. At the end of March, broad money M2 registered RMB 208.09 trillion, a year-on-year increase of 10.1 percent. The stock of total social financing stood at RMB 262.24 trillion, up 11.5 percent year on year. Outstanding RMB and foreign currency-denominated loans rose to RMB 165.97 trillion, growing by

12.3 percent from the same period last year. The RMB exchange rate remains broadly stable. The RMB exchange rate against the US dollar fluctuates in both directions at around 7 and has become increasing resilient to external shocks. Despite the pressure from the epidemic on bank loans, the overall loss absorbing capacity of China's banking sector continues to be strong. By end-February, the non-performing loan ratio reached 2.08 percent, merely up 0.06 percentage point since the beginning of the year. Loan loss reserves now exceed RMB 6 trillion and the provision coverage ratio stands at 181 percent.

Looking to the future, the sound monetary policy will be made more flexible and balanced. As we enter a new phase in containing the epidemic and promoting economic development, we will readjust the pace and focus of our policy as needed, and give more weight to supporting the economic recovery. The PBC will use a variety of monetary policy tools to maintain reasonable and sufficient liquidity, and keep overall prices generally stable. The active fiscal policy will be more proactive and effective, as its quality and efficiency will be substantially improved, thus better supporting domestic demand. China will unswervingly continue its reform and opening up, further relax market access, improve the business environment, actively expand imports, and increase overseas investment. We will also promote international coordination to address the challenges from the coronavirus and to safeguard global economic and financial stability.

The Hong Kong and Macao SARs have recently experienced downward pressure on their economies, but their fundamentals remain solid for the medium and long term. In 2019, the Hong Kong SAR economy contracted by 1.2 percent year on year, the first annual decline since 2009. Multiple factors have exerted visible impact on domestic demand such as retail and tourism, exports of goods and services, and investment confidence. The COVID-19 outbreak has further added to the downward pressure on the economy, pushing unemployment rate to a nine-year high of 3.7 percent in February. The Hong Kong SAR government has rolled out a series of relief measures to support the economy and employment, which currently stand at 5 percent of the GDP and can be further increased if needed. The near-term outlook is challenging and the economic outturn for 2020 hinges on the severity and duration of the epidemic and other factors. That said, the fundamentals of the Hong Kong SAR economy remain stable in the medium and long term.

The Macao SAR economy contracted by 4.7 percent year-on-year in 2019, mainly due to the drag from service exports and investment. However, the economy remains resilient, as the unemployment rate is now below 2.0 percent, inflation falls back to 2.8 percent, and the government continues to run a fiscal surplus. With growth outlooks in different parts of the world revised downward to varying degrees due to the pandemic, it is expected that the Macao SAR will experience similar downward adjustments in 2020.

III. The Role of the IMF

The IMF should continue to push ahead with quota and governance reforms, which are a prerequisite for the IMF to effectively fulfill its mandate. China supports a strong, quota-based, and adequately resourced IMF to preserve its central role in the global financial safety net. Quotas are not only the basis of the Fund's lending capacity, but are critically relevant to its representativeness, governance structure, and legitimacy. Quotas, rather than temporary funding arrangements, should be the IMF's main source of financing. The current crisis shows again the urgent need to enhance the IMF's resources by increasing quotas. We look forward a timely positive result of the Sixteenth General Review of Quotas that can reflect members' relative position in the global economy and to strengthen the voice and representation of dynamic emerging markets and developing countries.

We appreciate the IMF's timely and productive efforts in helping its members' respond to the COVID-19 pandemic. We support the IMF for increasing the access limits of the Rapid Financing Instrument (RFI) and the Rapid Credit Facility (RCF), as well as introducing the Short-term Liquidity Line (SLL), with the aim of providing emergency funding to EMDEs hit by the pandemic. We also support a timely allocation of Special Drawing Rights (SDRs), which has been proved as an agile and effective measure in previous crises response.

In responding to the IMF's call, China has rapidly contributed to the Catastrophe Containment and Relief Trust (CCRT) to support the least developed countries in addressing the COVID-19 challenge. China also supports international initiatives that are widely participated by all relevant parties and aim at helping low-income countries address their financing difficulties. In providing support to low-income countries, a clear distinction should be made between short-term measures in response to the pandemic on the one hand, and medium- and long-term debt sustainability concerns on the other, so that these countries can be allowed to temporarily suspend their interest and principal repayments. All creditors, including multilateral, bilateral, and commercial, should participate to ensure its fairness.

As a multilateral institution, the IMF should continue to enhance the effectiveness of its bilateral and multilateral surveillance. We support the Fund in conducting its analysis of the Integrated Policy Framework (IPF), which will enable us to jointly consider monetary policy, exchange rate policy, macro-prudential management, and capital flow management at the same time. With the IPF in place, countries will be able to focus on coordinating various policies in order to strike an optimal balance. They can therefore adopt a holistic and consistent approach, taking into account country-specific circumstances.

The IMF should continue to play a central role in the global financial safety net, which is essential for the world to work together to fight the pandemic and promote economic growth. China is willing to strengthen cooperation with all parties, safeguard and improve international rules, and promote trade and investment liberalization and facilitation. All member countries should oppose trade protectionism, enhance global cooperation, and make globalization more open, inclusive, and balanced so that it can benefit all. We will work with relevant parties to achieve a strong and lasting recovery and promote a sustainable development of the global economy.