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

COVID-19 has had a huge impact on the global economy. The global economy has emerged from a deep recession since the second half of 2020, thanks to the support provided by the accommodative monetary and fiscal policies in many countries, as well as the progress achieved in the development and distribution of vaccines. However, the recovery remains relatively slow and uneven. COVID-19 continues to rage across many countries and remains the major uncertainty facing the global economy in 2021.

A fair distribution of vaccines and medical supplies is key to containing COVID-19 globally and achieving sustainable recovery. Many developing countries, however, are facing difficulties in accessing vaccines, which could hinder their recovery. China is a staunch advocate for a fair distribution of vaccines and has actively participated in international cooperation on the development, production, and distribution of vaccines. China will provide 10 million doses of vaccines to the WHO's global COVAX initiative. China has provided and will offer vaccine assistance to 80 countries, and we are exporting vaccines to over 40 countries. The international community should work together to resist "vaccine nationalism," strengthen cooperation and policy coordination to fight against COVID-19, and improve the accessibility and affordability of vaccines in developing countries in a meaningful way.

In recent years, globalization has suffered from setbacks as protectionism and unilateralism are on the rise. The outbreak of COVID-19 and the ensuing recession have made the inward-looking tendencies more entrenched in some countries, damaging the industrial and supply chains around the globe. We call on all countries to work together to build consensus, eliminate trade barriers, and safeguard multilateralism. In particular, efforts should be made to maintain the normal functioning of the global supply chains and to preserve the open and rule-based multilateral trading system.

II. Economic and Financial Developments in China

China has been promoting containment measures as well as economic and social development in a well-coordinated manner, and its economy has steadily recovered. Real GDP grew by 6.5 percent year on year in the fourth quarter of 2020 and by 2.3 percent for the whole year. Since the beginning of 2021, small pockets of new outbreaks have taken place in certain areas. That said, with strong containment measures and effective macroeconomic policies in place, and partly due to the low base in the same period last year, the main economic indicators have rebounded sharply. For the first two months of this year, the total value-added of industrial enterprises above designated size increased by 35.1 percent year on year, total retail sales of consumer goods increased by 33.8 percent year on year, and fixed-asset investment grew by 35 percent year on year. Growth momentum is strengthening, imports and exports are increasing rapidly, and consumer prices and employment remain generally stable. At the same time, the vitality of market players at the micro level has continued to improve, with the manufacturing PMI and non-manufacturing business activity index staying above 50 for thirteen consecutive months.

In terms of fiscal policy, the fiscal deficit rose to more than 3.6 percent of GDP in 2020, an increase of RMB 1 trillion over 2019. Large-scale tax cuts and fee reduction amounting to RMB 2.6 trillion were introduced in 2020, relieving the burden of enterprises and helping enterprises to survive and grow in a difficult time. A mechanism was established to channel RMB 2 trillion of new central fiscal funds to end users, while provincial governments stepped up their efforts to deploy the funds. Working together, they provided abundant fiscal resources to policies that benefit firms and households at the city and county levels in a timely manner.

In terms of monetary policy, the People's Bank of China (PBC) has introduced supportive monetary policy measures in 2020. It has also guided interest rates downward in a forward-looking manner and has led the financial system to provide additional RMB 1.5 trillion to the real economy. During the year, outstanding RMB loans grew by RMB 19.6 trillion, a year-on-year increase of 12.8 percent. Two innovative tools enabling direct support for the real economy were launched, whereas outstanding "inclusive loans" to micro and small businesses (MSBs) increased by 30.3 percent year on year. Meanwhile, based on market supply and demand, the RMB exchange rate moved in both directions with enhanced flexibility. It has remained generally stable in line with its adaptive equilibrium level. The financial market is operating smoothly, with the elevated systemic financial risks well curbed and under control. By the end of 2020, the capital adequacy ratio of the banking sector stood at 14.7 percent and the non-performing loan (NPL) ratio registered 1.84 percent, both showing an improvement from early 2020.

In recent years, China has actively implemented the idea of green development and keenly promoted green finance. It has achieved positive results. By end-2020, outstanding green loans denominated in RMB and foreign currencies in China amounted to around RMB 12 trillion, ranking first in the world. Outstanding green bonds registered around RMB 800 billion, ranking second in the world. They are playing an important role in supporting the transition to a green and low-carbon economy. China also promotes international green finance cooperation through platforms such as the G20 Sustainable Finance Study Group. At the same time, China is steadily deepening the reform and opening-up of the financial sector while advancing the liberalization and facilitation of trade and investment. China has also promoted the signing of the Regional Comprehensive Economic Partnership (RCEP) and completed the negotiations on the China-EU Comprehensive Agreement on Investment (CAI).

Looking ahead, with COVID-19 still spreading across the globe, many external disruptions and uncertainties remain. Nevertheless, given that China's economy is mainly driven by domestic demand, the fundamentals underlying its endogenous growth drivers and its long run prospect of steady economic growth remain unchanged. China's recovery is expected to continue in 2021, with GDP growth projected to be over 6 percent. More than 11 million new jobs will be created in urban areas, contributing to steady growth in household income.

In 2021, China will continue to use its macro policies to provide relief to market participants. It will maintain necessary support and refrain from abruptly unwinding existing measures. It will also duly adjust and improve its policies based on evolving conditions. **The sound monetary policy will be implemented in a flexible, targeted, reasonable, and appropriate manner.** Greater importance will be attached to serving the real economy, and the financing difficulties of MSBs will be further addressed. A proper balance will be achieved between supporting the recovery and containing risks. The PBC will improve the mechanism of money supply management, properly control the valve of aggregate money supply, and keep liquidity adequate at a reasonable level. It will ensure that the growth rates of money supply and aggregate financing to the real economy (AFRE) remain basically in line with nominal economic growth and keep the macro leverage ratio generally stable. The PBC will also flexibly manage the intensity, pace, and focus of policy adjustment according to evolving circumstances. Structural monetary policy tools will play their roles in targeted liquidity provision, with more financial support to be extended to scientific and technological innovation, MSBs, and green development. The PBC will enhance the market-oriented interest rate formation and transmission mechanism, consolidate the achievements made in lowering real lending rates, so as to stabilize and reduce the overall financing costs for enterprises. The PBC will keep the RMB exchange rate generally stable in line with its adaptive equilibrium level.

The active fiscal policies will focus on quality, effectiveness, and sustainability. As COVID-19 has been effectively brought under control and the economy is gradually recovering, the fiscal deficit is projected to be reduced to around 3.2 percent of GDP and no special treasury bonds for fighting COVID-19 will be issued this year. China will continue to develop a standardized system for green finance, enhance the reporting and disclosure of relevant information, and incorporate climate change factors into the policy framework. It will also encourage financial institutions to actively address the challenges brought about from climate change and to play their full part in international cooperation on green finance.

Regarding economic developments in the Hong Kong and Macao SARs, the Hong Kong and Macao SARs recently continue to experience downward pressures on their economies, but a gradual recovery can be expected. In the Hong Kong SAR, COVID-19 has led to a contraction of GDP by 6.1 percent in 2020 given a decline in service exports, private consumption, and investment. With the boost from various measures by the Hong Kong SAR government, the economy is projected to grow by 3.5 to 5.5 percent in 2021. Meanwhile, the Macao SAR economy shrank by 56.3 percent in 2020 because of COVID-19. Service exports were weak, the unemployment rate slightly rose to 2.7 percent, and inflation eased to 1.2 percent. As the vaccines continue to roll out, containment measures can be gradually lifted. The Macao SAR's external demand can be expected to recover over time and the economy is projected to rebound with double-digit growth in 2021.

III. The Role of the IMF

The International Monetary Fund (IMF) should continue to push ahead with quota and governance reforms, which are prerequisites for the IMF to fulfill its responsibilities. China supports a strong, quota-based, and adequately resourced IMF to preserve its central role in the global financial safety net. The quota underpins not only the IMF's lending capacity, but also its representation, governance, and legitimacy. Quotas, rather than temporary funding arrangements, should be the IMF's main source of financing. In order to make this happen, all parties should take a long-term view and stick to their commitments. The Chinese authorities look forward to the timely completion of the Sixteenth General Review of Quotas, and are confident that this can produce a positive result. Quota shares should be adjusted in a meaningful way to reflect members' relative weight in the global economy and to strengthen the voice and representation of dynamic emerging markets and developing economies.

China supports the IMF's general allocation of Special Drawing Rights (SDRs) and welcomes the recent consensus reached on the SDR allocation. We hope that the Fund will come up with detailed proposals and implement them as soon as possible. At the same time, we call on the IMF to study possible options for lending the existing and new SDRs to low-income countries in order to support their recovery. In implementing the 2020 G20 Debt Service Suspension Initiative (DSSI), China has provided the largest amount of debt service suspension among G20 countries to low-income countries. Through tangible actions, China has made its contribution by supporting low-income countries as they fight against COVID-19 and address their debt vulnerabilities. Moreover, China endorsed the G20 Common Framework for Debt Treatment along with other G20 countries and is willing to work with multilateral and bilateral creditors to find a case-by-case approach to provide an effective and orderly debt treatment to distressed countries. The IMF should promote debt restructuring on the principle of comparability of treatment, particularly by commercial creditors, and support low-income countries as they respond to COVID-19.

As an important multilateral institution, the IMF should continue to enhance the effectiveness of its bilateral and multilateral surveillance. We support the IMF to continue its work in the Comprehensive Surveillance Review (CSR). We encourage the Fund to provide tailored advice to its members based on their phase of development and recovery. We also welcome the IMF to continue to focus on new trends such as digital technologies and climate change.

We support the IMF as it reviews the Institutional Views on capital flows and helps member countries to properly address the risks posed from the disorderly fluctuation of capital flows, including the spillovers to emerging markets and developing economies as a result of divergent recovery across countries.

We appreciate the timely and effective work of the IMF to help member countries respond to the crisis. As our fight against COVID-19 enters a new phase, the IMF should continue to help countries, especially where the virus is still rampant, to cope with their public health challenges. For countries where the outbreak has been gradually brought under control, the IMF should use its financial support to help them stabilize their economies and ultimately restore a sustainable recovery. The existing lending instruments of the IMF are generally adequate and flexible, and should be fully utilized. We also support the IMF to reform the lending tools related to the Poverty Reduction and Growth Trust (PRGT) to better support emerging markets and developing economies in need, particularly the low-income countries, in an appropriate and flexible manner.

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 COVID-19 and promote economic recovery. China is committed to supporting and practicing multilateralism, and follows an opening-up strategy characterized by mutually beneficial and win-win approaches. China firmly believes in dialogue and cooperation, and in the interests of promoting shared development and prosperity. The Chinese authorities will continue to work with all parties on macroeconomic policy coordination, and will jointly promote strong, sustainable, balanced, and inclusive growth worldwide.