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I. Global Economic and Financial Developments

The global economy continues to recover overall but with substantial divergences across countries, and there remains limited recovery in the labor market. The resurgence of COVID-19 cases in some countries continues to be a key factor hindering the global recovery and has brought new uncertainties to the global economic outlook. With rising inflation expectations around the globe and elevated inflations in many countries, major developed economies may accelerate the changes in monetary policy stance, posing risks to global financial stability.

A fair distribution of vaccines and medical supplies is key to containing the COVID-19 crisis globally and achieving sustainable recovery. Currently, the vaccination progress across countries is highly uneven, with many developing countries facing vaccine supply shortages. This could exacerbate the "dual divergence" in both combating COVID-19 and achieving recovery. China has actively promoted a fair distribution of vaccines and advocated for global cooperation in fighting COVID-19. As of early-October 2021, China has provided over 1.4 billion doses of finished and bulk vaccines to over 100 countries and international organizations, and we will strive to provide a total of two billion doses by the end of the year. China calls upon the international community to resist "vaccine nationalism," to strengthen cooperation and policy coordination to fight against COVID-19, and to 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 ensuing economic recession have further strengthened the inward-looking tendency of some countries, damaging the industrial and supply chains around the globe. We call on all countries to work together to foster consensus and safeguard multilateralism. We also urge countries to join forces in promoting international development cooperation, improving global environmental governance, addressing climate change, and accelerating global green and low-carbon transition, in order to achieve a green recovery and growth.

II. Economic and Financial Developments in China

China's economy continues to recover steadily, with consumer prices and employment remaining broadly stable. In the first half of 2021, real GDP increased by 12.7 percent year on year. Major macroeconomic indicators have been growing rapidly and the economy continues to show resilience, notwithstanding the impact posed by small pockets of new COVID-19 outbreaks and floods in certain areas in China. In the first half of the year, domestic demand has contributed to over 80 percent of economic growth. The expansion of domestic demand has led to increased imports, while rising external demand has supported export growth. As a result, imports and exports have both maintained strong momentum. Meanwhile, the drivers of internal economic growth have strengthened. Private investment has seen a fast increase, and the production and investment of high-tech manufacturing industries have grown rapidly. Private investment in the first eight months of 2021 showed an average annual growth rate of 3.9 percent as compared with the same period two years ago. The value-added of and the investment in high-tech manufacturing industry increased 13.1 percent and 17 percent respectively during the same period. The vitality of market players at the micro level has steadily improved, with the manufacturing PMI staying above 50 for 18 consecutive months by end-August.

On monetary policy, China has maintained the continuity, stability, and sustainability of its sound monetary policy, which has lent strong support to a stable economic recovery. Credit and aggregate financing to the real economy (AFRE) have grown moderately, providing appropriate support to the real economy. By end-August, China's broad money (M2) stood at RMB 231.2 trillion, a year-on-year increase of 8.2 percent. Outstanding RMB loans rose to RMB 187.8 trillion, a year-on-year increase of 12.1 percent. The People's Bank of China (PBC) has used a mix of monetary policy tools, such as Open Market Operations, the Medium-term Lending Facility, and Reserve Requirement Ratio to maintain a reasonable and adequate level of liquidity. In July, the PBC lowered the Reserve Requirement Ratio, releasing around RMB 1 trillion of long-term funds. The overall financing cost declined steadily, while progress was made in encouraging the financial sector to cut service cost in favor of non-financial businesses. Financial services for micro and small businesses continued to improve.

On fiscal policy, our fiscal authorities at all levels have established a mechanism to channel fiscal funds directly to local governments, which effectively safeguards the expenditures in key areas. Meanwhile, China has further optimized and implemented its policies related to tax cuts and fee reductions, improved the effectiveness of policy implementation, and helped market players recover their vitality. These all reflects China's commitment to "enhance the quality, efficiency, and sustainability of proactive fiscal policies."

In recent years, China has actively practiced the idea of green development and keenly promoted green finance. It has achieved positive results. At the end of the second quarter of 2021, China has the world's largest outstanding local- and foreign-currency denominated green loans, which amounted to around RMB 14 trillion, an increase of 26.5 percent year on year. In the first eight months of this year, green bond issuance in China exceeded RMB 350 billion, a year-on-year increase of 152 percent; this has already surpassed the total amount last year. At the same time, China has been steadily deepening the reform and opening-up of the financial sector, while advancing the liberalization and facilitation of trade and investment.

Looking ahead, despite uncertainties around the global economic recovery and COVID-19 development, China's long-run prospect of steady economic growth remains unchanged. China's recovery is expected to continue in 2021, with GDP growth forecasted 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 the next stage, China will conduct cross-cyclical adjustment of macro policies, and maintain the continuity, stability, and sustainability of macro policies. **The sound monetary policy will be implemented in a flexible, targeted, reasonable, and appropriate manner.** The PBC will use various monetary policy tools to keep liquidity at a reasonable and adequate level and to guide credits to grow at an appropriate pace. We will keep the growth of money supply and AFRE broadly in line with nominal economic growth, and keep the macro leverage ratio broadly stable. The PBC will continue to deepen the market-based interest rate reform and facilitate a steady decline of real lending rates. The PBC will also deepen the reform of the RMB exchange rate formation mechanism and keep the exchange rate broadly stable and in line with its adaptive equilibrium level. Financial institutions will be guided to enhance support for key areas and weak links in the economy, such as micro and small businesses, agriculture, manufacturing, and green development. Our financial work will be based and focused on boosting shared prosperity. **The proactive fiscal policy will be improved in terms of quality, efficiency, and sustainability.** China will continue to secure the bottom line of the "Three Guarantees" at the grassroots level – namely guaranteeing people's basic livelihood, wages, and the operation of the government – and ensure an appropriate pace of budgetary investment and issuance of local government bonds. **Further efforts will be made in improving the green financial system.** China will introduce supportive tools to reduce emission, provide financial incentives to qualified financial institutions, and guide financial institutions to extend loans to key sectors with strong reductions in emission. We will take concrete measures to promote the disclosure of carbon emission information and carry out green finance assessments. China will strengthen climate risk management and conduct climate risk stress tests in an orderly manner. We will continue to promote international cooperation in green finance.

Economic developments in the Hong Kong and Macao SARs. The economy of the Hong Kong SAR grew by 7.8 percent year on year in the first half of 2021, benefiting from the improved global economic environment and the success in containing local COVID-19 outbreaks. Driven by improvements in the labor market and business environment, growth of private consumption and overall investment has accelerated. In this context, GDP is projected to grow by 5.5 to 6.5 percent in 2021, an upward revision from the previous forecast. The economy of the Macao SAR grew by 25.7 percent year on year in the first half of the year, thanks to the recovery in service exports as supported by the resumption of travel flows between Macao SAR and the Mainland. Considering the progress in containing COVID-19 in the Macao SAR and the Mainland as well as the rising vaccination rates, it is expected that Macao SAR's external demand will gradually recover. The economy is projected to achieve double-digit growth in 2021.

III. About the work of the IMF

The IMF should continue to push ahead with quota and governance reforms, which are prerequisites for the IMF to fulfill its mandates. China supports a strong, quota-based, and adequately resourced IMF and would like to preserve its central role in the global financial safety net. The quota not only underpins IMF's lending capacity, but also its representation, governance, and legitimacy. Quotas, rather than borrowing arrangements, should be the IMF's main source of financing. All parties should take a long-term view, fulfill their commitments, and push forward the quota increase and quota share realignment. The Chinese authorities look forward to the timely completion of the Sixteenth General Review of Quotas with positive results, so as to reflect members' relative weights in the global economy and to strengthen the voice and representation of dynamic emerging markets and developing countries.

China welcomes the IMF's general allocation of Special Drawing Rights (SDRs), which is of great significance for the global recovery, especially for the low-income countries. China will continue to support the smooth operation of the Voluntary SDR Trading Arrangement (VTA) market. We support the IMF in establishing the Resilience and Sustainability Trust (RST), which will enable members with surplus SDRs to lend to other members in need, including low-income countries, on a voluntary basis. In implementing the G20 Debt Service Suspension Initiative (DSSI), China has provided the largest amount of debt service suspension among G20 countries to low-income countries. Through these tangible actions, China has actively contributed to supporting low-income countries as they fight COVID-19 and address their debt vulnerabilities. Moreover, China has actively participated in the G20 Common Framework and promoted a case-by-case approach under the framework. The IMF should implement debt treatment on the principle of comparability, particularly by private/commercial creditors.

As an important multilateral institution, the IMF should continue to enhance the effectiveness of its bilateral and multilateral surveillance. We support the IMF to implement the outcomes of the Comprehensive Surveillance Review (CSR) and to provide targeted policy recommendations to its members based on their different phases of economic recovery and development. We welcome the IMF to continue to focus on new trends such as digitalization and climate change, as well as its efforts in promoting inclusive global growth. We support the IMF to conduct a review of the Institutional Views on Capital Flows in order to help member countries properly address the risks posed from disorderly capital flows.

We appreciate the timely and effective work of the IMF to help member countries respond to the COVID-19 crisis. For countries which are still fighting the rampaging virus, the IMF should continue its support in financial assistance and capacity development. We support the IMF's efforts to make full use of the existing lending instruments to provide support to emerging markets and developing countries in need in an appropriate and flexible manner. The Chinese authorities are willing to continue to work with all parties on macroeconomic policy coordination and international vaccine cooperation, and jointly promote an open, inclusive, balanced, and mutually beneficial global economy.