



IMI Newsletter

International Monetary Institute
Renmin University of China

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Highlight

Launch of IMF World Economic Outlook 2022

On the morning of May 11, 2022, the Launch of IMF's World Economic Outlook was held online. The conference was co-organized by the IMF Resident Representative Office in China and the IMI, Renmin University of China (RUC).

Steven Barnett, Senior Resident Representative of IMF in China; Li Xin, Deputy Resident Representative of IMF in China; Davide Malacrino, Economist at Research Department of IMF; Ting Lan, Economist at European Department of IMF; and Wu Xiaoqiu, former Vice-President of RUC and Dean of Academy of China Capital Market, were invited as keynote speakers. Wei Benhua, former Deputy Administrator of State Administration of Foreign Exchange and former IMF Executive Director for China; Chen Weidong, Dean of Research Institute of Bank of China; Zhao Xijun, Co-Dean of Academy of China Capital Market, RUC; and Qu Qiang, Professor of School of Finance, RUC, were engaged in the discussion. Ben Shenglin, IMI Co-director, Dean of Zhejiang University International Business School, and Dean of Academy of Internet Finance, concluded the discussion with a few remarks. The conference was chaired by Zhang Zhixiang, former Director-General of International Department, People's Bank of China, and former IMF Executive Director for China.

Prof. Zhuang Yumin, Dean of School of Finance, RUC, delivered opening remarks and extended her warm welcome and gratitude to all the attendees. She pointed out that global economic growth is expected to slow down according to the World Economic Outlook and that the growth slowdown in the Asia-Pacific region might be sharper than previously projected. Therefore, multilateral cooperation among countries across the world is required and should be strengthened. Joint efforts should be made to address international crises, avoid economic fragmentation, maintain global liquidity, manage the debt crisis, tackle climate change and end the COVID-19 pandemic as soon as possible. Dean Zhuang concluded her speech by remarking that she looked forward to strengthening the cooperation between the IMI and the IMF and wished the launch meeting a great success.

Mr. Steven Barnett was the first to deliver a keynote speech. He emphasized that IMF lowered the global economic growth forecast in 2022 due to compound challenges. The global economic growth rate in 2020 was -3.1%, the worst since the

Great Depression. The growth rate was 6.1% last year but was deceptive to some extent. The scarring effects after the pandemic will linger for a long time and may cause a long-term setback for the global economy. Countries across the world are facing scarring effects from the pandemic to various degrees. The world average scarring effects rate was -3.7% in 2021, in other words, the global GDP growth rate in 2021 should have been 3.7% higher if not hit by the pandemic.

IMF lowered its estimated global economic growth rate by 0.8 percentage points in 2022 in the latest World Economic Outlook mainly because of negative spillovers of the Russia-Ukraine war into European countries and Russia. As Russia and Ukraine account for a large share of global commodity exports, the conflict between the two led to upward pressure on global commodities. In terms of the labor market, the increasingly tightening labor market and accelerating wage costs in advanced economies resulted in rising inflation pressure. Compared with advanced economies, the tightening of the workforce in emerging markets was less obvious. The monetary policies of countries across the world require adjustment. In fact, many countries already tightened their fiscal and monetary policies. Therefore, it is most likely that the interest rate will rise. Countries with huge amounts of foreign debts will face growing pressure to repay debts and interest. The chart showed that 25% of some low-income countries' fiscal revenues will go to repaying the interest of their foreign debts.

Regarding multilateral cooperation, Steven Barnett mentioned that he never saw such a large-scale and fast bailout during decades of work at the IMF. In total, 92 countries, including 52 low-income countries received financial aid of over 216 billion US dollars and 25 countries received debt relief. In addition, IMF Executive Board approved the establishment of the Resilience and Sustainability Trust and the implementation of new toolkits for long-term financial support.

Mr. Wei Benhua agreed with Steven Barnett on his analysis. He remained optimistic about China's growth despite challenges faced by the global economy. The pandemic, the conflict between Russia and Ukraine, and other factors gave rise to downside risks and growing inflationary pressure on the global economy. The source of the inflation came from the quantitative easing policy and the expansionary fiscal policy pursued by the United States for many years. It is necessary to focus on spillover effects of the Fed's policies of increasing interest rates and shrinking balance sheets on other countries and regions. Such policies may particularly lead to capital outflow, currency appreciation pressure, and financial market disorder in developing countries.

Regarding China's economy, he was optimistic about the GDP growth target of 5.5%. In terms of pandemic responses, the Chinese population was too large to bear the cost of herd immunity. Therefore, China adopted the zero-COVID policy, which may hurt the economy but can save people's lives. China's growth pattern is being transformed into a model that prioritizes quality. When the zero-COVID policy is implemented on large scale, the economic cost is lower than before because many people can afford to work at home. Advanced communication



technologies have laid the foundation for the policy. Moreover, China has adequate room for fiscal and monetary policies and can capitalize on policy instruments to boost the real economy.

Mr. Li Xin delivered a keynote speech regarding the Asia-Pacific region's economic outlook. He pointed out that IMF slashed GDP growth baseline forecast in the Asia-Pacific region by 0.5 percentage points due to the impact and raises inflation expectations at the same time. Concerning baseline projection, the risks and challenges faced by the Asian-Pacific economy include the increasing commodity prices and social chaos due to the aggregating Russia-Ukraine war, more variants of the Covid-19 virus, climate change and natural disasters, tightening global financial conditions, and China's economic growth slowdown. Asia-Pacific region countries, like others in the world, have to face a short-term trade-off between economic recovery and inflation and debt management. The goals of fiscal support are supposed to protect vulnerable groups from the impact of soaring food and fuel prices, strengthen the middle-term fiscal policy framework and ensure debt sustainability. Monetary policies should be tightened timely according to the domestic inflation and global financial conditions and prudent macro policies should be taken to reduce the risks to financial stability. In order to effectively address the middle and long-term scars caused by the pandemic, the priority is to promote economic reform and boost long-term economic growth. In addition to negative spillover effects of the Russia-Ukraine war, China's economy is facing downward pressure including the recent Covid-19 resurgence, pandemic responses, and the pressure on housing market. As a result, China lowered the GDP growth projection of 4.8% in January forecast to 4.4%. Meanwhile, China has issued a series of monetary and fiscal policies to maintain stable growth and still has enough policy room. In terms of fiscal support, it's necessary to focus on strong policies but also appropriate measures. The shift of policy priority from traditional infrastructure to direct support for household hard-hit by the pandemic boosts short-term recovery of private consumption and promotes middle and long-term re-balance and green transformation of China's economy.

Mr. Chen Weidong commented on Li Xin's remarks. According to him, the pandemic and the Russia-Ukraine conflict hit the world economy and particularly developing countries. The pandemic has become a significant factor reshaping the world economy and the economy of the Asia-Pacific region. Strict and science-based responses are vital to pandemic containment and can create a safe environment for economic development and a predictable trend of development. The pandemic resulted in declining employment, accelerating hospital burden, soaring medical expenditures, among others. In the short term, it will affect the labor participation rate and inflation rate, and in the long run, it will reshape the population structure and economic prospects. Therefore, the analysis of the global economy should be based on the average economic growth rate of countries during the pandemic and avoid excessive optimism.

The Russia-Ukraine conflict leads to the shortages of oil, gas, some industrial products and food. Furthermore, the spread effects of the conflicts are noticeable, in particular the shocks to the financial market and governance system as a consequence of the western countries' sanctions.

While countries in the world are all challenged by the pandemic and inflation, developing countries are in a more desperate plight. Developing countries faced more restraints when easing policies, hence the impact of policy responses on developed and developing economies was asymmetric. Thus, more attention should be paid to the spillover effects and delayed effects when evaluating economic policies.

Mr. Davide Malacrino and Ms. Ting Lan made a keynote address on how global trade and value chains adjusted to and recovered from the pandemic. With the onset of the pandemic, trade collapsed in a dramatic fashion. However, although trade in services remains sluggish, trade in goods bounced back surprisingly quickly. As for global value chains, trade in goods that rely heavily on global value chains (GVC-intensive goods) was more volatile than that in other goods and the speed of recovery in different industries varied. The IMF came to four main conclusions. First, factors specific to the pandemic had an important role in determining trade patterns. Goods imports were larger, and services imports were smaller, in 2020 than would be predicted by a model of import demand. Second, lockdown policies to contain the pandemic had substantial international spillovers. Lockdowns in a country's trade partners on average accounted for up to 60 percent of the observed decline in imports in the first half of 2020. Third, GVCs were able to adjust to the asynchronous development of the pandemic, as reflected in changes in market shares among GVC regions during the pandemic. Overall, GVCs were more adaptive in Asia. Fourth, resilience to shocks may be gained by further diversification of inputs across countries and greater substitutability in input sourcing. Countries have substantial room to diversify away from domestic sources by sourcing more intermediates from abroad.

Regarding policy recommendations, vaccinating widely across countries and enhancing infrastructure can help minimize spillovers and maximize resilience to shocks. Moreover, governments should play a useful role by filling information gaps in supply chains, reducing trade costs, and lowering trade tensions.

This keynote speech was followed by Prof. Zhao Xijun's comments. He remarked that the pandemic and the Russia-Ukraine crisis underscore the necessity of GVCs' restructuring and global cooperation. The GVC restructuring and shifts have been going on since the 2008 Global Financial Crisis. Thanks to the crisis, developed countries realized that hollowing out and over-reliance on some sectors would cause economic imbalances. As a result, many countries proposed the return of manufacturing, which brought about the restructuring of global industrial chains and value chains. This process was catalyzed by the pandemic, especially for goods that rely heavily on global value chains and industrial chains such as semiconductor chips, automobiles, medical products, and PPEs.



The restructuring of GVCs has several new features. First, the way to trade has changed remarkably. The steady rise in the proportion of digital trade or eCommerce is instrumental in boosting resilience to the pandemic shock, and therefore digital trade should be leveraged more effectively. Second, regional trade cooperation has been deepening against the background of deglobalization and the pandemic. For instance, ASEAN countries and RCEP countries are strengthening cooperation and the trade landscape is undergoing new changes. Additionally, the new way to trade for environmental protection is becoming increasingly influential.

The restructuring of GVCs has also been shaped by the pandemic and the Russia-Ukraine conflict. The fundamental solution to disruptions from the pandemic to global value chains and industrial chains is strengthened global cooperation in pandemic responses and trade and investment, which helps remove unreasonable trade restrictions and lift trade sanctions, thereby creating a better trading environment.

Prof. Wu Xiaoqi then delivered a keynote speech titled “An Analysis of Long & Short-Term Factors That Impact China’s Economy at the Crossroad of History”. He pointed out that the spread of Omicron and the Russia-Ukraine crisis have created great uncertainty for China’s economy and even the global economy, and that we should analyze factors that influence China’s economy and the way forward at this crossroad.

Short-term factors include (1) how to balance pandemic containment and economic growth activities; (2) how micro, small and medium-sized enterprises can survive; and (3) how to cope with drastic commodity price fluctuations worldwide. Long-term factors consist of (1) how to further advance China’s market-oriented reform and improve China’s socialistic market economic system, which will have a profound bearing on expectations and confidence; (2) how to maintain policy continuity and stability and construct a stable expectation mechanism; and (3) how to handle potential, tremendous and long-term risks posed by profound changes in international relations to China’s economy.

The fundamentals of China’s economy remain strong. China’s economy is bound to maintain its strong competitiveness in the world as long as we proceed with market-oriented reform and further open up to the outside world, and handle multilateral and bilateral relationships properly.

Prof. Qu Qiang argued that the role of consumption in stimulating economic growth is sometimes overemphasized, although it is important to stabilize and promote consumption during an economic downturn. According to basic economic theories, consumption plays a vital role in driving economic circulation while economic growth is mainly boosted by investments. Otherwise, how can we explain the fact that consumption was neither included in the classic growth theory nor the endogenous growth theory? Investments require stable expectations. Nonetheless, there is a great deal of uncertainty caused by acts of God such as the development of the pandemic and acts of humans such as geopolitical conflicts and frequent policy changes. Some risks can only be accepted and adapted to, but risks induced by

human activities can be mitigated by laying down laws and institutions.

Investments play an important role in fostering economic growth, but the traditional model of public investment would aggravate the problem of overinvestment. It is more important to solicit private investment and identify reasons why private investment weakened in recent years. Investment made by the private sector is efficient, more market-driven and more diversified, and relies heavily on stable and predictable legal and policy environments.

Prof. Ben Shenglin concluded the discussion with three keywords.

The first keyword is divergence. The pandemic caused asymmetric and disproportionate shocks to countries and industries. Developed countries and developing countries, commodity exporters and commodity importers, and regions adjacent to Russia and Ukraine and the outer peripheral areas were all hit hard but differently. Consequently, asymmetric policy responses should be made based on each country's specific conditions at a specific stage.

The second keyword is deglobalization, which is more worrying. The risk of decoupling is huge due to geopolitical conflicts and the pandemic. Meanwhile, regional cooperation such as RECP is faring well, testifying to the impact of fragmentation on the world as mentioned in the World Economic Outlook.

The last keyword is disruption, in other words, disruption to the supply chain and the international order, which can be mainly attributed to the pandemic lockdowns and global sanctions on Russia. Comfortingly, digital economy and digital trade allow us to work online and exchange with each other via videoconferencing.

During the final Q&A session, Steven Barnett and Li Xin answered questions from the attendees. With respect to globalization, global cooperation is entailed to address issues of climate change, trade and healthcare and the pandemic further highlights its importance. The IMF has been watching closely the development of digital economy and digital currency which have great potential, and recognizes that digital currency should be properly regulated. Regarding the uncertainty, central banks need to carefully guard against the continuous rise in inflation and watch closely market and inflation expectations. As for China's economic growth, both monetary policy and fiscal policy provide room for short-term growth and promoting household consumption is a viable option of economic rebalancing. To avoid global fragmentation, the IMF spares no efforts to provide valuable public goods for the world, provide good platforms for member states to discuss international issues, and consequently enhance global cooperation.

The World Economic Outlook is the product of the IMF's systemic survey of macroeconomic conditions and prospects in member countries, as well as an analysis and forecast of global economic and financial developments. It is published twice a year. As a long-term partner of the IMF, the IMI and the IMF are dedicated to studying and exploring monetary and financial strategies. The IMI co-publishes the Outlook every year with the IMF.



Research

Roundtable on Money and Finance

Editor's Note:

Roundtable on Money and Finance is IMI's signature quarterly forum, held on the second Saturday afternoon of each March, June, September and the next January respectively (adjusted for national holidays and special occasions). The forum invites financial experts and leaders from home and abroad, having featured keynote speakers including Wei Jianguo, former vice minister of the Ministry of Commerce; Su Ning, former deputy-governor of PBoC; Chen Yulu and Pan Gongsheng, deputy-governor of PBoC; Edmond Alphandery, former French minister of finance; Patrick Honohan, former governor of Central Bank of Ireland. Currently, the forum has become a significant platform for academic exchanges in the macrofinance, and has cast great influence among financial researchers and practitioners.

Roundtable on Money and Finance (Spring 2022): Financial Empowerment for Rural Revitalization

On April 24, the Roundtable on Money and Finance (Spring 2022) and the closed-door seminar on “Financial Empowerment for Rural Revitalization” were successfully held online. The conference was co-organized by the IMI, Renmin University of China (RUC) and the International Business School of Zhejiang University (ZIBS), hosted by the Zhejiang Association of Fintech (ZAFT), and co-assisted by the Academy of Internet Finance of Zhejiang University (AIF) and Beijing Frontier Institute of Regulation and Supervision Technology (FIRST). At the conference, Wang Zhongmin, former Vice Chairman of the National Council for Social Security Fund of the PRC, and Hu Xuehao, inspector of the Finance Department of the Ministry of Finance and Director of the State-owned Capital Operation and Assessment Center, delivered keynote speeches. Zhuang Yumin, Dean of the School of Finance of RUC and Chairman of the IMI Council, attended the conference and made a welcome speech. The conference was chaired by Ben Shenglin, IMI Co-Director and President of ZIBS.

Zhuang Yumin gave an opening speech in which she expressed her welcome and gratitude to the guests attending the conference. She emphasized the importance of financial services in rural areas, believed that there are still many shortcomings in the provision of financial services in China's rural revitalization, and hoped that this conference would contribute to the construction of China's rural financial system. She also reviewed the development of the Roundtable on Money and Finance and offered an outlook on the future of the IMI.

Wang Zhongmin delivered a speech on "The Digital Posture of Financial Services for Rural Revitalization". He pointed out that in over a decade, financial services for small and medium-sized enterprises and rural areas have been paid increasing attention to and emphasized, resulting in many new understandings and ideas, but there has never been a fundamental breakthrough, and there is a lack of effective channels and tools. Rural revitalization is a major goal of our society, and financial services, financial support as well as financial participation are new perspectives. The fundamental logic of "financial empowerment for rural revitalization" is that digital financial institutions can serve rural areas with extremely low marginal costs, and bring benefits to the areas while accumulating data, expanding the penetration rate and scale of services, and gaining profits. This mode marks a sustainable development path.

Hu Xuehao delivered a speech on the topic of "Reshaping Rural Financial System and Supporting Rural Revitalization". He firstly shared his understanding of inclusive finance, that is, to make up for the shortcomings of financial services for disadvantaged groups, remote areas, and vulnerable industries, such as rural areas and agriculture. He then introduced the current situation of rural finance, showing that rural finance still has more room for development and needs better rural financial services. He proposed that the next step of rural financial development can be to reshape the rural financial system under the premise of rural revitalization, including to reshape the institutional system and to change the traditional financial services, and that the development of fintech is a reliable path for rural financial progress. Finally, he noted that the development of rural finance requires certain financial support and guidance.

Participating in the roundtable discussion were experts and academicians from China's financial regulatory bodies, research institutes, and the financial industry. The attendees included Yang Zaiping, the founding Secretary-General of Asian Financial Cooperation Association and former Vice Chairman of China Banking Association; Guo Jianwei, former Editor-in-Chief of China Financial Publishing House; Chen Weidong, President of Bank of China Research Institute; Yan Jiongzhi, Secretary of the CPC Committee and President of Hangzhou Branch, Huaxia Bank; Yang Tao, Deputy Director of National Institution for Finance and Development; Shen Yiwen, Founder, Chief Partner and President of Boyue International Group, Visiting Associate Professor of Business School of National University of Singapore and Chinese University of Hong Kong; E Zhihuan, Chief Economist of Bank of China Hong Kong; Ma Jujie, Executive Deputy Director of the Rural Economy and Finance Research Institute, RUC; Tu Yonghong, Director of the Yangtze River Economic Belt Research Institute, RUC and IMI Deputy Director; Fan Xiwen, Independent Director and Special Advisor of



China United Small and Medium Enterprises Guarantee Co. Ltd.; Jiang Hao, Vice President of E-Commerce Bank; Pei Yigen, Vice President of Shanghai Services Federation and Secretary General of Lujiazui Industrial Finance Forum; Wang Changyun, Professor of the School of Finance, RUC; and Song Ke, Deputy Secretary of the CPC Committee of the School of Finance, RUC and IMI Deputy Director.

Ben Shenglin made a concluding speech at the end. He pointed out that the theme of the conference is a global and strategic issue and requires much more effort. He affirmed and thanked the participants for their inspiring speeches and invited all experts and academicians to continue their support of the Roundtable on Money and Finance.

Roundtable on Money and Finance (Yibin Summit): Finance Promotes the Industrial Integration in Chengdu-Chongqing Economic Circle

On May 21, the Roundtable on Money and Finance (Yibin Summit) and the seminar on Finance Promotes the Industrial Integration in Chengdu-Chongqing Economic Circle was successfully held online. The conference was co-hosted by the School of Finance, Renmin University of China (RUC), and the Yangtze River Economic Zone Research Institute of RUC, and organized by the International Monetary Institute (IMI), Renmin University of China (RUC). At the conference, Yang Jirui, President and Professor of Chengdu-Chongqing Economic Circle Institute of Southwestern University of Finance and Economics and former President of Chongqing Technology and Business University, and Zhang Jie, Professor of Institute of China's Economic Reform & Development of Renmin University of China, delivered keynote speeches. Zhuang Yumin, Dean of the School of Finance of RUC and Chairman of the IMI Council, attended the conference and made a welcome speech. The meeting was moderated by Tu Yonghong, President of the Yangtze River Economic Zone Research Institute of RUC and Deputy Director of IMI.

Zhuang Yumin gave an opening speech in which she expressed her welcome and gratitude to the guests attending the conference. She pointed out that 2022 is key to building the Chengdu-Chongqing Economic Circle. Giving the full play of finance to support the real economy can improve service efficiency and performance. It is also conducive to promoting the integrated development, transformation, and upgrading of industries and achieving high-quality development of the Chengdu-Chongqing Economic Circle. She also emphasized that building Chengdu-Chongqing Economic Circle should give full play to the role of green finance, financial technology, and rural finance in promoting regional economic development. She hoped that this conference would contribute to the industrial integration of the Chengdu-Chongqing Economic Circle.

Yang Jirui delivered a speech on “Financial Support: the ‘Binder’ for the Industrial Integration of Chengdu-Chongqing Economic Circle”. He pointed out that financial support is the “binder” for the development of industrial integration in the Chengdu-Chongqing Economic Circle. The financial sector’s support for industrial integration in Chengdu-Chongqing Economic Circle is systematic. Given this, we must

explore and keep pace with the reconstruction of industrial chains and supply chains in the Chengdu-Chongqing Economic Circle, focus on major projects in this region, seek new positions in the collaborative innovation and integrated development, and build a new competition and cooperation mechanism based on the exchange of financial institution managers.

Zhang Jie delivered a speech on “Impact of U.S. Integrate Circuit Alliance on China”. He pointed out that the IC industry has become a fundamental industry that determines global national competitiveness, a key area that determines the fate of China’s economic development, and a core force that interrupts China’s modernization. China has problems and shortcomings in building the whole IC industry chain and the whole innovation chain system. Based on this, he proposed three reform measures, namely enhancing sci-tech self-reliance and self-strengthening, using the interest competition between the U.S. and other countries, and forming a global IC alliance system with Russia, India, and other emerging countries.

Participating in the roundtable discussion were experts and academicians from China’s financial regulatory bodies, research institutes, and the financial industry. The panelists included Guo Jianwei, former Editor-in-Chief of China Financial Publishing House and former President of Urumqi Central Branch of the People’s Bank of China; Chen Weidong, President of Bank of China Research Institute; Zeng Gang, Director at Shanghai Institution for Finance and Development and Vice Director at National Institution for Finance and Development; Fan Xiwen, Independent Director and Special Advisor at China United SME Guarantee Corporation; Huang Ming, Vice President of Huaxi Securities; Zhao Xijun, Co-Dean, Academy of China Capital Market, RUC; Huang Jun, Vice President and Professor of School of Applied Economics, RUC; Zhou Daoxu, Director of Center for Financial Security, School of Fintech, Tsinghua University; Gao Deyou, Head of the Department of Technological Cooperation and Transfer Sichuan of Sichuan University and Dean and Professor at Yibin Sichuan University Industrial Technology Research Institute; Tie Qiang, Standing Committee Member of CPC Jiang’an County Committee and Standing Vice Mayor of Jiang’an County, Yibin City; Ren Ruihong, Vice Party Secretary and General Manager of Jintai Insurance; Ai Xingqiao, Deputy General Manager of Yibin Emerging Industry Investment Group CO., LTD.; Guo Biao, Associate Professor at the School of Finance, RUC.

He Qing, Professor at the School of Finance, RUC, Executive Editor of Economic and Political Studies and Director of the Local Finance Research Department of the IMI, RUC, made a concluding speech at the end. He said that the economic development of the Chengdu-Chongqing Economic Circle should be in line with the national strategy and ensure high-quality industrial development, of which the key is to achieve industrial integration. He then analyzed in detail the eight roles of finance in this regard, and provided a systematic and comprehensive solution to promote financial support for the industrial integration in the Chengdu-Chongqing Economic Circle.



Macro-Finance Salon

Editor's Note:

Macro-Finance Salon is a high-level academic salon initiated by IMI and Department of Money and Banking of School of Finance at RUC. The salon aims at promoting the study and practice of Macro-Finance, as well as its disciplinary program, while carrying out in-depth research on Macro-Finance theory, policy and strategy. The concept of "Macro-Finance" stems from Professor Huang Da's fundamental idea of integrating macro and micro financial theory, which systematically regards finance and real economy as a whole. In the book of "General Theory of Macro-Finance", Chen Yulu, Deputy Governor of PBoC, demonstrates the fundamental connotation and methodology of Macro-Finance, laying theoretical and empirical foundation for Macro-Finance framework, which facilitates long-term economic growth and stronger national competitiveness.

Macro-Finance Salon (No. 174) and Release of Evaluation Report on China's Wealth Management Capability 2021

On February 17, the Macro-Finance Salon (No. 174) and Release of the Evaluation Report of China's Wealth Management Capability (2021) was held online. The session was hosted by School of Finance, Renmin University of China (RUC) and organized by the International Monetary Research Institute (IMI) of RUC and the Financial Research Center of China Securities Jinniu (Beijing) Investment Consulting Co., Ltd.

During the session, keynote speeches were delivered by Wang Zhongmin, Chairman of Shenzhen Institute of Financial Stability and Development and former Vice-chairman of National Council for Social Security Fund (NCSSF), and Wang Guogang, professor of School of Finance, RUC and member of Chinese Academy of Social Sciences (CASS).

The participants included (in the alphabetical order of surnames): Chen Daofu, Deputy Director of the Financial Research Institute of the Development Research Center of the State Council; Cao Deyun, Secretary General of the Insurance Asset Management Association of China (IAMAC); Cheng Jiajun, President of China Wealth (Asset) Management Registry and Custody Co., Ltd; Gu Weiping, former President of Xingyin Financial Management Co., Ltd.; Wang Jun, Chairman of Ant (Hangzhou) Fund Sales Co., Ltd.; Wu Yuemin, Assistant General Manager of GF Securities; Xu Dai, General

Manager of Mingya Fund Management Co., Ltd.; and Yang Zaiping, Founding Secretary General of Asian Financial Cooperation Association (AFCA) and former full-time Vice President of China Banking Association (CBA). IMI Deputy Director Song Ke introduced the main content of the Report:

In order to further grasp the development of the wealth management industry in China and provide practical guidance and decision-making reference for this industry, IMI has produced the Evaluation Report on China's Wealth Management Capability. The report introduces the development background of wealth management in China with a focus on the sector development in the era of great wealth management and the evaluation of the wealth management capability of different financial institutions.

Macro-Finance Salon (No. 175): The Impact of Russia-Ukraine Conflict on Financial Markets

On the afternoon of March 4th, the 18th session of the series entitled "Finance Propels the Opening of the Fourteenth Five-Year Plan" was held online by the International Monetary Research Institute (IMI) and the Department of Monetary Finance, School of Finance, Renmin University of China (RUC) with the theme of "The Impact of Russia-Ukraine Conflict on Financial Markets". Hong Hao, special researcher of IMI, Managing Director and chief strategy analyst of BOCOM International, shared his perspectives on this topic, and the experts of IMI and invited guests held a wide closed-door discussion. The salon was moderated by Qu Qiang, Assistant Director of IMI, RUC.

Macro-Finance Salon No. 176: The Outlook for China's Economy and Capital Markets in 2022

On March 19, 2022, the Macro-Finance Salon (No. 176) co-hosted by the International Monetary Institute (IMI) of Renmin University of China (RUC) and the EMBA Center of the School of Finance, RUC, was held online and live streamed. The theme of this salon was "The Outlook for China's Economy and Capital Markets in 2022".

Guan Qingyou, Dean and Chief Economist of Reality Institute of Advanced Finance, delivered a keynote speech. This speech was commented on by Liu Yi, Founder and Investment Director of Yan Hang Investment; Xiao Geng, Dean of Institute of Policy and Practice, Shenzhen Finance Institute, Chinese University of Hongkong and Chairman of Hong Kong Institution for International Finance; Zhao Xijun, Co-Dean of Academy of China Capital Market, RUC; Zhong Zhengsheng, Chief Economist at Ping An Securities; and Zhou Guangwen, President of Ginkgo Global and President of gintong.com. The salon was presided over by Hu Bo, Director of the EMBA Center.

Guan Qingyou made a keynote speech entitled "The Outlook for China's Economy and Capital Markets in 2022". According to him, China is under relatively



great pressure to achieve the 2022 GDP target of 5.5%. China needs to formulate more forward-looking macroeconomic policies and step up efforts to maintain steady growth. Faced with three black swans globally and three grey rhinos in China, China should pay more attention to domestic issues. The meeting held on March 16 by the financial stability and development committee under China's State Council is of great significance. This meeting not only boosts market confidence but also bolsters market stability by clearly responding to issues and policies of great interest to the market. Competent authorities should deal with phenomena in many sectors that are reflective of the fallacy of composition through policies. In addition to maintaining steady growth in 2022, two major suggestions were made by Guan Qingyou. First, control over the housing market should be relaxed with greater strength and at a faster speed while adhering to the principle that “houses are for living in, not for speculation”. Second, whether the restriction on car ownership should be lifted in eight cities including Beijing, Shanghai and Guangzhou should be thought over. In terms of policy options, we are still in a window period of expansionary monetary policy and loose credit. Inflation is the valve of monetary policy. As the producer price index (PPI) declines from its earlier peak and the consumer price index (CPI) remains at a low level, the monetary policy is being gradually eased. Regarding policy recommendations, China has sufficient instruments of monetary policy available and should adopt a more expansionary monetary policy. Given the window period of the reserve requirement ratio (RRR) cut in March and interest rates cut in April, it is highly likely that the reserve requirement ratio would be lowered recently. When it comes to asset strategy, the long-short game is fierce and structural opportunities should be seized. As the three major surprises are being rectified and the three major feel-good factors are being catalyzed, there is a market trend of short-term oversold bounce. Hence, Mr. Guan is optimistic about high prosperity growth, steady growth and reflation. As the price earnings to growth ratio (PEG) has entered a reasonable range and the Q1 report is to be released, there is still room to ease the monetary policy and high prosperity growth is anticipated to rebound under the catalyst of better performance.

Macro-Finance Salon (No. 177): Thoughts on and Implications of LME Nickel Market Chaos

On March 25, the Macro-Finance Salon (No. 177) was held online. This event was co-hosted by the IMI, China Bulk Commodity Circulation Exchange Association of China Federation of Logistics & Purchasing, and the Research Center and Derivative Finance 50 of Dalian Commodity Exchange. The online seminar was the 20th session of the series entitled “Finance Propels the Opening of the Fourteenth Five-Year Plan”. During the seminar, Xue Jianliang, Director of the Financial Market Research Office of the Research Center of Dalian Commodity Exchange delivered a keynote titled “Building a Derivative Market with Chinese Characteristics to Serve the New Development Paradigm with Domestic Circulation as the Mainstay: Thoughts on and Implications of LME Nickel Market Chaos”. Participating in the seminar were Zhao

Jufeng, metal exchange specialist at Sueden Financial Limited of the UK; Zhu Bin, Chief Economist of Nanhua Futures Co., Ltd.; Chen Ye, Director of the Commodity Department I of Shanghai Futures Exchange; Hu Yuyue, Director of Institute of Securities and Futures, Beijing Technology and Business University; Tang Ke, Director of Institute of Economics, School of Social Sciences, Tsinghua University; Guo Biao, Deputy Director of the Department of Applied Finance, the School of Finance, RUC; and Zhou Xu, Vice President of China Bulk Commodity Circulation Exchange Association, China Federation of Logistics & Purchasing. The seminar was moderated by Feng Bo, Secretary General of Derivative Finance 50.

The participants analyzed in depth the causes and implications of the recent surge of nickel price on the LME, and discussed commodity trading strategies of Chinese companies and how to build the market of financial derivatives.

Macro-Finance Salon (No. 178): Organizational Changes of Small and Medium-sized Banks and Local Financial Risk Prevention

On March 27, 2022, the Micro-Finance Salon (No. 178) or the 21st session of the series entitled “Finance Propels the Opening of the Fourteenth Five-Year Plan”, jointly organized by the IMI and the Department of Monetary Finance, School of Finance, RUC, was held online and live streamed. The theme of this seminar was “Organizational Changes of Small and Medium-sized Banks and Local Financial Risk Prevention”.

Lu Liping, Associate Professor of the School of Finance, RUC, made a keynote speech. IMI Director Zhang Jie; Li Guangzi, Director of the Banking Research Group of the Institute of Finance of the Chinese Academy of Social Sciences; Zhang Jiguang, Director of the Shanghai Finance Society and Deputy Director of the Research and Development Special Committee of the Shanghai Interbank Association; and Wang Jian, Chief Analyst of the financial industry at the Institute of Economics of Guoxin Securities, participated in the discussion. The salon was moderated by Tu Yonghong, IMI Deputy Director and Director of the Yangtze River Economic Belt Research Institute.

Lu Liping shared his views on the topic with a report entitled “Organizational Changes of Small and Medium-sized Banks and Local Financial Risk Prevention”. He first put forward the following three hypotheses. First, the stronger the local government intervention, the larger the average size of banks in a province; the fewer primary legal entities, the higher the verticality of banks, which reflected the effect of local intervention on the verticality of banks. Second, banks are more likely to locate their head offices in central cities subject to less local government intervention. Third, the stronger the local government intervention, the more likely it is for the province to have a provincial bank.

Secondly, he made a relevant empirical analysis for these hypotheses and found that urban commercial banks mainly chose the vertical structure for organizational changes, which is a self-protection mechanism developed under the government intervention



system. In practice, local governments may have various kinds of interventions if they have certain control over local banks, which eventually lead to massive bad debts of small and medium-sized banks and result in risky events of banks. Small and medium-sized banks choose the vertical structure probably because they want detachment from local government interventions. In addition, the study tested the hypotheses using data at the provincial level and found that the stronger the government intervention in a province, the larger the relative size of urban commercial banks and the more vertical the banks' organizational structures.

In terms of policy recommendations, he mentioned that the restructuring of small and medium-sized banks reduced the scale of financing for SMEs, which is consistent with traditional theories. If banks have better corporate governance, then flat small and medium-sized banks would be more suitable to provide financing for SMEs. From the perspective of mergers and restructuring, local governments in relatively economically backward regions and those with strong intervention in the economy should be allowed as much as possible to transfer the control of urban commercial banks to regions with relatively weak government intervention. In addition, it is necessary to consider further relaxing the restrictions on the establishment of branches of urban commercial banks. The current policy is relatively conservative. Too few restrictions will affect urban commercial banks' ability to serve local SMEs, while too many restrictions will limit the business of urban commercial banks and impair those banks' overall profitability.

Macro-Finance Salon (No. 179): The Exchange Rate Myth Against the Backdrop of Russia-Ukraine Conflict

On April 10, 2022, the Macro-Finance Salon (No. 179) or the 22nd session of the series entitled "Finance Propels the Opening of the Fourteenth Five-Year Plan", co-hosted by the IMI and the EMBA Center of the School of Finance, RUC, was held online and live streamed. The theme of this salon was "The Exchange Rate Myth Against the Backdrop of the Russia-Ukraine Conflict".

Zhang Yu, IMI Research Fellow and Chief Macro Analyst at Hua Chuang Securities first delivered a keynote speech. This speech was followed by a discussion among Gao Haihong, Research Fellow at Institute of World Economics and Politics, Chinese Academy of Social Sciences, and Head of the Research Center for International Finance, Institute of World Economics and Politics; Guan Tao, Global Chief Economist at BOC International; He Xiaobo, General Manager at BOCHK Offshore RMB Exchange Center; and Lu Jinuo, IMI Research Fellow. The salon was moderated by Zhao Xijun, Co-Dean of the Academy of China Capital Market, RUC. In her keynote speech, Zhang Yu analyzed the causes of the yuan's strong but proper gain, and the possibility and impact of future exchange rate volatility against the background of the Russia-Ukraine conflict. First, the yuan has been gaining steadily despite the Russia-Ukraine conflict and the continuous appreciation of the US dollar. This may be attributed to the following three factors. (1) There is no policy guidance on the direction of the yuan's exchange rates. (2) China's economic fundamentals are

relatively strong, and a huge deficit or capital outflow has not been observed. (3) Relatively strong depreciation expectations have not been observed and expectations remain stable. Second, by examining an indicator similar to the export share, namely the proportion of China's trade volume in 23 economies worldwide, it is found that the yuan has strengthened less than 23%, indicating that the yuan's exchange rates fluctuate within a basically proper range. It is therefore contended that the yuan's performance has been outstanding but remains in a proper range. Third, whether massive foreign exchange to be settled fueled by robust exports in the past two years can bolster the value of the yuan depends on domestic orders. If sustained growth is secured in China and the PMI gains an upward momentum, then it is highly likely that funds can be recovered through foreign exchange settlement, thereby lending solid support to the value of the yuan. In conclusion, market confidence in steady domestic growth and to which extent sustained growth can be secured are key to maintaining the stability of the yuan's exchange rates. Fourth, in case that the yuan's exchange rates fluctuate violently subsequently, such fluctuations may impact the stock market in the short term by affecting foreign exchange gains and losses and income statements of listed companies. As regards the bond market, the impact of such fluctuations on China's dollar bond market may be more distinct and prominent than that on China's domestic bond market.

Macro-Finance Salon (No. 180): Analysis of the Chinese Economy with the GDP Growth Target of 5.5%

On April 11, the Macro-Finance Salon (No. 180) was held online. This event was co-hosted by the IMI, and the Department of Monetary Finance, School of Finance, RUC. The online seminar was the 23rd session of the series entitled "Finance Propels the Opening of the Fourteenth Five-Year Plan". During the seminar, Professor Dai Wensheng from the School of Finance, RUC delivered a keynote titled "Analysis of the Chinese Economy with the GDP Growth Target of 5.5%". Participating in the Salon were Chen Weidong, Director of Research Institute of Bank of China; Qian Zongxin, Associate Dean of the School of Finance, RUC; Wu Ge, Chief Economist and Assistant President of Huarong Securities; and Xia Le, Chief Economist for Asia, BBVA. The Salon was moderated by Qu Qiang, Assistant Director of IMI.

In his keynote speech, Professor Dai pointed out that in 2021, the Chinese government coordinated COVID-19 response with growth, realizing stable social and economic development, and achieving the targets set earlier in the year. In particular, foreign trade and final consumption contributed more to economic growth than they did the year before, while the contribution of the service industry fluctuated due to recurring waves of COVID-19 infections. Currently, the international environment is extremely complex with an economic recession or even crisis looming over the horizon. The worrying COVID-19 situation abroad may lead to labor shortage, foreboding weak foreign trade in China. Domestically, relapses of COVID-19 may lead to economic slowdown due to disturbances in logistics and industry chains. Private investors are



also low in market confidence. Nevertheless, Dai believed that the GDP growth target of 5.5% can be achieved as long as the whole country is united and a slew of measures are implemented to ensure fiscal stability and financial development. Globally, the Chinese government should make steady progress in the Belt and Road Initiative and sustain economic ties with Europe and the US to facilitate the international circulation in the “dual circulation” strategy. Domestically, the government should first hold firm to the dynamic zero-COVID policy by establishing a long-term and regular prevention and control mechanism with a special focus on providing mental support to the public. The second aspect is ensuring security in operations of market entities, employment, and basic living needs. Dai offered three suggestions in this regard: firstly, providing more relief and support to MSMEs and disadvantaged groups; secondly, expanding infrastructure projects to ensure employment; and thirdly, enlarging the scale of workers going back to colleges for further education. At the same time, social stability and economic development should be considered.

Macro-Finance Salon (No. 181): Role of Finance in Achieving Common Prosperity

On April 16, 2022, the Macro-Finance Salon (No. 181) was held online and live-streamed. This event was co-hosted by the IMI, and the Department of Monetary Finance, School of Finance, RUC. The online seminar was the 24th session of the series entitled “Finance Propels the Opening of the Fourteenth Five-Year Plan”. The theme of the salon was “Role of Finance in Achieving Common Prosperity”.

Luo Yu, Deputy Secretary of the CPC Committee and Associate Professor of the School of Finance, RUC, delivered a keynote at the seminar. Participating in the salon were Gao Xingwei, Associate Professor of Department of Economics, Party School of the CPC Central Committee (National Academy of Governance); Li Xunlei, Chief Economist of Zhongtai Securities and Vice-Chairman of Council, China Chief Economist Forum; Wang Guogang, Member of Academic Committee, CASS and Professor of the School of Finance, RUC; and Yang Tao, Deputy Director of National Institution for Finance & Development. The Salon was moderated by Tu Yonghong, IMI Deputy Director and Dean of Yangtze River Economic Zone Research Institute, RUC.

Luo Yu proposed that the “Role of Finance in Achieving Common Prosperity” is threefold. First, the fundamental role of finance is to allocate resources so that income and wealth can be increased. Second, finance is generally regarded as an industry that despises the poor and curries favor with the rich, and therefore is not directly associated with common prosperity. Third, the financial sector enjoys an absolute advantage in income distribution. Research shows that the financial sector helps narrow the income gap and hence plays an indirect and ambiguous role in realizing common prosperity. However, the sector can play a direct and explicit role in expanding the wealth divide without proper regulation. It should be noted that the analysis of finance’s influence on common prosperity should be set in the context of certain social systems. In a socialist

country like China, the financial industry eventually serves the fundamental interests of the overwhelming majority of the Chinese. Finance can facilitate common prosperity if redistribution can be optimized, financial inclusion, especially digital financial inclusion, can be advanced, financial empowerment can be boosted, and risk protection mechanisms can be provided. Financial policies should particularly protect people's purchasing power and restrict the phenomenon of financialization. Furthermore, it is necessary to foster sound social values and avoid the prevalence of speculation and Mammonism when the financial industry is booming.

Macro-Finance Salon (No. 182): Commercial Banks' Comprehensive Risk Management and Stress Tests During the COVID-19 Pandemic

On April 27, the Macro-Finance Salon (No. 182) was held online. This event was co-hosted by the IMI, the Department of Monetary Finance, School of Finance, RUC, and the Research Center for China's Banking Sector, School of Finance, RUC. During the seminar, Associate Professor Zhu Wenyu from the School of Finance, RUC delivered a keynote speech titled "Commercial Banks' Comprehensive Risk Management and Stress Tests During the COVID-19 Pandemic". Participating in the Salon were Huang Jinlao, President of Jiangsu Suning Bank Co., Ltd; Kong Qinglong, Secretary of CPC and President of Hefei Branch, CMBC; Tu Yonghong, Director of the Yangtze River Economic Belt Research Institute, RUC and IMI Deputy Director; and Zeng Gang, Director of Shanghai Institution for Finance & Development and Deputy Director of National Institution for Finance & Development. The Salon was moderated by Zhao Xijun, Co-Dean of the Academy of China Capital Market, RUC.

Professor Zhu made a keynote address entitled "Commercial Banks' Comprehensive Risk Management and Stress Tests During the COVID-19 Pandemic". In his presentation, he noted that the banking sector faces a series of new changes and challenges in the post-pandemic era. Statistics show that banking financial institutions' net income dropped in between 2019 and 2020, but the sector's NPL ratio and CAR remained overall stable. The drop in net income was mainly due to profit transfer from banks to the real economy, support for structural monetary policy, and dynamic provisioning. Industries hit hard by the pandemic incurred relatively more credit risks. Regional banks were more susceptible to regional pandemic shock. As requested by the regulatory authorities, commercial banks need to conduct comprehensive risk management, quantitatively identifying stress scenarios and shocks that may hinder them from meeting some regulatory requirements. A bank stress test is mainly an accounting statements-based framework which assesses how resilient commercial banks are to all types of risks, including credit, market, liquidity, interbank contagion, and compound risks. The results of bank stress tests performed by the People's Bank of China indicate that (1) China's banking sector overall has relatively strong ability to stand the risks; (2) the number of high-risk financial institutions is falling year by year and the proportion of such institutions is very low; (3) systemic risks are relatively low; (4) but there are some tail risks. It is recommended that changes that potentially arise



from the pandemic be incorporated into the stress test model and indirect effects of exchange rate risks deserve special attention. Banks should build stress test models suitable for themselves based on their own loan structures. Tail risks of the banking sector that arise from the pandemic shock to SMEs should be monitored. While structural monetary policy is being implemented, tail risks of the banking industry should be guarded against.

Macro-Finance Salon (No. 183): The Balance of Ensuring Stable Growth, Employment, Prices and Exchange Rate

On May 19, 2022, the Macro-Finance Salon (No. 183) was held online. This event was co-hosted by the International Monetary Institute (IMI) and the Department of Monetary Finance, School of Finance, Renmin University of China (RUC), and organized by the Macroeconomic Research Office of IMI. Xiong Yuan, Research Fellow of IMI, Chief Economist and Chief Macro Analyst of the Institute of Guosheng Securities, made a keynote speech titled “The Balance of Ensuring Stable Growth, Employment, Prices and Exchange Rate”. Guan Tao, Global Chief Economist of BOC International; Guan Qingyou, Director and Chief Economist of Rushi Advanced Institute of Finance; Wang Guogang, Professor of the School of Finance, RUC and Member of Academic Committee of CASS; Yao Yudong, Chief Economist and Deputy Head at Dacheng Fund Management Co.; Zhang Ming, Deputy Director of National Institution for Finance & Development and Deputy Director of Finance Institute of CASS gave speeches respectively. The salon was moderated by Sun Chao, Deputy Director and Research Fellow of the Macroeconomic Research Office of IMI.

Xiong Yuan delivered a keynote speech, covering five aspects: economy, employment, prices, exchange rate and policy. In terms of economy, China’s economy has slowed since March, with the real estate market and consumer spending reflecting less confidence and domestic demand. In the aspect of employment, ensuring employment plays a vital role in ensuring steady growth and operations of market entities. In the field of prices, the key issue lies in the economic downturn. Inflation will not constrain China’s monetary and fiscal policies. Concerning the exchange rate, the Central Bank will stabilize the RMB exchange rate. The trend of the RMB exchange rate reflects China’s external environment. Regarding policy, first, we need to keep an eye on the pandemic prevention and control. Second, implementing national policies is important; Third, new policies need to be released, including further relaxing constraints on real estate infrastructure; Fourth, China’s external environment is facing greater pressure. We need to maintain confidence and, more importantly, make every effort to maintain steady growth.

Macro-Finance Salon (No. 184): Shifting International Monetary System and RMB Outlook

On May 28, 2022, the Macro-Finance Salon (No. 184) was held online. Co-hosted by the International Monetary Institute (IMI) and the Department of Monetary Finance, School of Finance, Renmin University of China (RUC), the theme of the salon was “Shifting International Monetary System and RMB Outlook”.

Lu Dong, Research Fellow of IMI and Associate Professor of School of Finance of RUC, delivered a keynote speech at the seminar. The seminar was also joined by E Zhihuan, Chief Economist of the Bank of China (Hong Kong); Tu Yonghong, Dean of the Yangtze River Economic Zone Research Institution of RUC, Deputy Director of IMI; Xiao Lisheng, Director of Global Macroeconomy Research Division of the Institute of World Economics and Politics (IWEP) of CASS; Zhou Yinggang, Associate Dean and Professor of School of Economics and Wang Ya’nan Institute for Studies in Economics (WISE) at Xiamen University. The salon was moderated by Wang Fang, Associate Dean of School of Finance at RUC and Deputy Director of IMI.

On the theme of the salon, Lu Dong’s observation is threefold. The first aspect is about the general patterns of an evolving international monetary system. After the collapse of the Bretton Woods system in 1971, the current system is a Bretton Woods 2.0 with the dollar’s dominance at its core. But recent data suggest a rising status of the Renminbi in the global payments system and reserve currencies; the RMB Internationalization Index (RII) is also on the rise. Second, the world now sees a shifting international monetary landscape. While blocking some Russian financial institutions from the SWIFT may hardly affect the dollar’s status as a global payment currency, freezing Russia’s foreign exchange reserves may, to a greater extent, influence the dollar’s already declining status as a reserve currency. RMB and currencies of other emerging economies, during this time, have increased their share in reserve currencies from zero to around 10%. RMB has increasingly become an anchor currency, and a higher weight in SDR also bolsters its status as a reserve currency. The third part is about the dynamics of the exchange rate. Since the “8.11” exchange rate regime reform, RMB has displayed two-way fluctuations under the managed floating exchange rate regime. Empirical studies suggest that free floating exchange rate does not necessarily absorb external shocks, especially when mounting external uncertainties exist. With sufficient foreign exchange reserves and ample macro prudential management tools, the central bank should proactively manage the yuan exchange rate so that it can remain relatively stable at a balanced level. In the context of the Russian-Ukraine conflict and the Fed’s interest rate hikes, close attention should be paid to the depreciation pressure due to cross-border capital outflows.

Macro-Finance Salon (No.185): Seminar on SDR and Reform of the International Monetary System

On May 31st, the Seminar on SDR and Reform of the International Monetary System and the Macro-Finance Salon (No.185) was held as an online closed-door meeting, with the International Monetary Institute (IMI) of Renmin University of China (RUC)



and the International Finance Forum (IFF) Institute as co-hosts.

Keynote Speeches were delivered by Lin Jianhai, Deputy Chairman of Council, IFF; Former Secretary General, IMF; and Zhang Liqing, Member of the IFF Academic Committee; Director, Center for International Finance Studies; Former Dean, School of Finance, Central University of Finance and Economics. The seminar was also joined by Chen Weidong, Member of the IMI Academic Committee; Dean, Academy of Bank of China; Song Min, Dean, IFF Institute; Dean, Economics and Management School, Wuhan University; Tu Yonghong, Deputy Director, IMI; Dean, Yangtze River Economic Zone Research Institute, RUC; and Wei Benhua,

Former Deputy Administrator-in-bureau, SAFE; Former IMF Executive Director for China. The seminar was chaired by Zhang Zhixiang, Former Director-General, International Department, PBoC; Former IMF Executive Director for China.

In his keynote speech, Lin Jianhai shared his views on the role of SDR in the international monetary system and on the significance of valuation review. He argued that SDR is a new international reserve asset created within the IMF framework to supplement the official reserves of member states. RMB's raised weighting in 2022 was mainly due to the continued increase of China's share in global export. The lifted weighting of RMB marks the recognition for China's achievements in reform and opening up, a new phase of IMF's continued efforts to improve the international monetary and financial system, and a driving force for RMB internationalization. Although there were proposals that SDR should be designated as a super-sovereign reserve currency, such an initiative is not feasible given the current situation, as it remains a difficult problem of political economics to achieve consensus in the international community, develop relevant laws and regulations, and build an operational framework. When it came to the prospect of RMB internationalization, Lin pointed out that China should do the following: first, ensure sustained economic growth; second, maintain the high-level reform and opening up; third, improve the financial system and boost further development of the financial market; fourth, make sure the exchange rate regime is flexible; fifth, enhance the role of RMB in cross-border trade denomination and settlement.

Zhang Liqing shared in his keynote speech the future of the international monetary system and RMB internationalization. He pointed out that the current international reserve system had two fundamental flaws: instability and inequity. Reserve currency diversification is the most feasible and desirable solution for the proposed reform of the international monetary system, which can contribute to the healthy development of fiscal and monetary policies of major economies and uphold global economic and financial stability. In terms of promoting RMB internationalization, he proposed five measures of ensuring sustained and stable economic growth, promoting domestic financial market reform, accelerating the two-way opening of capital accounts, continuing market-oriented reform of the RMB exchange rate and improving the legal system and ease of doing business.

During the seminar, Chen Weidong suggested that nowadays the basis of global

common development and shared governance was changing and there was an imbalance between the SDR allocation and actual demands. Against this backdrop, the allocation determination, composition and usage of the SDR need to be further studied. In the long run, the promotion of RMB internationalization should rely on the market power which depends on the competitiveness of Chinese products and enterprises.

Song Min believed that the rising weighting of the RMB in the SDR was the result of China's trade growth, financial openness and enhanced global influence. He also noted that it was a comprehensive reflection of the growth of China's real economy and the importance of trade exports. The current weighting rise is mainly attributed to trade and investment while the importance of finance has not yet been brought into play. Further opening of the financial market may well bring about a non-linear but rapid increase in the weighting of the SDR. Tu Yonghong put forward three suggestions on RMB internationalization and the RMB exchange rate: to accelerate high-quality development in the future and further consolidate the economic foundation of RMB internationalization; to seize new opportunities brought by the RCEP and the Belt and Road Initiative while expanding channels of RMB usage; to pay great attention to short-term capital flows and maintain the relative stability of RMB exchange rate against the backdrop of generally balanced international payments. Wei Benhua mentioned that it was impossible now to develop the SDR into a major reserve asset since it meant that sovereign countries would hand over the dominant role in deciding monetary policies from the U.S. to the IMF. The overall goal based on the current reality is still to develop an international monetary system supported by currency diversification. Although the status of the U.S. dollar is gradually weakening, it will continue to play a large role for quite a long period. As for the RMB, it is in a process of relatively rapid rise. In the long run, there is a certain basis for establishing a stable system supported by a triangle structure of the dollar, the euro and the yuan.

Macro-Finance Salon (No. 186): Cyclical Dynamics and Outlook on Economic and Financial Policies in China and the US

The Macro-Finance Salon (No. 186) on the “Cyclical Dynamics and Outlook on Economic and Financial Policies in China and the US” was held online through live broadcast on June 10, 2022. The International Monetary Institute (IMI), Renmin University of China and School of Finance, Renmin University of China hosted the event.

Mr. Wang Bin, IMI Researcher and Chief Macroeconomy Analyst of the Department of Investment Banking, ICBC, was invited as the keynote speaker at the salon. Other guests included Mr. Zhu Mengnan, Director of Financial Research Center and the College of Continuing Education at Xiamen University, Mr. Zhu Haibin, chief China economist at JPMorgan Chase & Co, Mr. Luo Zhenxing, Director of Finance office at the Institute of American Studies, CASS, and Mr. Zhang Chengsi, Associate Dean, School of Finance, RUC. Mr. Zhao Ran, Associate Professor of the School of Finance, Capital University of Economics and Business hosted the event.



Mr. Wang Bin, speaking at the keynote speech, stated that Chinese economy had slowed down since the latter half of last year and he cited the pandemic as further exacerbating this trend this year. To achieve economic recovery, China, unlike America, which chose quantitative easing (QE) to reboot its economy instead of disease control, must prioritize prevention and control of the Covid-19 over macro-economic policies. This year would see many challenges in securing Chinese economic growth. Therefore, Chinese macro-economic policies, likely to be released in the first half of 2022, would be targeted on stable economic growth. Chinese macro-economic policies and actions were quite predictable. In America, the on-going pandemic and money expansion led to high inflation. It was an expediency for American to adopt QE to increase money supply, which later caused higher inflation. After the Federal Reserve (Fed) raised the interest rate, American economy became even more fragile. It was possible that Fed would change its policy, as it was troubled by issues such as inflation, economic growth, debt and stock market.

During discussion, the guests exchanged their views on reasons for the inflation in the U.S. in different phases, as well as the cyclical dynamics of and outlook for Chinese and American monetary policies.

Macro-Finance Salon (No. 187): The Boundary of Big Data Usage – Analysis on Financial Market and Real Economy

On June 16, 2022, the Macro-Finance Salon (No. 187), co-hosted by the International Monetary Institute (IMI), Renmin University of China, Zhejiang University International Business School (ZIBS) and Beijing Frontier Institute of Regulation and Supervision Technology (FIRST), was held online. The theme of this salon was “The Boundary of Big Data Usage: Analysis on Financial Market and Real Economy”. Qiu Zhigang, Senior Research Fellow of IMI and Associate Professor at School of Finance, RUC, delivered a keynote speech. This salon was chaired by Li Yuanqi, Assistant Professor at ZIBS and Assistant Dean of FIRST.

Assistant Professor Li Yuanqi pointed out that the 14th Five-Year Plan period is a crucial period for China to transform from industrial economy to digital economy, which puts forward new requirements for the development of big data industry. The industry will enter a new stage of integrated innovation, rapid development, deep application and structural optimization. Therefore, it is worth going into depth about how the big data industry can boost the rapid development of the real economy.

The starting point of Professor Qiu Zhigang’s research is that the boundary of big data usage determines data accuracy. He used a four-period model to connect the interactions between social planners, capital market, providers of capital and real economy, which demonstrated clearly the main conclusion: traditional information disclosure impacts the accuracy of big data and thus affects the efficiency of financial investment in the real economy. At the same time, Professor Qiu also discussed other relevant topics such as data trading, noise, data right confirmation, NFT, and digital financial inclusion, getting students to think further about the research and application

of big data.

In his lecture, Professor Qiu systematically introduced the development of big data, summarized the research directions of existing literature, and shared and explained in detail his latest research results, which had both academic and practical significance. Through this lecture, the audience could not only meet excellent academics and learn about frontier research results; but also deepen their understanding and knowledge of big data and fintech, and enhance their academic literacy and professional competence.



Tao Xiang International Lectures

Editor's Note:

Professor Tao Xiang is one of the famous educators of international finance in China, and he is also the founder of international finance subject in Renmin University of China, who is at the meantime highly admired by a number of students. At the 10th anniversary of the professor's pass-away, proposed by graduates who had majored in international finance in RUC, the School of Finance and International Monetary Institute of RUC initiate the Tao Xiang International Finance Lectures, invite experts and scholars in international finance to give lectures and share their experience with the students, in order to cultivate outstanding talents for China to develop into the global finance center.

Tao Xiang International Finance Lectures (No.26): Development and Stability in Mergers and Acquisitions of Belt and Road Financial Institutions

On the afternoon of March 23rd, Tao Xiang International Finance Lectures (No.26) was held online by the International Monetary Research Institute (IMI) of Renmin University of China (RUC) with the theme of "Development and Stability in Mergers and Acquisitions of Belt and Road Financial Institutions". Gao Xiangyang, Chairman of Industrial and Commercial Bank of China Turkey, delivered a lecture on this topic, followed by comments from Zhong Hong, Vice President of Bank of China Research Institute, and Luo Yu, Deputy Secretary of CPC, School of Finance, RUC. The lecture was moderated by Tu Yonghong, IMI Deputy Director.

Huarui Fintech Salon

Huarui FinTech Salon (No. 1): FinTech's contribution to economic recovery in the Yangtze River Delta region

"Huarui FinTech Salon" (No. 1), jointly hosted by Shanghai Huarui Bank, International Monetary Institute (IMI), Renmin University of China(RUC) and RUC FinTech Institute, was held on 11 June afternoon online. The theme of the salon was "FinTech's contribution to economic recovery in the Yangtze River Delta region". The keynote speech was delivered by Zhu Taihui, Research Fellow at IMI, RUC and Member of the Council of China Institution for International Finance. The following experts attended the salon: Chen Daofu, Deputy Director of Research Institute of Finance, Development Research Centre; Li Lihui, former President of Bank of China and Head of Blockchain Group of National Internet Finance Association, and Yang Tao, Deputy Director of National Institution for Finance & Development, CASS. The event was moderated by Song Ke, Deputy Secretary of CPC of School of Finance, Deputy Director of IMI, and Executive Director of FinTech Institute, RUC.

Zhu Taihui delivered a speech on "FinTech as a drive of double chain linkage and high-quality economic development". Zhu stressed that, firstly, the Yangtze River Delta region plays a key role in China's economy. The Covid-triggered impact on the region has put the economy of the whole country under pressure. As a pacesetter of China's economic growth, the region accounts for 1/4 of the country's GDP and industrial production, and 1/3 of the country's imports and exports with its three provinces (Zhejiang, Jiangsu and Anhui) and the municipality of Shanghai. The pandemic has posed a great challenge to the region from both the supply and demand ends, presenting a major shock to the overall operation of the macro economy, with employment pressure reaching a record high and small and medium-sized enterprises running in difficulty. As the pandemic is under control, a package of policies has been implemented to stabilize the economy, thus leading to a rebound in May. However, uncertainties still exist.

Secondly, regulatory policies have supported FinTech with a special focus on the financial supply chain. Since the outbreak of Covid-19 in 2020, financial regulators have issued policies to encourage financial institutions to better serve the real economy by using FinTech. The policies have also served to lift medium-sized, small and micro enterprises out of difficulty. Moreover, FinTech regulatory policies have been noticeably improved by a clearer "three-dimensional supervision framework", to make sure that "financial institutions are regulated by licensing agency, technological services are in charge of outsourcing platforms, and the data is regulated by the credit system". The policy package above mentioned prioritized monetary and financial policies and placed more emphasis on the enabling role of FinTech. In the long run, the key to high-quality economic development lies in a high-level cycle of "technology-industry-finance". It is through financial services that FinTech can



promote the digital financial supply chain and help form the cycle.

Finally, data, industry, channel and ecology are essential to promote the "double linkage" of the financial and industrial supply chain by digitalization. The rapid advance of FinTech and the digital economy has made the "double chain linkage" the tendency of the future. The core of "double chain linkage" is that the financial and industrial supply chain should be interconnected in terms of scenario, channel and customer through the digitalization of financial services and industrial enterprises. During this process, financial institutions need to tap the potential of data, industry, channel and ecology, so as to integrate the financial system and the real economy.



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