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HIGHLIGHTS

- Finance Minister Liu Kun: Fiscal policies for high-quality development
- Finance Minister Liu Kun met with IMF Managing Director Georgieva
- MOF published a circular on delivering the key work of reform of government purchase of services in 2023
- MOF published the Outline for *Integrity Building in the Certified Public Accountant Industry*
- China's local government debt balance was 36.2269 trillion RMB as of the end of February

Brief Introduction to IEFI

Founded in 2007, the International Economics and Finance Institute (IEFI) is affiliated to the Ministry of Finance of China, specializing in international economic and financial studies. Its main functions include macroeconomic research on advanced economies such as U.S., Europe and Japan, and on emerging economies such as BRICS countries; research on global and regional economic and financial cooperation, global governance reform and international development cooperation; participation in bilateral and multilateral financial dialogues; and exchanges with think tanks and government agencies around the world.

Contents

-  I .Policy Update
-  II .Facts & Figures
-  III.MOF Events
-  IV .Local Finance
-  V .Remarks & Opinions

Website: <http://iefi.mof.gov.cn>

Acronyms

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
AMRO	ASEAN+3 Macroeconomic Research Office
APEC	Asia-Pacific Economic Cooperation
ASEAN+3	Association of Southeast Asian Nations, China, Korea and Japan
BEPS	Base Erosion and Profit Shifting
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China and South Africa
CAAC	Civil Aviation Administration, China
CAC	Cyberspace Administration, China
CAFS	Chinese Academy of Fiscal Sciences
CAREC	Central Asia Regional Economic Cooperation
CASS	Chinese Academy of Social Sciences
CBIRC	China Banking and Insurance Regulatory Commission
CEPA	Closer Economic Partnership Arrangement
CMIM	Chiang Mai Initiative Multilateralization
CPA	Certified Public Accountant
CPC	Communist Party of China
CPI	Consumer Price Index
CPPCC	Chinese People's Political Consultative Conference
CSRC	China Securities Regulatory Commission
FDA	Food and Drug Administration
GAC	General Administration of Customs, China
GAMS	General Administration of Market Supervision, China
GAS	General Administration of Sport, China
GDP	Gross Domestic Product
IEFI	International Economics and Finance Institute, Ministry of Finance, China
IMF	International Monetary Fund
IPI	Industrial Production Index
IPR	Intellectual Property Rights
LICs	Low-Income Countries
MCA	Ministry of Civil Affairs, China
MCT	Ministry of Culture and Tourism, China
MEE	Ministry of Ecology and Environment, China
MIIT	Ministry of Industry and Information Technology, China
MNR	Ministry of Natural Resources, China
MOA	Ministry of Agriculture and Rural Affairs, China
MOE	Ministry of Education, China
MOF	Ministry of Finance, China
MOFCOM	Ministry of Commerce, China

MOHRSS	Ministry of Human Resources and Social Security, China
MOHURD	Ministry of Housing and Urban-Rural Development, China
MPS	Ministry of Public Security, China
MOST	Ministry of Science and Technology, China
MOT	Ministry of Transport, China
MVA	Ministry of Veteran Affairs, China
MWR	Ministry of Water Resource, China
NAO	National Audit Office, China
NBS	National Bureau of Statistics, China
NCP	New coronavirus pneumonia
NDB	New Development Bank
NDRC	National Development and Reform Commission, China
NEA	National Energy Administration, China
NFGA	National Forestry and Grassland Administration, China
NFSRA	National Food and Strategic Reserves Administration, China
NHC	National Health Commission of the People's Republic of China
NHSA	National Healthcare Security Administration, China
NMPA	National Medical Products Administration, China
NPC	National People's Congress, China
NRTA	National Radio and Television Administration, China
OECD	Organization for Economic Co-operation and Development
PBoC	People's Bank of China
PMI	Purchasing Managers' Index
PPI	Producer Price Index
PPP	Public-Private Partnership
QE	Quantitative Easing
QQE	Qualitative and Quantitative Ease
R&D	Research and Development
RCEP	Regional Comprehensive Economic Partnership
SAFE	State Administration of Foreign Exchange, China
SAMR	State Administration of Market Regulation, China
SASAC	State-owned Assets Supervision and Administration Commission of the State Council, China
SAT	State Administration of Taxation, China
SMEs	Small and Medium Enterprises
SOEs	State-owned Enterprises
VAT	Value-added Tax
WTO	World Trade Organization

I. Policy Update

1. Three ministries jointly published a circular on the issuance of the *Implementation Guidelines for Government Procurement to Support Green Building Materials in Promoting Building Quality Improvement*

On March 29, MOF, the Ministry of Housing and Urban-Rural Development, and the Ministry of Industry and Information Technology jointly published a circular on the issuance of the *Implementation Guidelines for Government Procurement to Support Green Building Materials in Promoting Building Quality Improvement*, which provided the following. First, the Guidelines are applicable to the relevant activities of the whole process of feasibility study, design and review, government procurement, construction, testing, acceptance, and evaluation by third-party institutions of construction projects under the implementation scope of the policy of government procurement to support green building materials in promoting building quality improvement. Second, the competent authorities of finance, housing and urban-rural development, industry and information technology, natural resources, market regulation, and government services should refer to the Guidelines and do a good job in project-related approval, procurement and regulation in accordance with the departmental division of responsibilities. Third, purchasers should sort out the number of green building material applications included in the scope of centralized procurement, ascertain the volume of centralized procurement of green building materials, and submit the data to the finance authorities and the government centralized procurement agency before the start of bidding.

2. MOF published the *Outline for Integrity Building in the Certified Public Accountant Industry*

On March 29, MOF published the *Outline for Integrity Building in the Certified Public Accountant Industry*, which provided the following. First, it is necessary to closely adhere to the central task of integrity building in CPA industry in line with the need for overall integrity building of the society and high-quality development of

CPA industry, and improve the closed-loop management system for industry integrity building. Second, it is important to enhance coordination among finance authorities, CPA associations, accounting firms, and practicing CPAs to jointly advance the institutional arrangements for industry integrity building and improve measures related to regulation, education and ethics. Third, efforts will be made to take forward industry integrity building on the six fronts of establishment of integrity standards, integrity education and cultivation of integrity culture, integrity information collection and information monitoring, integrity supervision and rating evaluation, incentives for maintenance of integrity and penalty for misconduct, and organizational safeguards.

3. MOF published a circular on delivering the key work of reform of government purchase of services in 2023

On April 14, MOF published a circular on delivering the key work of reform of government purchase of services in 2023, which provided the following. First, it is important to further promote the reform of government purchase of services in multiple sectors, enhance employment service support, improve the capacity of education, medical and health services, optimize community social security services, innovate ecological environment governance mechanisms, boost rural revitalization, deepen the reform of government purchase of services in public institutions, and explore new ways to support the high-quality development of economy. Second, it is crucial to improve the scientific and standardized management of government purchase of services, strengthen project review, enhance performance management, effectively prevent risks, strictly prohibit misconduct, and improve information reporting. Third, it is necessary to effectively do a good job in the organization and implementation of the reform of government purchase of services, strengthen the overall planning, coordination, follow-up and supervision of the reform of government purchase of services, summarize and promote good experience and practices, and continue to further deepen the reform.

4. MOF published a circular on the compilation of internal control reports of administrative institutions in 2022

On April 19, MOF published a circular on the compilation of internal control reports of administrative institutions in 2022, which provided the following. First, it is important to enhance the overall coordination of internal control reports with departmental final accounts, budget performance management, government procurement, and state-owned assets reports, in order to ensure the consistency of data. Second, the central departments, local finance departments and local regulatory bureaus of MOF should conduct the compilation and reporting work in accordance with the relevant requirements. Third, MOF will review the internal control reports of various regions and departments when appropriate, and summarize and report on the compilation of internal control reports of each unit in light of the performance of compilation work and the inspection and evaluation of the reports. The results of the review will be included in the index system of MOF's performance evaluation of the budget management of various departments, the performance evaluation of finance management of local regions, and the evaluation of fiscal supervisory work of local regulatory bureaus.

II. Facts & Figures

1. China newly issued 441.9 billion RMB of local government bonds in February

The data published by MOF on March 27 showed that China newly issued 441.9 billion RMB of local government bonds in February, including 106.2 billion RMB of general bonds and 335.7 billion RMB of special bonds. The average maturity of local government bonds was 15.5 years, including 9.3 years for general bonds and 18.6 years for special bonds; the average interest rate was 3.13%, including 3% for general bonds and 3.19% for special bonds.

2. China's local government debt balance was 36.2269 trillion RMB as of the end of February

The data published by MOF on March 27 showed that China's local government debt balance was 36.2269 trillion RMB as of the end of February 2023. Among them, general debts were 14.6934 trillion RMB and special debts were 21.5335 trillion RMB; government bonds were 36.0646 trillion RMB, and stock of government debts in the form of non-government bonds were 162.3 billion RMB.

3. Total operating income of China's SOEs from January to February was 12.23952 trillion RMB

The data published by MOF on March 30 showed that total operating income of China's SOEs from January to February was 12.23952 trillion RMB, an increase of 5.0% year on year; and total profit was 650.56 billion RMB, an increase of 9.9% year on year.

4. Lottery sales in China totaled 41.81 billion RMB in February

The data published by MOF on March 31 showed that lottery sales in China totaled

41.81 billion RMB in February, an increase of 19.329 billion RMB year on year, or 86.0%. Among them, welfare lottery sales were 13.53 billion RMB, an increase of 4.148 billion RMB year on year, or 44.2%; sports lottery sales were 28.279 billion RMB, an increase of 15.18 billion RMB year on year, or 115.9%.

5. China's PMI was 51.9% in March

The data published by NBS on March 31 showed that China's PMI was 51.9% in March, down by 0.7 percentage points from the previous month, but still stayed above the critical point as the manufacturing industry keeps to the trend of expansion. By scale of enterprises, the PMI of large, medium and small-sized enterprises was 53.6%, 50.3% and 50.4% respectively, down by 0.1, 1.7 and 0.8 percentage points from the previous month, and were all above the critical point. In terms of sub-indexes, among the five sub-indexes that make up the manufacturing PMI, the production index, new order index and supplier delivery time index were all above the critical point, yet both the raw material inventory index and the employee index were below the critical point.

6. China's CPI in March rose by 0.7% year on year

The data published by NBS on April 11 showed that China's CPI in March rose by 0.7% year on year. Among them, prices in urban areas rose by 0.7% year on year, and prices in rural areas rose by 0.6% year on year; food prices rose by 2.4% year on year, and non-food prices rose by 0.3% year on year; consumer good prices rose by 0.5% year on year and service prices rose by 0.8% year on year.

7. China's PPI in March fell by 2.5% year on year

The data published by NBS on April 11 showed that China's PPI in March fell by 2.5% year on year. Among them, prices of extractive industries fell by 4.7% year on year, prices of raw material industries fell by 4.2%, prices of processing industries fell by 2.8% year on year, prices of food and apparel rose by 2.0% year on year, prices of general daily necessities rose by 0.5% year on year, and prices of durable consumer

goods fell by 0.2% year on year.

8. China's general public budget revenue in the first quarter was 6.2341 trillion RMB

The data published by MOF on April 18 showed that China's general public budget revenue in the first quarter was 6.2341 trillion RMB, an increase of 0.5% year on year. Among them, the central general public budget revenue was 2.7603 trillion RMB, a decrease of 4.7% year on year; local general public budget revenue was 3.4738 trillion RMB, an increase of 5% year on year. Nationwide tax revenue was 5.1707 trillion RMB, a decrease of 1.4% year on year; non-tax revenue was 1.0634 trillion RMB, an increase of 10.9% year on year.

9. China's general public budget expenditure in the first quarter was 6.7915 trillion RMB

The data published by MOF on April 18 showed that China's general public budget expenditure in the first quarter was 6.7915 trillion RMB, an increase of 6.8% year on year. Among them, the central general public budget expenditure was 724 billion RMB, an increase of 6.4% year on year; local general public budget expenditure was 6.0675 trillion RMB, an increase of 6.9% year on year.

III. MOF Events

1. On March 23, Finance Minister Liu Kun met with Ghanaian Finance Minister Offori-Atta. The two sides exchanged views on bilateral relations and treatment of Ghana's sovereign debts.
2. On March 23, Vice Finance Minister Liao Min met with Craig Allen, President of US-China Business Council, and representatives of member companies. The two sides conducted in-depth and productive exchange of views on topics such as China-US economic and trade relations, China's business environment, and the concerns of US business community in China.
3. On March 26, Vice Finance Minister Wang Dongwei met with ADB Vice President Saeed. The two sides exchanged views on matters related to cooperation between China and ADB.
4. On March 27, Finance Minister Liu Kun met with IMF Managing Director Georgieva. The two sides had an in-depth exchange of views on China's economic situation, China's fiscal policies, and debt problem of developing countries.
5. On March 27, Finance Minister Liu Kun met with World Bank Managing Director Trotsenburg and Vice President Ferro. The two sides exchanged views on China's macroeconomic situation, cooperation between China and the World Bank, debt problem of developing countries, and reforms of the World Bank Group.
6. From March 28 to 30, Vice Finance Minister Wang Dongwei attended the ASEAN+3 Finance and Central Bank Deputies' Meeting and the China-Japan-Korea Finance and Central Bank Deputies' Meeting in Bali, Indonesia, and spoke on topics such as global and regional macroeconomic situation, regional financial arrangements,

ASEAN+3 Future Initiative, Asian Bond Market Initiative, and ASEAN+3 Macroeconomic Research Office (AMRO). On the sidelines, he held bilateral talks with Vice Finance Minister of Japan Masato Kanda, Vice Minister of Economy and Finance of Korea Kim Seong-Wook, Finance Deputy of Indonesia Febrio, Secretary of State of the Ministry of Economy and Finance of Cambodia Seilava, Vice Finance Minister of Lao PDR Saysombath, and AMRO Director Li Kouqing, to exchange views on multilateral and bilateral economic and financial issues of common interest and ways to further strengthen cooperation.

7. On March 28, Vice Finance Minister Liao Min met with World Bank Managing Director Trotsenburg and Vice President Ferro. The two sides exchanged views on China's macroeconomic situation and cooperation between China and the World Bank.

8. On April 4, Vice Finance Minister Wang Dongwei attended and addressed the second BRICS Finance and Central Bank Deputies' Meeting in 2023 via video link. The meeting was chaired by the South African presidency. The BRICS parties exchanged views on the progress of the BRICS Financial Cooperation Work Plan in 2023, as well as specific topics such as global economy, infrastructure investment, customs and tax mutual assistance and cooperation, and BRICS Think Tank Network for Finance, and discussed preparations for the first BRICS Finance Ministers and Central Bank Governors' Meeting in 2023.

9. On April 4, Finance Minister Liu Kun attended and addressed the MOF Expert Symposium. With a view to studying, publicizing and enforcing the spirit of the 20th CPC National Congress and fully implementing the major decisions and arrangements determined by the Central Economic Work Conference and the NPC and CPPCC Sessions, the meeting analyzed and assessed the current international and domestic economic and financial situation, and listened to experts' policy suggestions on effectively delivering the current and future fiscal work.

10. On April 6, Vice Finance Minister Wang Dongwei met with CEO of AFD Rémy Rioux, and exchanged views on the work related to bilateral government loan cooperation between China and France.

11. On April 17, Vice Finance Minister Xu Hongcai attended and addressed the National Fiscal Treasury Work Conference. The meeting earnestly studied the Xi Jinping Thought on Socialism with Chinese Characteristics in the New Era and the spirit of the 20th CPC National Congress, conscientiously enforced the spirit of the Central Economic Work Conference and the Sessions of NPC and CPPCC, implemented the arrangements of the National Fiscal Work Conference, reviewed the outcomes of the national fiscal treasury work in the past five years, discussed the work for the next stage of fiscal treasury reform, and identified the key tasks in the near future.

IV. Local Finance

1. Yunnan Finance: increase policy guidance and financial support to cultivate specialized and sophisticated SMEs

According to the news released by the Finance Department of Yunnan Province on March 27, the Finance Department of Yunnan has continuously increased its policy guidance and financial support to cultivate specialized and sophisticated SMEs. First, cooperate with the competent authorities to formulate policies for the gradient cultivation of SMEs and take the initiative to study and improve financial support policies. Second, increase communication with MOF, compete for central special funds for the development of SMEs, and support the “little giants” to enhance their quality and efficiency. Third, step up the cultivation of high-tech enterprises, and comprehensively improve the level of scientific and technological innovation and development quality of SMEs through provincial science and technology project funds. Fourth, arrange special funds for the development of capital market in Yunnan to support listing of enterprises on eligible stock exchanges for financing. Fifth, strengthen funding for talent training, especially talents in the fields of science and technology, medical care, and industry. Sixth, work to help reduce the burden and relieve the difficulties of SMEs in their production and operation.

2. Sichuan Finance: promote “three shifts” to support further and stronger development of new-energy, intelligent and internet-connected vehicle industry

According to the news released by the Finance Department of Sichuan Province on March 28, the Finance Bureau of Chengdu has offered high-quality fiscal services to promote high-quality development amid electrification, intelligent and internet-connected transformation of vehicles. First, promote the shift of fiscal policy orientation from demand side to supply side, accelerate the launch of industrial policies while improving ecological policies, and vigorously implement project policies, in order to enhance the level of industrial development. Second, focus efforts on specific segments, accelerate research of hydrogen energy technology, support the

construction of car charging piles, promote commercial models, and shift fiscal expenditure from being single-dimensional to multi-dimensional, so as to cultivate comparative advantages. Third, take innovative approaches to build and strengthen industrial fund clusters, promote interaction between fiscal and financial policies, continue to move forward iterative upgrade and optimization, and promote the shift of fiscal support from direct provision to indirect leverage, with a view to optimizing fiscal efficiency.

3. Gansu Finance: take multiple measures to promote budget disclosure and make information of public finance more transparent

According to the news released by the Finance Department of Gansu Province on April 3, Finance Department of Gansu has continuously enriched the forms of information disclosure, refined the content of disclosure, improved the disclosure template, clarified the responsibilities of disclosure, strengthened public supervision, and effectively safeguarded citizens' rights to know, participate, express and supervise. First, broaden channels and continue to promote the “double disclosure” of departmental and unit budget information, so that public information is more accessible. Second, refine the content, and make specific provisions on the timeliness, completeness, and granularity of budget disclosure of departments and their subordinate units, so as to make the disclosed information more understandable. Third, unify the template, and formulate a unified format in the province for budget disclosure reports and statements of departments and their subordinate units, so that the format of disclosure is more standardized. Fourth, clarify responsibilities and continue to improve the operational mechanism for budget disclosure work to make disclosure work more efficient. Fifth, strengthen assessment, adopt cross-review, on-site inspection and other methods to check the content of budget disclosure, so that the awareness of disclosure is more deepened.

4. Yunnan Finance: strengthen accounting management and improve the effectiveness of fiscal and accounting supervision

According to the news released by the Finance Department of Yunnan Province on

April 13, Finance Department of Yunnan, in line with the requirements of building “clean and corruption-free Yunnan”, has strengthened accounting management and improved the effectiveness of fiscal and accounting supervision. First, improve the construction of internal control system, consolidate the principal responsibility of budget units, and build a closed-loop responsibility chain. Second, strengthen management of external accounting industry, review the accounting firms participating in the bidding of government projects, remind the bid inviting parties to beware of accounting firms with previous misconduct, and strengthen the use of the results of accounting information inspection. Third, jointly establish and improve the collaborative supervision mechanism of CPA profession, strengthen the supervision of CPA profession, further intensify the supervision of violations of laws and regulations in the industry and the quality of practice, and deepen internal and external cooperation for joint supervision.

5. Sichuan Finance: vigorously support protection and commercialization of intellectual property to stimulate innovation and creativity for more robust development

According to the news released by the Finance Department of Sichuan Province on April 18, the Finance Department of Sichuan has increased funding and changed methods to comprehensively support intellectual property protection and stimulate innovation and creativity. First, set up a provincial-level intellectual property operation equity investment fund that focuses on the cultivation of high-quality enterprises with core intellectual property rights and high-value patent pools, and the commercialization and industrialization of core industrial technology patents. Second, set up a provincial intellectual property pledge financing risk compensation fund to provide risk compensation to enterprises and institutions for their intellectual property pledge financing loans. Third, promote the commercialization of innovation achievements and enhance the benefits of core technology patent commercialization. Sichuan Province was identified by China National Intellectual Property Administration as a province with remarkable outcomes in patent commercialization, and received 100 million RMB of rewards from the central government.

V. Remarks & Opinions

1. Liu Kun: Fiscal policies for high-quality development

On March 26, Finance Minister Liu Kun attended the Annual Meeting of the China Development Forum 2023 and delivered a speech on *Fiscal Policies for High-quality Development*.

Liu Kun stressed that China will further improve fiscal and tax policies and measures this year, earnestly implement the “two unwavering support”, treat all types of enterprises equally, including the private and foreign-funded ones, and continuously optimize the development environment.

Liu Kun pointed out that China will implement proactive fiscal policies with greater intensity and effectiveness in order to promote high-quality development. By “greater intensity”, we will seek to intensify fiscal policies in terms of stepping up fiscal expenditure, driving investment through special bonds, and channeling financial resources downward to primary-level governments; by “greater effectiveness”, we will enhance policy effectiveness by improving preferential tax policies, optimizing the structure of fiscal expenditure, and strengthening coordination with monetary, industrial, science and technology, and social policies.

Liu Kun stated that in the next step we will also give full play to the role of fiscal policy in effectively promoting the smooth operation of the economy; accelerate the implementation of innovation-driven development strategies and support the construction of a modern industrial system; vigorously implement regional development strategies and promote new-type and people-centered urbanization; continue to improve the well-being of people, enhance people's sense of gain, happiness and security, and share new opportunities of Chinese modernization with the rest of world.

2. Liu Shijin: Fiscal expenditure should aim at shoring up weak links in public services to unleash the huge potential of consumption

On April 4, Liu Shijin, former Vice Minister of the Development Research Center of the State Council, pointed out in his speech at the 2023 China Financial Research Conference & Annual Meeting of China Financial Forum that consumption and investment should be the main drivers to stimulate domestic demand. In terms of consumption, development-oriented consumption connected with basic public services has great potential, but the biggest shortcoming is that nearly 300 million rural migrant workers in urban areas are under-served by basic public services, making up for this shortcoming will, therefore, unleash huge growth potential of demand. In terms of investment, the focus of investment in infrastructure, manufacturing and service industries should shift to promoting industrial transformation and upgrading as soon as possible, including investment in equipment that integrates technological progress, investment in sectors supporting development-oriented consumption, and investment in digital technology and green innovation. Liu Shijin believed that government should strengthen management in consumption and reduce management in investment. The structure of government fiscal expenditure should be significantly adjusted, spending related to basic public services should be increased, and the development mechanism in related fields should be reformed accordingly, with the role of the government being shifted from focusing on economic construction to providing public services.

3. Liu Shangxi: the structural imbalance of recovery reflected in the economic data of the first quarter should warrant attention

On April 21, Liu Shangxi, Director General of the Chinese Academy of Fiscal Sciences, stated in an interview with the *China Economic Times* that China's GDP growth rate in the first quarter was 4.5%, indicating that China's economy is recovering steadily. China has significantly optimized and adjusted its pandemic prevention and control policies and resolved the problems that impede the flow of logistics and people. As a result, foreign trade experienced structural changes and exports to ASEAN exceeded expectations, making for sound performance of China's

economic growth in the first quarter and laying the foundation for achieving the annual GDP growth target set at the beginning of the year. However, some economic indicators were undershooting expectation, and private investment was sluggish, with an increase of only 0.6%, indicating that the endogenous driving force of economic recovery remained weak, resulting in a structural imbalance of recovery. Liu Shangxi suggested that on the one hand, we should optimize policies, further rationalize the transmission mechanism of fiscal and monetary policies, and innovate policy design; on the other hand, we should deepen reforms, earnestly implement the spirit of the central government in terms of promoting fair competition and optimizing review system for private investment, and work towards the achievement of expected GDP growth target for the whole year.

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