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HIGHLIGHTS

- Finance Minister Liu Kun: Thoroughly study and apply the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era to continuously improve the political, thinking and practical ability of serving Chinese modernization with public finance of Chinese characteristics
- Finance Minister Liu Kun met with NDB President Rousseff at the Diaoyutai State Guesthouse
- MOF published the *Interim Measures for the Registration and Administration of State-owned Capital Property Rights of Enterprises Affiliated to Central Party and Government Organs and Public Institution*
- MOF and the Ministry of Industry and Information Technology jointly published the *Circular on Carrying out the Program of Pilot Cities for Digital Transformation of Small and Medium-sized Enterprises*
- Value added of China's major industrial enterprises increased by 3.5% year on year

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.

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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. MOF and the National Forestry and Grassland Administration jointly published the *Circular on the Implementation of the Central Fiscal Reward and Subsidy Policy for Development of Camellia Oleifera Abel Industry*

On May 29, MOF and the National Forestry and Grassland Administration jointly published the *Circular on the Implementation of the Central Fiscal Reward and Subsidy Policy for Development of Camellia Oleifera Abel Industry*, which provided the following. First, the central finance authorities will allocate the subsidies for the development of Camellia oleifera Abel industry as part of the forestry and grassland reform and development funds to the provinces in light of their annual work and tasks, resource availability and policy factors, and the provinces may further distribute the subsidies in accordance with the requirements. Second, through the forestry and grassland reform and development funds, the central finance authorities will arrange fixed-amount rewards and subsidies of no more than 400 million RMB, 500 million RMB and 600 million RMB per project for the eastern, central and western regions. Third, MOF and the National Forestry and Grassland Administration will organize competitive evaluation by experts to assess the applicant projects, and will offer rewards and subsidies for selected prefectures and cities with robust industrial foundation, sound industrial chain, and strong demonstration effects.

2. MOF published the list of 41 accounting firms and 15 asset appraisal institutions subject to practice quality inspection

On June 6, according to the *Certified Public Accountants Law of the People's Republic of China* and the *Asset Appraisal Law of the People's Republic of China*, and in accordance with the 2023 accounting and appraisal supervision and inspection plan, MOF determined the list of 41 accounting firms and 15 asset appraisal institutions subject to practice quality inspection. The accounting firms subject to practice quality inspection include Ernst & Young Hua Ming Accounting Firm, Zhongshen Zhonghuan Accounting Firm, RSM China; and the asset appraisal institutions subject to practice

quality inspection include Jiangsu Zhongqi Huazhongtian Asset Appraisal Co., Ltd., Guangdong Guzhi Asset Appraisal Co., Ltd., and Hubei Huashen Asset Appraisal Land Real Estate Valuation Co., Ltd.

3. MOF published the *Interim Measures for the Registration and Administration of State-owned Capital Property Rights of Enterprises Affiliated to Central Party and Government Organs and Public Institutions*

On June 12, MOF published the *Interim Measures for the Registration and Administration of State-owned Capital Property Rights of Enterprises Affiliated to Central Party and Government Organs and Public Institutions*, which provided the following. First, the enterprises affiliated to central Party and government organs and public institutions herein refer to the enterprises of all levels at home and abroad that are affiliated to the central departments, i.e., first-level wholly-owned and controlled enterprises directly invested, established or administered by the central departments and their subordinate administrative institutions of all levels in accordance with the relevant provisions of the State, as well as enterprises of all levels invested and established by those enterprises. Second, the property rights registration of enterprises affiliated to the central departments include possessed property rights registration, changed property rights registration and revoked property rights registration. Third, MOF shall perform and organize the implementation of the rules and regulations for the administration of property rights registration of enterprises affiliated to the central departments, and supervise and inspect property rights registration of those enterprises.

4. MOF and the Ministry of Industry and Information Technology jointly published the *Circular on Carrying out the Program of Pilot Cities for Digital Transformation of Small and Medium-sized Enterprises*

On June 14, MOF and the Ministry of Industry and Information Technology jointly published the *Circular on Carrying out the Program of Pilot Cities for Digital Transformation of Small and Medium-sized Enterprises*, which provided the following. First, the target cities include capital cities of provinces (autonomous regions), cities with independent planning status, other prefecture-level cities, districts and counties

under the jurisdiction of municipalities directly under the central government, and the Xinjiang Production and Construction Corps. Second, the program will support the efforts to accelerate digital transformation and replicate and promote related experiences; improve the level of innovation and enhance core competitiveness; and strengthen industrial chain cooperation to achieve integrated development. Third, the central finance authorities will provide fixed-sum incentives to the pilot cities, and MOF will allocate reward and subsidy funds in tranches to be used by the pilot cities in a coordinated manner.

II. Facts & Figures

1. China's manufacturing PMI in May was 48.8%

The data published by NBS on May 31 showed that China's manufacturing PMI in May was 48.8%, down by 0.4 percentage points from the previous month. By the size of enterprises, the PMI of large enterprises was 50.0%, up by 0.7 percentage points from the previous month, and was at the critical point; the PMI of medium and small-sized enterprises was 47.6% and 47.9% respectively, down by 1.6 and 1.1 percentage points from the previous month, and were below the critical point. In terms of the sub-indexes, among the five sub-indexes that make up the manufacturing PMI, the supplier delivery time index was above the critical point, and the production index, new order index, raw material inventory index and employee index were all below the critical point.

2. China's CPI in May rose by 0.2% year on year

The data published by NBS on June 9 showed that China's CPI in May rose by 0.2% year on year. Among them, prices in urban areas rose by 0.2% year on year, and prices in rural areas rose by 0.1% year on year; food prices rose by 1.0% year on year, while non-food prices were flat year on year; consumer goods prices fell by 0.3% year on year and services prices rose by 0.9% year on year.

3. China's PPI in May fell by 4.6% year on year

The data published by NBS on June 9 showed that China's PPI in May fell by 4.6% year on year. Among them, prices of extractive industries fell by 11.5% year on year, prices of raw material industries fell by 7.7% year on year, prices of processing industries fell by 4.6% year on year, food prices rose by 0.2% year on year, apparel prices rose by 1.4% year on year, prices of general daily necessities rose by 0.3% year on year, and prices of durable consumer goods fell by 1.1% year on year.

4. Value added of China's major industrial enterprises increased by 3.5% year on year

The data published by NBS on June 15 showed that the value added of China's major industrial enterprises increased by 3.5% year on year. In terms of the three categories, the value added of mining industries decreased by 1.2% year on year, the value added of manufacturing industries increased by 4.1%, and the value added of electricity, heating, gas and water production and supply industries increased by 4.8%; by types of economic ownership, the value added of state-controlled enterprises increased by 4.4% year on year; the value added of joint-stock enterprises increased by 3.5%; the value added of foreign-invested enterprises and Hong Kong, Macao and Taiwan-invested enterprises increased by 4.2%; and the value added of private enterprises increased by 0.7%.

5. China's cumulative general public budget revenue from January to May was 9.9692 trillion RMB

The data published by MOF on June 16 showed that China's cumulative general public budget revenue from January to May was 9.9692 trillion RMB, an increase of 14.9% year on year. Among them, the central general public budget revenue was 4.5851 billion RMB, an increase of 13.1%; and the local general public budget revenue was 5.3841 trillion RMB, an increase of 16.5% year on year. The nationwide tax revenue was 8.4774 trillion RMB, an increase of 17% year on year; and non-tax revenue was 1.4918 trillion RMB, an increase of 4.5% year on year.

6. China's cumulative general public budget expenditure from January to May was 10.4821 trillion RMB

The data published by MOF on June 16 showed that China's cumulative general public budget expenditure from January to May was 10.4821 trillion RMB, an increase of 5.8% year on year. Among them, the central general public budget expenditure was 1.3092 trillion RMB, an increase of 6.5% year on year; and the local general public budget expenditure was 9.1729 trillion RMB, an increase of 5.7% year on year.

III. MOF Events

1. On May 25, Finance Minister Liu Kun met with NDB President Rousseff at the Diaoyutai State Guesthouse. The two sides exchanged views on the development of NDB, cooperation between China and NDB, and the 8th annual meeting of the Board of Governors of NDB.
2. On May 29, Finance Minister Liu Kun met with Russian Finance Minister Siluanov in Shanghai. The two sides exchanged views on bilateral cooperation between China and Russia and cooperation under the framework of NDB. Vice Finance Minister Wang Dongwei also attended the meeting.
3. On May 30-31, the 8th annual meeting of the Board of Governors of NDB was held in Shanghai. Finance Minister Liu Kun attended and addressed the opening ceremony. Vice Finance Minister Wang Dongwei also attended the meeting.
4. On June 2, Vice Finance Minister Wang Dongwei met with Argentine Minister of Economy Massa. The two sides exchanged views on China-Argentina cooperation under the framework of NDB and G20 and China-Argentina financing cooperation.
5. On June 5, Vice Finance Minister Wang Dongwei met with IFAD President Alvaro Lario at the Diaoyutai State Guesthouse. The two sides exchanged views on deepening cooperation between China and IFAD, IFAD 13, IFAD's country strategic opportunities program in China, IFAD's regional office for Asia and the Pacific in Beijing, and South-South and triangular cooperation.
6. On June 7, Finance Minister Liu Kun met with Ajay Banga, the new President of the World Bank, via video link. The two sides exchanged views on China-World Bank cooperation and other topics.

7. On the morning of June 15, Finance Minister Liu Kun held a working breakfast meeting with Bill Gates, Co-Chair of the Bill & Melinda Gates Foundation of the US, at the Ritz-Carlton Hotel. The two sides exchanged views on addressing common global challenges, financing for development and the role of multilateral development banks. Vice Finance Minister Liao Min also attended the meeting.

IV. Local Finance

1. Yunnan Finance: focus efforts on five fronts to deepen the reform of “streamlining administration, delegating powers and improving regulation and services” in the fiscal work of Yunnan

According to the news released by the Finance Department of Yunnan Province on June 8, the Finance Department of Yunnan Province has taken a goal-oriented approach to deepen the reform of “streamlining administration, delegating powers and improving regulation and services” in the fiscal work of Yunnan. First, enhance accountability and deliver work in a more efficient way by formulating and issuing the plan for division of labor within the Finance Department to ensure that work is delivered with high quality by the responsible divisions. Second, develop innovative measures to make government services more convenient by deepening “internet + government services” and expanding mutual recognition of electronic licenses. Third, further transform government functions, streamline administration, delegate powers and improve regulation and services by rolling out the reform of “separation of licenses and permits” and promoting inclusive and prudent supervision in the fiscal field. Fourth, strengthen supervision, inspection and regulatory law enforcement and conduct administrative penalty in a fair and just way and in accordance with law. Fifth, optimize business environment and uphold fair competition by carrying out fair competition reviews and maintaining fair competition order in market.

V. Remarks & Opinions

1. Liu Kun: NDB should stick to its mission and original aspiration and continue to contribute to global development

On May 30, at the opening session of the 8th annual meeting of the Board of Governors of NDB, Finance Minister Liu Kun pointed out that NDB is a major milestone of BRICS cooperation. The establishment of NDB ushered in a new chapter for developing countries represented by BRICS members to participate in the global economic governance, which is of great significance for promoting the reform of the international financial system and enhancing the representation and voice of emerging markets and developing countries. We are pleased to see that in the past eight years, with joint efforts, NDB has made positive progress in business operation, knowledge exchange and institutional development. It has gradually increased its project portfolio, boosted local currency investment and financing, and successfully completed the first round of membership expansion. The Bank has become a major emerging force among multilateral development institutions.

NDB should stick to its mission and original aspiration, position itself with the goal to help build the community of shared future for mankind, promote economic and social development of EMDCs and continue to contribute to global development.

First, bear in mind the mission and facilitate sustainable development. NDB should uphold the BRICS spirit, deeply participate in BRICS cooperation, and speak for EMDCs in the global arena. It should innovate its financing models and instruments, mobilize resources extensively, and develop both its sovereign and non-sovereign operations appropriately, so as to better meet the diversified needs of member countries and facilitate sustainable development.

Second, enhance internal management and improve governance. NDB should continue to improve its regulations and policies, optimize its institutional structure, improve the

financial model, establish a performance evaluation system covering all employees including the management, and advocate an institutional culture of professionalism, diversity, inclusiveness and efficiency, so as to attract global talents and guarantee long-term and stable development of the Bank.

Third, be demand-oriented and promote knowledge exchange. NDB should stick to its member-driven approach, align its strategy with its members' development strategies, the Global Development Initiative and Belt and Road Initiative, and facilitate trade, investment and connectivity among EMDCs. NDB should continue to improve its independent research capabilities, summarize the development experiences of member countries, create high-quality knowledge products and enhance the knowledge and experience sharing.

Over the years, as a founding member and the host country of NDB, China has always followed President Xi Jinping's instruction of establishing, supporting and developing NDB. MOF, as a window for the cooperation with NDB in China, will continue to coordinate relevant work and give full support to NDB's sound development.

2. Liu Kun: Thoroughly study and apply the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era to continuously improve the political, thinking and practical ability of serving Chinese modernization with public finance of Chinese characteristics

On June 9, Minister Liu Kun gave a special Party class to Party members and cadres under the theme of Thoroughly Studying and Applying the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era to Continuously Improve the Political, Thinking and Practical Ability of Serving Chinese Modernization with Public Finance of Chinese Characteristics.

Liu Kun pointed out that it is crucial to profoundly understand the rich connotation of "increasing wisdom through study" and learn the skills of developing economy,

rejuvenating the Party, and strengthening the country. We must follow the leadership of the Party and keep in mind the national priorities; deepen theoretical study and grasp objective laws; and take the initiative to work, hone skills, and further understand the connotation and requirements of improving political, thinking, and practical ability.

Liu Kun emphasized that it is necessary to deeply understand the underlying logic of Chinese modernization and understand Chinese modernization from multiple dimensions, angles and all-round aspects. We must accurately grasp the distinctive characteristics of Chinese modernization, and forge the powerful force for promoting national development and rejuvenation. We must strengthen historical initiative, maintain historical patience, and advance Chinese modernization with high spirits.

Liu Kun called for action to earnestly deliver the work in the initial stage of advancing Chinese modernization, and carry on to push forward the cause of serving Chinese modernization with public finance of Chinese characteristics. We must uphold and strengthen the Party's overall leadership in the development of fiscal undertakings; continue to strengthen theoretical study to deepen fiscal practice; put people first in the management of public finance; take problem-oriented approach to prevent and resolve the risks and challenges faced by Chinese modernization; and stick to the efforts in upholding fundamental principles and breaking new ground, while working to deepen and advance various fiscal reforms.

3. Liu Shangxi: ASEAN+3 region need to achieve an orderly transition through the rational use of fiscal, financial, and monetary policy tools

On June 12, Liu Shangxi, Director General of the Chinese Academy of Fiscal Sciences, stated at the 2023 ASEAN+3 Regional Economic Outlook China Forum that production, consumption and existing resource allocation in ASEAN+3 economies will undergo tremendous changes in the process of transition to net zero emissions, which will have important impact on the macroeconomic fundamentals of each economy. ASEAN+3 region need to achieve an orderly transition through the rational use of fiscal, financial, and monetary policy tools and manage the associated risks. Concerted action within the

region would create greater synergies than each economy acting alone.

The transition to net zero emissions involves a shift in the underlying logic of development, one is low-carbon & green transition, and the other is digital transition. Low-carbon & green transition and digital transition should be integrated to build synergy. The low-carbon & green transition entails two tasks for China, in that China needs to achieve carbon peaking and carbon neutrality goals, while addressing the challenges of pollution reduction. This requires the government not only to provide policy support, but also to create an enabling market environment for carbon and pollution reduction. Green finance is also an important part of green transition, and the greening of finance itself may drive market players and local governments to accelerate the process of green and low-carbon transition. The transition to net zero emissions urgently calls for a new theoretical framework, and it is our responsibility and mission as think tanks to accelerate knowledge and theoretical innovation and provide feasible solutions for governments.

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