Some Viewpoints on the Current Vulnerabilities to Global Financial Stability

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Impact of Trade Tensions

• Facts
  – US+China, GDP > 1/3 of the world
  – US, No.1 Importer, China, No.1 Exporter
  – Intra-Asia trade, 40% of the world
  – Export of China to US, Private Co. contribution %, Foreign Co. %
  – Current account surplus of China to GDP, 1% or so

• Short-term impact on
  – Capital markets through the profitability of Listed Co.
  – Foreign exchange markets
  – Global economy
Impact of Trade Tensions (2)

• Long-term Impact on
  – Re-selection of cites by producers
  – Supply chain restructuring

• Preventive measures
  – More flexible monetary policy
  – possibly necessary interventions with capital outflows
  – More cooperations between financial regulators
Impact of Debt-relied Growth

• Facts
  – ever-rising of debts of public sector since 2008
  – recovered rising of debts of household sectors since 2008

• Impact on
  – Economy
  – Some FIs
Impact of Debt-relied Growth (2)

• Preventive measures
  – No tax competition among countries
  – Necessary progressive tax rates
  – Social policy in education, employment, etc.
Impact of property markets

• Facts
  – low interest rates across OECD countries and China since 2008
  – Ever rising of property prices
  – Rising of leverage of households largely due to housing mortgages

• Impact on
  – Economy
  – Financial sector
Impact of property markets (2)

- Preventive measures
  - Strict underwriting of mortgages and consumers' credits in rules and practices
    - Down payments, ratio of debt serving to disposable income, etc.
  - Restrictions on the concentration of property-related loans
  - Social Policy at the municipal level
    - Reasonable urbanization
    - Property tax
    - Social housing
Impact of Carbon Intensive Assets

• Facts
  – Carbon intensive assets in sectors like coal-fired power plants, fuel-driven engine automobile factories
  – Continuous decline of cost of renewable energy and automobile power batteries, coming near to the critical point in competition with traditional sectors

• Impact on
  – Quality of financial assets in carbon intensive sectors
  – Financial sector as a whole
  – Economy as a whole
Impact of Carbon Intensive Assets (2)

• Preventive Measures
  – Stress tests for climate change
  – More effective carbon markets
  – Strategic and looking forward policy on the allocation of financial portfolios
Thank You All