

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 sites 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