

## **Pan Gongsheng: China's high-quality development and global economic rebalancing**

Keynote speech by Mr Pan Gongsheng, Governor of the People's Bank of China, at the 2026 China Development Forum, Beijing, 22 March 2026.

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Distinguished guests,

Good morning!

It gives me great pleasure to attend this year's China Development Forum. Please allow me to extend my heartfelt thanks to friends from all walks of life for your continued interest in and support for China's financial sector. I would like to take this opportunity to share three observations under the theme of "China's High-Quality Development and Global Economic Rebalancing".

**Let me begin with global economic rebalancing and China's contribution to it.**

Amid recurrent geopolitical, economic and trade conflicts, discussions on global economic imbalances and rebalancing have increased notably. It has also become a key issue on the G20 agenda this year.

**Since the beginning of this century, the global economy has undergone three major rounds of dynamic balancing. China deeply participated in each of the processes and made a positive contribution.**

**The first round** was from 2001 to 2007, after China's accession to the WTO. Tapping into its low-cost advantage, China integrated into global division of labor, which effectively expanded global supply, improved production efficiency, eased global inflationary pressures, and boosted global economic growth.

**The second round** was from 2008 to 2017. In the wake of the global financial crisis, global demand waned, and the global economy was characterized by low growth, low inflation, low interest rates, and high debt. China took the initiative to vigorously expand domestic demand and imports, which fueled global economic growth and averted deflation. China's contribution to global economic growth has held steady at around 30 percent, serving as a major engine of global growth ever since.

**The third round** started after the outbreak of the COVID-19. Since the onset of the pandemic, supply shocks and strong demand-side stimulus, coupled with rising trade protectionism and anti-globalization, had pushed up global inflation. Yet China managed to keep supply chain stable, and made continuous contribution to global price stability and economic balance.

**China's economy has also undergone profound structural adjustments and dynamic balancing.** The contribution of consumption to economic growth has grown from 37 percent in 2010 to 52 percent in 2025. Current account surplus as a percent of

GDP has declined from around 10 percent in 2007 to a reasonable range of below 2 percent on average over the past decade.

**Here, I would like to elaborate a bit on two issues.**

**The first issue is how China gains its industrial competitiveness in the global market.**

The improvement in the international competitiveness of Chinese industries is first and foremost attributable to more than 40 years of reform and opening-up. In the process of opening-up to the outside world, China learned from its international partners, including the outstanding companies in the world represented here today. We competed and grew alongside our partners. Meanwhile, the following four factors are key to enhancing the international competitiveness of China's industries.

**China has a super-large market.** It allows technological innovation to be readily translated into industrial application. The outcomes can then be scaled up and commercialized, while undergoing rapid iteration, which can create a leading position in technologies and cost advantages.

**China has complete industrial and supply chains.** The industrial ecosystem, the supply network, research and development (R&D) institutions and digital infrastructure concentrate efficiently in certain regions, forming a collaborative network with a clear division of labour and synergy.

**China has an abundant high-quality skilled hardworking labour force, particularly tech talents.** There are over 72 million highly-skilled talents in China, and the number of R&D professionals has ranked first globally over the years. China boasts the largest and most diverse talent pool in the world.

**Sustained investment in R&D has sharpened China's capability in technological innovation.** The average annual growth in China's R&D expenditure exceeded 10 percent over the past five years. In 2025, China's total R&D expenditure was second only to the U.S.. China's R&D intensity, measured by R&D investment as a percent of GDP, is higher than the OECD average.

**Regarding the source of international competitiveness of China's industries, there is a lingering misconception that China's industrial competitiveness is mainly attributable to unreasonable government subsidies.** For those with such doubts, please feel free to visit China and see for yourselves. It will help you gain a more accurate and comprehensive understanding of China's industries.

As Premier Li Qiang emphasized in his remarks just now, China advocates fair, sound, and healthy competition. In response to the "involutionary" competition of some enterprises, the central government has already taken concrete measures, which includes regulating local governments' business attraction and investment promotion practices. Improper preferential policies such as tax credit and land use have been banned. A more unified national market is being established. We have also reinforced industrial and environmental protection technical standards to curb low-quality competition. Meanwhile, the People's Bank of China (PBOC) has guided

financial institutions in their risk assessments. This is intended to rein in "involutionary" competition through curbing financing to sectors caught in rat races.

All these efforts have produced desired outcomes. The year-on-year decline in China's PPI narrowed from -3.6 percent in July last year to -0.9 percent in February this year. The business performance of enterprises has also improved.

**The second issue is about how to understand and assess global economic imbalances.**

This is another issue widely discussed by the international community at present. I would like to share some of my thoughts on it.

**To analyze global economic imbalances, we need to look at not only trade in goods but also trade in services, and not only current account but also financial account.** China is the largest goods trade surplus country, and the world's largest services trade deficit country. The current account surplus accumulated by China is allocated to different regions and industries worldwide through foreign investment by Chinese enterprises and banks, which has injected liquidity into the global financial markets, and hence underpinned global economic growth and financial stability.

**We should analyze imbalances not only from a static perspective, but also from a dynamic perspective. From the perspective of time,** the balance of supply and demand is a relative concept. The expansion and contraction of supply and demand gap is susceptible to multiple factors both globally and within a single economy. For example, recent conflict in the Middle East has caused a supply-side shock to oil, and driven oil prices up sharply. However, over a longer cycle, market forces will adjust automatically and bring supply and demand back to balance. Economic growth, rising incomes, shifting consumer preferences, and technology advances have together given rise to new source of supply, new patterns of demand, and even new markets.

**From a spatial perspective,** a unified market, both among different countries and among different regions within a country, and division of labor and trade based on comparative advantages can maximize the social well-being. Back in the 1980s and 1990s, when I was learning economics in the university, a basic global consensus was that a free trade system based on comparative advantages was the foundation for global prosperity and could enhance global well-being. International trade is the result of voluntary choices made by hundreds of millions of businesses and households rather than forced decisions.

**When analyzing global economic imbalances, we should consider not only economic factors but also non-economic factors.** A number of factors, including front-loading of exports triggered by last year's tariff war and trade war, and an increase in export control measures due to overstretched concept of national security, have disrupted the expectations of businesses and households, and brought significant disturbance to global economic balance.

**When making the analysis, we should not only analyze the international economic and trade system, but also the international monetary system.** Trade surplus is the product of the evolution of global industrial division of labor. In the past

four decades, the major surplus countries have been those with a highly competitive manufacturing industry, such as Japan, Germany, Switzerland, and China. In recent years, emerging market economies, such as Southeast Asian countries, are gradually becoming surplus countries. However, major deficit countries remain the same over the years, which is related to the inherent flaws of the international monetary system.

Under the international monetary system dominated by a single sovereign currency, the country issuing the major reserve currency can sustain longstanding deficit spending with relatively low financing costs, and export its currency through sizable current account deficits. At the same time, sustained capital inflows can lead to an overvaluation of the major reserve currency, which, to some extent, can weaken the competitiveness of the country's manufacturing sector.

**Currently, stable, rational, and predictable cooperation is particularly valuable.** Trade fragmentation is undermining the foundation of free trade. We need to stand more firmly against all forms of trade protectionism, consolidate and develop the rules-based multilateral framework and international economic and trade order centered around the World Trade Organization, and promote inclusive economic globalization.

**With that, let me move to my second observation, China is actively advancing the transformation of its economic growth model to improve the quality and sustainability of growth.**

The just-concluded annual Two Sessions reviewed and approved the 2026 Government Work Report and the 15th Five-Year Plan Outline, clarifying the economic and social development goals and key policies for this year and the next five years. Five features merit special attention.

**First, we set the growth target in a scientific and reasonable manner.**

Mathematically, the economic growth rate is the ratio of annual GDP increase to the total GDP. In 2025, China's total GDP exceeded 140 trillion yuan, and the annual increment is equivalent to the annual economic output of a medium-sized economy. China needs to maintain a reasonable economic growth rate, but the quality and sustainability of growth are even more important. The Government Work Report has set this year's economic growth target at 4.5 percent to 5 percent, leaving greater room for economic restructuring and high-quality development.

**Second, we put focus on the transformation of economic growth model.** The 15th Five-Year Plan prioritizes high-quality development, strengthening of domestic circulation, and adherence to domestic demand-driven growth. We will take policy measures to boost consumption, improve income distribution system, optimize social security system, and expand investment and consumption in areas such as education, healthcare and elderly care. These efforts are expected to significantly lift the rate of household consumption. We will vigorously develop the services sector, and promote the reform, innovation, and opening up of the services sector for more cooperation. Building on its position as a global manufacturing powerhouse, China will move faster to become a core market for global demand.

**Third, we place emphasis on sci-tech innovation to boost productivity growth.** Sci-tech innovation represents a clear and steadfast long-term strategic choice for China. It

is aligned with the global trend of technological revolution, and also serves the needs of China's high-quality development. China will continue to promote the deeper integration of sci-tech innovation and industrial innovation, strengthen the protection and application of intellectual property rights, and boost productivity growth.

**Fourth, we will speed up green transformation and sustainable development.**

China has built the world's largest renewable energy system and the most complete new energy industrial chain. We have helped drive down global costs for wind and solar power sharply. China will step up efforts for a green and low-carbon economy, and strive to peak carbon emissions by 2030 and achieve carbon neutrality by 2060. We will also uphold the multilateral climate process for global green and low-carbon development.

**Fifth, we will further improve economic governance.** We are working to better define and balance the roles of government and market, respecting and leveraging the market's decisive role in resource allocation. To foster a fairer and more dynamic market, we are pressing ahead with building a unified national market and enabling a law-based economy.

The dynamic balance and structural transformation of the economy require medium- to long-term reform blueprints and commitments that are steadfastly implemented, not flip-flopped. This year marks the beginning of the 15th Five-Year Plan. Formulating and rolling out five-year plans serves not only as a proven path for China's reform and development, but also as a reflection of our institutional strength.

**That brings me to my third observation, which is, strengthening financial support for the structural transformation of China's economy.**

The PBOC will continue with the supportive monetary policy stance to foster a favorable monetary and financial environment for stable economic growth, high-quality development, and the smooth functioning of the financial markets.

**The PBOC will continue to implement an appropriately accommodative monetary policy.** Currently, the financial conditions in China remain accommodative, with financial aggregates growing at a reasonable pace. We will strike a balance between short-term and long-term objectives, between supporting the real economy and preserving the soundness of the financial system, and between internal and external equilibrium. That means wielding a broad array of monetary policy tools, including reserve requirement ratios, policy rates, and open market operations, to keep liquidity adequate in the financial system.

Under the classification by the International Monetary Fund (IMF), China adopts a managed floating exchange rate regime. So far this year, the RMB has appreciated by about 1.3 percent against the US dollar, and by even larger margins of 3.7 percent, 3.2 percent, and 2.4 percent respectively against the euro, the Japanese yen, and the British pound.

China sees no need-and has no intention-to use currency depreciation as a tool to gain trade competitiveness. The PBOC's stance has always been clear, that is to let the market play a decisive role in exchange rate formation and to keep the exchange rate

flexible, while strengthening expectation guidance to keep the RMB exchange rate basically stable at an adaptive and equilibrium level. We use expectation guidance and transparent macroprudential management tools in line with international norms and practices to correct herd behavior and market failure, helping to prevent the disruptive equilibrium reoccurring in international financial history.

**We will steadily promote the high-standard opening-up of the financial sector.** We will deepen the interconnectivity of financial markets and payment systems to facilitate more investor participation in China's financial market. China's stock market and bond market both rank second globally in size, with ever-growing market depth, resilience, and liquidity. As of end-2025, RMB financial assets, including stocks, bonds, loans, and deposits, held by overseas institutions and individuals exceeded 10 trillion yuan. We welcome overseas investors to participate and invest in China's financial market.

**In recent years, RMB internationalization has made solid progress, which has provided domestic and overseas entities with more diversified currency options.** Now, RMB financing cost is relatively low. In 2025, foreign governments, international development institutions, financial institutions, and large enterprises issued over 170 billion yuan panda bonds. The amount of offshore RMB bonds issued in Hong Kong is even larger. We will continue to improve the institutional arrangements and financial infrastructure for the cross-border use of RMB. We will pursue diversified monetary and financial cooperation to further develop the offshore RMB market, thereby facilitating cross-border trade, investment and financing activities.

**We will implement the Global Governance Initiative proposed by President Xi Jinping, and actively participate in and advance the reform and improvement of global financial governance.** We will strengthen international macroeconomic policy communication and coordination, improve the governance of international financial organizations, build a multi-layer efficient global financial safety net, and more effectively safeguard global economic and financial stability.

**Distinguished guests,**

in the face of rising global uncertainties, China will, acting with responsibility and courage, continue to serve as a key engine of global economic growth, and bring strong momentum and greater stability to the world. We will work with all parties, and pursue a more open, inclusive, and balanced global economy.

Thank you!