

Zhu Hexin: New landscape of global capital flows and China's high-level opening-up

Keynote speech by Mr Zhu Hexin, Deputy Governor of the People's Bank of China and SAFE Administrator, at the 2026 Lujiazui Forum, Shanghai, 17 June 2026.

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Distinguished Vice Premier He Lifeng,

Party Secretary Chen Jining

former PBOC Governor Zhou Xiaochuan

Mayor Gong Zheng, and dear guests,

Good morning!

It is a great pleasure to attend the Lujiazui Forum.

The speech just delivered by Vice Premier He Lifeng provides important guidance for us in implementing the arrangements of the "15th Five-Year Plan" and in solidly advancing efforts to prevent risks, strengthen regulation, and promote high-quality development. We will earnestly study the guidelines and fully implement it.

The "15th Five-Year Plan" proposes "enhancing capital account openness." Capital account opening is an important component of the country's high-standard opening-up. I would like to take this opportunity to share three observations regarding the new landscape of global capital flows and China's capital account openness.

I. Global capital flows have shown resilience amid volatility and divergence

From a long-term perspective, as the international economic and financial landscape shifts, the pattern of global capital flows has continued to evolve.

Since the 1980s, economic globalization and financial integration have deepened. The breadth and depth of cross-border capital flows have continued to expand. Despite multiple rounds of crises and adjustments during this period, openness and integration have remained the underlying theme of global capital flows.

Since the beginning of 2020, the world has entered a period of turbulence and transformation, with increasing instability and uncertainty. In the face of a more complex economic and financial environment, more extensive geopolitical and economic-trade adjustments, and more profound industrial and technological changes, global capital flows have displayed new characteristics of "volatility, divergence, and resilience."

The first characteristic is greater volatility in capital flows.

The pandemic shocks, geopolitical conflicts, and economic-trade frictions have intertwined and compounded one another. Global inflation and interest rates have shifted from the prolonged low levels to elevated levels with ongoing adjustments.

Global financial conditions are changing rapidly, leading to greater volatility in international financial markets and more pronounced pro-cyclical fluctuations in capital flows. Changes in the financial structure have further amplified this volatility. Cross-border capital is increasingly being allocated through channels such as bonds, equities, and funds. Compared with traditional channels like direct investment and bank lending, shifts in risk appetite and expectations now transmit more quickly across markets and economies.

The second key characteristic is the deepening divergence in the structure of capital flows.

As a new wave of technological revolution and industrial transformation gains momentum, global capital is increasingly concentrating in future-oriented industries such as artificial intelligence (AI), semiconductors, biomanufacturing, and the energy transition. Meanwhile, some traditional industries, low-growth sectors, and highly-valued assets are facing mounting repricing pressures. Divergence across countries, industries, and assets has become more pronounced. Looking ahead, the accelerating translation of new technologies into productivity gains, business model innovation, and industrial applications, coupled with the long-term impact of innovation achievements on economic growth and income distribution, will profoundly shape the future direction of global capital allocation.

The third key characteristic is the notable resilience of capital flows.

Despite multiple challenges, the foundations of global openness and cooperation remain solid, while the underlying incentives for cross-border resource allocation by all types of entities continue to be strong. Global foreign direct investment (FDI) reached USD1.6 trillion in 2025, recovering to its 2019 level. Cross-border securities investment also remained buoyant. In 2025, net cross-border securities inflows received by countries worldwide exceeded USD4 trillion, up 14 percent from the previous year and the highest level on record. The resilience of the global financial system has also continued to improve. Many emerging market economies, including China, have accumulated greater experience in macroeconomic regulation and macroprudential management, enhancing their capacity to withstand external shocks.

II. China Brings Greater Certainty to Global Development

China has consistently emphasized that the certainty of its own development is the best response to external uncertainties. We remain committed to comprehensive openness and cooperation. Through two-way cross-border capital flows, China efficiently connects its innovation ecosystem, industrial capabilities, and financial services with the global economy, enabling countries around the world to share in the benefits of development.

On the one hand, global innovation capital is being deployed into China with growing momentum, shifting from sharing the cost and scale advantages of "Made in China" to jointly building the technology and industrial ecosystem of "Created in China". In 2025, China's actual utilized foreign capital exceeded USD100 billion, with the high-tech industry accounting for about one-third. The growth rates of utilized foreign capital in the medical device and aerospace industries reached 42 percent and 23 percent, respectively. In the capital market, the "technology narrative" is also becoming increasingly clear. By the end of the first quarter of 2026, foreign investors held domestic stocks worth approximately USD600 billion, of which about USD90 billion was in the information technology sector.

On the other hand, China is providing more patient capital to the world. Among the outward investments of domestic enterprises and institutions, direct investment, characterized by long investment horizons and strong operational attributes, accounts for a relatively high proportion, reaching 45 percent in 2025. China's outward investment stock has ranked among the global top three for nine consecutive years, spanning over 190 countries and regions, effectively driving the industrial development of host countries and supporting the resilience of global industrial and supply chains.

In the two-way interaction between China and global capital flows, the RMB's role as a financial link continues to expand. Cross-border RMB usage and capital account openness promote each other. The share of cross-border RMB receipts and payments under China's capital account has risen to about 60 percent. Relying on its good reputation, stable value, low financing costs, and increasingly refined payment and clearing network, RMB provides global entities with diverse currency options and risk diversification tools, and also creates more stable and predictable financial conditions for cross-border capital flows.

III. Deepening the high-standard institutional opening-up of capital account

In recent years, China's capital account opening-up policies have been continuously improved, effectively supporting the two-way growth and structural optimization of cross-border capital flows. By the end of 2025, domestic entities held USD8 trillion in external assets, the stock of foreign direct investment reached USD4 trillion, and foreign investors held over USD1 trillion in domestic stocks and bonds.

Currently, the connotation and denotation of China's capital account opening-up are further expanding. This is mainly reflected in taking institutional opening-up as the direction, driven by the real business and asset allocation needs of various entities, using cross-border RMB usage as an important vehicle, and supported by full-chain management services for cross-border capital flows.

Looking ahead, to promote opening-up at a higher level and with higher quality, we will adhere to market-oriented, law-based, and internationalized principles, focusing on the following "four deepenings" to continuously enhance the level of capital account opening-up.

First, deepening from channel-based opening-up to institutional opening-up.

Capital account opening-up is, in essence, the opening-up of the rules and systems governing cross-border capital flows. **Next**, we will better align with high-standard international economic and trade rules, enhance the transparency and predictability of the opening-up arrangements, and maintain cross-cycle continuity and stability of policy.

The financial market is a key area of institutional opening-up. We will further improve the openness of securities issuance market, promote the alignment of securities trading market rules with international standards, advance the integration of channels, optimize institutional arrangements, and unify rules to enhance the two-way opening-up of the financial market.

Second, deepening the shift from facilitating specific business operations to facilitating market entities.

The focus of capital account opening-up in serving the real economy lies in better meeting the increasingly diversified cross-border capital allocation needs of business entities. In recent years, we have deepened reforms to facilitate cross-border investment and financing, significantly reduced administrative approvals, and improved business processing efficiency. Next, we will further shift from "facilitating individual business operations" to "facilitating market entities", and from "ex-ante approval" to "in-process monitoring and ex-post verification". Entities with sound operations and good credit will be granted greater facilitation.

Policies such as the reform of foreign exchange business operations in banks and the multinational corporation cash pooling scheme are vivid examples of this approach. To date, the reform has covered all major banks handling cross-border transactions, facilitating over USD1.3 trillion worth of business for our corporate clients. Meanwhile, the cash pooling policy has benefited more than 1,100 multinational corporations and 20,000 member enterprises, streamlining cross-border receipts and payments in excess of USD2.4 trillion.

Third, we are moving from foreign exchange management toward greater synergy between onshore and offshore currencies.

The internationalization of the RMB has added new dimensions to capital account convertibility. We must therefore ensure better coordination between RMB and foreign currency businesses, as well as between onshore and offshore markets.

In recent years, we have made notable progress in aligning cross-border policies for both domestic and foreign currencies. The bank account settlement system now supports integrated operations in RMB and foreign currencies. Most cross-border investment and financing activities are governed by a single set of rules or a unified document framework, and can be handled through a "one-stop" service at the SAFE or at commercial banks. **Going forward**, we will strengthen policy coherence between foreign exchange administration and RMB cross-border regulations, support the development of the offshore RMB market, enrich RMB-denominated investment and hedging products, and provide a stable institutional foundation for the further internationalization of our currency.

Fourth, we are expanding our management and services from currency conversion to the entire chain of cross-border capital flows.

Cross-border capital flows involve multiple links, including currency conversion, underlying transactions, payment, settlement, risk hedging, and exit arrangements. In the next phase, it is imperative that we broaden the perspective of capital account opening from the conversion stage to the entire chain of cross-border capital flows. By introducing more systematic opening-up policies, strengthening our risk prevention framework, and improving overall governance, we aim to advance openness and cooperation on the premise of safeguarding bottom-line security.

The foreign exchange market plays a critical role in risk hedging and liquidity management. In recent years, trading volume in China's foreign exchange market has repeatedly hit record highs. Looking ahead, we will encourage greater foreign participation, support innovation in RMB foreign exchange derivatives, improve services for corporate exchange rate risk management, and enhance both the vitality and resilience of the market.

In sum, capital account convertibility is a systemic undertaking that involves multiple objectives, interdependent links, and various constraints. It requires coordinated efforts from all parties, pooled wisdom, and a balanced approach to development and security, with systematic planning and phased implementation.

In the near term, we will act on Vice Premier He's directives and take more concrete steps to facilitate cross-border investment and financing. **First**, building on the nine facilitation measures introduced last year, we will roll out a new package of incremental policies to create synergies between existing and new instruments. **Second**, we will comprehensively reform the policy framework for cross-border FDI to better serve global enterprises seeking to invest and operate in China. **Third**, we will provide stronger support for domestic entities in their global resource allocation. Following this year's optimization of rules for overseas listings and lending by domestic firms, we will proactively address market demands by further simplifying the administrative requirements for outward direct investment (ODI) and external debt, refining policies on foreign currency loans and cross-border equity incentives, and granting investment quotas to a new batch of qualified domestic institutional investors (QDII).

Shanghai serves as both a forerunner and a testing ground for high-level financial opening-up. This year, the pilot program for high-level trade opening-up in Shanghai has already accounted for one quarter of the city's current account foreign exchange receipts and payments. The corporate foreign exchange hedging ratio in Shanghai has risen to 38 percent. Policy dividends continue to be unleashed in areas like easier external debt access for tech-innovative firms, green bond frameworks, and cross-border financial service platforms. The reform of foreign exchange business operations in banks has cumulatively facilitated over USD200 billion worth of transactions for enterprises in Shanghai. In the next stage, we will follow Vice Premier He's guidance by supporting Shanghai in piloting more flexible foreign exchange settlement in trade, implementing pilot schemes to facilitate overseas investment using cross-border reinsurance income, and expanding the application of centralized cash pooling and management for multinationals. These efforts are designed to enhance the

effectiveness of institutional innovation and provide stronger support for developing Shanghai as an international financial center.

Ladies and gentlemen, dear friends,

In a world full of uncertainties, openness and cooperation remain the most important anchor of certainty. We will stay committed to high-level opening-up and build a foreign exchange system that is **more convenient, more open, safer, and smarter**-to better serve China's high-quality development and to help sustain the steady growth of an open world economy.

To conclude, I wish this forum a great success. Thank you!