China Monetary Policy Report

Q3 2025

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Monetary Policy Analysis Group of

the People's Bank of China

Executive Summary

Since the beginning of 2025, under the strong leadership of the CPC Central Committee with Comrade Xi Jinping as its core, China's economy has developed steadily on a positive trajectory amid pressures, achieving positive results in high-quality development. Major economic indicators remained generally stable, demonstrating strong resilience and vitality. The GDP grew 5.2 percent year on year in the first three quarters of the year. Following the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the People's Bank of China (PBOC) has earnestly implemented the decisions and arrangements of the CPC Central Committee and the State Council. It has pursued an appropriately accommodative monetary policy, maintained adequate liquidity, and employed a mix of quantitative, pricing, and structural monetary policy tools, thereby creating a favorable monetary and financial environment for economic recovery and the stable operation of financial markets.

First, money and credit maintained reasonable growth. The PBOC kept liquidity adequate by using a mix of tools, including open market operations (OMOs), medium-term lending facility (MLF) operations, and central bank lending and discounts. Financial institutions were encouraged to fully satisfy the effective credit needs of the real economy and to enhance the efficiency of fund utilization so as to improve the quality and efficiency of financial services for the real economy. Second, overall social financing costs were guided to move downward. The PBOC improved the market-oriented interest rate adjustment framework, strengthened implementation of the interest rate policy, and gave full play to the role of the self-regulatory mechanism for market-based interest rate pricing to bring down both deposit and lending rates. Third, the credit structure was improved. The PBOC made good use of RMB500 billion of the central bank lending facility for service consumption and elderly care and the newly-added central bank lending in support of sci-tech innovation and technological upgrading and it leveraged the risk-sharing instrument for sci-tech innovation bonds, all in an effort to strengthen support for key domestic demand sectors, such as consumption and sci-tech innovation. While ensuring effective use of existing structural monetary policy instruments, the PBOC continued its efforts to develop technology finance, green finance, inclusive finance, old-age finance, and digital finance. Fourth, the RMB exchange rate remained basically stable. Upholding the decisive role of the market in the formation of the exchange rate, the PBOC gave play to the role of the exchange rate in adjusting the macro economy and the balance of payments. It implemented a mix of policies to keep expectations stable, and the RMB exchange rate remained basically stable despite the complex circumstances. Fifth, risk prevention and resolution were strengthened. Risk resolution in key areas was steadily promoted, and the system of financial risk monitoring, assessments, and early warnings was continuously improved.

The counter-cyclical adjustments of monetary policy took effect. Financial aggregates

witnessed reasonable growth. At end-September, outstanding aggregate financing to the real economy (AFRE) and broad money supply (M2) recorded year-on-year growth of 8.7 percent and 8.4 percent, respectively. Outstanding RMB-denominated loans registered RMB270.4 trillion. Social financing costs were at a historic low. In September, interest rates on new corporate loans and on new personal housing loans dropped by about 40 basis points and 25 basis points year on year, respectively. The credit structure continued to improve. The RMB exchange rate remained basically stable at an adaptive and equilibrium level. At end-September, the central parity of the RMB against the U.S. dollar appreciated by 1.2 percent from end-2024.

Currently, the external environment is fraught with instabilities and uncertainties. The international economic and trade order is facing grave challenges, the momentum for world economic growth remains insufficient, and the performance of the economy in the major economies is diverging. China's economy still faces multiple risks and challenges, and the foundation for economic rebound and improvement needs to be further consolidated. At the same time, China's economy has a solid foundation, advantages in many areas, strong resilience, and great potential. The conditions for and underlying trend of long-term growth remain unchanged. It is essential to maintain strategic resolve, enhance our confidence of success, and drive major breakthroughs in strategic tasks of overall importance to Chinese modernization. Going forward, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the PBOC will fully implement the guiding principles of the 20th National Congress of the CPC and the plenary sessions of its Central Committee held thereafter as well as the Central Economic Work Conference. It will adhere to the general principle of seeking progress while maintaining stability, and it will apply the new development philosophy fully and faithfully on all fronts. Firmly following the path of financial development with Chinese characteristics, the PBOC will further deepen financial reforms and the high-standard opening-up, and it will accelerate the pace of building China into a financial powerhouse. It will improve the central banking system, establish a well-conceived, prudent monetary policy framework as well as a far-ranging macro-prudential management system, and it will smooth the monetary policy transmission mechanism. The PBOC will work to strike a balance between short-term and long-term considerations, between growth stability and risk prevention, between internal and external equilibria, and between supporting the real economy and maintaining the soundness of the banking system. It will enhance the consistency of the macro policy orientation, effectively implement counter-cyclical and intertemporal adjustments, and improve the effectiveness of macroeconomic governance. Continued efforts will be made to maintain stable growth, employment, and expectations.

The PBOC will implement an appropriately accommodative monetary policy. It will employ a mix of policy tools to maintain relatively accommodative social financing conditions, while continuing to improve the monetary policy framework and strengthening the implementation and transmission of monetary policy. It will work to maintain adequate liquidity and keep the growth of aggregate financing and money supply in step with the expected targets for economic growth and general price levels. This will help sustain a favorable financial environment. Promoting a reasonable price recovery will be an important consideration in the implementation of monetary policies so as to keep prices at a reasonable level. The PBOC will further improve the interest rate adjustment framework, strengthen the guiding role of central bank policy rates, and improve the market-based interest rate formation and transmission mechanism. It will leverage the self-regulatory mechanism for market-based interest rate pricing, strengthen implementation and oversight of interest rate policies, and work to reduce the bank liability costs. With these efforts, it will promote a decline in overall financing costs. Giving play to the role of monetary policy tools in adjusting both the aggregate and the structure, the PBOC will make good use of structural monetary policy instruments, make solid efforts to develop technology finance, green finance, inclusive finance, old-age finance, and digital finance, and strengthen support for key areas, such as sci-tech innovation, consumption expansion, inclusive financing for micro and small businesses (MSBs), and foreign trade stabilization. Pursuing a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies, the PBOC will maintain exchange rate flexibility, strengthen expectation guidance, prevent the risk of exchange rate overshooting, and keep the RMB exchange rate basically stable at an adaptive and equilibrium level. While exploring to expand its functions in macro-prudential management and financial stability, the PBOC will safeguard financial market stability and firmly defend the bottom line whereby no systemic financial risks will occur.

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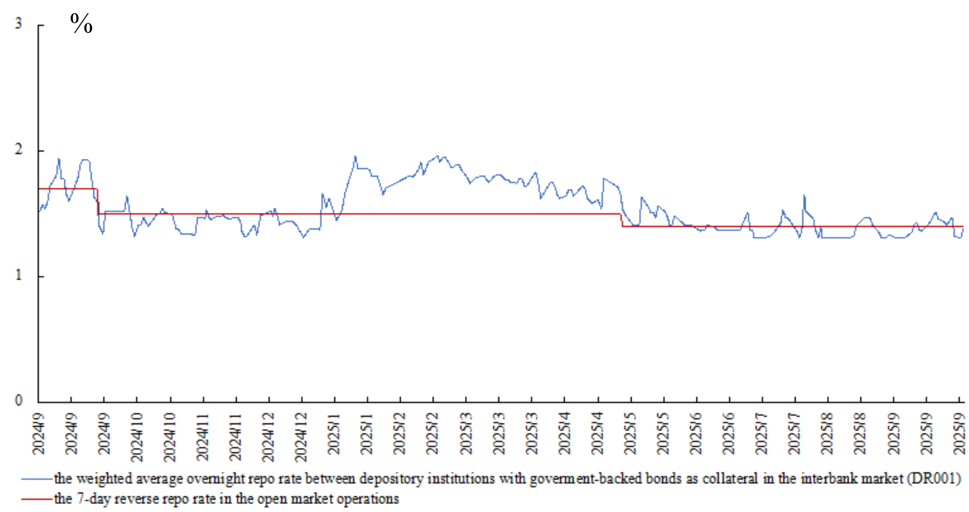
Part 1 Money and Credit Analysis

Since the beginning of 2025, the People's Bank of China (PBOC) has followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and has fully implemented the guiding principles of the 20th CPC National Congress, the Plenary Sessions of the 20th CPC Central Committee, and the Central Economic Work Conference. In line with the arrangements in the Report on the Work of the Government, the PBOC has implemented an appropriately accommodative monetary policy. This has helped maintain adequate liquidity and reasonable growth in financial aggregates, lowered overall social financing costs, continuously optimized the credit structure, and kept the RMB exchange rate basically stable at an adaptive and equilibrium level.

I. Liquidity in the banking system was adequate

Since the beginning of 2025, the PBOC employed a mix of monetary policy instruments, including required reserve ratio (RRR) cut, open market operations (OMOs), medium-term lending facility (MLF), and central bank lending and discounts, to keep liquidity adequate in the banking system. The PBOC flexibly managed the intensity and pace of open market operations, promptly smoothing out short-term fluctuations caused by factors such as fiscal tax payments and government bond issuances, helping to maintain stable money market rates. At end-September, the excess reserve ratio for financial institutions stood at 1.4 percent.

Figure 1 Movement of Money Market Interest Rates



Source: www.chinamoney.com.cn

II. The volume of deposits and loans at financial institutions remained stable, while interest rates edged downward

Credit aggregates expanded at a reasonable pace. Since the beginning of 2025, the domestic economy has remained generally stable, while the external environment has faced multiple uncertainties. Domestic consumption and investment demand still require improvements.

Moreover, multiple factors, including economic restructuring, debt and risk resolution, and the development of direct financing, collectively contributed to a weakening in credit demand. The PBOC has held multiple symposia with financial institutions, guiding them to fully meet the effective credit demands of the real economy and to strengthen financial support to the real economy. At end-September, outstanding loans issued by financial institutions in domestic and foreign currencies grew 6.5 percent year on year to RMB274.3 trillion, an increase of RMB14.8 trillion from the beginning of 2025. Outstanding RMB loans grew 6.6 percent year on year to RMB270.4 trillion, up RMB14.8 trillion from the beginning of 2025.

Table 1 New RMB Loans from Financial Institutions in the First Three Quarters of 2025

Unit: RMB100 million

	Increase from the beginning of the year
Chinese-funded large-sized banks①	97443
Chinese-funded small and medium-sized banks②	56726
Small-sized rural financial institutions③	13395
Foreign-funded financial institutions	-544

Notes: 1. Chinese-funded large-sized banks refer to banks with assets (in both domestic and foreign currencies) of RMB2 trillion or more (according to the amount of total assets in both domestic and foreign currencies at end-2008). 2. Chinese-funded small and medium-sized banks refer to banks with total assets (in both domestic and foreign currencies) of less than RMB2 trillion (according to the amount of total assets in both domestic and foreign currencies at end-2008). 3. Small-sized rural financial institutions include rural commercial banks, rural cooperative banks, and rural credit cooperatives.
Source: The People's Bank of China.

Deposits grew rapidly. At end-September, outstanding deposits in domestic and foreign currencies at all financial institutions increased 8.3 percent year on year to RMB332.2 trillion, up RMB23.8 trillion from the beginning of 2025. Outstanding RMB deposits grew 8.0 percent year on year to RMB324.9 trillion, an increase of RMB22.7 trillion from the beginning of 2025. Outstanding deposits in foreign currencies stood at USD1.0 trillion, an increase of USD165.8 billion from the beginning of 2025.

Table 2 The Structure of RMB Deposits in the First Three Quarters of 2025

Unit: RMB100 million

	Outstanding deposits at end-September	YOY growth	Increase from the beginning of the year
RMB deposits:	3249388	8.0%	227082
Household deposits	1639848	10.2%	127341
Non-financial enterprise deposits	797743	4.2%	15256
Public entity deposits	392199	5.8%	21570
Fiscal deposits	69907	7.2%	13668

Non-banking financial institution deposits	329979	9.7%	48075
Overseas deposits	19713	9.6%	1173

Source: The People's Bank of China.

Interest rates on newly issued loans remained at a historic low. Since the beginning of 2025, the PBOC has continuously improved the market-based interest rate adjustment framework, and has strengthened implementation and oversight of interest rate policies so as to promote a decline in overall financing costs. In September, the one-year loan prime rate (LPR) and the over-five-year LPR stood at 3.0 percent and 3.5 percent, respectively, both down 0.35 percentage points year on year, and the weighted average interest rate on new loans recorded approximately 3.2 percent, down about 0.4 percentage points year on year.

Table 3 Weighted Average Interest Rates on New Loans Issued in September 2025

Unit: %

	September	Change from June	YOY Change
Weighted average interest rate on new loans	3.24	-0.05	-0.43
on ordinary loans	3.67	-0.02	-0.48
of which: on corporate loans	3.14	-0.08	-0.37
on bill financing	1.14	-0.13	-0.21
on mortgage loans	3.06	0.00	-0.25

Source: The People's Bank of China.

Table 4 Shares of RMB Lending Rates at Different Levels, from January to September 2025

Unit：%

Month Year	LPR-bps				LPR	LPR+bps				
	[0, LPR -1%	[LPR-1%, LPR-0.5%)	[LPR-0.5%, LPR)	Subtotal	LPR	Subtotal	（LPR, LPR+0.5%)	[LPR+0.5%, LPR+1.5%)	[LPR+1.5%, LPR+3%)	LPR+3% and above
August 2019	3.19	1.79	10.57	15.55	0.32	84.13	20.26	26.96	16.69	20.23
January 2025	6.03	18.28	19.84	44.15	5.88	49.97	13.75	17.94	9.93	8.35
February 2025	8.53	15.22	19.87	43.61	6.09	50.30	13.36	16.38	9.83	10.74
March 2025	7.11	18.90	21.16	47.17	6.43	46.40	13.12	15.73	9.58	7.98
April 2025	8.98	20.62	18.49	48.09	5.35	46.56	11.96	14.96	9.61	10.03
May 2025	8.73	19.18	17.99	45.91	5.74	48.36	13.25	15.16	10.19	9.75
June 2025	6.73	20.41	18.91	46.06	7.28	46.67	12.94	14.98	10.12	8.64
July 2025	8.60	19.88	17.25	45.73	6.64	47.64	12.06	14.12	10.18	11.28
August 2025	8.80	21.04	16.37	46.22	6.82	46.96	12.13	13.58	10.16	11.10
September 2025	7.66	21.56	18.54	47.76	7.20	45.04	12.29	13.83	9.78	9.15

Notes: In August 2019, the PBOC reformed and improved the LPR formation mechanism.
Source: The People's Bank of China.

Interest rates on foreign-currency deposits and foreign-currency loans generally declined. In September, the weighted average interest rate on large-value USD-denominated demand deposits and deposits with maturities within three months registered 2.62 percent and 3.92 percent, respectively, down 0.14 percentage points and 0.69 percentage points year on year, respectively. The weighted average interest rates on USD-denominated loans with maturities within three months and with maturities between three months (including three months) and six months registered 4.62 percent and 4.37 percent, a decrease of 1.01 percentage points and 1.08 percentage points year on year, respectively.

Table 5 Average Interest Rates on Large-value USD-denominated Deposits and Loans, January to September 2025

Unit: %

Month	Large-value deposits						Loans				
	Demand deposits	Within 3 months	3–6 months (including 3 months)	6–12 months (including 6 months)	1 year	Over 1 year	Within 3 months	3–6 months (including 3 months)	6–12 months (including 6 months)	1 year	Over 1 year
January	2.60	3.75	4.19	4.33	4.26	4.46	4.89	4.72	4.48	4.62	5.19
February	2.66	3.89	4.22	4.43	4.17	4.42	4.88	4.71	4.44	4.35	4.70
March	2.67	3.85	4.18	3.75	4.09	4.18	5.04	4.53	4.22	4.37	5.06
April	2.78	4.02	4.23	4.26	4.08	4.19	4.69	4.62	4.02	4.35	4.68
May	2.75	4.06	4.17	4.07	4.09	4.29	4.75	4.66	4.31	4.34	4.92
June	2.70	4.06	4.14	4.19	4.24	4.00	4.72	4.67	4.33	4.07	4.93
July	2.71	4.03	4.18	4.18	4.14	3.94	4.81	4.40	3.42	4.45	5.49
August	3.05	4.04	4.18	4.14	4.09	2.98	4.69	4.56	4.15	4.30	4.70
September	2.62	3.92	3.93	3.75	3.82	3.53	4.62	4.37	4.13	3.96	5.11

Source: The People's Bank of China.

The financing structure has been improving. In recent years, the PBOC has been continuously optimizing and enriching the structural monetary policy tools to support major strategies, key areas, and weak links, further enhancing the adaptability and precision of financial services for economic structural adjustments and high-quality development and promoting the continuous optimization of the financing structure. In terms of investment destinations, at end-September, technology loans, green loans, inclusive loans, elderly care industry loans, and digital economy industry loans registered year-on-year growth of 11.8 percent, 22.9 percent, 11.2 percent, 58.2 percent, and 12.9 percent, respectively, all outpacing the overall loan growth. In terms of the maturity structure, at end-September, RMB short-term loans accounted for about 25 percent of the total, while medium and long-term (MLT) loans accounted for about 67 percent. Among these, MLT loans to enterprises and public entities grew by RMB8.3 trillion from the beginning of 2025, accounting for 61.7 percent of total corporate loans. In terms of the entity structure, at end-September, RMB household loans to financial institutions accounted for about 31.0 percent of the total, while loans to enterprises and public entities accounted for about 67.7 percent. In terms of financing methods, at end-September, direct financing, including corporate bonds, government bonds, and domestic equity financing by non-financial enterprises, accounted for about 31.6 percent of aggregate financing to the real economy (AFRE), representing an increase of 0.5 and 1 percentage points, respectively, compared to end-June 2025 and end-2024.

Table 6 The Structure of RMB Loans in the First Three Quarters of 2025

Unit: RMB100 million

	Outstanding amount at end-September	YOY growth	Increase from the beginning of the year
RMB loans to:	2703902	6.6%	147520
Households	839327	2.3%	11030
Enterprises and public entities	1831309	8.5%	134387
Non-banking financial institutions	9493	-1.6%	-1121
Overseas	23773	36.4%	3225

Note: Loans to enterprises and public entities refer to loans to non-financial enterprises, government agencies, and organizations.
Source: The People's Bank of China.

Box 1 A Scientific Perspective on Financial Aggregate Indicators

Finance is the lifeblood of the national economy. Financial aggregate indicators reflect both the state of macroeconomic performance and the strength of financial support for the real economy. In recent years, the PBOC maintained an accommodative monetary policy stance, intensified counter-cyclical and intertemporal adjustments, kept liquidity adequate, and promoted the reasonable growth of aggregate financing. During the 14th Five-Year Plan period, the annual growth rate of outstanding AFRE and broad money supply (M2) stood at around 9 to 10 percent, higher than that of the nominal economy, indicating strong and effective financial support for the real economy.

The Central Economic Work Conference proposed that the growth of aggregate financing to the real economy and money supply should match the expected targets for economic growth and general price levels. AFRE refers to the total volume of funding that the real economy obtains from the financial system. It is a comprehensive indicator with broad coverage, encompassing various financing channels. Besides bank loans, it also includes other direct or indirect financing channels, such as government bonds, corporate bonds, equity financing, entrusted loans, and undiscounted bankers' acceptances. It reflects the overall condition of the financial system's support for production, investment, consumption, and other economic activities in the real economic sector. Money supply is a classic indicator commonly used for observing the total financial aggregates. It refers to the total amount of currency circulating in the economy at a given point in time, categorized by different levels (namely, M0, M1, M2, etc.) based on liquidity. It is primarily created by banks through the expansion of assets, such as issuing loans and purchasing bonds. Compared with bank loans, aggregate indicators such as AFRE and money supply are more comprehensive and reasonable. Therefore, greater attention should be paid to AFRE and money supply in terms of observing the financial aggregate.

For many years, China's financial system has been dominated by indirect financing such as bank loans, and loan growth has attracted considerable attention from various sectors. However, with the rapid development of China's financial markets, social financing channels have become more diversified. These channels substitute for each other and assume a seesaw relationship, leading to significant changes in the structure of AFRE. In the first three quarters of 2025, the share of the increase in RMB loans in the AFRE flow dropped to 48.3 percent, down 11.7 and 4.5 percentage points from the same period in 2024 and the entire year of 2024, respectively. The share of direct financing, including government bonds, corporate bonds, and domestic equity financing of non-financial enterprises, rose to 44.4 percent, up 9.6 and 2.6 percentage points from the same period in 2024 and the entire year of 2024, respectively. Specifically, in the past two years, replacement of local government financing vehicle (LGFV) loans with local government special bonds and the reform and risk resolution of small- and medium-sized banks combined with trends in the evolution of the medium- to long-term economic structure, further dragging down loan growth during this phase. Since last year, local governments have issued RMB4 trillion in special refinancing bonds, with approximately 60 to 70 percent of the proceeds used to repay bank loans. In 2024, financial institutions wrote off approximately RMB1.3 trillion in loans, and write-offs in the first nine months of 2025 have already exceeded RMB1 trillion. Real estate loans are also declining, and because light-asset industries are less reliant on credit funds, they are unlikely to fill the gap caused by the decrease in real estate loans.

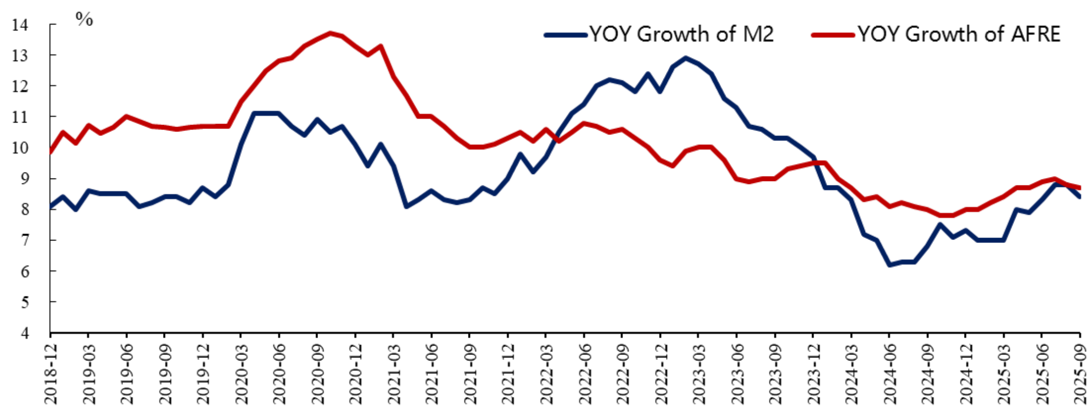
Overall, the outstanding amount of RMB loans in China has currently reached RMB270 trillion, and the outstanding AFRE has reached RMB437 trillion. As the base becomes larger, a decline in the growth rate of financial aggregates will be inevitable in the future. This is consistent with China's shift from high-speed growth to high-quality development. As growth of AFRE and money supply remain broadly in line with nominal economic growth, it is also reasonable for the loan growth rate to slow down slightly, reflecting the changes in the structure of China's financial supply side.

The Fourth Plenary Session of the 20th CPC Central Committee proposed to improve the macroeconomic governance system and to ensure steady and sustained progress in high-quality development. The PBOC will earnestly implement the spirit of the Fourth Plenary Session, establish a scientific and robust monetary policy framework, continue to optimize the intermediate targets of monetary policy, and gradually downplay attention to quantitative targets. It will adopt an appropriately accommodative monetary policy, comprehensively apply a variety of tools, maintain adequate liquidity, ensure that growth of aggregate financing to the real economy and money supply match the expected targets for economic growth and general price levels, enhance the efficiency of existing fund use, optimize the injection of fund flows, and continuously create a favorable monetary and financial environment for high-quality economic development.

III. Money supply and AFRE grew at a reasonable pace

Monetary aggregates grew at a reasonable pace. At end-September 2025, outstanding broad money M2 registered RMB335.4 trillion, up 8.4 percent year on year; narrow money M1 stood at RMB113.1 trillion, up 7.2 percent year on year; currency in circulation M0 registered RMB13.6 trillion, up 11.5 percent year on year. In the first three quarters of 2025, net cash injections totaled RMB761.9 billion, RMB76.7 billion less than net cash injections in 2024.

Figure 2 YOY Growth of Outstanding Broad Money M2 and AFRE



Source: The People's Bank of China.

AFRE maintained reasonable growth. Preliminary statistics show that at end-September 2025, the outstanding AFRE stood at RMB437.1 trillion, representing year-on-year growth of 8.7 percent, 0.7 percentage point higher than that at end-2024. In the first three quarters of 2025, the increment in AFRE totaled RMB30.1 trillion, RMB4.4 trillion more than that during the same period of 2024. AFRE was characterized by the following: first, RMB loans maintained reasonable growth. In the first three quarters, RMB loans issued by financial institutions to the real economy increased by RMB14.5 trillion, accounting for 48.3 percent of the AFRE increment during the same period. Second, entrusted loans registered a larger year-on-year decline, trust loans posted a smaller increase, and undiscounted bankers' acceptances recorded a larger increase. In the first three quarters, entrusted loans decreased by RMB57.2 billion, a reduction that was RMB41.7 billion larger than that during the same period of the previous year; trust loans increased by RMB200.4 billion, which was RMB155.8 billion less than the increase during the same period of 2024; and undiscounted bankers' acceptances increased by RMB301.1 billion, an RMB448.7 billion improvement from the decrease during the same period of the previous year. Third, domestic equity financing by non-financial enterprises registered a higher year-on-year increase, while corporate bond issuances registered a smaller increase. In the first three quarters, equity financing on the domestic stock market by non-financial enterprises totaled RMB316.8 billion, RMB146.3 billion more than the amount during the same period of 2024, while net issuances of corporate bonds amounted to RMB1.6 trillion, RMB15.1 billion less than that in 2024. Fourth, government bond issuances saw a higher year-on-year increase. In the first three quarters, net issuances of government bonds totaled RMB11.5 trillion, RMB4.3 trillion more than that in 2024. Fifth, asset-backed securities of depository institutions registered a narrower year-on-year decline, while loan write-offs increased at a faster pace. In the first three quarters, financing through asset-backed securities of depository institutions decreased by RMB106.5 billion, a reduction that was RMB414.4 billion smaller than that during the same period of the previous year, while loan write-offs increased by RMB1.0 trillion, RMB104.2 billion more than the increase during the same period of the previous year.

Table 1 Aggregate Financing to the Real Economy in the First Three Quarters of 2025

	End-September 2025		First Three Quarters of 2025
	Stock (RMB trillion)	YOY growth (%)	Flow (RMB100 million)
AFRE	437.08	8.7	300850
Of which: RMB loans	267.03	6.4	145401
Foreign currency loans (RMB equivalent)	1.18	-18.0	-946
Entrusted loans	11.17	-0.7	-572
Trust loans	4.50	5.7	2004
Undiscounted bankers' acceptances	2.44	4.4	3011
Corporate bonds	33.50	4.5	15733
Government bonds	92.55	20.2	114607
Equity financing on the domestic stock market by non-financial enterprises	12.04	3.8	3168
Other financing	12.38	11.3	8913
Of which: Asset-backed securities of depository institutions	0.69	-17.9	-1065
Loan write-offs	10.97	15	10297

Notes: ① AFRE (stock) refers to outstanding funds provided by the financial system to the real economy at the end of a period. AFRE (flow) refers to the volume of funds provided by the financial system to the real economy within a certain period of time. ② Beginning in January 2023, the PBOC has included three types of non-depository financial institutions, namely, consumer finance companies, wealth management companies, and financial asset investment companies, in the scope of the financial statistics. Accordingly, adjustments have been made to the data on "RMB loans issued by the real economy" and "loan write-offs" in the scale of social financing. ③YOY statistics in the table are on a comparable basis.

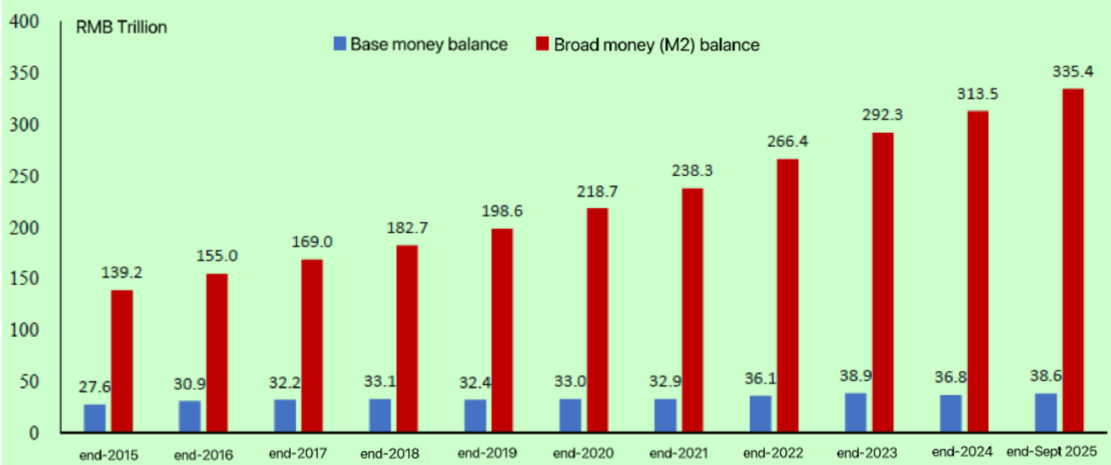
Sources: The People's Bank of China, National Financial Regulatory Administration, China Securities Regulatory Commission, China Central Depository & Clearing Co., Ltd., National Association of Financial Market Institutional Investors, etc.

Box 2 The Relationship Between Base Money and Money Supply

Base money, also referring to "high-powered money," serves as the source of money creation and the foundation for activities in both asset and liability sides of the entire banking system. In a modern banking system, changes in base money influence the creation of broad money, although the relationship between the two is not a simple one-to-one correspondence.

Base money and money supply are not subsets of each other; instead, they are concepts in different dimensions. The former constitutes the liability of the central bank, while the latter primarily consists of liabilities of commercial banks. Base money mainly includes currency in circulation, required reserves, and excess reserves that commercial banks deposit at the central bank—all of which are liabilities of the central bank. In contrast, the commonly referenced "money supply" encompasses not only banknotes and coins used in daily life but, to a greater extent, the broad money supply, including various types of deposits. It reflects the monetary resources available to households, businesses, and governments, and it is primarily the liability of commercial banks. As of end-Q3 2025, China's base money balance reached RMB38.6 trillion, while China's broad money supply M2 balance exceeded RMB335 trillion.

Figure: Changes in China's Base Money Balance and China's Broad Money M2 Balance



Data source: PBOC.

The process of money creation within the banking system is influenced by multiple factors. In modern banking systems, money is created through the expansion of bank assets. When banks expand assets by extending credit, increasing bond holdings, or purchasing foreign exchange, they correspondingly create deposits on the liability side, which constitute the broad money. On the one hand, as deposits increase, banks must correspondingly increase their required reserves held at the central bank. Therefore, the central bank can control the banks' capacity for asset expansion and money creation by adjusting base money injections. On the other hand, the money creation process is also affected by factors such as effective financing demand in the real economy and the willingness by the banks themselves. If banks have a strong impetus for money creation, a given amount of base money injection can leverage a larger increase in money supply. Conversely, even with substantial base money injections, there will merely be increases in banks' excess reserves, and money creation may not be significant. For instance, following the 2008 global financial crisis and amid the global economic downturn, banks became concerned about default risks and had limited appetite for asset expansion. In that year, US base money increased by 99 percent, while US broad money M2 grew by only 9.7 percent; Japan's base money increased by 5.5 percent, while its broad money M2 grew by only 1.8 percent. In contrast, over the past decade (2015–2024), base money in China increased by 25 percent, while broad money M2 surged by 155 percent, indicating that the creation of money in the banking system has generally provided substantial support to the economy.

As China's financing structure and economic landscape evolve, commercial banks' channels for money creation have become more diversified, and the central bank's methods for base money injections have also expanded. In recent years, China's financing structure has been transforming rapidly, with fast growth in direct financing. Whether through indirect financing, such as bank loans or through direct financing such as bond purchases, the two modes can, to some extent, substitute for and complement each other. Both represents forms of bank credit expansion in support of the real economy, and the channels of money creation within the banking system is more diversified set of money-creation channels within the banking system. In China, bank loans currently account for approximately 60 percent of total bank assets, while the share of bond holdings by banks has increased from about 20 percent at end-2019 to about 25 percent now. Meanwhile, to meet the needs of high-quality economic development, the PBOC has been broadening its base money injection channels, employing central bank lending facilities, notably structural monetary policy instruments, to incentivize and guide financial institutions in optimizing their credit allocations. As of end-Q3 2025, the balance of structural monetary policy tools accounted for approximately 13 percent of base money. It is important to note that central bank lending, as a key channel for the central bank to manage base money, represents loans from the central bank to commercial banks, reflecting a credit relationship between the two, and it does not constitute direct lending by the central bank to enterprises.

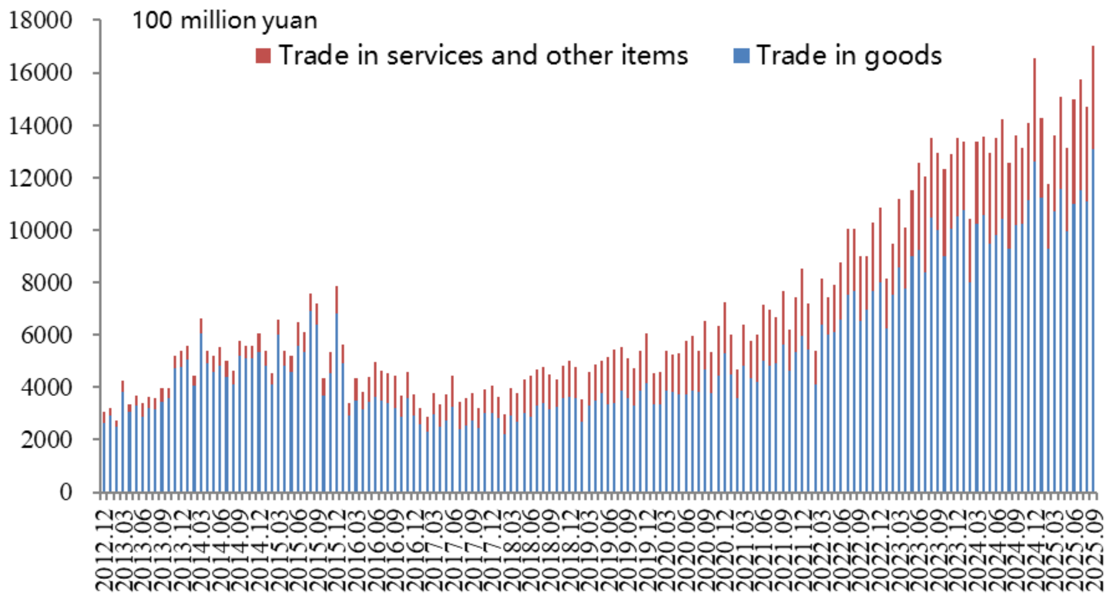
In the long run, the accelerated development of China's financial markets, along with the growth of direct financing and changes in the financing structure, will have profound impacts on money aggregates and financial regulation. With the development of financial markets and enrichment in financial products, businesses and households can shift deposits to financial assets, like wealth management products and equities in response to changes in the returns of various assets. Fluctuations in asset prices often lead to changes in the volume and structure of bank deposits and loans, causing disturbances to money creation and the broad money M2 in the banking system. Looking ahead, efforts will continue to advance transformation of the monetary policy framework, placing greater emphasis on the role of price-based regulation. The PBOC will steadily deepen the interest rate liberalization reforms, improve the interest rate transmission mechanism from short- to long-term rates and relative returns across different assets, and fully leverage the effectiveness of interest rates in regulating financial resource allocations, thereby solidifying robust financial support to the real economy.

IV. The RMB exchange rate remained basically stable at an adaptive and equilibrium level

Since the beginning of 2025, cross-border capital flows have remained stable and orderly, supply and demand in the foreign exchange market have been broadly in equilibrium, and expectations for the RMB exchange rate have remained generally stable. The external environment has become increasingly complex and challenging, complicated by instability and uncertainty in the macroeconomic policies of major economies. The U.S. Dollar Index maintained a volatile trajectory, while the RMB exchange rate saw two-way movements and remained basically stable at an adaptive and equilibrium level. In the first three quarters of 2025, driven by market supply and demand, the RMB exchange rate depreciated against a basket of currencies. At end-September 2025, the China Foreign Exchange Trade System (CFETS) RMB Exchange Rate Index closed at 96.77, down 4.63 percent from end-2024. According to calculations by the Bank for International Settlements (BIS), the nominal effective exchange rate (NEER) and real effective exchange rate (REER) of the RMB appreciated by 41.5 percent and 30.5 percent, respectively, from the start of the RMB exchange-rate formation regime reform in 2005 to end-September 2025. At end-September 2025, the central parity of the RMB against the U.S. dollar stood at 7.1055, appreciating by 1.2 percent from end-2024 and by a cumulative 16.5 percent since the beginning of the reform in 2005.

Cross-border RMB businesses maintained their growth momentum. In the first three quarters, cross-border RMB receipts and payments totaled RMB53.1 trillion, up 12.9 percent year on year, with receipts at RMB25.4 trillion and payments at RMB27.6 trillion. Cross-border RMB receipts and payments under the current account amounted to RMB13.1 trillion, representing a year-on-year increase of 11.1 percent, of which RMB10.0 trillion was related to trade in goods and RMB3.1 trillion was related to trade in services and other current account items. Under the capital account, cross-border RMB receipts and payments totaled RMB40.0 trillion, up 13.4 percent year on year, with RMB6.0 trillion in direct investments, representing a year-on-year increase of 0.1 percent.

Figure 3 Monthly RMB Settlements under the Current Account



Source: The People's Bank of China.

Part 2 Monetary Policy Operations

In Q3 2025, the PBOC resolutely implemented the decisions and arrangements of the CPC Central Committee and the State Council. It implemented an appropriately accommodative monetary policy and fully unleashed policy effectiveness. These measures effectively boosted confidence, stabilized expectations, and continued to foster a favorable monetary and financial environment.

I. Conducting OMOs with a combination of short- and long-term tools

Increasing the intensity of liquidity provisions to maintain stable cross-quarter funding conditions. Currently, the PBOC has generally established a medium- to long-term funding injection scheme that includes conducting 3-month, 6-month outright reverse repos and 1-year MLF operations around the 5th and 25th of each month, respectively. In Q3, net injections via outright reverse repos and MLF operations totaled RMB1.5 trillion, thus laying the foundation for maintaining adequate market liquidity and facilitating management of liquidity in financial institutions. Meanwhile, in late September, in view of the strong demand for cross-quarter funds from financial institutions as well as the extended National Day holiday, the PBOC conducted two 14-day reverse repo operations in the open market on September 22 and 26, respectively. These operations were intended to pre-inject cross-quarter funds and to ease maturity pressures of OMOs after the holiday so as to smooth the pace of fund injections and withdrawals. In addition, the PBOC conducted 7-day reverse repos consecutively to fully meet the funding demands of primary dealers. From September 22 to 30, the PBOC injected cross-quarter funds totaling approximately RMB2.7 trillion, ensuring a smooth quarter-end transition for various market institutions.

Adjusting the 14-day reverse repo operation mechanism. On September 19, the PBOC announced an adjustment to 14-day reverse repo operations in the open market, shifting to a fixed quantity, interest-rate bidding, and a multiple winning bid rate mechanism, with the timing and scale of the operations determined by the liquidity management requirements. The abolition of a uniform winning bid rate for 14-day reverse repos can better reflect the differentiated funding needs of various participating institutions. This is also an important measure to reinforce the role of the 7-day reverse repo rate as the policy rate and to optimize the central bank's liquidity management toolkit.

Releasing new assessment measures for primary dealers of open market operations. In September, the PBOC announced it would adjust and optimize the assessment measures for primary dealers of open market operations. This adjustment has significantly reduced the number of indicators, as compared with the 2018 version, enhanced coordination with the assessment of bond market makers, and placed greater emphasis on monetary policy transmission. Meanwhile, the PBOC has also established differentiated assessments for various types of institutions, which will enhance the diversity of primary dealers and give full play to the role of different types of institutions, thus supporting the PBOC's future macroeconomic management, policy transmission, and instrument innovation.

In addition, continuing the issuance of RMB central bank bills in Hong Kong on a regular basis. The issuance of offshore RMB central bank bills in Hong Kong is of great significance for consolidating and enhancing Hong Kong's status as an international financial center and for promoting the internationalization of the RMB. In Q3, the PBOC issued 3 tranches of RMB central bank bills in Hong Kong, totaling RMB105 billion and including a 3-month tranche of RMB30 billion, a 6-month tranche of RMB60 billion, and a 1-year tranche of RMB15 billion. This helps improve the RMB yield curve in Hong Kong, encourages other market entities to issue RMB bonds offshore and promotes the healthy development of the offshore RMB market.

II. Conducting standing lending facility (SLF) and MLF operations

Conducting MLF operations as appropriate. To ensure medium- and long-term liquidity supply, in the first three quarters of 2025, the PBOC conducted MLF operations totaling RMB3.95 trillion, all with a 1-year maturity. The outstanding MLF reached RMB5.85 trillion at end-September, up RMB761 billion from the beginning of the year. Starting in March, the MLF operations have been conducted using a method featuring fixed-quantity, interest-rate bidding, and multiple winning bid rates, in order to better meet the differentiated funding needs of participating institutions.

Conducting SLF operations in a timely manner. SLF operations provide locally incorporated financial institutions with sufficient short-term liquidity support as needed, thus helping to stabilize the money market. In the first three quarters of 2025, the PBOC conducted SLF operations in the amount of RMB32.9 billion. At end-September, the outstanding SLF balance registered RMB3.5 billion, the overnight, 7-day, and 1-month SLF rates stood at 2.25 percent, 2.4 percent, and 2.75 percent, respectively, all remaining unchanged from the end of the previous quarter.

III. Further improving the macro-prudential system and the management framework

Focusing the macro-prudential assessment (MPA) on serving the implementation and transmission of monetary policy. Aligning with its position of serving monetary policy implementation, the MPA framework was further optimized to smooth the implementation and transmission of monetary policy. It guided financial institutions to better implement monetary policy, maintained reasonable growth in money supply and credit, and increased support for major strategies, key sectors, and vulnerable areas.

Continuously consolidating additional regulation over systemically important financial institutions. An assessment of systemically important financial institutions for 2025 was conducted, and the PBOC studied and promoted the steady expansion of the coverage of additional regulation to the non-banking sector. It closely monitored marginal changes in the operations of systemically important banks (SIBs) and enhanced the monitoring and analysis of typical risks and weak links. It urged the SIBs to meet the requirements for additional capital and the leverage ratio, and it reviewed the 2025 recovery and resolution plans, thereby improving their ability to withstand risks and their sustainability to serve the real economy.

Supporting stable and healthy development of the real estate market. The PBOC steadily implemented the central bank lending policy for affordable housing. It improved management of pledged supplementary lending (PSL) to support policy-oriented and development-oriented financial institutions in providing credit for the construction of affordable housing, urban village redevelopment, and development of public infrastructure for both regular and emergency use. By end-September, the outstanding PSL balance stood at about RMB1.0 trillion.

Promoting stable operation of the capital market. The PBOC continuously implemented the central bank lending facility for supporting share buybacks and shareholding increases, guiding financial institutions in providing loans to eligible listed companies and their major shareholders, and encouraging listed companies to actively use tools such as share buybacks and shareholder shareholding increases for market capitalization management, thereby further safeguarding the stable operation of the capital market. By end-September, listed companies had disclosed plans to apply for loans to support share buybacks and shareholding increases, with a maximum amount exceeding RMB330 billion. Financial institutions had signed loan contracts for share buybacks and shareholding increases amounting to about RMB330 billion, with more than RMB120 billion already disbursed.

IV. Giving play to the role of monetary policies for structural optimization

Supporting the five major areas in the financial sector. The PBOC actively used central bank lending for rural development and micro and small businesses (MSBs) and the central bank discount to guide local financial institutions to expand credit supply to agriculture-related entities, MSBs, and private enterprises, thereby supporting rural revitalization and promoting coordinated regional development. The carbon emission reduction facility remained in place, and a pilot program was launched in Shanghai to expand the scope of sectors supported by this facility, thus facilitating the transition to a green and low-carbon economy. The PBOC also optimized the management of central bank lending for sci-tech innovation and technological transformation, strengthening implementation of the "Two New" policies (new types of urbanization and new initiatives in rural development) with expanded coverage and greater support. The risk-sharing tool for sci-tech innovation bonds was well utilized to support equity investment institutions in issuing long-term bonds for financing, thereby channeling more private capital into the field of scientific and technological innovation. The PBOC promoted implementation of the central bank lending facility targeting consumer services and elderly care, boosting and expanding consumption while fostering the development of the elderly care industry. As of end-September, the outstanding balance of the structural monetary policy tools supporting the five major areas in the financial sector reached RMB3.9 trillion.

V. Enhancing the effectiveness of the structural guidance role of credit policies

The PBOC has continuously leveraged the effectiveness of the structural guidance role of credit policies. Centering on effectively advancing the five major areas and expanding domestic demand, it has constantly improved the policy framework system, consolidated the cross-departmental coordination mechanism, and increased financial support for major strategies, key areas, and weak links in the national economy.

Improving the intensity and quality of support for technology finance. The PBOC established a coordinated promotion mechanism for technology finance, leveraged the incentive and guiding role of central bank lending for sci-tech innovation and technological transformation, and accelerated the construction of the "sci-tech board" in the bond market, continuously enhancing the intensity of financing support for sci-tech innovation. As of end-September 2025, the increase in sci-tech loans accounted for 30.5 percent of the total loan increase. Outstanding RMB and foreign currency loans to technology-based small and medium-size enterprises (SMEs) amounted to RMB3.6 trillion, up 22.3 percent year on year, and 15.8 percentage points higher than the overall loan growth in the same period, with a loan approval rate of 50.3 percent. The signed amount of loans for sci-tech innovation and technological transformation reached RMB2.6 trillion, with RMB1.1 trillion disbursed. In the interbank bond market, 277 entities issued RMB669.1 billion of sci-tech innovation bonds, including RMB27.5 billion issued by 37 equity investment institutions, and five private equity investment institutions obtained support from the risk-sharing instrument, achieving the expected results of long-term maturity, low costs, and multi-party risk sharing.

Giving play to the leading role of green finance. The PBOC improved the institutional guarantee for green finance by issuing the *Green Finance Endorsed Project Catalogue (2025 Edition)*. It effectively utilized the carbon emission reduction facility and strengthened the green finance assessment of financial institutions. The PBOC also improved the cross-departmental collaborative cooperation mechanism and, together with other departments, jointly developed the key project database for Beautiful China. It enriched green financial products and markets, broadening the direct financing channels for green projects. As of end-September, outstanding green loans stood at RMB43.5 trillion, a year-on-year increase of 22.9 percent. The cumulative issuance of green bonds reached RMB4.9 trillion, of which green financial bonds reached RMB2.1 trillion, providing stable capital sources for financial institutions to grant green credits.

Optimizing the supply of inclusive financial services. The PBOC continued to implement the *25 Measures on Providing Financial Support for the Private Economy* in a thorough and detailed manner. It further advanced the initiative to enhance financial services for micro, small, and medium-sized enterprises (MSMEs), promoted the establishment of the long-term mechanism for boosting confidence, willingness, capability, and professionalism to lend, and effectively conducted assessments of the effects of both financial services for the private economy and credit policy guidance for MSBs. As of end-September, outstanding inclusive loans to MSBs and outstanding loans to the private economy reached RMB36.1 trillion and RMB71.1 trillion, respectively, up 12.2 percent and 5.4 percent year on year. The PBOC also optimized financial services for rural revitalization, taking the lead in issuing the *Opinions on Enhancing Financial Services for Rural Reform and Advancing Comprehensive Rural Revitalization* and the *Notice on Reinforcing Financial Support for High-Quality Forestry Development*. As of end-September, outstanding agriculture-related loans stood at RMB53.4 trillion, a year-on-year increase of 6.8 percent. Outstanding forest tenure mortgage loans reached RMB204.2 billion, up 14.9 percent year on year. Moreover, the PBOC increased financial support in areas of livelihood, such as employment and education. As of end-September, outstanding guaranteed loans for startups reached RMB252.4 billion, and outstanding student loans totaled RMB294.4 billion.

Intensifying efforts in old-age finance. Financial institutions were guided to increase resource allocations in the field of elderly care, continuously optimize financial products for elderly care, and enhance the comprehensive service capabilities of old-age finance in order to meet the diverse elderly care needs of different groups.

Steadily promoting the development of digital finance. The PBOC ensured implementation of the *Action Plan for Promoting High-Quality Development of Digital Finance*, continuously consolidating the foundation for the development of digital finance and promoting the high-quality development of the digital economy. It also took the lead in issuing the *Guidelines on Promoting Financial Support for New Industrialization*, improving the financial support system for new industrialization and assisting the intelligent and digital transformation of traditional industries such as manufacturing.

Box 3 Achievements and Prospects for Financial Support for the Development of the Digital Economy during the 14th Five-Year Plan Period

During the 14th Five-Year Plan period, China fully implemented the national digital economy development strategy and the digital economy flourished, creating favorable opportunities for high-quality financial development. The PBOC has resolutely implemented the decisions and arrangements of the CPC Central Committee and the State Council, and it has strengthened policy guidance and support, focusing on promoting the digital transformation of the financial sector and enhancing financial services for the digital economy, so as to provide strong financial support for the building of Digital China.

First, the policy framework and system have been gradually improved. The PBOC took the lead in issuing the *Action Plan for Promoting High-Quality Development of Digital Finance*, which specifies that data elements and digital technologies are the key drivers, and it sets out a package of measures to accelerate the establishment of a financial system that is highly compatible with the development of the digital economy. It released the *Fintech Development Plan (2022-2025)* and the *Notice on Deepening the Application of Fintech to Promote Digital and Intelligent Transformation of Finance*, defining the key tasks and implementation safeguards for the digital transformation of finance and providing guidance for fintech development. Jointly with the Ministry of Industry and Information Technology and five other departments, the PBOC issued the *Guidelines on Promoting Financial Support for New Industrialization*, aiming to strengthen digital financial services to empower industrial development and thereby promoting deep integration of the digital economy and the real economy.

Second, the digital transformation of the financial sector has steadily advanced. The digital transformation and upgrading project for finance has been successfully completed, creating more than 1,000 practical cases and encouraging financial institutions to build digital operating systems underpinned by data and computing power. The fintech innovation regulatory tools have been further implemented, guiding financial institutions to explore themed instruments centered on the "five major areas." Over 400 inclusive and business-friendly innovative applications were launched, which have played an active role in supporting sci-tech innovation, serving MSBs, promoting green development, and preventing financial risks. Together with relevant departments, the PBOC established the National Artificial Intelligence Application Pilot Base (for the financial sector, the domain of inclusive finance and payments), creating replicable and scalable AI demonstration applications for the financial sector.

Third, digital technologies have been continuously empowering the high-quality development of financial services. The PBOC has guided financial institutions to actively serve the core sectors of the digital economy. As of end-September 2025, outstanding loans to these core sectors reached RMB8.2 trillion, up 13.0 percent year on year. It has established central bank lending for sci-tech innovation and technological transformation, incentivizing financial institutions to strengthen support for the intelligent and digital transformation and the upgrading of industries. As of end-September 2025, financial institutions had supported more than 4,600 equipment-upgrading projects in industrial intelligent and digital transformation, with signed loan contracts totaling approximately RMB1.8 trillion. The PBOC has encouraged financial institutions to harness technologies, such as big data and the Internet of Things (IoT), to assess enterprises' innovation capacity and performance in energy conservation and carbon emission reductions, and to tailor differentiated algorithmic models and integrated financing solutions to meet the "short, small, frequent, and urgent" financing needs of private MSBs. Jointly with relevant departments, the PBOC deepened implementation of the Fintech-Empowered Rural Revitalization Demonstration Project, creating more than 270 models beneficial to farmers and rural development. It also accelerated the elderly-friendly upgrading of digital financial service terminals, and extended services to users' "fingertips" and "doorsteps", bridging the "digital divide" among different groups of people. The PBOC has also guided financial institutions to launch over 1,100 large-font and voice-enabled mobile applications.

Fourth, the value of data elements in the financial sector has been constantly unlocked. Jointly with the National Data Administration and other departments, the PBOC launched the "Data Elements×" pilot program, which established and improved the system of financial data standards, such as data dictionaries and metadata, and promoted innovative applications that integrate financial data. Based on the National Basic Financial Credit Information Database, comprehensive aggregation and sharing of credit information for the financial sector has been largely achieved. Currently, the database covers information of 1.16 billion natural persons and 150 million enterprises and other organizations, providing an average of nearly 21 million credit reports per day. The National MSME Cash Flow Credit Information Interchange was established and launched on October 25, 2024, facilitating the direct and targeted delivery of credit funds to the inclusive finance sector, such as credit-invisible clients, early-stage enterprises, and MSBs. As of end-Q3 2025, the platform had established cash-flow information profiles for more than 60 million enterprises and self-employed businesses, facilitating over RMB1.1 trillion of financing.

Fifth, the system of financial data governance and cybersecurity safeguards has been further improved. The PBOC has established and improved the framework of relevant institutions and standards. It released the *Measures for the Administration of Data Security in the Business Areas of the People's Bank of China* and the *Measures for the Administration of Reporting Cybersecurity Incidents in the Business Areas of the People's Bank of China*, guiding financial institutions in strengthening financial data security and cybersecurity management, so as to fortify security defenses. Jointly with relevant departments, the PBOC issued the *Compliance Guidelines on Promoting and Regulating Cross-Border Data Flows in the Financial Sector* to further facilitate and standardize cross-border data flows in the financial sector. The PBOC has also established the Financial Cybersecurity Situational-Awareness Platform, and it has maintained repositories for fintech risks, vulnerabilities, and case studies, strengthening cross-agency and cross-sector risk intelligence sharing and information exchanges, and thereby continuously enhancing the monitoring and early-warning capability for traditional cybersecurity risks.

Currently, a new round of technological revolution is emerging and gaining momentum, and the integration of finance and digital technology is flourishing with vast potential for development. Going forward, the PBOC will fully leverage the dual engines of "digital technology plus data elements", and continue to deepen the supply-side structural reform in the financial sector. It will formulate the Fintech Development Plan for the 15th Five-Year Plan period, steadily and orderly promote the adoption of large AI models in the financial sector, strengthen credit reference data governance and product innovation, promote improvements in the financial service system for new industrialization, and enhance assessments of the quality and efficiency of financial services, so as to provide solid support for accelerating the building of a financial powerhouse and high-quality economic development.

Supporting the development of high-quality service consumption. The PBOC leveraged the incentive role of central bank lending for service consumption and elderly care to support financial institutions in increasing credit supply to key service consumption sectors, such as hotels and catering, culture, sports and entertainment, education, household services, and tourism. It also guided financial institutions to innovate products and services, so as to actively meet the financing needs of business entities in the consumer industry. As of end-September, outstanding loans in key service consumption sectors reached RMB2.8 trillion, a year-on-year increase of 4.9 percent.

VI. Improving the formation and transmission mechanism for market-oriented interest rates

Deepening the market-oriented interest rate reform to promote a reduction in overall financing costs. The effectiveness of the LPR reform was continuously leveraged, driving a steady decline in loan rates. In September, the average interest rates on new corporate loans and new personal housing loans both stood at approximately 3.1 percent, down 2.5 percentage points and 2.7 percentage points respectively from their highs in the second half of 2018 when the rate-cutting cycle began, maintaining historically low levels. The pilot program on explicit indications of the overall financing costs for corporate loans was further advanced. Since the beginning of this year, building on this pilot program launched earlier in some provinces, the PBOC has guided various regions to gradually join in an orderly manner. At present, 30 provinces (autonomous regions and municipalities) across the country have participated in this program, benefiting hundreds of thousands of SMEs, effectively safeguarding the right of financial consumers to be informed, and promoting the decline in overall financing costs.

Strengthening implementation and supervision of interest rate policies to smooth the transmission mechanism for interest rate policies. Since the beginning of this year, various regions have successively carried out on-site assessments of the implementation of interest rate policies and self-regulatory agreements by financial institutions. Institutions within their jurisdictions were urged to adhere to the risk-based pricing principle, determine deposit and loan interest rates reasonably, and maintain orderly market competition, thereby smoothing the transmission of interest rate policies. The interest rate self-regulatory mechanism was fully leveraged to effectively implement various initiatives, including prohibiting irregular manual interest subsidies, establishing a reporting mechanism for deposit bidding rates, and optimizing the self-regulation of interbank deposit rates for non-banking financial institutions. These efforts reinforced the effects of deposit rate adjustments and helped stabilize the liability costs of banks.

Box 4 Maintaining Reasonable Price Relations among Interest Rates

Interest rates and their price relations play a key role in guiding macroeconomic equilibrium and resource allocations. The effective operation of a market-oriented interest rate system requires maintaining reasonable price relations among all categories of interest rates. The PBOC focuses on rationalizing price relations among various interest rates, which is a key measure to improve the modern monetary policy framework with Chinese characteristics, and to facilitate the market-oriented formation and transmission mechanism for interest rates.

Interest rates and their price relations play a significant guiding role in macroeconomic equilibrium and resource allocations. In essence, interest rates are the return on capital. Due to different attributes, such as maturity, risk, and liquidity of different financial instruments, there are numerous types of interest rates, with different interest rate levels in economic activities, forming certain price relations. Both interest rates and their price relations are important components of the interest rate system. The returns and price relations of different assets change as the market-oriented interest rate system operates. Driven by arbitrage, funds flow to the assets with higher returns, thereby eliminating risk-free arbitrage opportunities. The mechanism guides investment and financing activities across multiple areas, such as bank deposits and loans, bond markets, stock markets, and insurance markets, channeling financial resources to the real economy and various types of assets. These dynamics are reflected in, for example, price relations between deposit and loan rates, bond yields, stock dividend yields, and housing rent-to-sale ratios.

Maintaining reasonable price relations among interest rates is essential for smooth monetary policy transmission. The central bank signals its policy stance by adjusting policy rates to guide the movement of various market rates. It promotes the market-oriented interest rate formation and transmission mechanism, which adjusts the supply and demand of capital and resource allocations, so as to achieve the monetary policy goals. Ideally, guided by policy rates, various interest rates maintain reasonable price relations and exhibit co-movements, reflecting the patterns of changes in maturity, risk, and liquidity, leading to higher efficiency in financial resource allocations. However, in the real world, due to factors such as a distorted incentive structure or irrational behaviors of market entities, the price relations among different interest rates might sometimes become misaligned, hindering the market-oriented formation and transmission of interest rates, thereby constraining the effectiveness of monetary policy.

Several important interest rate price relations require attention. The first is the relations between central bank policy rates and market rates. Central bank policy rates reflect macro adjustment intentions. In cases when the interest rate transmission mechanism functions smoothly, short-term money market rates fluctuate around the target level of the policy rate, thereby influencing overall market rates through the financial system. If market rates change too early or too late relative to central bank policy rates, with an excessive or insufficient adjustment in volume, or if they move in opposite directions, the relative pricing levels will deviate significantly from reasonable ranges, and the effectiveness of interest rate transmission will be affected. **The second** is the relations between rates on the assets and liabilities of commercial banks. Deposit rates are the primary liability costs of banks, while loan rates represent the primary asset yields. In general, the deposit and loan rates move in the same direction. However, due to factors such as differences in repricing cycles and excessive competition, loan rates usually fall faster than deposit rates, which compresses the net interest margins of commercial banks and limits their capacity to support the real economy. **The third** is the relations between the yields of different assets. Both loans and bonds are important components of bank assets. As different financing instruments, it is normal for there to be some difference between loan rates and bond yields. In theory, however, there should not be a significant gap between bond yields and loan rates for the same business entity. Meanwhile, as wealth management products and other investment vehicles in China continue to grow, enterprises and households are diversifying their portfolios by investing in wealth management products, funds, and other assets. More effective functioning of interest rate adjustment mechanisms also requires better coordination of the rates across different financial markets. **The fourth** is the relations among the rates for different maturities. The difference between short-term and long-term rates reflects term premiums. Normally, banks adjust fixed-term deposit rates with different maturities in tandem, while maintaining reasonable term spreads. **The fifth** is the relations among the rates at different risk levels. Differences in financing costs among entities with varying credit ratings reflect risk premiums. Generally, the higher the credit rating of the financing entity, the lower its financing rate. Government bond yields reflect national creditworthiness, which are considered risk-free rates. It would be unreasonable and unsustainable if corporate financing rates were lower than government bond yields, which implies that corporate credit is superior to national credit, thereby violating the principle of risk pricing.

The PBOC emphasizes the maintenance of reasonable price relations among interest rates. In recent years, the PBOC has guided the self-regulatory mechanism for interest rates to rectify illegal manual interest subsidies, standardize interbank deposit rate pricing, establish a deposit bidding rate reporting mechanism, and add catch-all provisions to corporate deposit service agreements. Banks have been urged not to issue loans with after-tax interest rates lower than government bond yields at the same maturity. They should set loan rates reasonably based on operational costs. The PBOC has also conducted interest rate policy enforcement inspections, so as to enhance the alignment between asset and liability-side rate adjustments. It supports commercial banks to stabilize net interest margins, and creates more room for countercyclical monetary policy adjustments.

VII. Deepening the market-based reform of the RMB exchange rate

The PBOC has continued to improve the managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. The PBOC is committed to the principle that the market plays a decisive role in the formation of the exchange rate, and the exchange rate plays the role of both an auto stabilizer and a shock absorber for macroeconomic management as well as for the balance of payments. The PBOC has taken comprehensive measures and strengthened expectation guidance to balance supply and demand in the foreign exchange market and to guard against the risks of an exchange rate overshooting. As a result, the RMB exchange rate has remained basically stable at an adaptive and equilibrium level. In the first three quarters of 2025, the highest and lowest RMB central parities against the U.S. dollar were 7.1008 and 7.2133, respectively. During the 183 trading days, the RMB appreciated on 93 days and depreciated on 90 days. The biggest intraday appreciations and depreciations were 0.26 percent (183 bps) and 0.13 percent (96 bps), respectively. The RMB witnessed both appreciations and depreciations against the major international currencies, with two-way fluctuations. From the beginning of the reform of the RMB exchange rate formation regime in 2005 to end-September 2025, the RMB appreciated by a cumulative 16.5 percent, 20.1 percent, 50.9 percent, and 52.7 percent, respectively, against the U.S. dollar, the euro, the pound sterling, and the Japanese yen. Direct RMB trading is buoyant in the interbank foreign exchange market and liquidity remains stable, reducing the exchange costs for enterprises and promoting bilateral trade and investment.

Table 2 The Trading Volume of the RMB Against Other Currencies in the Interbank Foreign Exchange Spot Market in Q3 2025

Unit: RMB100 million

Currency	USD	EUR	JPY	HKD	GBP	AUD
Trading volume	194198.17	2222.03	846.54	1051.32	205.35	121.13
Currency	NZD	SGD	CHF	CAD	MOP	MYR
Trading volume	32.35	192.05	216.12	103.47	1.97	11.88
Currency	RUB	ZAR	KRW	AED	SAR	HUF
Trading volume	2.55	1.75	14.49	8.43	2.71	0.46
Currency	PLN	DKK	SEK	NOK	TRY	MXN
Trading volume	0.77	2.26	4.85	1.41	0.02	8.06
Currency	THB	IDR	KHR	KZT	MNT	VND
Trading volume	46.44	62.03	0	0	0	0

Source: China Foreign Exchange Trade System.

VIII. Forestalling and defusing financial risks

Defusing the risks of small and medium-sized financial institutions in an orderly manner. In cooperation with financial regulators, the PBOC guided the implementation of province-specific approaches to advance the reform and risk resolution of small and medium-sized banks. By comprehensively employing measures such as online repair, mergers, reorganizations, and market exits, the number of high-risk small and medium-sized banks was significantly reduced from their peak levels. In cooperation with financial regulators, the PBOC guided relevant provinces in steadily making progress in the reform of rural credit cooperatives, supported them in exploring models and pathways for this reform based on their actual circumstances, and directed rural credit cooperatives to better play their role as the main force in rural financial services.

Continuing to improve the financial stability safeguard system. The PBOC continuously enhanced the financial risk monitoring and early warning system and persistently strengthened risk monitoring in key areas. In cooperation with financial regulators, the PBOC effectively carried out routine hard-constraint prompt corrective actions (PCA), fully leveraging the complementary role of deposit insurance in risk warning and PCA. In addition, the collection of premiums for the deposit insurance fund and fundraising for the financial stability guarantee fund were advanced in an orderly manner.

IX. Enhancing cross-border trade, investment, and financing services

Continuously facilitating fund settlement of cross-border trade. Policies to facilitate foreign exchange receipts and payments for trade have been expanded, improved, and made more effective, supporting the standardized and healthy development of new forms of foreign trade and enabling efficient and low-cost repatriation of funds. Contracting engineering enterprises are supported in the cross-country and cross-regional centralized allocation and use of funds. This facilitation policy has already been implemented in some regions, further enhancing the management and utilization efficiency of corporate funds.

Continuously facilitating cross-border investment and financing. The *Notice of the State Administration of Foreign Exchange on Matters Related to Deepening the Reform of Foreign Exchange Management for Cross-Border Investment and Financing* has been issued to further deepen reforms in foreign exchange management for cross-border investment and financing, to facilitate cross-border investment and financing, and to promote the high-quality development of financial services for the real economy.

Deepening international monetary and financial cooperation. Steady progress was made in advancing bilateral local currency swap arrangements and improving the local currency swap framework to support development of the offshore RMB market and to facilitate trade and investment. Focusing on neighboring countries and partner countries along the Belt and Road, the PBOC strengthened central bank cooperation for local currency settlements and improved the conditions for using offshore RMB. By the end of September, under the bilateral local currency swap agreements signed between the PBOC and overseas monetary authorities, overseas monetary authorities had drawn RMB with an outstanding balance of RMB79.3 billion, and the PBOC had drawn foreign currencies with an outstanding balance of zero, playing a positive role in promoting bilateral trade and investment.

Part 3 Financial Market Conditions

In the first three quarters of 2025, the financial market maintained overall stable functioning. Money market interest rates declined, and market trading was relatively active. Corporate bond issuance rates fell, and the volume of bond issuances increased year on year. The stock market rose, with expansion of the trading volume and equity financing.

I. Financial market overview

1. Money market interest rates declined

Money market interest rates declined. In September 2025, the monthly weighted average interest rate for overnight interbank lending stood at 1.43 percent, and that for overnight pledged repos was 1.44 percent, 31 bps and 35 bps lower than that during the same period of last year, respectively. The monthly weighted average interest rate for overnight pledged repos backed by interest rate bonds among depository institutions posted 1.39 percent, 5 bps lower than the overall rate for overnight pledged repos. At end-September, the overnight and 7-day Shanghai Interbank Offered Rate (Shibor) stood at 1.38 percent and 1.41 percent, down 13 bps and 11 bps year on year, respectively.

Repo transactions were relatively active. In the first three quarters of 2025, cumulative bond repo transactions in the interbank market totaled RMB1,244.6 trillion, with a daily average of RMB6.7 trillion, up 3.6 percent year on year. Cumulative interbank lending transactions reached RMB65.5 trillion, representing a daily average of RMB 0.3504 trillion, down 14.5 percent year on year. In terms of the maturity structure, overnight repos accounted for 85.1 percent of the total trading volume of bond repos, up 0.4 percentage points year on year, while overnight interbank lending constituted 81.7 percent of the total interbank lending, down 2.3 percentage points year on year. Cumulative exchange-traded bond repo transactions totaled RMB459.4 trillion, up 25.2 percent year on year.

Table 9 Fund Flows of Repos and Interbank Lending Among Financial Institutions in the First Three Quarters of 2025

Unit: RMB100 million

	Repos		Interbank lending	
	Q1-Q3 2025	Q1-Q3 2024	Q1-Q3 2025	Q1-Q3 2024
Chinese-funded large banks①	-5117401	-5092087	-233596	-297134
Chinese-funded medium-sized banks②	-505576	-782485	25848	22592
Chinese-funded small-sized banks③	576161	426985	-2313	30998
Securities institutions④	2008728	1806014	201663	232161
Insurance institutions⑤	216989	204390	2336	1175
Foreign-funded banks	-43318	-4402	-11919	-23870
Other financial institutions and products⑥	2864417	3441586	17981	34078

Notes: ① Chinese-funded large banks include the Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, China Development Bank, Bank of Communications, and Postal Savings Bank of China. ②Chinese-funded medium-sized banks refer to policy banks, China Merchants Bank and eight other joint-equity commercial banks, Bank of Beijing, Bank of Shanghai, and Bank of Jiangsu. ③Chinese-funded small-sized banks refer to the Hengfeng Bank, China Zheshang Bank, China Bohai Bank, other city commercial banks, rural commercial banks, rural cooperative banks, private banks, and village and township banks. ④Securities institutions include securities firms, fund management companies, and futures companies. ⑤Insurance institutions include insurance firms and corporate annuities. ⑥Other financial institutions and products include urban credit cooperatives, rural credit cooperatives, finance companies, trust and investment companies, financial leasing companies, asset management companies, social security funds, mutual funds, wealth

management products, trust plans, and other investment products. Some of these financial institutions and products do not participate in the interbank lending market. ⑦A negative sign indicates net lending and a positive sign indicates net borrowing.
Source: China Foreign Exchange Trade System.

Interbank Certificates of Deposits (CDs) and negotiable CDs developed in an orderly manner. In Q3 2025, 5,406 interbank CDs were issued in the interbank market, totaling RMB8.3 trillion. The volume of secondary market trading totaled RMB64.0 trillion, and the outstanding balance stood at RMB20.0 trillion at end-September. The weighted average issuance rate of 3-month interbank CDs was 1.58 percent, 2 bps above the 3-month Shibor. Financial institutions issued 26,000 negotiable CDs during the quarter, with the total issuance reaching RMB6.8 trillion, up RMB2.5 trillion year on year.

The interest rate swap (IRS) market remained stable. In Q3 2025, the RMB IRS market grew 26.1 percent year on year and recorded 111,000 transactions (including standard swaps), with a notional principal of RMB16.2 trillion, up 75.8 percent year on year. In terms of the term structure, contracts with maturities of one year or less were most actively traded, with a notional principal of RMB12.3 trillion and accounting for 75.8 percent of the total volume. The floating leg of RMB IRS transactions is primarily benchmarked to the 7-day repo fixing rate, the Prime Negotiable Certificate of Deposit (Prime NCD) issuance rate of major nationwide banks, and the Shibor. The shares of the notional principal linked to these benchmarks were 73.6 percent, 24.7 percent, and 1.4 percent, respectively. In Q3, a total of 192 IRS contracts with the LPR as the underlying asset were traded, with a combined notional principal of RMB35.0 billion.

Table 10 Interest Rate Swap Transactions (including Standard Swaps) in Q3 2025

	Transactions	Notional principal (RMB100 million)
Q3 2025	111335	161702
Q3 2024	88275	92003

Source: China Foreign Exchange Trade System.

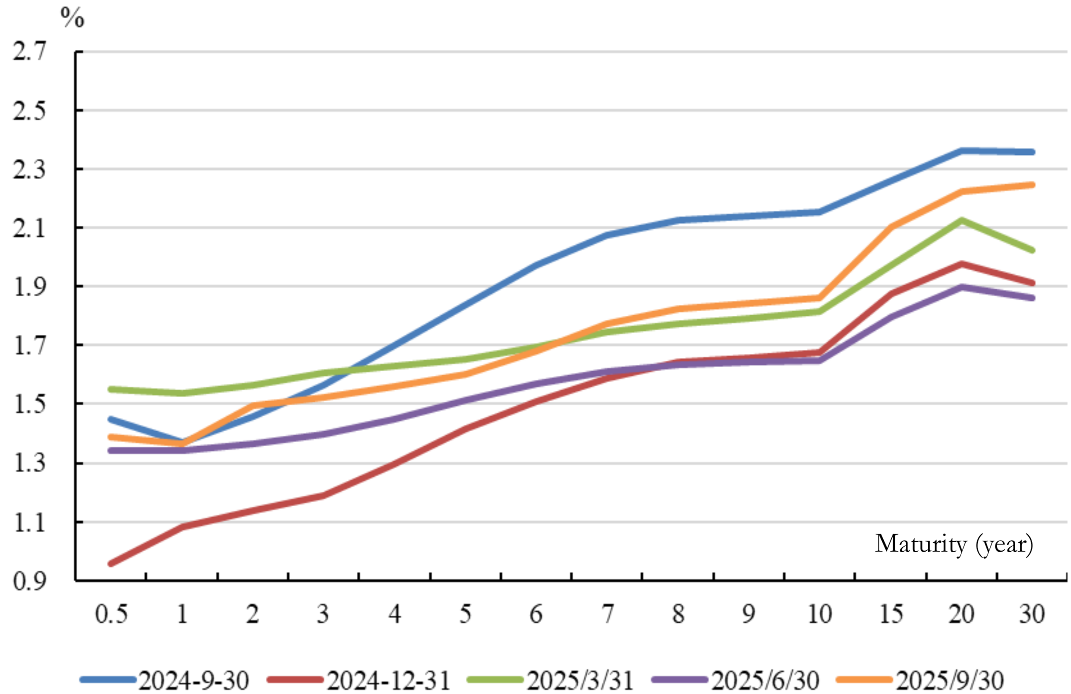
The interest rate options business developed steadily. In Q3 2025, a total of 76 interest rate option transactions were concluded, totaling RMB10.4 billion, all of which were LPR-linked interest rate cap/floor options.

2. Bond issuance volumes increased YOY

Issuance rates on government bonds rebounded. In September 2025, the issuance rate on 10-year government bonds issued by the Ministry of Finance stood at 1.83 percent, up 17 bps from June 2025; the average rate on 1-year short-term financing bills issued by AAA-rated enterprises was 2.05 percent, up 23 bps from June 2025.

The yield curve of government bonds steepened. At end-September 2025, yields on 1-year, 3-year, 5-year, 7-year, and 10-year government bonds increased by 3 bps, 12 bps, 9 bps, 16 bps, and 21 bps from end-June 2025, reaching 1.37 percent, 1.52 percent, 1.60 percent, 1.77 percent, and 1.86 percent, respectively. The term spread between 1-year and 10-year government bonds widened to 50 bps, up 19 bps from end-June 2025.

Figure 4 Yield Curves of Government Bonds in the Interbank Market



Source: China Central Depository & Clearing Co., Ltd.

Bond issuances increased significantly. In the first three quarters of 2025, the volume of cumulative bond issuances reached RMB68.0 trillion, up 13.9 percent year on year and RMB8.3 trillion more than that during the same period of last year, mainly driven by the increase in the issuance of government bonds, local government bonds, and financial bonds. At end-September 2025, the outstanding balance of domestic bonds stood at RMB193.3 trillion, up 13.7 percent year on year.

The volume of spot bond trading increased year on year. In the first three quarters of 2025, the total trading volume of spot bonds reached RMB323.0 trillion, up 0.4 percent year on year. Specifically, transactions in the interbank market amounted to RMB290.9 trillion, a decrease of 0.1 percent year on year, while transactions on the stock exchanges totaled RMB32.1 trillion, an increase of 5.2 percent year on year.

Table 3 Bond Issuances in the First Three Quarters of 2025

Unit: RMB100 million

Type of bond	Issuance	YOY change
Government bonds	119453	21873
Local government bonds	84609	19645
Central bank bills	0	0
Financial bonds①	357829	36320

Of which: Financial bonds issued by the China Development Bank (CDB) and policy financial bonds	54880	9812
Interbank certificates of deposits	257181	19024
Corporate credit bonds②	117281	5636
Of which: Debt-financing instruments of non-financial enterprises	71884	-4688
Enterprise bonds	1471	985
Corporate bonds	32563	5476
Bonds issued by international institutions	1319	-201
Total	680491	83273

Notes: ①Including financial bonds issued by the CDB, policy financial bonds, bonds issued by commercial banks (including ordinary bonds, subordinated bonds, and hybrid bonds), bonds issued by securities firms, and interbank certificates of deposit. ②Including debt-financing instruments issued by non-financial enterprises, enterprise bonds, corporate bonds, convertible bonds, bonds with detachable warrants, privately offered SME bonds, and asset-backed securities on the Shanghai Stock Exchange and the Shenzhen Stock Exchange issued by non-financial enterprises.

Sources: The People's Bank of China, China Securities Regulatory Commission, and China Central Depository & Clearing Co., Ltd. Updated with the latest data from the providers.

3. The bill market operated in a stable manner

The bill market operated smoothly. In the first three quarters of 2025, commercial drafts issued by enterprises totaled RMB30.6 trillion. At end-September, outstanding commercial drafts stood at RMB19.4 trillion. Bankers' acceptances issued by MSMEs accounted for 74.1 percent. Total discounts by financial institutions amounted to RMB48.9 trillion. At end-September, the balance of bill financing stood at RMB15.2 trillion, accounting for 5.6 percent of total outstanding loans. Interest rates in the bill market showed an upward and then a downward trend in the first three quarters of 2025.

4. The stock market witnessed an upward trend and turnover increased

Major stock indices edged up. At end-September 2025, the Shanghai Stock Exchange Composite Index closed at 3,883 points, up 15.8 percent from end-2024, while the Shenzhen Stock Exchange Component Index closed at 13,527 points, up 29.9 percent from end-2024. Both turnover and fundraising increased. In the first three quarters of 2025, total turnover on the Shanghai and Shenzhen Stock Exchanges reached RMB296.9 trillion, with an average daily turnover of RMB1.6 trillion, up 104.6 percent year on year. A total of RMB1.1 trillion was raised through equity financing in the first three quarters of 2025, up 383 percent year on year.

5. Insurance premium income and assets increased year on year

In the first three quarters of 2025, total premium income in the insurance sector amounted to RMB5.2 trillion, up 8.8 percent year on year, 2.4 percentage points lower than the growth rate at end-2024. Claim and benefit payments totaled RMB1.9 trillion, an increase of 8.1 percent year on year, with property insurance payouts up 0.6 percent and personal insurance payouts up 13.1 percent year on year.

Table 4 Asset Allocations in the Insurance Sector at end-September 2025

Units: RMB100 million, %

	Balance		As a share of total assets	
	End-September 2025	End-September 2024	End-September 2025	End-September 2024
Total assets	404006	350024	100.0	100.0
of which: Bank deposits	31905	30511	7.9	8.7
Investments	342725	291001	84.8	83.1

Source: National Financial Regulatory Administration.

Insurance assets increased year on year. At end-September 2025, total assets in the insurance sector rose 15.4 percent year on year to RMB40.4 trillion, with the growth rate 4.5 percentage points lower than that at the end of last year. Specifically, bank deposits grew by 4.6 percent, while investment assets increased by 17.8 percent year on year.

6. The trading volume of foreign exchange spot and forward transactions went up rapidly

In the first three quarters of 2025, the turnover of spot RMB/foreign exchange transactions reached USD8.1 trillion, up 15.4 percent year on year. Swap RMB/foreign exchange transactions totaled USD17.7 trillion, down 1.1 percent year on year. Specifically, overnight RMB/USD swap transactions posted USD11.7 trillion, accounting for 65.9 percent of the total swap turnover. RMB/foreign exchange forward transactions totaled USD164.6 billion, up 11.7 percent year on year. Foreign-currency pair transactions totaled USD2.3 trillion, up 30.1 percent year on year, with the USD/JPY pair being the most traded, accounting for 30.9 percent of the total market share.

7. Gold prices went up

At end-September 2025, international gold prices closed at USD3825.3 per ounce, up 46.5 percent from end-2024. The Au99.99 contract on the Shanghai Gold Exchange closed at RMB871.86 per gram, up 41.8 percent from end-2024. In Q3 2025, the volume of gold trading on the Shanghai Gold Exchange totaled 14,000 tons, a decrease of 15.9 percent year on year, with total turnover reaching RMB11.1 trillion and up 17.2 percent year on year.

II. The development of institutional arrangements in the financial markets

1. Institutional arrangements in financial infrastructures

Strengthening the coordinated oversight of financial infrastructures. In July, the PBOC and the China Securities Regulatory Commission (CSRC) jointly issued the *Measures for the Supervision and Administration of Financial Infrastructures*. The *Measures* focus on the oversight of financial infrastructure operations, improve the rules concerning their operation, risk management, and corporate governance, clarify the identification standards for systemically important financial infrastructures and macroprudential requirements, and refine provisions for their inspection, penalization, recovery and resolution, and exit. This aims to unify regulatory standards for financial infrastructures, thereby laying a solid foundation for the safe, stable, and efficient operation of financial markets.

2. Institutional arrangements in the securities market

Improving the regulatory system for securities companies. In August, the CSRC amended the *Provisions on the Classified Supervision of Securities Companies*, refining the bonus point indicators for business development, clarifying the circumstances whereby direct downgrades in classification ratings apply, and specifying the rules for handling special issues.

Improving the regulatory system for futures companies. In August, the CSRC issued the *Interim Provisions on Internet Marketing Management of Futures Companies* to strengthen the supervision of internet marketing activities by futures companies and to guide them in compliant and orderly business conduct. In September, the CSRC revised the *Provisions on the Classified Evaluation of Futures Companies*, improving the points deduction mechanism, optimizing the bonus point system, removing certain indicators, and adjusting special evaluations and incentives.

3. Institutional arrangements in the insurance market

Enhancing banking and insurance sector support for integrated development across the Taiwan Strait. In August, the National Financial Regulatory Administration (NFRA) issued *Several Measures to Support Fujian in Building a Demonstration Zone for Cross-Strait Integrated Development through the Banking and Insurance Sectors*. From the perspective of leveraging Fujian's geographical advantages for Taiwan-related interactions, the *Measures* proposes 16 measures across four areas: promoting the integrated development of the banking and insurance sectors across the Taiwan Strait and deepening financial business cooperation between Fujian and Taiwan; improving the quality and efficiency of financial services for Taiwan, and facilitating economic, trade, and personnel exchanges between Fujian and Taiwan; optimizing financial services for Taiwan compatriots and making their lives in Fujian more convenient; and comprehensively strengthening financial supervision to effectively forestall and defuse financial risks. The 16 measures aim to support the construction of the cross-Strait integrated development demonstration zone.

Directing insurance companies to improve management of their capital deposits. In August, the NFRA revised and issued the *Measures for the Administration of Capital Deposits of Insurance Companies*, removing restrictions on the types of eligible deposit-taking banks, optimizing the conditions for these banks, improving the forms and management requirements for capital deposits, and changing the regulatory approach for capital deposit disposals from ex post facto filing to ex post facto reporting.

Promoting the high-quality development of health insurance. In September, the NFRA issued the *Guiding Opinions on Promoting the High-Quality Development of Health Insurance*, clarifying the overarching strategy and phased goals for the development of health insurance in the coming period. The *Opinions* aims to deepen health insurance reforms, enhance sustainable development capabilities, strengthen the supervision of health insurance, optimize the development environment for health insurance, and better meet the people's health protection needs.

Part 4 Macroeconomic Overview

I. Global economic and financial developments

Global economic growth remains sluggish, and inflation trends are diverging. The labor market has cooled down. Tariffs are still weighing on the economy. The debt levels of the major economies are elevated. Global economic growth and inflation still remain uncertain.

1. Economic and financial market performance in the major economies

Global economic growth was sluggish. In Q2 2025, U.S. GDP grew at an annualized pace of 3.8 percent, growing by 2.1 percent year on year in the first half of 2025, compared with the 2.8 percent growth in 2024. Since Q3, the manufacturing Purchasing Managers' Index (PMI) has remained stable, while the Consumer Confidence Index and the Investor Confidence Index have strengthened marginally. In Q3, the GDP in the euro area expanded by 1.3 percent, lower than the 1.5 percent in the previous quarter. In Q2, the GDP in the UK grew by 0.3 percent quarter on quarter, compared with 0.7 percent in Q1. The GDP in Japan grew by 0.5 percent quarter on quarter, higher than the 0.1 percent in Q1. However, Japan's exports have declined since July, with a significant drop in auto exports to the U.S.

Inflation trends have diverged. The U.S. faces the risk of renewed inflation, as it has slapped tariffs on imports. In September 2025, the U.S. Consumer Price Index (CPI) was up by 3.0 percent year on year, the biggest increase since February this year. The Harmonized Index of Consumer Prices (HICP) in the euro area was up by 2.2 percent, close to the 2 percent target. The CPI in the UK came in at 3.8 percent, while the Japanese CPI was up by 2.9 percent year on year, falling for four consecutive months. Prices fell significantly in the emerging Asian markets. In September, the CPI in India was up by 1.5 percent year on year, way below the increase of about 4 percent earlier this year.

The labor market has cooled. In August 2025, U.S. nonfarm payrolls increased by only 22,000, significantly lower than the 71,000 in the same period of the last year. The number of job openings has fallen steadily since the start of this year. As weakening labor demand was accompanied by falling labor supply due to immigration restrictions, for the time being the unemployment rate has remained stable. In August, the U.S. unemployment rate was 4.3 percent, up by 0.2 percentage points compared with that in June. The UK unemployment rate was 4.8 percent. In September, the unemployment rate in the euro area and Japan was 6.3 percent and 2.6 percent, respectively.

Global equity markets continued to rally. The equity market increased. At the end of September, the Dow Jones Industrial Average, the S&P 500, and the Nasdaq Composite closed at 46398 points, 6688 points, and 22660 points, up by 5.2 percent, 7.8 percent, and 11.2 percent in Q3, respectively. The EURO STOXX50 and the Nikkei 225 gained 4.3 percent and 11.0 percent in Q3, respectively. The movement of government bond yields was mixed. As the U.S. Federal Reserve (Fed) cut interest rates, the 10-year U.S. Treasury yield closed at 4.16 percent at the end of September, down by 42 basis points (bps) over the end of 2024. The yield on 10-year UK and French government bonds was up by 20 bps and 34 bps, respectively, compared with end-2024. The yield on 10-year German government bonds went up by 32 bps over the end of 2024, mainly driven by the sharp increase in bond issuances. The U.S. Dollar Index dropped. At end-September, the U.S. Dollar Index was 97.82, down by 9.8 percent from end-2024. Non-dollar currencies, including the euro, the British pound, and the Japanese yen, generally appreciated.

Table 5 Macroeconomic and Financial Indicators in the Major Advanced Economies

Economy	Indicator	Q3 2024			Q4 2024			Q1 2025			Q2 2025			Q3 2025		
		Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.
United States	Real GDP Growth (annualized quarterly rate, %)	3.3			1.9			-0.6			3.8			-		
	Unemployment Rate (%)	4.2	4.2	4.1	4.1	4.2	4.1	4.0	4.1	4.2	4.2	4.2	4.1	4.2	4.3	-
	CPI (year-on-year, %)	2.9	2.6	2.4	2.6	2.7	2.9	3.0	2.8	2.4	2.3	2.4	2.7	2.7	2.9	3.0
	DJ Industrial Average (end of the period)	40843	41563	42330	41763	44911	42544	44545	43841	42002	40669	42270	44095	44131	45545	46398
Euro Area	Real GDP Growth (year-on-year, %)	1.0			1.3			1.6			1.5			1.3		
	Unemployment Rate (%)	6.4	6.3	6.3	6.2	6.2	6.3	6.3	6.3	6.4	6.3	6.4	6.4	6.3	6.3	6.3
	HICP (year-on-year, %)	2.6	2.2	1.7	2.0	2.2	2.4	2.5	2.3	2.2	2.2	1.9	2.0	2.0	2.0	2.2
	EURO STOXX 50 (end of the period)	4873	4958	5000	4828	4804	4896	5287	5464	5248	5160	5367	5303	5320	5352	5530
United Kingdom	Real GDP Growth (year-on year, %)	1.4			1.9			1.8			1.4			-		
	Unemployment Rate (%)	4.2	4.1	4.3	4.3	4.4	4.4	4.4	4.4	4.5	4.6	4.7	4.7	4.7	4.8	-

	CPI (year-on-year, %)	2.2	2.2	1.7	2.3	2.6	2.5	3.0	2.8	2.6	3.5	3.4	3.6	3.8	3.8	3.8
	FTSE 100 (end of the period)	8368	8377	8237	8110	8287	8173	8674	8810	8583	8495	8772	8761	9133	9187	9350
Japan	Real GDP Growth (annualized quarterly rate, %)	2.3			2.1			0.3			2.2			-		
	Unemployment Rate (%)	2.7	2.5	2.5	2.4	2.4	2.2	2.3	2.4	2.6	2.7	2.6	2.5	2.4	2.6	2.6
	CPI (year-on-year, %)	2.8	3.0	2.5	2.3	2.9	3.6	4.0	3.7	3.6	3.6	3.5	3.3	3.1	2.7	2.9
	Nikkei 225 (end of the period)	39102	38648	37920	39081	38208	39895	39572	37156	35618	36045	37965	40487	41070	42718	44933

Sources: Statistical bureaus and central banks of the relevant economies.

2. Monetary policies of the major economies

The Fed resumed its rate cuts. The Fed cut the target range for the federal funds rate by 25 bps to 4.0–4.25 percent in September. It also adjusted its monetary policy framework by ditching the average inflation targeting and returning to flexible inflation targeting. The European Central Bank (ECB) held the interest rates on the deposit facility, main refinancing operations, and the marginal lending facility steady at 2.0 percent, 2.15 percent, and 2.4 percent, respectively. In August, the Bank of England reduced its benchmark interest rate by 25 bps to 4.0 percent. It would also slow the pace of quantitative tightening, reducing its government bond reductions from GBP100 billion to GBP70 billion between October 2025 and September 2026. The Bank of Japan kept the target short-term interest rate unchanged at about 0.5 percent and decided to sell its holdings of exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs). In Q3, the Bank of Canada, the Reserve Bank of Australia, and the Reserve Bank of New Zealand each cut rates by 25 bps, while the Bank of Korea held its benchmark interest rate steady.

Central banks in some emerging market economies continued to cut rates. In Q3, the Bank of Russia slashed rates by 300 bps. The Bank Indonesia, the Banco de México, the Bank Negara Malaysia, and the South African Reserve Bank cut rates by 75 bps, 50 bps, 25 bps, and 25 bps, respectively. The Reserve Bank of India and the Banco Central do Brasil kept benchmark interest rates unchanged.

3. Issues and trends that merit attention

The implications of tariffs for trade are likely to unfold gradually, weighing on global economic growth. As it takes time for the negative impact of tariffs to be felt, and many market entities have been front-loading exports and imports, global trade continues to grow. However, given the already high average tariffs in the U.S. and trade policy uncertainties moving forward, the global economy may face persistent pressures as the effects of front-loading behavior wear off. In October, the International Monetary Fund (IMF) projected that the global economy would grow by 3.2 percent in 2025, slower than the average of 3.8 percent between 2000 and 2019.

Global financial market risks still warrant attention. In Q3, equity markets in the major economies were resilient, and market sentiment was optimistic. However, uncertainties clouding the economic outlook should not be underestimated. If the major economies again make big changes to their trade policies or if geopolitical tensions escalate, worsening investors' risk appetite and corporate earnings expectations may trigger market volatility. The development prospects of industries such as artificial intelligence also have a significant impact on the performance of the major stock indices.

Concerns persist over fiscal sustainability. Global public debt levels continue to rise, as the major economies increased fiscal spending substantially in the wake of the COVID-19 pandemic. According to IMF estimates, global public debt will hit around USD108 trillion by the end of 2025, or 95 percent of global GDP, up by 2.8 percentage points compared with 2024. Down the road, this ratio is expected to rise every year. High debt levels, which will be difficult to bring under control in the near term, have sparked market concerns about future fiscal sustainability.

Geopolitical conflicts may undermine economic and financial stability. At present, geopolitical conflicts have occurred in a number of places, posing risks to growth. Should these conflicts escalate or should more conflicts arise, they may compromise the security of global supply chains and heighten global financial market volatility.

II. Macroeconomic developments in China

Since the beginning of this year, under the strong leadership of the CPC Central Committee with Comrade Xi Jinping as its core, all regions and departments have earnestly implemented the decisions and arrangements of the CPC Central Committee and the State Council, calmly responding to the complex and volatile external environment and the internal difficulties while implementing a more proactive and effective macro policy. As a result, the national economy has maintained overall stability while achieving positive progress. According to preliminary statistics, GDP in the first three quarters grew by 5.2 percent year on year to RMB101.5 trillion on a comparable basis.

1. The scale of consumption expanded, the investment structure improved, and imports and exports maintained their growth

The economy saw steady growth in income of residents alongside an expansion in market sales. During the first three quarters of 2025, China's per capita disposable income posted RMB33 thousand, increasing by 5.1 percent year on year in nominal terms or by 5.2 percent in real terms. The structure of income distribution continued to improve. The nominal and real growth rates of rural residents' per capita disposable income were 1.3 percentage points and 1.5 percentage points higher than those of urban residents, respectively. During the first three quarters of the year, total retail sales of consumer goods grew by 4.5 percent year on year, 1.2 percentage points higher than that in the same period of 2024. A series of consumption-promotion policies continued to take effect, driving qualitative upgrades in consumption. Sales of most product categories showed a positive growth momentum, while online consumption and service consumption maintained steady growth. During the first three quarters, retail sales of home appliances and audio-visual equipment, furniture, communications equipment, as well as cultural and office supplies by statistical units above the designated size increased by 25.3 percent, 21.3 percent, 20.5 percent, and 19.9 percent, respectively. Meanwhile, service retail sales and online retail sales increased by 5.2 percent and 9.8 percent year on year, respectively.

The structure of fixed-asset investments was continuously optimized. During the first three quarters, total fixed-asset investments throughout China (excluding those by rural households) decreased by 0.5 percent year on year to RMB37.2 trillion. In terms of sectors, investments in the manufacturing sector increased by 4.0 percent, 4.5 percentage points higher than the total investment growth. Investments in infrastructure (excluding electricity, heat, gas, and water production and supply) increased by 1.1 percent, 1.6 percentage points higher than the total investment growth. In the high-tech sector, investments in the information services industry, aerospace equipment manufacturing industry, and computer and office equipment manufacturing industry increased by 33.1 percent, 20.6 percent, and 7.4 percent year on year, respectively.

Imports and exports of goods continued to grow with the optimization of the trade structure. During the first three quarters, imports and exports of goods increased by 4.0 percent year on year to RMB33.6 trillion, up 1.1 percentage points from the first half of the year. Specifically, exports grew by 7.1 percent year on year and imports fell by 0.2 percent year on year. The trade structure continuously improved. Imports and exports of private enterprises increased by 7.8 percent, accounting for 57.0 percent of total imports and exports, an increase of 2.0 percentage points year on year.

The quality of foreign direct investments (FDI) continued to improve. In September, actually utilized FDI increased by 11.2 percent year on year. The quality of FDI remained elevated, with actually utilized FDI in the high-tech manufacturing industries totaling RMB170.8 billion. Specifically, actually utilized FDI in the e-commerce services sector, the aerospace equipment manufacturing sector, and the medical equipment and instrument manufacturing sector increased by 155.2 percent, 38.7 percent, and 17 percent year on year, respectively.

2. Agricultural production was in sound condition, industrial production grew rapidly, and the services industry maintained steady growth

During the first three quarters, the value-added of the primary industry, secondary industry, and tertiary industry totaled RMB5.8 trillion, RMB36.4 trillion, and RMB59.3 trillion, respectively, up 3.8 percent, 4.9 percent, and 5.4 percent year on year.

Agricultural production was favorable, while animal husbandry maintained steady growth. During the first three quarters, the value-added of agriculture (farming) increased by 3.6 percent year on year. The output of summer grains and early rice grew by 0.1 percent, while the production of autumn grains remained generally stable. During the first three quarters, the output of pork, beef, lamb, and poultry grew by 3.8 percent year on year to 73.12 million tons. Specifically, the output of pork grew by 3.0 percent year on year. At end-Q3, the number of hogs in stock increased by 2.3 percent year on year. During the first three quarters, the number of hogs for slaughter increased by 1.8 percent.

Industrial production grew rapidly, with the equipment manufacturing and high-tech manufacturing industries showing sound momentum. During the first three quarters, the value-added of Industrial Enterprises above a Designated Size (IEDS) increased by 6.2 percent year on year. In terms of sectors, the value-added of the mining sector and the manufacturing sector increased by 5.8 percent and 6.8 percent year on year, respectively. The value-added of the electricity, heat, gas, water production and supply sector increased by 2.0 percent year on year. In terms of the manufacturing industries, the value-added of the equipment manufacturing sector and the high-tech manufacturing sector increased by 9.7 percent and 9.6 percent, respectively, maintaining rapid growth. In terms of products, 3D printing equipment, industrial robots, and new energy vehicles grew by 40.5 percent, 29.8 percent, and 29.7 percent year on year, respectively.

The services sector grew steadily, and momentum for the development of modern services remains sound. During the first three quarters, the value-added of the services industry grew by 5.4 percent year on year. Specifically, the value-added of electronic information transmission, software, and information technology services and leasing and business services grew by 11.2 percent and 9.2 percent year on year, respectively. In September, the Index of Service Production (ISP) increased by 5.6 percent year on year. Specifically, the ISP of electronic information transmission, software, and information technology services, financial services, and leasing and business services increased by 12.8 percent, 8.7 percent, and 7.8 percent year on year, respectively.

3. Consumer prices remained generally stable, while the decline in producer prices narrowed

Consumer prices remained basically stable, while the increase in core CPI picked up month by month. During the first three quarters, the CPI decreased by 0.1 percent year on year, with the growth rate basically the same as that in H1. Specifically, affected by the accommodative supply, pork prices seesawed ever lower month on month, and high production capacity led to the month-on-month growth rate of egg prices being weaker than the seasonal level. Impacted by sufficient supply, intensified competition, and improved logistics efficiency, fresh fruit prices were significantly weaker than the seasonal level. High temperatures and heavy rainfall in some regions made fresh vegetable prices slightly higher than seasonal levels month on month. However, influenced by the high base from the same period of 2024, the year-on-year decline in food prices expanded significantly, from 0.3 percent in Q2 to 3.4 percent in Q3, which is the main reason for the Q3 decline in year-on-year CPI growth. Affected by the volatile and slight decline in international crude oil prices, the decline in energy prices continued to improve year on year. Excluding energy, the year-on-year growth rate of industrial consumer goods prices expanded month by month, while demand for services, such as medical care and household services, witnessed a rise amid steady growth. The growth rate of non-food prices rebounded from flat in Q2 to 0.5 percent in Q3 year on year. During the first three quarters, the core CPI, excluding food and energy, rose by 0.6 percent year on year, with the monthly growth rate expanding for five consecutive months.

The decline in the Producer Price Index (PPI) for industrial products narrowed year on year. The optimization of market competition order in some industries led to marginal improvements in prices. The production of raw coal turned from an increase to a decrease year on year, driving coal prices to rise. The national output of crude steel registered a consecutive decline both year on year and month on month, leading to marginal improvements in steel prices. The volatile rise in international non-ferrous metal prices accelerated price growth in the domestic non-ferrous metal smelting and rolling processing industries. During the first three quarters, the Producer Price Index decreased by 2.8 percent year on year, with the declines from July to September standing at 3.6 percent, 2.9 percent, and 2.3 percent, respectively, narrowing by 0.3 percentage points in Q3 compared with Q2. The Purchasing Price Index of Raw Materials (PPIRM) declined by 3.2 percent year on year. The Corporate Goods Price Index (CGPI) monitored by the PBOC decreased by 1.8 percent year on year.

4. Fiscal revenue increased, and fiscal expenditures grew steadily

In the first three quarters, revenue in the national general public budget reached RMB16.4 trillion, increasing 0.5 percent year on year, 0.8 percentage points higher than that in H1. Specifically, central government revenue decreased by 1.2 percent, and local government revenue grew by 1.8 percent. National tax revenue amounted to RMB13.3 trillion, a year-on-year increase of 0.7 percent. Among these, the domestic value-added tax, domestic consumption tax, corporate income tax, and personal income tax grew by 3.6 percent, 2.2 percent, 0.8 percent, and 9.7 percent year on year, respectively. Non-tax revenue reached RMB3.1 trillion, a year-on-year decrease of 0.4 percent.

In the first three quarters, expenditures in the national general public budget reached RMB20.8 trillion, a year-on-year increase of 3.1 percent. Specifically, central general public budget expenditures and local general public budget expenditures grew by 7.3 percent and 2.4 percent year on year, respectively. In terms of the expenditure structure, expenditures on social security and employment, energy conservation and environmental protection, science and technology, and education grew relatively rapidly, with a year-on-year increase of 10.0 percent, 8.8 percent, 6.5 percent, and 5.4 percent, respectively.

5. The employment situation remained generally stable

The urban surveyed unemployment rate saw a slight decline. In the first three quarters, the national urban surveyed unemployment rate averaged 5.2 percent, on par with that in H1. Specifically, the national urban surveyed unemployment rate in September was 5.2 percent, a decrease of 0.1 percentage points from the previous month. In September, the urban surveyed unemployment rate in 31 major cities was 5.2 percent, a decrease of 0.1 percentage points from the previous month. Employment among key groups such as migrant workers was stable. In September, the surveyed unemployment rate for migrant workers was 4.9 percent, a decrease of 0.1 percentage points from the previous month.

6. The balance of payments remained generally balanced

In H1 2025, China's current account recorded a surplus of USD294.1 billion, remaining within a reasonable and balanced range. Specifically, trade in goods remained resilient, with the aggregate of imports and exports on the BOP basis growing by 2 percent year on year. Trade in services became more active, with import and export aggregates increasing by 6 percent year on year, and the trade deficit in services narrowing by 13 percent year on year. The non-reserve financial account recorded a deficit, forming an autonomous equilibrium with the current account surplus. In H1, China's outbound investments were orderly and active, while various types of inbound investments were generally positive. Specifically, net inflows of equity-based FDI reached USD39.3 billion, and net inflows of overseas portfolio investments into China amounted to USD37.3 billion. As of end-June, China's total external debt (denominated in both domestic and foreign currencies) stood at USD2.4 trillion. Specifically, medium- and long-term external debt stood at USD1.0 trillion, accounting for 42 percent, and short-term external debt stood at USD1.4 trillion, accounting for 58 percent. External debt denominated in local currency was USD1.3 trillion, accounting for 52 percent, and external debt denominated in foreign currency (including SDR allocations) was USD1.2 trillion, accounting for 48 percent.

7. Analysis by Sector

7.1. The chemical new materials sector

As a key pillar in the strategic emerging industries, the chemical new materials sector plays a significant role in promoting industrial upgrading and economic transformation. In recent years, the introduction of a series of policy measures has injected strong momentum into the sector's development, ushering in a period of rapid growth. First, the market size continued to expand. Demand for chemical new materials from sectors such as new energy and consumer goods grew steadily. Taking the sub-sector of synthetic rubber as an example, cumulative output in the first three quarters of 2025 reached 6.62 million tons, a year-on-year increase of 11.2 percent. Second, breakthroughs were steadily made in high-end products. China has established a relatively complete production system covering the major categories, such as high-performance engineering materials, new fibers, and new elastomers. Furthermore, breakthrough progress has been made in key technologies for products like Photovoltaic-grade Ethylene-Vinyl Acetate (EVA) and ultra-high molecular weight polyethylene, with the sector's self-sufficiency rate exceeding 80 percent. Third, the regional clustering effect continued to intensify. The chemical new materials sector exhibits a high degree of industrial agglomeration in East China, effectively promoting regional technological collaboration and innovation and the efficient allocation of resources.

The chemical new materials sector is a key prospective direction for the chemical industry, and financial institutions have provided strong support for its high-quality development. First, financial products have become more diversified. Financial institutions have introduced differentiated products, such as "Chemical New Materials Loans" and "Sustainability-Linked (ESG) Loans", tailored to the sector's characteristics, actively meeting the funding needs of different stages, including R&D, production, and applications. Second, the quality and efficiency of financial services have improved. Support by the capital market has increased, with early-stage startups obtaining more than a cumulative RMB2 billion in equity financing between 2021 and 2024. The comprehensive financing costs for chemical new materials enterprises have also been continuously decreasing.

Looking ahead, technological innovation, financial empowerment, and industrial chain synergies are expected to propel the chemical new materials sector into a new phase of development that will be characterized by high performance, green transformation, and intelligent advances. First, technological capabilities in core areas will continue to improve. High-performance materials, such as high-end polyolefins, synthetic rubber, and functional membrane materials, will better meet the development needs of emerging fields like aerospace, electronic information, and the low-altitude economy. Second, the level of green production will be further enhanced. Green hydrogen and green electricity will be more widely used in chemical production. Third, the intelligence of materials technology will increase. Smart materials, capable of flexibly responding to changes in the external environment, will expand their applications in areas such as adaptive control systems for spacecraft and intelligent biomedical equipment.

7.2. The robotics sector

In recent years, driven by policy support, technological breakthroughs, and growing market demand, China's robotics sector has demonstrated strong growth momentum. First, the industry scale has expanded rapidly. In H1 2025, revenue in the robotics sector grew by 27.8 percent year on year. In the first three quarters, the output of industrial robots reached 600,000 units, and the output of service robots reached 13.5 million units, increasing by 29.8 percent and 16.3 percent year on year, respectively, and making China the world's largest producer of robots. Second, the technological level has been continuously improving. Domestic robots have become increasingly sophisticated in core components, control systems, and industry-specific solutions. Third, application scenarios have been constantly expanding. China has been the world's largest market for the application of industrial robots for 12 consecutive years, and robot applications have extended from traditional industrial manufacturing to fields such as healthcare, elderly care, commercial services, security and emergency responses, and agriculture. Fourth, innovation vitality and international competitiveness have become prominent. China leads the world in the number of valid patents in the area of robotics, and it ranks second globally in the number of AI researchers. A complete industrial chain covering both upstream and downstream segments has been established. The synergistic effects within the supply chain have been continuously strengthened, effectively reducing overall costs. In the first three quarters of 2025, China's exports of industrial robots grew by 54.9 percent year on year.

In recent years, the financial sector has continuously enhanced support for the development of high-tech industries, including the robotics industry. Policy documents such as the *Notice on Further Promoting Financial Services for the High-Quality Development of the Manufacturing Industry* and the *Notice on Deepening Financial Services for the Manufacturing Industry and Facilitating Development of New Industrialization* have been issued in succession. Policy tools such as central bank lending for sci-tech innovation and technological transformation have guided financial institutions to actively support high-tech enterprises, "Little Giants" (specialized, refined, distinctive, and innovative SMEs), and technology-based SMEs. At the end of September 2025, outstanding loans to technology-based SMEs reached RMB3.6 trillion, a year-on-year increase of 22.3 percent and 15.8 percentage points higher than that of total loans.

Looking ahead, as a core area of technological innovation and industrial upgrading, the robotics sector is likely to continuously advance toward high-quality development. First, the industry scale is expected to continue growing, with domestic and global market demand maintaining a rapid upward trend alongside the continuous emergence of new application scenarios. Second, the industry will continue upgrading toward greater intelligence with higher value-added. The robotics sector will further deepen its integration with cutting-edge technologies such as artificial intelligence. Third, the synergistic effects within the industrial chain are expected to strengthen continuously. As the importance of a self-reliant and controllable supply chain becomes more pronounced, the process of domestic substitution for core components is expected to accelerate in the future.

Part 5 Monetary Policy Outlook

I. China's macroeconomic and financial outlook

In the first three quarters of 2025, China's economy maintained a stable trajectory with progressive development. GDP grew by 5.2 percent year on year, supported by stable growth in production supply, steady expansion of new growth drivers, and continued efforts to bolster living standards. The economy demonstrated resilience and vitality.

The national economy remained stable with progress, laying a solid foundation for achieving the full-year targets. First, production supply maintained sound growth momentum. In the first three quarters, investment in high-tech services increased by 6.1 percent year on year, 6.6 percentage points higher than the growth rate of total fixed-asset investments. The value-added of high-tech manufacturing above the designated size grew by 9.6 percent year on year. The output of industrial robots, service robots, and electric multiple units (EMUs) rose by 29.8 percent, 16.3 percent, and 8.6 percent, respectively. Technological innovation continued to empower industrial innovation, fostering the robust growth of new industries and new drivers. **Second, the potential for consumption was continuously unleashed.** Policies to boost consumption continued to take effect, service consumption grew relatively rapidly, and the consumer market remained generally stable. In the first three quarters, the contribution of final consumption expenditures to economic growth was 53.5 percent, driving GDP growth by 2.8 percentage points. Retail sales of goods related to the trade-in policy maintained double-digit growth, with sales of high-efficiency home appliances and smart home appliances continuing to experience rapid growth in the first three quarters. **Third, macro policies became more proactive and effective.** This year, macroeconomic regulation has been intensified, with macro policies playing an active role, both stabilizing the current economic operation and accumulating momentum for long-term development. Policies related to the "Two New" (promoting a new wave of large-scale equipment renewals and trade-ins of consumer goods) and the "Two Major" (implementing major national strategies and enhancing security capabilities in critical areas) have been strengthened and expanded in scope. A series of measures to expand domestic demand and invigorate the market are gradually taking effect, further enhancing policy synergy.

Continuously boosting domestic demand and strengthening self-generating momentum. The current international situation is complex and intricate, with numerous external instabilities and uncertainties. The international economic and trade order face grave challenges, global economic growth lacks steam, and the economic performance in the major economies is diverging. China's development environment is undergoing profound and intricate changes, characterized by a period when strategic opportunities coexist with risks and challenges, and uncertainties and unforeseen factors are rising. The foundation for domestic economic recovery and improvement still requires consolidation. At the same time, China's economy has a solid foundation, multiple advantages, strong resilience, and vast potential. The supporting conditions and fundamental trend of long-term growth remain unchanged, with the advantages of the socialist system with Chinese characteristics, a super-large market, a complete industrial system, and abundant talent resources becoming more evident. It is essential to maintain a strategic focus, strengthen confidence in victory, and promote significant breakthroughs in strategic tasks related to Chinese modernization. It is necessary to conscientiously implement the decisions and arrangements of the CPC Central Committee, enhance the effectiveness of macroeconomic governance, coordinate short-term growth and medium- to long-term development, facilitate a smooth transition between old and new growth drivers, manage counter-cyclical and intertemporal adjustments effectively, promote the formation of an economic development model increasingly led by domestic demand, driven by consumption, and fueled by endogenous growth, further deepen reforms in key areas, and support sustainable and healthy economic development.

Price performance showed improvement. In the first three quarters, the CPI decreased by 0.1 percent year on year, with the rate of decline unchanged from the first half and the first quarter. The core CPI, which excludes food and energy, continued to recover after the Spring Festival, with its increase rising to 1 percent in September. In the first three quarters, the core CPI increased by 0.6 percent year on year, 0.2 percentage points higher than the growth in the first half. Market competition order continued to be optimized, and supply and demand structures improved. The PPI remained flat month on month for two consecutive months, and its decline in the third quarter narrowed by 0.3 percentage points compared to the second quarter. Price levels are affected by various factors, with supply-demand relations being the primary factor. Promoting a reasonable rebound in prices requires coordinated efforts from macro policies to foster a virtuous cycle between supply and demand in the real economy. The CPC Central Committee has emphasized advancing the development of a unified national market to a greater depth, and macro-regulation approaches to boosting consumption are being continuously implemented, which will positively contribute to a reasonable rebound in price levels.

II. Monetary policy for the next stage

Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the PBOC will fully implement the guiding principles of the 20th National Congress of the CPC and the plenary sessions of its Central Committee held thereafter as well as the Central Economic Work Conference. It will adhere to the general principle of seeking progress while maintaining stability, and it will apply the new development philosophy fully and faithfully on all fronts. Firmly following the path of financial development with Chinese characteristics, the PBOC will further deepen financial reforms and the high-standard opening-up, and it will accelerate the pace of building China into a financial powerhouse. It will improve the central banking system, establish a well-conceived, prudent monetary policy framework, as well as a far-ranging macro-prudential management system, and it will smooth the monetary policy transmission mechanism. The PBOC will work to strike a balance between short-term and long-term considerations, between growth stability and risk prevention, between internal and external equilibria, and between supporting the real economy and maintaining the soundness of the banking system. It will enhance the consistency of the macro policy orientation, effectively implement counter-cyclical and intertemporal adjustments, and improve the effectiveness of macroeconomic governance. Continued efforts will be made to maintain stable growth, employment, and expectations.

First, the PBOC will maintain reasonable growth in financial aggregates. It will duly implement an appropriately accommodative monetary policy to keep overall financing conditions relatively easy. Based on the changes in the economic and financial situations, it will conduct counter-cyclical and intertemporal adjustments, making continued efforts to foster an appropriate monetary and financial environment. While keeping a close watch on monetary policy shifts in the major central banks abroad, the PBOC will continue to reinforce monitoring and analysis of financial market movements as well as liquidity supply and demand in the banking system. Moreover, it will use a combination of monetary policy tools to keep liquidity adequate. It will also guide banks to consolidate credit support and maintain reasonable growth in financial aggregates to ensure that the rises in aggregate financing and money supply are in step with the projected economic growth and the increase in the CPI.

Second, the PBOC will give full play to the guiding role of monetary and credit policies. It will take solid steps to vigorously develop technology finance, green finance, inclusive finance, old-age finance, and digital finance. At the same time, it will step up efforts to support major national strategies as well as the key sectors and weak links in economic and social development. The PBOC will continue to optimize and make effective use of the monetary policy tools supporting sci-tech innovation. It will also enhance policy guidance for data development and utilization in the area of technology finance while moving more rapidly to build a system of technology finance adapted to the needs of sci-tech innovation. Furthermore, it will improve the carbon emission reduction facility, diversify green financial products, work on the setting of rules for financial institutions on carbon accounting for major carbon-intensive industries, and prudently move ahead with the participation of financial institutions in the development of the carbon market. The PBOC will offer guidance to promote reasonable growth in inclusive loans to micro and small businesses (MSBs) and loans to the private economy, while working to improve the credit enhancement system for small and medium-sized private enterprises and to strengthen the policy measures providing support for financing and development of private enterprises and MSBs. Moreover, it will improve the financial support mechanisms that have become regular practices following the end of the transition period for consolidating the outcomes of poverty alleviation. It will emphasize promoting county-level economic development. The PBOC will effectively implement the policy on guaranteed loans for start-ups and the national student loan policy to support the priority groups in starting businesses, getting jobs, and receiving an education. It will build a multi-tiered and pluralistic system of old-age finance to support the high-quality development of the silver economy as well as implementation of the national strategy for dealing with the challenges of the aging population. Additionally, the PBOC will reinforce the role of financial support in boosting and expanding consumption, and it will scale up financial supplies for the consumption sector. Meanwhile, it will consider adopting policy measures for the restoration of personal credit to unleash the potential for consumption. The PBOC will also put efforts into advancing implementation of financial policy measures, such as central bank lending for government-subsidized housing. It will improve the foundational system for real estate finance and help to build a new development model for the property sector.

Third, the PBOC will properly manage internal and external equilibria regarding the interest rate and the exchange rate. Continuing to advance the market-oriented interest rate reform, the PBOC will smooth the transmission channels of monetary policy. It will improve the market-oriented interest rate formation, regulation, and transmission mechanisms to bring into play the guiding role of central bank policy rates. It will also reinforce the conduct of interest rate policies and tighten oversight by carrying out, on an ongoing basis, on-site assessments of financial institutions' implementation of interest rate policies and self-regulatory agreements, with a view to helping improve the banks' interest rate pricing ability. It will better leverage the role of self-regulation so that the interest rate self-regulatory initiatives will be effectively put into practice to maintain a level playing field in the banking industry. With continued reform and improvements in the loan prime rate (LPR), special attention will be paid to raising the quality of LPR quotations so that they will better reflect loan rates in the market. The PBOC will urge financial institutions to adhere to risk-based pricing and will straighten out the relationship between loan rates and market rates, such as bond yields. It will further carry out the pilot program on explicit indications of the overall financing costs for corporate loans. All these measures are expected to help bring down overall social financing costs. Moreover, the PBOC will steadily deepen the market-oriented exchange rate reform and improve the managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. The market will play a decisive role in the formation of the exchange rate, which will serve as an automatic stabilizer for the macro economy and the balance of payments. At the same time, the PBOC will conduct monitoring and analysis of cross-border capital flows. Upholding bottom-line thinking, it will adopt a combination of policies to enhance the resilience of the foreign exchange market, to stabilize expectations, and to prevent the risks of exchange rate overshooting. With these efforts, it will keep the RMB exchange rate basically stable at an adaptive and equilibrium level. Guiding both enterprises and financial institutions to be risk-neutral, the PBOC will offer guidance to financial institutions on providing exchange rate risk hedging services for micro, small, and medium-sized enterprises with genuine needs based on a risk-neutral concept, thereby fostering a stable exchange rate environment for the development of the real economy.

Fourth, the PBOC will accelerate institutional building and high-standard opening-up of the financial market. It will vigorously develop the "sci-tech board" in the bond market, while making effective use of the sci-tech innovation bond risk-sharing instrument to support bond financing of more technology-based private enterprises and private equity investment firms. The PBOC will also improve the legal system for the bond market and build the legal system for corporate bonds. In an effort to develop the multi-tiered bond market at a faster pace, it will further promote expansion and well-regulated development of the over-the-counter bond business. It will continue to regulate the issuance, pricing, underwriting, and market-making practices while strengthening the risk monitoring of key fields and industries. Moreover, it will further promote high-quality development of the panda bond market. The PBOC will advance the internationalization of the RMB and improve the opening-up of the capital account. It will further expand use of the RMB in cross-border trade and investment by carrying out pilot programs for the high-standard opening-up in the field. Additionally, it will deepen international monetary cooperation and develop offshore RMB markets.

Fifth, the PBOC will work proactively and prudently to forestall and defuse financial risks. It will build a macro-prudential management system with full coverage and a mechanism for preventing and resolving systemic financial risks. Thinking from macro and counter-cyclical perspectives and based on considerations to prevent contagion, it will strengthen systemic risk monitoring, assessments, and early warnings, enrich macro-prudential policy tools, and further expand the coverage of macro-prudential management. Meanwhile, the PBOC will expand and enrich the roles of the central bank in conducting macro-prudential management and maintaining financial stability, and it will launch innovative financial tools to safeguard the stable operation of financial markets. Moreover, the PBOC will strengthen macro-prudential management of systemically important financial institutions by advancing the building of an additional regulatory system. Taking further steps to implement additional regulations over systemically important banks, it will offer directions to help them continuously improve their recovery and resolution plans, and it will explore the role of risk management in the provision of forward guidance. Meanwhile, it will improve the cross-border crisis management group established for global systemically important banks so as to strengthen cross-border regulatory collaboration and information sharing. It will steadily expand additional regulations to cover non-bank institutions. Based on market-oriented principles and the rule of law, the PBOC will prudently advance risk mitigation through the reform of small and medium-sized financial institutions. Working to improve the accountability mechanism for risk resolution that matches power with responsibility and that is incentive-compatible, it will strictly guard against moral hazards. The PBOC will augment resources for risk resolution, continue to expand accumulation for the deposit insurance fund and the financial stability guarantee fund, and work on establishing backstop funding mechanisms.