

# **Currency Internationalization and Its Implications to China's Monetary Policy**

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中国金融四十人论坛  
CHINA FINANCE 40 FORUM

# Currency Internationalization and Its Implications to China's Monetary Policy

*International Symposium on Housing and Financial Stability in  
China*

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Shenzhen, Dec. 17-19, 2015

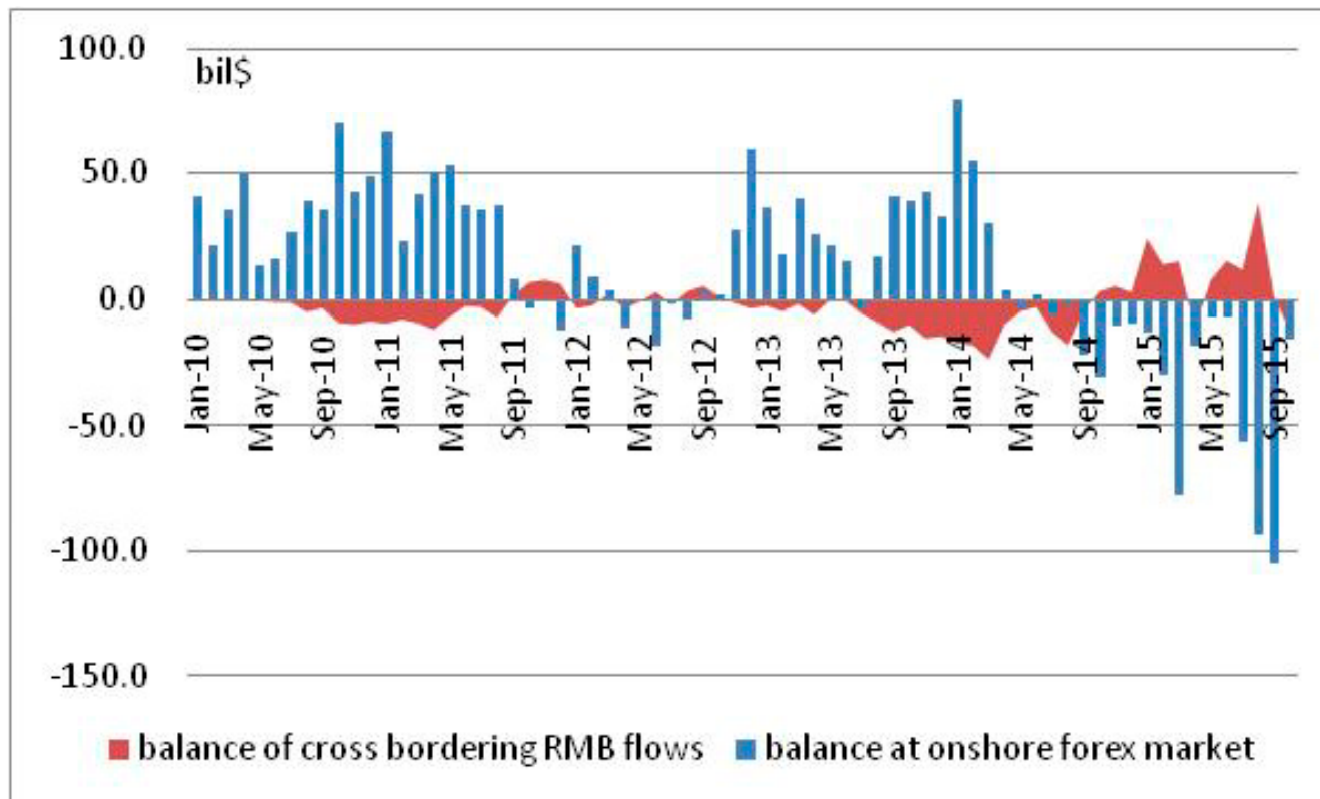


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# I. Reducing dollar dependence?



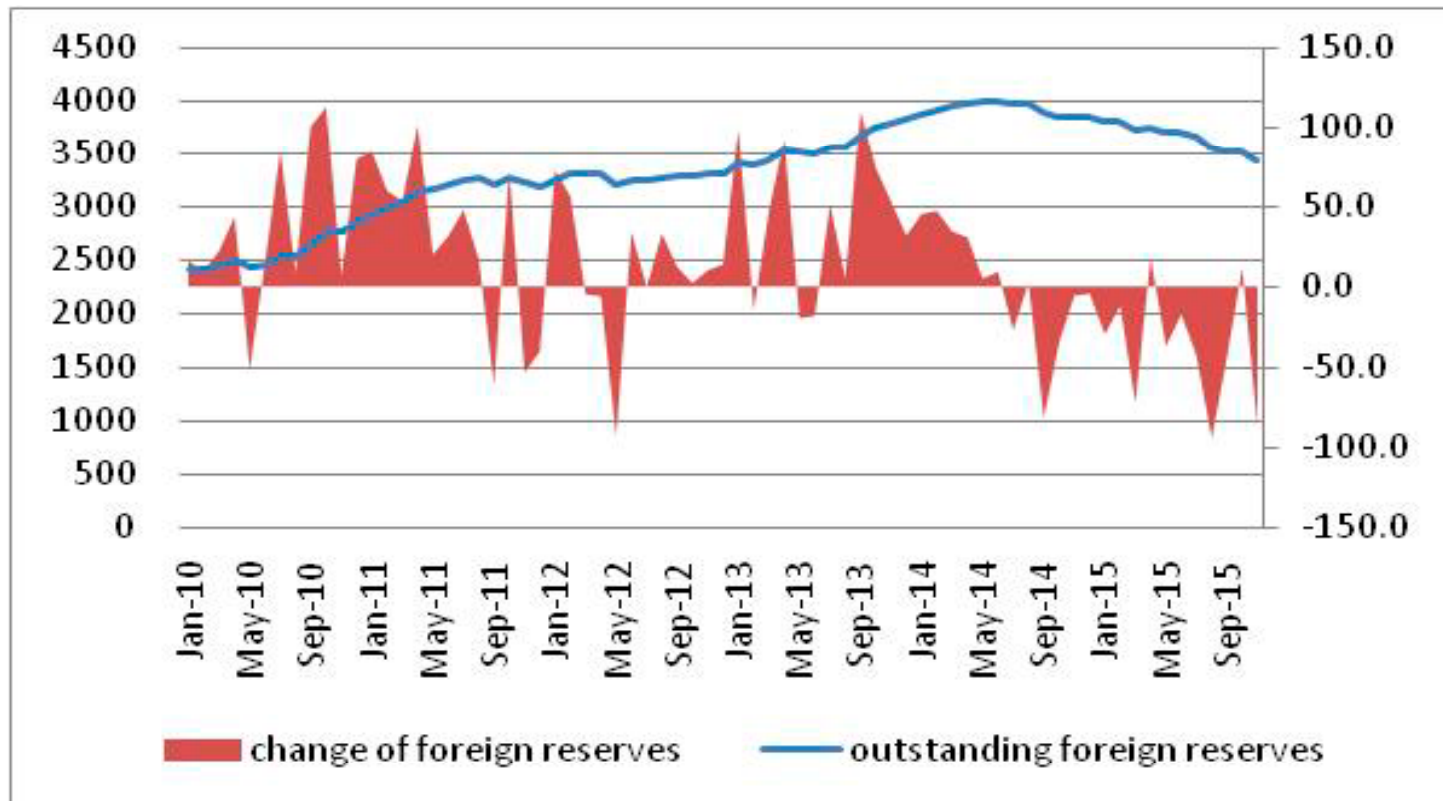
## Negative correlation between cross border RMB flows and foreign exchange gap at onshore market



- From Jan. 2010 to Oct. 2015, the coefficient is  $-0.6244$ .



## Negative correlation between cross border RMB flows and change of outstanding foreign reserves

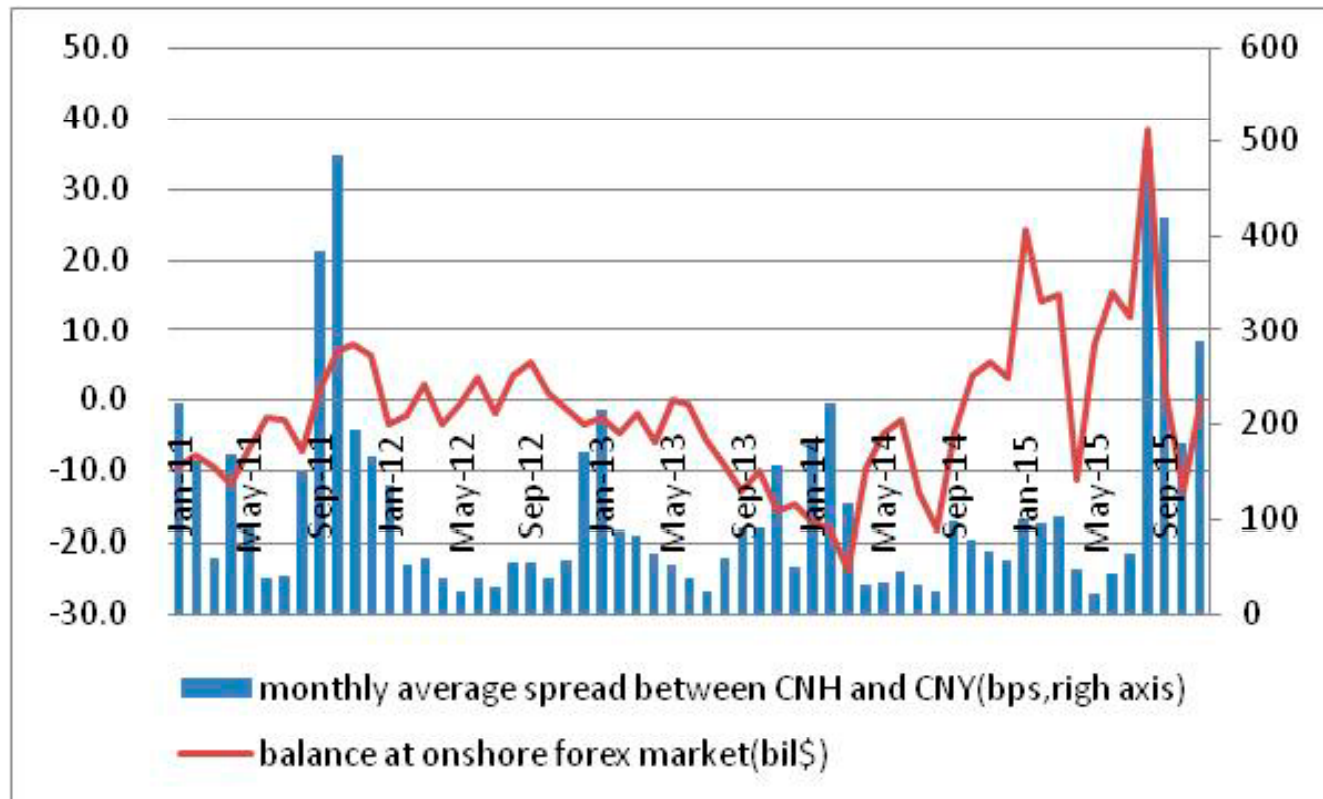


- From Jan. 2010 to Oct. 2015, the coefficient is  $-0.5243$ .

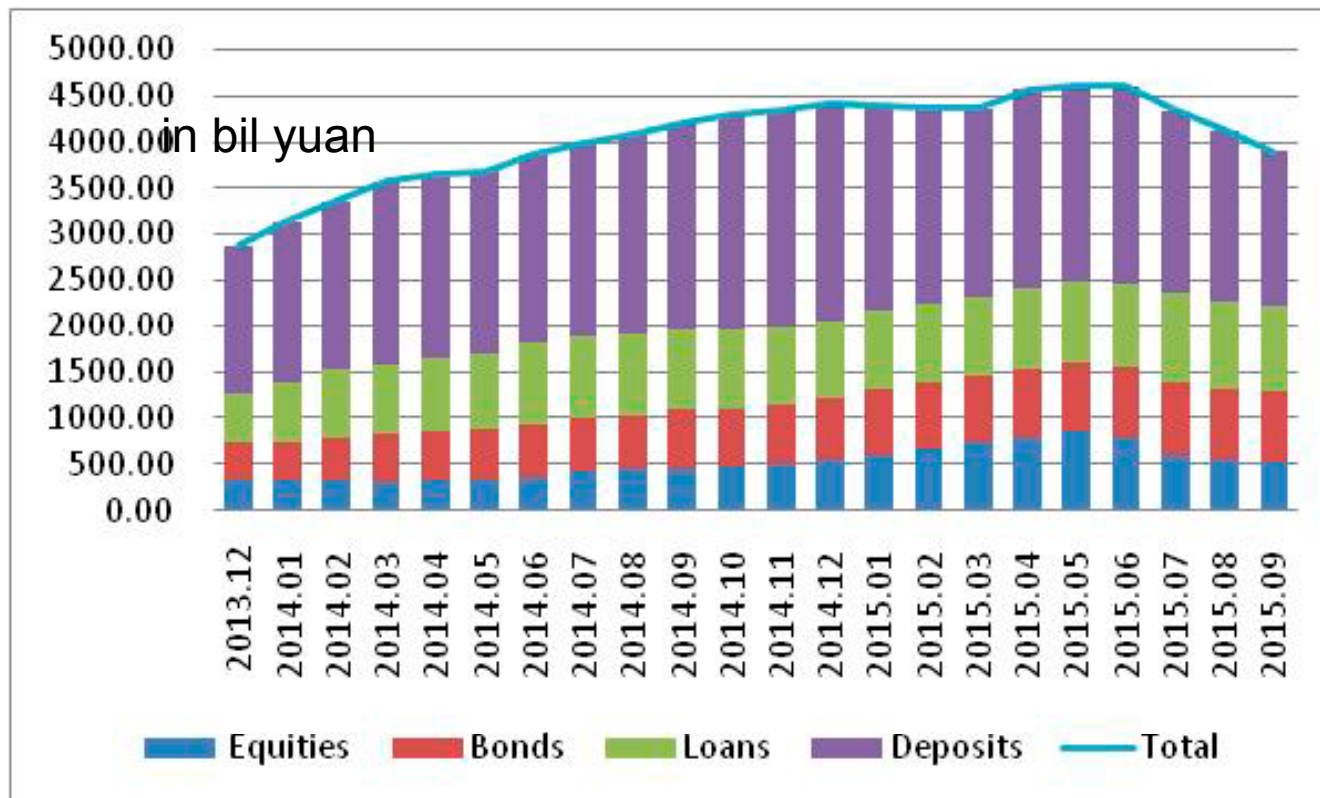
## II. Mitigating currency mismatch?



## Fluctuation of cross border RMB flows accompanied with widening spread between CNH and CNY



## Domestic RMB Financial Assets Held by Overseas Entities

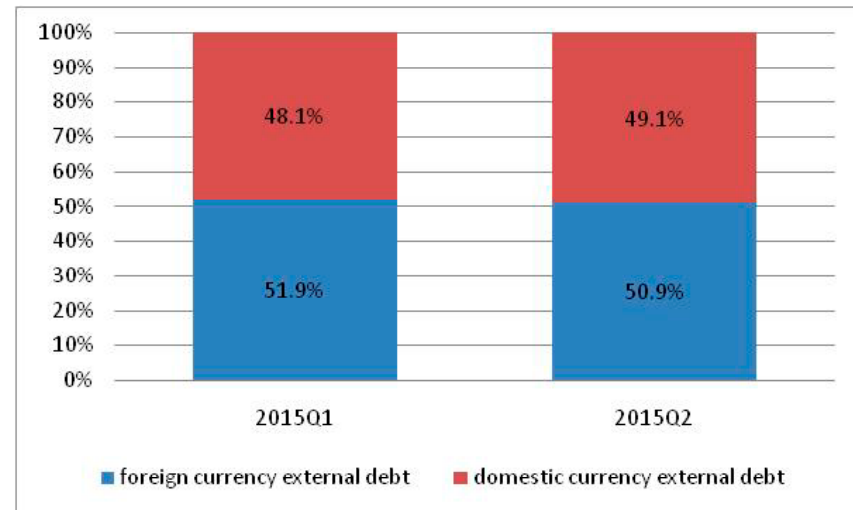
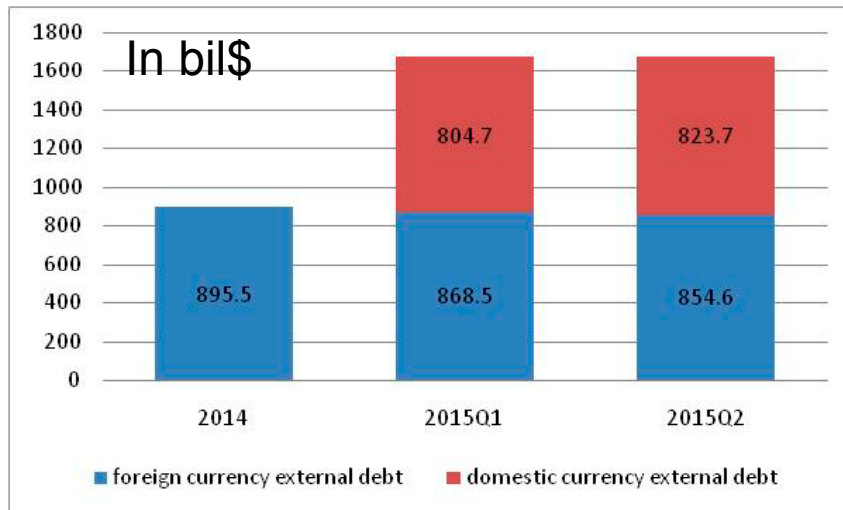


Domestic RMB financial assets held by overseas entities decreased by 525 billion yuan in the first three quarters. Of which, the equity decreased by 27 billion yuan and the deposit decreased by 708 billion yuan.





# Outstanding external debt in China



### III. Domestic or international monetary policy?



**Thank you!**