

China: SAFE data suggest modest FX outflows in February

Bottom line:

Our preferred FX flow measure shows modest FX outflows of US\$1bn in February 2025, vs. US\$82bn outflows in January. The current account channel showed small FX outflows in February, while the portfolio investment channel saw slight FX inflows. Official FX reserves rose modestly after being adjusted for FX valuation effects, and commercial banks accumulated more external assets in February.

Main points:

1. In February, we saw US\$12bn in net outflows via onshore outright spot transactions, partially offset by US\$9bn inflows via freshly entered and canceled forward transactions. Another SAFE dataset on “cross-border RMB flows” showed inflows of US\$2bn in the month, suggesting net receipts of RMB from offshore to onshore. Our preferred FX flow measure therefore suggests a modest net FX outflows (US\$1bn) in February, in comparison with US\$82bn net FX outflows in January ([Exhibit 1](#)).
2. The current account channel showed small net outflows (US\$1bn in February vs. US\$12bn outflows in January). We saw a net inflow of US\$17bn related to goods trade in February vs. an inflow of US\$14bn in January. Goods trade surplus conversion ratio fell to 18% in January-February vs. 38% in Q4 ([Exhibit 2](#)). The FX outflows related to services trade deficit fell to US\$18bn (vs. an outflow of US\$33bn in January). The income and transfers account showed slight outflows in February, (vs. US\$2bn outflows in January).
3. The portfolio investment channel saw small FX inflows in February (US\$2.7bn in February vs. US\$0.2bn outflows in January). Bond Connect flows showed US\$10bn inflows (mostly NCD purchase) vs. US\$3bn outflows in January.
4. Official FX reserves (released earlier in the month) increased to US\$3,227bn in February from US\$3,209bn in January. By our estimate, FX valuation effects would have raised FX reserves by US\$6bn in February, so after adjusting for FX valuation effects, FX reserves increased US\$12bn. In addition, we note that commercial banks’ net external assets rose by US\$29bn in February (vs. a US\$15bn increase in January; [Exhibit 3](#)).

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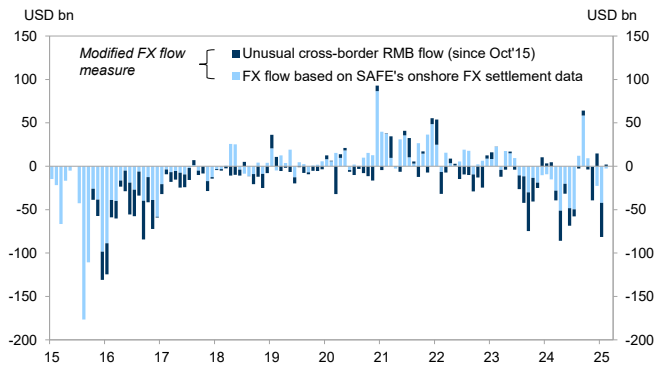
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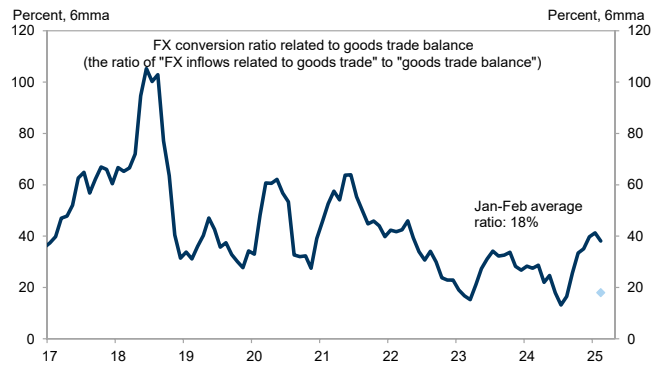
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Exhibit 1: Our preferred gauge suggests modest FX outflows in February



Source: SAFE, Data compiled by Goldman Sachs Global Investment Research

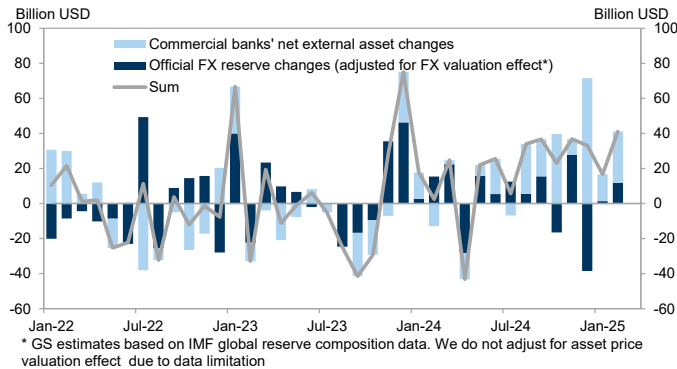
Exhibit 2: FX conversion ratio for goods trade balance fell significantly in January-February



The line stands for a six-month moving average of FX conversion ratio.

Source: CEIC, Goldman Sachs Global Investment Research

Exhibit 3: Official FX reserves rose in February, and banks' net external assets continued to rise



Source: PBOC, CEIC, Data compiled by Goldman Sachs Global Investment Research

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