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Headline: Is the Chinese Government Pushing Down the Yuan?

Article Link: https://theovershoot.co/p/is-the-chinese-government-pushing

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Tweet: .@M_C_Klein argues the Chinese government is managing the Yuan real exchange rate to boost exports and insulate domestic firms from foreign competition.

Summary: The Bank for International Settlements (BIS) measure of China's inflation-adjusted trade-weighted exchange rate (based on differences in consumer prices) is down by roughly 14% since the recent peak last March, which is the largest decline out of 64 countries tracked by the BIS. This appears to be a policy choice. While China's official foreign reserves are substantially lower now than at the peak in 2014, the consolidated position of the PBOC and the state-run banks looks a bit different. As I suggested two years ago, there are good reasons to think that the PBOC has deliberately outsourced reserve management to Chinese banks (which among other things helps explain the continued reductions in reserve requirements). After the PBOC mostly stopped buying foreign currency reserves, it switched to lending increasingly large sums to the domestic banking system.

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Primary Topic: China

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