China to advance RMB internationalization

By SHI JING | chinadaily.com.cn
Updated: Oct 11, 2022

The Chinese currency Renminbi has been gaining popularity in the global market. [Photo/IC]

China will steadily advance the process of the renminbi's internationalization and the country will make its financial market more accessible to international investors in terms of product supply and trading mechanisms to achieve the goal of lifting the global profile of the Chinese currency, industry experts said.

The comments came after the People's Bank of China, the country's central bank, said in an article published on Sunday that it would further boost the global use of the renminbi, especially in cross-border trade and investment. The central bank also pledged to improve the liquidity of renminbidenominated assets and simplify the process for foreign investors to enter the Chinese market.

The global profile of the renminbi will gradually rise as the nation's strength grows and its reform and opening-up agenda deepens, reflecting the international community's confidence in China's economic development, the central bank said.

Zhou Tianyun, a professor at Sun Yat-sen University's International School of Business and Finance, said all-around institutional opening-up of the Chinese financial market is fundamental to increasing renminbi assets' liquidity.

Two-way opening-up, including connect programs in the country's stock and bond markets, should be deepened. More financial products should be rolled out in the onshore market while trading activity in the secondary market in China should be further elevated, Zhou said.

The endogenous growth momentum and the resilience of the Chinese economy have helped the renminbi to remain largely stable, thus adding to the attractiveness of renminbi assets at a time of rising global volatility complicated by stagflation worldwide and the tightening monetary policies of the United States Federal Reserve, said Cheng Shi, chief economist at ICBC International.

"The investment value of renminbi assets is especially noticeable at present thanks to the controllable inflation level and the clear economic recovery route in China," he said.

Guan Tao, chief economist of BOC International, said that more foreign investors will likely enter the Chinese capital market given their relatively lower allocation of renminbi assets at present.

According to US investment bank Morgan Stanley, the renminbi will account for 5 to 10 percent of global foreign exchange reserve assets by 2030, making it the world's third-largest reserve currency, only next to the US dollar and the euro.

China's cross-border renminbi receipts and payments in non-banking sectors reached 27.8 trillion yuan ($3.91 trillion) from January to August, up 15.2 percent year-on-year, according to data from the central bank.

The renminbi's accelerated internationalization is reflected by its lifted weighting in the International Monetary Fund's Special Drawing Rights currency basket, which became effective in May, according to Zhou Maohua, an analyst at China Everbright Bank. Its weighting of 12.28 percent at present, up from 10.92 percent, shows the wider use of renminbi in international payment and settlement, reserves, investment and financing, he said.

Ming Ming, chief economist of Citic Securities, said that there is still much to explore concerning the Chinese currency's function in financing and investment. To that end, China should further open up the onshore bond and interest rate swap markets while providing necessary hedging tools, Ming said.