

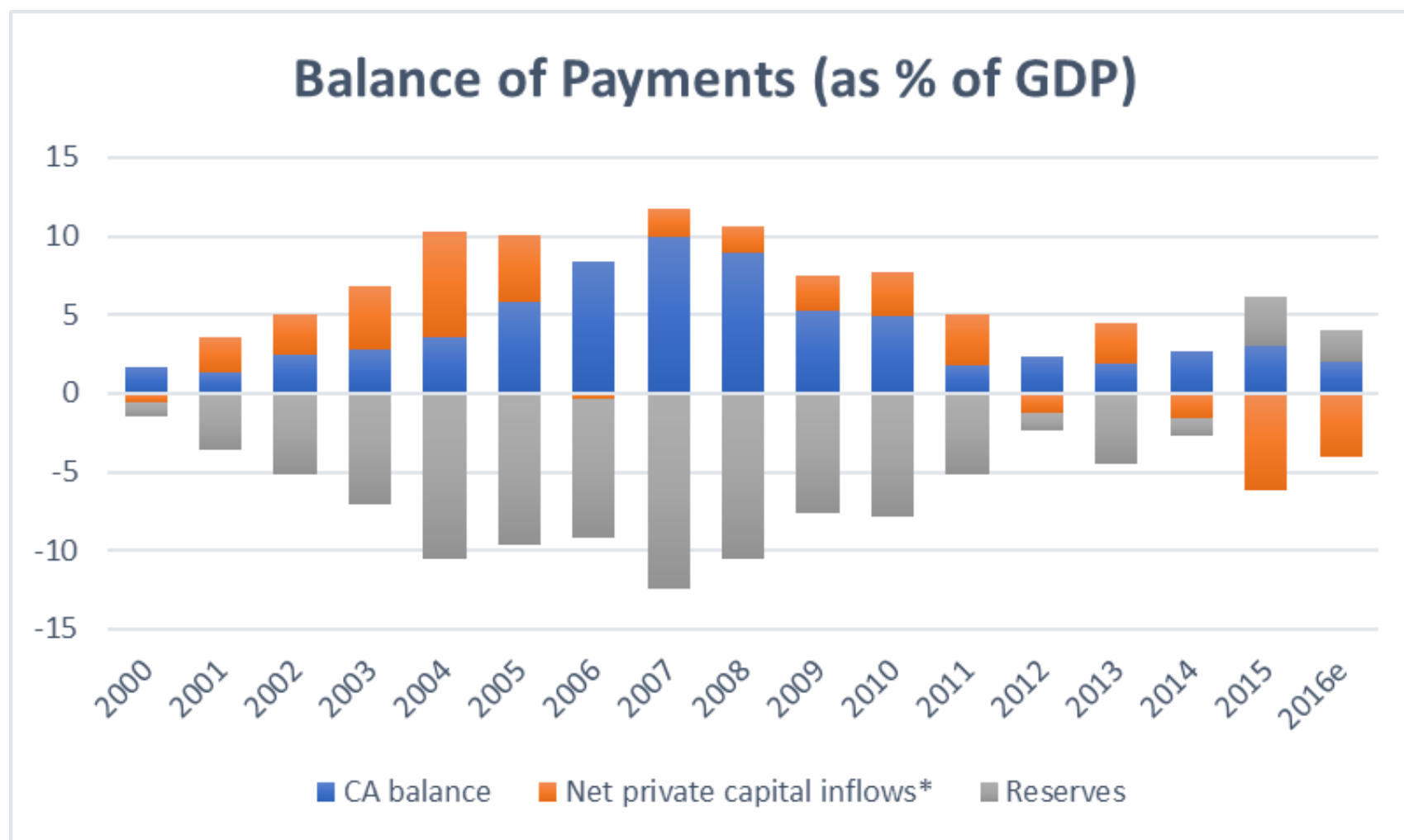
Capital Flows in China: Some Recent Developments

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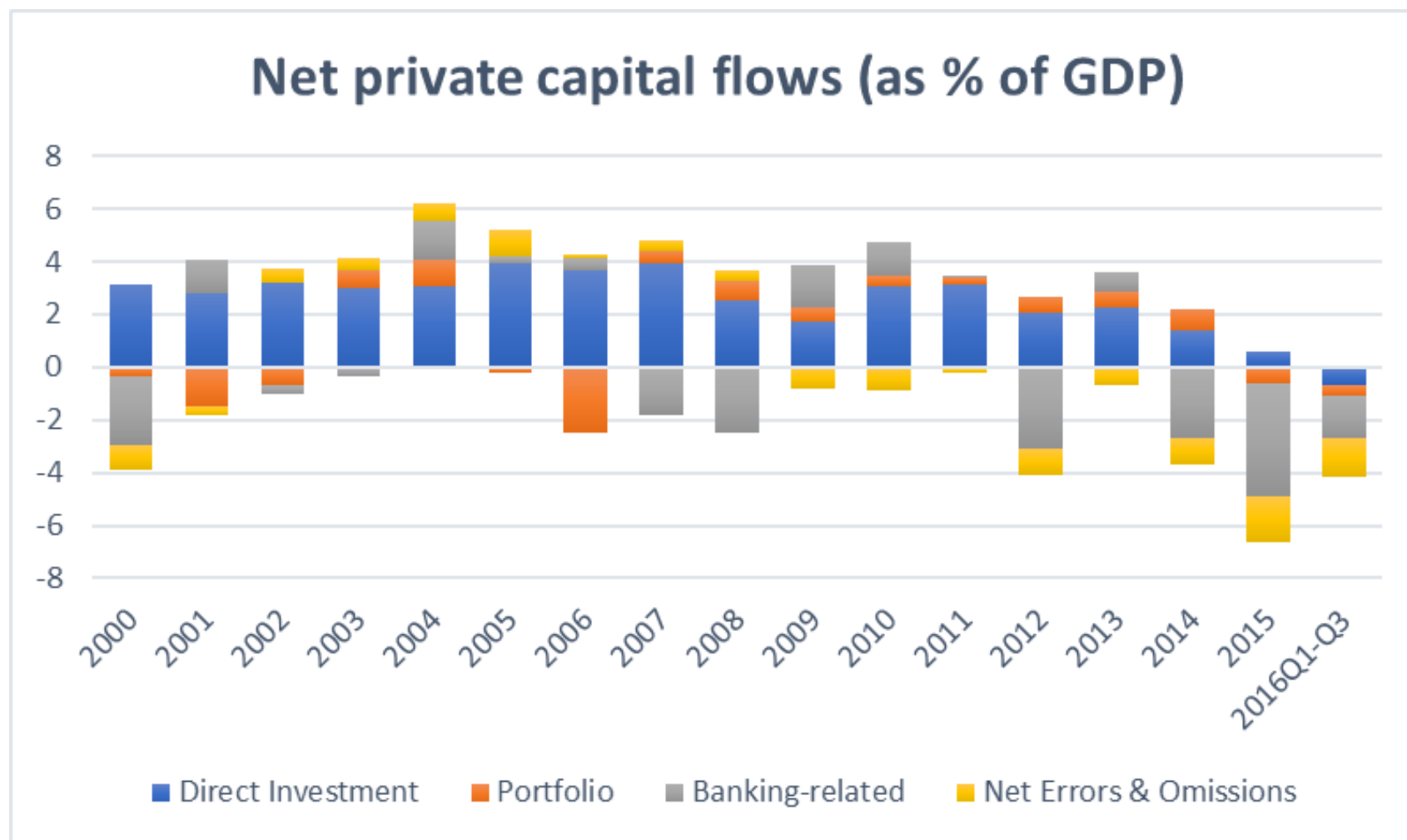
There are no “twin surplus” any more



*Includes net errors & omissions

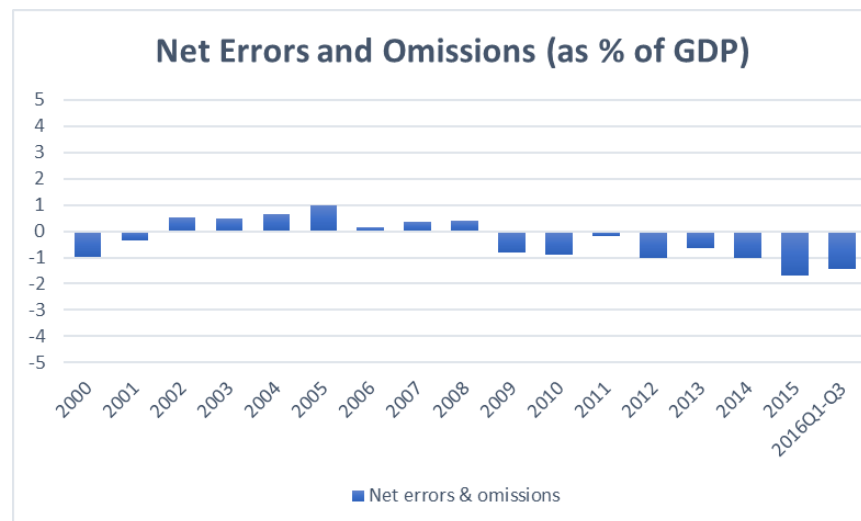
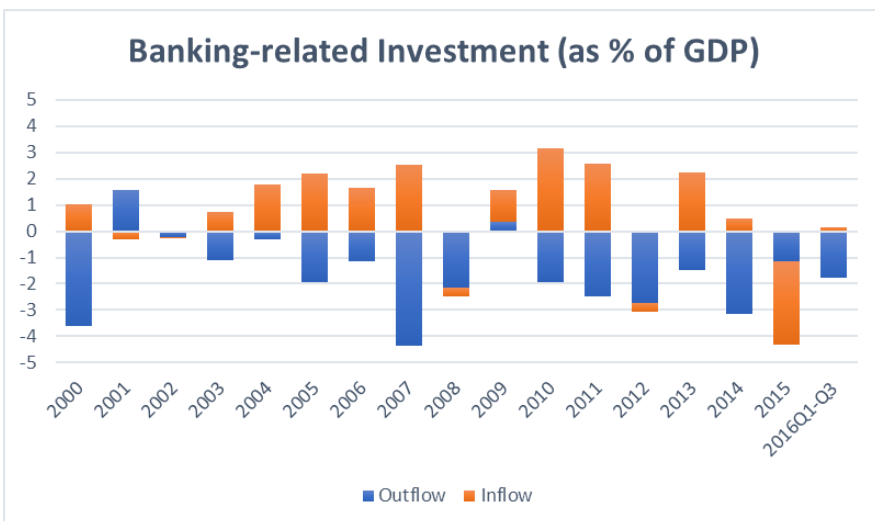
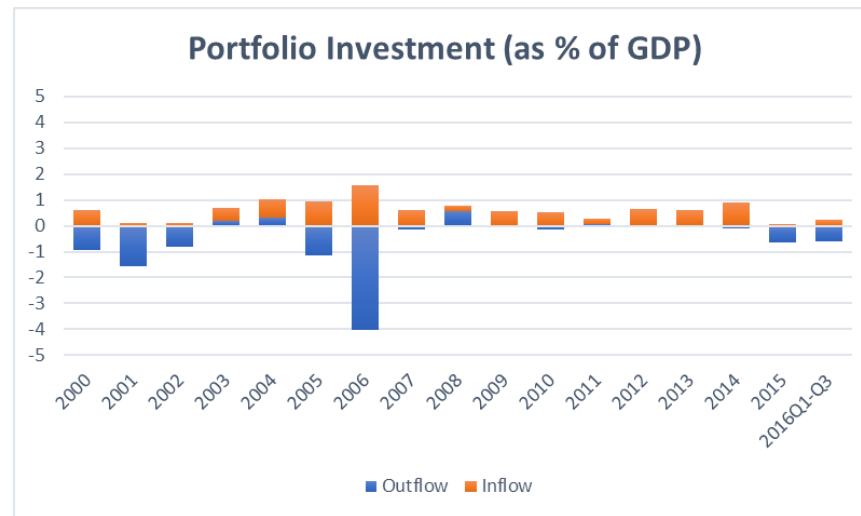
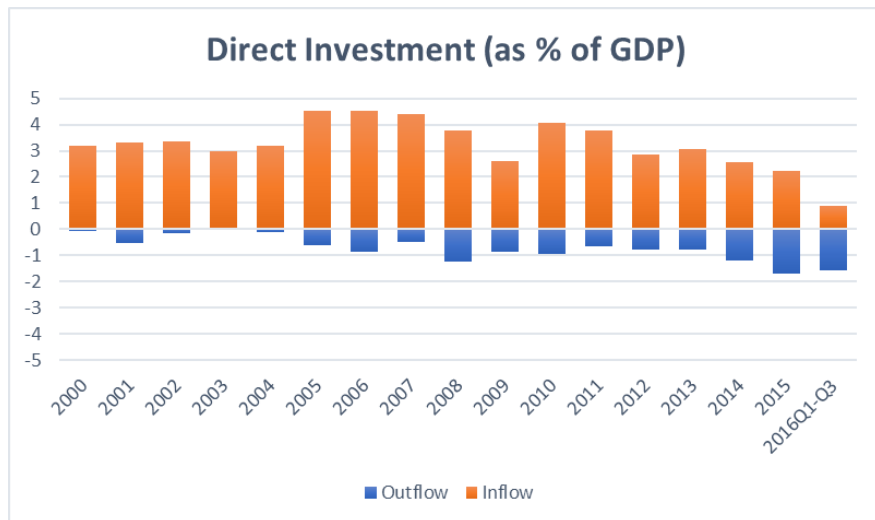
Source: SAFE

The reversal of capital account has been driven by both shrinking net inflows of direct investment and large net outflows of banking-related investment.



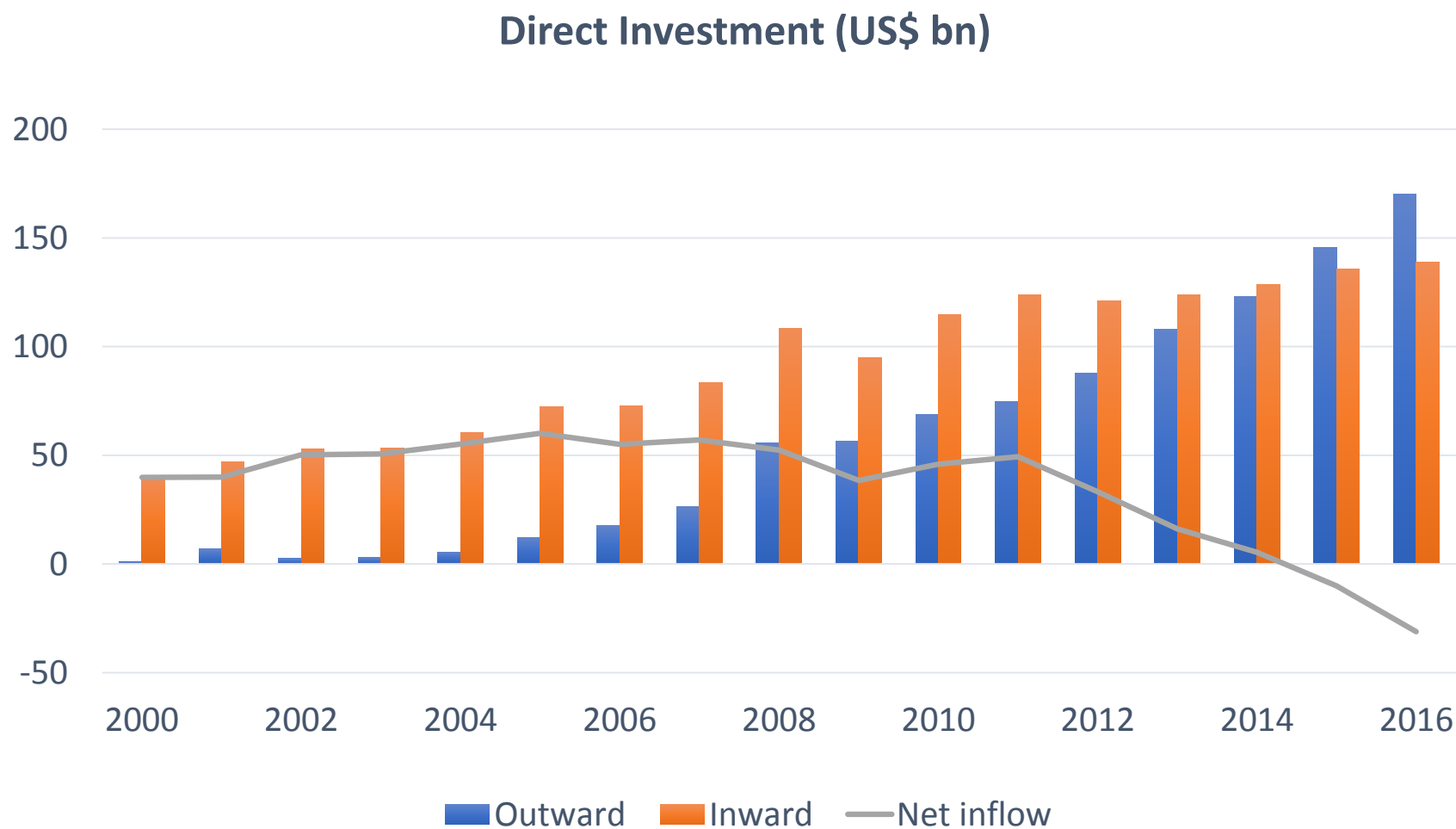
Source: SAFE

Decomposition of private capital flows



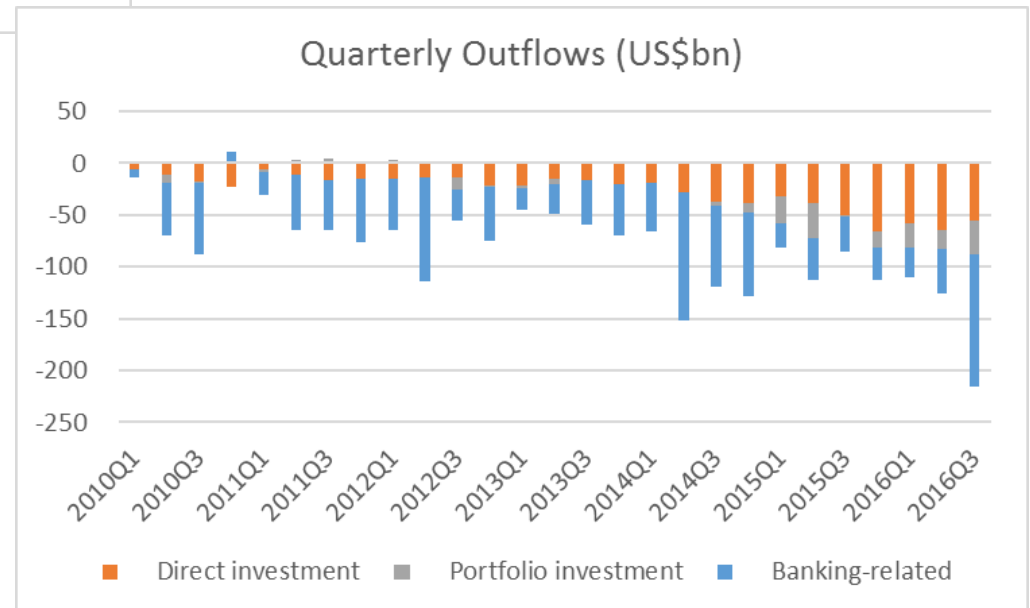
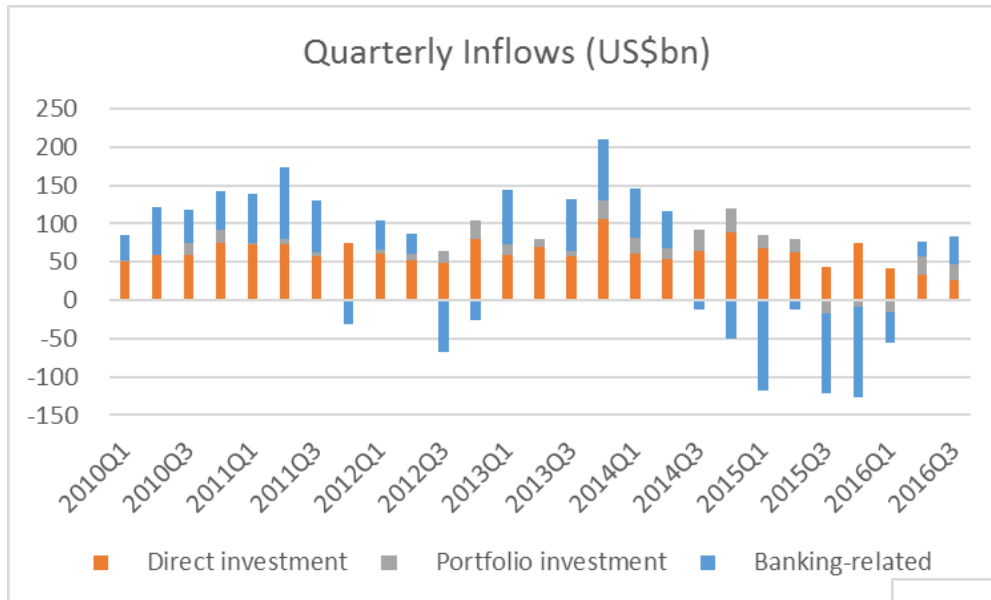
Source: SAFE

Towards structural deficits of direct investment



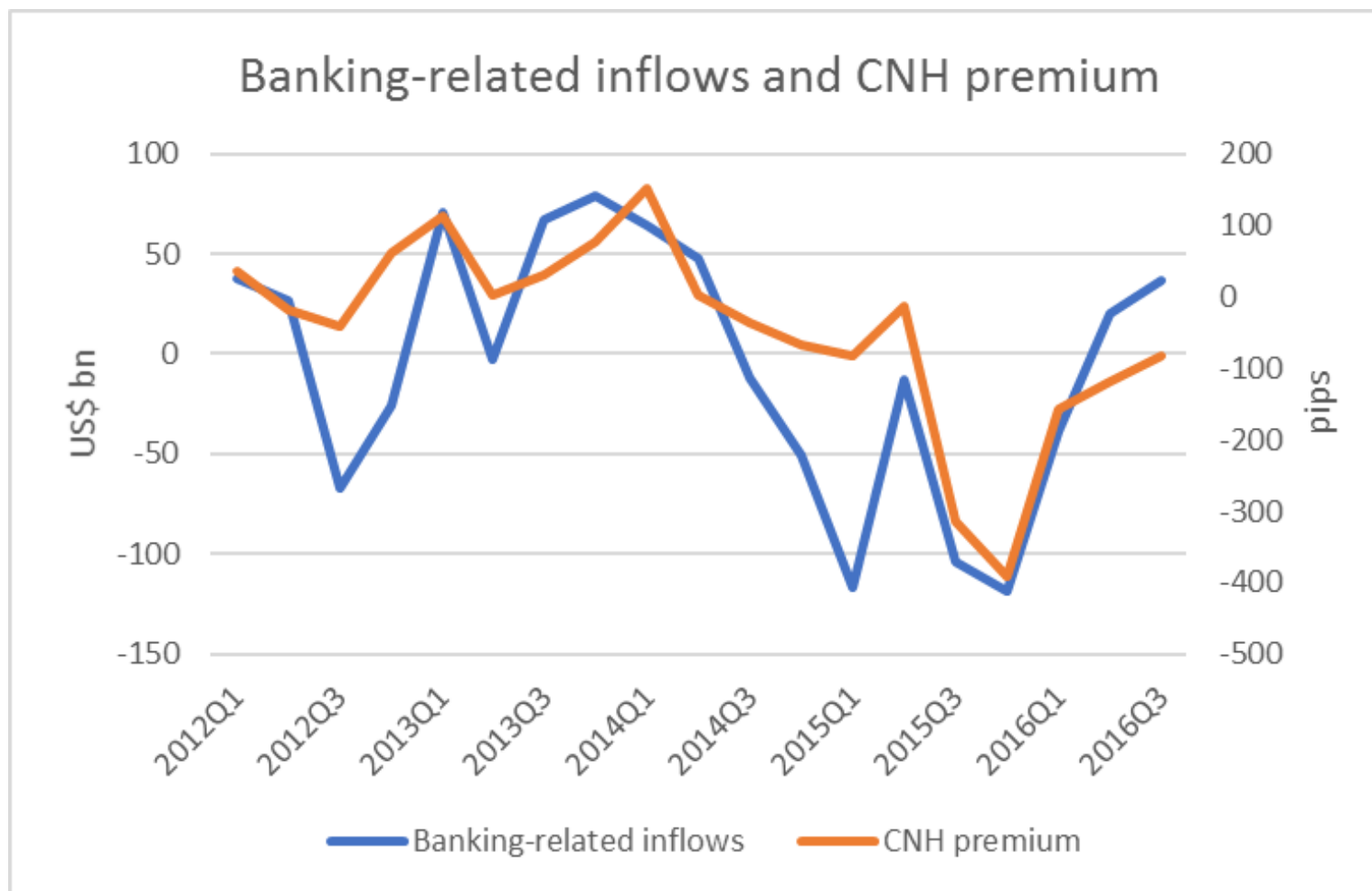
Source: MofCOM

Banking-related inflows has been most volatile...



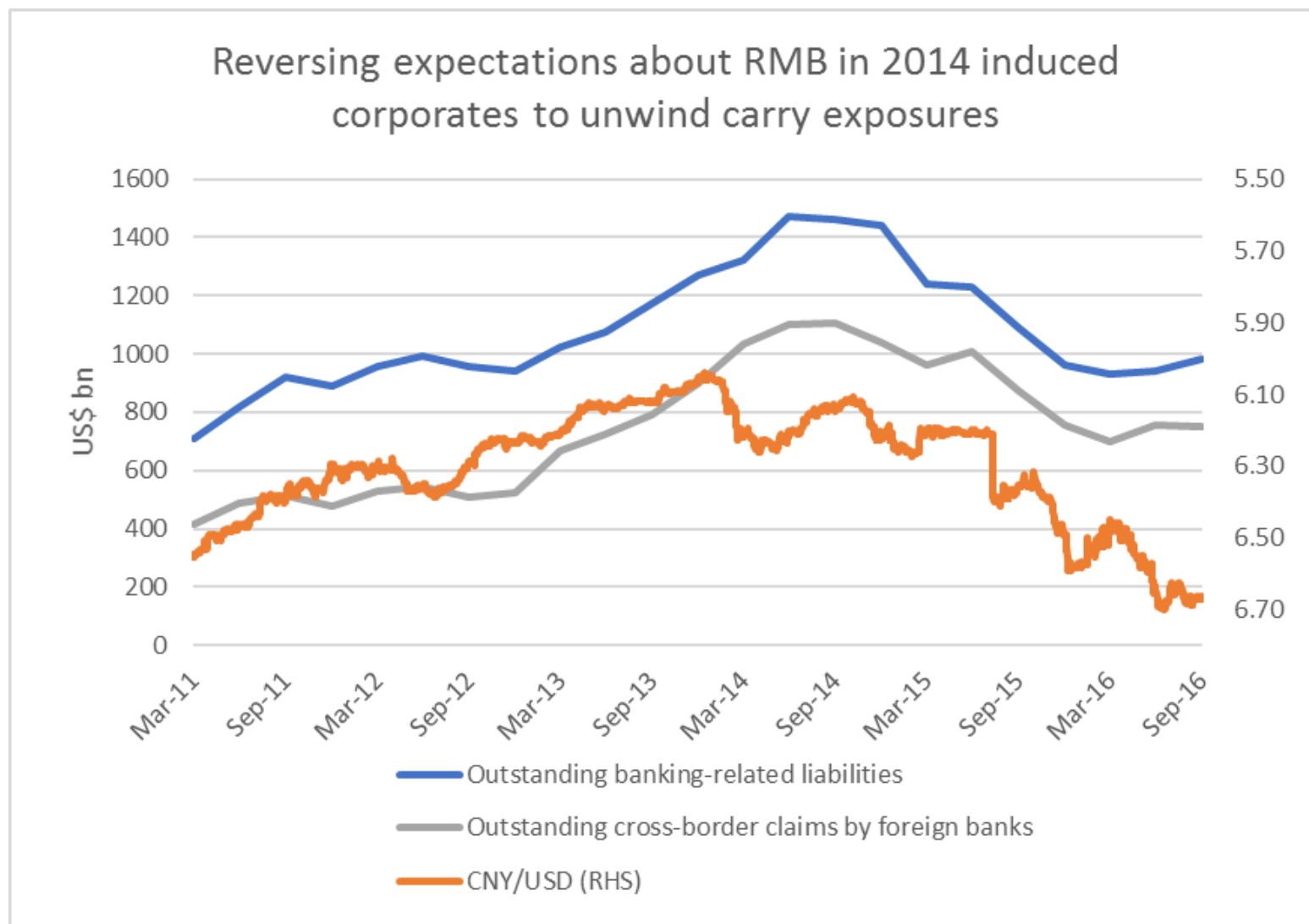
Source: SAFE

...closely correlating with the changes of RMB expectations in the past years.



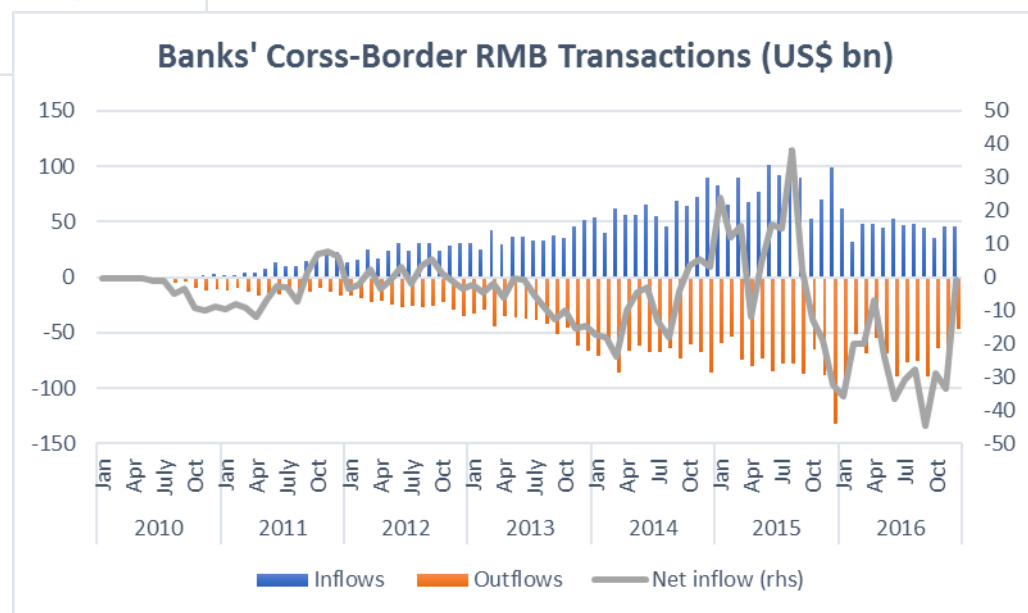
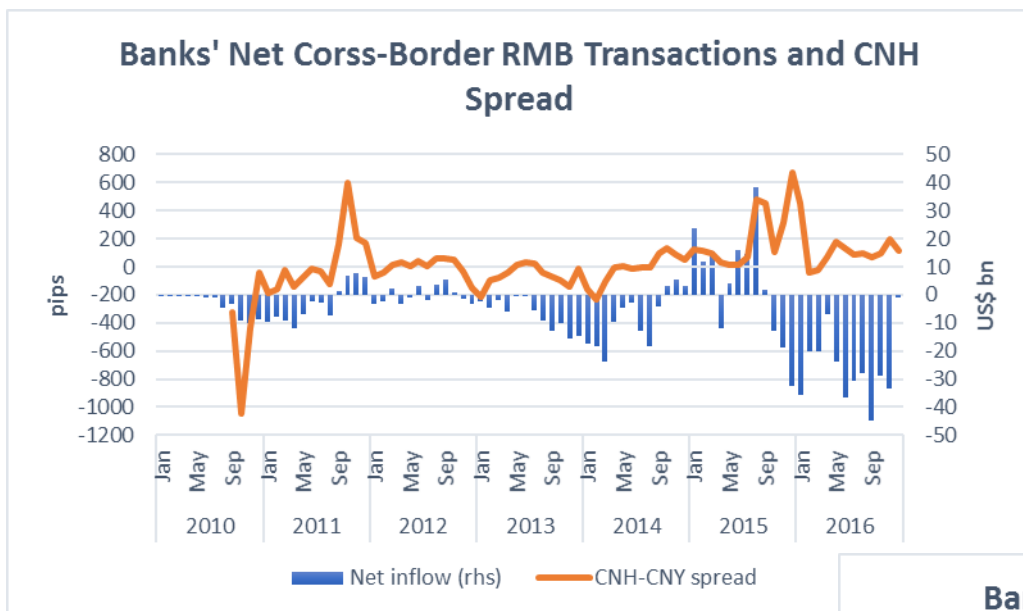
Source: SAFE

Carry-trade driven corporate leveraging and deleveraging



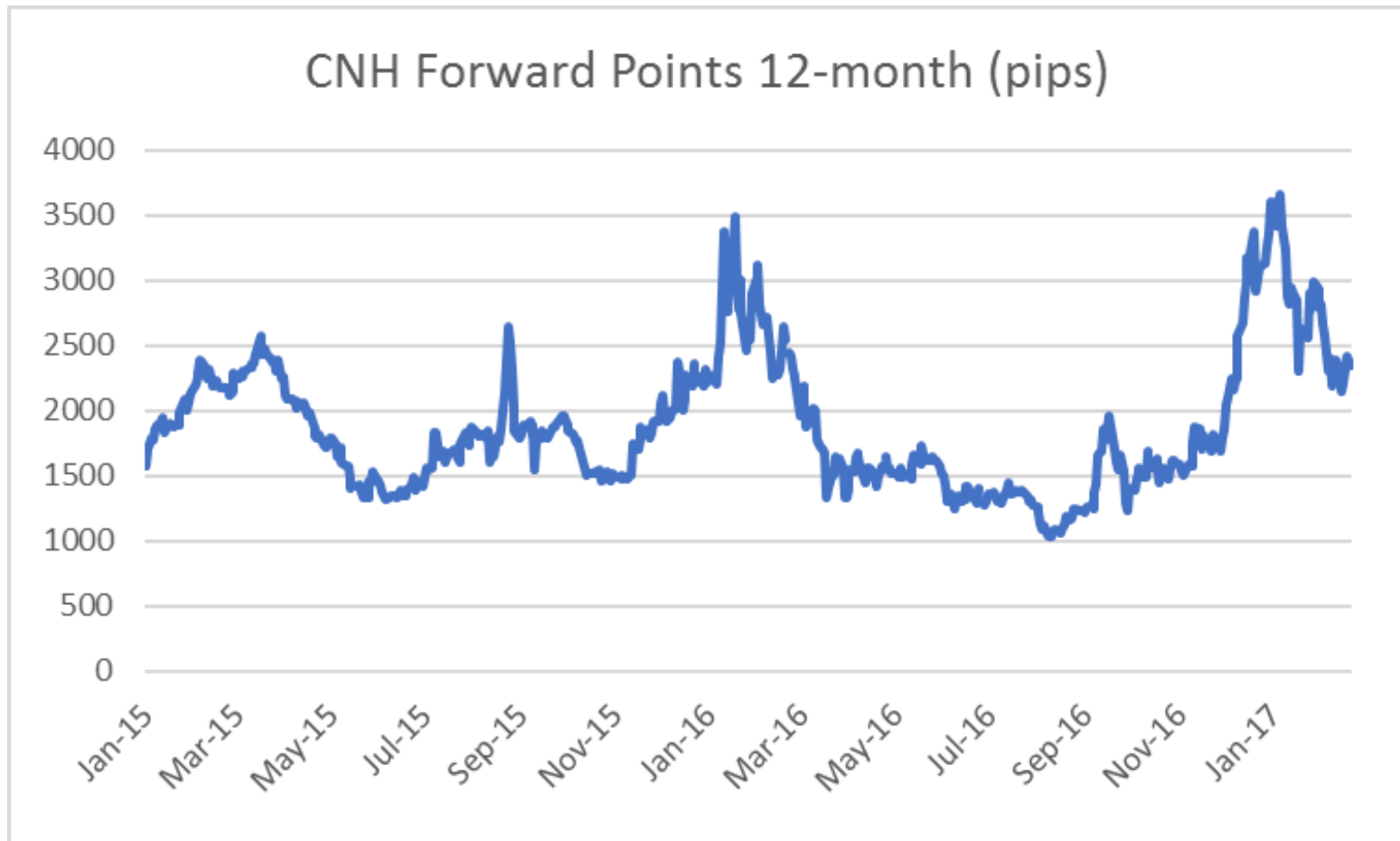
Source: BIS, SAFE

Tightening FX controls may have spurred RMB-based capital outflows,...



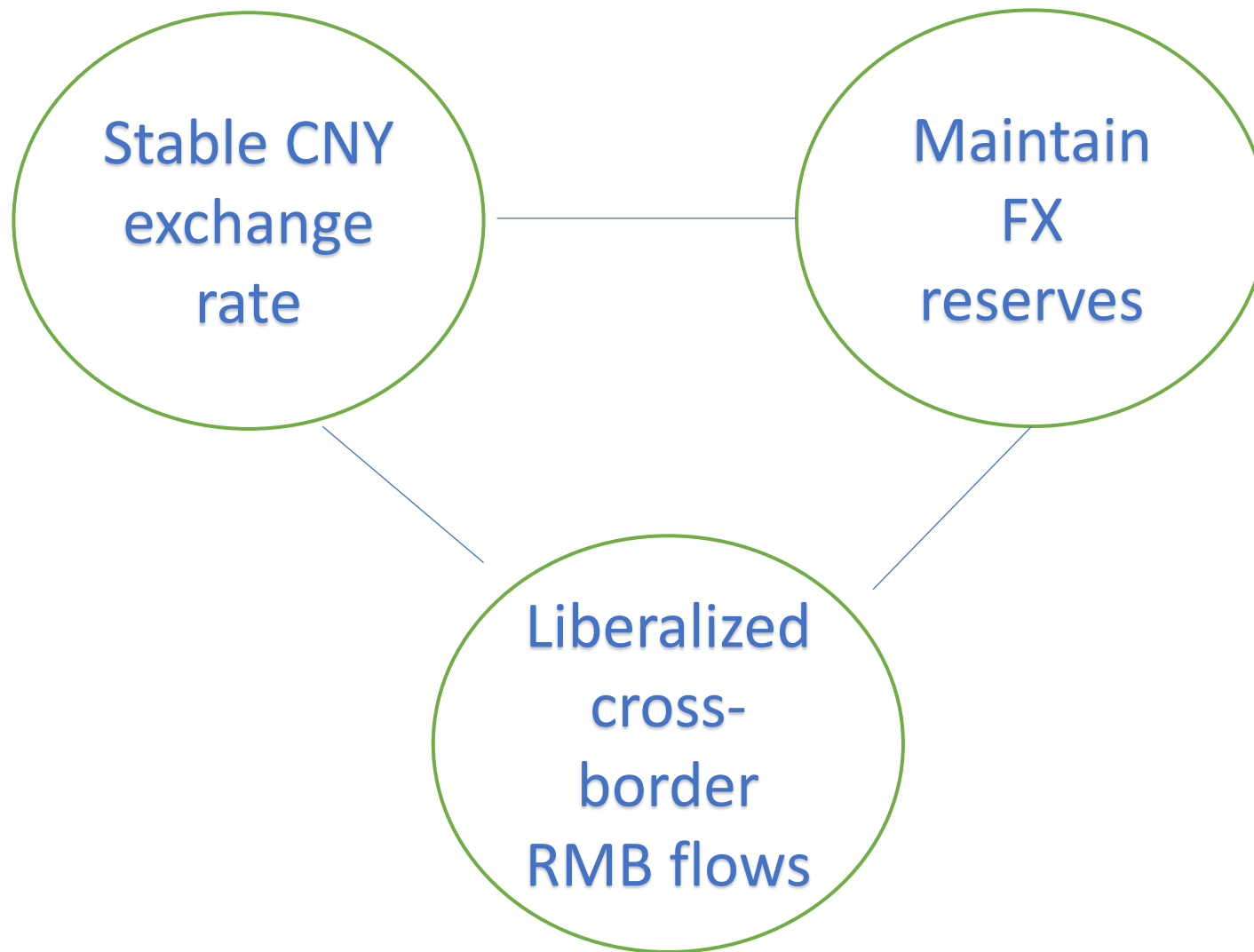
Source: SAFE

...which put downward pressures on CNH and led to PBoC's intervention in the offshore market.

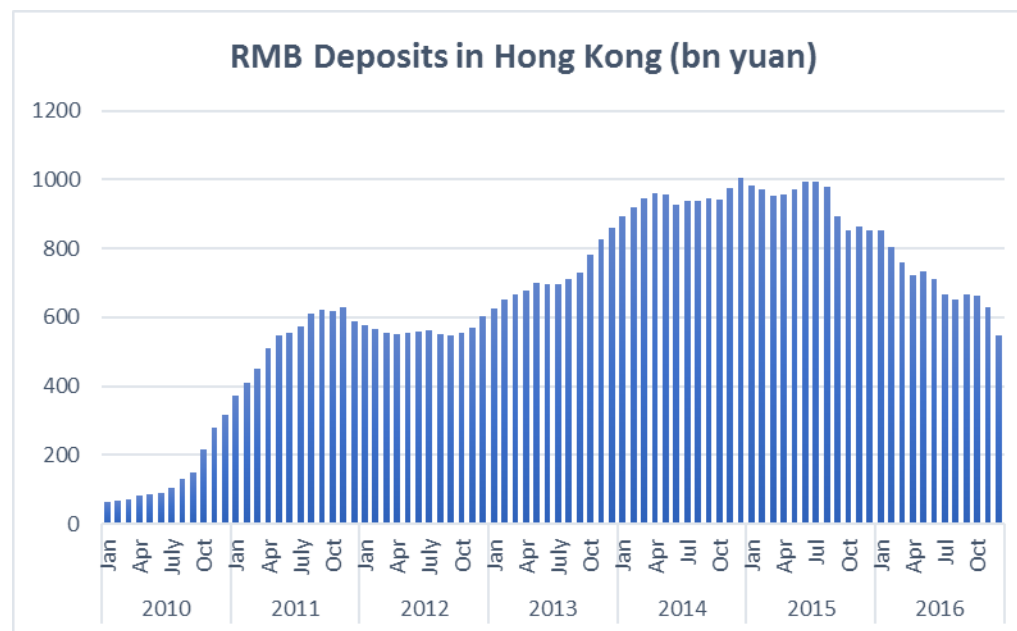
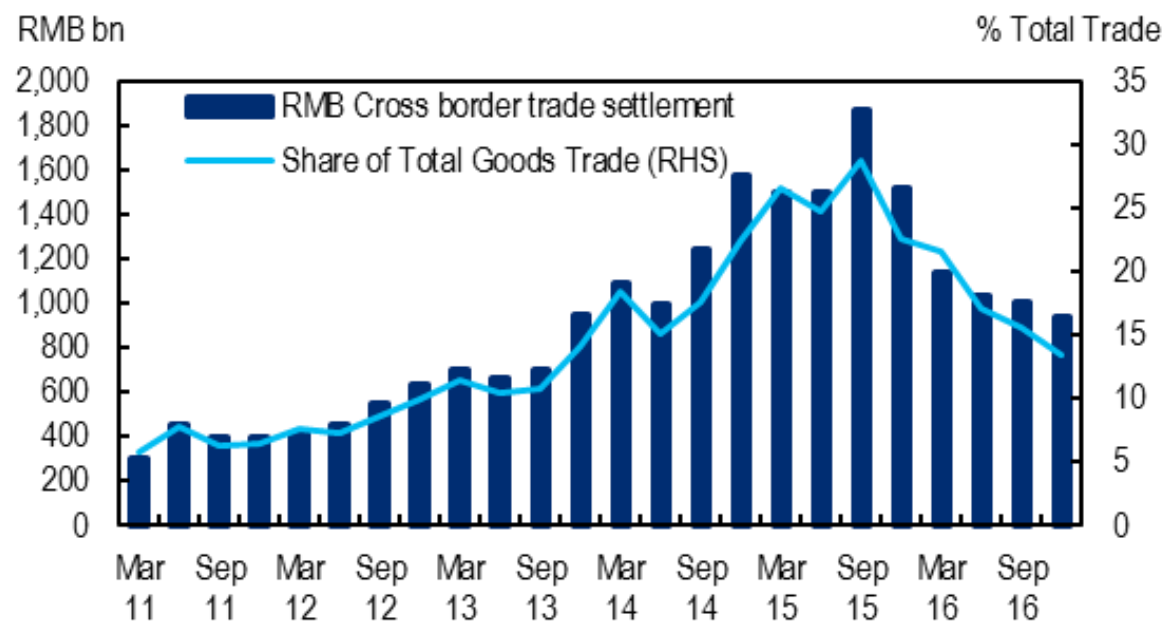


Source: Bloomberg

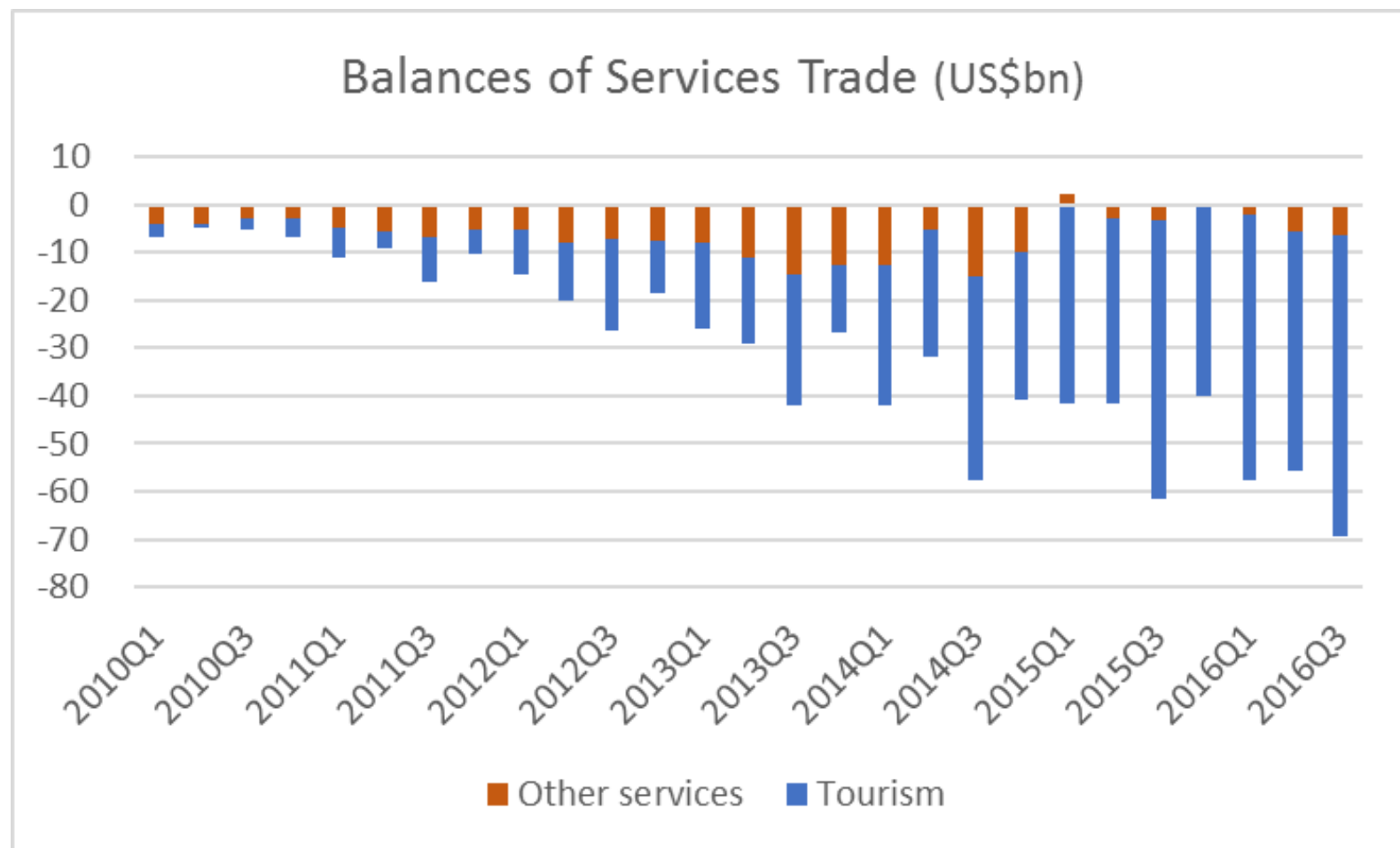
PBoC's New Trilemma



Temporary Setback in RMB Internationalization?



Capital flights under the current account



Thanks for your attention!