

2010-06-19_Full Text Of China PBOC Statement On Enhancing Yuan Exchange Rate

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DOW JONES NEWSWIRES

Below is the full statement from the People's Bank of China titled "Further Reform the RMB Exchange Rate Regime and Enhance the RMB Exchange Rate Flexibility" issued on www.pbc.gov.cn:

In view of the recent economic situation and financial market developments at home and abroad, and the balance of payments (BOP) situation in China, the People's Bank of China has decided to proceed further with reform of the RMB exchange rate regime and to enhance the RMB exchange rate flexibility.

Starting from July 21, 2005, China has moved into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. Since then, the reform of the RMB exchange rate regime has been making steady progress, producing the anticipated results and playing a positive role.

When the current round of international financial crisis was at its worst, the exchange rate of a number of sovereign currencies to the U.S. dollar depreciated by varying margins. The stability of the RMB exchange rate has played an important role in mitigating the crisis' impact, contributing significantly to Asian and global recovery, and demonstrating China's efforts in promoting global rebalancing.

The global economy is gradually recovering. The recovery and upturn of the Chinese economy has become more solid with the enhanced economic stability. It is desirable to proceed further with reform of the RMB exchange rate regime and increase the RMB exchange rate flexibility.

In further proceeding with reform of the RMB exchange rate regime, continued emphasis would be placed to reflecting market supply and demand with reference to a basket of currencies. The exchange rate floating bands will remain the same as previously announced in the inter-bank foreign exchange market.

China's external trade is steadily becoming more balanced. The ratio of current account surplus to GDP, after a notable reduction in 2009, has been declining since the beginning of 2010. With the BOP account moving closer to equilibrium, the basis for large-scale appreciation of the RMB exchange rate does not exist. The People's Bank of China will further enable market to play a fundamental role in resource allocation, promote a more balanced BOP account, maintain the RMB exchange rate basically stable at an adaptive and equilibrium level, and achieve the macroeconomic and financial stability in China.

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