

A Dynamic Analysis of Chinese Yuan (RMB) Internationalization

報告要旨

RMB internationalization is a very popular topic because of the fast development of Chinese economic and the increase of using RMB as an international currency. Although RMB has already started to play an international role, there still exists gaps with a real internationalized currency. Thus, it is significantly meaningful to discuss the current situation of RMB internationalization and connect it with recent worldwide events.

All data in this research are monthly data, ranging from January 1999 to December 2021. The paper is divided into the following parts. An explanatory factor analysis is conducted first to extract potential factors that are influencing RMB internationalization. Data used are exchange rate data of currencies with a benchmark of Swiss Franc, including US Dollar, Euro, Japanese Yen, Pound Sterling, Canadian Dollar, Australian Dollar, Chinese RMB and Russian Ruble. Then based on the explanatory factor analysis, rolling correlations between factors and currency exchange rates are calculated. The rolling correlation of RMB data are for conducting the Bayesian-based causal impact analysis to examine whether there exists a causality relationship between recent COVID-19 pandemic and RMB internationalization. In order to make sure the analysis is robust, two different estimation methods for counterfactual data in the causal impact analysis are used.

The research concludes the following. First, economic size is the most important influential factor of influencing RMB internationalization. Unlike other similar researches, the results in this paper show that geographical location is also very crucial. Second, the results of rolling correlation are significant and the trend of one of RMB is positive, meaning RMB internationalization is developing with a fast speed positively. The third conclusion comes from the causal impact analysis, indicating that

the COVID-19 pandemic does cause a negative impact on RMB internationalization, but just within a short time. Not many researches are discussing the relationship between COVID-19 pandemic and RMB internationalization, but most of them are focusing on how COVID-19 pandemic is influencing on other financial aspects, such as exchange rate market and monetary systems.