

The de Facto Foreign Exchange Regime of Chinese Renminbi

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This paper tries to reveal the de facto exchange rate regime of Chinese Renminbi since 2005 when Chinese monetary authority launched a new regime called management floating with reference to currency basket. Both of the Frankel-Wei model and the dynamic factor model are employed to estimate the components and weights in Renminbi's currency basket. The main findings are: the U.S. dollar's weight decreased gradually, even it is still very high comparing with other currencies; some East Asian currencies' weights has increased dramatically since 2014; since the monetary authority claimed to renew the deciding method of central parity rate in August 11th 2015, the reference currency basket has invalidated for the violent volatility in foreign exchange market.