

Impact of rmb appreciation



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Abstract Of Article:

The yuan revaluation is a “ double-edged sword,” It gives us a positive impact: If the conditions to reduce the cost of imported products, so that the cost of mainland residents traveling abroad and study abroad would be lower, can reduce the external debt burden; also gave us a lot of problems: If not conducive to the export products of China’s foreign trade enterprises, unemployment pressure will increase, the financial risk, inflationary pressures and so on.

Since July 21, 2005 exchange rate reform since China began implementation of the basis of market supply and demand with reference to a basket of currencies, the managed floating exchange rate system. The RMB exchange rate with reference to a basket of currencies — U. S. dollar, euro, Japanese yen, Korean won, which still accounts for the weight of U. S. dollars to more than 95%. In its current form, because the U. S. economic recession, the dollar continued to depreciate, resulting in continued appreciation of the yuan against the U. S. dollar, was the first time, breaking 2006. 5. 15, “ 8”, April 10, 2008 breakthrough, “ 7”, but also continue to appreciate the space . What is the impact of RMB appreciation on China’s economy? Two major aspects of this paper would be illustrated.

1) The Positive Impact Of RMB Appreciation

First, the conditional lower the cost of imported products. Increases in the prices of imported goods is less than the margin of appreciation of the RMB, the yuan exchange-rate appreciation would make imports of foreign consumer goods and capital goods prices cheaper than ever before, it helps reduce the cost of imports. Note here if the prices of imported products rose

greater than the rate of appreciation of the RMB, then the appreciation of the RMB is not conducive to imports. Therefore, appreciation of the RMB in lowering the positive impact of the price of imported goods is conditional.

Second, the domestic residents traveling abroad and study in cost reduction. RMB appreciation, you can make people spend less than before the yuan can go to Europe and the United States and other regions to study, travel, for example, if the tuition fees to study in Europe and the United States 30 to 400 thousand yuan for the past two years remains unchanged, then the payment of high fees to go abroad now than last year dropped by to pay 3 to 4 million yuan. Here or abroad should pay attention to the costs of travel and study abroad or to be less than the rate of appreciation of the RMB, or the positive impact will not exist.

Third, the domestic residents traveling abroad and study in cost reduction. For a long time, domestic enterprises are usually competitively priced to compete with the domestic and foreign enterprises, and as the appreciation of the yuan, those who rely solely on the price advantage to win the enterprises will gradually be eliminated, companies want to survive he must establish brand awareness, sense of innovation, enhance the technological content of products. This is for Chinese enterprises to adapt to a faster overall environment of global economic integration is beneficial.

2), The Negative Impact Of RMB Appreciation

First, is not conducive to China's foreign trade enterprise product exports. For export enterprises, their levels of profitability with the foreign currency exchange rate close contact. International prices of export products in the

same circumstances, if the local currency in relation to an international settlement of foreign currency to appreciate, then it means business when compared with the previous export of local currency in exchange for reducing the number of corporate profits decline, which will seriously affect the business export initiative, if the exporting enterprises to maintain a certain profit to raise prices, it will weaken the international competitiveness of export products is not conducive to the continued expansion of exports and products in the international market share increase.

Second, the unemployment pressure will increase. Due to the continued appreciation of the yuan, export enterprises are facing a serious crisis of survival, and these exporters, most labor-intensive, so that workers in these enterprises will face the pressure of unemployment.

Third, the financial risks will increase. With the continued appreciation of the yuan, the dollar continue to depreciate, China's economy maintained rapid growth (the 2008 Olympic Games will further boost China's economic development), international capital and hot money will be a variety of ways and means of access to China's stock market and real estate markets, This is part of the funds large-scale, mobile quick, benefits or reduce strong cause of the underlying factors of financial market turbulence. [Paper Net Wwww. LunWenNet. Com]

Fourth, it is the inflationary pressures. The continued appreciation of the RMB, increase the money supply, excess liquidity; the same time, the continued appreciation of the RMB, foreign investment influx will push asset

prices, the resulting “wealth effect” will lead to other domestic products prices, This will enable our country is facing inflationary pressures.

Appreciation against the RMB to the negative impact of China’s economy, I want to put the following views:

3) Suggestions

First, the appreciation of the RMB against the negative effects of exports enterprises to mention the following views:

1, this is a possible change in settlement of foreign currency. In foreign trade, according to the changed or will change in the economic environment to choose the more favorable settlement in relation to use of foreign currencies. Since the international community on the dollar, the yen continued to depreciate relative to the yuan, then the choice can be as much as possible the settlement of other foreign currency such as the euro (to the current depreciation of the RMB relative to the euro is) or foreign currency portfolio, to minimize their losses.

2, it is necessary to focus on flexible, fully draw on experiences of other countries. After “Plaza Accord”, a significant appreciation of the yen, forcing Japan’s major auto manufacturers to businesses to move to North America, these enterprises to avoid the risk of loss also created the North American market, today occupies one-third of Japanese cars share. “Blessing in disguise, how can you know the non-fu”, domestic enterprises can fully draw on successful experiences of other countries business and concentrate on contingency.

Second, we should vigorously develop the service industry firm, to create conditions for increasing employment. Practice has proved that, for a State to provide a relatively large number of jobs is the service industry, rather than capital-intensive or capital – labor-intensive industries (e. g. manufacturing). The practice of China’s economic development is underdeveloped service sector; its job creation will be to absorb a limited number of employments. Therefore, the development of service industries should be encouraged to solve the unemployment problem.

Third, we must take practical and effective macro-economic measures to curb inflation. Proved in practice that the issue of inflation by relying only on the freezing of prices and wages of administrative control is not desirable, and the results can only lead to price increases faster, easily lead to hyperinflation. On the terms of the current situation in China to be firm and decisive monetary tightening monetary policies, liberalization of prices, let the market to regulate the price trend,

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Suggestions: Lots to adjust. Actually, I can not even tell if you have written a coursework at all. It looks only like a translation of the article. Coverpage should be redesigned, not just filling in the blanks. Next time, it may help you to follow the instructions on the “ Starting a Coursework’ document I gave you.