

# The appreciation of the rmb



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Firstly, the appreciation of the RMB will benefit the people. On the one hand, it will make imported products relatively cheaper. It will also be cheaper for Chinese to travel abroad. This will increase consumption. On the other hand, it will decrease imported material's price and reduce the level of market price. If other conditions don't change, Chinese people will feel richer as the value of their money grows and further stimulates domestic demand.

Secondly, it will accelerate industrial upgrading.

In fact it is likely that the outcome would be even worse for the US and better for China. The appreciation of Chinese yuan would knock out low-tech, low-efficiency or labor-intensive industries in China and expedite Chinese industries' upgrade in response to decreasing revenues. It is unlikely that Washington wishes to see China's technology become stronger and less dependent on technology imports from the US. Thirdly, it will promote technical innovation. The competitive edge of China's manufacturing rather than the exchange rate has decided China's export competitiveness.

Some low-end producers will be washed out. Therefore the appreciation will encourage them to become high-end companies. Although China would lose its low-labor-cost advantage because of RMB appreciation, it would benefit China's industrial transformation and enhance Chinese consumers' purchasing power. RMB appreciation reflects the success of Chinese economic development after reform and opening up. It is also an important turning point in China's social and economic situation. The downsides to RMB appreciation shouldn't be overemphasized.

The fluctuation of the RMB is the result of changes to the current economic structure and will have an important impact on the economic structure of the future. Maintaining the status quo is short-sighted and will harm the long-term interests of China. The best choice is to speed up the transformation of the economic growth mode and adapt to the appreciation of RMB to make the most from the process. To sum up, In the long run, RMB appreciation will generate more development opportunities.

People will feel richer, it will improve China's status and influence in the world economy and it will change the commodity structure and the flow of investment. It will also have a significant influence on the structure of domestic production resources. Exports are crucial to China's economy. When the value of the Chinese yuan rises against the US dollar rises, export revenues will shrink. Industries producing low-cost or low-added-value commodities such as textiles or assembly will suffer the most when their slight profit margins are squeezed again by the exchange rate loss.

In contrast to exporting companies however, Chinese companies which import raw materials and components from abroad, such as vehicle and paper manufacturers, benefit from the appreciation of the Chinese yuan, according to Falcon Group Investment Co (FGIC). Appreciation is related to the " exit" policy. The yuan peg to the relatively lowly US dollar through the financial crisis has had a stimulating effect on China's monetary, fiscal and industrial policy.

As the global economy enters a " new normal state," the government's vast stimulus packages need to be withdrawn, which means that the reform of

the RMB exchange rate mechanism should be back on track. The advantages for RMB appreciation are several. It will tend to inhibit excess capacity and reduce exports, thus promoting domestic supply. Importing good-quality consumer goods at lower prices will promote domestic demand. It will inhibit input inflation, and promote balance in the domestic economic structure. Incidentally, it will also help reduce emissions by inhibiting exports by high-energy-intensive industries.

Positive impact on the 1, 2 in favor of Chinese imports, the cost of raw material imports down 3-dependent firms, foreign investment capacity of domestic enterprises increased 4, foreign-invested enterprises in China, earnings increased by 5, is conducive to learning and training personnel abroad 6, external debt service pressure to reduce 7, 8, China's more economical to sell assets, the international status of Chinese GDP increased by 9, increase the state tax revenue of 10, the international purchasing power of Chinese people, the negative impact of a renminbi under the capital account is not freely convertible, meaning that the exchange rate decision mechanism is not the market, change is not meaningful 2, RMB appreciation will give China greater deflationary pressure of 3 the RMB exchange rate appreciation will Daozhi right foreign Xiyinlide Xiajiang, Jianshao foreign businesses in China direct investment; 4, to the Chinese Di exports cause great harm to 5, the RMB exchange rate appreciation will reduce the profitability of Chinese enterprises, increasing employment pressure 6, the deficit will be due to increase appreciation of the RMB exchange rate, monetary policy also affects the stability of short-term disadvantages, long-term benefit. For the short term, the RMB appreciation

will increase the unemployment benefit. Reduce corporate profits. For the long term, can promote industrial upgrading and restructuring.

From a business perspective, by appreciation of the renminbi, to support technology-intensive and capital-intensive enterprises, promote industrial upgrading and structural change, in the long run, is fundamental to improving the international competitiveness of China's foreign trade and anti-risk ability . From the perspective of attracting foreign investment, foreign capital investment costs have increased, but the technology-intensive foreign-funded enterprises are affected far less than the labor-intensive foreign-funded enterprises. This is in line with our policy of industrial policy and the needs of scientific and technological progress.

Encourage foreign participation in domestic industrial structure adjustment and optimization of the process, so that more and more companies turn to application of more sophisticated technology, lower consumption and high efficiency of the road, developing more competitive products, you can gradually make the Chinese out of the primary manufactured goods " world factory" image. RMB appreciation helps the negative impact on the export of products in the market to adjust target structure, so that the foreign investment projects to focus on domestic market, more domestic demand by raising to stimulate economic growth, thereby reducing dependence on foreign trade of China's economy, making China economy can be more balanced, stable and sustained development.