Title: New Estimates of the Equilibrium Exchange Rate: The case of the Chinese Renminbi

Speaker: Kiyotaka Sato
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National University of Singapore
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Chair: Yi Lu
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Abstract

We estimate the equilibrium exchange rate (EER) of the Chinese Renminbi (RMB) vis-a-vis the U.S. dollar from 1992 to 2008. In contrast to the recent empirical studies on the EER employing a large cross-country analysis, we focus on the supply side real factors in estimating the EER by extending the Yoshikawa (1990) model. To better reflect China’s processing exports in the context of growing intra-regional trade in Asia, we incorporate in the empirical analysis the source country breakdown data on import prices and input coefficients of intermediate inputs by constructing an annual new International Input-Output (IIO) table for the period from 1992 to 2008. The results show that the EER of Chinese RMB appreciates sharply from 2005 to 2008, suggesting that the current RMB exchange rate is substantially undervalued. Such sharp appreciation of the EER corresponds to the dramatic increase in China’s current account surplus from the mid-2000s, especially against the United States, which is ascribed to the significant improvement of both labor and intermediate input coefficients in China.

About the speaker

Kiyotaka Sato is Professor at the Faculty of Economics, Yokohama National University, Japan. His research interests are empirics of exchange rate regimes, monetary and economic integration, and exchange rate pass-through. He has recently published in the Journal of Money, Credit and Banking, International Journal of Finance and Economics, Applied Economics, and The World Economy. He obtained his Ph.D. in economics from the University of Tokyo in 2001.
Admission is free and all are welcome; we would appreciate it if you could register at 
https://esurvey.nus.edu.sg/efm/se.ashx?s=1CC7023E1AEA0AF1

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