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## January reports highest-ever monthly growth in China's foreign exchange reserves

### Indicator Value Change

**January 2007 196.6**

December 2006: 194.1

Month-to-month change: 1.33%

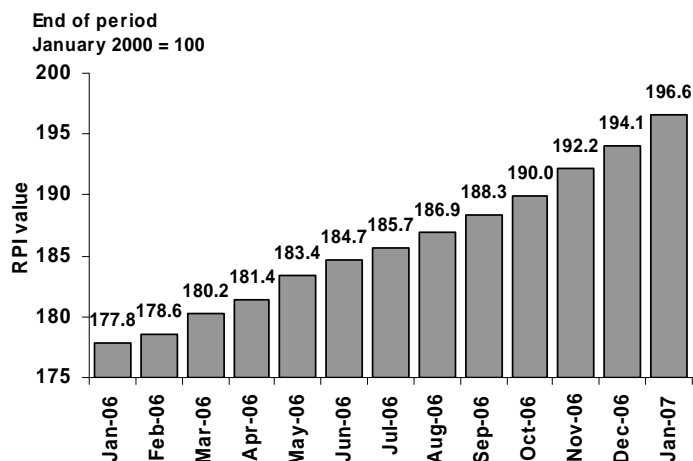
January 2006: 177.8

Year-to-year change: 10.57%

Click [here](#) to download the chart.

### Highlights

In January 2007, the Renminbi Pressure Indicator (RPI) increased by 1.33 percent, the largest month-to-month increase since the initial revaluation in July 2005. China's foreign exchange reserves rose to US\$1.1 trillion.



### Analysis

The gain in the RPI, from 194.1 to 196.6 over the previous month, was attributable to appreciation of the yuan and an increase in foreign exchange reserves, which increased nearly US\$38.3 billion from December. The reserves increase was the highest month-to-month jump in absolute dollar amount. In percentage points, China's foreign exchange reserves represented the greatest gain since December 2004. The rate of yuan appreciation against the U.S. dollar accelerated to 0.40 percent, from 0.31 percent in December, while growth in China's foreign exchange reserves accelerated to 3.60 percent, from 2.67 percent. Of the 1.33 percent growth in RPI, the yuan appreciation accounted for a 0.13 percentage point increase, and growth in reserves contributed the remaining 1.20 percentage point increase. There was no change in domestic interest rates in January. (In February and March 2007, the rates of yuan appreciation against the dollar grew 0.47 and 0.07 percent, respectively. Interest rates increased by 0.27 percent in March.)

### Methodology

The RPI is based on a monthly examination of the interaction between the following variables to compute overall cumulative exchange rate pressure: the percentage change in the spot exchange rate, the percentage change in foreign exchange reserves, and the change in domestic interest rates.

The indicator measures the pressure on China's currency relative to the U.S. dollar. It is set equal to 100 on January 1, 2000. Increases in the RPI reflect appreciation pressure on the renminbi (RMB).

### Xinhua Finance/Milken Institute China Indicators

The Xinhua Finance/Milken Institute China Indicators are aimed at providing investors, analysts, and financial professionals deeper insight into China's money and capital markets. Three of the eight indicators—the Renminbi Pressure Indicator, the Chinese IPO Indicator, and the Market Adjusted Debt Indicator—were launched in November 2006. Banking Strength Indicator and Adjusted Trade and Finance Indicator will be launched in April 2007. The remaining indicators will be launched in 2007.

### Time Period Coverage and Frequency

The indicator covers the period from November 30, 1980, through January 2007. Data are available from the Milken Institute upon request. There will be a two- to four-month delay in reporting values for the indicator, depending on the release of information from authorities in China.

## Sources of Data

The data used in the construction of the indicator are obtained from the International Monetary Fund, People's Bank of China, and State Administration of Foreign Exchange.

To view additional information, visit [www.xinhuafinance.com/indicators](http://www.xinhuafinance.com/indicators) and [www.milkeninstitute.org/chinaindicators](http://www.milkeninstitute.org/chinaindicators).

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