

## Original Research Article

# An Analysis of China's Money Supply and Its Changes in 2008-2010

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### ABSTRACT

China divides the money supply into three levels: cash in circulation M0, cash that flows outside the banking system; the second is the narrow money supply M1, that is, M0 plus the deposit of enterprises and institutions; Money supply M2, that is, M1 plus enterprises and institutions of time deposits, household savings deposits and other deposits. In September 2008, China's monetary policy moderates easing in response to the serious impact of the international financial crisis. At the beginning of 2009, the State Council put forward an annual growth of about 17% M2, more than 5 trillion yuan of new loans, relative to the expected 8% GDP growth rate and 4% of the CPI index is still a moderately easy monetary policy. China's monetary policy this shift is correct, strong with the government's active fiscal policy, the role of economic stabilization and recovery is more obvious.

**KEYWORDS:** money supply; monetary policy

## 1. Basic principles

Money supply is the process of making money into the circulation sector. Its contents include:

### 1. The form of money supply

Modern forms of money become unusually colorful and have different types of deposits. Their mobility is different, the evolution of different levels of money to. Some Western countries even the stock, bonds and other financial assets as a measure of the amount of money. Countries have different levels of money supply, but there are some commonalities. The United States divides the money supply into four levels: M1, M2, M3, L; Britain is divided into five levels: M0, M2, M4, M4C, M5; China is divided into three levels: M0: cash flow; : M0 + demand deposits; M2: M1 + savings deposits + time deposits + other deposits

### 2. Money supply channels

(1) Banks are the general channel for money supply. The currency in circulation is first served by the central bank. By the central bank put the original currency, through the credit creation and multiplier role, can create multiple times the currency. The bank's original deposits are mainly from the central bank's re-lending of commercial banks (rediscount). Commercial banks to obtain re-lending of the central bank (manifested as cash and deposits in the central bank), as a basis for business enterprises, agricultural enterprises, self-employed and other objects to lend, at the same time, they can expand their own deposits, create more money.

As the banking system is the total supplier of contemporary currency, banks in the money supply on the two tasks: First, to ensure that the economic turnover of the demand for money to achieve the economic balance of normal operation. The second is to ensure the expansion of production and circulation to provide additional amount of money. The supply of excess, will cause economic development overheating and inflation, the economic development is also extremely unfavorable, will have all kinds of drawbacks, such as price increases, hoarding, speculation, and the development of the economy, National income redistribution is not normal, and finally caused the economic relations extremely chaotic, causing economic development stagnation or even regression.

In order to make the total money supply largely adapt to economic development and the expansion of the demand for money, the total amount of money must be effectively controlled into its basic structure. The amount of the base money provided by the central bank to the commercial banks and other banks shall be appropriate; the derivation of the base money must be controlled, that is, the total amount of the social money supply; the basic structure of the money

must be reasonably distributed, the number should be as reasonable as possible. The central bank uses various monetary policy instruments to regulate the amount of money supply, so that the amount of monetary expansion and contraction. For example, the operation of the open market, changes in foreign exchange reserves, financial borrowing, etc., directly or indirectly affect the money supply.

Money supply is both an endogenous variable and an exogenous variable, and the bank can derive bank deposits through the base money and the multiplier effect. At the same time, the microeconomic entities can also pass through their own activities outside the bank ' Forcing the bank, a strong influence on its money supply. Thus, the determinants of money supply are multiplicity.

## (2) The decision of the money supply

- Monetary demand for money supply decision. Money supply is closely related to money demand. From the degree of correlation between the two, the money demand determines the money supply, the money supply to meet the demand for money, in order to achieve a balanced supply and demand of money. But in real life, money demand equilibrium is accidental, money supply and demand imbalance is often, which is not suitable for money supply and demand is one of the reasons for this phenomenon. There are three reasons: First, in the paper money circulation, the money demand itself has two kinds of situation: one is the total economic and moderate economic growth on the objective demand for money; the other is the economy overheating, inflation, the false demand for money. If the overheated economic development of the money on the irrational demand for money. Money supply must be too much, will inevitably lead to total social demand and total supply imbalance. Second, the money supply and demand the main difference. The main body of money demand is business, residents and government departments, and the amount of money supply and demand cannot be completely consistent. Third, because the money supply and demand itself is a very complex process of economic operation, production, exchange, distribution, consumption activities, a variety of microeconomic activities, will affect the money supply and demand changes.

- The financial system of the decision on the money supply. Financial impact The money supply is mainly achieved through fiscal savings (and deficits) and the number and handling of treasury bonds. Fiscal savings will reduce the money supply, while the fiscal deficit will increase the money supply; accordingly, the increase in government bonds will increase the money supply.

- Corporate behavior on the money supply decision. The impact of corporate behavior on the money supply is mainly: First, the scale of production and operation of enterprises to expand the impact of money supply. Increased investment in fixed assets and replenishment of working capital, as shown in the expansion of demand and supply of money, including the expansion of their own funds and the increase in borrowings. Second, the enterprise operating efficiency affects the money supply. High operating efficiency, less investment, more output, fast cash flow, the relative reduction in demand for money, thus reducing the pressure to find money supply. On the contrary, poor operating efficiency, investment, less output, slow cash flow, and even loss of business, unjust will be due to reduced cash flow caused by lack of funds, and even not to increase the demand for additional bank loans, so as to increase the pressure on the bank money supply. Third, the business mechanism affects the money supply. In the business mechanism has not yet transformed, the implementation of the supply system under the conditions of funds, enterprises with various means to divert the flow of funds. Such as the use of liquidity for fixed assets renovation and expansion of capital construction, the use of funds to buy bonds, pay taxes, make up for losses, should be included in the cost or profit and loss expenses and so on. These circumstances will result in a gap in the liquidity requirements of enterprises, forcing banks to increase the money supply. In addition, in the capital construction investment system has not yet been converted, the main investment does not achieve the case of diversification, the enterprise will be due to risk-free restraint mechanism and investment expansion and impulse to compete for investment, the project is often more than possible, resulting in fixed capital demand gap. In the case of financial supply or make up, to force banks to increase loans, increase the abnormal supply of money. Therefore, the transformation of business mechanism, is to make enterprises become independent, self-financing, self-development, self-restraint mechanism of independent economic legal person, the real market. The financial needs of enterprises, in addition to strengthening self-accumulation, the market-oriented financing should be resolved by increasing the proportion of direct financing to reduce the bank money supply. Fourth, the enterprise's foreign-related business affects the money supply. With the increase of opening up to the outside world, especially after China's accession to the WTO, the autonomy of foreign trade has increased, and the frequency and amount of foreign exchange receipts have increased, and the bank has sold to the enterprise, thus affecting the country's foreign exchange reserves quota and the amount of RMB put.

- Residents of the decision on the money supply. The analysis of its impact on the money supply from the perspective of residents' behavior can be divided into two aspects: the impact of disposable income on the money supply and the impact of disposable expenditure on the money supply. The proportion of disposable income in the overall national income should insist on the principle of income growth and economic benefits. Otherwise, the distribution of income too much to the individual will force the banks to increase the money supply, especially the increase of the supply of cash money Excessive supply. The decision on the disposable expenditure of money on the disposable expenditure of the residents is reflected in the fact that its income is dominated by consumption, whether it is used for savings or for

investment under the condition of the income of the household, which affects the disposable income savings rate and the level of investment, and savings, investment and consumption is the shift, and the money supply have different effects.

## 2. Case content

### 1. 2008 - 2010 Stages of money supply and its changes

In 2008, the national economy in the international economic environment changes, the domestic serious low temperature freezing rain and snow disasters and Wenchuan earthquake situation to maintain a more stable growth, but the consumer prices affected by disasters such as rising faster. At the beginning of the year, the People's Bank of China (PBOC) implemented tight monetary policy in order to prevent economic growth from overheating to overheating and prevent the price from evolving into structural inflation. In the first half, the international commodity prices continued to rise, leading to continued increase in import prices, increased domestic inflationary pressures. After entering the market in September, the international financial crisis deteriorated sharply. The People's Bank of China (PBOC) adopted a moderately easy monetary policy to adopt a variety of tools to adopt a series of flexible and effective measures to release signals to ensure economic growth and stabilize market confidence. Down the deposit and lending benchmark interest rate, five times to raise the deposit reserve ratio, four times the deposit reserve ratio, and actively cooperate with the country to expand domestic demand and a series of policies and measures to stimulate the economy, fiscal deficits, increase financial support for economic development. The growth rate of money supply is relatively flat.

The money supply in 2008 and its growth rate is relatively flat

M0: 3.4 trillion yuan, + 12.7%;

M1: 16.6 trillion yuan, + 9.1%;

M2: 47.5 trillion yuan, + 17.8%

In 2008, the gross domestic product (GDP) reached 30.1 trillion yuan, up 9 percent year on year; the consumer price index (CPI) rose 5.9 percent year on year. National fiscal revenue (excluding debt income) 61316.9 billion yuan, an increase of 19.5%, growth rate decreased by 12.9 percentage points over the previous year. Money supply growth rate higher than the previous year, although China's economic growth has slowed, but overall still maintained a steady and rapid development.

At the beginning of 2009, the State Council put forward an annual growth of about 17% M2, more than 5 trillion yuan of new loans, relative to the expected 8% GDP growth rate and 4% of the CPI index is still a moderately easy monetary policy. But the international financial crisis on the impact of China's economy is still deepening. External demand continued to shrink, some industries overcapacity, corporate economic downturn, employment difficulties increase, the economic downward pressure is still large and other issues still exist. Timely and appropriate to carry out open market operations, to maintain the overall liquidity of the banking system ample, stable market expectations. To guide financial institutions to expand credit, optimize the credit structure, adhere to the 'different treatment, there is pressure', to ensure that the conditions of the central investment projects required to support the timely implementation of loans at the same time, strengthen the 'three rural', small and medium enterprises, , post-disaster reconstruction, expansion of consumption, independent innovation and other areas of credit services, increase the money supply. Facts have proved that China's monetary policy this shift is correct, strong with the government's active fiscal policy, the role of economic stabilization and recovery is more obvious.

Money supply in 2009 and its growth rate is faster

M0: 3.8 trillion yuan, + 11.8%;

M1: 22.0 trillion yuan, + 32.4%;

M2: 60.6 trillion yuan, + 27.7%

Achieved gross domestic product (GDP) 33.5 trillion yuan, up 8.7% over the previous year, the growth rate lower than the previous year 0.9 percentage points, economic growth accelerated quarter by quarter. Consumer prices (CPI) fell 0.7% over the previous year, 6.6 percentage points lower than the previous year, the end of the year began to rise. In general, to achieve the target value of monetary policy supply, the total amount of money grew faster, but the GPI still did not reach the target value.

In 2010, continue to implement a moderately easy monetary policy, the economy continues to move towards the expected direction of macroeconomic regulation and control, the overall situation is good. The total amount of money is still at a high level of operation, but the growth rate has been gradually slowed down. The steady growth of fixed assets, the fixed investment structure of fixed assets, the rapid recovery of foreign trade, the steady growth of agricultural production, the rapid growth of industrial production, the steady increase of residents' income, but the pressure of price increase, the local economy overheating and inflation, deposit and loan spread is also rapidly expanding, the credit over

inflation. The People's Bank of China raised the deposit reserve ratio of the deposit-taking financial institutions by 0.5 percentage points on January 18, February 25, May 10, November 16, November 29 and December 20 respectively, The cumulative increase of 3 percentage points, hedging the banking system part of the excess liquidity. In the first three quarters of 2010, interest rate policy remained stable. Since the fourth quarter, in order to stabilize inflation expectations and curb the rapid growth of money and credit, the People's Bank of China raised the benchmark deposit and lending rates of financial institutions twice on October 20 and December 26. Reissue interest rates were raised from 1.80% to 2.25%. After the implementation of the policy, the market liquidity can still meet the moderate growth of monetary credit and economic development needs, increased by the increase in foreign exchange reserves, the amount of money is also expanding, timely re-discount quota, moderate appreciation of the renminbi reduced consumer goods and primary product import prices, direct support to expand imports. Through these monetary policy measures, the money supply increased year by year. By 2010, the total amount of money in circulation was expanded, the growth rate accelerated and the economic development rate increased (10.3% GDP).

The money supply in 2010 and its growth rate stabilized

M0: 4.5 trillion yuan, + 16.7%;

M1: 26.7 trillion yuan, + 21.2%;

M2: 72.6 trillion yuan, + 19.7%

In 2010, the gross domestic product (GDP) reached 39.8 trillion yuan, up 10.3 percent year on year, and the consumer price index (CPI) rose 3.3 percent year on year.

2, 2008 - 2010 the growth of money supply

(1) The growth rate of money supply in 2008-2010, as shown in the table below.

Growth rate of money supply in 2008-2010 Unit:%

Year M0 M1 M2

2008 12.7 9.1 17.8

2009 11.8 32.4 27.7

2010 16.7 21.2 19.7

(2) Gross domestic product for 2008-2010, as shown below.

2008 - 2010 GDP Unit: 100 million yuan

Year gross national product gross domestic product per capita gross domestic product

2008 315274.7 314045.4 23708

2009 341401.5 340902.8 25608

2010 403260.0 401202.0 29992

(3) 2008 - 2010 price index, as shown below.

Year consumer price index city residents

Price index rural residents

Price Index Retail

Price index fixed asset investment price index

2008 105.9 105.6 106.5 105.9 108.9

2009 99.3 99.1 99.7 98.8 97.6

2010 103.3 103.2 103.6 103.1 103.6

(4) 2008 - 2010 the central bank to increase or decrease the amount of money supply methods and effects.

-Open market operations

-Interest rate adjustment

2008 - 2010 financial institutions statutory deposit rates, as shown below.

2008 - 2010 Financial institutions statutory deposit rates Unit: Annual interest rate%

Project 2008.10.09 2008.10.30 2008.11.27 2008.12.23 2010.10.20 2010.12.26

Current period 0.72 0.72 0.36 0.36 0.36 0.36

On a regular basis

Three months 3.15 2.88 1.98 1.71 1.91 2.25

Half year 3.51 3.24 2.25 1.98 2.20 2.50

Year 3.87 3.60 2.52 2.25 2.50 2.75

Year 2.41 4.14 3.06 2.79 3.25 3.55

Three years 5.13 4.77 3.60 3.33 3.85 4.15

Five years 5.58 5.13 3.87 3.60 4.20 4.55

-Central bank loans, and then discounted

2008 - 2010 Financial Institutions Legal Loans Interest Rate Unit: Annual Interest Rate%

Project 2008.10.09 2008.10.30 2008.11.27 2008.12.23 2010.10.20 2010.12.26

Short-term loans

Six months 6.12 6.03 5.04 4.86 5.10 5.35

Year 6.93 6.66 5.58 5.31 5.56 5.81

Medium and long term loans

More than one year to three years 7.02 6.75 5.67 5.40 5.60 5.85

More than three years to five years 7.29 7.02 5.94 5.76 5.96 6.22

More than five years 7.47 7.20 6.12 5.94 6.14 6.40

-Increase foreign trade, and foreign economic cooperation

2008-2010 foreign economic cooperation, as shown

Year contract number

(Copies)

Contract Amount (US \$ billion) Foreign Contracted Projects Foreign Labor Service Completion Turnover (USD billion) Foreign Contracted Projects Foreign Labor Service Cooperation

2008 163881 1130.15 1045.62 75.64 651.16 566.12 80.57

2009 162081 1336.82 1262.10 74.73 866.17 777.06 89.11

2010 246387 1430.92 1343.67 87.25 1010.50 921.70 88.80

-Increase foreign exchange reserves

2008 - 2010 gold and foreign exchange reserves

Year Gold Reserve (million ounces) Foreign exchange (billion)

2008 1929 19460.30

2009 3389 23991.52

2010 3389 28473.38

Source: Yearbook Yearbook.

### 3. Case analysis

1, 2008 - 2010 China's monetary control methods in various forms, flexibility is strong, in a number of pilot reform.

From the above case can be seen, 2008 - 2010 China Central Bank basically implemented a moderately easy monetary policy, according to the situation, adjust the deposit reserve ratio, adjust the interest rate, loan rate, rediscount rate, flexible open market operations; expand domestic demand, stimulate economic development, expand credit,

increase foreign trade, and foreign economic cooperation (in line with cross-border trade RMB settlement pilot work to support enterprises to 'go out' in the field of large-scale projects, the People's Bank of China carried out on a case-by-case basis RMB cross-border investment and financing pilot, in October 2010, Xinjiang took the lead in carrying out cross-border direct investment RMB settlement pilot), increase foreign exchange reserves also affect the money supply also played an important role.

### 2. China's money supply in 2008-2010 showed a trend of excessive growth

From the overall situation, in 3 years, although the money supply fluctuations, but the overall rise and an excessive trend; from the growth rate, M2 showed a U-shaped trend, the first rise and then down.

From 2008 to 2010, M0 increased from 3.4 trillion yuan to 4.5 trillion yuan, an increase of 32%; M1 from 16.6 trillion yuan to 26.7 trillion yuan, an increase of 60.8%; M2 from 47.5 trillion yuan to 72.6 Trillion yuan, up 52.8%. From the growth rate, the growth rate in 2008 was: M0 increased by 12.7%, M1 increased by 9.1%, M2 increased by 17.8%. In 2009, M0 decreased by 11.8%, while M1 and M2 were the highest growth of 32.4%, M2 An increase of 27.7%; and then began to decline, by 2010 were: M1 growth of 21.2%, M2 growth of 19.7%, while M0 increased by 16.7%

### 3. 2008 - 2010 means of indirect monetary control remains to be improved

In the past few years, monetary policy has a certain degree of coherence and flexibility, many times lower interest rates, respectively, raised and lowered the deposit reserve ratio, put on the open market operations, increase the re-loan, rediscount, plus large financing activities in the form of bills, which are effectively increased the base currency, and then through a certain multiplier effect to increase the money supply. These explanations, the Chinese central bank in the indirect way through the regulation of credit, adjust the money supply has become increasingly mature and perfect. But there are still shortcomings: rediscount window is still not enough, the scope of the object and institutions smaller, in the form of paper financing is not enough, the scope and intensity of open market operations is still not enough to expand the direct financing has yet to be strengthened. In addition, the credit structure is not perfect over-expansion and other issues also surfaced.

### 4. 2008 - 2010 China monetary control there are still lagging phenomenon

2008-2010, the basic period is to deal with inflation: the 2008 economic crisis began to spread, adopted from the tight after the loose monetary policy, but due to the rapid deterioration of the economic crisis, external demand continued to shrink, corporate economic decline in food and housing Prices continue to rise, the price from the structural rise into a clear inflation, money supply continues to increase, but the 2009 price (CPI) negative growth, then gradually increased the money supply, although the currency increase A steady trend, but in 2010 the local economy overheating and inflation phenomenon is obvious, the pressure on prices higher, the consumer price index continued to rise, showing excessive growth in money supply.

## 4. Discussion

Since 2009, the money supply has increased significantly, the first three quarters was 25.51%, 28.46% and 29.31%, with the original moderately loose monetary policy seriously deviated from the original intention. China's GDP growth rate reached 13% of the most recent economic cycle in 2007, when the money supply growth rate was only 16.74%, the previous two years of money supply growth rate was only 17.57% and 15.68%. Comparison can be found, obviously about 17% of the original M2 growth rate can support 13% GDP growth rate, the current 28% of the M2 growth rate is only about 8% of GDP growth, most of the middle of the excessive growth by the economic sector where did the missing currency go?

Excessive money supply is also reflected in the rapid expansion of deposits and loans. From the beginning of 2008, deposit and loan spread will continue to expand. January 2008, deposits and loans of 115,783.62 billion yuan, to September 2009, it climbed to 184012.09 billion yuan, an increase of 682.847 billion yuan. A large amount of excess money will further aggravate the impulse of financial institutions to lay a fuss for excessive growth in future money supply.

#### (1) Excessive credit expansion

Consistent with the rapid growth of deposits, loans since 2009 have also grown at a rate of more than 20 percentage points from March, and more than 30 percentage points since June, and the growth rate after June is also higher than the growth rate of deposits. According to previous years of experience, the annual credit growth will reach 10 trillion yuan, much higher than the beginning of the year set the target. Not only that, the credit structure is also a big problem, mainly long-term loans accounted for too high, the role of industrial restructuring is not. As the market mechanism is not mature, a large number of credit flows to the field of redundant construction, further deterioration of excess capacity.

#### (2) Asset prices should cause a high degree of concern

Abnormal money supply and credit growth will not only lead to inflation expectations, but also a direct impact on asset prices, especially to promote the rapid rise in house prices. Housing prices in January 2008 from the high drop, the end of year negative growth year on year, this should have a deeper and reasonable adjustment, but in a variety of factors, driven by housing prices in January 2009, the chain rose in June compared to positive growth, and constantly accelerate the rise.

Looking at the rising trend of housing prices, found that there are several characteristics. One is rising too fast. Although the statistics tell people that in November 70 large and medium cities nationwide housing prices rose 5.7%, but the actual increase may be much higher than the statistics. For mega-cities, house price changes can be used to describe the soaring. The second is the rise in house prices from the first-tier cities to the second-tier cities to promote, almost a national sound up. The third is the rise in house prices irrational is very obvious, its driving force is mainly investment and speculative purchase. On the one hand is the developers, investors and speculators to make a fortune, the local government to sell and sell money; the other hand, the people are very helpless on the ultra-high prices, can only look away, the vast majority of urban people cannot afford room, not to mention migrant workers, and young people to buy a house mainly rely on both parents to support the couple, three families for a suite has become a social home purchase. Real estate has become a social income redistribution tool, which further exacerbates unfair distribution of income. Relying on this model of real estate to promote GDP growth is unfair, unhealthy, unsustainable GDP growth, when the housing prices do not go up when the investment and speculators continue to rise in housing prices is expected to change, the financial crisis is not far away. Housing prices this reason is irrational rise, but the most important reason is the local government's affordable housing construction is not in place.

## **5. Policy instruments from 2008 to 2010**

Since July 2008, in response to the international financial crisis intensified, the domestic inflationary pressures slow down, the People's Bank of China to adjust the financial macro-control measures, three times the deposit and lending benchmark interest rates, twice lowered the deposit reserve ratio, the cancellation of commercial bank credit planning constraints, and guide commercial banks to expand the total amount of loans.

On November 5, 2008, the executive meeting of the State Council, in accordance with the increasingly severe situation of the world economic and financial crisis, demanded a proactive fiscal policy and a moderately easy monetary policy, and identified ten measures to further expand domestic demand and promote economic growth.

July 23, 2009, the CPC Central Committee Political Bureau held a meeting, pointed out that to continue to promote stable and rapid economic development as the primary task of economic work, to maintain macroeconomic policy continuity and stability, continue to implement a proactive fiscal policy and moderate loose monetary policy. Premier Wen Jiabao recently made important instructions on the current national financial work, pointing out that we should continue to unswervingly implement a proactive fiscal policy and a moderately easy monetary policy. August 5, the People's Bank of China issued here, 'China's monetary policy implementation report (2009 the second quarter)' pointed out that the next phase of the People's Bank of China will unswervingly continue to implement a moderately easy monetary policy, according to domestic and foreign economic trend and price changes, pay attention to the use of market-oriented means of dynamic fine-tuning.

December 5 to 7, 2009, the Central Economic Work Conference proposed in 2010 to maintain the continuity of macroeconomic policies and stability, continue to implement a proactive fiscal policy and a moderately easy monetary policy. Monetary policy to maintain continuity and stability, enhance the relevance and flexibility. We must closely follow the changes in economic situation at home and abroad, grasp the growth rate of money and credit, increase the credit policy on economic and social weakness, employment, strategic emerging industries, industrial transfer and other aspects of support, effectively alleviate the financing problems of small businesses, construction project loans need to strictly control the high energy consumption, high emissions industries and excess capacity industries loans, efforts to improve the quality and efficiency of credit. We should actively expand direct financing, guide and standardize the healthy development of capital market.

Central Bank: 2010 to continue to implement a moderately easy monetary policy.

## **6. Policy recommendations**

According to the above analysis, the government should implement a strict sense of the relaxed monetary policy. This policy should focus on the following two points:

One is to control the excessive growth of money supply. Taking into account the excessive liquidity of the status quo, the central bank should raise the deposit reserve ratio and open market operations to recover too much money, so that the next year's money supply growth indicators have a reasonable base. In order to make private funds have a way out, should take effective measures, such as large financial institutions and large investment projects open to private

capital, the government should give private capital a certain proportion of equity. The government should also increase direct financing to allow local governments to issue municipal bonds with good financial conditions, while increasing the issuance of corporate bonds.

The second is to strengthen the prudential supervision of banks, inhibit the impulse of financial institutions loans. In the long run, we should speed up the market-oriented interest rate reform, eliminate the soft interest rate constraints, play the effective role of interest rate in credit allocation. In the near term, we should strengthen regulation from the aspects of capital adequacy ratio, provision coverage and credit risk management.

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