

## IMF increases weighting of dollar, yuan in SDR basket amid weakness

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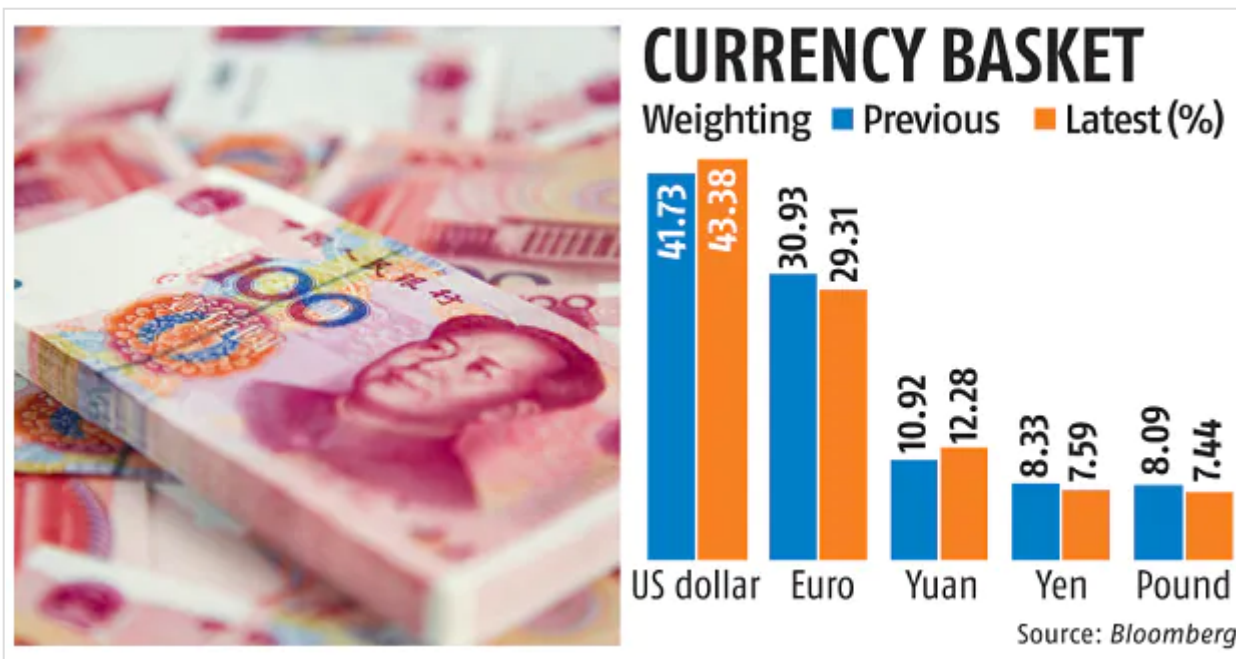
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International Monetary Fund lifted the yuan's weighting in the Special Drawing Rights currency basket, prompting the Chinese central bank to pledge to push for a further opening of its financial markets.

The IMF raised the yuan's weighting to 12.28 per cent from 10.92 in its first regular review of the SDR evaluation since the Chinese currency was included in the basket in 2016, the People's Bank of China said in a statement Sunday. The weighting of the US dollar rose to 43.38 per cent from 41.73 per cent, while those of euro, Japanese yen and British pound declined.

The PBOC and other regulators "will continue to resolutely push for the opening up of China's financial markets and further simplify the process of overseas investors coming into the Chinese market," it said in the statement.

SDRs are an international reserve asset that can be converted into five currencies. The yuan's entry into the SDR signaled it became one of the five global reserve currencies in 2016, after years of effort by Chinese authorities to promote its global use.



The change came amid a sharp

depreciation of the yuan since late April, as it faces a double whammy of slowing domestic growth because of Covid-induced lockdowns and capital outflows due to its widening monetary policy divergence with the US. The PBOC set its reference rate for the yuan at a stronger-than-expected level for a ninth straight day on Friday, underpinning its support for the currency.

In its statement on Sunday, the PBOC vowed to extend the interbank foreign exchange trading time, make more types of assets available and improve information disclosure in order to provide better investment conditions to global institutions.

The ranking of the currencies' weighting remains the same after the review, according to an IMF statement released late Saturday, with the yuan continuing to be in third place. The change will be effective Aug 1, and the next review will be in 2027.

IMF's executive directors concurred that neither the pandemic nor developments in financial technology have had any major impact on the relative role of currencies in the SDR basket so far.