



308 | 9 | 8
Views | CrossRef citations to date | Altmetric

Original Articles

Has the Chinese currency been undervalued?

Tao Peng, Minsoo Lee & Christopher Gan

Pages 49-66 | Received 13 Aug 2006, Accepted 19 May 2007, Published online: 18 Feb 2008

Cite this article <https://doi.org/10.1080/14765280701841375>

Sample our
Economics, Finance,
Business & Industry Journals
>> [Sign in here](#) to start your access
to the latest two volumes for 14 days

Full Article Figures & data References Citations Metrics

Reprints & Permissions

Read this article

Share

Abstract

China's trade surplus reached a record \$102 billion in 2005 while the US trade deficit of \$717 billion accounted for 5.8% of US Gross Domestic Product in the same year. US policy makers claim China's currency is undervalued about 25 to 35% against the US dollar and they blame China for holding the value of the RMB weak to keep Chinese products competitive on prices in international markets. Given the unique situation in China, where the capital account is only partially convertible and the economy has been growing at an annual average rate of 10% over the last two decades, this paper empirically examines the magnitude of the exchange rate misalignment of China's RMB against the US dollar by using the Behavioral Equilibrium Exchange Rate (BEER) and Permanent Equilibrium Exchange Rate (PEER) models. Our results show that the RMB was undervalued by approximately 15% from 2002:Q2 to 2003:Q4; however, it is

interesting to note that while the RMB was overvalued during 1997:Q4–2002:Q2, China experienced a huge trade surplus during that period.

Keywords:

behavioral equilibrium exchange rate

misalignment

exchange rate regime

Related Research Data

[Exchange Rates and Economic Fundamentals: A Methodological Comparison of Beers and Feers](#)

Source: IMF Working Papers

[Long-Run Determinants of the Real Exchange Rate: A Stock-Flow Perspective](#)

Source: IMF Working Papers

[Single-Equation Estimation of the Equilibrium Real Exchange Rate](#)

Source: Unknown Repository

[Real Exchange Rate Misalignment in China: An Empirical Investigation](#)

Source: Journal of Comparative Economics

[Policy strategies to deal with revaluation pressures on the renminbi](#)

Source: China Economic Review

[Hot Money Inflows and Renminbi Revaluation Pressure](#)

Source: Journal of Chinese Economic and Business Studies

[The real exchange rate: an alternative approach to the PPP puzzle](#)

Source: Journal of Policy Modeling

Related research

People also read

Recommended articles

Cited by
9

Information for

[Authors](#)

[R&D professionals](#)

[Editors](#)

[Librarians](#)

[Societies](#)

Opportunities

[Reprints and e-prints](#)

[Advertising solutions](#)

[Accelerated publication](#)

[Corporate access solutions](#)

Open access

[Overview](#)

[Open journals](#)

[Open Select](#)

[Dove Medical Press](#)

[F1000Research](#)

Help and information

[Help and contact](#)

[Newsroom](#)

[All journals](#)

[Books](#)

Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright © 2026 Informa UK Limited [Privacy policy](#)

[Cookies](#) [Terms & conditions](#) [Accessibility](#)

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG



Taylor & Francis
by **informa** •••