China: SAFE data suggest increased FX inflows in August

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Bottom line:

Our preferred FX flow measure shows net FX inflows of US$55bn in August 2026 (vs. US$7bn inflows in July). The current account channel showed US$62bn FX inflows in August, while the portfolio investment channel saw some FX outflows from both FX settlement data (only covering flows denominated in FX) and net foreign receipts (covering flows denominated in both FX and RMB). The August FX conversion ratio rose to 63% (vs. 54% in July). Official FX reserves increased modestly by US$11bn after being adjusted for FX valuation effects, while commercial banks' external assets increased by US$55bn from July to August.

Main points:

1. In August, we saw US$50bn net inflows via onshore outright spot transactions, and US$7bn inflows via freshly entered and canceled forward transactions. Another SAFE dataset on "cross-border RMB flows" showed outflows of US$2bn in the month. Our preferred FX flow measure therefore suggests US$55bn net FX inflows in August, in comparison with US$7bn FX inflows in July (Exhibit 1).

2. The current account channel showed net inflows (US$62bn in August vs. US$41bn inflows in July). We saw a net inflow of US$75bn related to goods trade in August, up from a net inflow of US$61bn in July. The August FX conversion ratio rose to 63% (vs. 54% in July and 58% in Q2; Exhibit 2). The FX outflows related to the services trade deficit narrowed to US$10bn in August (vs. a net outflow of US$13bn in July). The income and transfers account showed a US$3bn outflow in August (vs. a net outflow of US$7bn in July).

3. The portfolio investment channel saw US$7bn FX outflows in August (vs. US$9bn outflows in July). North-Bound Bond Connect flows showed US$3bn outflows vs. US$2bn inflows in July (Exhibit 3). As a broader proxy for capital flows, net foreign receipts related to portfolio investment indicated US$27bn outflows in August (vs. US$21bn outflows in July).[1]

4. Official FX reserves (released earlier in the month) increased to US$3,438bn in August from US$3,419bn in July. By our estimate, FX valuation effects would have raised FX reserves by US$8bn in August, so after adjusting for FX valuation effects, FX reserves increased by US$12bn. In addition, we note that commercial banks' net external assets increased by US$55bn in August (vs. a US$41bn increase in July;

[1] Net FX receipts closely track the BOP portfolio investment balance, covering both inbound and outbound portfolio investment, denominated in either foreign currency or Renminbi. In contrast, FX net settlement only covers those flows denominated in foreign currency.

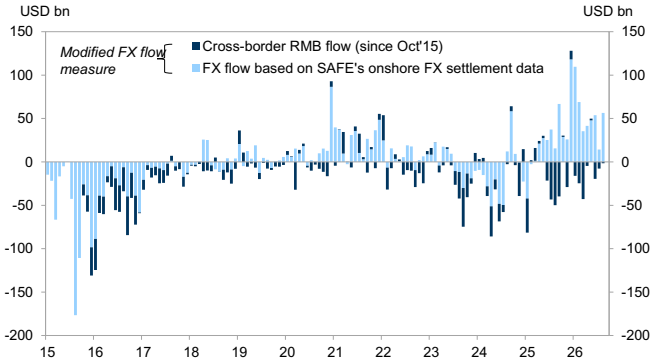
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Exhibit 4). The outstanding amount of banks' net external assets now stands at US$1,627bn.

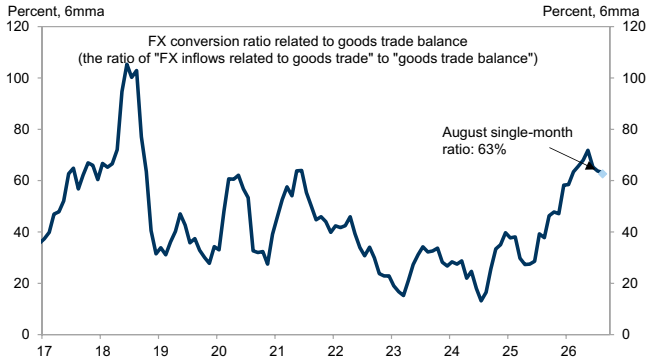
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Exhibit 1: Our preferred gauge suggests increased FX inflows in August



Source: SAFE, Data compiled by Goldman Sachs Global Investment Research

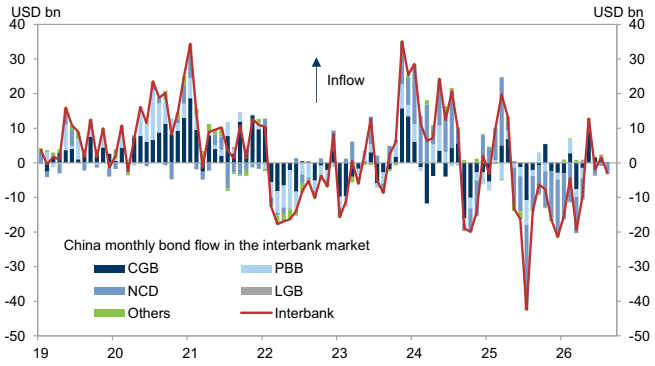
Exhibit 2: Single-month FX conversion ratio for goods trade balance was 63% in August



The line shows a six-month moving average of FX conversion ratio.

Source: CEIC, Goldman Sachs Global Investment Research

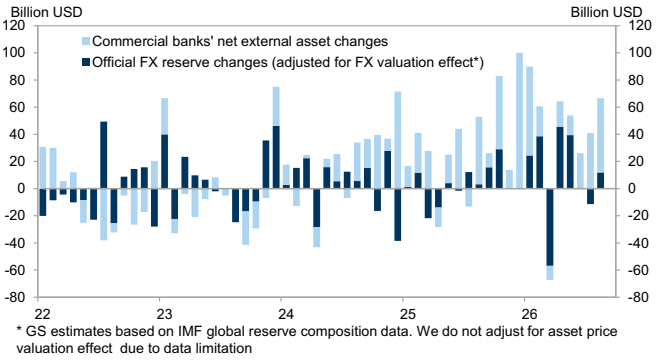
Exhibit 3: Foreign investors net sold some RMB bonds in August



CGB: Central government bonds, LGB: Local government bonds, PBB: Policy bank bonds, NCD: Negotiable certificate of deposits

Source: CEIC, Goldman Sachs Global Investment Research

Exhibit 4: Both banks' net external assets and official FX reserves increased in August



Source: PBOC, CEIC, Data compiled by Goldman Sachs Global Investment Research

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