

China now 5th largest gold holder

By Zhang Ran (China Daily)
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China earned \$82.5 billion from nearly \$2 trillion (Ed. ~4% yield) in foreign exchange reserves last year, and is now the fifth largest holder of gold, the State Administration of Foreign Exchange (SAFE) said on Friday.

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Hu Xiaolian, head of SAFE, said the \$82.5 billion return was an increase of 8 percent on the year before, and dismissed foreign media reports that China had lost "tens of billions of dollars" on the value of its reserves during the economic crisis.

"Not only has China managed to keep its foreign exchange reserves secure and in liquid investments, but it has also made a profit," she said.



Hu also revealed that China had boosted its gold reserves by 76 percent since 2003, making it the fifth largest holder of gold.

Beijing now has 1,054 tons of gold in its reserves, 454 tons more than it did in 2003.

Discussing the economic data, Hu said "a considerable proportion" of China's earnings on its reserves were from diversified investment activities but she gave no further details.

Hu said that SAFE managed the nation's reserves well last year when many overseas investment funds were incurring huge losses.

The high returns were from diversification in multiple assets and holding various currencies, she added.

"On the whole, we at SAFE have been able to keep the valuation of assets under our management generally stable - by making different currencies and assets complement each other."

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HU XIAOLIAN
State Administration of
Foreign Exchange chief

Commenting on China's foreign exchange reserve portfolio, David Jiang, Asia-Pacific CEO of BNY Mellon Asset Management, said China should diversify its investment and move from US treasury bonds to inflation-proof notes and other assets.

"The economic recession may cause the depreciation of many currencies, especially the US dollar, and trigger a new round of inflation once the economy starts to recover".

Fan Haibo, analyst of China Cinda Securities, said the central bank could increase its gold reserve considering the depreciation risk of some foreign currencies.

"It is necessary to boost the proportion of gold holdings because China has only 2.28 percent of the global reserves and the United States has 31 percent."

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