

# CNY Exchange Rate Risk Management of Chinese Enterprises under Covid-19 Impact

Yang Xiaoli

*College Of Finance, Fujian Jiangxia University, China*

The rapid spread of COVID-19 in 2020 has brought a profound impact on global economy, which has become an important factor affecting the fluctuation of CNY exchange rate. The misplacement of the spread of the COVID-19 inside and outside China will trigger a large uncertainty wave of China's economic development and financial markets, then may lead to heightened fluctuation of the CNY exchange rate. By comparing the fluctuation of the CNY exchange rate during the COVID-19 epidemic with the changes in total GDP and total household consumption in China, it can be concluded that the fluctuation of the CNY exchange rate is consistent with the fundamental trend of China's economy. With the uncertainty of the spread of the global COVID-19 situation, the China's economic fundamentals will also be affected to some extent, accordingly, CNY exchange rate fluctuations will bring certain risks to Chinese enterprises. The spread of the COVID-19 has had a staged impact on Chinese enterprises, mainly involves import and export trade enterprises. The COVID-19 has not yet been fully controlled, which has greatly affected their operating conditions. The evolution of all these unfavorable factors may promote the two-way fluctuation of the CNY exchange rate. Chinese enterprises are facing the risks comes by CNY exchange rate fluctuations including rising product costs, financial market instability, and uncertain investment revenue and other issues, which will all affect their own business conditions more or less. What kind of risk management concepts should Chinese enterprises establish, what kind of risk management countermeasures should be adopted, and the government supervision and support on CNY exchange rate fluctuations are all important research issues during the current and future uncertain spread of COVID-19. Through the analysis of the CNY exchange rate fluctuation risks faced by Chinese enterprises under the impact of the COVID-19, the study explore the exchange rate risk management strategies of Chinese enterprises, which can provide countermeasures and regulatory policy recommendations for enterprises in other countries in similar situation affected by COVID-19. Through the analysis of CNY exchange rate derivatives hedging exchange rate risk and the development of other currency exchange rate derivatives, objective suggestions to promote the functional innovation of CNY exchange rate derivatives are put forward, as well as policy references for accelerating the market construction of CNY exchange rate derivatives. Descriptive Statistics, Indepth interview (Participants (about 10-15 participants): the managers of Chinese enterprises, including food processing enterprises, handicraft processing enterprises, Product OEM enterprises, etc.) Face to face interview; online video interviews, etc. Data collection comes from the China Statistical Yearbook, the website of the Bureau of Statistics of China, and in-depth interviews, also some secondary data from journals and newspapers. The derivatives of Exchange rate can prevent the risk of exchange rate fluctuations and hedge, but their

speculative nature will aggravate the risk of exchange rate fluctuations to a certain extent. How to supervise and complete these products safely and effectively. The government's policy support for Chinese enterprises may be considered as a disguised subsidy to enterprises, which is not conducive to the development of trade relations. What aspects of the government's regulatory support policy should focus on helping enterprises to mitigate the risk loss caused by CNY exchange rate fluctuations and improve business conditions.

***Keywords:*** *Exchange Rate Derivatives, Exchange Rate Fluctuation, Risk Management*