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Nota di contenuto	Contents; I. Introduction; II. Recent Developments; Figures; 1. Actual and Targeted M2 Growth Rate, 1999-2007; 2. Renminbi Nominal Exchange Rate and REER, 1994-2008; 3. Currency Substitution and Expectation of Exchange Rate, 2003-07; 4. Number of Investor Accounts and Listed Securities on the Shanghai Stock Exchange, 1996-2008; III. A Model of Money Demand in China; A. Earlier Studies; 5. Household Holdings of Financial Assets, 2001-07; B. Model Specification; C. Integration and Cointegration Tests; Tables; 1. Unit Root Tests (ADF statistics); 2. Order of Vector Autoregressions 3. Cointegration Analysis D. A Dynamic Model of Money Demand; E. The Model's Properties; IV. Conclusion; Appendices; I. Data Definitions; 6. Data Series, 1994Q1-2008Q1; II. Unrestricted Error Correction Representation for Real Broad Money; 7. Actual and Fitted Values of the Money Demand Model; III. Statistical Properties of the Dynamic Model of Money Demand; 8. Residual Analysis; 9. Recursive Least-Squares Parameter Constancy (recursive estimates); 10. Recursive Least-Squares Parameter Constancy (t-values); 11. Other Recursive Least-Squares Constancy Statistics
Sommario/riassunto	Recent changes to China's financial system, in particular ongoing interest rate liberalization, gradual movement toward a more flexible exchange rate regime, and rapid development of capital markets, have changed substantially the environment in which monetary policy operates. In light of these changes, we estimate an error correction model using a General-to-Specific methodology and confirm that a stable broad money demand function exists taking proper account of asset substitution, with an income elasticity of less than unity. Current inflation is found to have a significant negative impact on the real money demand. However, money demand does not appear very sensitive to interest rates, possibly reflecting their partial liberalization. Changes in the exchange rate also do not affect money demand significantly, but expectations of a further renminbi appreciation since 2005 appears to induce more money demand. Stock prices are statistically insignificant despite recent investors' interest in equity markets.