

New Frameworks for Measuring Global-Flow-of-Funds: Financial Stability in China

Nan Zhang
Hiroshima Shudo University

In this paper we aim to build a statistical monitoring system for measuring global-flow-of-funds using concepts and theoretical frameworks of global-flow-of-funds. Firstly, we inspect the influence of global-flow-of-funds and the continual growth of macro economy on the stability of financial systems, and build a statistical monitoring system for global-flow-of-funds while referring the FSIs frameworks of International Monetary Funds. Secondly, we dynamically link real economics with financial economics, and combine domestic flow of funds with international capital flows, to build a composite index (CI) that reflects the risks involved in external flow of funds. Thirdly, we create a Chinese finance stress index that well corresponds with the current status of Chinese external flow of funds. Fourthly, we expand the empirical analysis based on above statistical methods, and bring up future discussions.