A Study on the Impact of RMB Exchange Rate Fluctuations on the Performance of Export Enterprises

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Abstract. Changes in the global economic landscape have profound implications for the performance of export-oriented enterprises due to fluctuations in the RMB exchange rate. Research indicates that exchange rate fluctuations impact corporate performance through both direct mechanisms — such as changes in costs, revenues, and profits — and indirect transmission mechanisms involving market demand, competitive environments, and supply chain dynamics. Enterprises face challenges in exchange rate risk management, supply chain coordination, and policy adaptation. To address these issues, this study proposes strategies such as strengthening enterprise risk management systems, promoting supply chain optimization and upgrading, and improving the export credit support system, providing theoretical guidance and practical references for enhancing export enterprises' ability to cope with exchange rate risks.

Keywords: Exchange rate risk; export enterprise performance; impact mechanisms; risk management; supply chain upgrading.

1. Introduction

In the context of economic globalization, the frequency and magnitude of RMB exchange rate fluctuations have continued to increase, significantly impacting the operational performance of export enterprises. Existing research has primarily focused on the macroeconomic effects of exchange rate fluctuations, with relatively limited attention given to the mechanisms underlying their impact at the micro-enterprise level. This study adopts an enterprise-centric perspective to systematically analyze the direct and indirect mechanisms through which exchange rate fluctuations influence the performance of export-oriented enterprises. It explores the challenges enterprises face in exchange rate risk management, supply chain collaboration, and policy adaptation, and proposes targeted policy recommendations aimed at enhancing the ability of export-oriented enterprises to manage exchange rate risks, thereby providing theoretical guidance and practical references for improving their risk management capabilities.

2. Analysis of the RMB Exchange Rate and the Current Status of Export Enterprises

2.1. Current Operational Status of Export Enterprises

2.1.1. Analysis of Export Trade Scale

In recent years, China's export trade scale has continued to expand. In 2023, the total value of goods exports reached 38.7 trillion RMB, representing a year-on-year increase of 5.2%. From the perspective of export commodity structure, exports of machinery and electrical products accounted for over 56% of the total, with high-tech products contributing 33.2%, indicating that the export product structure is increasingly oriented toward high-quality development. In terms of export market distribution, trade volumes with countries along the “Belt and Road” initiative have grown rapidly, and the share of emerging markets has continued to increase. However, developed economies remain the primary export destinations[1]. From the perspective of enterprise scale structure, large export enterprises account for 15% of the total number of enterprises but generate 65% of export revenue.

Small and medium-sized export enterprises play a significant role in niche product sectors, forming a multi-tiered export enterprise system.

2.1.2. Current Operating Performance

The overall operating performance of export enterprises shows a divergent trend. In 2023, the average operating profit margin of export enterprises was 4.8%, a decrease of 0.5 percentage points from the previous year. Large export enterprises maintained a good level of profitability thanks to their scale advantages, with a return on assets of over 8%, while small and medium-sized export enterprises saw a significant narrowing of their profit margins. From a cost structure perspective, fluctuations in raw material prices and rising labor costs have led to sustained increases in production costs, putting pressure on corporate gross margins. In terms of asset turnover efficiency, export enterprises have seen an increase in accounts receivable turnover days and a decrease in inventory turnover rates, indicating room for improvement in operational efficiency[2]. Insufficient investment in technological innovation has constrained the enhancement of product value-added, with most export enterprises still operating in the mid-to-low end of the industrial chain.

2.2. Challenges Faced by Export Enterprises in the Context of Exchange Rate Fluctuations

2.2.1. Insufficient Exchange Rate Risk Management Capabilities

Export enterprises have obvious shortcomings in exchange rate risk management. The lack of professional financial talent has led to weak exchange rate risk identification capabilities among enterprises. At the operational level, enterprises have low utilization rates for financial derivatives such as forward foreign exchange contracts and currency swaps, with only 25% of enterprises having established systematic exchange rate risk management systems. Inadequate risk hedging mechanisms make it difficult for companies to cope with significant exchange rate fluctuations[3]. When the RMB-USD exchange rate fluctuated by over 5% in 2023, over 60% of export companies experienced a noticeable decline in performance. Companies generally lack a forward-looking exchange rate risk assessment system and have failed to establish a scientific foreign exchange exposure management process, with their risk prevention capabilities urgently needing to be strengthened.

2.2.2. Increased Difficulty in Supply Chain Collaboration

As the global supply chain undergoes rapid restructuring, export-oriented enterprises face dual challenges in terms of supply chain stability and collaboration efficiency. Upstream raw material suppliers are highly dispersed, making it increasingly difficult to control procurement costs; midstream manufacturing processes lag behind in automation and intelligent transformation, resulting in insufficient production capacity flexibility; and downstream logistics and distribution frequently experience delays due to international geopolitical factors[4]. Incomplete information-sharing mechanisms across supply chain segments result in low business collaboration efficiency among enterprises. Reliance on imported critical components constrains product competitiveness, while dependence on foreign core technologies limits supply chain upgrading potential. Lagging digital transformation hinders enterprises' ability to achieve precise supply chain integration, and collaborative innovation capabilities remain underdeveloped.

2.2.3. Impact of Adjustments to Export Tax Rebate Policies

Adjustments to export tax rebate policies have had a significant impact on corporate cash flow, with delays in tax rebate processing exacerbating cash flow pressures for businesses. In 2023, the average processing time for export tax rebates was 45 days, an increase of 15 days compared to previous years, affecting the efficiency of corporate capital utilization. Policy adjustments have increased the complexity of tax planning for businesses, while structural adjustments to tax rebate rates have led to increased costs for certain exported goods. The tax refund process is cumbersome, requiring businesses to invest significant human and material resources in policy tracking and compliance management[5]. Regional disparities in policy implementation have increased compliance costs for businesses operating across regions. Insufficient levels of tax refund

management informatization, coupled with numerous manual processing steps, have reduced the effectiveness of policy implementation.

3. The Mechanism of the Impact of RMB Exchange Rate Fluctuations on the Performance of Export Enterprises

3.1. Direct Impact Mechanism

3.1.1. Impact on Corporate Costs

Fluctuations in the RMB exchange rate directly affect the cost structure of export-oriented enterprises. Exchange rate appreciation leads to a decrease in the cost of raw materials priced in foreign currencies, while local costs such as labor and energy priced in RMB increase when converted into foreign currencies. Enterprises with a high proportion of imported raw materials in their production factors can gain a cost advantage from exchange rate appreciation, but labor-intensive enterprises face increased cost pressures. In terms of fixed asset investment, exchange rate appreciation lowers the financial barriers for enterprises to introduce advanced foreign equipment, facilitating technological upgrades and capacity expansion. However, increased depreciation costs impact long-term profitability[6]. Financial instruments such as hedging adopted by enterprises to mitigate exchange rate risks also incur additional management costs, which often have rigid characteristics and are difficult to adjust quickly.

3.1.2. Impact on Corporate Revenue

The impact of exchange rate fluctuations on the revenue of export-oriented enterprises primarily manifests in two dimensions: price transmission mechanisms and market share. In terms of pricing, RMB appreciation prompts enterprises to raise foreign currency-denominated prices to maintain profit margins. However, the extent of price increases is constrained by international market competition, and enterprises often struggle to fully pass on the cost pressures resulting from exchange rate fluctuations. In terms of market share, the price elasticity of export products determines the extent of revenue changes. Products with high differentiation and strong brand recognition are less affected by exchange rate fluctuations, while highly standardized products face greater demand volatility[7]. Order cycles and settlement methods also impact a company's flexibility in responding to exchange rate fluctuations. Long-term contract pricing lacks adjustment flexibility, which can easily lead to revenue losses.

3.1.3. Impact on Corporate Profits

The impact of exchange rate fluctuations on corporate profits exhibits significant structural characteristics, with notable differences in the extent of impact across different types of enterprises. Technology-intensive enterprises maintain high profit margins through product innovation and brand premiums, so they are relatively less affected by exchange rate fluctuations; labor-intensive enterprises face narrowing profit margins, with some even at risk of incurring losses. In terms of their position in the industrial chain, enterprises with core technologies and independent brands can maintain stable profit levels, while contract manufacturing enterprises continue to face pressure on their profit margins[8]. Enterprises with high levels of financial leverage face greater risks of profit fluctuations during periods of exchange rate volatility, and their asset-liability structures directly affect their ability to withstand exchange rate risks.

3.2. Indirect Impact Mechanism

3.2.1. Transmission Through Market Demand

Fluctuations in the RMB exchange rate have a profound impact on the performance of export enterprises through changes in market demand. Exchange rate appreciation leads to a decline in the actual purchasing power of consumers in importing countries, significantly impacting exports of consumer goods with high price elasticity of demand. The structure of market demand subsequently

adjusts, with demand in high-end market segments remaining relatively stable, while demand in mid-to-low-end markets becomes more price-sensitive. In terms of regional distribution of demand, consumers in emerging market countries react more strongly to price changes, while developed markets exhibit stronger brand loyalty. Demand fluctuations prompt enterprises to adjust their product structures and market strategies, driving a shift toward high-value-added sectors[9]. However, during this transition, enterprises face challenges such as increased R&D investments and extended market cultivation cycles.

3.2.2. Transmission through the competitive environment

Exchange rate fluctuations have altered the competitive landscape in international markets, affecting the market position and competitive strategies of enterprises. The appreciation of the RMB has weakened the price advantage of Chinese export enterprises, prompting them to engage in more intense competition with emerging economies such as Southeast Asia. Intensified market competition has driven companies to accelerate their technological innovation efforts, improve product quality, and enhance service standards. Changes in the competitive environment have forced companies to reassess their competitive advantages, with some beginning to prioritize brand building and marketing network expansion to move away from a development model solely reliant on price competition[10]. Industry consolidation trends have accelerated, with companies possessing scale advantages and technological capabilities seeing their market shares increase, while those with weaker competitiveness face the risk of being eliminated.

3.2.3. Transmission through the industrial chain

Fluctuations in exchange rates have a knock-on effect on the performance of export companies through the industrial chain. Upstream raw material suppliers have increased bargaining power, pushing up procurement costs for companies; midstream manufacturing profits have been squeezed, forcing companies to improve production efficiency; and downstream distribution channels have adjusted their inventory strategies in response to exchange rate fluctuations, affecting companies' cash flow efficiency. Different segments of the supply chain have varying degrees of resilience to exchange rate risks, leading to an uneven distribution of risks across the chain. The restructuring of the supply chain is accelerating, with companies striving to move up to higher-value segments to cultivate core competitiveness. Digital transformation and the application of smart manufacturing technologies enhance supply chain collaboration efficiency and strengthen companies' ability to cope with exchange rate risks.

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4. Strategies and Recommendations for Enhancing Export Enterprises' Ability to Manage Exchange Rate Risks

4.1. Strengthening Exchange Rate Risk Management Capabilities

Export enterprises should establish a systematic exchange rate risk management system, set up a dedicated risk management department, and hire professionals with experience in financial derivatives trading. Enterprises need to develop scientific exchange rate risk assessment models, utilize big data analysis technology to achieve early risk warning, and formulate differentiated risk response strategies. At the operational level, enterprises can flexibly utilize financial instruments such as forward foreign exchange transactions and foreign exchange options to conduct hedging activities, thereby reducing the impact of exchange rate fluctuations on business performance. Upgrading and renovating risk management information systems can enhance risk monitoring efficiency and enable dynamic management of risk exposures. Enterprises should also strengthen cooperation with financial institutions to leverage professional financial services to improve risk management capabilities, optimize foreign exchange pool operation models, and enhance capital utilization efficiency.

4.2. Promoting the Optimization and Upgrading of Industrial Chains

The optimization and upgrading of industrial chains must begin with technological innovation, increasing investment in research and development, and enhancing the ability to independently control core technologies. Enterprises should utilize smart manufacturing technologies to upgrade traditional production lines, thereby improving production efficiency and product quality. The digital transformation of industrial chains requires enterprises to establish smart supply chain management platforms to achieve information sharing and business collaboration across the entire industrial chain. Enterprises can leverage the advantages of industrial clusters to establish strategic partnerships with upstream and downstream enterprises, thereby jointly enhancing the competitiveness of the industrial chain. The localization of key components must be accelerated to reduce reliance on imports. Industry-academia-research alliances should be established to integrate resources and overcome technical bottlenecks in the industrial chain, thereby cultivating new competitive advantages.

4.3. Optimizing the Export Credit Support System

Financial institutions should innovate export credit products and provide diversified financing solutions for export enterprises, including order financing, accounts receivable financing, and other supply chain financial services. The coverage of export credit insurance should be further expanded to reduce enterprises' foreign exchange collection risks and offer more competitive insurance rates. Policy banks can increase credit support for export enterprises' technological transformation projects and establish special loan quotas to support enterprises' transformation and upgrading. The application of fintech tools in export credit operations should be strengthened to improve operational efficiency and reduce financing costs for enterprises. The cross-border financial services system should be improved, with simplified foreign exchange transaction processes to provide enterprises with convenient and efficient financial services support.

5. Conclusions

An in-depth analysis of the mechanisms through which fluctuations in the RMB exchange rate affect the performance of exporting enterprises reveals that enterprises face significant challenges in areas such as exchange rate risk management, supply chain coordination, and export tax rebate policies. Exchange rate fluctuations directly affect corporate costs, revenues, and profits, and also exert indirect influences through market demand, competitive environments, and supply chain dynamics. Enhancing corporate capacity to manage exchange rate risks requires efforts in building risk management systems, optimizing and upgrading supply chains, and improving export credit

support systems. Future research could focus on innovative applications of digital technologies in exchange rate risk management to explore more effective corporate risk prevention strategies.

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