News Release

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Singapore corporates largest adopters of the RMB outside of Greater China
****Usage by Singapore corporates almost doubled in a year to 26%****
**** Primary driver of RMB usage to manage foreign exchange risk****

Singapore corporates are the most dominant users of the renminbi (RMB) in the world outside of Greater China, according to a HSBC survey. However, an expected slowing in future take-up of the currency in Singapore, coupled with revenue-hungry businesses from the United States, Europe and the Middle East – who see the RMB as a tool to gain market share in China – could threaten Singapore companies' trade and business activity in the world's second largest economy.

The HSBC RMB Internationalisation Study is an annual survey involving 1,600 business decision-makers from Australia, Canada, mainland China, France, Germany, Hong Kong, Malaysia, Mexico, Singapore, South Korea, Taiwan, the UAE, the UK and the US who represent companies that conduct international business with or from China.

Singapore corporates are the early adopters of RMB

Singapore corporates are the largest adopters of the RMB outside of Greater China, possibly due to potential financial gains from transacting in the currency.

According to the report, usage by corporates in Singapore has almost doubled in a year to 26%, (from 15% in 2015) which was only surpassed by China, Taiwan and Hong Kong. Similarly, Singapore corporates are the most likely to believe that they can gain a financial advantage (53% compared to 40% global average) or relationship advantage (52% compared to 44% global average) over competitors who are not using the RMB.

Pace of adoption to taper

Possibly owing to its current prevalence amongst Singapore corporates, the pace of adoption in the city-state is expected to taper in future. The report reveals that of the current non-users, 28% expect to use RMB in future compared to 32% of non-user respondents in 2015.

Steven Cranwell, Head of Commercial Banking, HSBC Singapore said: "RMB usage almost doubled here as opportunistic Singapore corporates recognised value in the currency and were agile in adopting it. However, there are signs of a tapering in the short-term as fewer non-users expect to start using the RMB for cross-border activity compared to a year ago."

RMB a deal-maker in non-Pearl River Delta (PRD) locations

The report shows that using RMB could be a possible sales angle for Singapore corporates who are looking to expand their reach in China.

Whilst the majority of Chinese companies are using RMB because of counter-party preference, non-PRD Chinese corporates see RMB more as an operational necessity. According to the report, the biggest driver for Chinese corporates in non-PRD areas is because it is more convenient in daily practice (47%).

Cranwell continued: “Historically, a lot of RMB international trade activity both imports and exports has been from the PRD, which makes sense given the high proportion of more internationally focused corporates located there. However, we are now seeing other Chinese regions begin to increasingly trade internationally and Singapore corporates doing business in these markets could benefit should they adopt an RMB trade strategy.”

Non-Asian companies are the emerging RMB players

The report also finds that non-Asian international companies are beginning to see RMB as a sales lever to gain more business in China.

According to the report, a key driver for corporates outside of Asia – Europe (48%), Middle East and North Africa (77%), and North America (50%) – for using RMB is to drive cheaper or more competitive pricing.

Mr Cranwell added: “While some Asian corporates have already established a rhythm of using the RMB over the past few years, international corporates from other regions looking to do business with China could benefit from adopting an RMB strategy with China clients and suppliers.”

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Notes to Editors:

About the RMB Survey
HSBC commissioned Nielsen to conduct a market survey of a total 1,600 international companies that currently do business with Mainland China or are a business in Mainland China that imports/exports outside of the region. The survey was in field between 23 May and 5 July 2016 and was undertaken to understand clients' attitudes towards using RMB, reasons of using / not using RMB for trade and investment activities, as well as other insights they can offer about the RMB. The research surveyed international businesses in Australia (n=100), China (n=200), Germany (n=100), Hong Kong (n=200), Singapore (n=100), the UK (n=100), the USA (n=100), Canada (n=100), Taiwan (n=100), France (n=100), the UAE (n=100), Malaysia (n=100), Korea (n=100), Mexico (n=100). Of the companies surveyed, approximately 50% had an annual sales turnover between of US$3M-50M, 21% had a turnover of US$50M-150M, 20% had a turnover of US$150M-500M and 9% had an annual sales turnover above US$500M. (Copyright © 2016, The Nielsen Company)"

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