HSBC

News Release

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FIRMS MAY MISS CHINA TRADE AND INFRASTRUCTURE BOOM EVEN AS RENMINBI USE CLIMBS

******Global business use of Chinese renminbi climbs by 7 percentage points******
******Only two in five firms aware of 'Belt and Road' opportunities******

Almost a quarter of companies are now using the renminbi (RMB) to do business with China, but few are capitalising on the Chinese government's flagship 'Belt and Road' trade initiatives, a new survey from HSBC Commercial Banking shows.

In the poll of 1,600 decision-makers across 14 countries, 24% said their firm is using RMB. Yet when asked about Belt and Road - the name given to a series of policy developments and infrastructure projects designed to spur USD2.5 trillion of cross-border commerce annually - just 41% said they understand the opportunities it presents. What's more, only 7% of 'aware' businesses are working on a strategy.

"Belt and Road projects are already presenting huge opportunities for companies that can help develop physical infrastructure such as highways, ports and telecommunications networks," said Noel Quinn, Chief Executive of HSBC Commercial Banking. "But these are only the first steps. By boosting connectivity, Belt and Road will catalyse trade between more than 65 countries that are home to nearly two thirds of the world's population. For any company seeking growth and new customers, that's an exciting proposition to explore."

First laid out by Chinese President Xi Jinping in 2013, the Belt and Road blueprint aims to develop two corridors linking China to the world. The 'Belt' refers to the historic overland Silk Road trading routes connecting China via central Asia to Europe and the Middle East. The 'Road' refers to the maritime equivalents to the south, linking China, Southeast Asia, India and Africa.

Chinese enterprises invested USD14.8 billion in 49 countries along the 'New Silk Road' last year, working on projects including an Indonesian railway, a Greek logistics hub and Bangladeshi power facilities. The state-run China Development Bank has said it plans to contribute USD895 billion of project funding.

From the small number of businesses that are aware of Belt and Road, the survey shows that European and North American firms are seeking an early advantage. In Europe, 12% of 'aware' businesses are developing strategies to benefit from these initiatives, with North America close behind at 9%. In the Asia-Pacific region outside China just 6% of 'aware' firms are making specific Belt and Road plans.

As the initiatives progress they are likely to boost international use of the RMB. Seeking to track global perceptions of China's trade and currency, HSBC commissioned a similar survey from Nielsen in 2015. Allowing for one country change, replacing Brazil with Mexico, comparison of the two surveys shows the

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number of companies using RMB for cross-border commerce rising to 24% from 17% a year earlier.

One reason for this is that businesses are finding the RMB much easier to use, according to the 2016 survey. As Chinese financial regulations evolve, and as businesses become more accustomed to using China's currency, respondents said they're having less difficulty understanding regulations, navigating documentary requirements and moving funds than they did in the past.

For its 2016 survey HSBC polled decision-makers in 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.

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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), mainland 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. N=100 (statistical standard error +/- 9.8%), N=50 (statistical standard error +/- 13.86%), N=30 (statistical standard error +/- 17.98%). ((Copyright © 2016, The Nielsen Company)"

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