HSBC

News Release

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GLOBAL SURVEY: CANADIAN COMPANIES LAGGING BEHIND GLOBAL USE OF CHINESE RMB

****Canadian businesses are the 2nd least likely to see advantage of using RMB****

****Globally, companies are unprepared for China's USD6 trillion investment in 'Belt and Road' initiative****

Canadian businesses may be seriously underestimating the importance of renminbi (RMB) payments in improving their relationships with business partners in China, according to a new survey from HSBC Commercial Banking. In fact, Canadian businesses are the second least likely - after South Korea - to see a business or relationship advantage in using RMB (22% and 29% respectively vs. global average of 40% and 44% respectively).

While the number of Canadian businesses using the RMB has increased substantially in the last year to 7% from 3% in 2015, they are still well below the global average of 24%. Globally, 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.

"Using RMB is easier than ever before, helps mitigate foreign exchange risk and can improve relationships or attract new buyers to a company's products. And clearly businesses in other markets are adjusting," said **Linda Seymour, Executive Vice President and Head of Commercial Banking, HSBC Bank Canada**. "If you are not at least looking at whether RMB is right for your company, you may be putting yourself at a competitive disadvantage over the long term."

China's 'Belt and Road' initiative

Globally, the survey shows that companies, including those in Canada, are unprepared for the 'Belt and Road' initiative; the name given to a series of Chinese policy developments and infrastructure projects designed to boost cross-border commerce and capital flows. In fact, only two in five companies globally are aware of the initiatives although, European and North American firms may be edging ahead of their Asian peers in preparing to capitalise on this program.

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.

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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.

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."

Adds Seymour: "Many of the themes driving growth in the Chinese economy play to Canada's strengths – including the massive investment in infrastructure. China remains an engine of global growth and a must-be market for Canadian companies. And yet, few Canadian companies understand the scope of the 'Belt and Road' initiative and most of these still have not factored this into their corporate strategies."

For its 2016 survey, HSBC polled business 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), 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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