

press release

Standard Chartered Renminbi Globalisation Index Down 1% m/m in Mar on weak CNY, lower deposits, Dim Sum

Lowers China 2015 GDP growth forecast to 6.9% from 7.1%

7 May 2015, Hong Kong – Standard Chartered today announced that the Standard Chartered Renminbi Globalisation Index (Bloomberg: SCGRRGI <index>), or the RGI, fell to 2,117 in March, down 1% from the previous month.

March was a challenging month for the offshore Renminbi market. Renminbi-denominated cross-border SWIFT payment was the only positive contributor to the RGI in March. FX turnover, CNH deposits and dim sum bonds all detracted from the index. The Dim Sum component recorded eight straight months of decline, mainly hurt by elevated funding costs, making it less attractive than, say, raising USD-denominated debt. However, the primary market is showing initial signs of recovery as funding costs started to decline. Standard Chartered keeps its full-year Dim Sum and Formosa bonds gross issuance forecast at CNY480-500 billion.

Offshore Renminbi deposits also struggled to grow, due to CNY weakness and the persistent CNH discount against CNY favouring Renminbi flowing back into China under the current account. But there are more positive dynamics in the making, namely the narrowing of CNH discount from February and March levels and the surge in southbound flows under the Stock Connect scheme since early April. There has been a lot of discussion lately on the possibility of a Taiwan-Shanghai Stock Connect programme. We believe caution is warranted at the moment. There are mounting challenges and obstacles to overcome, in our view, before officials from both sides would be able to countenance linking equity markets in Taiwan and China.

China's first-quarter year-on-year GDP growth of 7% masks underlying weakness. Downward growth momentum may linger in the second quarter, leading to more policy easing. Standard Chartered lowered China's economic growth forecasts for 2015 to 6.9% from 7.1%, reflecting a sluggish start to the year. 2016 GDP forecast was lowered to 6.8% from 7.0%, reflecting a prolonged housing-inventory adjustment. Inflation forecast for 2015 was cut to 1.6% from 2.0% and 2016 to 2.1% from 2.5%.

Standard Chartered expected a four-pronged policy easing to reduce growth risks. The 2015 budget suggested a nearly 1 percentage point increase in the deficit/GDP ratio, leaving room for more proactive fiscal policy. Monetary policy may maintain an easing bias. Standard Chartered expects a 25 bps rate cut by end-June, possibly accompanied by deposit rate liberalisation, followed by a total of 100bps of RRR cuts in the second half. The government may loosen property policies further to bolster demand, especially in smaller cities. The recent recapitalisation of policy banks would allow them, over time, to take on additional risk assets of USD700-800 billion, or 7-8% of 2014 GDP.

Standard Chartered launched the RGI in November 2012. The Index covers seven markets in offshore RMB business: Hong Kong, London, Singapore, Taiwan, New York, Seoul and Paris. It measures business growth in four key areas: deposits (denoting store of wealth), Dim Sum bonds and Certificate of Deposits (as vehicles for capital raising), trade settlement and other international payments (unit of international commerce) and foreign exchange (unit of exchange). As the Renminbi further internationalises, there is capacity to include additional parameters and markets.

Standard Chartered Renminbi Globalisation Index

Objective	The first industry benchmark that effectively tracks the progress of RMB business activity. Offers corporates and investors a quantifiable view of the latest trends, size and levels of offshore activity that are driving RMB adoption
Index Parameters	Deposits Dim Sum Bonds and Certificate of Deposits Trade Settlement & Other International Payments

	Foreign Exchange Turnover
Markets	Hong Kong London Singapore Taiwan New York Paris Seoul
Investability	Non-tradable
Frequency	Monthly
Base value and date	100 at 31 December 2010
Inception Date	14 November 2012
Methodology	Weight of each of the four parameters are inversely proportional to their 24-month normalized standard deviations

- Ends -

For further information, please contact:

Standard Chartered Bank (Hong Kong) Limited

Gabriel Kwan/Joyce Li
Corporate Affairs, Hong Kong
2820-3036/ 2820-3841

Note to editors:

Standard Chartered

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Standard Chartered PLC is listed on the London and Hong Kong Stock Exchanges as well as the Bombay and National Stock Exchanges in India.

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