

press release

Standard Chartered Renminbi Globalisation Index

Expected to remain steady after inclusion of RMB into the SDR

*Helped by post-Brexit rise in expectations of policy easing by major central banks
and stabilising economic data from China*

11 Oct 2016, Hong Kong – The Renminbi has enjoyed a period of relative calm in recent months, leading up to its official inclusion in the Special Drawing Rights (SDR) basket on 1 October. The Standard Chartered Renminbi Globalisation Index (RGI), our proprietary measure of offshore Renminbi (CNH) activity across key offshore centres, reflects this stability: the index came in at 1,929 in August, the same as in June and July. This came after a rough start to the year, with the RGI falling 10.4% over the course of H1.

The index breakdown, however, shows that the drag from shrinking CNH deposits intensified in August. This was partly offset by a rebound in outstanding Dim Sum bonds, but that was largely a result of the lighter redemption schedule. The good news is that cross-border payments contributed positively again in August. The RGI readings are consistent with the recent findings of our “Offshore Renminbi Review 2016” survey: While overall CNH usage may not turn around quickly, Renminbi trade settlement is likely to be the component leading it out of its trough.

While the overall RGI was little changed m/m in August, CNH deposits subtracted 0.82ppt from growth. Hong Kong, home to the largest Renminbi deposit pool offshore, again led the decline – its CNH deposits fell by a further 2.1% m/m, taking the YTD decline to 23%. We expect downside risks to CNH deposits to persist, in part because of lingering Renminbi depreciation expectations, but also because of the policy bias favouring capital flows into rather than out of China. Respondents to our “Offshore Renminbi Review 2016” survey warned that they expect to reduce their Renminbi deposit usage; this is likely to keep the RGI subdued at best for the rest of the year.

In contrast to CNH deposits, cross-border payments have been the bright spot, adding 0.27ppt to headline RGI growth in August (0.28ppt in July). Six of the seven RGI centres we track reported increases in payments after adjustments. Taiwan, the exception, saw flat payments versus July. This could indicate that official Renminbi trade settlement will start to rebound soon. The percentage of China's goods trade settled in Renminbi fell to 15.5% in August, the lowest in 25 months, from 16.9% in July and an average of 17.4% in Q2-2016. Dim Sum bonds registered their second-lowest monthly return of the year in September. Primary Dim Sum bond issuance picked up slightly, and the market size has stabilised in recent months on lighter redemptions.

We see SDR inclusion as recognition of the CNY's official reserve currency status, and think it could spark significant inflows to CNY-denominated assets over time. However, immediate market flows sparked by SDR inclusion may be modest. We expect policy to favour a narrow CNY-CNH basis following SDR inclusion, as a wide basis could impact SDR operations. We forecast a basis of 100 pips between USD-CNY and USD-CNH into year-end, and forecast the two pairs at 6.67 and 6.68 at year-end, respectively.

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 Seoul Paris
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 respective variances

Get the latest RGI interactive infographic in one place by visiting [Global Research's RGI tracker is on BeyondBorders](#),

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Note to editors:

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