

press release

Standard Chartered survey shows weak sentiment and usage of CNH products among offshore corporates

Standard Chartered Renminbi Globalisation Index steady in July

13 September 2016, Hong Kong – RMB depreciation expectations and weak sentiment towards CNH usage are lingering among offshore corporates, amidst the concerns over the uncertain economic outlook of China and the unclear communications on RMB policy, according to a survey.

Standard Chartered Bank commissioned Asset Benchmark Research to conduct the “Offshore RMB Review 2016” survey in August 2016 to understand the change in RMB usage and the latest views on the currency on a corporate level. A total of 161 senior corporate executives from Asia, Europe and the US participated, of which 42% worked at large companies with more than 1,000 employees.

The survey asked the companies about their usage of six offshore Renminbi products, namely deposits, cross-border trade settlement, FX transactions, loans, bonds and financial instruments. Similar to past survey findings, respondents were most involved in holding CNH deposits, settling trade in Renminbi, and trading CNH FX, but the proportion of “inactive/unsure” responses stood at over 40%.

While 13% of the offshore corporate respondents said they had increased deposit holdings in the past six months, the same proportion as those reported a decrease, showing that the lingering RMB depreciation expectations have been weighing on the depositor sentiment. Furthermore, 18% of the respondents expected that their CNH deposits will fall in the next six months, while 11% expected to increase.

In contrast, RMB trade settlement appears to have been in much better shape. The number of respondents who increased RMB invoicing in the past six months (20%) was almost twice the number who reported a decline (11%). And the net increase will widen to 15% of respondents in the next six months, led by offshore companies.

53% of the respondents expected the RMB to weaken against the USD in the next three months. Only 7% expected the currency to strengthen, while 30% expected it to remain

stable. When asked about the headwinds against RMB internationalisation, most corporates cited “uncertain China economic outlook”, “unclear communication on RMB policy” and “depreciating trend of RMB” as the key challenges.

On the other hand, the latest Standard Chartered Renminbi Globalisation Index (Bloomberg: SCGRRGI <index>), or the RGI, also mirrors the results of the survey. It remained almost unchanged at 1,930 in July versus a revised 1,929 in June. This is the first month-on-month increase (albeit a slight one) since January 2016 or the second increase since the August 2015 CNY fixing reform started to drag the RGI down. The post-Brexit referendum increase in CNH FX turnover probably contributed to RGI stabilisation in July, partly offsetting still-weak CNH deposit growth.

The drag from CNH deposits on the RGI in July was the smallest since January 2016, but the 0.7 percentage point subtraction was only barely offset by the other three main components. Hong Kong alone saw a 6.2% month-on-month drop in RMB deposits, while deposits in Taiwan and South Korea barely grew.

Senior Economist, Asia, Standard Chartered Hong Kong, Kelvin Lau, said: “Weak market confidence, soft China growth and lingering uncertainty about RMB policy should keep existing RMB users cautious and potential users on the sidelines for longer.”

Global Head of RMB Solutions for Corporate and Institutional Banking, Standard Chartered Hong Kong, Carmen Ling, added: “Despite the current relatively weak sentiment, we have seen that the Chinese government has put a lot of efforts over the past few months in improving the policy communications and the transparency of the RMB exchange rate formation mechanism. We believe these would help gradually rebuild the market confidence and further boost the internationalisation of RMB.”

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About Standard Chartered Renminbi Globalisation Index

Standard Chartered launched the RGI in November 2012. The Index covers seven markets in offshore Renminbi 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.

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

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

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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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