



What can the RMB learn from the yen?

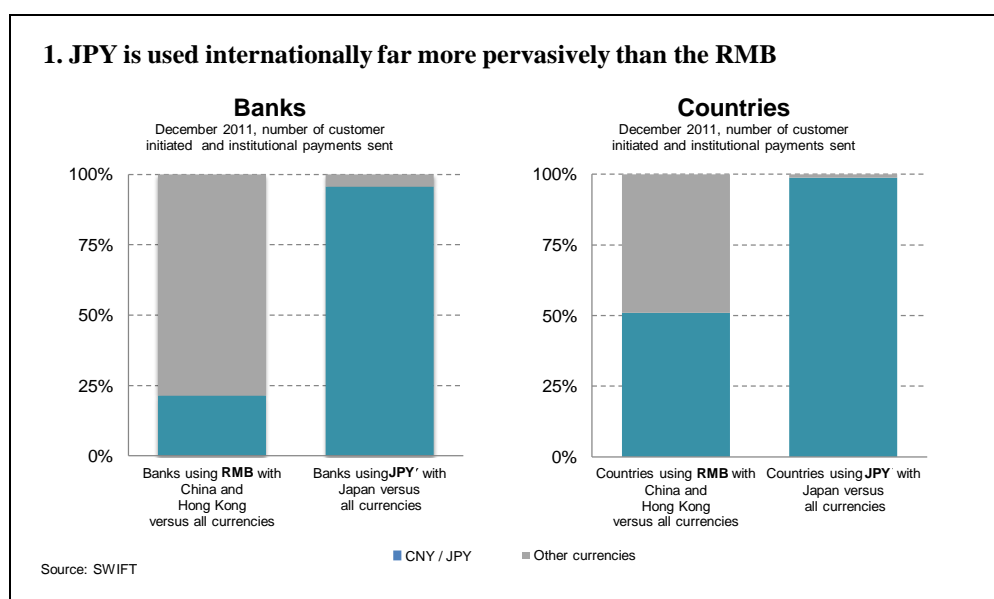
17 February 2012

What lessons from the internationalisation of the yen can we apply to the renminbi? According to this month's SWIFT RMB tracker, JPY is used pervasively in cross-border payments – in fact, 96% of the banks that send payments to Japan also use JPY. Only 21% of banks that send payments to China and Hong Kong use RMB. That certainly suggests that there's a lot of margin for RMB growth.

- In January 2012, **the RMB fell back to world payments currency #20** from #17 for the last three months of 2011. The Chinese New Year may have influenced this, as RMB declined versus December 2011 by -14.7% compared to -1.9% for all currencies.
- Compared to the pervasive use of JPY internationally, RMB still has a long way to go: **only 21% of banks that sent payments to China and Hong Kong also used RMB**, whereas 96% of banks that sent payments to Japan used JPY in December 2011.
- RMB customer initiated payments sent to and received by China and Hong Kong (as proxy for imports and exports) were 1.7% and 2.5% respectively, versus 40% and 59% in JPY for Japan. Overall, **65% of all payments by China and Hong Kong were in USD**.

1. JPY is used internationally as a currency of choice with Japan far more pervasively than the RMB is used for cross-border payments with China

Our first chart reveals the established practice of sending JPY to Japan compared to the use of RMB in payments to China. In December 2011, only 21% of banks and 51% of countries that sent payments to China and Hong Kong (included as main RMB offshore centre) across currencies also used the RMB. For JPY, this is respectively 96% and 99%, i.e. nearly all banks and countries that sent payments to Japan also used JPY.



2. Tremendous scope to switch from USD denominated to RMB payments

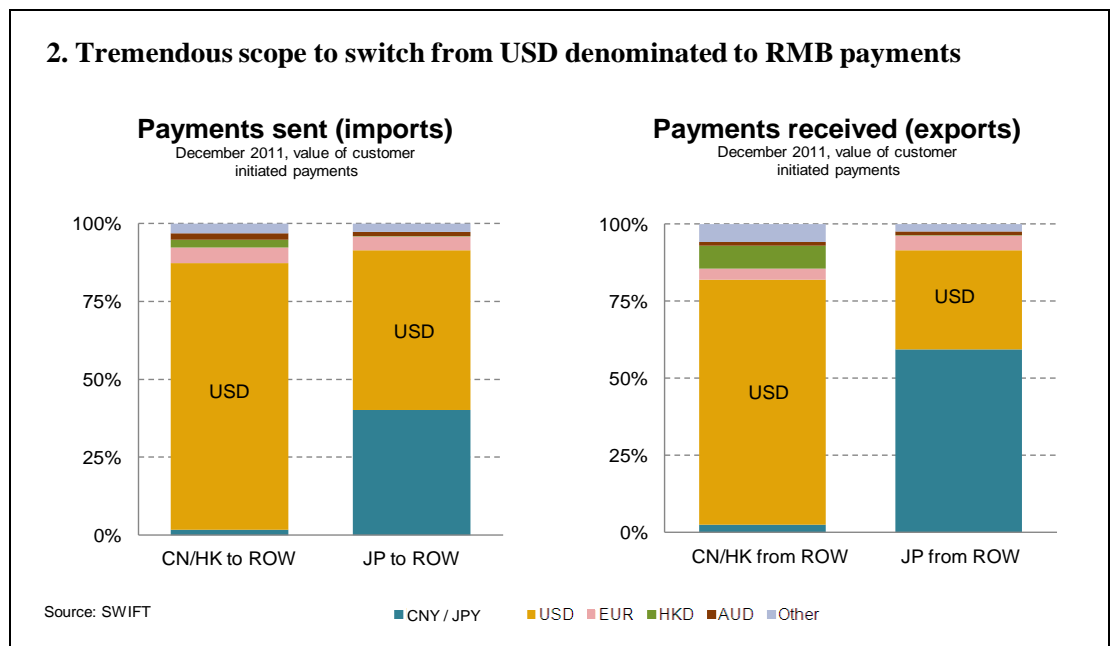
Our second chart shows another interesting parallel in currency usage by China and Hong Kong versus Japan, by looking at customer initiated payments sent and received in December 2011 as a proxy for trade import and exports.

On payments sent (as proxy for imports), 1.7% of those payments for China and Hong Kong were in CNY (and 83% in USD) versus 40% in JPY for Japan.

On payments received (as proxy for exports), 2.5% of those payments for China and Hong Kong were in CNY (and 79% in USD) versus 59% in JPY for Japan.

Overall, for customer initiated and institutional payments, sent and received, 2.5% by China and Hong Kong with the rest of the world are in CNY (and 65% in USD, 8% in JPY) versus 71% in JPY for Japan (and 21% in USD, 0.1% in CNY).

This illustrates again that there seems to be a great deal of scope to switch from USD to RMB payments if the Japanese comparison is relevant.



RMB resources from SWIFT

- The free **white paper** *RMB Internationalisation: Implications for the global financial industry* – created with key contributions from Bank of China, Citi, Deutsche Bank, HSBC, ICBC and Standard Chartered – explores the progress of RMB internationalisation and examines the opportunities and threats that this creates for banks.
- The free **SWIFT RMB Tracker** (2 pages) provides a monthly reporting on key statistics, to understand the progress made in RMB towards becoming an international currency.
- The **SWIFT RMB Business Insights report** (40 pages) provides detailed insights to help banks make informed decisions about where, when and how to pursue business opportunities related to the RMB. This report has been created using information about actual RMB transactions going over the global SWIFT network, combined with market data like GDP and trade flows.
- For even deeper analytics, the **SWIFT Watch Value Analyser** provides detailed data on a monthly basis about your institution's SWIFT traffic and market share – in number of transactions and by transactions value, per currency.
- For insights tailored to your specific needs, **SWIFT's Business Intelligence Services** can for instance provide detailed peer comparisons.

To register to this Monthly Tracker, visit swift.com (select 'Banks on SWIFT') or e-mail swiftforbanks@swift.com.

.....

About SWIFT

SWIFT is a member-owned cooperative that provides the communications platform, products and services to connect more than 10,000 financial institutions and corporations in 210 countries. SWIFT enables its users to exchange automated, standardised financial information securely and reliably, thereby lowering costs, reducing operational risk and eliminating operational inefficiencies. SWIFT also brings the financial community together to work collaboratively to shape market practice, define standards and debate issues of mutual interest.

Disclaimer: This report is provided for information only. If the customer or any third party decides to take any course of action or omission based on this report and/or any conclusion contained therein, they shall do so at their own risk and SWIFT shall not be liable for any loss or damage, arising from their acts or omissions based on this report and/or any recommendations contained therein.