

News Release

MALAYSIAN BUSINESSES MAY MISS CHINA TRADE AND INFRASTRUCTURE BOOM EVEN AS RENMINBI USAGE CLIMBS

****Malaysian businesses usage of RMB for business settlement climbs 6 percentage points****

****Only two in five businesses are aware of 'Belt and Road' opportunities****

Kuala Lumpur, 4 November 2016 – Almost a quarter of companies are now using the renminbi (RMB) to do business with China, but few are capitalising on the Chinese government's flagship 'Belt and Road' trade initiatives, a new survey from HSBC Commercial Banking shows.

In the poll of 1,600 decision-makers across 14 countries, 24% said their firm is using RMB, while in Malaysia, the usage of RMB for business settlement has risen by 6% to 20% versus 14% in 2015. 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 Andrew Sill, Head of Commercial Banking, HSBC Bank Malaysia. "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."

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.

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 Malaysia, China's investment of US\$10bil (RM43bil) in the Malacca Gateway Project – which will be the largest private marina in South-East Asia that will include commercial and residential property developments as well as the biggest deep sea port in the region upon its completion by 2025 – is also another example of a well-aligned Belt and Road initiative.

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“Malaysia, which is strategically located at the centre of ASEAN holds the Straits of Malacca as an incomparable advantage in the cooperation of the construction of the Maritime Silk Road which will bring more opportunities for trade, logistics services, infrastructure development and investment in both countries,” added Andrew.

“However, when we look at the survey, we note that only 47% of Malaysian business are aware of the Belt and Road initiative while only 4% of ‘aware’ businesses are making specific Belt and Road plans while 66% of businesses are still unaware of the potential opportunities and benefits.”

As the initiatives progress they are likely to boost international use of the RMB. Seeking to track global perceptions of China’s trade and currency, HSBC commissioned a similar survey from Nielsen in 2015. Allowing for one country change, replacing Brazil with Mexico, comparison of the two surveys shows the number of companies using RMB for cross-border commerce rising to 24% from 17% a year earlier.

Asia Pacific markets still hold a relatively positive view on RMB as an international trading currency in the next 5 years, despite some decline in Singapore and Korea. More markets are holding more positive views this year, especially in Canada, US, and Australia. For Malaysian business, 46% versus 33% in 2015 foresee RMB as an international trading currency in the next 5 years.

One reason for this is that businesses are finding the RMB much easier to use. 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. In Malaysia, 44% of businesses, an increase of 13% from 2015, say that their understanding of RMB-related issues and potential benefits has increased.

For its 2016 survey HSBC polled 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)”

HSBC Commercial Banking

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