



## What can the RMB learn from the yen?

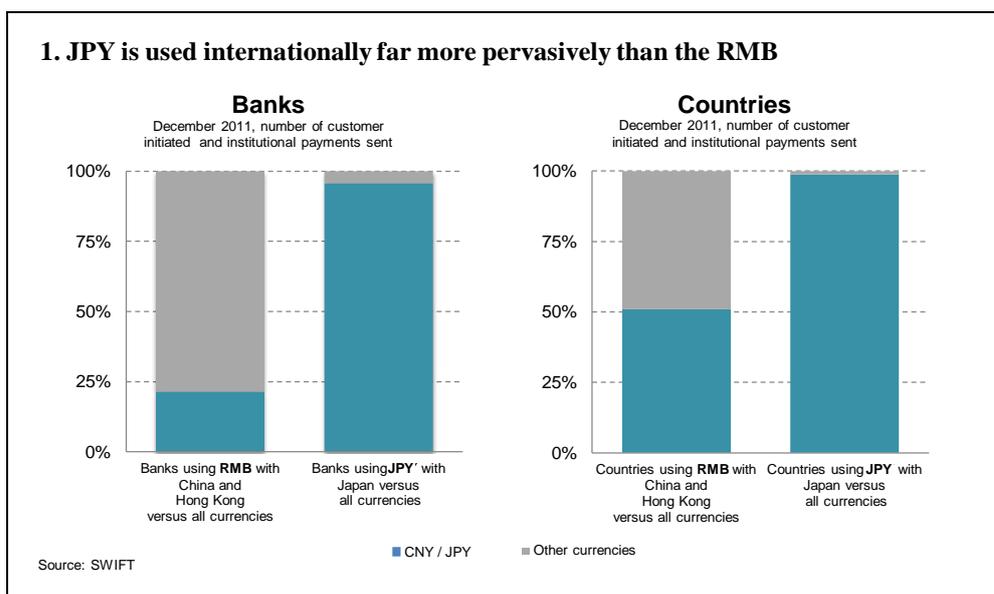
22 February 2012

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

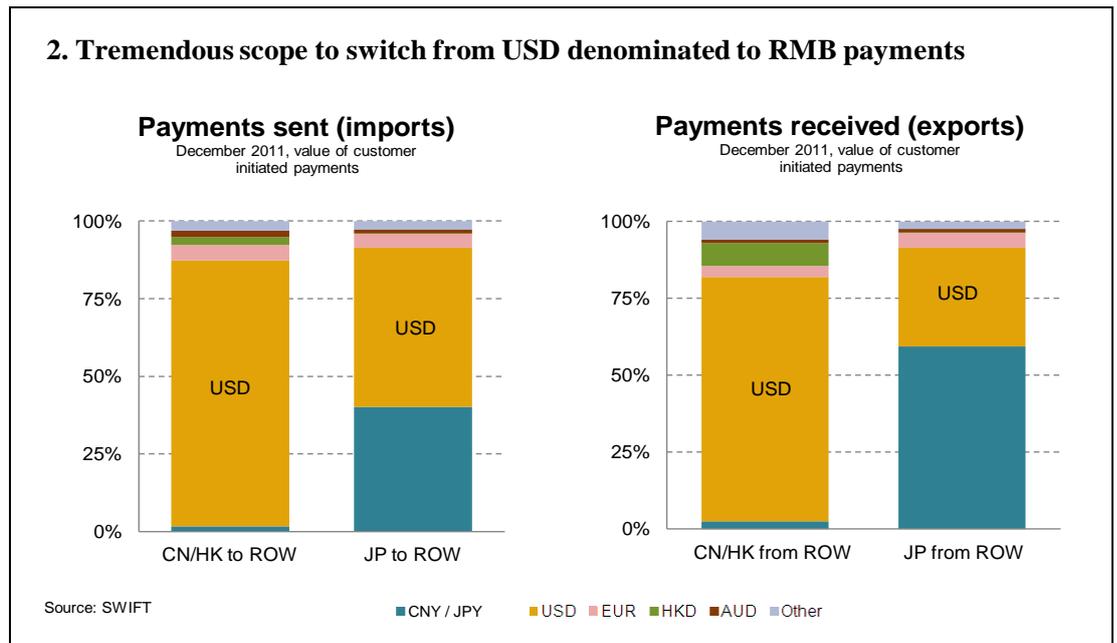
Our second chart shows another interesting parallel in currency usage by China and Hong Kong versus Japan, by looking at customer initiated payments sent and received in December 2011 as a proxy for trade import and exports.

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.



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