



The yuan-yen tango

Ample opportunity for China and Japan to promote their domestic currencies for bilateral trade settlement

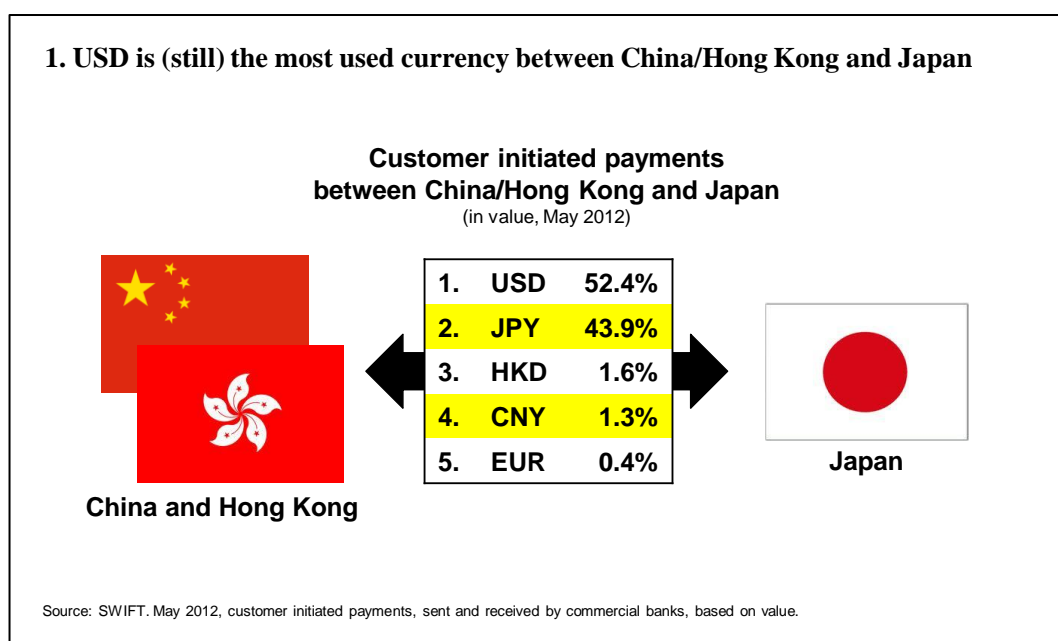
June 2012

This month's SWIFT RMB Tracker takes a closer look at payments between China and Japan, following the start of direct trading between their currencies at the end of May. There is plenty of opportunity for the world's second and third largest economies to promote their respective currencies, since currently the majority of payments between them is done in a third currency, namely the US dollar.

- **USD is the most used currency between China/Hong Kong and Japan** with a share of 52.4% in customer initiated payments in May 2012. JPY comes second with 43.9%, HKD is third with 1.6%, CNY is fourth with 1.3% and EUR is the fifth currency with 0.4%.
- May 2012 was a **good month for RMB payments overall, with a growth of 32.3%** in value versus April 2012 (payments across all currencies grew by 12.9%), increasing its market share to 0.40% (0.34% in April 2012). RMB is still world payments currency #16.

1. USD is (still) the most used currency between China/Hong Kong and Japan

Our first chart shows that the US dollar is the most used currency between China/Hong Kong and Japan for customer initiated payments in May 2012, with a share of 52.4%. The second most used currency is the yen with 43.9%. From Japan's perspective, the yen is used in 54.3% of exports to China/Hong Kong/payments received by Japan, and 35.0% for imports/payments sent by Japan. Overall, RMB was only used in 1.3% of customer initiated payments between China/Hong Kong and Japan.

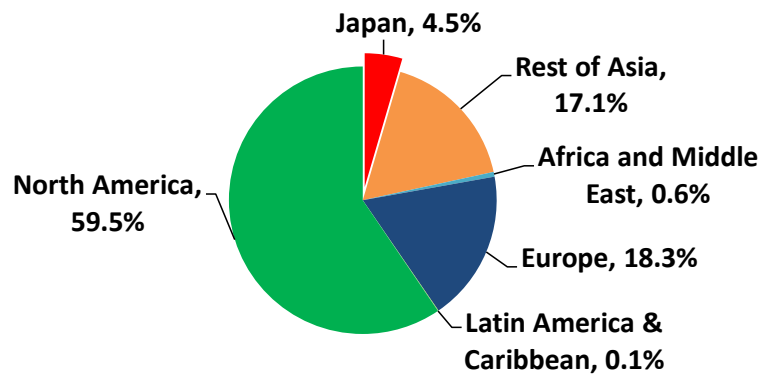


2. To further grow the internationalisation of the RMB, China should look beyond Japan

Whilst developing RMB for payments with Japan has plenty of scope – as shown above, our second chart shows that payments flows with Japan across all currencies represent roughly 5% of China/Hong Kong's total customer initiated payments in value in May 2012. To further develop the RMB internationalisation, China should thus look beyond Japan. Europe, the rest of Asia, and also North America (US, Canada) - which represents nearly 60% of all China/Hong Kong's customer initiated payments and where RMB adoption is currently below 1% - offer great opportunities.

2. To further grow RMB internationalisation, China should look beyond Japan

**Customer initiated payments
sent/received by China/Hong Kong**
(across currencies, in value, May 2012)



Source: SWIFT. May 2012, customer initiated payments, sent and received by China and Hong Kong (excluding with China and Hong Kong), based on value.

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