

Press release

For business editors
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New Commerzbank survey: Acceptance of the renminbi amongst German-speaking corporate customers in the D-A-CH region is developing continuously

- **Rising interest: approx. 1/3 of the surveyed companies use renminbi when conducting business in China**
- **Invoicing in renminbi for Chinese related business has tangible benefits, yet advisory service is needed during the phase of implementing renminbi in internal processes**
- **For the first time companies expressed a lack of confidence in the sustainability of the renminbi**

As a result of the liberalisation of Chinese financial markets in recent years, the renminbi is also gaining in significance in Europe. Despite lesser GDP growth, considerable currency fluctuations and tighter regulation with regards to capital outflows, acceptance of the renminbi has risen significantly with German speaking corporate clients over the past two years. In cooperation with the market research institute FORSA, Commerzbank conducted its third renminbi survey amongst 2,400 small- and medium-sized corporate clients with business exposure to China within the D-A-CH region.

The new survey confirms expectations from the previous ones, yet also reveals some surprises: nearly one third of the participating clients (31 percent) have already converted their invoicing to renminbi when conducting trade with China. This figure is up from 17 percent in 2016. A further 5 percent of clients are planning to convert their invoicing process within the next 12 month. Corporate customers mention four measurable advantages from invoicing in renminbi: 1) possible advantages in price negotiations (62 percent), 2) hedging of the exchange rate risk (60 percent), 3) request of the Chinese trading partner (37 percent), as well as 4) advantages in tapping the Chinese market (35 percent). Interest in hedging against the foreign exchange risk has climbed considerably since the last survey (47 percent in 2016). Nearly two thirds (64 per cent) of the surveyed companies have already used advice on the topics of Asia to adjust their existing business setups to latest changes in the regulatory and financial landscape.

Frequently mentioned barriers to accept renminbi in international trade are “current use of EUR/USD in established procedure” with 59 percent and the “preference of EUR or USD by the Chinese trading partner” with 41 percent. For the first time 13 per cent of the companies mentioned of a ‘lack of confidence in the

sustainability of the currency' or expressed concern 'due to existing capital controls' (12 per cent) – in our opinion this represents a reaction to the tighter capital outflow restrictions by Chinese regulators.

Following the conversion of invoicing to renminbi, corporate enterprises make active use of well-established banking products to conduct trade with China: 89 percent of the surveyed companies process their payment transactions in renminbi and 82 percent use offshore renminbi accounts. More than half of the respondents (52 percent) use renminbi term deposits to invest their excess liquidity. When safeguarding against exchange rate risks, companies make active use of standard hedging products: FX spot transactions with 68 per cent and forward transactions with 63 per cent. 42 percent of active renminbi users stated that they trade this currency electronically on FX platforms. This further indicates that the Chinese currency is complex and that advisory services are appreciated when dealing with China. Renminbi usage is in particular demand by the manufacturing sectors. China is one of the most important trading partners for European importers and exporters, which as a result increases the acceptance of renminbi in trade.

“The renminbi is increasingly developing into a normal foreign currency for corporate clients,” says Michael Rugilo, Asia expert at Commerzbank. “However, its implementation into the business setup of our clients is complex as there is no ‘one size fits all’ solution. Procurement departments as well as treasury and accounting departments need to be involved during the implementation phase.”

Barbara Herbert, renminbi expert at Commerzbank, adds: “Despite the one-time setup requirements, companies frequently recognise the tangible benefits of using renminbi in trade. What we learn from client conversations is that the SME sector expects the Chinese regulation to return to the liberalisation path that we have seen in the past.”

Press contact

Maximilian Bicker: +49 172 6108149
Bernd Reh: +49 170 9143734

About Commerzbank

Commerzbank is a leading international commercial bank with branches and offices in almost 50 countries. In the two business segments Private and Small Business Customers and Corporate Clients, the Bank offers a comprehensive portfolio of financial services which is precisely aligned its clients' needs. Commerzbank finances approximately 30% of Germany's foreign trade and is the leading finance provider for corporate clients in Germany. Due to its in-depth sector know-how in the German economy, the Bank is a leading provider of capital market products. Its subsidiaries Comdirect in Germany and mBank in Poland are two of the world's most innovative online banks. With approximately 1,000 branches, Commerzbank has one of the densest branch networks among German private banks. In total, Commerzbank serves more than 18 million private and small business customers, as well as more than 60,000 corporate clients, multinationals, financial service providers, and institutional clients. The Bank, which was founded in 1870, is represented at all the world's major stock exchanges. In 2017, it generated gross revenues of €9.2 billion with approximately 49,300 employees.