News Release

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FIRMS MAY MISS CHINA TRADE AND INFRASTRUCTURE BOOM EVEN AS RENMINBI USE CLIMBS

**** 41 per cent of Australian companies believe renminbi will be an international trading currency within five years ****

Almost a fifth of Australian 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 shows.

In the poll of 1,600 decision-makers across 14 countries, 18 per cent of Australian respondents said their firm is using RMB versus just 13 per cent a year ago. 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 – only 7 per cent of those who are aware of the strategy said they had begun planning to capitalise on it.

"More than 40 per cent of Australian companies believe the RMB will be an international trading currency in the next five years, versus 29 per cent in 2015," said Steve Hughes, Head of Commercial Banking, HSBC Australia. "However, only a handful are aware of the business opportunities that Belt and Road will deliver. By boosting connectivity, it will catalyse trade between more than 60 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.

President Xi Jinping in April this year called for the alignment of Belt and Road with Australia's northern development plan for the first time.

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.

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.

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One reason for this is that businesses are finding the RMB much easier to use, according to the 2016 survey. 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.

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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Media enquiries to:

Alison Kahler on +61 2 9006 5583 / +61 466 488 685 / alison.kahler@hsbc.com.au

David Matthews on +61 2 9006 5682 / +61 466 488 685 / + 61 423 897 458 david1.matthews@hsbc.com.au

About the RMB Survey

HSBC Commercial Banking commissioned Nielsen to conduct a market survey of 1,610 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 7 January and 12 February 2015 and was undertaken to understand the international companies' preference about using RMB for cross-border business, reasons of using / not using RMB for trade 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=106), Canada (n=100), Taiwan (n=100), France (n=101), the UAE (n=100), Brazil (n=100), Malaysia (n=103) and South Korea (n=100). Of the companies surveyed, approximately 50% had an annual sales turnover between of US$3M-50M, 40% had a turnover of US$50M-500M and 10% had an annual sales turnover above US$500M.

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