

RENMINBI RISING

Onshore and offshore perspectives on Chinese financial liberalisation

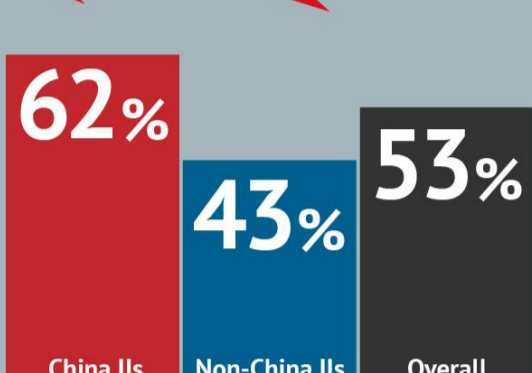
By the end of

2013

the renminbi had risen to become the second-most-used trade financing currency and ninth-most-used currency for payments globally



Overall, a majority of institutional investors (IIs) think the RMB will one day surpass the US dollar as the world's major reserve currency



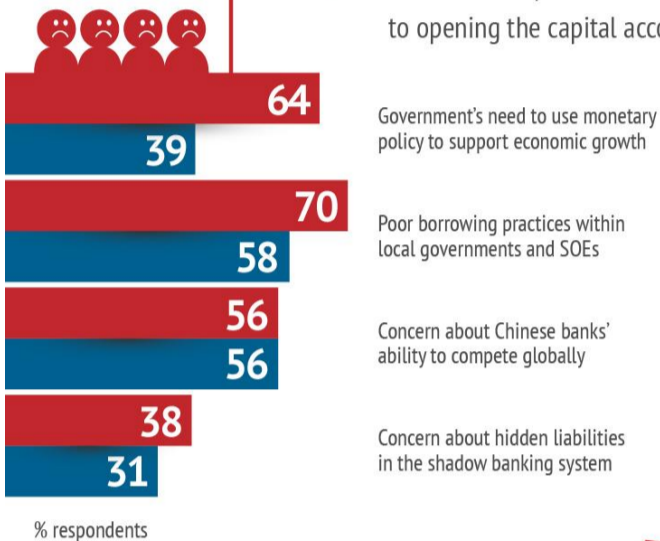
WILL THE RENMINBI OVERTAKE THE US DOLLAR?

Percentage of IIs that think the renminbi will one day surpass the dollar as the top currency in international holdings of foreign-exchange reserves



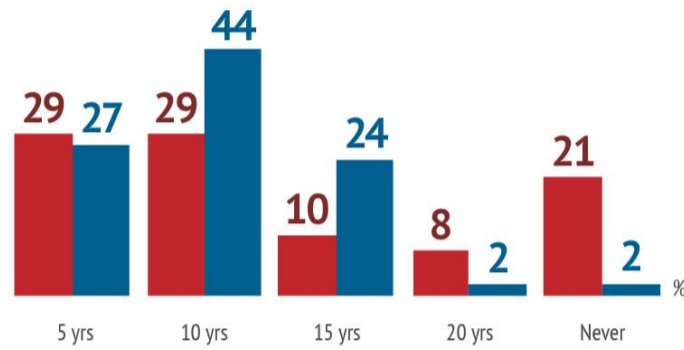
MAJOR POLITICAL BARRIERS TO FINANCIAL LIBERALISATION

China-headquartered IIs are more concerned about political barriers to opening the capital account



NUMBER OF YEARS FOR CHINA TO COMPLETE FINANCIAL LIBERALISATION

There is broad consensus that the Chinese government is committed to completing financial liberalisation. But how long will it take?



DIFFERING VIEWS OF REFORM

Many foreign IIs expect China to privatise its banking system within three years. Chinese IIs don't



REFORM PRIORITIES BEFORE CHINA CAN SAFELY LIBERALISE ITS CURRENCY

China-headquartered IIs think a deposit insurance system is an urgent priority. Foreign IIs don't



54%

of China-headquartered IIs expect financial liberalisation to boost economic growth

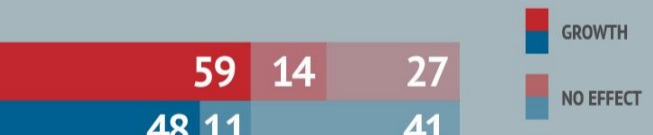
41%

of foreign-headquartered IIs expect financial liberalisation to lead to a slowdown in China's economy

FINANCIAL LIBERALISATION'S EXPECTED IMPACT ON EXPORTS

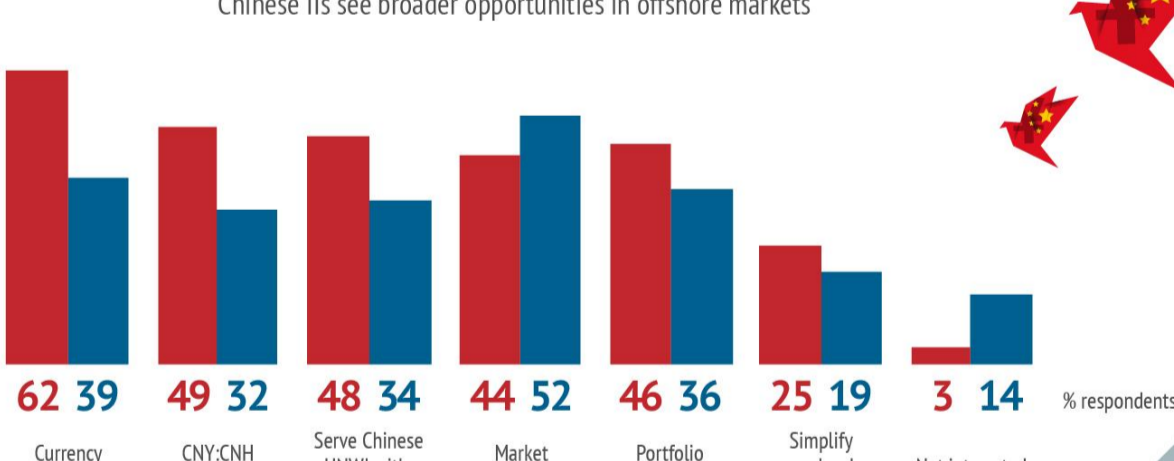


FINANCIAL LIBERALISATION'S EXPECTED IMPACT ON ECONOMIC PERFORMANCE



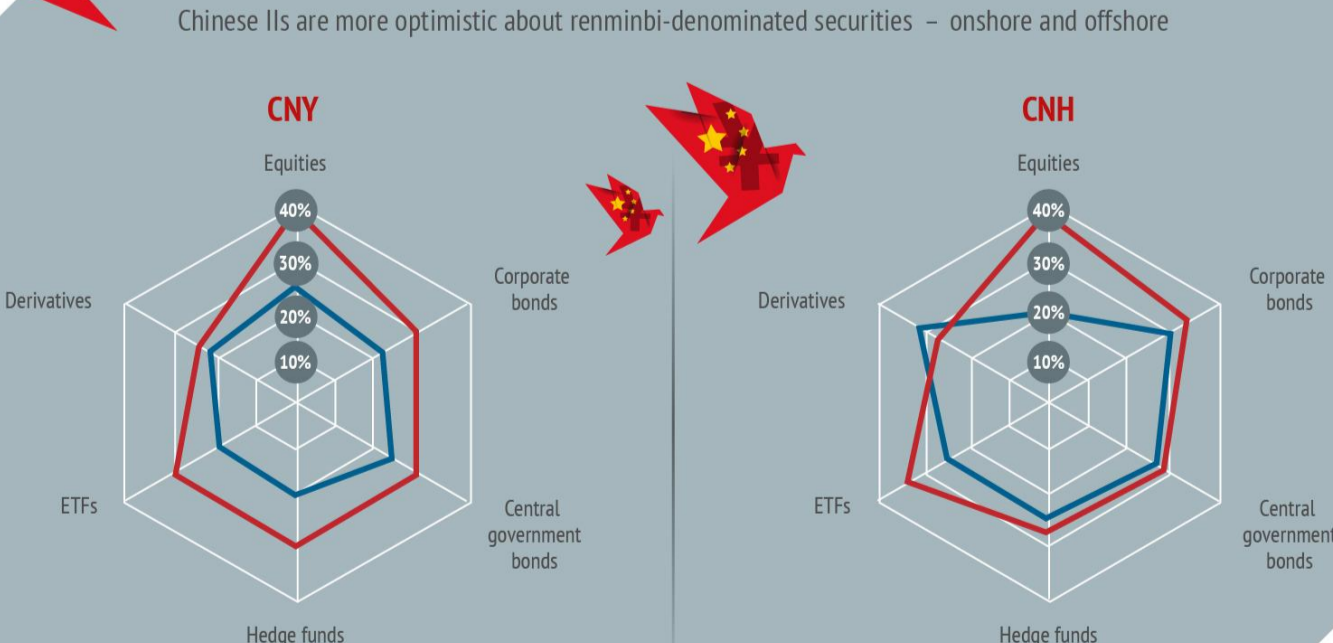
REASONS FOR GAINING EXPOSURE TO OFFSHORE RENMINBI

Chinese IIs see broader opportunities in offshore markets



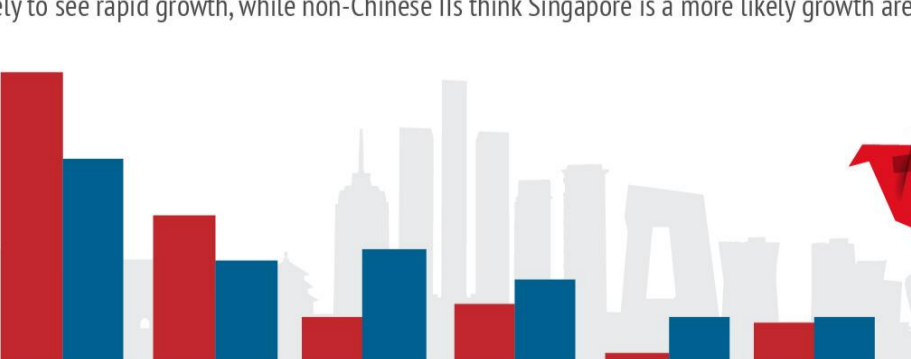
INVESTMENT BEHAVIOUR IN THE NEXT 12 MONTHS

Chinese IIs are more optimistic about renminbi-denominated securities – onshore and offshore



FASTEST-GROWING OFFSHORE RENMINBI MARKETS OVER NEXT THREE YEARS

Hong Kong will continue to dominate offshore renminbi portfolio trading. Chinese IIs rank Shanghai and other onshore free trade zones (FTZ) as the second place where trading is likely to see rapid growth, while non-Chinese IIs think Singapore is a more likely growth area



The EIU conducted a survey in December 2013 of 200 senior executives at institutional investors with knowledge of their exposure to renminbi assets. Respondents were split equally between firms headquartered in mainland China (excluding Hong Kong and Taiwan) and those based elsewhere.

Download the full report here:

<http://www.economistinsights.com/financial-services/analysis/renminbi-rising>