

Press Release

For business editors
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New Commerzbank survey: companies expect improvement in their China business in 2021 – renminbi continues to gain significance

- **57% of large companies currently generate invoices in renminbi, with another 20% planning to do so within a year**
- **“Hedging of foreign exchange risk” remains main argument for invoicing**
- **Covid-19 pandemic: recovery to pre-crisis level after noticeable sales declines**
- **Just under 20% of respondents expect improvements in the US-China trade conflict**

The significance of the renminbi continues to grow among Commerzbank’s corporate clients. The majority of companies with annual sales of €250m or more see the Chinese currency as highly relevant: 57% (2019: 46%) now use the renminbi for invoicing in their China business, and a further 20% of this group plan to make the switch in the next 12 months. In the category for companies with annual sales of €50m or more, 42% of firms currently invoice in renminbi, and 26% plan to do so within a year. Hedging foreign exchange risk continues to be the main driver for invoicing (64%). For the companies surveyed, “advantages in opening up markets in China” are almost on a par with “advantages in negotiating pricing” (around 50% in each case).

The Covid-19 pandemic has had a noticeable negative impact on business in China for the majority of companies – with around three-quarters reporting a decline in sales of up to 25%. However, over the course of the year, most of the declines have recovered to pre-crisis levels with two-thirds of the companies surveyed anticipating a positive future trend for business in China. Around 20% of companies say they will remain below pre-crisis levels despite the recovery. Three-quarters of all Commerzbank clients now conduct their China business via locations in Europe, while the most frequented branch in Asia is Shanghai. “For us, this is a clear indication that the renminbi is steadily developing into a “normal” foreign currency for corporate clients and it’s increasingly being settled at their European headquarters”, explains Michael Rugilo, Asia expert at Commerzbank.

38% of the companies surveyed are not currently planning to switch to renminbi (prior year 63%). According to the survey, the main barriers to the changeover are “established practices” (59%) and “the trading partner’s preference for euros or US dollars” (54%). Two other obstacles have become more relevant: persistently rigid capital outflow restrictions and “lack of confidence in the sustainability of the currency”, both criticised by 18% (2019: 11%) of respondents. 13% of the corporates also cite “political uncertainties”.

In day-to-day business, trade services (69%) and foreign exchange hedging and risk management instruments (59%) are the main instruments used in connection with renminbi products. Compared to 2019, the use of cash services and capital transfers has decreased. Of cash services, the majority of companies use renminbi payment transactions and accounts. “The fact that demand for renminbi financing declined during the pandemic demonstrates that many clients have an adequate capital base – even in pandemic times”, explains Mr Rugilo.

For the majority of respondents (63%), the US-China trade conflict has no impact on day-to-day business with China, even after the change of government in the US. This assessment is unchanged from 2019. Companies that are feeling the effects of the trade conflict are responding primarily by moving away from invoicing their China business in USD. One-fifth are relocating business to other markets. Just under 20% of respondents expect the trade conflict to improve, but the clear majority assume that there will be no change despite the new government. “The adjustment of freight routes clearly emphasises two things: firstly, how flexibly corporate clients can react to regulatory changes and secondly, the expectation that the trade conflict will last longer”, remarks Mr Rugilo.

In what is now its fifth survey, Commerzbank, in cooperation with the survey institute forsa, questioned more than 220 corporate clients with Asian business in Europe from 25 January to 9 February 2021.

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About Commerzbank

Commerzbank is the leading bank for the German Mittelstand and a strong partner for around 30,000 corporate client groups and around 11 million private and small-business customers in Germany. The Bank's two Business Segments – Private and Small-Business Customers and Corporate Clients – offer a comprehensive portfolio of financial services. Commerzbank transacts approximately 30 per cent of Germany's foreign trade and is present internationally in almost 40 countries in the corporate clients' business. The Bank focusses on the German Mittelstand, large corporates, and institutional clients. As part of its international business, Commerzbank supports clients with German connectivity and companies operating in selected future-oriented industries. Following the integration of comdirect, private and small-business customers benefit from the services offered by one of Germany's most advanced direct banks combined with personal advisory support on site. Its Polish subsidiary mBank S.A. is an innovative digital bank that serves approximately 5.7 million private and corporate customers, predominantly in Poland, but also in the Czech Republic and Slovakia. In 2020, Commerzbank generated gross revenues of some €8.2 billion with almost 48,000 employees.