

# Can Yuan (RMB/CNY) replace USD as Reserve Currency ?

CANARA BANK | ECONOMIC RESEARCH VERTICAL | HEAD OFFICE

15.09.2025

# A Quick Comparison....

## USD vs RMB

Global payments (SWIFT / Cross-border value share)		
Year	USD (%)	RMB (%)
2005	45–50	0.1 (Negligible)
2010	50	0.1–0.2
2015	50–52	0.5–1.0
2019	50	1.5–2.5
2022	46–48	2–4
2024	47	2.5–3.5

Official foreign-exchange reserves (IMF COFER) — share of allocated reserves		
Year	USD (%)	RMB (%)
2005	68–70 (USD still dominant)	0.0 (RMB not yet in COFER composition)
2010	63	0.0–0.1
2015	61–63	0.1–0.3
2019	61	0.0–1.5
2022	59–60	2.1
2024	57–58	2.1–2.2

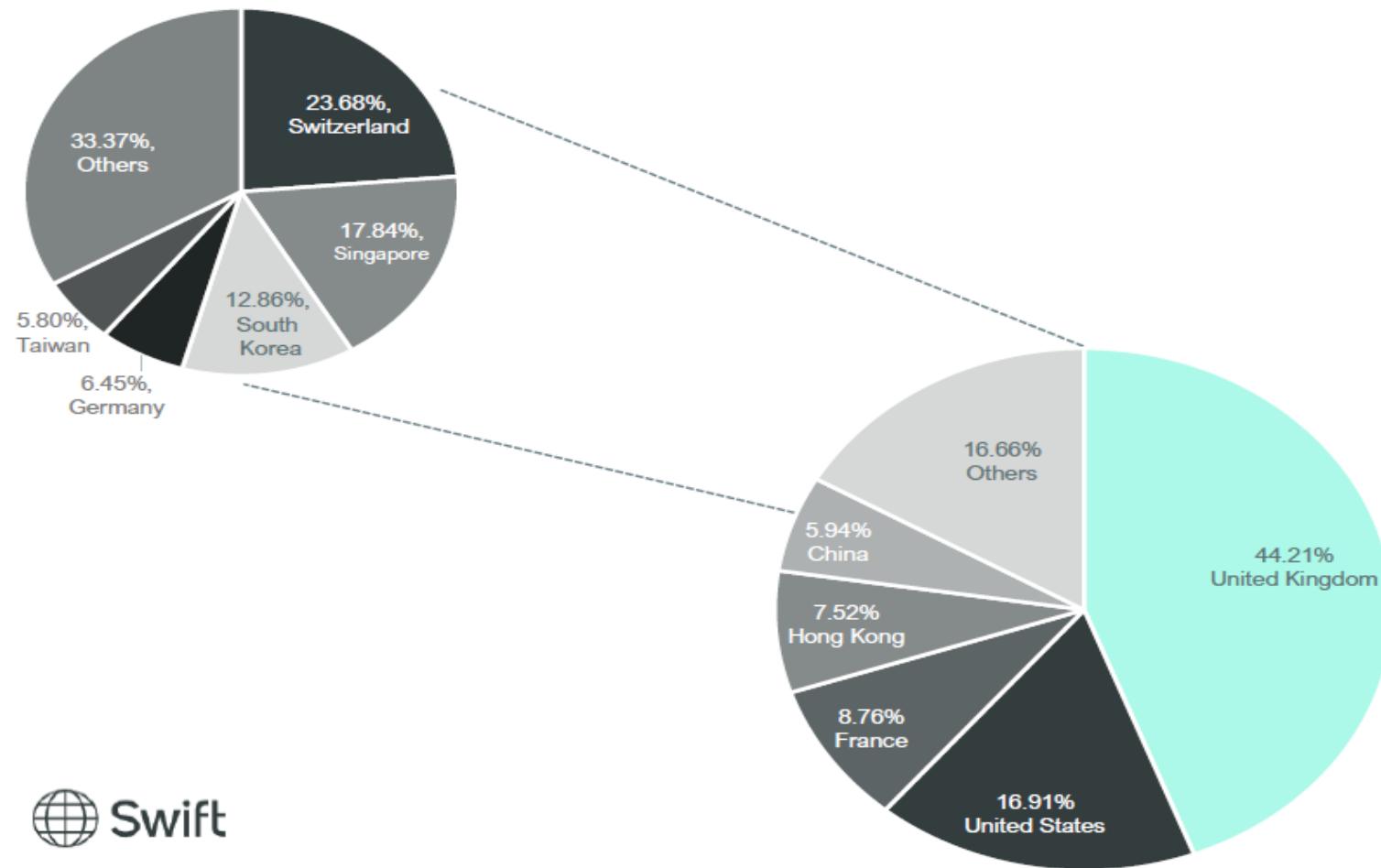
FX turnover (BIS Triennial: percent of total FX turnover)		
Year	USD (involvement , % of turnover)	RMB (%)
2004	85–90	0.5 or less
2007	85–88	0.5–1.0
2010	85–88	1–2
2013	88 (USD very large share)	2.1
2019	88	4.1
2022	88 (USD involved in ~88% of trades)	6–6.6 (RMB ~6.6% overall in BIS 2022 results)

Bond-market size		
Year	Global bond market (USD-equiv, approx.)	China onshore RMB bond market (USD-Equiv, approx.)
2005	50–70 trillion	small (few trillion)
2010	70–90 trillion	3–6 trillion
2015	90–110 trillion	6–10 trillion
2019	110–125 trillion	10–12 trillion
2020	128.3 trillion (ICMA estimate, Aug 2020)	15.5 trillion (China onshore, end-2020)
2022–2024	130–141+ trillion (estimates differ)	Growing (China remains one of the largest single-country bond markets, >USD10–15tn range)

Global Payments (SWIFT)	Dollar is the dominant settlement currency worldwide, while RMB use is still relatively limited.
Official Reserves (IMF COFER)	Reserve managers overwhelmingly prefer holding USD; RMB remains a very small reserve asset
FX Turnover	The USD is deeply embedded in currency markets; RMB is gaining share but still small.
Bond Market Size	China's bond market is large in size, comparable to the U.S., but global liquidity and foreign access are far more limited.

## Top economies doing FX Spot transactions in RMB

FX confirmations, including central banks, inter-group only.  
MT 300 messages exchanged on Swift. Based on value.  
November 2024



### Currency used in FX Spot\*

FX confirmations, including central banks, inter-group only.  
MT 300 messages exchanged on Swift.  
Based on value, currency bought sent.  
November 2024

POSITION	SPOT
1	USD
2	EUR
3	GBP
4	CNY
5	JPY
6	CAD
7	CHF
8	AUD
9	KRW
10	HKD

China's Top Export *Partners			
Sr. No	Export To	Billion \$	% Share
	<b>World</b>	<b>3576.5</b>	<b>100</b>
1	<b>USA</b>	<b>525.6</b>	<b>14.7</b>
2.	<b>China, Hong Kong SAR</b>	<b>290.9</b>	<b>8.1</b>
3	<b>Viet Nam</b>	<b>161.9</b>	<b>4.5</b>
4.	<b>Japan</b>	<b>152.0</b>	<b>4.3</b>
5	<b>Rep. of Korea</b>	<b>146.2</b>	<b>4.1</b>
6.	<b>India</b>	<b>120.5</b>	<b>3.4</b>
<b>Top 6 Countries</b>		<b>1397</b>	<b>39.1</b>

\* Countries Importing from China

Other Countries having Share > 1% in China's Export		
Country	Billion \$	% Share
<b>Russian Federation</b>	<b>115.3</b>	<b>3.2</b>
Germany	107.1	3.0
Malaysia	101.5	2.8
Netherlands	91.2	2.5
Mexico	90.2	2.5
Thailand	86.0	2.4
Singapore	79.1	2.2
United Kingdom	78.9	2.2
Indonesia	76.7	2.1
Other Asia, nes	75.2	2.1
Brazil	72.1	2.0
Australia	70.7	2.0
United Arab Emirates	65.6	1.8
Philippines	52.3	1.5
Saudi Arabia	50.0	1.4
Canada	46.4	1.3
Italy	46.2	1.3
France	45.0	1.3
Spain	40.9	1.1
Poland	40.1	1.1
Türkiye	38.1	1.1

# Countrywide Likelihood of Yuan /Rupees Adoption Against USD (1/3)

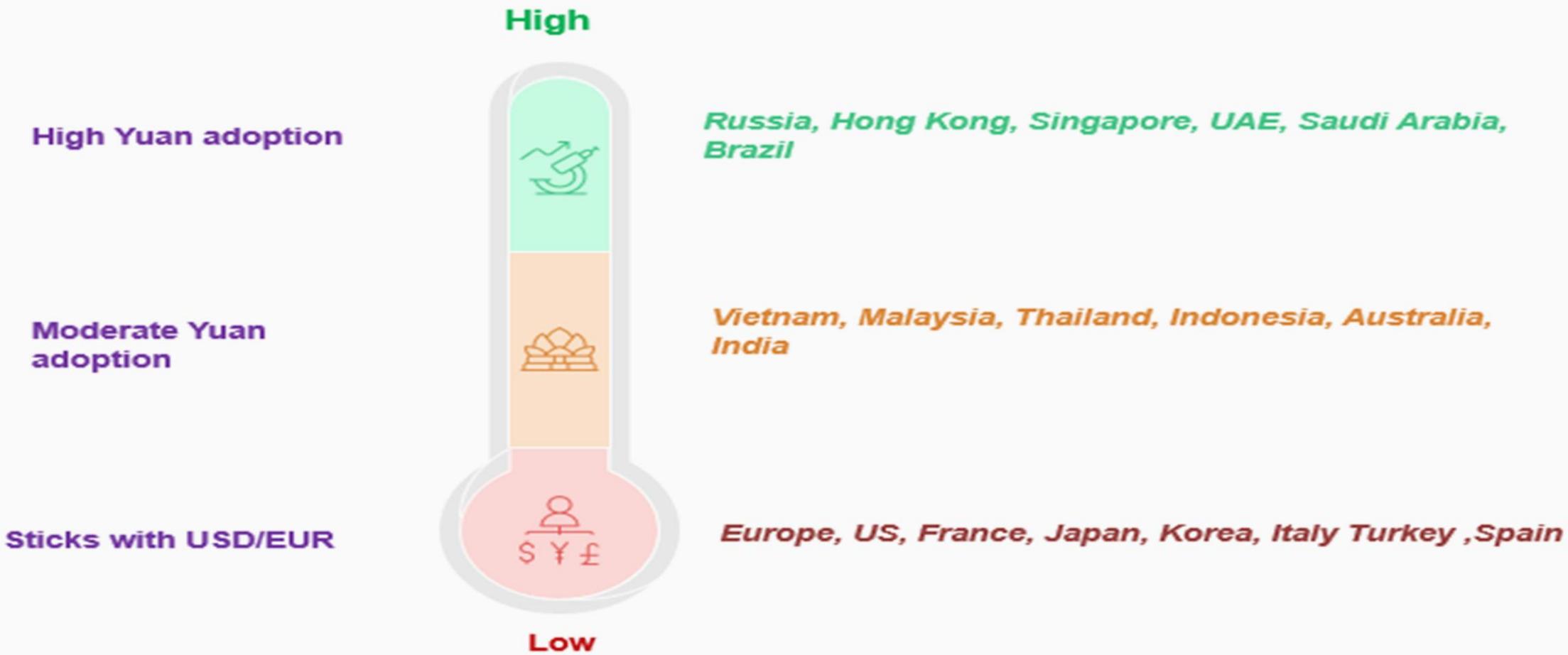
Country/Region	% of China's Export	Current Dominant Trade Currency	Likelihood of Yuan Adoption	Remarks
USA	14.7%	USD	<input checked="" type="checkbox"/> Very Low	Will continue using USD.
Hong Kong SAR	8.1%	HKD/USD (pegged)	<input checked="" type="checkbox"/> High	HK already a yuan offshore hub.
Vietnam	4.5%	USD	<input checked="" type="checkbox"/> Moderate	Deep ASEAN -China Trade Links, but USD still strong.
Japan	4.3%	USD/JPY	<input checked="" type="checkbox"/> Very Low	US ally , Prefer USD ...unlikely to use RMB/INR.
South Korea	4.1%	USD/KRW	<input checked="" type="checkbox"/> Very Low	US dominant
India	3.4%	INR	Moderate	India promotes rupee settlement.
Russia	3.2%	USD → RMB (post-sanctions)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Very High	Russia already shifting to yuan. Trading in RMB post Sanctions
Germany	3.0%	EUR	<input checked="" type="checkbox"/> Very Low	Will continue with EUR/USD.
Malaysia	2.8%	USD/MYR	<input checked="" type="checkbox"/> Moderate	Part of China's yuan-settlement system.
Netherlands	2.5%	EUR	<input checked="" type="checkbox"/> Very Low	EU prefers EUR.

# Countrywide Likelihood of Adoption of Yuan Against USD(2/3)

Country/Region	% of China's Export	Current Dominant Trade Currency	Likelihood of Yuan Adoption	Remarks
Mexico	2.5%	USD/MXN	<input checked="" type="checkbox"/> Very Low	US-oriented economy.
Thailand	2.4%	USD/THB	<input checked="" type="checkbox"/> Moderate	Growing RMB use in ASEAN. Strong Trade with China
Singapore	2.2%	USD/SGD	<input checked="" type="checkbox"/> High	Key yuan clearing hub in Asia.
UK	2.2%	GBP/USD	<input checked="" type="checkbox"/> Low	Some yuan settlement in London, but minor.
Brazil	2%	USD/BRL	<input checked="" type="checkbox"/> High	Brazil-China trade in yuan already growing. Oil Trade already in RMB
Australia	2%	USD/AUD	<input checked="" type="checkbox"/> Moderate	RMB settlement increasing in minerals.
UAE	1.8%	USD/AED	<input checked="" type="checkbox"/> High	Already piloting RMB oil deals.
Saudi Arabia	1.4%	USD (petrodollar)	<input checked="" type="checkbox"/> High	Started accepting yuan for oil.
Philippines	1.5%	USD/PHP	<input checked="" type="checkbox"/> Low	Some yuan trade, but USD dominates.
Canada	1.3%	USD/CAD	<input checked="" type="checkbox"/> Very Low	Stays with USD. USD Dominant
Italy/France/Spain/Poland/Türkiye	1.1-1.3%	EUR/USD	<input checked="" type="checkbox"/> Very Low	EU strongly tied to EUR.

Internal

## Summary : Yuan adoption ranges from High to Low



## Key Reasons Why Yuan Cannot Replace USD (Yet....) ?

## 1. Limited Global Acceptance:

- ✓ The **USD** accounts for ~58–60% of global foreign exchange reserves. The **Yuan is only 3%**, despite China being the 2nd largest economy. Most international contracts, especially in oil, gas, and commodities, are still priced in USD

## 2. Capital Controls in China

- ✓ China restricts free flow of capital in and out of the country.
- ✓ A “reserve currency” must be **freely convertible**, but the Yuan is not.

## 3. Trust & Transparency Issues

- ✓ Investors prefer USD because the U.S. has a **transparent legal system, stable institutions, and independent Central bank**. China's system is more controlled by the state, making foreign investors cautious.

## 4. Depth of Financial Markets

- ✓ The U.S. Treasury market is the **largest, most liquid financial market** in the world. Countries hold USD because they can easily buy and sell U.S. bonds. China's bond market is smaller, less liquid, and still under state influence.

## 5. Limited Petro-Yuan Adoption

- ✓ China has pushed for oil and gas to be traded in Yuan (Petro-Yuan), especially with Russia, Iran, and some Gulf countries. But major suppliers like **Saudi Arabia** and **global traders** still mostly rely on the dollar because of **liquidity and hedging options**.

## Bottom Line is :

- Yuan can **co-exist** as a **regional trade settlement currency**, especially in Asia and Africa,
- The **USD dominates** in payments, reserves, and FX liquidity — the core functions of a global currency.
- But can **not replace the dollar at present as the global reserve currency** because it lacks- Full convertibility, Deep and open financial markets, Global trust and neutrality.
- The **RMB is growing**, especially through China's trade and large domestic bond market, but it is still far behind in global acceptance and trust.

# THANK YOU