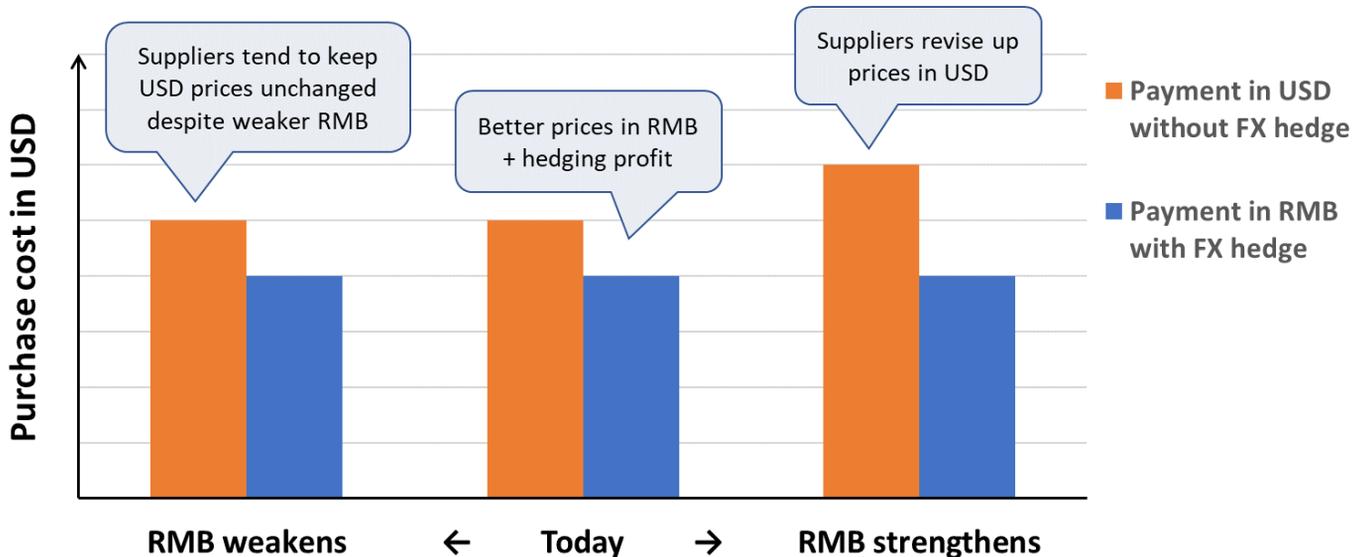


## ***Why companies should pay their Chinese suppliers in RMB (instead of USD)***

The development of the offshore RMB (CNH) and the subsequent roll-out of USDCNH Futures contracts have been a game changer for non-Chinese companies doing business with suppliers based in mainland China. As a result, an increasing number of companies have already switched their payment currency from USD to RMB.

### USD vs RMB payments

	Payment in USD without FX hedge	Payment in RMB with FX hedge
<b>Advantages</b>	⊕ Convenience of paying in USD	⊕ Better purchase prices than in USD ⊕ RMB currency risk fully eliminated ⊕ Extra profit generated by the hedge (~2% annualized at current rates)
<b>Drawbacks</b>	⊖ Higher purchase costs in USD as suppliers price in a currency buffer ⊖ Suppliers' invoiced amounts in USD tend to increase as RMB strengthens but don't usually decrease when RMB weakens ⊖ Gives the wrong impression that there is no currency risk	



### Good to know!

- There are no restrictions for companies outside China to use offshore RMB as a payment currency.
- The procedure to remit a payment in RMB to a Chinese supplier is the same as for USD payments.
- Chinese suppliers can issue invoices in RMB without VAT so long as the transaction is a cross-border one.

→ Listen to our December [podcast](#) for more details

