

China continues expanding and incentivizing digital yuan

Article



The news: Two new initiatives could encourage more widespread use of **China's central bank digital currency (CBDC)**:

- Commuters can now use the digital yuan to pay for the metro in Shanghai, per Shine. The first 10,000 to activate the feature—offered through the digital wallets of major banks—will be rewarded with discounts like one-cent tickets.

- Several cities are planning to airdrop the currency to users to reinvigorate post-lockdown spending, per CoinTelegraph. In Shenzhen, **2.6 million users enrolled** for a chance to receive funds from a 30-million yuan drop, which they could spend at 67,000 merchants using Meituan.

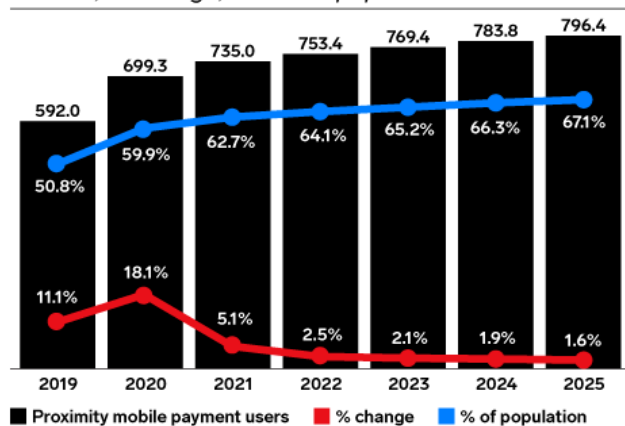
Key context: After beginning pilots last year, China’s digital yuan is catching on, with **261 million users** reported by the government. And a May Morning Consult **poll** found that **1 in 5 Chinese adults have downloaded the official e-CNY app**, mostly for online shopping. Respondents said its biggest advantages focused on security, monetary supply, and money transfers.

The bigger picture: New use cases and free handouts could boost the CBDC’s popularity and intensify **pressure** on payment titans in a country where **nearly two-thirds of adults use mobile payment apps**.

- Most of these users come from **Alipay** and **WeChat Pay**. But a government **crackdown** on Big Tech could drive users to the digital yuan—likely one of Beijing’s aims—even though these apps have **integrated** with it.
- But interest in the digital yuan remains fairly low: Of nonusers, **27% attributed no need**, and both Alipay and WeChat Pay had **higher favorability ratings (84% and 83% respectively, compared with 60% for the CBDC)**, per the Morning Consult. New **features** and free access could help drive up those numbers.

Proximity Mobile Payment Users in China, 2019-2025

millions, % change, and % of population



Note: ages 14+; mobile phone users who have made at least one proximity mobile payment transaction in the past six months; includes point-of-sale transactions made by using mobile phones as a payment method; excludes transactions made via tablet
Source: Insider Intelligence, June 2021

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