About HSBC

Strong Trade Flows to Stimulate U.S. Economy, According to HSBC Trade Forecast

** China to Become Second Largest Export Destination for American Goods by 2030 **

** Industrial Machinery, Transport Equipment, and Information and Communications Technology Likely to Drive Nearly Half of all U.S. Trade by 2030 **

** Trade Liberalization Expands Access to Faster Growing Markets Vital to U.S. **

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New York, NY - Trade expansion is expected to boost the American economy, according to the latest **HSBC Global Connections Trade Forecast**. Trade growth contributions to overall GDP are projected to be driven by increased trade liberalisation and growing demand to and from emerging and advanced Asian markets.

Trade agreements including the Trans-Pacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (TTIP), the Regional Comprehensive Economic Partnership (RCEP) and the WTO Trade Facilitation Agreement will open markets and have the potential to eliminate barriers to trade. For businesses this could mean opportunities for new product development and new trade partners.

"The dismantling of trade tariffs and removal of other restrictive barriers to free commerce creates an express lane for businesses to reach faster-growing markets, underpinning the return to a more moderate-to-high level growth environment for the U.S. economy," said Derrick Ragland, Executive Vice President and Head of U.S. Middle Market Corporate Banking, HSBC Bank USA, N.A.

Expansion into high growth markets, including China, could mark an economic boom for American trade. For example, the expansion of the existing Information Technology Agreement (which includes 75 countries) is projected to increase the value of U.S. exports by $2.8 billion. It is also expected to boost revenues of U.S. information and communications technology firms by $10 billion and support the creation of 60,000 new American jobs[1].

Asian Markets Expected to Dominate U.S Export Demand

In the past three years, exports as a share of U.S. GDP reached 13.5 percent, the highest share since at least 1947[2]. Even as trade exports grow and liberalization continues, the report finds that Canada is still expected to remain the top export trade market for U.S. goods in the medium and long term, due in large part to its proximity and size. The report projects that by 2030 China will surpass Mexico as the second largest American export trading partner, with Mexico dropping into third place. During the same period Korea is expected to become the fourth largest market for U.S. exports, followed by Brazil, pushing Japan out of the top five. In addition, the fastest-growing export markets for American goods are expected to include China, India, Malaysia and Vietnam, with growth around nine percent annually.

"Strong economic growth in faster growing Asian economies represents a major business opportunity for U.S. exporters," said Ragland. "It's up to American businesses to capitalize on this trend...and every indication is that they will. For example, 7 in 10 U.S. businesses have told HSBC they expect to buy or sell more goods with China alone in the near-term[3]."

The report also finds that industrial machinery and transport equipment are expected to remain the major American exports in the foreseeable future and are expected to contribute about 40 percent of the projected growth in total exports through 2030. Other important drivers of exports will include high-value items such as scientific apparatus, chemicals, and information and communications technology (ICT) goods, as well as petroleum products and plastics.

Canada and Mexico Remain the Top Two U.S. Trade Import Partners

While imports into the U.S. closely mirror that of exports (industrial machinery and transport equipment), these two categories together with ICT will collectively account for almost half of total import growth for the U.S. in the decade leading up to 2030. Clothing and apparel and petroleum products are expected to account for around 15 percent of total import growth in this period. Overall, the strength in these sectors will mainly reflect solid growth in domestic activity, maintaining the pull for imports.

The top four largest trade corridors for American imports are expected to remain unchanged, led by China, Canada, Mexico and Japan, respectively. Interestingly, the report projects that India will overtake Germany for the fifth position by 2030. The fastest-growing countries for U.S. imports over the long term are projected to be China and Vietnam - with growth at about 9 percent annually for both countries - and India (up 8 percent) and Mexico (up 7 percent).

Concluded Ragland, "America's economic outlook remains firm as solid job growth, low inflation and strong disposable income growth all support American household spending. With our highly-educated labor force, solid institutions, innovative technology and efficient production processes, the U.S. is well-positioned to benefit from rising world trade."

Notes to editors:

[1] Information Technology and Innovation Fund: www2.itif.org/2012-boosting-exports-jobs-expanding-ita.pdf?_ga=1.102254850.2068359215.1432158023

[2] HSBC Report: How America is Made for Trade: cmbinsight.hsbc.com/americamadefortrade

[3] HSBC Report: RMB Internationalization Study 2015

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About the HSBC Trade Forecast - Modeled by Oxford Economics

Oxford Economics has tailored a unique service for HSBC which forecasts bilateral trade for total exports/imports of goods, based on HSBC's own analysis and forecasts of the world economy, to generate a full bilateral set of trade flows for total imports/exports of goods and balances between 180 pairs of countries.

Oxford Economics employs a global modeling framework that ensures full consistency between all economies, in part driven by trade linkages. The forecasts take into account factors such as the rate of demand growth in the destination market and the exporter's competitiveness. Exports, imports and trade balances are identified, with both historical estimates and forecasts for the periods 2014-16, 2017-20 and 2021-30. Sectors are classified according to the UN's Standard International Trade Classifications (SITC) and grouped into 30 sector headings. More information about the sector modeling can be found on www.globalconnections.hsbc.com

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