HSBC

News Release

Despite Low Global Trade Growth Outlook
US Business Optimistic about Trade: HSBC Trade Forecast

** Imports Driving US Trade, Though Exports to Rise 6% by 2020 as Emerging Markets Recover*

** US to Remain Top Three Trading Nation in 2050 with Almost 7% Share of Global Exports*

New York, NY (December 8, 2015) – Even though world merchandise trade growth is expected to rise just one percent through the end of this year, US businesses are optimistic about trade over the next six months, buoyed by the prospect of changes to government trade regulations, and momentum in the current US domestic economy, according to the latest findings from the US HSBC Global Connections Trade Forecast.

The US will also retain its competitive advantage as a top three trading nation well into 2050, as a third wave of globalization marked by new technologies and increasing economic integration continues to take hold, according to HSBC's Trade Winds report, which analyzes the last 150 years of trade while projecting the next 35 years. With the total volume of goods expected to quadruple to $68.5 trillion in value by 2050, the US could see more than $4.78 trillion in export revenue, and control almost seven percent of total exports, including technology-intensive exports, as the second top global exporter after China.

Robust Domestic Momentum in US Suggests Short-term Increase in Trade Volume

More than 77% of US business leaders participating in the HSBC Trade Confidence Survey, part of the HSBC Trade Forecast, expect trade volumes to increase in the short term, well above the global average of 64%. Additionally, 18% cited changes to government trade regulation as having a 'very favorable' impact on trade volumes in the next six months, up from 13% earlier in the year. This reflects optimism over a preliminary agreement on the Trans-Pacific Partnership, the largest new trade agreement in 20 years, covering 40% of the global economy. The survey is an international survey of leaders at small, middle market and large corporate companies engaged in cross-border trade, including around 500 in the U.S.

“The trade outlook for the US looks strong, as a positive trade policy environment, and stable domestic economy favor continued growth in imports, particularly from China, the leading country of origin for US imports, "said Inwha Huh, Head of Global Trade and Receivables Finance for HSBC in the US and Canada. “Although the near term outlook for US exports is forecast to be lower in the next few years, constrained by weakness of foreign demand and a strong dollar, US businesses are well positioned to take advantage of the emerging markets recovery with six percent export growth expected by 2020."

Globally, the HSBC Trade Forecast points to the Chinese slowdown as a key contributor to the dropoff in world trade. The forecast sees the developed markets continuing to lead on international trade growth to 2019-2020, with strong performance from the US and Eurozone (five to six percent) before the emerging markets recover, led by an upturn in China as domestic policy stimulus gains traction.

Regarding the key drivers for the recovery of trade, the forecast points to five global trends that will impact positively around the world:

- The stabilization of China’s economy
- Stronger investment spending supporting solid growth of import-demand in the developed markets
- Cyclical recovery in key sectors
- Trade liberalization gaining traction
- Growth beyond merchandise goods into trade of services

US Exports to China Expected to Grow by 9% a Year to 2030

Over the longer term, the trade forecast shows global economic growth to be strongest amongst the economies of East and South Asia. Two-way trade flows between the U.S. and Asia are expected to grow in importance relative to slowergrowing but more established trade ties with industrialized economies. US exports to China are expected to grow by nine percent a year on average in the decade to 2030, so that by the end of this period China will have surpassed Mexico as the second largest market for US exporters.

“Increased trade with Asia, particularly China, represents a major business opportunity for US businesses,” said HSBC’s Huh. “And with the recent IMF decision to include China’s currency in its SDR basket, US companies may want to consider how to make renminbi part of their business strategy."

Other longer term findings from the forecast include:

- Machinery and transport equipment are set to play the biggest role in driving long-term growth in the nation’s exports, contributing close to 45% of the projected increase in the decade to 2030, and reflecting the US expertise in high-end manufacturing and continued investments in technological innovation
- Another major contributor to growth in trade is the chemicals sector, which accounts for 13% of the forecast increase in merchandise exports in the decade to 2030
- Canada will remain the top destination for US exports through 2030, although faster-growing Asian economies will gradually steal the spotlight for expansion opportunities
- US imports are expected to closely mirror exports, with industrial machinery to increase by close to 20% by 2030, followed by transport equipment and information, communications and technology equipment, which are each expected to rise by 13% by 2030

For a copy of the Global Connections Trade Forecast report and for further information, visit http://www.globalconnections.hsbc.com/. An infographic which portrays key findings from the latest trade forecast is also available upon request.

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About the Trade Forecast
The 2015 HSBC Global Connections Trade Forecast, modeled by Oxford Economics, analysed 25 global economies representing 180 pairs of countries to generate a full bilateral set of trade flows for total imports/exports of goods and balances between nations. The analysis is based upon HSBC's analysis and forecasts of the world economy.

HSBC Trade Confidence Survey
The Trade Confidence Survey (TCS) is a quantitative indicator of the short-term outlook for global trade. The survey is the largest of its kind, and conducted on behalf of HSBC by TNS. Over 6,300 businesses globally -- from small and mid-market to large corporations -- are interviewed about their expectations towards global trade and business growth over the next six months. In 2H15, the survey data collection method changed to online in 11 markets: Australia, Brazil, China, France, Germany, Hong Kong, Mexico, Poland, Singapore, UK, and USA. The past data has been calibrated to account for this change and to preserve the trends.

About the Trade Winds report
The report outlines how in 1865, when HSBC was founded, US$67bn of goods were being exported around the world – primarily by Britain and subsequently other European nations, and the US. From there globalisation was interrupted by the two great wars and global depression. The second wave of globalisation resulted from a surge in post war trade liberalisation, when consumer demand accelerated growth from the US and then broadening recovery in Europe. This extended through the industrialisation of Asia and the rise of new global supply chains before the financial crisis of 2007. Today it investigates the impact of the third wave of globalisation.

About HSBC Commercial Banking
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