29 May, 2015

News Release

TRADE SET TO ACCELERATE ON EMERGING MARKET REBOUND, POLITICAL ACCORDS

Advanced economies look set to sustain global commerce through 2016 before an emerging market recovery, and potentially a series of game-changing trade liberalisation agreements, accelerates growth back to levels last seen before the financial crisis, the latest HSBC Trade Forecast shows.

From an average of 1.5 per cent annual growth between 2012 and 2014, world merchandise trade should increase by about 8 per cent a year from 2017, according to the report. Although that's still below the 9 per cent pre-crisis pace of expansion, the conclusion of additional World Trade Organisation accords – plus the proposed Trans-Pacific Partnership (TPP), Transatlantic Trade and Investment Partnership (TTIP) and Regional Comprehensive Economic Partnership (RCEP) – could have a significant additional impact.

"In the short term an increasingly robust US economy, aided by cyclical upturns in Europe and Japan, are likely to provide the greatest cross-border opportunities for businesses," said Simon Cooper, Chief Executive of HSBC Commercial Banking. "Further out, demographic trends in emerging markets will undoubtedly fuel greater 'south-south' trade, meaning companies should adopt a diversified strategy spanning both developed and developing markets. If ratified, the international trade deals currently under negotiation could also have a major catalytic effect - one that's hard to quantify but that should give businesses plenty of reasons for optimism."

Amongst the 25 economies analysed for the HSBC Trade Forecast, trade expansion is expected to be strongest in India and Vietnam over the medium term. The value of goods exported from these countries may increase by an average of more than 10 per cent a year from 2015 to 2030 as Asian nations, plus other emerging market economies such as Turkey, Egypt, Mexico and the UAE, drive trade growth. Demand for capital goods, particularly in emerging markets, bodes well for companies that make and trade in machinery and transport equipment.

Downside risks to the outlook include delays to the negotiation and implementation of trade liberalisation agreements and the continued shortening of global supply chains; such as the trend to re-shore production and so reduce cross-border traffic in intermediate manufactured goods. Given that some studies show free trade measures contributed around 20 per cent of the growth in global commerce in the decade to 2004, this HSBC Trade Forecast places a special focus on plans for the electronics industry:

This news release is issued by
HSBC Commercial Banking

Electrifying Trade

The Information Technology Agreement (ITA), signed in December 1996 under the auspices of the WTO, has proven to be one of the world's most significant trade liberalisation accords. Exports of information and communications technology (ICT) products have almost tripled in value since that deal was struck, reaching an estimated US$1.4 trillion.

Now signatory countries are discussing whether to expand the original ITA to add to the zero-tariff and duty-free guarantees it already provides on 250 electronics products from calculators to printers. This second phase of the agreement would include an additional 200 products, such as new generation communications, data and medical devices, helping to boost exports, encourage R&D and increase access to ICT goods – tools that support productivity, innovation and competitiveness throughout an economy.

ICT trade has thrived in the liberalised environment provided by the ITA. In 2000 China's electronics exports accounted for just 7 per cent of total trade in these products amongst the 25 nations included in the HSBC Trade Forecast. Today that share has grown to 35 per cent and it is forecast to reach 43 per cent by 2030 as China capitalises on the agreement, produces higher specification products and promotes awareness of Chinese brands.

Beyond the ITA, negotiations are underway on a number of important inter-governmental accords:

*The WTO's *Trade Facilitation Agreement* (TFA) is awaiting ratification. By reducing red tape and streamlining customs requirements, the OECD estimates it could reduce trade costs by 12 per cent or more.

* The *Trans-Pacific Partnership* (TPP) proposes to slash trade barriers between 12 countries on both sides of the Pacific. Research by the Peterson Institute indicates the TPP could boost world income by US$295 billion over a decade.

* The *Transatlantic Trade and Investment Partnership* (TTIP) proposes to eliminate tariffs and harmonise standards between the US and the EU, potentially adding billions of dollars to both regions' economies each year.

* The *Regional Comprehensive Economic Partnership* (RCEP) proposes to create a free trade area linking the 10-member Association of Southeast Asian Nations (ASEAN) with six Asia-Pacific partners including Australia, China and India.

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Notes to Editors:

About the HSBC Trade Forecast – Modelled by Oxford Economics
Oxford Economics has tailored a unique service for HSBC which forecasts bilateral trade in goods, based on HSBC's own analysis and forecasts of the world economy.

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) system at the two-digit level and grouped into 30 sector headings.

All trade flows data are reported in nominal US-dollar value terms (using market exchange rates) unless otherwise specified.

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HSBC in Armenia
HSBC Bank Armenia cjsc was established as a closed joint stock company under the name Midland Armenia Bank J.S.C. in 1996 and was renamed HSBC Bank Armenia cjsc in 1999. The bank is a joint venture between the HSBC Group, which has 70 per cent ownership, and members of overseas Armenian businesses with 30 per cent ownership. HSBC Armenia serves around 36,000 customers through 10 offices located in Yerevan and around 383 employees. The bank has assets of AMD 306,609,112,000 as of 31 December 2014 and is one of the leading banks in the foreign exchange market in Armenia.

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