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BUSINESSES SEE END TO GLOBAL TRADE SLUMP; US, EUROPE SET TO LEAD RECOVERY

Stabilisation of China and stronger investment in developed economies to support world trade

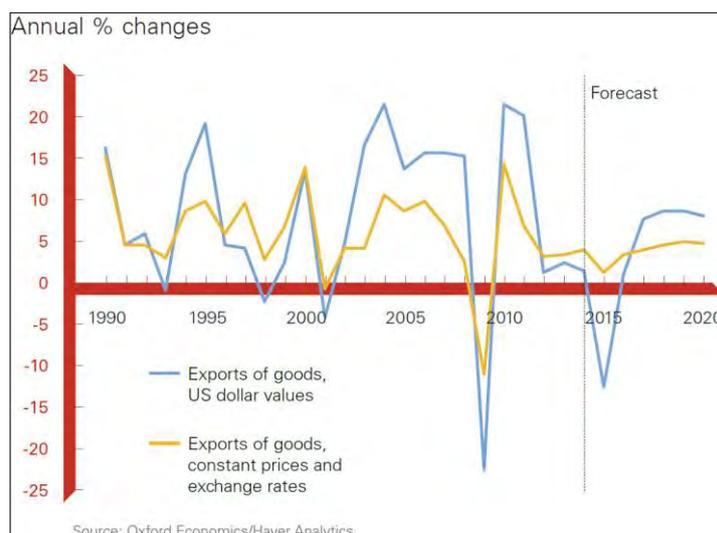
*** Cyclical recovery in key sectors ***

*** Trade liberalisation efforts are gaining traction***

After a sharp slowdown in 2015 as emerging market demand stalled, businesses expect to see the West lead a tentative recovery in global trade that should broaden and accelerate over the medium term, two new indicators from HSBC show.

Whilst the global Trade Confidence Score fell 4 points to 120 in the second half of 2015, the majority of businesses surveyed (64%) still expect merchandise trade volumes to increase over the next six months. Looking further ahead, the Global Trade Forecast sees import growth in the US and Europe laying the foundations for a moderate rebound that will gain pace as economic conditions in China stabilise.

World merchandise exports



Outlining key drivers for the recovery of trade, the Forecast points to five global trends that will have a positive impact:

- The stabilisation of China's economy
- Stronger investment spending supporting solid growth of import demand in the developed markets
- Cyclical recovery in key sectors
- Trade liberalisation gaining traction
- Expanding opportunities for growth in services trade

According to the report, despite the near-term challenges facing leading emerging markets, especially China, Brazil and Russia, many emerging economies benefit from strong economic fundamentals. This means they are likely to be an important driver of global

economic growth and trade over the medium-term. The economies of Asia are still expected to be the main drivers of global trade over this time period, with 'south-south' flows representing the fastest-growing trade corridors.

Cyclical sectors such as transport equipment are expected to be the greatest beneficiaries of the upturn in the near term, although intermediate inputs such as chemicals and machinery will increasingly benefit as global investment strengthens. The recovery will gradually boost demand for raw materials and mineral fuels, giving support to commodity prices and helping to expand trade further in value terms.

Policy moves towards trade liberalisation continue to hold the potential to provide an upside surprise for the performance of global trade. Notable progress at the World Trade Organization includes the pending ratification of the Trade Facilitation Agreement and the completion of a draft agreement on expansion of the Information Technology Agreement. Moreover, at the regional level, conclusion of the draft agreement for the Trans-Pacific Partnership, is an important step towards the largest new trade pact in 20 years. These agreements are pertinent not only for merchandise trade, but also for services trade, which fell less sharply than trade in goods during the global crisis and experienced more robust growth since.

The biannual HSBC Trade Forecast is designed to help businesses capitalise on growth opportunities in the medium term.

Ends

For a copy of the HSBC Trade Forecast report and for further information, log onto <http://www.globalconnections.hsbc.com/>.

HSBC's Trade Forecast encompasses trade data for 25 countries and territories key to world trade.

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 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 and exports of goods, and balances between 180 pairs of countries.

Oxford Economics employs a global modelling 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 <http://www.globalconnections.hsbc.com/>

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HSBC in Armenia

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