

News Release

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HONG KONG TRADE OPTIMISM REBOUNDS POST-US ELECTION, HSBC SURVEY SHOWS

Rising Trade in Services Will Drive Trade Growth Over the Next 15 Years

HSBC's latest Trade Forecast Survey shows that Hong Kong's Trade Confidence Score (TCS) has increased moderately after the US presidential election, reflecting an improved sentiment on the global economic environment. While Hong Kong's trade outlook remains challenging, rapidly growing financial services and tourism have become important drivers of the services trade boom.

Hong Kong's TCS has risen to 103, up from 100 six months ago. This positive sentiment about trade is fueled by an optimism regarding both global and regional economic environments.

Amongst perceived barriers to growth, the outcome of US presidential election as well as Brexit and the uncertainty of the EU have been more cited as inhibitors, while the Chinese economic outlook and the deterioration of the global economy have been less cited. Furthermore, "improvement of your main business partner(s) economy" has become more important as a positive factor helping business growth.

The survey also shows that Hong Kong's services trade will grow at about 7% annually over the next 15 years, led by the restructuring of Chinese economy towards consumption and services. This should create opportunities for Hong Kong, one of the world's most services-oriented economies, where services accounted for 17% of total exports in 2015.

Financial services and tourism continue to lead the growth in services trade in Hong Kong. These two sectors are expected to continue to contribute more than 50% of total services exports until 2030. In addition, business-to-business and other services are projected to be another major contributor to the growth in services trade, raising its share of total service exports from 14% to 20% between 2015 and 2030.

Albert Chan, Head of Commercial Banking, Hong Kong, HSBC, said: "China's rebalancing from investment towards consumption and services will unleash a new wave of demand for Hong Kong services. Moreover, as the Belt and Road Initiative creates new opportunities for trade with China and Hong Kong, businesses in Hong Kong will have new frontiers for

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trade growth. Leveraging its strength in professional services, its skilled workforce and its proximity to the Mainland, Hong Kong is well positioned to reap the benefits from an expansion in services trade. For businesses, the key to capturing opportunities from service trade growth lies in digital technology, which is reshaping the economy and creating new business models.”

Modelled by Oxford Economics, the HSBC Trade Forecast is designed to help businesses identify trends and capitalise on growth opportunities in the medium term.

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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 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/>

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. 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 HSBC Commercial Banking

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