

News Release

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HONG KONG CONTINUES TO BE THE GATEWAY OF CHINA'S TRADE HSBC TRADE FORECAST SHOWS

Supported by Robust Growth in Electronics Sector

China's trade will continue to be channelled predominantly via Hong Kong, and China will remain Hong Kong's largest trade partner at least until 2030, according to the latest HSBC Trade Forecast.

Hong Kong is a well-established international financial centre and trade hub. Both export and import growth is forecast to remain strong over the coming years, driven by trade with the Mainland. As China rebalances towards more consumption-led growth, its demand for imports will remain strong. Moreover, the shift towards higher value-added manufacturing will support further gains in global market share.

Albert Chan, Head of Commercial Banking, Hong Kong, HSBC, said, "The geographic proximity with the Mainland enables Hong Kong to capture increasing opportunities through supporting policy initiatives including 'One Belt One Road', the establishment of Free Trade Zones (FTZ), renminbi (RMB) internationalization and other economic reforms. Therefore, Hong Kong should continue to strengthen its position as China's gateway for both imports and exports."

Based on the Report, Hong Kong's exports to China are forecast to grow at 9.4% annually between 2015 and 2020 and at 7.4% annually between 2021 and 2030. In terms of value, exports to China are expected to reach USD279,087 million (approximately HKD2.18 trillion) in 2015. This may soar by 3.19 times to USD891,274 million (approximately HKD6.95 trillion) by 2030.

The pace of import growth from China is even faster, reaching 11.3% between 2015 and 2020, and 9.9% between 2021 and 2030. Hong Kong's imports from China are projected at USD389,710 million (approximately HKD3.04 trillion) in 2015, and may further increase by 4.16 times to USD1.62 trillion (approximately HKD12.64 trillion) by 2030.

Another key highlight in the Report is the potential of the electronics sector, including information and communications technology (ICT). This sector will be amongst the fastest-

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growing trade sector globally, with annual growth of more than 8% from 2014 to 2030. Exports of electronics from Hong Kong are forecast to increase more than three-fold up to 2030, growing by 8% per annum, while imports of electronics are forecast to grow by almost 10% per annum.

Amongst the 25 economies analysed for the HSBC Trade Forecast, China and Hong Kong have become the largest and second largest exports of ICT products globally. This trend will continue in the coming years. A further reduction in China's applied tariffs and an extension of the World Trade Organisation's Information Technology Agreement will provide a further boost to trade flows passed through Hong Kong.

Chan added, "The electronics sector has long been a crucial pillar of Hong Kong's manufacturing industry. Over the years, HSBC has been supporting many Hong Kong companies to adapt to the changing global environment, for example, transform from producing basic electronic goods to high value-added products and appliances. By offering up-to-date market information and appropriate product solutions, we are proud to be the trusted business partners of our clients."

With regard to the impact of a strong US Dollar on Hong Kong, the Report shows that the US Dollar is expected to remain strong over the next couple of years, while the Hong Kong Dollar will also appreciate against its main trading counterparts. This could limit export growth and thus Hong Kong's competitiveness. However, Hong Kong has established itself a major trading hub, its competitiveness depends largely on its strategic location for business in Asia, low and simple tax regime, world-class business infrastructure, and free flow of information. These advantages also allow Hong Kong to continue its role as a key sourcing hub for the Mainland.

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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/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 modelling can be found on <http://www.globalconnections.hsbc.com/>

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