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UK TRADE CONFIDENCE INCREASES, DESPITE SLUGGISH GLOBAL OUTLOOK

******UK firms benefitting from recovery in Western economies and falling commodity prices******

******Emerging markets set to increase in importance as export markets******

******Industrial machinery to remain the UK's most valuable traded goods sector******

Falling commodity prices, increased competitiveness and recovery in key Western economies has given UK firms a boost in trade confidence, despite a decline in global confidence, according to HSBC's latest *Trade Forecast*.

In the face of security and political risks in the Middle East and North Africa (MENA) and a sharp slowdown of import demand in Asia, HSBC's Trade Forecast found that more than two-thirds (70%) of UK traders expect trade volumes to increase in the next six months.

The UK's Trade Confidence Survey increased by seven points to 120, despite global confidence falling four points from 124 to 120 over the same six-month period.

Ian Stuart, HSBC Head of Commercial Banking UK, said: "While UK trade with MENA and Asia will remain a challenge in the short-term, the recovery in Western European economies and the US provides reasons for optimism. Add to this falling commodity prices and the sterling easing against the US dollar and Euro, and it is no wonder UK traders are increasingly buoyant over future trade prospects."

Emerging markets, particularly those supplying goods to UK service sector firms, will grow in importance for the UK in the long-term. China is on course to become the UK's top import partner by 2030, fuelled by 9% annual growth in the UK's imports from China per annum. The value of UK shipments to China, India and Malaysia is also expected to grow by an average of 9-10% per annum from 2021-2030.

Industrial machinery, transport equipment and chemicals and pharmaceuticals will continue to dominate the UK's merchandise exports growth. Together these three sectors will contribute around two-thirds of total goods exports value growth over the period to 2030. Industrial machinery and transport equipment will also contribute around a third of total import growth in the same time period.

The biannual HSBC Trade Forecast is designed to help businesses capitalise on growth opportunities in the medium term. In November 2015 HSBC published its innovative Trade Winds report which explores the drivers of future trade in goods and services, from falling air freight costs to 3-D printing.

DRIVERS OF UK RECOVERY

- **Recovery in Western economies**
- **Falling commodity prices**
- **Competitive gains from a stronger, yet more stable, US dollar in the period to 2020**
- **Continued growth in key sectors including automotive, pharmaceuticals and chemicals**

ENDS

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For a copy of the Trade Winds report: <http://www.hsbc.com/news-and-insight/2015/trade-winds>.

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.

INTERNAL

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/>

For modelling purposes we have assumed membership of the EU will remain as currently configured through the forecast period

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.

HSBC Holdings plc

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 6,100 offices in 72 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US\$2,572bn at 30 June 2015, HSBC is one of the world's largest banking and financial services organisations.

HSBC Commercial Banking

For 150 years we have been where the growth is, connecting customers to opportunities. Today, HSBC Commercial Banking serves businesses ranging from small enterprises to large multinationals in almost 60 developed and faster-growing markets around the world. Whether it is working capital, trade finance or payments and cash management solutions, we provide the tools and expertise that businesses need to thrive. With a network covering three quarters of global commerce, we make HSBC the world's leading international trade and business bank.

For more information see www.hsbc.com/1/2/business-and-commercial