

# News Release

29 May 2015

## **Singaporean exports set to accelerate due to Asian economic rebound and global trade agreements coming online**

**\*\* Singapore expected to see one of the highest trade growth rates among developed countries \*\***

**\*\* Singapore tops business technology readiness and top-five contributor of ICT trade globally \*\***

Asian economic recovery and the completion of several trade agreements will reignite Singaporean exports over the next five years, according to HSBC's Trade Forecast report. The report also finds Singapore's trade in the Information, Communication and Technology (ICT) sectors will remain globally important.

HSBC Trade Forecast is a six-monthly report by Oxford Economics that is commissioned by HSBC. Using proprietary modelling, HSBC Trade Forecast provides an outlook on the 5,10 and 15-year trade activity of 25 major economies, including Singapore.

According to the Singapore report, Singapore's exports for 2015-2020 are forecasted to grow by 3.9% pa globally and 5% pa within Asia (ex Japan). The forecast is significantly higher than Singapore's recent export growth of 1.1% over 2013 and 2014.<sup>1</sup>

HSBC Trade Forecast predicts the global export growth rate to 2020 will be 8% pa. While lower than the global export growth rate, Singapore is expected to have one of the highest trade growth rates amongst developed economies.<sup>2</sup>

Commenting on the report, Joe Arena, HSBC Singapore's Head of Global Trade and Receivables Finance said: "While a short term trade boost is expected from the increasingly robust US economy, and cyclical upturns in Europe and Japan, the demographic trends in Asian emerging markets are likely to be the trade kicker from 2017 onwards – and Singapore is set to benefit."

### **Rebound in Emerging Markets activity to lift Singapore exports**

HSBC Trade Forecast opines that Singapore's export rebound over the next five years will be propelled by the economic and trade rejuvenation of emerging markets within Asia and specifically Singapore's key business corridors - China, Malaysia and Indonesia.

The report highlights that China replaced Malaysia as Singapore's top destination for exports in 2014 and that Vietnam will emerge as a top five export partner for Singapore over the next 15 years, replacing the US.<sup>3</sup>

### **Upcoming trade agreements to be a future trade enabler**

The report finds that global trade activity will be further aided by the imminent completion of the World Trade Organisation's Trade Facilitation Agreement (TFA), the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP).

This information is issued by

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HSBC Trade Forecast highlights OECD research which estimates the TFA will reduce trade costs through reduction in customs and trade red tape by 12%.<sup>4</sup> Similarly, HSBC Trade Forecast shares research by the Peterson Institute<sup>5</sup> that the TPP could boost world income by US\$295 billion a year over the next decade.

### **Singapore ICT sector ranked first for business friendliness and a top-five contributor for ICT trade globally**

The HSBC Trade Forecast places a special focus on trade activity for the ICT sector.

The reports notes that between 1996 and 2010, the share of developing economies exports in world ICT exports more than doubled, from 31% to 64%. Asia's share increased sharply in the period, rising from 44% to 66%.

The report predicts that Singapore's ICT exports are forecasted to grow by 6% pa over 2015-30 and imports to grow by 8% pa over the same period.

Despite Singapore's shifting balance of trade within ICT - from exports to imports - reflecting the move of ICT manufacturing to lower-cost economies, HSBC Trade Forecast notes that Singapore is well positioned to remain a global player in ICT trade.

According to the report, Singapore is the highest ranked globally in the World Economic Forum's annual 'Networked Readiness Index'<sup>5</sup> which indicates a country's ability to exploit the opportunities offered by ICT.

Similarly, it notes that Singapore will remain a top five contributor of ICT trade globally.<sup>6</sup>

Arena concluded: "The shifting dynamics of ICT manufacturing within Asia also highlights the robustness and nimbleness of Singapore's ICT sector."

"Singapore is seeking to position itself as a 'smart country', by encouraging companies to invest and set up their head offices here."

"Practically speaking, we are seeing ICT businesses in Singapore move up the value chain by shifting production to lower-cost manufacturing economies in the region but centrally retaining their Intellectual Property, sales, distribution and decision-making in Singapore."

"Embracing the trade and economic realities of the region further demonstrates Singapore playing to its strengths as a financial trade hub and remaining strategically significant in the ICT sector."

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## Note 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. A top-down approach is employed, with Oxford Economics' suite of models used to ensure consistency between HSBC's forecasts for economic growth and exchange rates in key countries and the more granular projections for bilateral trade flows presented here.

Oxford Economics employs a global modelling framework, with headline bilateral trade forecasts constructed as a function of final demand in the destination market and the exporter's competitiveness (as measured by relative unit labour costs). Exports, imports and trade balances are identified, with both historical estimates and forecasts for the periods 2014-16, 2017-20 and 2021-30.

These headline bilateral trade forecasts are also disaggregated by sector, using Oxford Economics' Industry forecasts to inform future production trends. 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.

Oxford Economics produces a global report for HSBC, as well as country specific reports on the following 23 countries: Hong Kong, China, Australia, Indonesia, Malaysia, India, Singapore, Vietnam, Bangladesh, Canada, USA, Brazil, Mexico, Argentina, UK, France, Turkey, Germany, Poland, Ireland, UAE, Saudi Arabia, and Egypt. The analysis also includes trade with Japan and Korea for a total sample of 25 key trading nations.

All trade flows data are reported in nominal US-dollar value terms (using market exchange rates) unless otherwise specified. This means that fluctuations in a country's terms-of-trade due to relative price and exchange rate effects are reflected in the data.

### About 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 more than 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](http://www.hsbc.com/1/2/business-and-commercial)

### HSBC Singapore

HSBC Group's history in Singapore dates back to 1877 when its founding member, The Hongkong and Shanghai Banking Corporation Limited, opened its first branch on the island. A qualifying full bank, HSBC in Singapore offers a comprehensive range of banking and financial services including retail banking and wealth management; commercial, investment and private banking; insurance; forfaiting and trustee services; securities and capital markets services. One of the earliest banks to establish in Singapore, HSBC today is a prominent player in Singapore's financial services sector serving the banking needs of multi-national corporations, home-grown businesses, private banking clients, institutional and retail customers. Today, HSBC's flagship office remains at the original Collyer Quay site where its first branch was set up.

### HSBC Holdings plc

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from over 6,100 offices in 73 countries and territories in Asia, Europe, North and Latin America, and the Middle East and North Africa. With assets of US\$2,670bn at 31 March 2015, HSBC is one of the world's largest banking and financial services organisations.

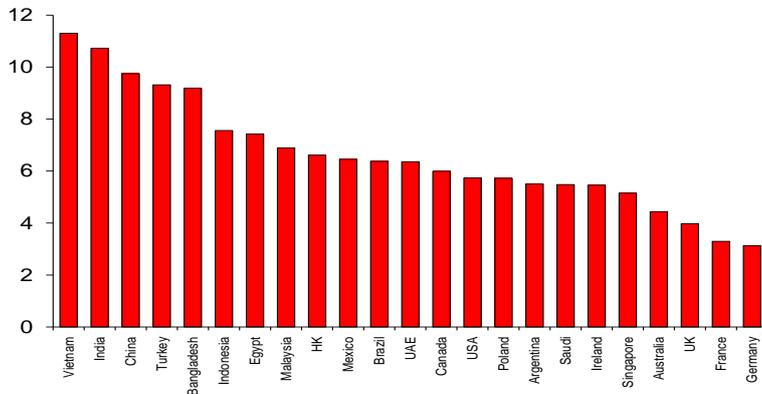
## Footnotes

<sup>1</sup>Ministry of Trade and Industry 2015 : [http://www.singstat.gov.sg/docs/default-source/default-document-library/publications/publications\\_and\\_papers/reference/sib2015.pdf](http://www.singstat.gov.sg/docs/default-source/default-document-library/publications/publications_and_papers/reference/sib2015.pdf)

<sup>2</sup> HSBC Trade Forecast – global growth in merchandise export

### Growth in merchandise exports, 2015-30

annual growth (% year)



Source : Oxford Economics

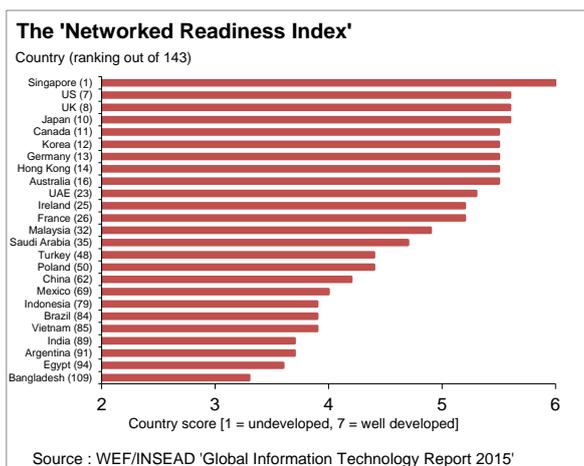
<sup>3</sup> HSBC Trade Forecast – Singapore's export destinations

### Top 5 Hotlist Export Destinations

Rank	2013	2030
1	Malaysia	China
2	China	Malaysia
3	HK	Indonesia
4	Indonesia	HK
5	USA	Vietnam

<sup>4</sup> HSBC Trade Forecast – TPP

<sup>5</sup> HSBC Trade Forecast – Networked Readiness Index



**6 Exports of electronics (% share among the 25 economies in the HSBC Trade Forecast)**

	2014	2030
China	35.2	43.7
HK	11.5	10.5
USA	10.6	11.2
Korea	8.0	8.6
Singapore	6.1	4.1
Japan	6.1	3.8
Germany	5.2	3.0
Mexico	5.1	4.3
Malaysia	3.6	3.3
UK	1.7	1.3
France	1.5	0.9
Vietnam	1.3	1.8
Canada	1.0	0.5
Poland	0.8	0.6
Ireland	0.5	0.3
Indonesia	0.5	0.7
India	0.4	0.3
Turkey	0.3	0.5
Australia	0.2	0.2
Brazil	0.1	0.1
UAE	0.1	0.1
Saudi	0.1	0.1
Bangladesh	0.1	0.1
Egypt	0.0	0.0
Argentina	0.0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

ends/all