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EMERGING MARKETS IN MIDDLE EAST AND ASIA LEADING GLOBAL TRADE CONFIDENCE

Canadian businesses optimistic about trade growth outlook and trade with the US, but concerned about effects of exchange rate fluctuations

According to the latest HSBC Trade Confidence Index, Canadian businesses are confident about the economy and trade growth, while the United Arab Emirates, India and Vietnam are the most confident about overall trade activity and growth in the next six months.

The HSBC Trade Confidence Index covers a total of 17 markets – including key economies in the Asia-Pacific region, the Middle East, Latin America, the US, Canada and Europe. In the largest opinion survey of its kind, 5,120 trade-oriented small and mid-market enterprises were asked about their six-month outlook on: trade volume; buyer and supplier risks; the need for trade finance; access to trade finance; and the impact of foreign exchange on their businesses. The results were used to calculate an index ranging from 0 to 200, where 200 represents the highest confidence level, 0 represents the lowest and 100, neutral.

The United Arab Emirates, India and Vietnam scored 134, 133 and 132 respectively, with the rest of the markets indicating a positive outlook, except for France, which scored 95. On its inaugural participation in this survey, Canada scored 109 and sits just below the US, at 110. Both countries scored higher than the developed countries' average of 106.

Overall, trade confidence globally has remained firmly in positive territory since the survey was launched in the first half of 2009 and has steadily increased over the last 12 months.

Bill Nowicki, Executive Vice President, Head of Trade and Supply Chain, HSBC North America, said: "Trade is playing a key role in the global economic recovery. The strengthening of confidence from these global respondents over the last year, despite slow economic progress in the West and the recent crisis in the Middle East, is proof of the significance of trade. Canadian companies have a positive outlook, however, are still cautious compared to other countries, as they steer themselves through the choppy waters of economic recovery."

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News Release

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Globally, over half of traders (56%) including those in the UK, the US, Canada and Germany are bullish about their outlook on increasing trade volumes over the next six months, although the most confidence came from traders in Latin America (64%), Middle East (63%), Greater China (63%) and India (61%).

Mr. Nowicki said: “Our survey suggests that a positive trade outlook is sustainable as companies expect trade volumes to increase. Importers and exporters in Asia, particularly in India and South-East Asia, are the most confident about securing the financing they anticipate they will need to support new orders. With the recovery in full gear in Asia, constraints on liquidity and funding have become less of an issue. In Canada, 23% expect their ability to access trade financing to increase, while the majority, 66% of respondents, expect to maintain their current access to trade finance.”

The survey, however, shows traders concerned about fluctuations in exchange rates and trade regulations, with Canada and Greater China traders appearing to be the least worried about the impact of trade regulations on their business, yet the most concerned about fluctuations in exchange rates.

Among exporters and importers in Greater China, for example, only eight per cent said that the impact of trade regulations would be unfavourable to their businesses compared to 34% who said exchange rates may work against them. Canadian respondents are also bearish about the impact of exchange rates. With 37% of respondents viewing the impacts of exchange rates as unfavorable or very unfavorable.

Mr. Nowicki said: “Since the inception of the survey more than a year ago, traders around the world have told us that foreign exchange is a major concern. However, we have continued to see their confidence grow, which suggest that while foreign exchange is one of the many risks that global businesses must constantly look to manage in order to succeed, it is not necessarily an inhibitor to growth. Only a select few financial providers, including HSBC, are able to help mitigate these complex risks on a global scale.”

The survey also suggests that intra-regional trade will continue to underpin global trade activity in the next six months. In fact, 56% of Canadian respondents expect the US to provide the most potential for trade growth over the next six months. Hong Kong and mainland China traders will continue to focus on Greater China trade, including Macau and Taiwan, and Latin America and Europe will also focus on trade amongst themselves as well.

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However, the survey suggests that emerging economies are becoming more attractive for exporters. For example, the proportion of mainland China traders who point to South-East Asia as the most promising region for trade growth doubled to 20% from 10% six months ago since the launch of the China-ASEAN free trade deal. US traders looking at Latin America for growth also nearly doubled from 14% to 27% in the last six months. Canadian companies also see opportunity in the emerging markets with Greater China (16%) and Southeast Asia (5%), following the US, as the most promising regions for trade growth.

Mr. Nowicki said: “While trade within geographic regions remains the priority, increased domestic consumption in emerging markets presents an opportunity for new trade corridors that can benefit both developed and emerging economies.”

About the survey

The semi-annual HSBC Trade Confidence Index, which this year includes Canada, gauges sentiment and expectations on trade activity and business growth in the next 6 months from 5,120 exporters and importers across 40 cities in 17 countries. The survey was conducted from January to March 2010. The error rate is +/- 5.7%, at a 95% confidence level.

About HSBC

HSBC Bank Canada, a subsidiary of HSBC Holdings plc, has more than 260 offices, including over 140 bank branches, and is the leading international and trade finance bank in Canada. In a recent survey conducted by the Canadian Federation of Independent Business, HSBC Bank Canada was rated the top bank for small businesses (5-49 employees). With around 8,000 offices in 88 countries and territories and assets of US\$2,364 billion at 31 December 2009, the HSBC Group is one of the world’s largest banking and financial services organizations.

Media enquiries:

Ernest Yee
Vice President, Corporate Affairs
HSBC Bank Canada
(604) 641-2973

Fabrice de Dongo
Senior Manager, Public Affairs
HSBC Bank Canada
(416) 868-8282