News Release

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SERVICE INDUSTRIES SET TO BENEFIT MOST FROM GLOBAL TRADE

*** New Global Trade Forecast combines goods and services data for ground-breaking analysis of international commerce***

***Services expected to form 25% of global trade in a sustained manner by 2030, driven by growth in B2B and ICT ***

As economic and political headwinds slow global trade in commodities and manufactured goods, businesses seeking to boost sales through exports should explore opportunities linked to services, new research from HSBC Commercial Banking shows.

Whilst the US$ value of global merchandise exports has probably contracted by about 3% this year, cross-border sales of services such as tourism, banking, construction and software development have risen by 1% in nominal terms, according to HSBC's *Global Trade Forecast*, which includes the most comprehensive ever country-by-country analysis of trade in services.

If governments refrain from introducing new impediments to trade, the value of global goods exports is expected to recover gradually to expand by 3% in 2017 and then 6% a year to 2030. Services, meanwhile, will average 7% annual growth to contribute USD12.4trn to global trade flows in 2030, up from an estimated USD4.9trn this year.

However, if new tariff and non-tariff barriers are implemented, whether due to US trade policy changes mooted by President-elect Donald Trump or a so-called 'hard Brexit' in the UK, the combined value of goods and services trade in 2030 could drop by 3% to USD48.8trn from a current projection of USD50trn.

Natalie Blyth, Global Head of Trade and Receivables Finance, HSBC, said: "This complete picture of global commerce, spanning services as well as merchandise, clearly shows the value of cross-border trade to our economies and the value of diversification to long-term business growth. We can see that technological advances, rising consumer spending and falling travel costs are boosting the services sector even as factors such as commodity price volatility and subdued investment spending weigh on growth in goods trade."

In their analysis of bilateral trade between 25 key trading nations, HSBC and research partner Oxford Economics found that growth in services exports has outstripped growth in goods trade since the global financial crisis. This is partly down to spending on services being less affected by fluctuations in economic activity than spending on goods.

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Trade in business-to-business (B2B) and information and communications technology (ICT) services in particular has flourished, averaging growth of 9% and 12% per year respectively between 2000 and 2015 as business models evolved to exploit new technologies such as cloud-based data-sharing.

The US, UK, China, Germany and France were the world's top exporters of services in 2015, and will remain so in 2030, but most developed markets will lose share as today's emerging economies develop their workforce skills and digital infrastructure. India, for example, is already a highly successful exporter of business process outsourcing (BPO) and support services for finance, medicine and engineering, and is set to increase these exports in the coming years.

Nonetheless, whilst trade in services continues to thrive it is dwarfed by global trade in goods. The latter will be worth about USD37trn by 2030, according to the forecast, equating to 75% of total trade.

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