

# HSBC Global Connections

## Trade Forecast Update: France

February 2012

### Forecast exploring the future of world trade and the opportunities for international businesses

- World trade to grow by 86% in the next 15 years (2012-2026)
- International trade growth will accelerate from 2014
- Companies to increase trade activity by 4.70% annually to achieve projected growth
- Fastest growing emerging sectors support trade infrastructure and the transportation of goods around the world
- France's trade growth from 2012 to 2026 will be 68.99%
- French companies to increase trade activity annually by 3.70% over the next 15 years
- France's fastest emerging export sector is petroleum oils, oils from bituminous mineral and crude, which will grow at an annualised rate of 21.68% over the next five years

#### Global trade overview

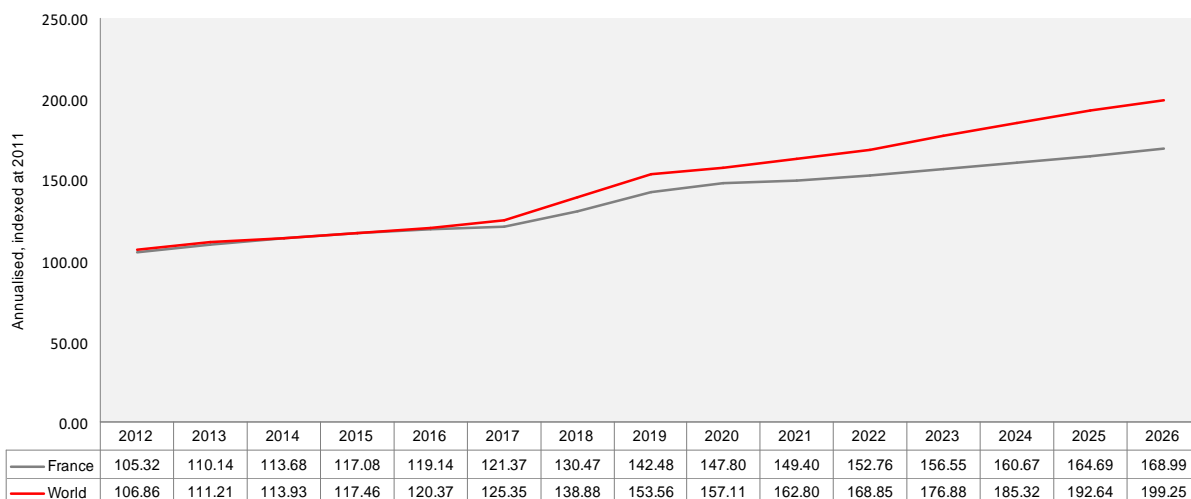
As the world continues to face well-documented economic challenges, the Trade Forecast suggests grounds for optimism for international businesses. Despite the current climate the overall trend for international trade is positive with growth acceleration sooner than expected from 2014, rather than 2015. After 2014 the global economy ends a period of slow growth and contraction and sees an upturn in trade in line with GDP forecasts. Over the next five years it is forecast that world trade will grow at an annualised rate of 3.78% (see below graph for year-on-year predictions), due primarily to the expectation of an earlier recovery of the overall global economy. In the period 2017-2021, the Forecast predicts even more rapid annualised growth at 6.23%, as world demand for traded goods recovers its dynamism. As a result world trade is predicted to grow by 86.00% in the next 15 years, taking total trade activity in that year to \$53.8 trillion.

The Trade Forecast predicts that trade in France will grow at an annualised rate of 2.41% to 2016. This will increase between 2017 to 2021 to 5.25%. This equates to growth of 68.99%. Annualised total trade growth in France over the next 15 years will be 3.70% which is the rate at which companies will need to increase their international activities if they are to keep pace with this change.

#### France's trade outlook

France's trade will grow just slower than is average for the world over the next five years up to 2017, when the gap between the world average and France increases quite significantly. The world growth is because of accelerated growth after 2015 in Latin America and Asia Pacific.

Annual growth rates year on year, France and world 2012-2026



#### Alan Keir, Group Managing Director and Global Head, HSBC Commercial Banking:

"Where once businesses followed economic investment, now, forward-thinking companies lead, taking matters into their own hands and making business happen. Whether that's taking advantage of shorter-term growth in international trade, which despite economic uncertainty sits at \$1trillion a year, or by creating new supply chains that open up trade corridors, businesses are connecting themselves to future opportunities. The reality is that growth opportunities lie internationally. The companies that succeed will be planning for that today."

## Trade corridors and trends

France's trade is largely within the European Union and this is reflected in its largest export partners: Germany, Italy and Belgium, which are forecast to grow as export destinations by 2.99%, 1.96% and 3.32% annually to 2016. Its largest import partners are Germany, China and Italy. The fastest growing large export partners suggest that France's dependency on Europe may be declining: exports to Singapore are forecast to grow at 7.31%, to Russia 7.07% and to China 6.94% annually to 2016. The smaller emerging fast growing export destinations include Indonesia, Saudi Arabia and Vietnam. These figures reflect the emerging importance of Asian and Middle Eastern trade corridors.

Germany is France's largest importer, and growth is predicted to be 3.11% annually over the next five years. China is also rapidly increasing its imports and is amongst the fastest growing large trading partners with growth forecast of 7.33% annually to 2016. Poland and the Czech Republic are key fast growing import partners, while imports from Qatar, Paraguay and Egypt will grow as France looks to expand its trade corridors in order to stimulate its economy in the wake of the eurozone crisis.

France's Emerging Growth Importers and Exporters (2012-2016)

France's Largest (2012) Export Partners Ordered by Value	CAGR (2012)	Emerging Growth Export Partners	%	France's Largest (2012) Import Partners Ordered by Value	CAGR (2012)	Emerging Growth Import Partners	%
Germany	2.99%	Laos	16.39%	Germany	3.11%	Qatar	16.90%
Italy	1.96%	Bahrain	14.20%	China	7.33%	Bolivia	16.19%
Belgium	3.32%	Oman	12.29%	Italy	2.18%	Paraguay	13.84%
Spain	0.68%	Libya	11.91%	Belgium	3.11%	Oman	12.61%
United Kingdom	0.67%	Macao	11.30%	Spain	2.71%	Cayman Islands	10.81%
USA	0.91%	Colombia	10.82%	USA	3.76%	Cyprus	10.32%
Netherlands	4.02%	Indonesia	10.57%	Netherlands	4.17%	Slovakia	10.02%
China	6.94%	Saudi Arabia	10.54%	United Kingdom	1.27%	Zimbabwe	9.26%
Switzerland	4.04%	Ghana	10.46%	Switzerland	5.13%	Romania	8.60%
Russia	7.07%	Vietnam	10.05%	Poland	7.40%	Egypt	8.49%

N.B. Emerging Growth Import and Export Partners are trade partners that are growing most quickly over the period, albeit potentially from a small base.

## Sector watch

The table below shows France's fastest growing export and import sectors by partner:

France's Fastest Growing Export and Import Sectors by Partner (2012-2016)

Export Sector	Export Partner	CAGR (2012-16)	Import Sector	Import Partner	CAGR (2012-16)
Aircraft, spacecraft, satellites	Singapore	12.52%	Oils petroleum, bituminous, Distillates, except crude	USA	13.53%
Aircraft, spacecraft, satellites	Germany	11.45%	Printing and ancillary machinery	China	12.87%
Turbo-jets, turbo-propellers/other gas turbine engines	Germany	6.70%	Petroleum gases and other gaseous hydrocarbons	Nigeria	12.16%
Turbo-jets, turbo-propellers/other gas turbine engines	USA	6.18%	Motor vehicles for transport of persons (except buses)	Slovakia	12.16%
Orthopaedic appliances	Netherlands	4.95%	Articles for funfairs, table and parlour games	China	9.55%
Petroleum gases and other gaseous hydrocarbons	Italy	4.43%	Motor vehicles for transport of persons (except buses)	Turkey	8.14%
Medicaments, therapeutic, prophylactic use, in dosage	Spain	4.40%	Electric apparatus for line telephony, telegraphy	China	7.88%
Aircraft, spacecraft, satellites	India	4.15%	Oils petroleum, bituminous, Distillates, except crude	Netherlands	6.74%
Oils petroleum, bituminous, distillates, except crude	Netherlands	3.90%	Petroleum gases and other gaseous hydrocarbons	Germany	6.33%
Medicaments, therapeutic, prophylactic use, in dosage	Germany	3.66%	Oils petroleum, bituminous, Distillates, except crude	United Kingdom	6.11%

N.B. France's fastest growing import and export sectors by partner are developed from the top 50 export and import partners and are selected alongside the trade sectors that constituted values of above \$100 million at the end of 2010. The top ten fastest growing partners by sector were selected for this table.

## The sector opportunity

**Chemicals and pharmaceuticals:** The Trade Forecast is predicting that the pharmaceutical sector will remain vital to French trade. It is predicted that exports of medicines to Spain will increase at an annualised rate of 4.40% to 2016, to Germany by 3.66%, to Italy by 3.60% and to the USA by 2.42%. Similarly, imports from Switzerland will increase by 5.89% and Italy by 5.50% annually to 2016. The main challenge is that this trade is largely within Europe. The challenge for businesses who are internationalising in this sector will be to trade both within and outside of Europe, in order to fasten the pace of development.

**Aircraft, spacecraft and satellites:** This sector is set to grow at an annualised rate of 8.13%, while related sectors such as Turbo jets are also set to grow by 7.21%. This sector is not as dominated by European trade: exports of aircraft to Singapore will increase by 12.52%, to Germany by 11.45%, to India by 4.15% and to China by 3.54% annually over the next five years. While exports of jets to the USA will also grow. There are no import partners emerging over the next five years into the French market in this sector; a unique French trade advantage. Businesses with the technological expertise can internationalise by linking with the largest French suppliers to enter overseas markets.

**Automobiles:** With a forecast negative growth of -3.47%, it would seem strange to highlight this as a sector opportunity for France. However, the fact that there is a net decline in exports forecast over the next five years does not suggest that the French car sector is less competitive or less important. For example, imports of cars from Slovakia are set to increase by 12.16% and from Turkey by 8.14% annually over the next five years suggesting that French automotive sector supply chains are spreading into some of the emerging economies in Europe. Furthermore, automotive component exports to Germany are set to increase by 2.22% annually to 2016. The opportunity for businesses working with the largest French car manufacturers is to internationalise through routes into emerging Europe and trading back into France.

## HSBC Trade Connections

### Trade Forecast

The Trade Forecast predicts how trade is going to develop over the next five, 10 and 15 years. It forecasts overall trade growth (exports, imports and total trade) globally, in global regions, and individual countries. Spanning 37 countries, it covers the top 10 sectors for exports and imports for each of these. The forecast has a unique approach to understanding the drivers of trade from a business perspective, informed by: trade trends, macroeconomic and market influences trade (for example GDP, oil prices, inflation, foreign direct investment), and business environment influences on trade (including regulation, demographics, access to capital and finance). The research has been commissioned by HSBC and undertaken by Delta Economics.

The economic and business narratives stem from a broader documentary search that includes material from National Statistical Offices, the World Bank and International Monetary Fund, economic blogs, the Economist Intelligence Unit, Bloomberg, the Financial Times and other professional and financial services news websites.

### About HSBC Commercial Banking

Headquartered in London, HSBC is one of the largest banking and financial services organisations in the world. HSBC is one of the world's most international commercial banks with over three million customers in more than 60 markets.