

# HSBC Global Connections

## Trade Forecast Update: Singapore

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
- Singapore's trade to grow 137.33% to 2026
- Singapore's companies to increase trade activity by 5.00% annually over the next 15 years
- Growth will be fuelled by Singapore's export of printing machinery to the USA which is forecast to grow at an annualised rate of 11.51%

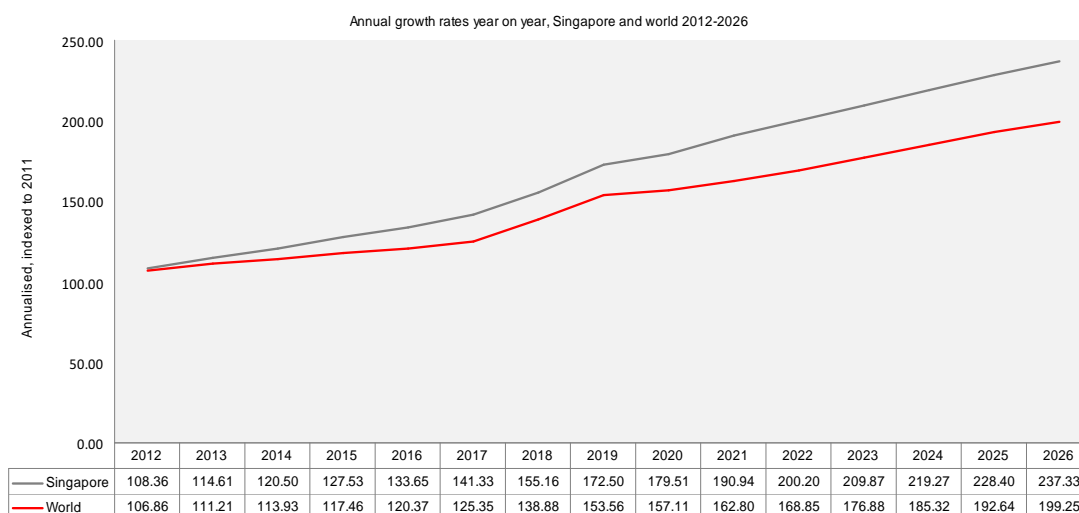
### Trade overview

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 Singapore will grow at an annualised rate of 4.44% to 2016, increasing between 2017 - 2021 to 6.33% annualised. This equates to growth, indexed to a base in 2011, of 137.33%. Annualised total trade growth in Singapore over the next 15 years will 5.00%, which is the rate at which companies will need to increase their international activities if they are to keep pace with this change

### Singapore's trade outlook

Singapore's trade will grow faster than is average for the world to 2026. The Trade Forecast predicts that Singapore will be growing at a rate that is 13.00% higher than world average to 2016 and by 2026 will be growing nearly 38.00% faster. The world growth is because of accelerated growth after 2015 in Latin America and Asia Pacific. Singapore's role as a core trade hub between Europe, North America and the Asia Pacific region will strengthen over the period with exports to France, for example, set to grow by 9.07% annually over the next three years. This suggests that Singapore is using its geographical location to enhance its own role as a trade gateway to Asia Pacific.



### 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

Singapore's largest export partners are Indonesia, China and Malaysia. The Trade Forecast predicts that each of these will grow annually to 2016 by 3.78%, 6.01% and 3.65%, respectively. The fastest growing large export partners are mainly in the Asia Pacific region with exports to India forecast to grow by 8.27% (annualised to 2016) because of an increase in non-crude oil exports. South Korea is set to grow as an export destination by 8.13% annually to 2016 and Vietnam and Hong Kong are also forecast to increase as growth export corridors by 7.41% and 6.60%, respectively. Emerging export partners reflect both the increased role that Singapore has in the transport of oil around the world, and in fast growing established supply chains. Singapore's largest import partners are China, the USA and Malaysia. Imports from these countries are forecast to grow at annualised rates of 5.74%, 6.16% and 3.88%, respectively, to 2016. With the notable exception of South Korea, Singapore's fastest growing large import partners are from Europe. Imports from the Netherlands are forecast to increase, accounted for by an 11.98% increase in non-crude oil imports annually to 2016. France's imports of aircraft, spacecraft and satellites will increase at an annualised rate of 13.21%, driving an overall increase in this corridor of 7.44%. An increase in imports from the USA is forecast to be driven by annual growth over the next five years in non-crude oil (12.01%), turbo-jets (6.66%) and machine parts (6.16%). Aircraft parts and medicine feature strongly as large fast growing exports with forecast growth of 10.25% and 7.59% annually to 2016. These are sectors in which the Netherlands, France, the UK and the USA dominate the global supply chain and this suggests that Singapore is being used as a route for businesses from these countries to access markets in the Asia Pacific.

Singapore's Emerging Growth Importers and Exporters (2012-2016)							
Singapore's Largest (2012) Export Partners Ordered by Value	CAGR (2012)	Emerging Growth Export Partners	%	Singapore's Largest (2012) Import Partners Ordered by Value	CAGR (2012)	Emerging Growth Import Partners	%
Indonesia	3.78%	Estonia	24.86%	China	5.74%	Bermuda	32.45%
China	6.01%	Uruguay	16.93%	USA	6.16%	Estonia	30.77%
Malaysia	3.65%	Cambodia	16.38%	Malaysia	3.88%	Oman	19.16%
Hong Kong	6.60%	Slovakia	15.38%	Japan	5.25%	Algeria	18.88%
USA	4.14%	Algeria	15.32%	Indonesia	4.48%	Nigeria	18.65%
India	8.27%	China, Macao	14.91%	Rep. of Korea	6.50%	Kenya	17.19%
Thailand	4.49%	Czech Republic	13.98%	Thailand	5.88%	Lebanon	16.94%
Japan	5.23%	Romania	13.61%	Germany	5.32%	Hungary	16.47%
Australia	5.75%	Kenya	13.59%	France	7.44%	Libya	16.02%
Rep. of Korea	8.13%	Lebanon	13.21%	India	5.61%	Venezuela	15.17%

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 Singapore's fastest growing export and import sectors by partner:

Singapore'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)
Oxygen-function amino-compounds	Belgium	13.71%	Oils petroleum, bituminous, distillates, except crude	Venezuela	15.33%
Printing and ancillary machinery	USA	11.51%	Oils petroleum, bituminous, distillates, except crude	Japan	14.50%
Oils petroleum, bituminous, distillates, except crude	India	10.18%	Oils petroleum, bituminous, distillates, except crude	Russia	13.56%
Diodes, transistors, semi-conductors, etc	Hong Kong	7.51%	Aircraft, spacecraft, satellites	France	13.21%
Oils petroleum, bituminous, distillates, except crude	Philippines	6.87%	Oils petroleum, bituminous, distillates, except crude	USA	12.01%
Oils petroleum, bituminous, distillates, except crude	China	4.86%	Oils petroleum, bituminous, distillates, except crude	Netherlands	11.98%
Electronic integrated circuits and microassemblies	Philippines	4.83%	Oils petroleum, bituminous, distillates, except crude	South Korea	10.75%
Parts for use with lifting, moving machinery	Indonesia	4.75%	Printing and ancillary machinery	China	10.38%
Electronic integrated circuits and microassemblies	Thailand	4.73%	Commodities not elsewhere specified	Indonesia	9.05%
Oils petroleum, bituminous, distillates, except crude	Vietnam	4.17%	Electronic integrated circuits and micro assemblies	Thailand	7.76%

N.B. Singapore'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.

## Sector opportunities

**Consumer electronics:** Singapore has a key role in the consumer electronics sector, but is primarily an importer and exporter of these goods between global regions. Electronic integrated circuits and printing and ancillary machinery are Singapore's second and third largest export sectors and are forecast to grow at 3.45% and 10.05% annually over the next five years, respectively. Exports to the USA in printing and ancillary machinery are forecast to increase by 11.51% annually to 2016, while imports from China are forecast to increase by 10.38%. In electronic integrated circuits, exports to the Philippines are forecast to grow at 4.83% annually to 2016, to Thailand annually at 4.73% and to South Korea annually by 3.12%. Imports of electronic integrated circuits from Thailand are forecast to increase by 7.76% annually over the next five years. These are core import and export sectors for Singapore and international businesses seeking to expand in these markets need to use Singapore as a base for entering the Asia-Pacific region from North America or Europe or for entering North America and Europe from the Asia-Pacific region. Rates of growth are fast; businesses need to increase their international activity by 10.05% if they are to keep pace with the globalisation in this sector.

**Oil:** Non-crude oil is Singapore's largest export sector and is forecast to grow annually by 6.26% to 2016. Imports of non-crude oil are also forecast to grow at 8.34% annually over the same period. Looking at the emerging trade corridors by sector, it is clear how substantial this sector is for the country and how it acts as a key supply route connecting the Asia Pacific region with Latin America, North America and Europe. Exports to India in non-crude oil are set to increase at an annualised rate of 10.18% over the next five years, while exports to the Philippines will grow by 6.87% and to China by 4.86% annually to 2016. Imports from Venezuela are set to increase by 15.33%, from Japan by 14.36%, from Russia by 13.56% and from the USA by 12.01% - all annualised to 2016. Comparatively, other sectors are dwarfed by this trade. Businesses in the sector will be well aware both of its complexity and its global nature. Using Singapore as a hub provides a route to global markets. But rapid growth, forecast at 6.26% annually for exports, places pressure on these businesses to work through the global supply chain to increase their international activity at least that rate.

### 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.