

# HSBC Global Connections

## Trade Forecast Update: UAE

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
- UAE trade forecast to grow by 124.03% to 2026
- UAE companies to increase trade activity annually over the next 15 years by 5.52%
- This substantial growth will be fuelled by the emergence of trade in electrical apparatus, jewellery and aircraft as well as the expected oil and oil derived products

### Trade overview

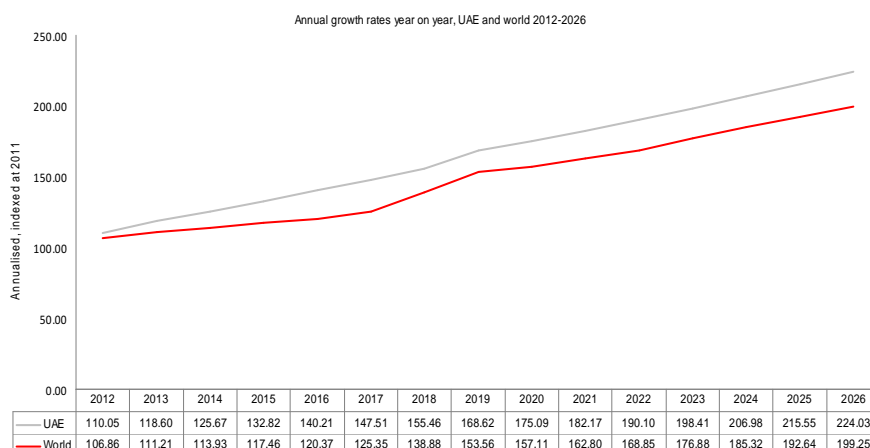
As the world continues to face well-documented economic challenges, the Trade Forecast suggests grounds for optimism for international businesses. Despite the current climate the overall trend for international trade is positive with growth acceleration sooner than expected from 2014, rather than 2015. 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 the UAE will grow at an annualised rate of 6.99% over the next five years to 2016, increasing between 2017-2021 at 5.37%. This equates to growth of 124.03%. Annualised total trade growth in the UAE over the next 15 years is forecast to be 5.52% which is the rate at which companies will need to increase their international activities if they are to keep pace with this change.

*Please note: We have provided accurate forecasts based on available country level and international data from recognised international sources. This means that data was drawn from Bloomberg and Havers as well as UN Comtrade. Sectors and countries are reported differently in these datasets and the data is comparable with UN Comtrade sources but updated via Bloomberg and Havers as MENA countries do not regularly update trade data on international statistical platforms. The modelling process used is the same as for all country summaries.*

### UAE's trade outlook

The UAE's trade is predicted to grow faster than the world average over the next 15 years, demonstrating the continuing strength of the UAE economy. The rate of growth is unsurprising given that the Trade Forecast predicts that world trade will be boosted and driven by the Asia Pacific region after 2015, with whom the UAE has strong trade ties. As a result the UAE's rate of growth is predicted to grow faster by 22.16% up to 2017. It is then predicted to slow its rate of increase until 2025, when it again regains those rates of increased growth.



### Tim Reid, Regional Head of Commercial Banking, HSBC Bank Middle East said:

"There is no denying the challenges the region has faced and continue to face this year. Nevertheless today's data very much supports our belief in the long term economic potential of the region. As the region's leading international trade bank, we know that trade lies at the core of ensuring international economic recovery particularly as businesses explore new trade corridors and take advantage of the new global opportunities. The Middle East as a whole remains an ideal hub for North to South, East to West and intra-regional trade flows. Businesses should continue to feel confident about the future."

## Trade corridors and trends

The UAE's largest five trade export partners are Japan, India, South Korea, Thailand and Singapore with annualised growth forecast between 2012-2016 of 3.46%, 11.94%, 3.79%, 6.30% and 7.76% respectively. These relatively high growth rates for countries which are already some of the UAE's largest export partners indicate clearly the importance to the UAE's export trade, especially with India. Other large export partners show the region bias which the UAE has in terms of its largest export partners; 13 of the largest 15 export trade partners are Asian or Middle Eastern. Of the emerging export trade partners, only India is forecast to experience high rates of export growth at 11.94% (2012-2016 annualised). Other trade partners also forecast for high export annual growth rates to 2016 are Rwanda (12.74%), Egypt (12.50%), Vietnam (10.85%), Philippines (10.79%), Ireland (10.55%) and Malaysia (10.14%). These partner countries show the developing trade corridors away from those large export partners to include African, other south east Asian and European countries resulting from fast economic growth increasing demand for oil - especially in the emerging economies.

The UAE's largest five trade import partners are India, China, the USA, Germany and Japan with annualised forecast growth 2012-2016 of 10.48%, 8.67%, 6.09%, 6.66%, and 5.30% respectively. This shows steady rates of increased import trade, particularly with India. The other largest import partners are all established industrial economies including for example, Italy, UK, France and Singapore. The only negative export trade rate forecast is the UK, at -0.42% over the next five years; this may reflect the fact that the UK will be importing oil from other sources. Of the emerging import trade partners, only India at fifth highest (10.48%) and China at 10th highest at (8.67%) are also one of the UAE's current largest import trade partners. This underlines the importance of India and China to the UAE's trade patterns. Other countries predicted to have high rates of import trade indicate developing trade corridors with South America (Peru, 35.86%, Brazil, 8.72%) and Africa (Morocco, 13.45%, Egypt 9.99% and Kenya, 8.57%), all annualised over the next five years.

UAE's Largest (2012) Export Partners Ordered by Value	CAGR (2012)	Emerging Growth Export Partner	%	UAE's Largest (2012) Import Partners Ordered by Value	CAGR (2012)	Emerging Growth Import Partner	%
Japan	3.46%	Rwanda	12.74%	India	10.48%	Peru	35.86%
India	11.94%	Egypt	12.50%	China	8.67%	Morocco	13.45%
South Korea	3.79%	India	11.94%	USA	6.09%	Bangladesh	11.40%
Thailand	6.30%	Vietnam	10.85%	Germany	6.66%	Vietnam	11.36%
Singapore	7.76%	Philippines	10.79%	Japan	5.30%	India	10.48%
Oman	8.10%	Ireland	10.55%	Italy	5.90%	Egypt	9.99%
Pakistan	6.62%	Malaysia	10.14%	United Kingdom	-0.42%	New Zealand	9.49%
China	7.67%	Canada	9.91%	South Korea	8.42%	Thailand	8.74%
Saudi Arabia	6.14%	Turkey	9.69%	France	3.25%	Brazil	8.72%
Malaysia	10.14%	Australia	9.38%	Turkey	8.04%	Oman	8.67%

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

Export Sector	Export Partner	CAGR (2012-16)	Import Sector	Import Partner	CAGR (2012-16)
Gold, unwrought, semi-manufactured, powder form	Switzerland	16.17%	Electric apparatus for line telephony, telegraphy	China	17.21%
Jewellery and parts, containing precious metal	Hong Kong	12.44%	Aircraft, spacecraft, satellites	Germany	16.84%
Jewellery and parts, containing precious metal	Bahrain	11.85%	Gold, unwrought, semi-manufactured, powder form	Pakistan	15.74%
Diamonds, not mounted or set	Hong Kong	9.88%	Turbo-jets, turbo-propellers/other gas turbine engines	USA	13.40%
Diamonds, not mounted or set	Belgium	6.89%	Rice	India	12.55%
Diamonds, not mounted or set	India	5.74%	Gold, unwrought, semi-manufactured, powder form	Libya	12.29%
Gold, unwrought, semi-manufactured, powder form	India	3.29%	Parts of aircraft, spacecraft, etc	USA	11.33%
Waste or scrap of precious metal	Switzerland	-0.23%	Aircraft, spacecraft, satellites	USA	10.17%
Platinum unwrought, semi-manufactured or powder forms	India	-4.72%	Diamonds, not mounted or set	Hong Kong	10.12%

NB: Fastest growing import and export sectors by partner are developed from the country's 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 10 fastest growing partners by sector were selected for this table.

## Sector opportunities

**Jewellery:** Oil and its derivatives are obviously the UAE's major export and this will, of course, continue to be its strength, but there are emerging sectors which are forecast to have high rates of export growth identified by the Trade Forecast. Exports of gold to Switzerland and India are forecast to grow by 16.17% and 3.29% respectively, annualised between 2012-2016. This is supported by high forecast rates of export growth for other jewellery (to Hong Kong and Bahrain) and diamonds (to Belgium and India). Apart from oil, seven of the 13 highest predicted rates of growth for export sectors are jewellery. The export trade in jewellery is supported by a corresponding import trade in the sector; four of the top 15 highest predicted rates of growth of imports into the UAE fall here. Imports from Pakistan are forecast to grow by 15.74%, from Libya (12.29%), from Hong Kong (10.12%) and from Turkey (9.27%), all annualised 2012-2016.

**Aircraft and Space:** The UAE imports substantial amounts of aircraft, satellite technology, parts for them, jet engines and associated products. The highest predicted rates of growth are imports from Germany, USA, UK and France. The rates of import growth in these sectors are forecast to be some of the highest for the UAE over the next five years. The UAE is forecast to grow imports of aircraft, spacecraft and satellites from Germany at 16.84%, and from the USA 10.17%, turbo-jets propellers and engines from USA at 13.40%, from the UK at 8.41% and from Germany at 7.71%, annualised. These figures underline the importance of the trade corridors between the UAE and the established developed economies which have already invested in these sectors.

### 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.