

# News Release

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## Free trade necessary to expedite global services boom

\*\*\* *Services exports could account for 25% of global trade by 2030* \*\*\*

\*\*\* *New research quantifies impact of potential trade barriers* \*\*\*

Growth in service exports could outstrip growth in global goods exports by 2030 according to new HSBC research which highlights the benefits generated by free trade and the potential for Australian business to capitalise on Asia's rapidly growing middle class.

Tourism and travel services will account for over half of Australia's service export revenue from 2016-2020 and business-to-business services such as financial services will become an increasingly important source of revenue by the 2020s, according to HSBC's *Global Trade Forecast*.

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

"Exports of services like tourism, health and education could underpin much of Australia's future prosperity as more people in China and the ASEAN region join the ranks of the middle class. The China-Australia Free Trade Agreement has already proved beneficial and it is imperative that pacts which allow trade with other nations to flourish are encouraged," said Steve Hughes, HSBC Australia's head of Commercial Banking.

If world governments refrain from introducing new impediments to trade, it's likely services will average 7% annual growth to contribute USD12.4trn to global trade flows in 2030, up from an estimated USD4.9trn last year. Global goods exports are expected to recover gradually from a 3% decline last year to expand by 3% in 2017 and then 6% a year to 2030.

However, if new tariff and non-tariff barriers are implemented due either 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 projected USD50trn.

Meanwhile, HSBC's most recent Trade Confidence Survey, which provides a snapshot of business expectations for cross-border trade over the next six months, has found the confidence of Australian business has remained steady despite global events in 2016.

"This result proves the resilience of our business community but the sooner we have clarity on future trade deals, the better it will be for Australian companies and global trade prospects generally," Mr Hughes said.

China's position as Australia's top service destination will be cemented over the next 15 years, with the country expected to account for 18% of total revenue in 2030. The US and UK will remain in second and third place, at 8% and 7% respectively. India's demand is expected to grow rapidly as household incomes rise, which will propel it to our fourth most important market by 2030.

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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A copy of HSBC's trade report for Australia is attached.

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