News Release

8 December 2015

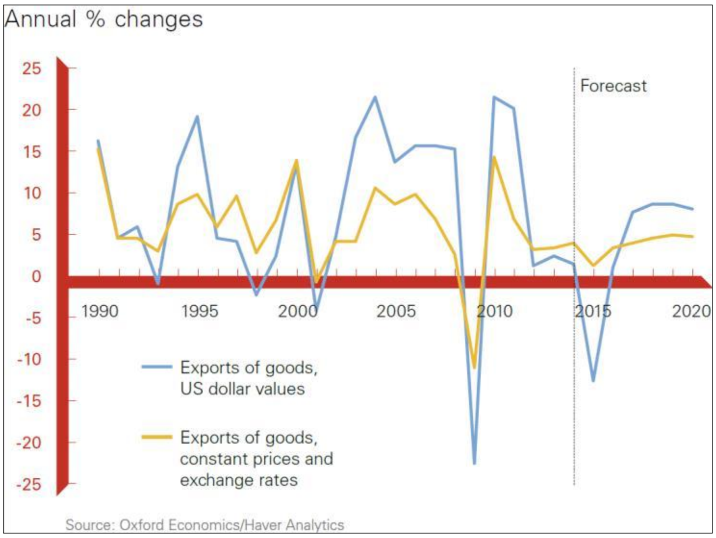
Businesses See End To Global Trade Slump; US, Europe Set To Lead Recovery

Stabilisation of China and stronger investment in developed economies to support world trade
** Cyclical recovery in key sectors **
** Trade liberalisation efforts are gaining traction**

Kuala Lumpur - After a sharp slowdown this year as emerging market demand stalled, businesses expect to see the West lead a tentative recovery in global trade that should broaden and accelerate over the medium term, two new indicators from HSBC show.

Whilst the global Trade Confidence Score fell 4 points to 120 in the second half of 2015, the majority of businesses surveyed (64%) still expect merchandise trade volumes to increase over the next six months. Looking further ahead, the Global Trade Forecast sees import growth in the US and Europe laying the foundations for a moderate rebound that will gain pace as economic conditions in China stabilise.

In Malaysia, China remains the land of opportunity for Malaysian exporters, with over 21% of respondents identifying China as the country having the best opportunity for international business growth over the next six months.



World Merchandise Exports

This news release is issued by
HSBC Bank Malaysia Berhad
(Company No. 127776-V)

Registered Office and Head Office:
2 Leboh Ampang, 50100 Kuala Lumpur, Malaysia.
Web: www.hsbc.com.my

Stuart Tait, Head of Global Trade and Receivables Finance at HSBC said: “Trade has been hampered by a number of factors this year - from falling commodity prices and Chinese industrial output to the strength of the US dollar. What’s interesting is that this recent subdued performance is more consistent with a period of economic recession than of recovery. But we’re not in a global recession, and this gives us reason to see this as a transitional downturn in which we’ve passed the lowest point.”

Key drivers for the recovery of trade
Outlining key drivers for the recovery of trade, the Forecast points to five global trends that will have a positive impact:

- The stabilisation of China’s economy
- Stronger investment spending supporting solid growth of import demand in the developed markets
- Cyclical recovery in key sectors
- Trade liberalisation gaining traction
- Expanding opportunities for growth in services trade

According to the report, despite the near-term challenges facing leading emerging markets, especially China and Brazil, many emerging economies, will benefit from strong economic fundamentals. This means they are likely to be an important driver of global economic growth and trade over the medium-term. The economies of Asia are still expected to be the main drivers of global trade over this time period, with ‘south-south’ flows representing the fastest-growing trade corridors.

Outlook for Malaysia
Mukhtar Hussain, Deputy Chairman & Chief Executive Officer, HSBC Bank Malaysia Berhad, said: “Malaysia is expected to achieve relatively robust economic growth over the long term, despite recent difficulties, as authorities continue to push towards ‘Wawasan 2020’ (vision 2020), an ideal introduced by the former Prime Minister to achieve developed-nation status by the year 2020. In particular, long-term growth will be supported by favourable demographics and continued investment in infrastructure.”

“As one of the key strategic thrusts of the Eleventh Malaysia Plan 2016-2020, the government is aiming to ‘accelerate human capital development’ over the next five fives. With the population of working age expected to continue growing over the forecast horizon, improvements in the quantity and quality of labour supply should help to support strong growth over the long term. Meanwhile continued investments in infrastructure will help augment the capital stock and support strong growth in other sectors across the wider economy.”

Drivers of recovery
Cyclical sectors such as transport equipment are expected to be the greatest beneficiaries of the upturn in the near term, although intermediate inputs such as chemicals and machinery will increasingly benefit as global investment strengthens. The recovery will gradually boost demand

for raw materials and mineral fuels, giving support to commodity prices and helping to expand trade further in value terms.

Policy moves towards trade liberalisation continue to hold the potential to provide an upside surprise for the performance of global trade. Notable progress at the World Trade Organization includes the pending ratification of the Trade Facilitation Agreement and the completion of a draft agreement on expansion of the Information Technology Agreement. Moreover, at the regional level, conclusion of the draft agreement for the Trans-Pacific Partnership, is an important step towards the largest new trade pact in 20 years. These agreements are pertinent not only for merchandise trade, but also for services trade, which fell less sharply than trade in goods during the global crisis and experienced more robust growth since.

For Malaysia, the fastest growing industries will be chemicals and manufactures, which are both expected to grow by around 12% per annum over the next five years, underlining Malaysia's continued diversification away from a commodity-intensive export profile and towards higher value-added goods production and export.

"Trade flows will continue to reflect this transition towards developed nation status, and be supported by continued trade liberalisation efforts, both through the recent signing of the Trans-Pacific Partnership, as well as further ASEAN integration under the formation of the ASEAN Economic Community. Reliance on oil and commodities will continue to decline replaced by higher value-added production, driven by rapid industrialisation. Global trade growth has stumbled recently, but Malaysia's open, resource rich economy will be well placed to capitalise on a pick-up in global demand in the future," concluded Mukhtar.

The biannual HSBC Trade Forecast is designed to help businesses capitalise on growth opportunities in the medium term. In November 2015 HSBC published its innovative Trade Winds report which explores the drivers of future trade in goods and services, from falling air freight costs to 3-D printing.

- Ends -

For updates from the HSBC Press Office, follow us on Twitter: www.twitter.com/HSBC_Press

For a copy of Malaysia's Trade Forecast report:
https://globalconnections.hsbc.com/global/en/tools-data/trade-forecasts/my

For a copy of the HSBC Trade Forecast report and for further information, log onto
http://www.globalconnections.hsbc.com/

For a copy of the Trade Winds report: http://www.hsbc.com/news-and-insight/2015/trade-winds
HSBC's Trade Forecast encompasses trade data for 25 countries and territories key to world trade.

Media enquiries:
Marlene Kaur +603 2075 3351 marlenekaur@hsbc.com.my
Joanne Wong +603 2075 6169 joanne.p.m.wong@hsbc.com.my

Note to Editors:

About the HSBC Trade Forecast - Modelled by Oxford Economics

Oxford Economics has tailored a unique service for HSBC which forecasts bilateral trade for total exports/imports of goods, based on HSBC's own analysis and forecasts of the world economy to generate a full bilateral set of trade flows for total imports and exports of goods, and balances between 180 pairs of countries.

Oxford Economics employs a global modelling framework that ensures full consistency between all economies, in part driven by trade linkages. The forecasts take into account factors such as the rate of demand growth in the destination market and the exporter's competitiveness. Exports, imports and trade balances are identified, with both historical estimates and forecasts for the periods 2014-16, 2017-20 and 2021-30. Sectors are classified according to the UN's Standard International Trade Classifications (SITC) and grouped into 30 sector headings. More information about the sector modeling can be found on http://www.globalconnections.hsbc.com/

HSBC Trade Confidence Survey

The Trade Confidence Survey (TCS) is a quantitative indicator of the short-term outlook for global trade. The survey is the largest of its kind, and conducted on behalf of HSBC by TNS. Over 6,300 businesses globally -- from small and mid-market to large corporations -- are interviewed about their expectations towards global trade and business growth over the next six months. In 2H15, the survey data collection method changed to online in 11 markets: Australia, Brazil, China, France, Germany, Hong Kong, Mexico, Poland, Singapore, UK, and USA. The past data has been calibrated to account for this change and to preserve the trends.

HSBC Commercial Banking

For nearly 150 years we have been where the growth is, connecting customers to opportunities. Today, HSBC Commercial Banking serves businesses ranging from small enterprises to large multinationals in almost 60 developed and faster-growing markets around the world. Whether it is working capital, trade finance or payments and cash management solutions, we provide the tools and expertise that businesses need to thrive. With a network covering three quarters of global commerce, we make HSBC the world's leading international trade and business bank. For more information see www.hsbc.com/1/2/business-and-commercial

About HSBCGroup

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 6,100 offices in 72 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US$2,572bn at 30 June 2015, HSBC is one of the world's largest banking and financial services organisations.

About HSBC in Malaysia
HSBC Bank Malaysia Berhad was locally incorporated in 1884 and is a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited (a company under the HSBC Group). In 2007, HSBC Bank Malaysia was the first locally incorporated foreign bank to be awarded an Islamic banking subsidiary licence in Malaysia, and HSBC Amanah Malaysia Berhad, a full-fledged Islamic bank wholly owned by HSBC Bank Malaysia, commenced operations in August 2008. HSBC in Malaysia has a network of 68 branches nationwide, of which 26 are HSBC Amanah Malaysia Berhad branches. HSBC Amanah Malaysia Berhad also has offsite ATMs established in 25 locations nationwide. In 2006, HSBC was the first foreign bank to be awarded a Takaful (Islamic insurance) license in Malaysia. HSBC Amanah Takaful (Malaysia) Sdn Bhd, a joint venture between HSBC Insurance (Asia Pacific) Holdings Limited (49% shareholding), Jerneh Asia Berhad (31% shareholding) and Employees Provident Fund Board of Malaysia (20% shareholding) commenced operations in August 2006.

The Hongkong and Shanghai Banking Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group, which serves around 48 million customers through four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. The Group serves customers worldwide from over 6,100 offices in 72 countries and territories in Asia, Europe, North and Latin America, and the Middle East and North Africa. With assets of US$2,549bn at 30 September 2015, HSBC is one of the world's largest banking and financial services organisations.