

Woes with the flows

Free to View
Economics - Global

Trade data and policy tracker

- ◆ Strong demand for semiconductors and consumer goods continues to drive Asia trade...
- ◆ ...but the chip crunch is weighing on Mexican autos exports...
- ◆ ...and vaccine flows from India have largely ground to a halt, impacting rollouts elsewhere

Shanella Rajanayagam
Trade Economist
HSBC Bank plc

World goods trade continues to recover, driven by strong flows out of Asia. However, these positive numbers mask some underlying woes. Container shipping costs keep surging amid ongoing shipping disruption, with freight rates from Asia to the West Coast of North America exceeding USD5,500 for a 40-foot container for the first time in May 2021. Rates to ship an equivalent container from Asia to Europe also remain elevated.

Global autos trade is showing some signs of recovery but the semiconductor crunch continues to weigh on vehicle exports, notably from Mexico, where exports fell nearly 17% y-o-y in Q1 2021 in value terms. Elsewhere, the UK imported more from non-EU markets than from the EU in Q1 2021 – the first time since 2011 – in the wake of Brexit disruption.

Meanwhile, India's exports of COVID-19 vaccines have slowed right down as the country rushes to vaccinate its own population. India's de facto export ban is likely to stymie vaccine rollouts in other developing markets (FT, 18 May 2021).

This comes as the US recently declared its support for waiving COVID-19 vaccine patents at the WTO in a bid to facilitate greater production (and trade) globally. Since then, mainland China has also backed the waiver, while the EU and UK are open to engaging in discussions.

However, don't expect waivers to solve vaccine shortages anytime soon. Vaccine production is complex and waiving patent protection alone is unlikely to be enough to scale up manufacturing. Potential manufacturers also need access to the right expertise, technology, facilities and ingredients. Talks at the WTO may take time to conclude, with developed markets such as Germany and Switzerland remaining critical of the proposal.

In terms of trade deals, the UK and India struck an Enhanced Trade Partnership earlier this month. The new deal is by no means comprehensive, but could pave the way towards a broader agreement. More trade accords are also on the horizon for the UK as it aims to strike an agreement with Australia in early June and intensify talks with New Zealand in the coming months, and upgrade deals with Canada and Mexico – all of which will help support its ambition to join the high-standards CPTPP deal.

This is an abridged version of a report by the same title published on 27-May-21. Please contact your HSBC representative or email AskResearch@hsbc.com for more information.

Disclosures & Disclaimer

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

Issuer of report: HSBC Bank plc

View HSBC Global Research at:
<https://www.research.hsbc.com>

Monthly trade trends

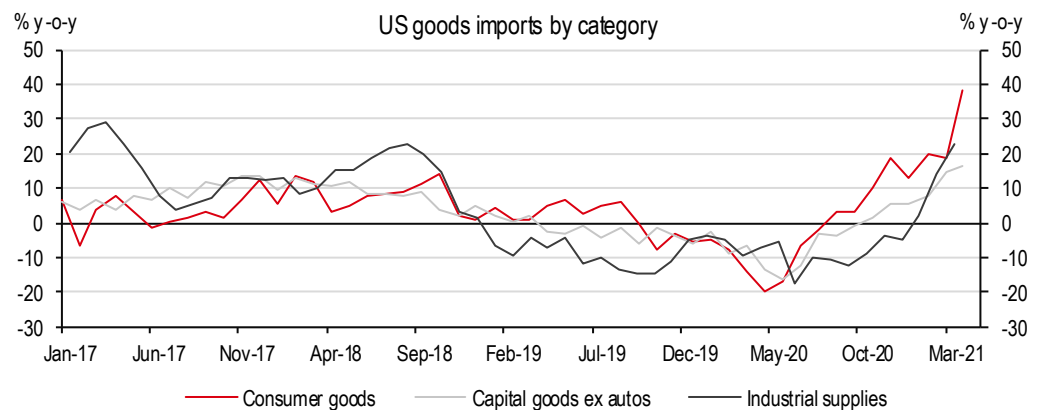
For the complete set of charts, please refer to the full piece on www.research.hsbc.com

1. The US trade deficit hit an all-time high in March 2021...



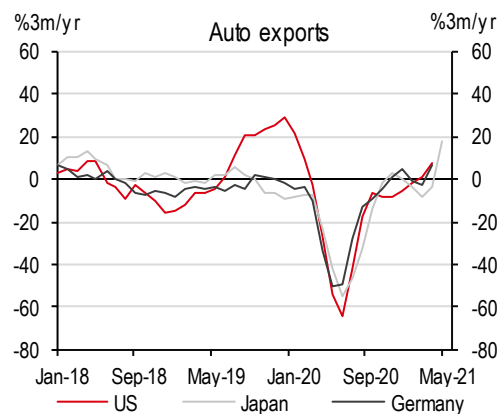
Source: Refinitiv Datastream. Note: Seasonally adjusted.

2. ...as US consumers spend on foreign goods



Source: Refinitiv Datastream. Note: Seasonally adjusted. Latest data point for March 2021.

3. Global autos trade is recovering...



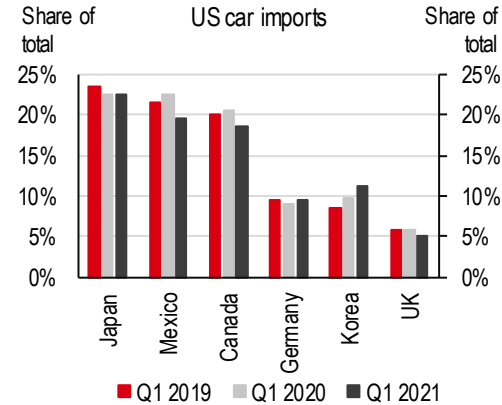
Source: Refinitiv Datastream, HSBC. Note: Latest data point for March/April 2021.

4. ...but supply chain disruptions continue to weigh on Mexican car exports...



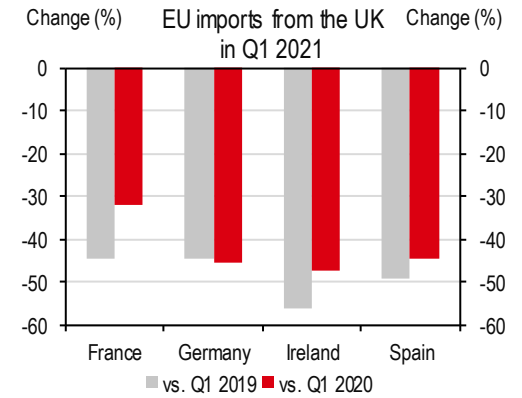
Source: Refinitiv Datastream, HSBC. Note: Latest data point for March 2021.

5. ...impacting Mexico's autos market share in the US



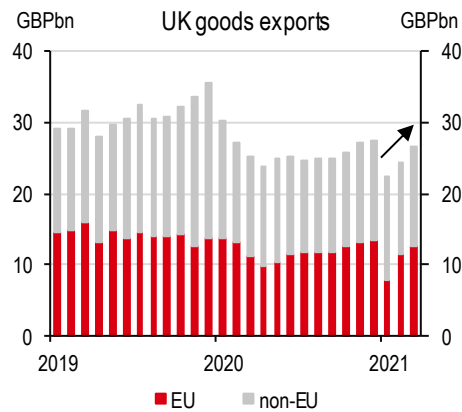
Source: USA Trade Online, HSBC

6. EU imports from the UK remain well down on pre-pandemic levels...



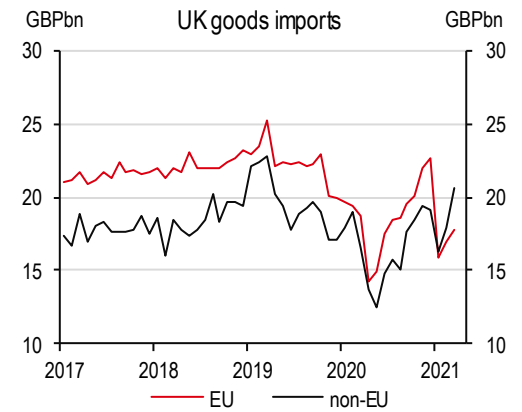
Source: Eurostat, HSBC

7. ...although UK exports are showing signs of recovery since January



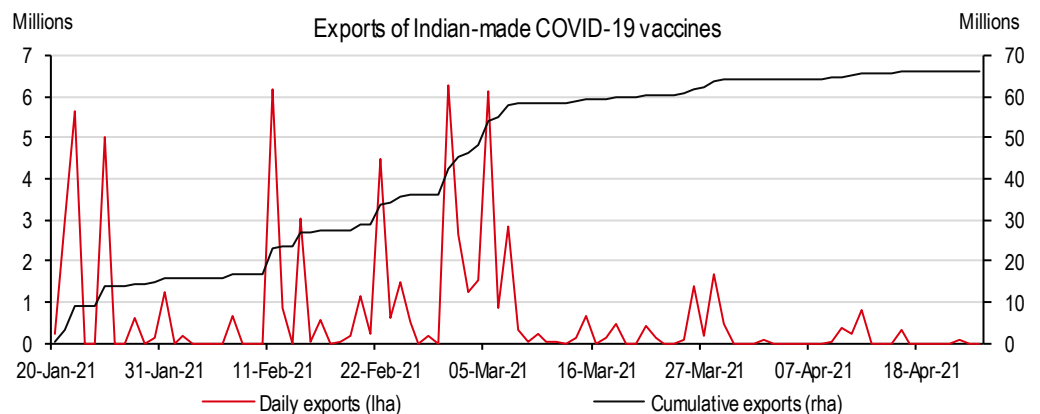
Source: ONS. Note: Seasonally adjusted.

8. The UK imported more from non-EU markets than from the EU in Q1 2021



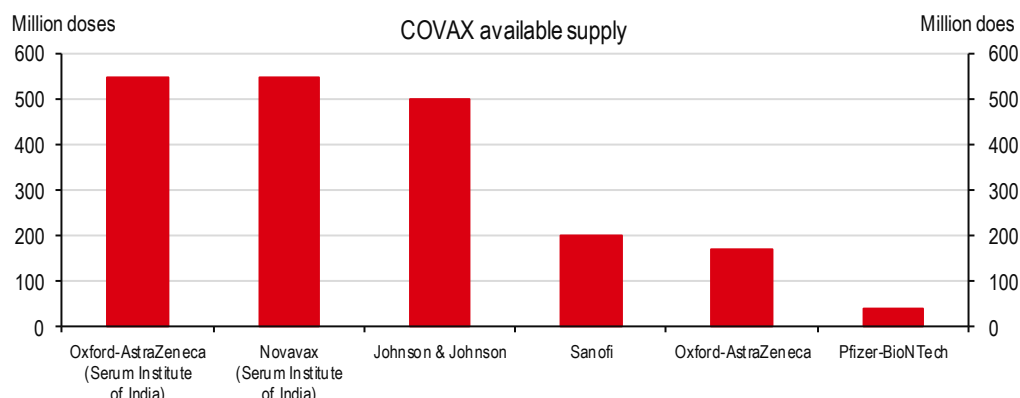
Source: ONS. Note: Seasonally adjusted.

9. India has temporarily halted vaccine exports amid its latest COVID-19 wave...



Source: India Ministry of External Affairs, HSBC. Note: Data accessed on 25 May 2021.

10. ...impacting COVAX supplies and vaccine rollouts in developing markets



Source: GAVI, 7 April 2021. Note: Data includes committed and optional doses. Based on secured volumes from legally binding and non-binding agreements.

Trade policy calendar

11. Key upcoming trade events

● Deadline ● Event ● Report

Date	Type	Details
June 2021	Event	UK-Australia set to agree trade deal in principle
04 June 2021	Report	US review into supply chains for semiconductors, advanced batteries, critical minerals and pharmaceuticals due
05 June 2021	Event	APEC Trade Ministers' meeting
11 to 13 June 2021	Event	G7 summit in the UK
mid-June 2021	Event	President Biden to participate in a US-EU summit in Brussels that will focus on trade, among other issues
01 July 2021	Deadline	US Trade Promotion Authority expires
03 July 2021	Deadline	Four-month suspension of US tariffs on UK exports over aircraft subsidies due to expire
05 July 2021	Deadline	UK consultation on punitive tariffs on US exports ends
09 to 10 July 2021	Deadline	G20 Finance Ministers' meeting, deadline to reach global solution on digital services taxes
10 July 2021	Deadline	Four month suspension of EU-US tariffs over aircraft subsidies due to expire
12 July 2021	Deadline	UK consultation on upgrading trade deals with Canada and Mexico ends
16 September 2021	Event	WTO workshop on the Information Technology Agreement (ITA)
	Deadline	Grace period for customs formalities on certain GB food exports to NI due to expire. Extended from 1 April 2021.
	Deadline	Waiver on customs declarations for parcel deliveries from GB to NI due to expire. Extended from 1 April 2021.
	Deadline	Grace period for some customs formalities on EU exports of animal origin to the UK ends; these goods will require pre-notification and relevant health documentation. Extended from 1 April 2021.
01 October 2021	Event	G20 Trade Ministers' Meeting
15 October 2021	Report	US semi-annual report on the currency practices of key trading partners due
26 to 28 October 2021	Event	38th and 39th ASEAN Summits
30 to 31 October 2021	Event	G20 Leaders' Summit
w/c 08 November 2021	Event	APEC ministerial meeting
30 November to 3 December 2021	Event	12th WTO Ministerial Conference (MC12) to take place
	Deadline	Certain goods sold in GB will now require the UKCA (UK Conformity Assessed) marking; the EU's marking (the CE mark) will no longer be accepted
01 January 2022	Deadline	Grace period for customs formalities on all remaining EU exports to the UK ends; nearly all EU goods will be subject to full import requirements in the UK. Extended from 1 July 2021.
	Event	Regional Comprehensive Economic Partnership (RCEP) expected to take effect
01 March 2022	Deadline	Checks on live animals and low-risk plant products from the EU to GB take effect

Source: HSBC, Inside US Trade, Politico, USTR, OECD, WTO, The Economic Times, Institute for Government, UK Government

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), or strategist(s) who is(are) primarily responsible for this report, including any analyst(s) whose name(s) appear(s) as author of an individual section or sections of the report and any analyst(s) named as the covering analyst(s) of a subsidiary company in a sum-of-the-parts valuation certifies(y) that the opinion(s) on the subject security(ies) or issuer(s), any views or forecasts expressed in the section(s) of which such individual(s) is(are) named as author(s), and any other views or forecasts expressed herein, including any views expressed on the back page of the research report, accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Shanella Rajanayagam.

Important disclosures

This document has been prepared and is being distributed by the Research Department of HSBC and is not for publication to other persons, whether through the press or by other means.

This document is for information purposes only and it should not be regarded as an offer to sell or as a solicitation of an offer to buy the securities or other investment products mentioned in it and/or to participate in any trading strategy. Advice in this document is general and should not be construed as personal advice, given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. If necessary, seek professional investment and tax advice.

Certain investment products mentioned in this document may not be eligible for sale in some states or countries, and they may not be suitable for all types of investors. Investors should consult with their HSBC representative regarding the suitability of the investment products mentioned in this document and take into account their specific investment objectives, financial situation or particular needs before making a commitment to purchase investment products.

The value of and the income produced by the investment products mentioned in this document may fluctuate, so that an investor may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Value and income from investment products may be adversely affected by exchange rates, interest rates, or other factors. Past performance of a particular investment product is not indicative of future results.

HSBC and its affiliates will from time to time sell to and buy from customers the securities/instruments, both equity and debt (including derivatives) of companies covered in HSBC Research on a principal or agency basis or act as a market maker or liquidity provider in the securities/instruments mentioned in this report.

Analysts, economists, and strategists are paid in part by reference to the profitability of HSBC which includes investment banking, sales & trading, and principal trading revenues.

Whether, or in what time frame, an update of this analysis will be published is not determined in advance.

For disclosures in respect of any company mentioned in this report, please see the most recently published report on that company available at www.hsbcnet.com/research. HSBC Private Banking clients should contact their Relationship Manager for queries regarding other research reports. In order to find out more about the proprietary models used to produce this report, please contact the authoring analyst.

Additional disclosures

- 1 This report is dated as at 27 May 2021.
- 2 All market data included in this report are dated as at close 25 May 2021, unless a different date and/or a specific time of day is indicated in the report.
- 3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking, Principal Trading, and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.
- 4 You are not permitted to use, for reference, any data in this document for the purpose of (i) determining the interest payable, or other sums due, under loan agreements or under other financial contracts or instruments, (ii) determining the price at which a financial instrument may be bought or sold or traded or redeemed, or the value of a financial instrument, and/or (iii) measuring the performance of a financial instrument or of an investment fund.

Disclaimer

Legal entities as at 1 December 2020

'UAE' HSBC Bank Middle East Limited, DIFC; HSBC Bank Middle East Limited, Dubai; 'HK' The Hongkong and Shanghai Banking Corporation Limited, Hong Kong; 'TW' HSBC Securities (Taiwan) Corporation Limited; 'CA' HSBC Securities (Canada) Inc.; 'France' HSBC Continental Europe; 'Spain' HSBC Continental Europe, Sucursal en España; 'Italy' HSBC Continental Europe, Italy; 'Sweden' HSBC Continental Europe Bank, Sweden Filial; 'DE' HSBC Trinkaus & Burkhardt AG, Düsseldorf; '00' HSBC Bank (RR), Moscow; 'IN' HSBC Securities and Capital Markets (India) Private Limited, Mumbai; 'JP' HSBC Securities (Japan) Limited, Tokyo; 'EG' HSBC Securities Egypt SAE, Cairo; 'CN' HSBC Investment Bank Asia Limited, Beijing Representative Office; The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch; HSBC Securities (South Africa) (Pty) Ltd, Johannesburg; HSBC Bank plc, London, Tel Aviv; 'US' HSBC Securities (USA) Inc, New York; HSBC Yatirim Menkul Degerler AS, Istanbul; HSBC México, SA, Institución de Banca Múltiple, Grupo Financiero HSBC; HSBC Bank Australia Limited; HSBC Bank Argentina SA; HSBC Saudi Arabia Limited; The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch incorporated in Hong Kong SAR; The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch; PT Bank HSBC Indonesia; HSBC Qianhai Securities Limited; Banco HSBC S.A.

Issuer of report

HSBC Bank plc
8 Canada Square, London
E14 5HQ, United Kingdom
Telephone: +44 20 7991 8888
Fax: +44 20 7992 4880
Website: www.research.hsbc.com

In the UK, this publication is distributed by HSBC Bank plc for the information of its Clients (as defined in the Rules of FCA) and those of its affiliates only. Nothing herein excludes or restricts any duty or liability to a customer which HSBC Bank plc has under the Financial Services and Markets Act 2000 or under the Rules of FCA and PRA. A recipient who chooses to deal with any person who is not a representative of HSBC Bank plc in the UK will not enjoy the protections afforded by the UK regulatory regime. HSBC Bank plc is regulated by the Financial Conduct Authority and the Prudential Regulation Authority. If this research is received by a customer of an affiliate of HSBC, its provision to the recipient is subject to the terms of business in place between the recipient and such affiliate. In Australia, this publication has been distributed by The Hongkong and Shanghai Banking Corporation Limited (ABN 65 117 925 970, AFSL 301737) for the general information of its "wholesale" customers (as defined in the Corporations Act 2001). Where distributed to retail customers, this research is distributed by HSBC Bank Australia Limited (ABN 48 006 434 162, AFSL No. 232595). These respective entities make no representations that the products or services mentioned in this document are available to persons in Australia or are necessarily suitable for any particular person or appropriate in accordance with local law. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient.

In the European Economic Area, this publication has been distributed by HSBC Continental Europe or by such other HSBC affiliate from which the recipient receives relevant services. The document is distributed in Hong Kong by The Hongkong and Shanghai Banking Corporation Limited and in Japan by HSBC Securities (Japan) Limited. Each of the companies listed above (the "Participating Companies") is a member of the HSBC Group of Companies, any member of which may trade for its own account as Principal, may have underwritten an issue within the last 36 months or, together with its Directors, officers and employees, may have a long or short position in securities or instruments or in any related instrument mentioned in the document. Brokerage or fees may be earned by the Participating Companies or persons associated with them in respect of any business transacted by them in all or any of the securities or instruments referred to in this document. In Korea, this publication is distributed by either The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch ("HBAP SLS") or The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch ("HBAP SEL") for the general information of professional investors specified in Article 9 of the Financial Investment Services and Capital Markets Act ("FSCMA"). This publication is not a prospectus as defined in the FSCMA. It may not be further distributed in whole or in part for any purpose. Both HBAP SLS and HBAP SEL are regulated by the Financial Services Commission and the Financial Supervisory Service of Korea. This publication is distributed in New Zealand by The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch incorporated in Hong Kong SAR.

The information in this document is derived from sources the Participating Companies believe to be reliable but which have not been independently verified. The Participating Companies make no guarantee of its accuracy and completeness and are not responsible for errors of transmission of factual or analytical data, nor shall the Participating Companies be liable for damages arising out of any person's reliance upon this information. All charts and graphs are from publicly available sources or proprietary data. The opinions in this document constitute the present judgement of the Participating Companies, which is subject to change without notice. From time to time research analysts conduct site visits of covered issuers. HSBC policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits. This document is neither an offer to sell, purchase or subscribe for any investment nor a solicitation of such an offer.

HSBC Securities (USA) Inc. accepts responsibility for the content of this research report prepared by its non-US foreign affiliate. The information contained herein is under no circumstances to be construed as investment advice and is not tailored to the needs of the recipient. All US persons receiving and/or accessing this report and intending to effect transactions in any security discussed herein should do so with HSBC Securities (USA) Inc. in the United States and not with its non-US foreign affiliate, the issuer of this report. In Singapore, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch for the general information of institutional investors or other persons specified in Sections 274 and 304 of the Securities and Futures Act (Chapter 289) ("SFA") and accredited investors and other persons in accordance with the conditions specified in Sections 275 and 305 of the SFA. Only Economics or Currencies reports are intended for distribution to a person who is not an Accredited Investor, Expert Investor or Institutional Investor as defined in SFA. The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch accepts legal responsibility for the contents of reports pursuant to Regulation 32C(1)(d) of the Financial Advisers Regulations. This publication is not a prospectus as defined in the SFA. This publication is not a prospectus as defined in the SFA. It may not be further distributed in whole or in part for any purpose. The Hongkong and Shanghai Banking Corporation Limited Singapore Branch is regulated by the Monetary Authority of Singapore. Recipients in Singapore should contact a "Hongkong and Shanghai Banking Corporation Limited, Singapore Branch" representative in respect of any matters arising from, or in connection with this report. Please refer to The Hongkong and Shanghai Banking Corporation Limited Singapore Branch's website at www.business.hsbc.com.sg for contact details. HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC is authorized and regulated by Secretaría de Hacienda y Crédito Público and Comisión Nacional Bancaria y de Valores (CNBV).

In Canada, this document has been distributed by HSBC Securities (Canada) Inc. (member IIROC), and/or its affiliates. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offense. In Brazil, this document has been distributed by Banco HSBC S.A. ("HSBC Brazil"), and/or its affiliates. As required by Instruction No. 598/18 of the Securities and Exchange Commission of Brazil (Comissão de Valores Mobiliários), potential conflicts of interest concerning (i) HSBC Brazil and/or its affiliates; and (ii) the analyst(s) responsible for authoring this report are stated on the chart above labelled "HSBC & Analyst Disclosures".

The document is intended to be distributed in its entirety. Unless governing law permits otherwise, you must contact a HSBC Group member in your home jurisdiction if you wish to use HSBC Group services in effecting a transaction in any investment mentioned in this document. HSBC Bank plc is registered in England No 14259, is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the London Stock Exchange. (070905)

If you are an HSBC Private Banking ("PB") customer with approval for receipt of relevant research publications by an applicable HSBC legal entity, you are eligible to receive this publication. To be eligible to receive such publications, you must have agreed to the applicable HSBC entity's terms and conditions for accessing research and the terms and conditions of any other internet banking service offered by that HSBC entity through which you will access research publications ("the Terms"). Distribution of this publication is the sole responsibility of the HSBC entity with whom you have agreed the Terms. If you do not meet the aforementioned eligibility requirements please disregard this publication and, if you are a customer of PB, please notify your Relationship Manager. Receipt of research publications is strictly subject to the Terms and any other conditions or disclaimers applicable to the provision of the publications that may be advised by PB.

© Copyright 2021, HSBC Bank plc, ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Bank plc. MCI (P) 028/02/2021, MCI (P) 087/10/2020

[1171752]