UK and the CPTPP

Britain applies to join trading bloc

Free to View
Economics - Global

- The UK has applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership…
- …which should help to deliver new trading opportunities for businesses in all participating economies
- The UK's accession is likely to inject new vitality into CPTPP, raising incentives for additional economies to join

Shanella Rajanayagam
Trade Economist
HSBC Bank plc

Frederic Neumann
Co-Head of Asian Economics Research
The Hongkong and Shanghai Banking Corporation Limited

Abanti Bhaumik
Associate
Bangalore

One year after the UK officially left the EU, it formally applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The CPTPP is widely regarded as the gold standard of trade deals thanks to its modern trade provisions. It spans 11 Pacific Basin economies: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam, which together account for 13% (USD11trn) of world GDP and 15% (USD3.7trn) of global exports. These shares could rise to 16% and 18%, respectively if the UK joins.

Although the UK already has trade deals in place or under negotiation with nine CPTPP members, UK-CPTPP trade remains relatively low and accounts for much less than bilateral UK trade with the US or Germany, for example. Therefore, joining the deal may provide new opportunities for UK businesses to deepen trade linkages with CPTPP markets on a regional, rather than bilateral, basis.

Under the deal, UK manufacturers would be able to use inputs from across the entire CPTPP bloc in their exports to other members and still qualify for preferential access. UK businesses may also benefit from certain trade liberalisation provisions that go beyond commitments in existing UK deals, such as the quicker removal of car tariffs in Canada.

Although the immediate economic gains for the UK of joining the deal may be limited, the UK could benefit from a further expansion in CPTPP membership in the future. Thailand, South Korea, and mainland China have indicated interest in joining the deal, while the US, under its new president, may also look to participate, subject to renegotiating certain aspects of the agreement.

Joining the deal would connect UK businesses with rapidly growing economies in Asia-Pacific. And as we say on p6, the UK is likely to be welcomed by existing members, given its size and because it could inject fresh vitality into the grouping. The UK is already an important consumer market for the region and it could expand the CPTPP's combined household spend by about 30% (USD1.8trn). Asian markets are also likely to benefit from the UK's complementary trade profile, notably its strength in services trade.

In terms of next steps, the UK intends to begin accession negotiations in Spring 2021, although it is unclear how long these might take. In theory, these talks could be wrapped up relatively swiftly as we do not expect the UK to seek to overhaul aspects of the agreement, given it is acceding to an existing trade deal.

This is a redacted version of a report by the same name published on 02-Feb-21. Please contact your HSBC representative or email AskResearch@hsbc.com for more information.

UK and the CPTPP

- The UK has applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership…
- …which should help to deliver new trading opportunities for businesses in all participating markets
- The UK's accession is likely to inject new vitality into CPTPP, raising incentives for additional economies to join

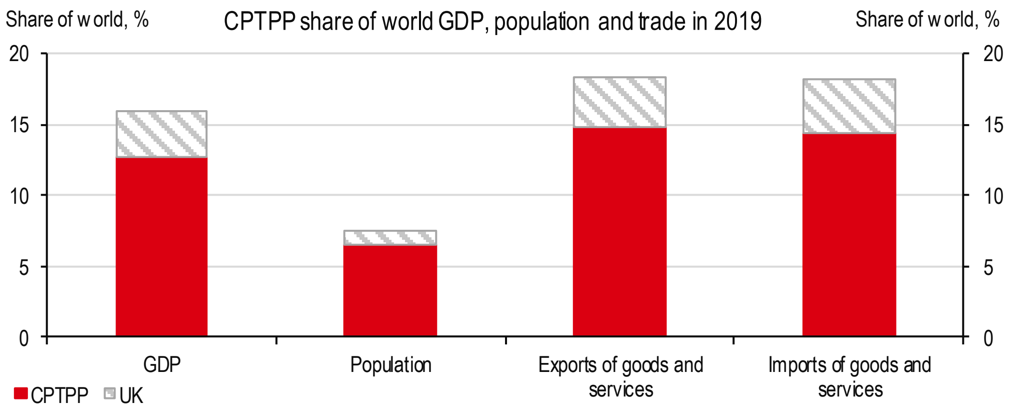
Joining the club

Going global

The UK formally applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) on 1 February 2021. The request to join the high-standards accord comes one year after the UK officially left the EU and shows it taking advantage of its new freedom to strike trade deals with countries and groupings around the world to offset the loss of some of its access to the EU market. In this note, we take a look at the implications.

The CPTPP comprises 11 economies in the Pacific Basin, which collectively account for 13% (USD11trn) of world GDP, 7% (508m) of global population, and 15% (USD3.7trn) of world exports (Chart 1). The deal has been in force for six members since 30 December 2018 (Australia, Canada, Japan, Mexico, New Zealand and Singapore) and for Vietnam since 14 January 2019. The remaining four members (Brunei, Chile, Malaysia and Peru) are yet to ratify the agreement. If the UK joins the CPTPP, the bloc's share of global GDP and exports would rise to 16% and 18%, respectively.

Chart 1. CPTPP members account for a sizeable share of world GDP and trade



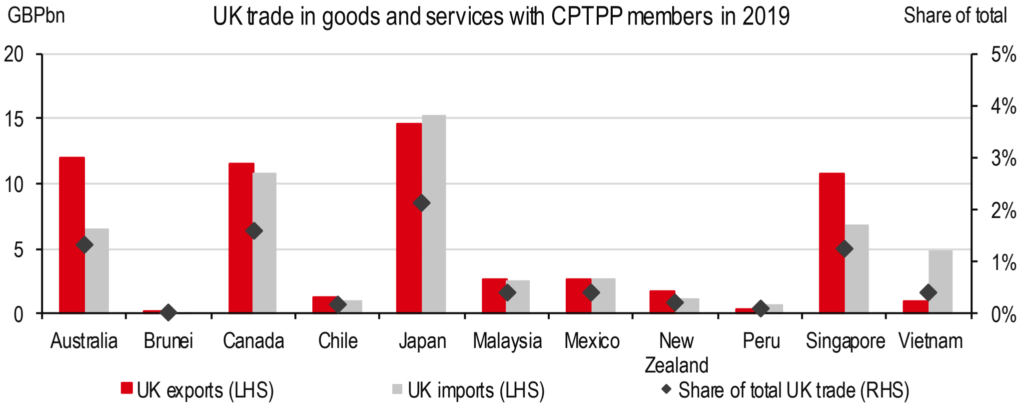
Source: UNCTAD, HSBC

The agreement is widely regarded as the gold standard of trade deals as it aims to tackle a range of modern trade issues, from barriers to e-commerce to social concerns around labour and environmental standards, alongside measures to cut tariffs and reduce regulatory impediments to trade. Some CPTPP members have already welcomed the UK's bid to join the deal, suggesting that UK accession would also benefit existing parties.

Terms of the deal

Although the UK already has separate trade deals with a number of CPTPP members, joining the deal may provide new opportunities for UK businesses to deepen trade linkages with these economies. However, the CPTPP will not replace these existing deals. From a UK perspective, trade with CPTPP members currently remains relatively low, accounting for just 8% (GBP111bn) of total UK trade in goods and services in 2019 (Chart 2). This is less than bilateral UK trade with the US (16% of total, or GBP232bn) and Germany (9.5% of total, or GBP134bn). Within the CPTPP grouping, Japan and Canada are particularly important for UK trade, ranking as the UK's 11th and 15th largest trading partners in 2019.

Chart 2. UK trade with CPTPP members remains relatively low



Source: ONS, HSBC

Assuming the UK signs up to the terms of the existing CPTPP deal, UK businesses would benefit from expanded market access and a common set of trading rules in member economies. The CPTPP is, as its name suggests, a comprehensive deal that comprises 30 chapters covering various trade aspects. Notably, CPTPP members plan to ultimately remove tariffs on 95% of intra-CPTPP trade, although the timeframe for tariff elimination varies by member (Table 1).

Table 1. CPTPP members will phase out tariffs over different time periods

Economy	Time frame for tariff elimination
Australia	Maximum 4 Years (2021)
Canada	Maximum 12 Years (2029)
Japan	Maximum 21 Years (2038)
Mexico	Maximum 16 Years (2033)
New Zealand	Maximum 7 Years (2024)
Singapore	Maximum 1 Year (2018)
Vietnam	Maximum 21 Years (2038)
Brunei	Maximum 11 Years (TBD)
Chile	Maximum 8 Years (TBD
Malaysia	Maximum 16 Years (TBD)
Peru	Maximum 16 Years (TBD)

Source: Baker McKenzie, HSBC

Tariff liberalisation

Under the deal, the UK could ultimately benefit from tariff-free access for whisky in Malaysia (down from 165%) and zero duties on motor vehicles in all CPTPP markets. In some instances, the CPTPP may also provide for faster tariff liberalisation than under bilateral UK trade deals. For example, Canada's 6.1% tariff on cars will be removed two years earlier (by 2022) under the CPTPP than via the UK-Canada trade agreement.

Rules of origin

Parties have also established a single set of rules to determine origin of product and agreed to "cumulation" of rules of origin. This means that, in general, exporters can source up to 70% of inputs from all CPTPP parties and still qualify for preferential access when trading within the bloc.

Non-tariff barriers and services trade

In addition, the deal includes various provisions to tackle non-tariff barriers to trade. For example, parties agreed to improve policy cooperation and to reduce technical barriers to trade in sectors such as medical devices, cosmetics and pharmaceuticals. Trade in services is also liberalised under the deal, with specific provisions for financial services around liberalising foreign equity caps and ensuring transparency of regulations. The deal also includes provisions to facilitate the temporary movement of business people among CPTPP markets.

Digital trade

Under the CPTPP, parties have also agreed various provisions to facilitate digital trade. For example, members banned undue data localisation requirements (excluding for financial services), and committed to not impose customs duties on electronic transmissions.

Social issues and intellectual property

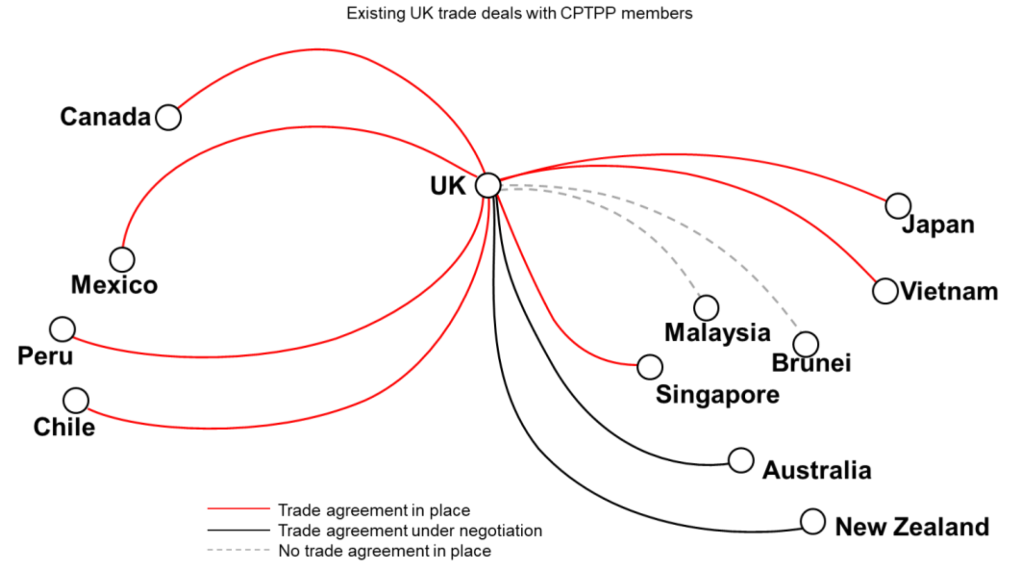
The deal also includes commitments to uphold high labour and environmental standards, and UK businesses may benefit from provisions to protect intellectual property. For instance, CPTPP members have agreed to protect geographical indications, which are signs or names used in relation to goods that have a specific geographic origin. The UK could look to protect goods such as Scotch Whisky under this mechanism.

Impact for the UK

Joining the CPTPP could deliver new trading opportunities for UK businesses. But these benefits may be somewhat limited as the UK already has trade agreements with seven out of 11 members (Canada, Chile, Japan, Mexico, Peru, Singapore and Vietnam), and negotiations currently underway with Australia and New Zealand (Figure 1).

The existing bilateral deals largely replicate provisions in EU trade agreements that the UK was party to prior to Brexit, and generally provide for relatively expansive goods market access. For example, the UK-Canada deal provides for duty free access on 98% of UK goods exported to Canada, while tariffs will be liberalised on 99% of UK exports to Japan.

Figure 1. The UK already has trade agreements in place with seven CPTPP members



Source: HSBC

However, having overlapping trade arrangements are not uncommon, although it can be challenging for traders to navigate the various arrangements. In fact, Australia had FTAs in place with all CPTPP members except Canada and Mexico prior to finalising the plurilateral deal. And trade expanded among CPTPP members after the agreement took effect, including between members that already had bilateral trade deals with each other.

Therefore, the key benefit of the CPTPP for the UK is that it aims to align trade and investment rules across all member economies, not just bilaterally. This means that UK manufacturers would be able to source intermediate inputs from across the entire CPTPP bloc, and would benefit from similar rules when trading into all CPTPP markets. On the other hand, UK importers and consumers may benefit from access to a greater range of goods and services at a lower cost. However, it remains to be seen how the UK will approach certain issues such as the inclusion of an investor-state dispute settlement (ISDS) mechanism.

Crucially, the CPTPP would help UK businesses expand trade linkages in the dynamic Asia-Pacific region. The deal may provide new opportunities for UK businesses to deepen trade relations with existing partners and forge linkages with new markets. If the UK's bid to join the CPTPP is successful, this would be the first preferential deal that links the UK with Brunei and Malaysia (subject to these economies ratifying the agreement).

Other economies may join

However, joining the CPTPP could provide a more meaningful boost to UK trade if other economies also choose to participate in the pact further down the line. Thailand and South Korea have already indicated interest in joining the CPTPP, while President Xi said in November 2020 that China would "favourably consider" joining the deal and the Chinese Ministry of Commerce recently published the text of the deal to its website.[1] Of these economies, the UK already has a trade deal with South Korea.

[1] Global Times, "China to 'favorably consider' joining CPTPP", 21 November 2020; and Inside US Trade, "China names new chief trade negotiator, publishes CPTPP text", 15 January 2021.

It also remains to be seen whether the US will re-join the agreement under the Biden administration. The US withdrew from the predecessor to the CPTPP – the Trans-Pacific Partnership (TPP) – in 2017. Although UK businesses would benefit considerably from US membership of the CPTPP, particularly in the absence of a bilateral UK-US trade deal, US accession to the deal may take some time. The Biden administration is expected to focus more on domestic investment than striking new trade deals, and it is likely that President Biden would look to renegotiate aspects of the CPTPP prior to joining.

Impact for Asia

Frederic Neumann
Co-Head of Asian Economics Research
The Hongkong and Shanghai Banking Corporation Limited

Abanti Bhaumik
Associate
Bangalore

Staying on the bicycle

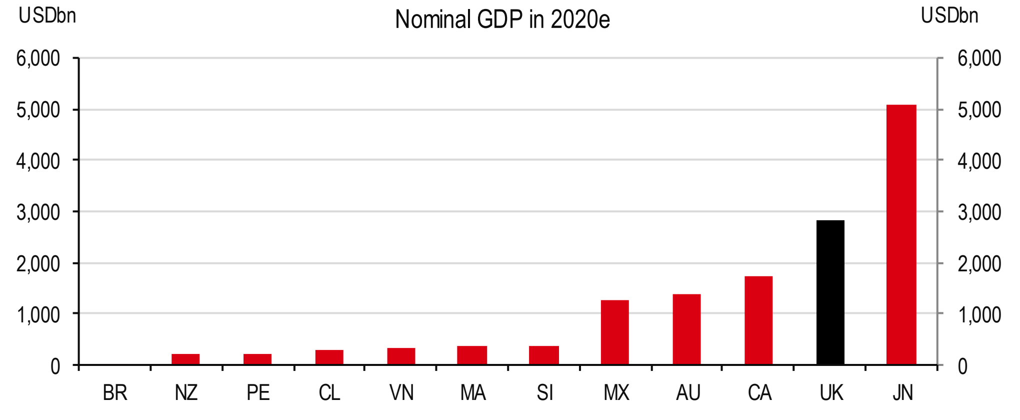
UK membership of the CPTPP would also have implications for existing members of the accord – most of which are located in the Asia Pacific. Asia's rising prosperity, advancing at a breath-taking clip year after year, is led by trade. As a result, the region has looked with some consternation at the flickering protectionist tendencies of recent years in other parts of the world. Last year, the signing of the Regional Comprehensive Economics Partnership (RCEP) offered hope that trade liberalisation on a wider scale has not been entirely derailed. As the parable goes, free trade is like riding a bicycle: unless one keeps on pressing ahead with successive agreements, gravity will prevail and the pull of protectionism will swiftly topple the rider.

The UK's application to join the CPTPP, fortunately, is giving the bicycle another powerful push. That, at least, is the view from Asia: the UK's accession should be broadly welcomed by the existing members of the CPTPP, as well as those economies which are not (yet) part of the grouping.

First, and most straightforward, the UK's economy is a sizeable addition. With a GDP of over USD2.8trn, it would be the second largest after Japan, and about 60% larger than the next big one, Canada (Chart 3). In economic terms, the UK's accession would be equivalent to adding two times Indonesia or five times Thailand to the CPTPP (neither of which are members currently). As noted above, the UK expands the CPTPP's combined GDP by around 25% in dollar terms (though slightly less, around 21%, when measured with purchasing power parities).

From the perspective of Asian exporters, the UK is not only a major economy in its own right, but proportionately, an even larger consumer market. The UK's accession would expand the grouping's overall household spending pool by about 30%, or just over USD1.8trn.

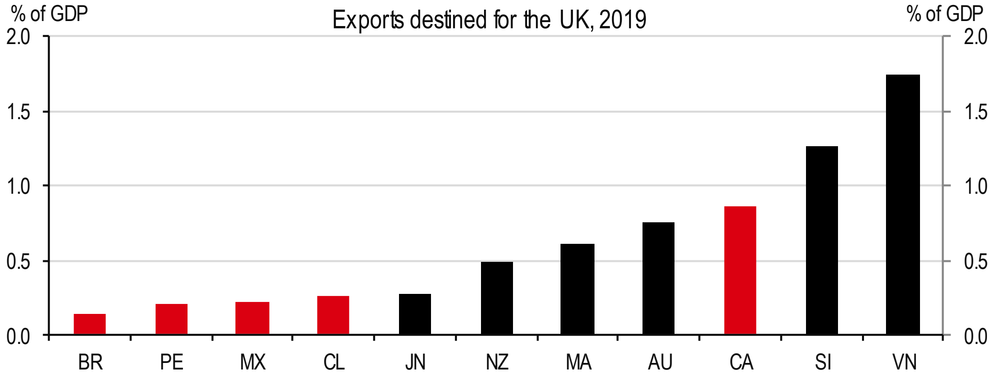
Chart 3. The UK's economy would be a sizeable addition to the CPTPP



Source: IMF, HSBC

Already, the UK is a significant market. Chart 4 shows exports heading to the UK as a share of existing CPTPP members' GDP (the Asian economies are coloured in black, others in red). In Vietnam, for instance, shipments to the UK are equal to about 1.8% of GDP. After the agreement has been ratified, these shares are bound to climb further.

Chart 4. The UK is an important market for some Asian economies



Source: IMF, HSBC

Size matters when it comes to free trade areas, for it expands opportunities and scale, thereby enhancing the benefits of all members, while often also raising the opportunity cost of non-members. And this hints at the second major reason why CPTPP members, including those in Asia, will welcome the UK's application: it injects fresh vitality into the grouping, raising the incentives of members that have not yet ratified the agreement (like Malaysia) to do so, and for non-members, such as Indonesia or even mainland China, to consider joining.

Lastly, the UK's membership would also be beneficial to the group in another sense: in terms of complementarity: for example, the UK's strength in services, from finance to engineering, as well as its first class research institutions, would ultimately, with new preferential access for members of the CPTPP, provide a competitive boost to companies across the grouping.

Next steps

The UK intends to begin accession negotiations in Spring 2021 and will shortly publish its negotiation objectives and scoping analysis. Overall, however, we do not expect the UK to seek to overhaul aspects of the current agreement given it is acceding to an existing trade deal.

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 and Frederic Neumann

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 02 February 2021.

2 All market data included in this report are dated as at close 01 February 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; 000 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

This document is issued and approved in the United Kingdom by HSBC Bank plc for the information of its Clients (as defined in the Rules of FCA) and those of its affiliates only. 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 ("KRC Terms") for access to the KRC, and the terms and conditions of any other internet banking service offered by that HSBC entity through which you will access research publications using the KRC. Distribution of this publication is the sole responsibility of the HSBC entity with whom you have agreed the KRC 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 KRC Terms, which can be found at https://research.privatebank.hsbc.com/ – we draw your attention also to the provisions contained in the Important Notes section therein.

[1164327]