



| Opening up a world of opportunity

In conversation with Cheuk Wan Fan, Chief Investment Officer, Asia, HSBC Global Private Banking and Wealth

Investing in Asia: The future of growth

Britt Clennett:

Hello and welcome.

I'm here with Cheuk Wan Fan, Chief Investment Officer of Asia at HSBC Global Private Banking and Wealth. Today we'll be discussing the investment opportunities stemming from Asia's economic growth and societal change.

Fan, thank you so much for joining me.

Cheuk Wan Fan:

My great pleasure.

Britt:

There have been so many disruptions because of COVID, because of supply chain issues, but Asian economies have fared quite well. What's behind this resilience?

Fan:

We definitely see the Asian region as a relative safe haven, and we expect Asia to stay resilient, to withstand stagflation and supply chain disruption-related risks.

There are several key reasons accounting for our constructive view on the Asian market. Number one, Asia has been well positioned to withstand the challenge from the supply chain disruption given the manufacturing supply chains in the region are highly competitive.

And the Asian economies have faced less severe pressure from inflation. Looking at headline and core inflation in the region, we continue to see inflation levels staying at a relatively subdued level.

So this actually leaves room for Asian central banks to maintain a higher policy flexibility to stay gradual and prudent in policy normalisation. The People's Bank of China stands out

as the only central bank in a major economy that has shifted to a monetary easing stance.

We also anticipate the Chinese government will introduce more fiscal stimulus measures,



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and this is going to help stabilise domestic growth and withstand the global headwinds arising from the energy and commodity supply shocks and the supply chain disruptions.

Britt:

What do you expect from China's growth story in the long term, and what are the key emerging trends?

Fan:

China is seeking to build a low-carbon and high-quality economic growth model. Asia, being the world's largest carbon-emitting region, contributing 52% of total carbon emissions, there has been an urgent need for the Asian authorities to step up their green transformation.

So we anticipate there will be a significant growth model shift and energy transition to move away from coal, coal-fired power, as well as fossil fuel reliance in the energy mix towards renewable energy and green technology.

And this is going to build out more competitive green infrastructure, from the energy sector to industrial upgrading.

Currently, Asia is already a leader in terms of investment in energy transitions, particularly led by China. For Asia as a whole, it is estimated that 64% of the total global renewable energy capacity additions from 2019 to 2040 will come from Asia.

So there will be significant investment in renewable energy, there will be massive investment in the new energy vehicle supply chain and the development of green technologies.

The development of a circular economy is more focused on environmental protection, and improvement in the efficiency of energy consumption will be key.

And given the current global energy supply shocks, this will also raise the strategic focus of the Chinese and the Asian authorities on energy transition and energy security.

Britt:

What key industries and sectors do you expect to really benefit from Asia's rise over the next few years?



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Fan:

Asia is currently a global technological innovation hub. So we expect Asian technology leaders will continue to lead in the new wave of digital transformation.

Indeed, as we are entering a metaverse innovation phase, many Asian technology leaders are actually pioneers in the development of metaverse-related technologies, including the semiconductor leaders.

There has been significant investment in digital infrastructure, from 5G networks, cloud computing and a lot of investment in data centres. So this is going to build a powerful digital infrastructure to facilitate the development of the metaverse infrastructure and set the stage for the next phase of digital transformation and automation in Asia.

Britt:

Last year, ASEAN became China's largest trading partner, overtaking the European Union. How do you see intraregional trade in Asia grow?

Fan:

I expect to see intensifying momentum in the economic integration within Asia. Now, with the Regional Comprehensive Economic Partnership taking full effect since January this year, we have seen substantial growth in intraregional trade and foreign direct investment, and there has been a lot of economic collaboration within the Asian region in strengthening the supply chain upgrades.

And this is going to enhance the competitiveness of the manufacturing base in Asia.

Britt:

Cheuk Wan Fan, thank you very much.

Fan:

Thank you.