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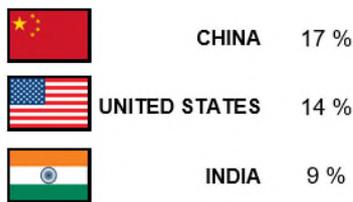
7-in-10 Japanese businesses are positive about the global trading environment outlook, HSBC research

Businesses around the world are upbeat about their prospects, encouraged by customer demand and favourable economic conditions, but are revising their strategies as protectionism dents the outlook for international trade, according to a new HSBC survey of over 8,500 companies in 34 markets, including 350 in Japan: *'Navigator: Now, next and how for business'*.

More than three quarters (78%) of global companies are positive about the global trading environment. Japanese businesses are less positive, with 69% holding an optimistic view of the future, according to the report.

Among Japanese companies with a negative perception of the future, the most frequently mentioned reasons included a slowing domestic and global economy, as well as geopolitical factors. Despite these concerns, China and the United States were still most frequently identified as markets where firms are looking to expand (Fig. 1).

Fig. 1 – Top 3 markets where your business is looking to expand



Overall, only 60% of Japanese firms are confident that their company will succeed in the current trading environment, significantly below the global average (81%).

Around the world, over a third (35%) of the businesses surveyed expect increasing consumption to be the top driver of their growth in the next year, with almost as many (33%) focusing on the economic environment and 32% on technology to increase efficiencies or develop new products and services.

Yet at the same time, political headwinds are gaining strength as 63% of firms think governments are becoming more protective of their home economies, up 2 percentage points since the first quarter of 2018. For those companies with a negative outlook on their company's prospects, geopolitical factors are the main reasons for pessimism.

Around half (47%) of Japanese respondents believe that governments of key trading partners are becoming more protective of their domestic businesses. While this suggests that the actual and anticipated consequences of global protectionism are a concern, the Japanese result is below the global average (63%). This may be reflective of Japan's relatively diverse international trading relationships.

Low unemployment and competitive pressures prompt Japanese firms to move up value chain and focus on skills

In the near future, growing market share was most frequently identified as a key focus of shaping company direction by Japanese companies. Firms also commonly identified a focus on productivity, as well as investment in upskilling workforces. This may be reflective of the tight domestic labour market in Japan.

The majority of Japanese respondents are currently using data to gain insights for their business. The HSBC Navigator survey shows that 72% of respondents report using data to optimise performance, which is on par with the global average (75%). The use of transactional (sales) data was most common, with operational and customer personal datasets also frequently cited.

Surprisingly, Japanese companies were generally more sceptical about the benefits of new data innovations than their global counterparts. The 'Internet of Things' was most frequently identified as posing opportunities for business, but the 42% share of Japanese respondents who had a positive view of this development still lagged well behind the 56% global average. Over half of businesses (52%) believe that virtual reality is irrelevant to their business, with a similar proportion stating that 3D printing technology and smart manufacturing is not relevant (49% and 48% respectively).

Internationalisation and digitalisation drive supply chain ambitions

Focusing on planned changes to supply chains, just less than a fifth (18%) of firms in the goods sector are looking to change to international suppliers, while a similar proportion (15%) of service industries are planning to expand business into new markets. Increased use of technology was frequently cited as a strategy for respondents in both the goods and service industries (16% goods, 22% services) in the near future. Competitive pressures appear to be the key drivers of this development, as both goods and services industries most frequently cited cost reduction as the primary motivation for planned supply chain changes (35% goods, 37% services).

It is also notable that a significant proportion of Japanese respondents in both the goods (14%) and services (23%) sectors are not planning to make any changes to their supply chain in the next three years. These proportions are higher than global averages (4% goods, 9% services), which may be reflective of the enduring Japanese partnership model of production.

Note to editors:

HSBC Navigator: Now, next and how for business

HSBC's Navigator report comprises a global survey gauging business sentiment and expectations on trade activity and business growth from 8,650 decision-makers in 34 markets. Research was conducted by Kantar TNS for HSBC between August and September 2018.

HSBC's Navigator helps businesses capitalise on new opportunities and make informed decisions for the future by understanding the outlook for international trade.

The full report can be accessed here: www.business.hsbc.com/trade-navigator

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