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## **Businesses globally plan to capitalise on disruption of global trade: HSBC**

*\*\*\* Japanese firms more cautious than global peers\*\*\**

*\*\*\*57% of Japanese firms expecting growth next year, compared to 79% globally\*\*\**

Global supply chains may be shifting, but businesses around the world are still confident they will find growth in new markets, according to a new HSBC report.

The latest [HSBC Navigator: Now, next and how](#) survey of over 9,100 companies in 35 markets, including 350 Japanese companies, finds that 47% of companies globally are more optimistic now than in 2018, with 79% expecting their sales to rise over the next 12 months.

### **Firms around the world remain upbeat despite economic headwinds**

The survey found four in five global companies (81%) are positive in their outlook for cross-border commerce, up 4 percentage points on last year, despite 65% thinking governments are adopting increasingly protectionist trade policies.

International expansion is cited as the top growth driver by bullish firms (38%) globally as well as being a defensive reaction to threats (29%). Entering new markets is the joint top change global businesses plan to make to their supply chains over the next three years, up five points year-on-year to 28%, alongside increased digitisation.

### **Japanese firms are less optimistic about growth**

Companies in Japan hold a more cautious outlook, with just over half (57%) expecting growth in the next year, compared with 79% globally. Despite the short term pessimism, longer term expectations shine brighter for Japanese companies, with 62% expecting growth in the next five years, although this is below the global average of 82%.

Of Japanese businesses that are expecting to grow over the next year, access to new markets, improved productivity, investment in technology, the introduction of new products and services and transformative technologies are cited as the top growth drivers.

### **Trade outlook – Japan's preferred trading partners remain, but reduce in importance**

Trading within Asia-Pacific (58%), North America (31%) and Europe (20%) remains fundamental for businesses in Japan. However, a decline in the importance of more than 10 percentage points is projected for all three. Mainland China, Thailand and Hong Kong are Japan's three most important partners in the region.

Over the next three to five years, mainland China (18%), the US (17%) and India (8%) are projected to become the top markets for Japanese firms.

**Takahisa Yano, Head of Global Trade and Receivables Finance, HSBC Japan**, said: “Businesses are absorbing changes in the political landscape, whether it’s new tariffs that disrupt supply chains or trade agreements that smooth a path to new markets. These strategies include cutting costs, entering joint ventures or partnerships with local companies and selling more online. By keeping an eye on the long-term trends reshaping the competitive landscape, businesses can position themselves to capture opportunities as they emerge.”

Lawmakers in a number of markets have enacted significant trade control measures, including well-publicised tariffs, since the 2018 survey. However, efforts have also been made to further liberalise trade, particularly across Asia and Europe<sup>1</sup>. HSBC forecasts that the global economy will expand by 2.5% in 2020 following 2.6% growth this year.

Confidence remains strong in both mainland China (86% of companies) and the US (80%), where rate cuts and deep domestic markets may be helping to insulate companies from bilateral trade tensions. Continuing a trend seen in 2018’s survey, most markets are planning to boost their intra-regional trade in the coming three to five years. From an inter-regional perspective, Europe looks set to become a bright spot with 39% of companies globally naming a European market as a top three priority for business expansion in the next three to five years, up six points from a year ago.

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#### **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 9,131 decision-makers in 35 markets. Research was conducted by Kantar for HSBC between August and September 2019. 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: <https://www.business.hsbc.com/navigator>

The Japan report can be accessed here: <https://www.business.hsbc.com/-/media/cmb/campaigns/navigator-2019/pdf/navigator-report-japan-en.pdf>

Interviews for the *Navigator: Now, next and how* survey were conducted in Argentina, Australia, Bangladesh, Belgium, Brazil, Canada, Egypt, France, Germany, Greece, Hong Kong, India, Indonesia, Ireland, Italy, Japan, mainland China, Malaysia, Mexico, the Netherlands, Poland, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, Turkey, the UAE, the UK, the USA and Vietnam.

Over 5,000 of the companies interviewed were SMEs making annual sales of between US\$5m and US\$50m, with the remainder being larger enterprises.

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<sup>1</sup> The US has imposed tariffs on most imports from China and China’s government has responded in kind, while reducing duties on hundreds of products for non-US partners. Meanwhile, the US, Mexico and Canada signed a ‘new NAFTA’ agreement, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) entered into force and the European Union implemented a major free trade deal with Japan.