

9 February 2021

## **HSBC Navigator Report 2020: World's businesses project two-speed recovery from Covid-19**

As the world awaits widespread access to Covid-19 vaccines, a new report from HSBC Commercial Banking signals a two-speed economic recovery spanning several years as the pandemic redefines business success.

Drawing on the views of over 10,000 companies in 39 countries and territories, HSBC's annual Navigator survey finds that 8% are more profitable than they were before the Covid-19 outbreak and 45% expect to return to pre-Covid profitability by the end of 2021. However, 28% and 11% of businesses expect it will take until the end of 2022 and of 2023 respectively just to claw back ground lost during the pandemic, while 6% are looking at 2024 or beyond.

Although the number of companies projecting sales growth in the year ahead (64%) has dropped 15 percentage points from a year ago, and the proportion of zero growth companies has doubled (24%), four in ten (42%) businesses are expecting sales growth of more than 5% in 2021. A distinguishing feature of these 'high growth' companies is that nearly all (89%) are going on the offensive by increasing investment. In contrast, more than half (56%) of the businesses predicting lower sales are planning retrenchment, with four in ten (42%) expecting to reduce investment in their business.

- **Digital is key** to success during the pandemic, with 'high growth' companies now making most sales online. 32% of high growth firms expect technology-driven efficiencies to be a key driver for their recovery, more so than businesses with lower or no growth. As a result, nearly half (47%) plan to invest in digital only tools and platforms this year, while a third will be introducing new products and services.
- **Empowering employees:** The workforce is a key priority for high growth firms, with 90% planning to upskill employees and to invest in staff wellbeing.
- **ESG commitment:** The vast majority of companies surveyed (86%), from the optimists to the pessimists, think efforts to boost their sustainability performance will help increase sales. Three in four have set environmental, social and corporate governance (ESG) targets, with the greatest focus on environmental and social goals (up 10 percentage points and 12 percentage points respectively from 2019).

**Barry O'Byrne, Chief Executive Officer, Global Commercial Banking at HSBC, said:**

"Companies have proven remarkably resilient in weathering the turmoil brought by Covid-19. They face the same storm, but they are not in the same boat. Different sectors face unique challenges, and we see this shaping decisions to invest, to embrace technology, and to target future growth. What they all recognise is that responsibility, resilience and reputation underpin long-term success. Getting this right is challenging, but the potential commercial and societal benefits are vast."

Advertising/PR and pharmaceuticals businesses are among the most optimistic in their outlook for sales growth, the Navigator survey shows, ahead of firms in industries including energy, chemicals and technology services. Optimism is scarcer in sectors such as automotive, telecoms, tourism and education.

While half of businesses expect cross-border trade to become more difficult than it was pre-pandemic, their commitment to pursuing international opportunities appears undiminished. Three quarters of businesses are positive on their international trade over the next two years. Two in five see broader horizons and new sources of insight (37%) as a benefit, while

businesses believe international trade promotes positive social outcomes through boosting local economies (30%) and supporting the development of local infrastructure (24%).

Firms are reshaping rather than reshoring their supply chains, through diversifying (28%) rather than reducing (20%) suppliers. And supply chains will increasingly operate regionally, with two-fifths of firms focusing on suppliers within their region (40%). For firms in Asia-Pacific, mainland China has overtaken the USA this year as their main foreign market.

**Joyce Grech, Head of Commercial Banking at HSBC Bank Malta plc, said:**

“While Covid-19 has brought various difficulties to the economic and business landscape, there are also opportunities, as clearly evidenced by the latest Navigator report. We are well placed to support our customers as they adapt to the challenges and change their business model as they navigate through this environment, especially those seeking to pursue international opportunities”.



**PHOTOCAPTION: A new report from HSBC Commercial Banking signals a two-speed economic recovery spanning several years as the Covid-19 pandemic redefines business success**

**Notes to editors:**

***HSBC Navigator:***

The Navigator survey is conducted on behalf of HSBC by Kantar. This survey of over 10,000 businesses spans 39 countries, markets and territories. It was conducted between 11 September and 7 October 2020.

Markets in scope: **Europe:** Belgium, France, Germany, Greece, Ireland, Italy, Netherlands, Poland, Russia, Spain, Sweden, Switzerland, UK. **Asia-Pacific:** Australia, Bangladesh, mainland China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, Vietnam. **Middle East & North Africa:** Egypt, Saudi Arabia, Turkey, UAE. **North America:** Canada, Mexico, USA. **South America:** Argentina, Brazil. **Rest of Africa:** South Africa.

For more information visit: <https://www.business.hsbc.com/navigator>

***HSBC Bank Malta p.l.c.***

HSBC Bank Malta p.l.c. is a member of the HSBC Group, whose ultimate parent company is HSBC Holdings plc. HSBC Malta provides a comprehensive range of financial services which are all designed to meet the expanding requirements of its large client base of personal and corporate customers. These include Wealth and Personal Banking, Commercial Banking and Global Markets. Registered in Malta number C3177. Registered Office: 116, Archbishop Street, Valletta VLT 1444, Malta. HSBC Bank Malta p.l.c. is regulated and licensed to carry out the business of banking and investment services in terms of the Banking Act (Cap. 371 of the Laws of Malta) and the Investment Services Act (Cap. 370 of the Laws of Malta) by the Malta Financial Services Authority.

***HSBC Group***

HSBC Holdings plc, the parent company of HSBC, is headquartered in London. HSBC serves customers worldwide from offices in 64 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,956bn at 30 September 2020, HSBC is one of the world's largest banking and financial services organisations.