

World's businesses project two-speed recovery from Covid-19

23 December, 2020

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, 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, the quarter (24%) of businesses predicting lower sales are planning retrenchment, with two in five (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, 88% plan to invest in digital tools and platforms next year, while a third have already innovated 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).

Irina Seylanyan, CEO of HSBC Bank Armenia CJSC mentions: "2020 has been very challenging for the world, but more for Armenia. These challenges prompted businesses to adopt resilient measures to withstand the crisis, underpin local economy and promote future growth. Investment in digital technologies, employee empowering and responsible social behavior are key to neutralising the negative impact of the ongoing crisis."

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 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.

Note 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 Commercial Banking

For over 150 years we have been where the growth is, connecting customers to opportunities. Today, HSBC Commercial Banking serves around 1.4 million customers across 53 markets, ranging from small enterprises focused primarily on their home markets through to corporates operating across borders. Whether it is working capital, term loans, trade finance or payments and cash management solutions, we provide the tools and expertise that businesses need to thrive. As the cornerstone of the HSBC Group, we give businesses access to a geographic network covering more than 90% of global trade and capital flows. For more information visit: <https://www.hsbc.com/who-we-are/our-businesses-and-customers/commercial-banking>

HSBC Holdings plc

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. HSBC serves customers worldwide from offices in 64 countries and territories in our geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,923bn at 30 June 2020, HSBC is one of the world's largest banking and financial services organisations.

HSBC in Armenia

HSBC Bank Armenia cjsc was established in 1996. The bank is a joint venture between the HSBC Group, which has 70 per cent ownership, and a member of overseas Armenian business with 30 percent ownership. HSBC Armenia serves around 30 000 customers through eight offices located in Yerevan and around 362 employees. As of 31 March 2020, the Bank has assets of AMD298 billion including the ones, allocated with the mediation of the HSBC Holdings plc.

Ends