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NEW CLIMATE OF GROWTH FOR BRITISH BUSINESSES

Ambitious businesses on the growth path

Investment forecast growth outstrips pre-recessionary business behaviour

HSBC launches 52 local SME funds, allocating almost £6bn in new lending to help businesses achieve their growth plans

2014 will mark a turning point for ambitious British businesses, as they look to capitalise on the UK economic recovery to invest in growth, so finds HSBC's new 'Business of Growth' report released today.

The report highlights the constant upwards revision of GDP growth over the last 12 months, the UK economy's outperformance of the Eurozone and a rise of business confidence as providing the perfect conditions for growth. It has identified Britain's business growth potential for 2014 by incorporating analysis of 39 separate forecasts of GDP and investment, as well as the findings of four leading business barometers.

The 'Business of Growth' predicts an increase in fixed investment – physical assets including machinery, premises and stock – of 7.1% in 2014¹. This compares to a pre-recession average annual investment growth of 3.6%. This figure has also been revised significantly upwards in recent months, marking increased confidence in the recovery. In March 2013, forecasts for fixed investment stood at just 4.7% for 2014.

This analysis is supported both by HSBC's own experience, where new term lending is up 16% year on year and the overall value of lending that is being approved is even higher, at 37% over the same period².

HSBC says that a significant amount of the lending it is providing its small to medium-sized enterprise (SME) customers is clearly earmarked to support growth. It points to a number of strategies that businesses are adopting, including investing in new equipment to grow production capacity, smoothing out supply chains and payments cycle with working capital solutions, expanding into new markets (especially in emerging Asia) and purchasing new premises.

Amanda Murphy, Head of Business Banking for HSBC, said: "Ambitious British businesses are saying they are going to invest this year and get on with growing. We want to support their ambitions by significantly increasing our net lending to businesses this year. We are helping more than 6,100 businesses start up every month, and want to support our hard working SME business owners on their drive for growth."

In response to this shift, HSBC is making almost £6 billion of new lending available across its regional network, individually allocated to all of its 52 local business centres, to help get finance directly to businesses where they need it right across the UK.

Amanda Murphy said: “Business growth will come from all of our regions and by breaking down funds to a very local level we are confident we can help make a real difference. We have put the funds into the hands of our local relationship managers to empower them to identify and work with ambitious companies in their area.”

Sustained recovery

Despite the slow emergence from the global downturn, the UK economy is now six to nine months into strong, sustained recovery. The ‘Business of Growth’ report’s analysis identifies that there is a unanimous positive consensus among leading independent forecasters for a substantial pick-up in economic growth in the next two years.

It indicates an average in forecasted GDP growth for 2014 of 2.7% – its highest level since 2007. These forecasts have also been repeatedly revised upwards over the last 12 months, reflecting an increasingly positive consensus view on the strength of the recovery. The IMF, for instance, significantly raised its 2014 GDP growth forecast last week to 2.9%, predicting that the UK will be the fastest growing economy in the G7 this year. HSBC’s own latest GDP growth forecast is also 2.9%³.

Meanwhile in 2013, the UK outperformed most European economies, and employment recently rose to its highest level in five years.

Ambitions for Growth

The HSBC report also analyses the latest investment intentions data from three leading business confidence barometers – the ICAEW Business Confidence Monitor, the FSB Voice of Small Business Survey and the Bank of England Agents’ Summary of Economic Conditions – and also looks at HSBC-backed research, including the Trade Confidence Index. All identify uplift in businesses’ confidence and intentions to increase capital investments.

New HSBC Support for Growth Businesses

To enable more businesses to invest for growth, HSBC has allocated individual funds to all of its 52 local business centres, which will make available almost £6 billion of new finance. The funds will be open to new and existing UK domiciled businesses with turnover of up to £30m⁴.

The funds are just one part of HSBC’s ‘Ambitious Businesses’ programme to help find and support forward-thinking companies that are looking to grow. To support SMEs right across the UK, the bank will also:

- Host 100 ‘Access to Finance’ workshops, to help small companies maximise their chances of securing funding
- Hold over 50 ‘Fast Lane to Growth’ events across the UK, sharing strategies to accelerate growth and enter new markets;
- Hold five ‘Global Connections’ thought leadership events where the UK’s best business leaders will share their secrets to success.

Footnotes:

- This news release is issued by

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¹Fixed investments include both business and government investment spending. In 2013, real-terms business investment was 57% of total GFCF.

²This is for the 2 months to February 2014.

³HSBC Global Economics Quarterly, 20 March 2014.

⁴Lending is subject to status and terms and conditions apply.

Ends

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For further information please contact:

Steve Gracey
Media Relations Manager, HSBC Commercial Banking
+44 20 7991 4118
steve.gracey@hsbc.com

Notes to Editors:

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For more information see www.hsbc.com/1/2/business-and-commercial

Ends all

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