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## UK MID-MARKET FIRMS COULD UNLOCK SIGNIFICANT GROWTH POTENTIAL BY INCREASING EXPORTS

*\*\* Largest global study of mid-market enterprises finds only 17% of UK firms' revenues are derived from exports\*\**

*\*\*The estimated 9,100 MMEs in this country support over \$1tr of sales and \$520bn of GVA and employ 4.6m\*\**

*\*\*Should UK MMEs boost their exports by just 5%, they could add a combined \$4bn to their economic impact\*\**

HSBC today releases a report revealing that mid-market enterprises could take advantage of huge opportunities from international trade. In fact, exports currently account for only 17% of UK MMEs<sup>[1]</sup> revenues. Although, the total value of turnover accrued through these export sales is almost \$180bn.

HSBC Commercial Banking, in conjunction with Oxford Economics, explored the views of 1,400 MME senior executives in 14 countries in addition to in-depth economic analysis. The findings reveal that MME leaders in the UK are significantly less confident in the local economy than average (50% vs. 69%) and as to be expected they view Brexit as a far greater threat to growth than average (50% vs. 6%). However, despite this these leaders are focused upon increasing revenue from current markets as a strategy for growth rather than seeking out sales opportunities in new geographies. The US and neighbouring European economies such as France, Germany and Ireland are currently the largest export markets for UK-based MMEs.

Furthermore, there is good news for policymakers for who decreasing the skills gap has been a priority in recent years in that UK MME leaders see much less of a threat from skill shortages than average (40% vs. 56%). Meanwhile these leaders were comparatively less optimistic when it comes to technology driven growth (45% vs. 55%) and the domestic opportunities that exist in general for entrepreneurs in the UK (39% vs. 47%).

**Jane Galvin, Head of Corporate Banking, HSBC UK said:** “MME firms are making a huge and growing contribution to the UK economy, with our estimates showing the number of MMEs in this country increased by 5% over two years. These MMEs have the potential to deliver even greater growth if they considered going to new markets. Many of the concerns they have, could in fact be addressed with an international strategy – whether that’s overcoming local economic uncertainty or capitalising on new skills and expertise. In an environment of lower growth, we must help these companies reap the benefits of international commerce, and just as importantly work to raise their profile as major economic contributors, and potentially influential government stakeholders”.

<sup>[1]</sup> For the purpose of this study, mid-markets enterprises are defined as those with between 200 and 2,000 employees.

MMEs are the backbone of the global economy, making significant contribution to growth and employment. It is estimated that the 433,000 MME companies across 14 countries covered by this study directly employed 208 million people – equivalent to the population of Brazil – and support \$3.4 trillion in exports. It is estimated that in just two years the direct contribution of MMEs to global GDP increased by 9% and the number of jobs they support grew by 3%.

Further economic analysis predicts that if mid-market enterprises (MMEs) boosted their export-based revenues by just 1%, they would increase their economic impact by \$12.5 billion across the 14 economies.

Half of all MMEs are estimated to be in China; a further quarter in India but per capita they have a larger profile in countries like Singapore, the UAE, Canada and Germany. In the UK MMEs are mostly likely to operate in the business services sector, which account for almost a third of mid-market activity in terms of economic value and employment, followed by manufacturing and financial services.

In our sample, the MME sector makes the most important contribution to local employment in United States (20% of market sector employment) and the UK (18% of market sector employment), while their share of local GDP is highest in the USA, followed by Mexico, the UAE, Australia and Canada.

Country	Direct GDP contribution		Direct employment contribution	
	\$bn	% of market sector GDP	000s	% of market sector employment
Australia	291	24%	1,050	12%
Canada	346	24%	2,464	18%
China	2,251	23%	95,639	15%
France	404	18%	3,021	16%
Germany	699	22%	5,823	18%
Hong Kong	44	17%	409	15%
India	349	19%	52,667	12%
Indonesia	172	21%	12,170	13%
Mexico	296	25%	6,663	15%
Saudi Arabia	141	22%	1,054	14%
Singapore	58	20%	553	17%
United Arab Emirates	90	24%	847	16%
United Kingdom	519	21%	4,589	18%
United States	3,485	25%	20,743	20%
<b>Total (14 countries)</b>	<b>9,144</b>	<b>23%</b>	<b>207,691</b>	<b>15%</b>

*End/more*

## Media contacts

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## Methodology

The objective of HSBC and Oxford Economics' 2017 'Entrepreneurial heartland of MMEs' research is to estimate the direct contribution of MMEs in 14 countries, their openness to trade as well as their wider contribution through supply chain and consumption 'multiplier' effects.

The research covers the following 14 countries: Australia, Canada, China, France, Germany, Hong Kong, India, Indonesia, Mexico, Saudi Arabia, Singapore, the UAE, the UK and the US.

In this report, MMEs are defined as companies with between 200 and 2,000 employees. All sectors are covered with the exception of public administration, education and health, which are more vulnerable to policy-related factors and are therefore more difficult to compare across countries.

- MMEs' direct contribution to their local economy is measured according to their Gross Value Added (GVA) contribution to a country's Gross Domestic Product (GDP), and to the sales (turnover) and employment they support.
- MME's openness to trade is measured using OECD data on imports and exports, assuming that MMEs have a similar propensity to import and export as other firms in their country and sector.
- MMEs' contribution through supply chain and consumption 'multiplier' effects is estimated using detailed 'input-output' tables from the OECD and national statistical offices. The consumption impact reflects the economic activity supported when employees in MMEs and in their supply chains spend their wages on other firms' products and services.

In addition to the economic research, HSBC and Oxford Economics have conducted a qualitative survey – via phone – of senior executives at 1,400 MMEs (100 per country), between July and August 2017. Using a standard questionnaire, the survey aimed at exploring their views on external opportunities and threats, strengths and weaknesses, strategic priorities over the next three years and priorities for investment.

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*Ends/all*