UK FIRMS SHRUG OFF BREXIT UNCERTAINTY, SEE STRONG INTERNATIONAL GROWTH AHEAD

**Almost three quarters (72%) of UK companies expect to grow their cross-border business**
**UK exports of goods and services expected to rise 22% in value by 2020**
**Most firms say Brexit won’t impact their business or will help them**

UK-based companies are optimistic about their international business prospects, with almost three in four (72%) expecting their exports and imports to increase over the next 12 months, according to a new report from HSBC: ‘Navigator: Now, next and how for business’.

A survey of more than 6,000 companies in 25 markets reveals strong resilience and optimism among the UK firms, with their positive sentiment edging ahead of the European (ex-UK) average of 71%. Top markets UK enterprises are targeting for growth include the US (19% of respondents), Germany (15%) and France (13%).

This sentiment is mirrored in HSBC’s new trade forecast, which predicts the value of UK goods and services exports (benchmarked in US dollars) will increase by about 10% in 2018 to US$900bn – the fastest pace of growth since 2011 – and will average growth of about 7% a year to 2020*.

Nor are UK companies expecting to slow down as the country transitions out of the European Union. Whilst 38% believe Brexit will have a negative impact on their business activities, a combined 62% are more sanguine – 33% believing Brexit will be positive for them and 29% saying they don’t think it will impact them.

Amanda Murphy, Head of Commercial Banking for HSBC UK, said: “The combined survey and forecast data we’ve gathered both point towards a really strong near-term outlook for UK exporters and importers. Undeterred by future post-EU uncertainty, businesses clearly aim to capitalise on the cheaper pound and rising demand in key markets to boost their overseas sales. Whatever the future holds, we will continue helping British businesses to navigate international markets to find new and exciting opportunities for growth.”

Dr Liam Fox, the UK’s International Trade Secretary, said: “This report highlights the growing confidence of UK businesses to export globally, with recent statistics showing UK exports at a record high and the trade deficit narrowing by £12.8 billion in 2017. The IMF predicts 90% of global growth in the coming years will come from outside the EU, and this government is putting the UK in a position to benefit. As an international economic department, we will continue to support businesses of all sizes to seize the huge opportunities which exist in growing markets around the world.”

HSBC’s trade forecast looks out to 2030 and predicts that the dollar value of UK exports of goods and services will double by 2030, including price and exchange rate effects.

Physical goods currently account for about 60% of UK exports, and growth will be led by sales of industrial machinery, transport equipment and pharmaceuticals meeting accelerating demand from emerging markets. While the US will remain the top importer of UK-made products by value in 2020, India will increase its UK imports the most, on average buying 13% a year more by value over this period. The UAE follows, increasing the value of its UK imports by 11% a year, while demand from Indonesia and Vietnam is projected to grow by 9% a year.

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Further out, the value of shipments to China, India and the UAE is forecast to rise by 6% to 8% a year between 2021 and 2030, making China the fourth-largest importer of UK-made products by 2030.

Services companies, though less bullish than their manufacturing peers, remain confident about the year ahead. Just over half (53%) expect to increase cross-border trade in the year ahead, with those anticipating growth expecting it to come from new markets (29%), diversification into new service areas (27%) and e-commerce initiatives (24%).

Indeed, by 2030 HSBC forecasts that goods and services will contribute equally to UK exports.

Despite their ‘keep calm and carry on’ approach, more than half (57%) of UK businesses surveyed say governments around the world have become more protective of domestic firms recently. Many are building Brexit and US trade policy shifts into their future planning.

“Overall businesses are betting that good sense will prevail and that they will be empowered to create jobs and wealth,” said Amanda Murphy. “Commerce connects people for mutual benefit, and contributes to economic stability, so it’s vital that policymakers everywhere continue to support free and fair, rules-based trade.”

– ENDS –

* NB forecast growth is inflated by price and exchange rate effects.

The HSBC Navigator presents a blend of survey evidence, policy analysis, and economic modelling to generate unique and timely insights into the changing landscape for global trade. The business survey is a quantitative indicator of the short-term outlook for global trade. The survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar TNS. It is compiled from responses by decision-makers at over 6,000 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 26 markets.

Interviewees were polled on a range of questions including expectations around future growth in trade, trade finance needs, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving trade environment. And it can provide a useful contextual setting for interpreting developments in official data. In this way, economists at Oxford Economics are able to blend insights from the survey with their own analysis and modelling of developments in trade.

Oxford Economics has tailored a unique service for HSBC which forecasts bilateral trade in goods and services, in part based on HSBC’s own analysis and forecasts of the world economy. A topdown approach is employed, with Oxford Economics’ suite of models used to ensure consistency between HSBC’s forecasts for economic growth and exchange rates in key countries and the more granular projections for bilateral trade flows presented here.

Media enquiries to:
William McSheehy  +44 207 991 6774  williammcsheehy@hsbc.com
Nicola Forsyth  +44 207 991 6004  nicola1.forsyth@hsbc.com

Note to editors:

HSBC Navigator: Now, next and how for business
HSBC Navigator is the most comprehensive report of global trade and business confidence. It combines an economic forecast of medium to long-term bilateral trade for exports/imports of goods and services across 25 countries (by Oxford Economics), and a global survey gauging business sentiment and expectations on trade activity and business growth by Kantar TNS.

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: www.business.hsbc.com/trade-navigator

We can also supply additional data and insight on the following topics:
PUBLIC
1. **Trade in Services**: Emerging markets firms drive optimism for growth. Trade in services outlook 2018 is positive but slightly weaker than that for overall cross-border trade, especially in developed markets. Expanding into new markets is the primary growth strategy for all.

2. **Trade finance**: An increased need for trade finance is strongest in emerging market and increased accessibility is expected although there are concerns about cost and exchange rate volatility.

3. **Regional views on the impact of government policies**: Looking at individual government/economic policies, the majority of individual government/economic policies have a positive impact on business, with the exception of the Middle East and Brexit. The two policies which were seen to have the most positive impact are in Asia: China’s ‘Belt and Road Initiative’ and ASEAN 2025.

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