

Navigator

Now, next and how for business

Europe



Together we thrive

Overview

Europe thrives

Despite weakness in the recent European data, our survey paints a mostly optimistic picture of business prospects, in line with the global average. This optimism is driven by external and internal factors, including investment in technology, new markets opening up and an increasing interest in sustainability, making European firms confident that there are growth opportunities in the next year and over the longer-term.

State of play

Bullish outlook for European businesses

Businesses across Europe are bullish about their prospects, with nearly four in five (79%) projecting growth over the coming 12 months, in line with the average globally. This confident outlook is being driven by a number of particularly optimistic markets, including Poland, where 88% of firms project growth in the coming 12 months, along with Spain (85%), Greece (85%) and France (84%). Over the past year, 41% of European markets have become more optimistic about the business outlook. In four markets – Greece (65%), UK and Poland (51%) and France (50%) – at least half of all companies are more optimistic than they were a year ago.

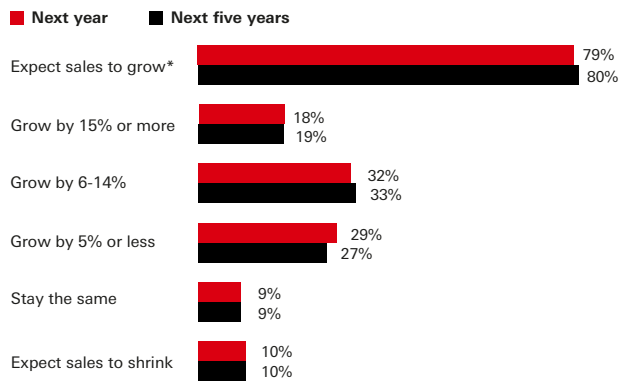
Expectations around longer-term growth are equally high. Over the next five years, 90% of firms in Greece project growth, so do companies in Spain (89%) and Poland (87%). These are the most bullish of all European markets. Nearly one in five of European businesses (19%) project growth of 15% or more over the next five years.

Markets that are positive about their future growth outlook, and where firms continue to innovate and transform as they pivot to meet the changing global trade environment, include the UK, Ireland and Poland. Around two in five (41%) companies in Europe are expecting their businesses to change totally or substantially in the next five years. The UK (66%), Ireland (51%) and Poland (46%) are the European markets where the highest proportions of businesses predict either substantial or total change.



The positive outlook across Europe is fuelled equally by external and internal drivers. The main internal contributors identified are investment in technology (30%), a motivated workforce (28%), introduction of new products and services (28%) and improvements in productivity (27%). The main external contributors are new markets opening up (37%), transformative technologies in their sectors (25%) and increasing interest in sustainability (24%).

Expectations for future business growth



*This is the sum of grow by 5% or less, 6-14%, 15% or more.



What you need to know



41% of European companies have become more optimistic about the business outlook over the past year – with 79% projecting growth in the year ahead.



Among goods firms, agriculture, fishing and forestry are the most bullish, with 88% projecting growth in the next year. The automotive industry is the most conservative (74%).



Around two out of five (41%) of firms in Europe are expecting their businesses to change totally or substantially in the next five years, lower than globally (50%) and the lowest proportion in any region.

What your business can do



Innovate to grow. Improving the quality of products/services (29%) and investing in innovation (27%) are two of the top three strategies to mitigate for potential declines.



Make international expansion a key strategy. More large companies (41%), international operators (39%) and goods businesses (40%) are looking to new markets as a growth driver.



Transform your business processes. Companies anticipating sales growth of 15% or more also expect to totally or substantially change their business in the next five years.

Trade outlook

Europe goes from strength to strength

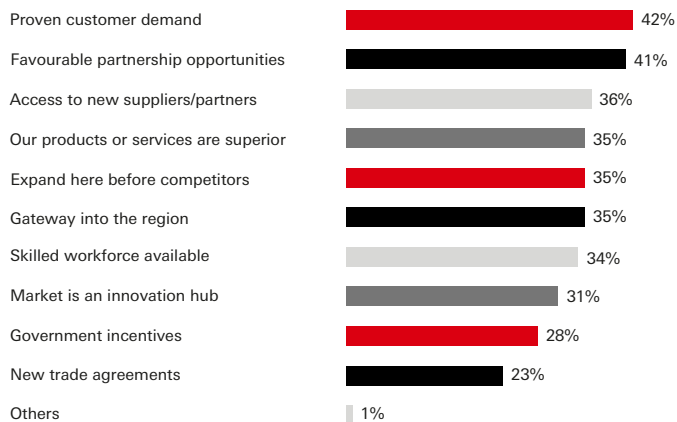
Europe is a key trading partner for businesses across the world – and there are clear indications that it will become even more important over the coming three to five years. Half (50%) of businesses around the world cite Europe as their key trading partner, compared with Asia-Pacific (37%) and North America (29%). The drivers behind this appeal are proven customer demand, favourable partnership opportunities and access to new suppliers and partners in European markets.

Within Europe, Germany (15%), France (13%) and the UK (10%) are the top three trading partners for businesses around the world. Looking into the next three to five years, these three markets continue to top the league for global expansion in Europe.

Intra-regional trading is also strong. Nearly three-quarters (72%) of European companies regard Europe as one of their top three trading partners, whereas 20% mention North America and 17% mention Asia-Pacific. Over the coming three to five years, businesses around the world indicate a likely increase in the importance of Europe as a trading partner, with nearly two in five (39%) expressing the intention to expand in Europe.

In Europe, more than 95% of businesses see trade as a force for good – in line with the global average. Businesses in Europe feel that, in the next five years, international trade will drive innovation (75%), provide new business opportunities (74%) and improve efficiency (72%).

Reasons for market attractiveness (companies trading with Europe)



What you need to know

- Trading within Europe accounts for more than three-quarters of trade for companies in Poland (88%), Greece (84%), Italy (79%), Spain (77%) and Germany (75%).
- In line with Germany and France, the UK is attractive to trading partners for proven customer demand (36%) but also access to new suppliers and partners (31%) and favourable partnership opportunities in this market (30%).
- More than 95% of businesses see trade as a force for good. They feel it can drive innovation (75%), provide new business opportunities (74%) and improve efficiency (72%).

What your business can do

-  Consider further intra-regional trading. Europe is already a strong trading partner and 39% of firms intend to expand in the region in the next three to five years.
-  Consider investing in better quality products and services – a key strategy for nearly one-third (29%) of European businesses.
-  Explore opportunities for expansion into new markets. More than a quarter (27%) of firms in Europe are pursuing this strategy versus 29% globally.

Protectionism and geopolitics

Firms focus on strategies to offset protectionism

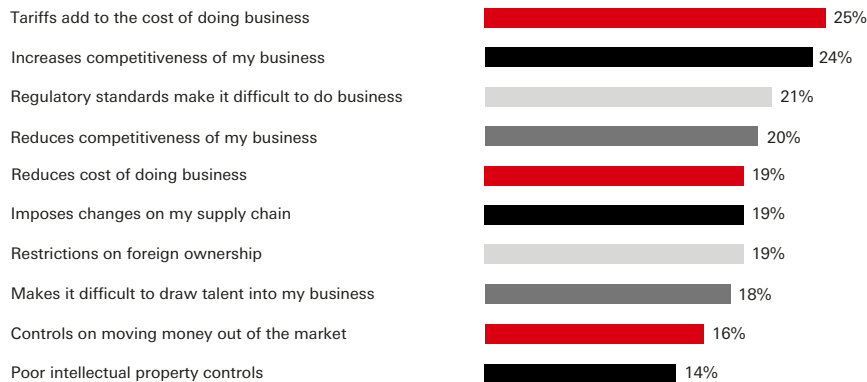
Businesses in Europe increasingly feel that protectionism is growing (55% in 2019 compared with 54% in 2018, and 50% in 2017), albeit to a slightly lesser extent than firms globally. Across the 13 European markets surveyed, protectionism is most strongly felt by businesses in the UK (73%) and Spain (70%), and the least by those in Germany (42%) and Sweden (41%).

Of the European firms that think governments in the key markets they operate in are becoming more protective of their domestic businesses, just over half (51%) believe they would gain more than they lose from protectionism.

Regardless, firms in Europe are focused on offsetting any negative impact of protectionism. The key strategies for coping with protectionism are cutting costs (31%), sourcing from local suppliers (24%), changing the offering in those markets and accepting lower margins (both 22%).

The impact of geopolitics is felt more strongly than the impact of protectionism among businesses in Europe, although the proportion is still the lowest across all regions. In the 13 European countries surveyed, the impact of geopolitics is cited by a greater proportion of companies in the UK (78%), Ireland (71%) and Spain (67%) and by the lowest proportions in the Netherlands (51%), Germany and Italy (both 52%).

Ways in which businesses are feeling the impact of protectionism



What you need to know

- 1 The impact of protectionism is rising. This year, 55% feel the impact, compared to 54% last year and 50% in 2017.
- 2 A considerably greater proportion of domestic companies (59%) are more likely to see gain over loss from protectionism than international operators (46%).
- 3 Companies projecting higher growth in the next year (15% or more) are more likely to feel the impact of geopolitics (78%).

What your business can do



Cost-cutting is the top strategy across businesses of all sizes, whether companies are operating domestically or trading internationally, goods or services companies.



Consider sourcing from local suppliers (24%), accepting lower margins (22%) or changing your offering in protectionist markets (also 22%).



Explore taking more business online and investing in cybersecurity amid the rising threat of geopolitics.

The sustainable future

Strong sustainability drive

A key priority for high-growth companies is pursuing business growth and change in a sustainable way, and European businesses are keenly invested in driving sustainability. Companies in Europe continue to implement sustainable practices with a range of motivations: to improve operational efficiency, to meet buyer expectations (both 24%), to meet regulatory standards (23%), to grow sales (22%) and to gain a competitive advantage (21%). These key motivations are consistent with the picture globally.

Companies in Europe are feeling the pressure to become more sustainable in the next five years from end consumers (35%), governments (32%) and competitors (30%). But they face the same challenges as firms worldwide – the extra finance needed, the work and time it takes to revamp their business and the lack of consistency in measurements and reporting frameworks from governments and regulators.

Also, over the next five years, businesses in Europe expect to invest more in reducing waste generation through prevention, reduction, recycling and re-use (29%), technology, innovation and infrastructure to improve sustainable production (27%), promoting employee health, wellbeing and safety (26%) and improving energy efficiency and sourcing more clean energy (25%).

Motivations for implementing sustainable practices



What you need to know



Over half of businesses in Europe (53%) believe they have a role to play in delivering the UN's Sustainable Development Goals (SDGs), compared with 63% globally.



UK firms are most responsive to the UN's SDGs, with 75% believing they have a role in delivering them and 38% thinking that role is significant, followed by the Netherlands (58% and 17%), Spain (58% and 17%) and France (58% and 16%).



Across the individual SDGs, those that are seen as most relevant to businesses are affordable and clean energy, decent work and economic growth and good health and wellbeing.

What your business can do



Reduce waste generation through prevention, reduction, recycling and re-use – the top investment priority for delivering sustainability among firms in Europe (29%).



Invest in technology and innovation. Technology is seen as key for improving sustainable production and monitoring the supply chain for greater visibility and traceability.



Embrace sustainability as a business strategy. The data shows that successful companies see sustainable practices as vital to business' long-term survival.

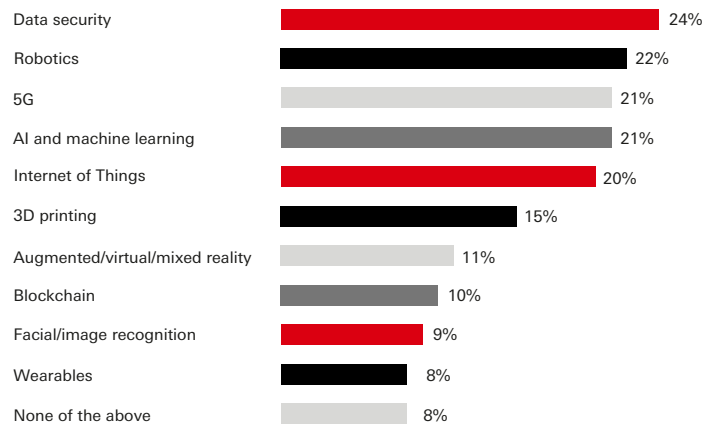
Breakthrough tech

The transformative power of technology

European companies are very aware of the impact of transformative technologies. As such, data security technology (24%), robotics (22%), 5G technology and artificial intelligence (AI) and machine learning (both 21%) and the Internet of Things (IoT) (20%) are identified by companies in Europe as important to their businesses in the next five years. Reducing costs and improving productivity are the most common benefits expected from these technologies.

North America is most likely to be identified by companies globally as the technology hub across the range of key technologies, but Europe shares the lead with North America on data security technology and is slightly ahead on facial/image recognition and wearables. European companies actually view Europe as being the technology hub across all of the top technologies – AI, facial/image recognition, 3D printing, AR, IoT, wearables, 5G, robotics, blockchain and data security.

Technologies businesses think will be important over the next five years



What you need to know



The high-growth companies regard data security technology, robotics, 5G and AI as the most important transformative.



North America is most likely to be identified as a technology hub across the range of key technologies, but Europe ties with North America in leading data security technology.



European firms also see Europe as an advanced hub for a number of the top technologies.

What your business can do



Invest in transformative technologies. Businesses anticipating high levels of growth also expect to radically transform their processes and technology.



Make sure your technology investments answer the right questions. If your business needs to increase speed to market, look at 5G and IoT, but if you're struggling to reduce costs, investigate robotics and AI.



Consider the best innovations in your sector. Robotics and AI are big in manufacturing, but retailers are thinking about data security and the IoT.

About HSBC Navigator Europe

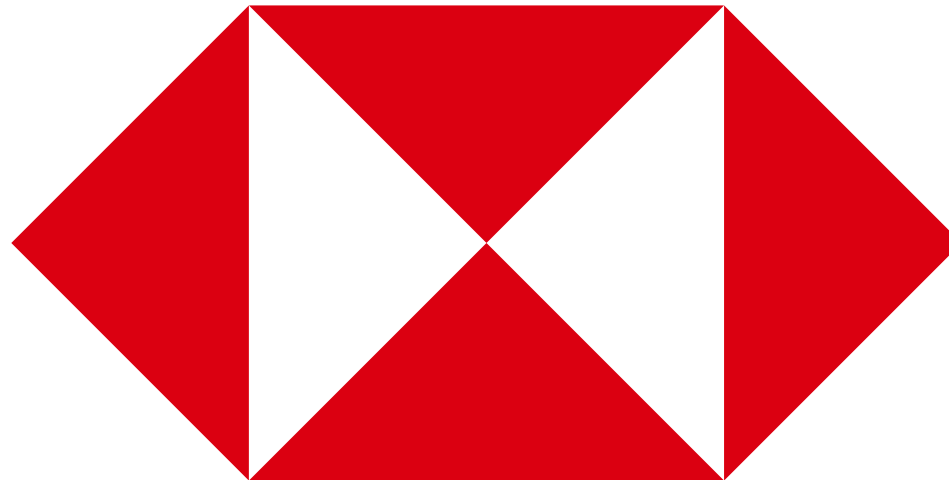
The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, international trade, geopolitics, sustainability, technology and wellbeing. It is compiled from responses by decision-makers at 9,131 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 35 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 3,677 businesses surveyed in 13 European markets (Belgium, France, Germany, Greece, Ireland, Italy, Netherlands, Poland, Russia, Spain, Sweden, Switzerland, UK). Global results are based on an average of the 35 markets (using weights based on each market's share of world trade). The survey was conducted between August and September 2019. Interviewees were polled on a range of questions including expectations around future growth in trade, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving international business environment.

Data visualisations based on the following:

Page 3, 6 & 7: all companies. n=3677

Page 4: companies who have any future trading expansion plan. n=1939

Page 5: companies who think governments are becoming more protective. n=2224



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