

# Navigator

Now, next and how for business

United Kingdom



Together we thrive

# Overview

## Optimism despite Brexit uncertainty

British firms are taking an uncertain economic environment and running with it, foreseeing strong growth and significant changes to their business. Amid Brexit uncertainty, the UK's growth outlook according to businesses surveyed has strengthened. But this growth won't come from the status quo. Many more UK firms are expecting their business to change totally or substantially in the next five years – 66% compared to a global average of 50% and a continental view of 41%.

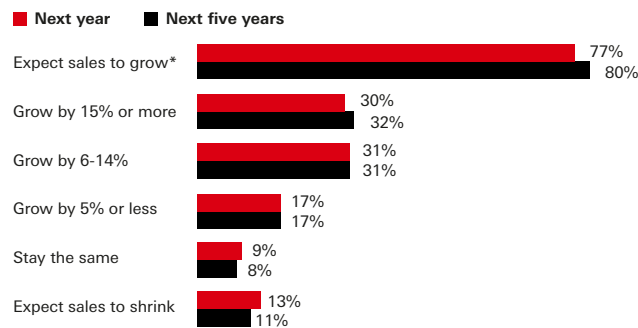
# State of play

## Turbo-charged growth puts UK in pole position

Nearly eight in 10 UK companies project growth in the next year, just under the global average (77% versus 79%), and alongside that positive outlook there is an increasing focus on sustainability and the wellbeing of their workforce. Of those that are feeling confident, almost a third of high-growth firms believe that growth will be 15% or more compared to 22% of global businesses and the highest proportion across European markets.

British businesses believe they can grow by investing in technology, introducing new products and services and motivating their workforce. They are also looking at new markets opening up, transformative technologies in their sector and the increased interest in sustainability.

### 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

- 1 77% of UK businesses predict growth in the coming year despite Brexit uncertainty.
- 2 British companies are the most bullish in Europe – 32% expect growth of 15% or more in the next five years.
- 3 Risks include Brexit-associated currency volatility and changes to government policies on labour and immigration.

## What your business can do

-  Assess whether your business model requires transformation to meet the challenges of global competition.
-  Take steps to ensure that your supply chain is not vulnerable to disruption and choose sustainable suppliers.
-  Address skills shortages in your workforce. 30% of threatened firms are concerned about limited availability of skills.

# Trade outlook

## UK is open for business despite retreat from Europe

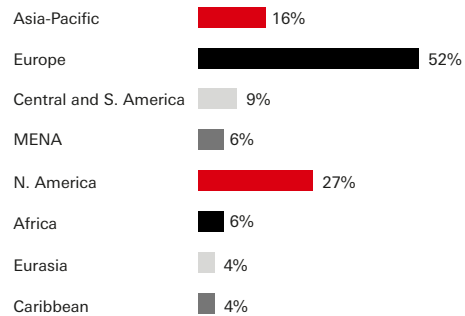
Trading within Europe remains fundamental for businesses in the UK, but there has been a substantial shift from reliance on Germany and France to markets outside Europe. UK firms are considerably more positive about the outlook for international trade this year than last year (86% versus 74%).

However, 64% of UK businesses have stopped or reduced trading relationships with other markets in the past 2 years and 57% intend to do so in the next 2 years. Both proportions are the highest for any country in Europe. And the markets they're pulling out of are their largest trading partners – the US, Canada, Belgium, Germany and France. Despite a slight drop in trade with the US (24% versus 29% in 2018), trade with North America remains strong. In the next three to five years, North America will be the UK's second most significant trading region, eclipsed in importance only by Europe.

Despite these changes, UK businesses overwhelmingly see trade as a force for good, with around eight in 10 companies highlighting international trade as beneficial in terms of providing new business opportunities (82%), driving innovation (81%) and improving efficiency (81%).

### Future trading expansion markets over the next three to five years

#### By region



#### By market




1. United States	22%
2. France	13%
3. Canada	12%
4. Germany	11%
5. Spain	7%
6. Australia	6%
7. China	6%
8. Belgium	6%
9. Italy	6%
10. Austria	6%



### What you need to know

- 1 The number of UK companies who see France and Germany as important trade partners has fallen by half in a year.
- 2 The UK remains the third most attractive market in Europe for trade expansion.
- 3 Europe, North America and APAC are still the top three regions for expansion in the next three to five years.

### What your business can do

-  Review your current trading relationships to assess which markets are now most attractive in terms of favourable partnership opportunities, customer demand and new suppliers.
-  Consider the likely impact on your European business of increased tariffs, tough sustainable standards and withdrawal of favourable trade agreements.
-  Promote yourself as a prospective partner. Favourable or new partnerships are some of the top reasons for global firms to do business in the UK.

# Protectionism and geopolitics

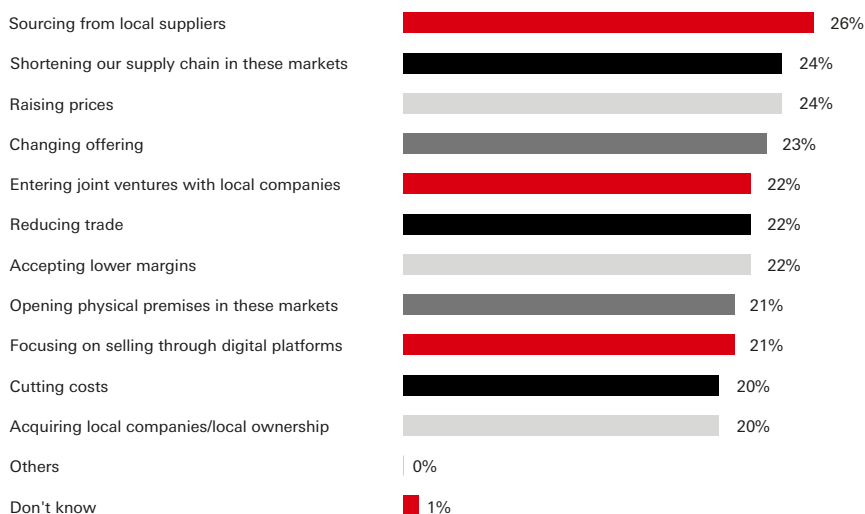
## British businesses lean into protectionist headwinds

Almost three quarters of UK businesses think protectionism is increasing in their key trading markets, a perception that has grown in the last three years and is felt more acutely by UK companies (73%) than their European peers (55%).

However, the impact of the trend towards protectionist policies has not necessarily been adverse. Almost two thirds of UK companies expect their businesses to gain more than they lose, which is higher than the European average. They see their businesses increasing their competitiveness, while higher tariffs and charges on the supply chain are the main drawbacks.

The UK response is very different as well. While their European peers focus on cutting costs, UK companies employ a range of proactive and defensive approaches such as sourcing from local suppliers, shortening supply chains and raising prices.

### Ways in which businesses are coping with protectionism



### What you need to know

- 1 73% of UK businesses think that their key trading markets are becoming more protectionist.
- 2 62% of UK companies that believe protectionism to be intensifying expect their businesses to be net gainers.
- 3 Geopolitical influences are felt strongly by 78% of UK firms, the highest level across European markets.

### What your business can do

-  Assess how you can take a multifaceted approach to increasing your competitiveness in the face of protectionist policies.
-  Investigate how optimising your supply chain and investing in secure digital channels and technologies could make your company more resilient to geopolitical and protectionist risks.
-  Take your business online, the favourite strategy (26%) to mitigate the impact of geopolitics.

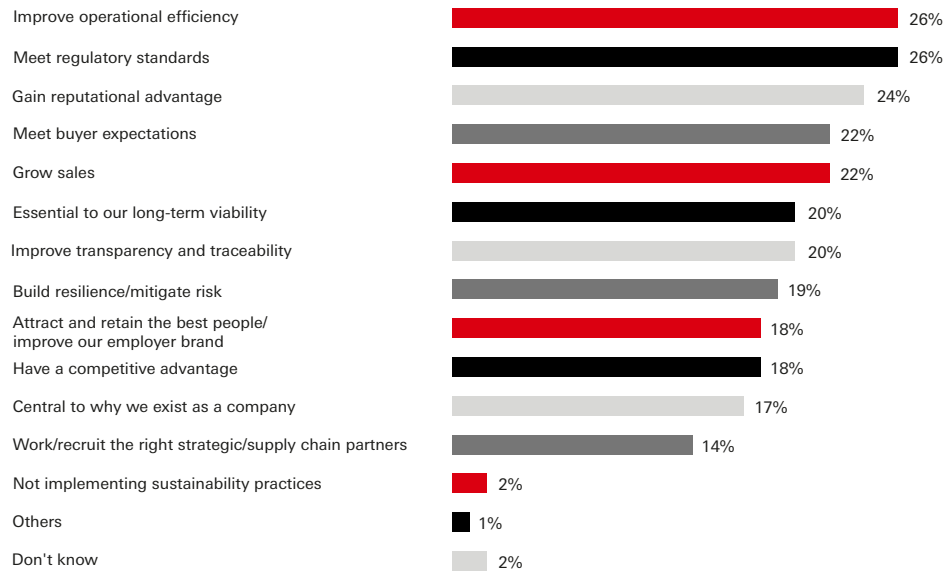
# The sustainable future

## UK emerges as poster child for commitment to sustainability

Sustainability is proving important across the globe and UK businesses cite a range of motivations for implementing sustainable business practices. 26% say sustainability improves operational efficiency and helps them meet regulatory standards, while 24% use it to gain a reputational advantage.

Most UK businesses feel they have a role to play in helping to meet the UN's Sustainable Development Goals (SDGs). The UK's strong belief that it can make a difference is the highest in Europe, with the goals for good health/wellbeing, quality education and gender equality viewed as the most relevant.

### Motivations for implementing sustainable practices



### What you need to know

- 1 More than a third of UK companies think they can play a significant role in delivering on the UN's SDGs.
- 2 30% or more of UK firms feel under pressure to become more sustainable from competitors, governments and regulators in the next five years.
- 3 31% of UK firms expect to boost investment in technology, infrastructure and innovation to improve sustainable production in the next five years.

### What your business can do

-  Explore the benefits of adopting relevant ESG attributes in order to increase competitiveness and benefit society.
-  Conduct a risk management assessment to understand how constraints within the business could adversely affect improvement in sustainability practices.
-  Reduce waste and encourage workplace diversity in line with global and UK-wide priorities.



# Breakthrough tech

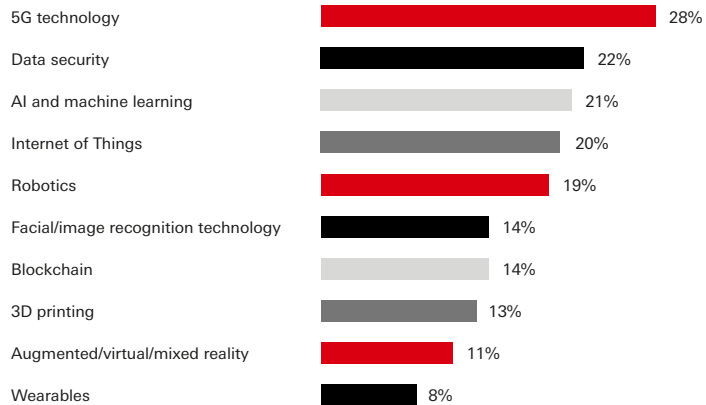
## Digital dividend for UK smart companies

Disruptive technologies such as 5G, data security, artificial intelligence (AI), the Internet of Things (IoT) and robotics are the key innovations that UK businesses think will have the greatest impact on their businesses in the next five years.

These technologies are seen as multiple enablers for improving productivity, reducing costs and enhancing customer experience. 5G is viewed as the most important technology by almost three in 10 UK firms and those that rate it believe it will increase their speed to market.

UK businesses consider the US to be the global leader in technology development, but see the UK as the most advanced technology hub in Europe, ahead of Germany, with particular strengths in data security.

### Technologies businesses think will be important over the next five years



### What you need to know



5G is identified by 28% of UK businesses as the most important technology of the next five years.



British firms see the UK as the most advanced tech hub in Europe, particularly in data security, wearables, facial recognition, IoT and 3D printing.



Improving productivity and cutting costs are key benefits of emerging technologies.

### What your business can do



Explore the ways in which digital technological innovation could drive competitiveness and cut your costs.



Assess your cybersecurity policies to help improve compliance, customer experience and sustainability.



Look at how particular technologies can bring specific benefits, for example, how AI could improve product and service quality.

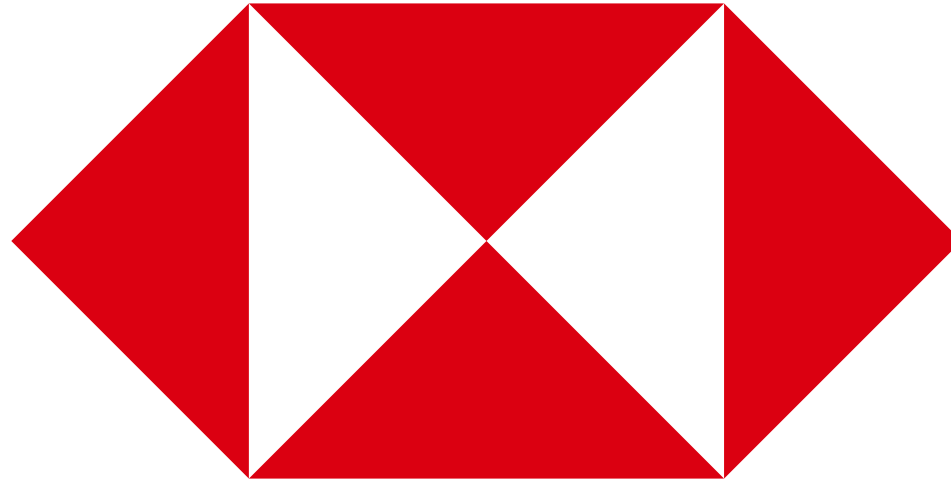
## About HSBC Navigator United Kingdom

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 1,001 businesses surveyed in the 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 2, 3, 5 & 6: all companies. n=1001

Page 4: companies who think governments are becoming more protective. n=730



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