

News Release

3 October 2017

MID-SIZED ENTERPRISES ARE THE UNSUNG HEROES OF THE AUSTRALIAN ECONOMY

There are over 2,600 mid-market enterprises in Australia, which together contribute \$290bn to the country's GDP

If Australian MMEs boosted their exports by just 1%, they could add an additional US\$800m to their annual economic impact

Largest global study of mid-market firms reveals 25% of Australian MME revenues are derived from exports

Mid-market enterprises (MME) in Australia could contribute billions of dollars more to the economy if they were able to maximise international trade and export opportunities, according to a new report released today by HSBC.

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 MMEs in Australia display a comparatively higher risk appetite than global counterparts (55 per cent vs 50 per cent) and consequently are more likely to be first to market (45 per cent vs 34 per cent), but could be over-reliant on domestic sales.

"MMEs are the backbone of the Australian economy but despite their entrepreneurial qualities, their size can prevent them from benefiting from the incentives afforded to smaller companies or garnering influence like their larger competitors," said Steve Hughes, Head of Commercial Banking, HSBC Australia.

The reports shows Australian mid-sized companies – firms who employ between 200 and 2,000 people – mainly sell their products and services to the domestic market, with exports only accounting for 25 per cent of revenues. According to the research, if Australian MMEs were to boost their exports by just 1 per cent, they could add an additional US\$800m to their annual economic impact.

Compared with other nations, Australian MMEs are more concerned with domestic economic uncertainty (63 per cent vs global average of 55 per cent). "If they were to consider international strategies and increase their cross-border activity, they could potentially mitigate these concerns by accessing a larger customer base and increasing their revenues," Hughes said.

In comparison to global respondents, Australian MMEs believe that boosting operational efficiency will be the key factor in increasing their financial performance over the next three years (29 per cent vs 16 per cent). Australian MMEs also consider it more important to make their businesses ethical and sustainable in that period (57 per cent vs 49 per cent globally).

This information is issued by

HSBC Bank Australia Limited

Registered Office and Head Office:
HSBC Bank Australia Limited
Level 36, Tower 1, International Towers Sydney
100 Barangaroo Avenue, NSW, 2000, Australia
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Fig. 13. MME current strengths and weaknesses

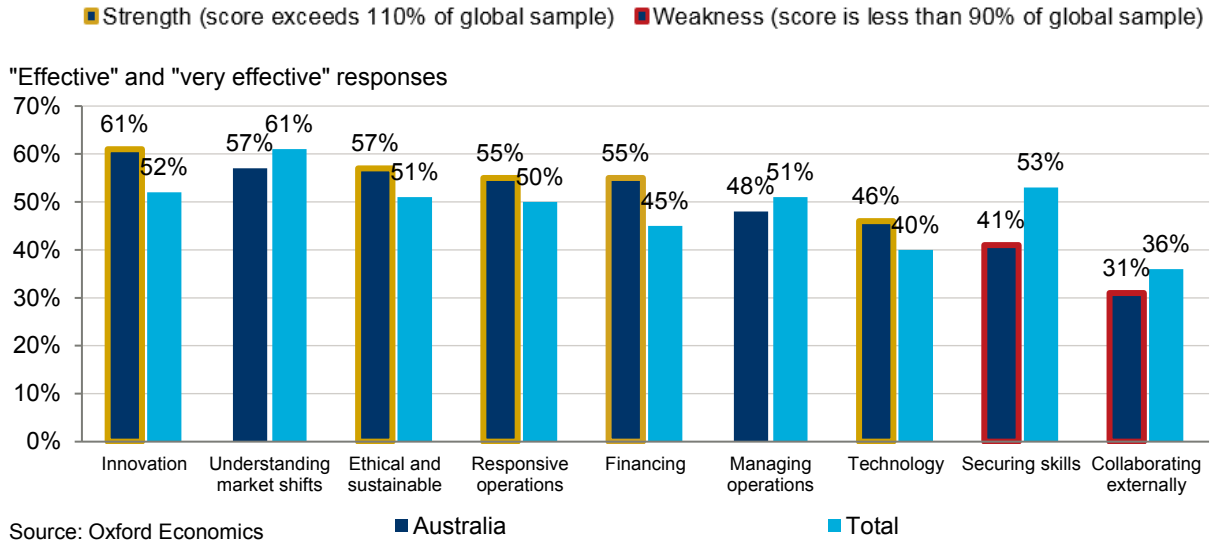
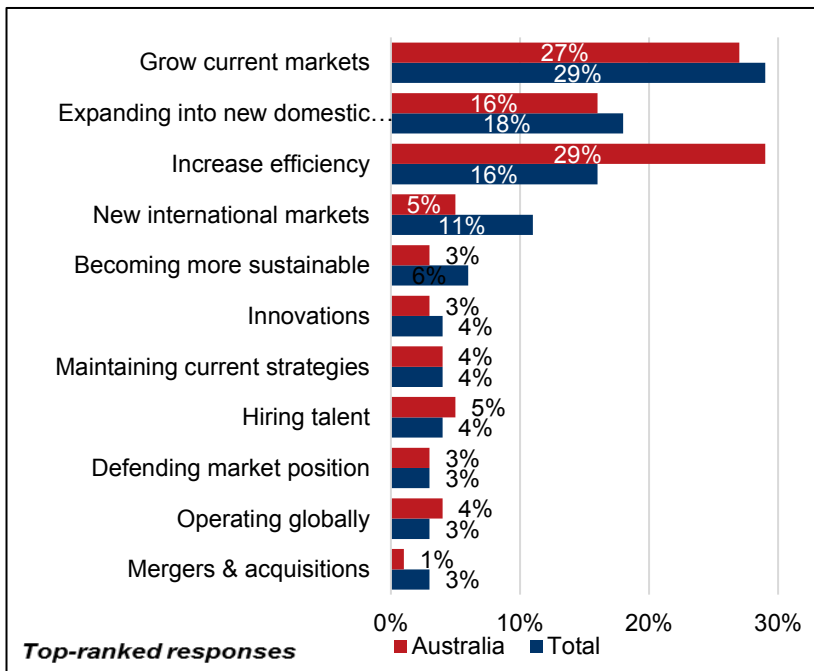


Fig. 17. Main contributions to MME financial performance, next three years



Source: Oxford Economics MME survey

“MMEs often don’t benefit from the infrastructure, influence or know-how to fully take advantage of export or foreign direct investment (FDI) incentives in the same way as larger corporates. Similarly, concerns around outsourcing, securing skills and finding the expertise to support growth could be addressed by gaining greater exposure to new geographies,” Hughes said.

“These factors indicate the necessity to support mid-sized business in Australia and we urge both government and industry to continue to educate companies about export opportunities and to cut red tape which inhibits global trade.”

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Media enquiries to:

James Courtney
+61 2 9006 5043 / +61 466 499 856
james.d.courtney@hsbc.com.au

Alison Kahler
+61 2 9006 5583 / +61 466 488 685
alison.kahler@hsbc.com.au

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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.