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AUSTRALIAN BUSINESSES TO COUNTER RISING PROTECTIONISM BY EXPANDING INTO NEW MARKETS

Rising protectionism could create skills shortages, higher business costs and reduced international opportunities for Australian businesses

Australian corporates are positive about trade opportunities created by BREXIT and China's Belt and Road Initiative

Asia Pacific is projected to be the strongest area for growth across the world in the next three to five years

Australian companies are concerned about the cost of rising protectionism, but remain optimistic about their cross-border prospects, and are developing growth strategies to navigate uncertainty, according to new research released by HSBC Commercial Banking.

HSBC's report reveals that one in three Australian firms consider a shortage in skills and labour as the main impact of protectionist policies (34 per cent) followed closely by an increased cost of doing international business and a reduction in overseas opportunities (31 per cent).

Top 3 impacts of protective policies on my business



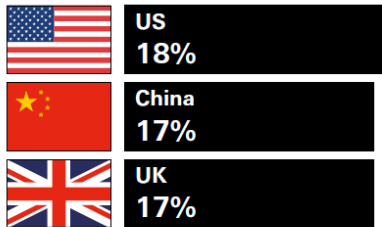
Source: TNS Kantar

“Firms need to understand how trade policy could impact their operations, and seek guidance from trade and government bodies to understand where the best opportunities lie. Barriers certainly exist, but they can be overcome through solutions such as joint ventures or subsidiaries,” said Steve Hughes, Head of Commercial Banking, HSBC Australia.

“As an economy that is reliant on offshore demand, it’s imperative that Australia’s trade policy continues to support the majority of local firms who believe that open markets will bolster their international ambitions,” Hughes continued.

HSBC's survey reveals that within the next three to five years, Australian firms plan to expand their business activities in the US, China or the UK. Indeed, almost half of Australian businesses (44 per cent) believe that BREXIT will positively impact their business, an outlook significantly higher than the global average of 24 per cent and second only to India at 49 per cent.

Which are the top 3 markets where your business will look to expand in the next 3-5 years?



Source: TNS Kantar

“Approximately 1,500 Australian companies are currently active in the UK, many using the country as a base for Europe, and our survey shows a high degree of optimism about the benefits of a potential free trade agreement (FTA),” said Hughes.

“Australia is already the top supplier of wine sold in the UK¹, accounting for one in five imported bottles of wine consumed. A new FTA could stimulate British appetite for other Australian products and services, and also allow Australia to become an entry point for UK businesses entering Asia,” he added.

HSBC's research indicates that Asia-Pacific will be the strongest region for trade growth in the next three to five years, followed by Europe, heralding growth opportunities for Australian businesses operating in these markets.

India, Vietnam and Bangladesh will also become increasingly important for Australian exporters as they look to capitalise on rising middle-class incomes in those countries, according to the report.

The impact of China's Belt and Road Initiative is likely to be most strongly felt in the Asia Pacific region and 50 per cent of Australian firms surveyed believe that the wide-ranging project will create new business opportunities for them in countries across its route.

HSBC's report, titled *Navigator: Now, next and how for business*, is based on a survey of 6,000 companies in 26 markets, including 200 firms in Australia and an economic forecast of medium-to long-term bilateral trade in 25 countries and territories.

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¹ Australian Department of Foreign Affairs and Trade, United Kingdom country brief
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