

Mainland China

HSBC Navigator: the voice of business 2021

Compared to global peers, businesses in mainland China expect a return to profitability much sooner than every other surveyed region, and attribute this to a positive perspective on increased internationalisation.

Businesses in mainland China are expecting a rapid economic turnaround. Remarkably, **almost one in three businesses in the region (32%) say their business has already returned to pre-COVID levels of profitability**, 17 points above the global mean. On average, businesses in mainland China expect to reach this marker by July 2022 – sooner than every other surveyed region (with India a close second).

This noteworthy optimism is not without concern. **Businesses in mainland China cite macro challenges such as inflation (34%) and decrease in demand (31%) as threats to that expectation.** However, 41% of mainland Chinese businesses report to altering their primary products or services to tackle these changing consumer demands, with 37% putting a greater focus on sustainability and other ESG factors.

And with 48% of mainland China respondents claiming

COP events are crucial in driving sustainability action, **95% of businesses in mainland China are prioritising sustainable suppliers** based rather than those with operational resilience or ability to deliver quickly (eight points above the global average).

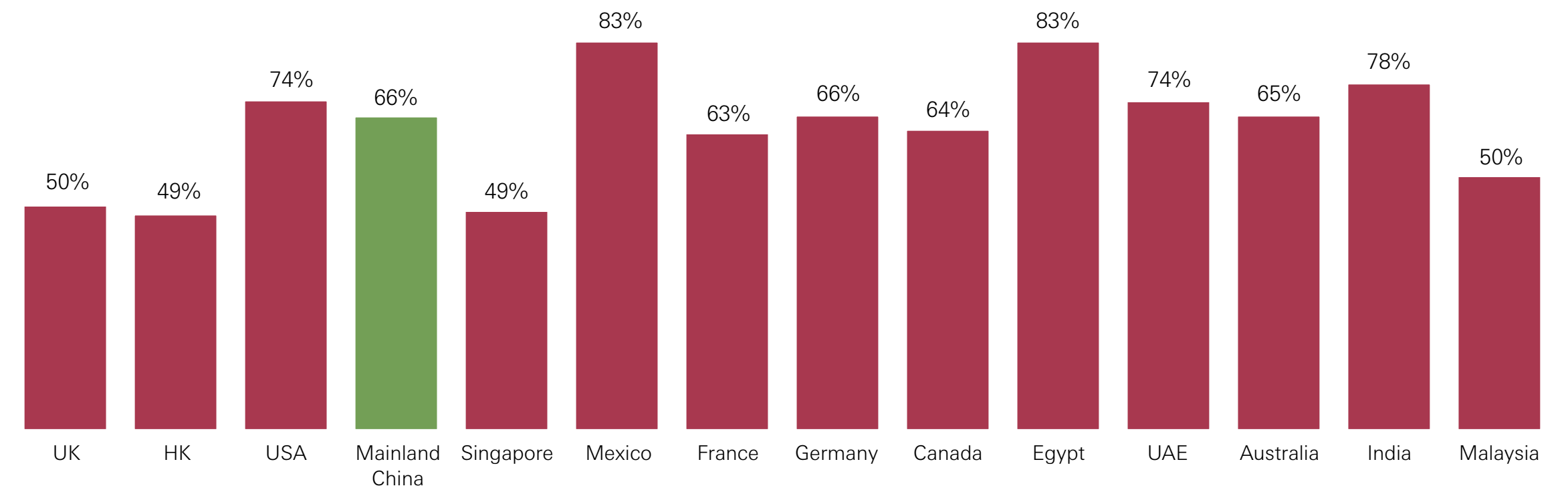
Mainland China business leaders (43%) have prioritised expansion into new markets (compared with a 31% global average). In fact, 27% expect international trade to become easier (compared with a 20% global average) and only 48% expect supply chain disruptions over the next 12 months (compared with a 71% global average).

When it comes to potential threats to their business growth over the next 12 months, **mainland China businesses are much less concerned with workforce morale (15% compared to a global average of 21%).** This may be due to a greater focus on upskilling their workforce (35% compared with a 28% global average).

The global pandemic saw businesses in mainland China changed in different ways than their global peers, but, because they are more optimistic about internationalisation, they are equally confident about growth and expect that growth sooner than every other surveyed region.

Businesses are confident about growth prospects

(% of businesses that are more optimistic than they were 12 months ago)



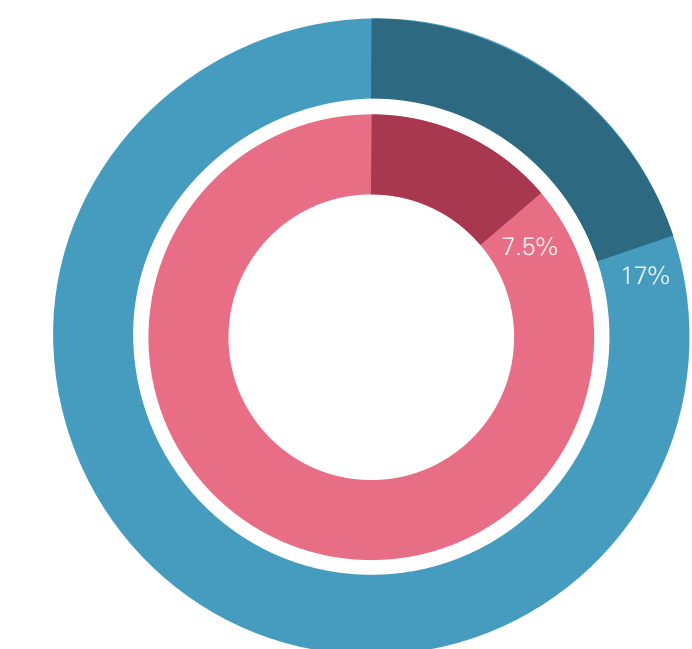
Top 3 measures businesses are taking to build resilience



Rest of world
Asia Pacific markets

Anticipated average revenue increase from greater focus on sustainability

(Global figures)



Businesses expecting 30% or more growth
Businesses expecting 30% or less growth

Mainland China

Key findings:

- Businesses in mainland China expect to achieve pre-COVID levels of profitability sooner than every other surveyed region.
- Mainland China businesses cite macro challenges like inflation as threats to growth.
- In response, they have set more priorities over the next 12 months than their international peers (expansion into new markets and workforce re-training chief among them).
- Because of an optimistic view on internationalisation and a notably less pessimistic view on supply chain disruptions, mainland China business leaders have confidence that they will navigate these challenges rapidly.

Return to profitability

32%

of businesses say they have already returned to pre-COVID levels of profitability.

Supply chain concerns

43%

of companies prioritised expansion into new markets (compared to a 31% global average).

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Despite headwinds, internationalisation will be the engine of growth over the next 12 months.”

Barry O’Byrne
CEO of HSBC Global Commercial Banking