

Navigator

Now, next and how for business

United States



Together we thrive

Overview

On the economic edge

Despite rising protectionism and trade skirmishes with a variety of allies, optimism among US businesses is still high. The trade war with China has not forestalled continued economic growth in 2019 as near-full employment helps to power strong consumer spending¹. However, business investment is weakening² and manufacturing is slowing down³, so the country's longest-ever expansion – more than 10 uninterrupted years – faces challenges in 2020.

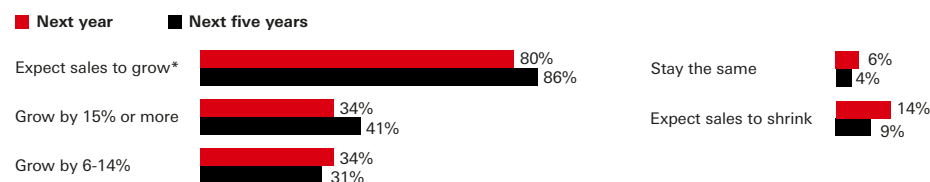
State of play

New tech, new products and new markets

US businesses are confident about growth – in fact, levels of optimism are far ahead of the global average of 22%. Four out of five businesses say they expect their sales to grow next year, and more than a third – the high-growth companies – expect growth of 15% or more, well ahead of business outlook in Europe (18%) and APAC (19%).

Companies feel bolstered by their access to new technologies, high-quality suppliers and raw materials, and their ability to bring new products and services to market. Of course, not all businesses are confident. The top concerns for those who expect sales to shrink next year are increasing competition, tariffs and rising barriers to entering new markets.

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 67% of US businesses are more optimistic about growth than a year ago – well ahead of the global average (47%).
- 2 Of the nearly one in seven firms that expect sales to shrink, all of them expect this to be due to factors beyond their control.
- 3 Growth will come mainly from new markets, investment in new technologies and introducing new products or services.

What your business can do

-  Invest in innovation to get ahead of the competition. 30% of companies say this is their strategy.
-  Look to new markets for expansion. Although traditional markets are steady, 24% of businesses are looking further afield.
-  Invest in employee skills to improve productivity, competitiveness and business sustainability. 24% of US businesses say this is one of their top three priorities.

¹ <https://edition.cnn.com/2019/08/17/politics/recession-risk-trump-economy/index.html>

² <https://www.reuters.com/article/us-usa-economy/u-s-business-investment-appears-to-struggle-in-third-quarter-idUSKCN1VG1DV>

³ <https://www.nytimes.com/2019/09/03/business/economy/manufacturing-economy-slowdown.html>

Trade outlook

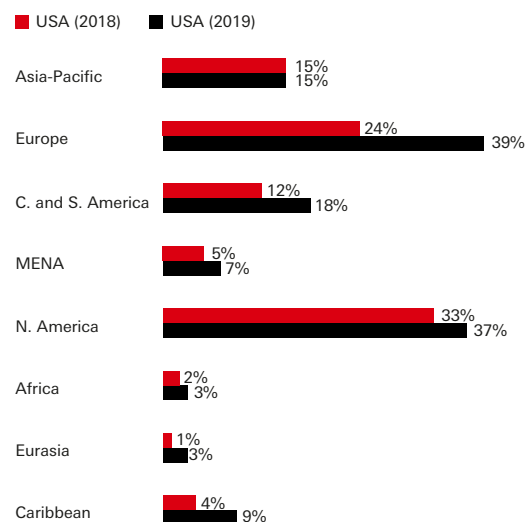
Tariffs and trade agreements aren't holding global business back

The outlook for trade among international operators is similar to the overall trading outlook – 83% expect their international sales to grow. However, 39% of businesses are concerned that increasing tariffs could make US exports less competitive and lead to a decline in sales. While they may worry about protectionism, almost nine in 10 say that they feel more positive about international growth over the next two years than in the previous two.

US firms are showing signs of moving trade to the UK, France and Germany, as well as within North America. Things are a bit choppy in APAC, given the ongoing trade disputes with China. While the region as a whole continues to be a growth market, trade is down from more than a third to a quarter, almost entirely due to a cut in trade with China from 20% to 11%.

American businesses are also looking to their near neighbours. Canada is still an attractive market for US firms, strengthening its position as the top trade partner to 30% from 28%. And trade with Central and South America has jumped to 18% from 11%.

Future trading expansion markets over the next three to five years



What you need to know

- Over the next five years, markets in Europe – particularly France, Germany and the UK – will increase their importance considerably.
- While no key market stands out as unattractive to international traders, they're keeping an eye on favourable trade agreements ceasing in both Europe and Canada.
- Proven customer demand for American-made goods and services, favourable local partnerships and access to new suppliers are the top reasons businesses choose their export markets.

What your business can do

-  Implement digital technology to help facilitate international trade and efficiency. Over the next three years, 33% of US firms expect to increase their use of digital tech.
-  Focus on strategic suppliers to cut complexity, reduce costs and increase speed to market.
-  Think beyond traditional markets. 22% of respondents are looking to do business in new markets in the next three years.

Protectionism and geopolitics

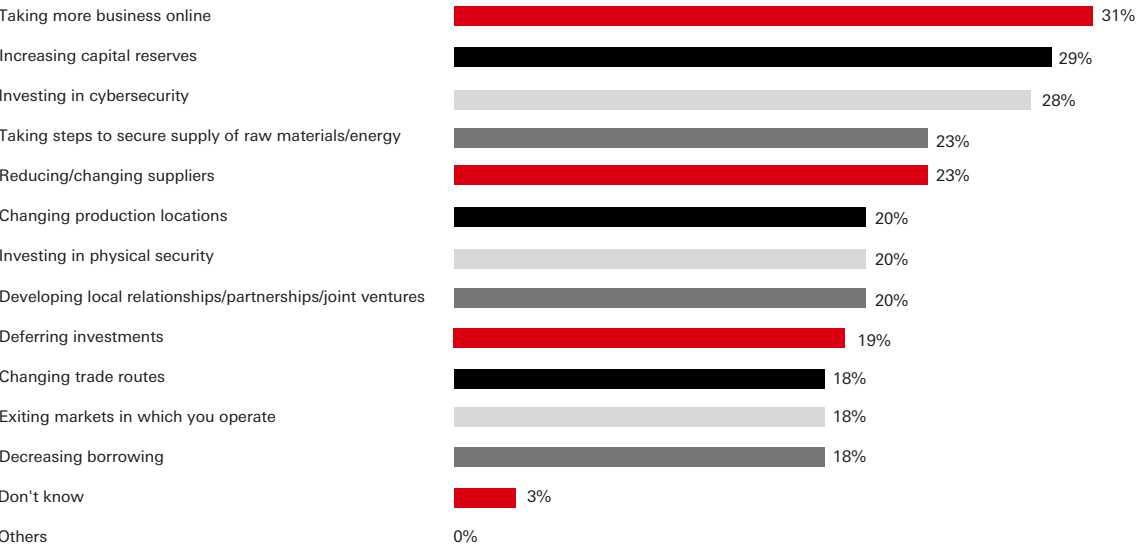
Gains outweigh losses as protectionism grows

Nearly three quarters of US businesses feel that protectionism is increasing in their key markets, but it's a growing trend that's viewed quite positively in the United States. In fact, more businesses feel they've gained more than they've lost.

While governments around the world erect more barriers to imports and foreign investment, US firms see a silver lining in having to increase the competitiveness of their businesses. For many American firms, which tend to be able to focus on doing business in their enormous domestic market, this outweighs the disadvantages of changes imposed on supply chains, controls on moving money between markets and increasing tariffs.

At the same time, the impact of geopolitics is felt strongly by businesses in the US. More than three quarters (78%) of businesses surveyed say geopolitical changes affect their operations. Businesses turn to a range of strategies to cope with the uncertainties of cross-border trade – from reducing trade in certain markets and deepening customer and supplier relationships in others, to shoring up capital reserves.

Ways in which businesses are coping with geopolitics



What you need to know



33% of US businesses surveyed think protectionism has increased the competitiveness of their business.



Understanding and planning for risks is crucial for operating in international markets.



78% of businesses surveyed in the US feel the impact of geopolitics and more than half (54%) feel it very strongly.

What your business can do



Consider taking business online. 31% see it as an important strategy for minimising geopolitical risk.



Diversify your trading markets. 28% of US firms say they are reducing trade with certain countries – considerably higher than the global average of 19%.



For those feeling the impact of protectionism, strategies include cutting costs and entering joint ventures with local companies.

The sustainable future

Bottom line feels the benefit of sustainability

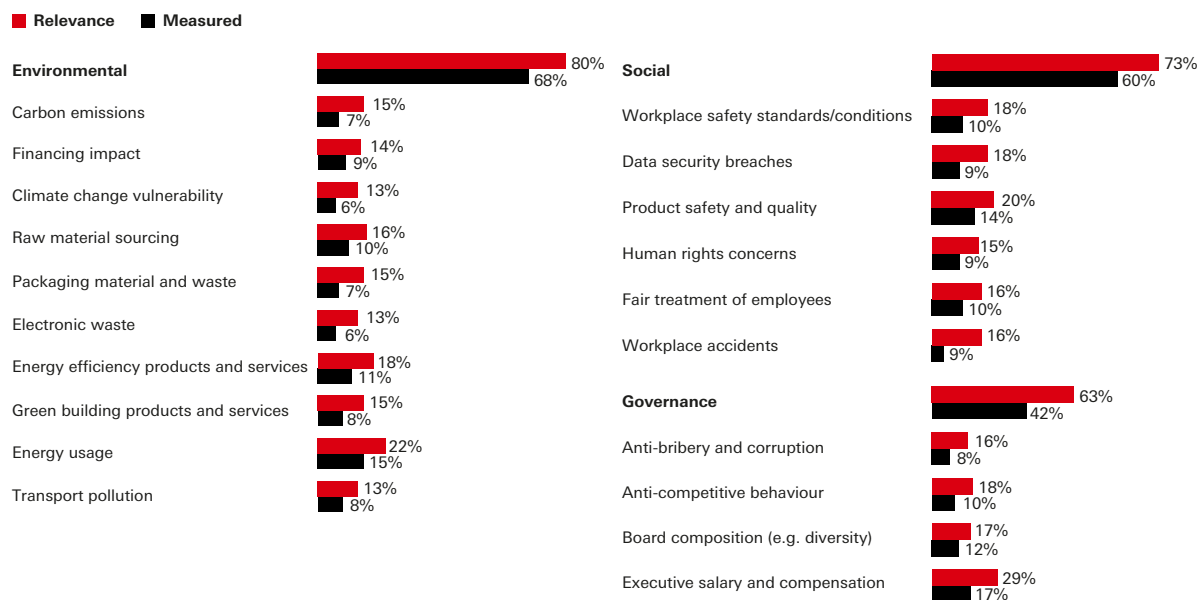
Businesses are feeling the pressure to become more sustainable in the next five years. And that drive comes from all sides – from competitors, employees and future employees and from investors.

Companies expect to invest more in employee health, wellbeing and safety, and in technology, innovation and infrastructure for more sustainable production. Improving energy efficiency and sourcing more clean energy is the third area businesses highlight for sustainability improvement.

However, there's a growing bottom-line motivation for many companies who see sustainability as having an impact on growing sales (27%). The only other driver ranking as highly is meeting regulatory standards (27%), while improving operational efficiency ranks third (26%) and meeting buyer expectation ranks fourth (25%).

For US businesses, there are the same challenges that businesses are struggling with worldwide. Companies cite issues over financing improvements, employee resistance, the work and time involved and problems with adopting new technologies. These are compounded by the lack of consistent measurement and reporting on what constitutes sustainable business practices.

Key ESG metrics considered relevant and measured by businesses



What you need to know

- 47% of US businesses feel they have a significant role in delivering the UN's Sustainable Development Goals – almost double the proportion worldwide (25%).
- Affordable and clean energy is the most relevant for US firms at 27%, followed by gender equality at 24%.
- Sales growth is the top reason for implementing sustainability, but regulatory standards come close behind.

What your business can do



Invest in a healthier workforce, cutting edge technology and energy efficiencies.



Educate your workforce on your sustainable practices.



Invest in technology, innovation and infrastructure to improve sustainable production.

Breakthrough tech

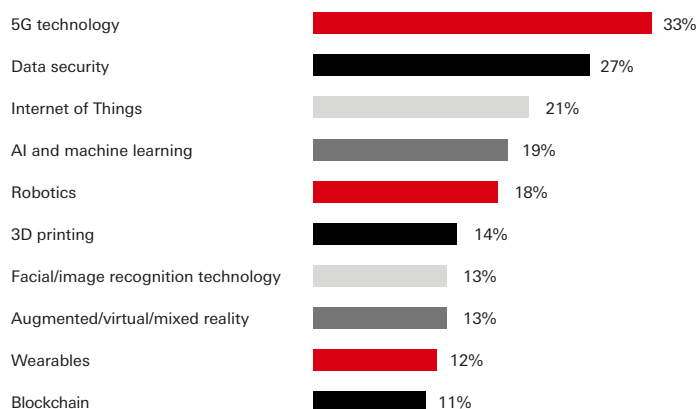
Next-gen digital promises big benefits

It's rare to reach consensus about what matters most, but when asked about which technologies are set to have the greatest impact, there is strong support from US businesses for 5G, data security and the Internet of Things (IoT).

Across all impactful technologies, business improvements, productivity and cost reduction are seen as the key gains. But there are distinct benefits too. For those who see IoT as important, for example, they expect it to improve customer experience and product or service delivery. Data security is expected to improve compliance and transparency, and service quality. The next generation of mobile networks 5G is, unsurprisingly, expected to increase speed to market.

The US is seen as the world's top technology hub, leading markets across all technologies, but APAC and Europe are both recognised areas where a range of techs are very advanced. Within those regions, China, Japan, Germany and the UK are the foremost technology hubs.

Technologies businesses think will be important over the next five years



What you need to know

- 1 IoT is expected to improve customer experience (31%) and improve product/service delivery (41%).
- 2 Data security technologies are expected to help improve compliance and transparency (38%) as well as product and service quality (31%).
- 3 Increasing speed to market is expected to be a key benefit from IoT (37%) and 5G (40%).

What your business can do



Consider a specific area of improvement in your business and use this as the starting point for choosing technology investments.



Strengthen your data strategy and cybersecurity to provide a strong foundation for investments in tech innovation.



If your business provides services, turn your attention to 3D printing and wearables – technologies that are predicted to have a bigger influence on services than goods.

About HSBC Navigator United States

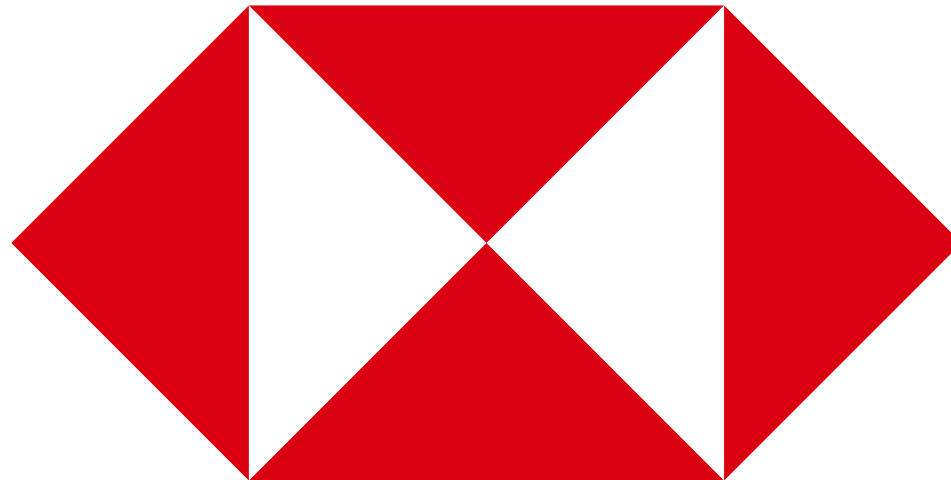
The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, international trade, geopolitics, sustainability, technology and wellbeing. 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 500 businesses surveyed in the US. 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, 5 & 6: all companies. n=500

Page 3: all companies (trend). n=500

Page 4: companies who are impacted by geopolitics. n=478



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