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**HONG KONG LOOKS TO MAINLAND CHINA FOR GROWTH  
AMID ECONOMIC UNCERTAINTIES, SAYS HSBC REPORT***\*\*\* Rising protectionism and tariffs weigh on Hong Kong's near-term trade outlook \*\*\***\*\*\* Mainland China's domestic consumption power presents opportunities for Hong Kong businesses \*\*\***\*\*\* Intra-regional trade initiatives fuel business optimism \*\*\**

Against the backdrop of global economic uncertainty, Hong Kong businesses are looking to Mainland China's growing consumption power to increase their competitiveness as a gateway for intra-Asian trade initiatives, HSBC's latest report *'Navigator: Now, next and how for business'* reveals.

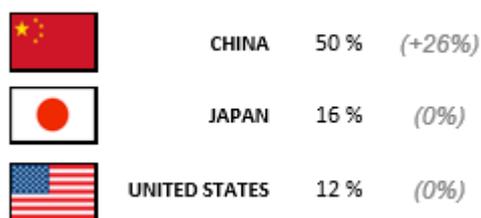
According to the survey, global economic uncertainty has dampened Hong Kong firms' outlook on international trade in the near term with just under two thirds (65%) of businesses in Hong Kong feeling optimistic about the global trading environment, compared with 78% of respondents globally. A similar proportion (66%) are confident that their company will succeed in the international trading environment. For businesses with a positive outlook, consumer confidence (32%), commodity prices (25%) and global economic growth (24%) are the top contributing factors.

Those with a negative outlook for their company consider rising protectionism and tariffs as the most important reasons for their pessimism with 71% of firms feeling that governments are becoming more protective of their domestic businesses, a 10 percentage point increase since January 2018 and more than the global benchmark of 63%.

However, businesses believe Mainland China's growing domestic consumption power presents opportunities for Hong Kong. Backed by an expanding and increasingly affluent middle class, Mainland China's economy looks set to continue its growth path in the foreseeable future.

Indeed, 65% of Hong Kong companies consider Mainland China their largest current trading partner, an 18 percentage point increase since the January 2018 survey. It is also considered as Hong Kong businesses' top expected growth market, with a 26 percentage point increase comparing to the previous survey. The favourable economic environment (42%), decreasing costs of shipping, logistics and storage (29%) and e-commerce growth (29%) are the three key growth drivers.

## Top 3 markets where business is looking to expand (Change vs. January 2018)



Beyond Mainland China's growing consumption power, intra-regional trade initiatives are fueling optimism among businesses in Hong Kong. This is largely due to the geographical advantage of Hong Kong as a launchpad to China for companies across Asia Pacific.

Among the companies surveyed, more than half believe policy initiatives that encourage a closer relationship with Mainland China like the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) (59%) and the Belt and Road Initiative (55%) will have the most positive impact on their businesses in the next three years. Similar proportions (53%) feel that industry specific Free Trade Agreements will have a positive impact. More than two in five businesses think RCEP (Regional Comprehensive Economic Partnership (46%) and the ASEAN-China Free Trade Area (43%) will have a positive impact on their businesses.

### Impact of policy initiatives



**Terence Chiu, Head of Commercial Banking, Hong Kong, HSBC,** said: "With Mainland China already Hong Kong's largest trading partner, further economic integration will present new opportunities. Hong Kong businesses should explore how they can take advantage of new growth opportunities created by Hong Kong's pivotal role in the Belt and Road Initiative, as well as the increased connectivity presented by the development of the Greater Bay Area."

“Hong Kong has benefitted from globalisation in the past, both directly and indirectly. Initiatives such as RCEP, and the Hong Kong-ASEAN Free Trade Agreement will continue to fuel business optimism beyond the short term. Hong Kong’s strategic location and status as a free port have long supported its competitive position in Asian trade, and we expect to see businesses continuing to benefit from the city’s advantages,” Terence continued.

The findings are part of HSBC Navigator – a global survey of more than 8,500 corporates across 34 of markets gauging business sentiment and expectations on trade activity and business growth. The survey, which was released globally today, also sought the views of over 300 Hong Kong-based firms.

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### **Note to editors:**

#### **HSBC Navigator: Now, next and how for business**

HSBC’s Navigator report comprises a global survey gauging business sentiment and expectations on trade activity and business growth from 8,650 decision-makers in 34 markets. Research was conducted by Kantar TNS for HSBC between August and September 2018. HSBC’s Navigator helps businesses capitalise on new opportunities and make informed decisions for the future by understanding the outlook for international trade.

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