HSBC

News Release

7 November 2019

SUSTAINABILITY NEEDS TO BE TOP OF MIND WHEN TRADING WITH CHINA: HSBC

****Chinese consumption, especially of services, main attraction to global firms****

HSBC's *Navigator: Trading with China* report launched today at the China International Import Expo, unveiling three key findings for global companies targeting China: sustainability, consumption, and services.

Among them, sustainability stands out as the key differentiator. The research reveals that 30% of Chinese companies say implementing sustainability practices is essential to their long-term viability, which is higher than their peers globally (21%) and in Asia Pacific (24%).

Stuart Tait, Regional Head of Commercial Banking for Asia-Pacific at HSBC, believes Chinese companies' attraction to green credentials is attributed to the intense sustainability competition from their peers. Though, Tait believes the "heat to go green should be seen as a competitive edge for businesses globally."

"Global companies will find plenty of opportunities in trading with China if they can meet or raise China's sustainability standards," according to Tait.

Trading with China surveyed 1,758 companies from 34 markets who also took part in the main *HSBC Navigator* released yesterday. *Trading with China* aims to find out which companies are trading with China, why, and what needs to be top of mind when doing so. Two-thirds of the companies surveyed (1,173) are currently trading with China and one-third (585) intend to start in the next 3-5 years.

Government policy and consumer demand are compelling Chinese companies to become more sustainable. Data from *Trading with China* show that the magnitude of this demand is greater in China than elsewhere globally.

Tait said: "Chinese companies see sustainability as less of an environmental factor and more of a business consideration. Competition is rife, and Chinese companies are looking to steal a march on one another when it comes to being more sustainable."

Tait cites that Chinese consumers' environmental awareness and demand for green products are on the rise as educational and income levels increase and living standards improve. He adds: "Opportunity favours those businesses that can meet this growing demand for green. Companies need to bear this in mind if they are to succeed in trading with China. To be less sustainable is to be at a disadvantage."

This news release is issued by
The Hongkong and Shanghai Banking Corporation Limited

Registered Office and Head Office:
1 Queen's Road Central, Hong Kong SAR
Web: www.hsbc.com.hk
Incorporated in the Hong Kong SAR with limited liability

Trading with China also assesses why companies are looking to expand in, or into, China. Among companies that are currently trading with China, two-thirds (67%) are goods traders – not surprising considering China has long been the largest manufacturer and biggest exporter of goods.

Meanwhile, among companies that intend to start trading with China in the next 3-5 five years, the split is closer to 50-50: goods traders, 53%; services traders, 47%. This speaks to the untapped potential of China as a service economy.

Whether they trade in goods or services, whether they are already trading with China or intend to start, global companies agree the Chinese consumer is the top lure for trading with China. China's middle class could reach one billion by 2025.

Commenting on China's consumer power, Tait explains that China's consumption growth is fueled by a rise in household income; an expanding middle class spending more on better-quality goods and services; and a thriving e-commerce market enabling goods to reach wider regions, unleashing the consumption potential in rural areas.

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Note to editors:

HSBC Navigator: Trading with China
HSBC Navigator: Trading with China analysed insights from 1,758 companies that either are trading with China or intend to start in the next 3-5 years. These companies are part of the 9,131 respondents of the 2019 HSBC Navigator report. Trading with China explores the opportunities and challenges identified by those businesses.

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