

14 March 2023

APAC CORPORATES MOVING SUPPLY CHAINS CLOSER TO HOME, HSBC REPORT SHOWS

****Mainland China and other Asian countries remain top supplier
locations for Hong Kong corporates****

Over the next 12-24 months, corporates in the Asia Pacific (APAC) region are looking to move more of their supply chains closer to home.

According to HSBC's latest report "Global Supply Chains – Networks of Tomorrow", APAC corporates will base more than half (53%) of their supply chain network in Asia, up by nearly 6% from 2020. A closer look at the numbers shows that mainland China accounts for 28% of Hong Kong corporates' supply chain network, while the rest of Asia constitutes 29%.

Supply chain resilience has become increasingly important for corporates who have experienced continued disruptions since the onset of the Covid-19 pandemic. Two in three (67%) APAC corporates are planning to reduce their number of suppliers, up from 47% in 2020; whereas 27% are looking for more supply chain partners.

Aditya Gahlaut, Managing Director and Co-head of Global Trade and Receivables Finance, Asia Pacific, HSBC, said, "Building a future-proof supply chain remains a key priority for APAC corporates in the coming years. Our report shows that a majority of them seek to develop long-term relationship with fewer but higher quality suppliers within the region. At the same time, it is evident that companies counting on single suppliers or markets intend to reduce their reliance through diversification. With deeper trade integration in Asia, this trend will open new opportunities for Hong Kong as a gateway that facilitates trade flows between the Greater Bay Area and the Association of Southeast Asia Nations."

As APAC corporates continue to make changes to their supply chains, "product quality" (83%) and "cost" (78%) are the decisive factors for choosing suppliers. Rounding out the top five are "payment terms" (52%), "ease of digital integration" (27%) and "ESG credentials" (26%).

When asked how banks can best support their digital priorities, “visualisation of supply chain” (45%) and “optimisation of working capital” (45%) are top of mind for APAC corporates.

“It is very clear that corporates want more simplified digital trade solutions to enable them to easily track and manage their supply chains. At HSBC, we have been investing in our online platforms and capabilities while collaborating with other industry players to provide our customers with the tools they need to streamline their businesses, gain easier access to financing, and improve visibility and control over transactions,” added **Mr Gahlaut**.

Disruptions to global supply chains and the resulting logistical challenges have caused just-in-time inventory management to give way to just-in-case. More than 80% Hong Kong corporates have held excess stock over the last two years, keeping 37% more inventories above the normal levels on average.

The survey also revealed that Hong Kong corporates have implemented (45%) or have plans to introduce (34%) environmental policy along their supply chains. They have a strong focus to invest in energy efficiency (72%), environmentally friendly plants and machinery (51%) and sustainable premises (28%).

Now in its third year, “HSBC Global Supply Chains” examines the push and pull factors affecting how – and where – corporates trade. The survey covers a sample of 450 corporates across nine Asia Pacific markets.^

ends/more

Note to editors:

^ HSBC commissioned East and Partners to interview the senior management of 450 corporates from nine markets in Asia Pacific – including Australia, mainland China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore and South Korea – between August and October 2022.

The Hongkong and Shanghai Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group. HSBC serves customers worldwide from offices in 62 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,967bn at 31 December 2022, HSBC is one of the largest banking and financial services organisations in the world.

ends/all