

Navigator 2020 Australia



Together we thrive

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Introduction

With a record amount of fiscal support and strong exports of resources, Australia has so far fared better during COVID-19 than most developed economies. Consumption and employment still fell sharply, though, and the second wave lockdown in Victoria set national recovery back even as the rest of the country began to spend again. The expected closure of the international border until the second half of 2021 (after which it will open only gradually) is another hurdle to overcome, as it will weigh heavily on migration and services exports such as tourism and education.

1. Overview

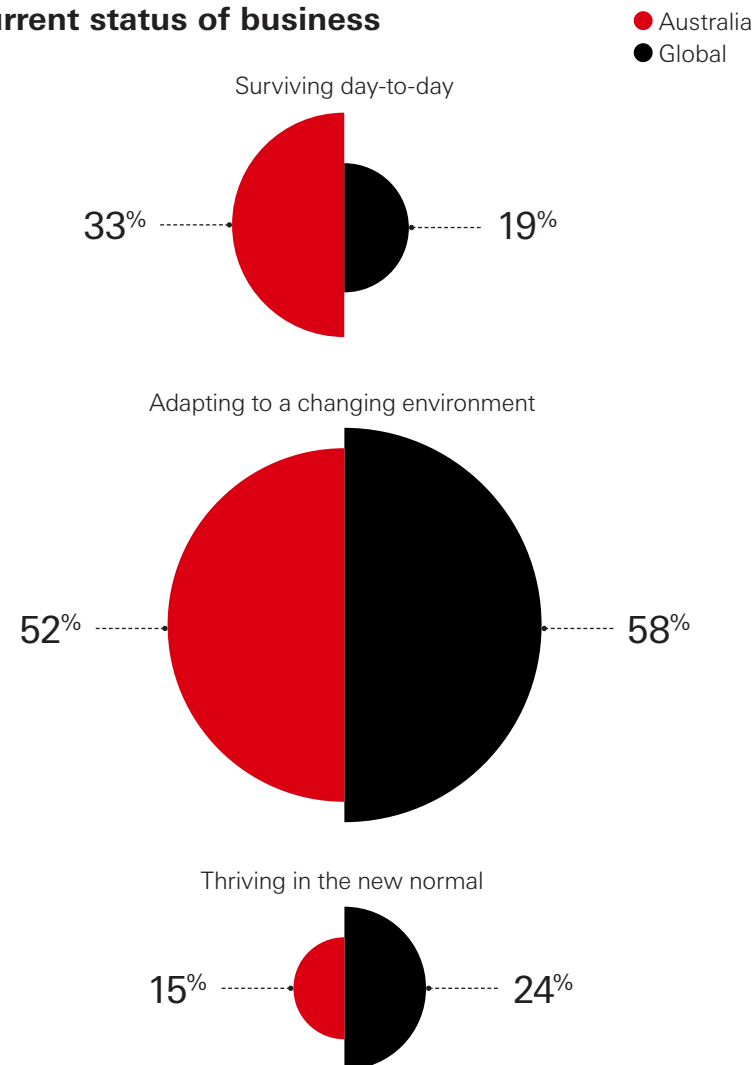
The results of our 2020 Navigator survey reflect a **mixed economic picture**

Australian companies have struggled more than global counterparts, with twice as many indicating that they are surviving rather than thriving. Despite this, seven in ten aim to increase investment in 2021.

Environmental, social and governance (ESG) issues are also playing a central role in Australia's economy. More businesses are measuring ESG than in 2019 to improve sales and reduce their own impact on the environment.

Despite difficult international trading conditions, around three-quarters of businesses are positive (albeit fewer than last year). Trade within APAC remains dominant, especially in mainland China, with the US nominated as the key market for expansion. Meanwhile, companies are choosing suppliers based on their governments' control measures for COVID-19, along with their operational resilience and speed of delivery.

Current status of business



2. Business outlook

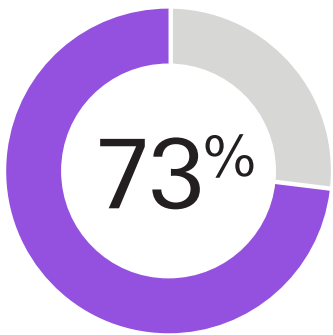


Pessimism is relatively high, but COVID-19 is **providing opportunities**

Businesses in Australia clearly feel more challenged than their global counterparts, with 15% saying they're thriving compared with 24% globally. The proportion of businesses that are more pessimistic than last year is higher (32% compared with 24% globally). And just two-thirds (65%) of businesses expect sales growth compared with four-fifths (84%) in 2019. This drop – 19% – is sharper than in APAC (17%) and globally (15%).

That said, more believe that COVID-19 has provided opportunities for business growth. Conversely, fewer identify the resurgence of the virus as a threat, reflecting Australia's strict management of the pandemic.

The primary impediments to future growth are a resurgent COVID-19 causing a decline in demand, difficulty in accessing finance, and an uncertain political environment.



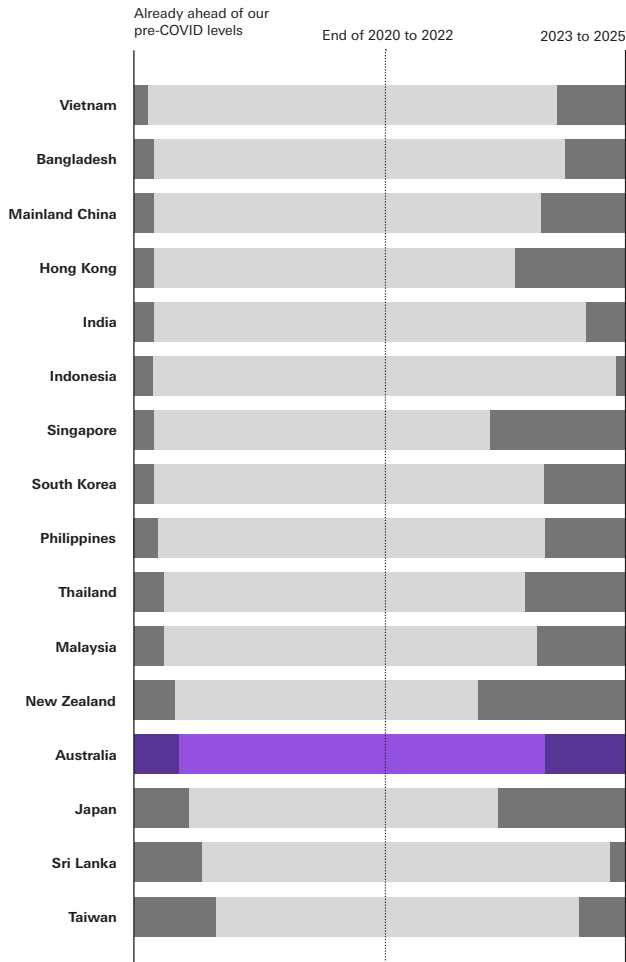
of businesses expect to return to pre-COVID profitability levels by the end of 2022

Top 3 drivers of business growth



When businesses expect to return to pre-COVID levels of profitability

%

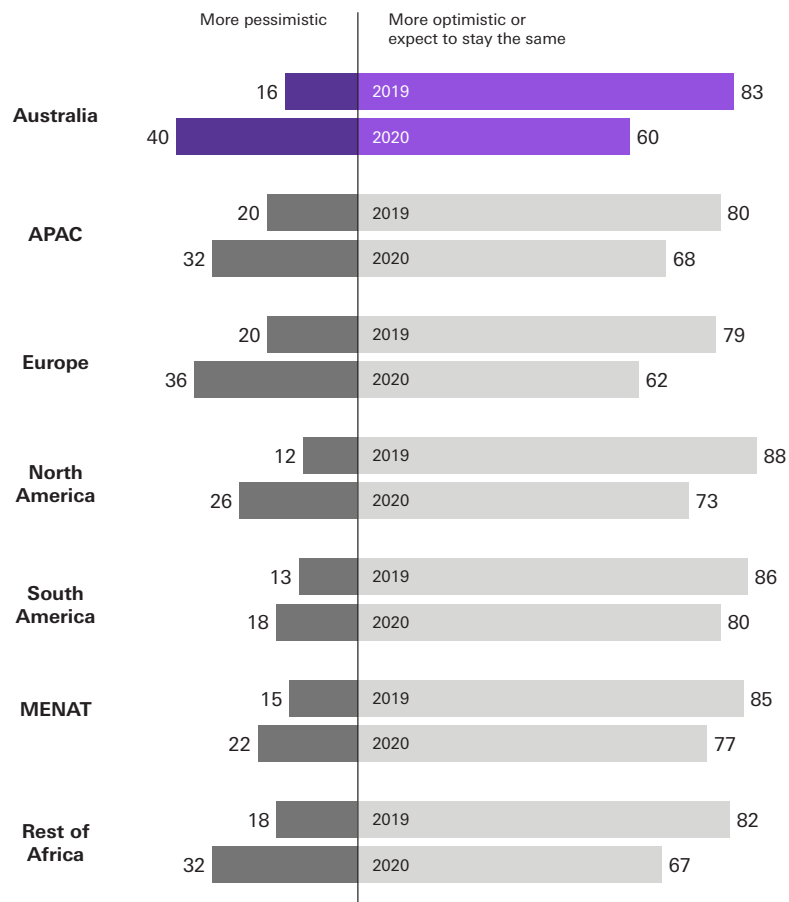


2. Business outlook (continued)



How business outlook has changed in the last 12 months*

%



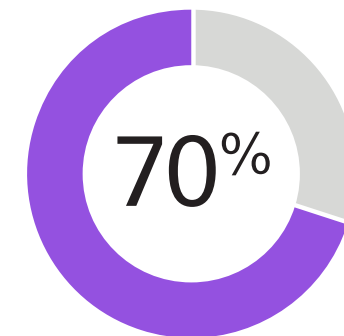
*Excludes businesses answering 'Don't know'

Investing to drive growth

Closely reflecting the global outlook, events have not dampened Australia's drive for business growth. Seven in ten intend to increase investment next year, the majority by 5% to 20%.

Australia's top three investment priorities in 2021 are the customer experience, cashflow and capital management, and employee wellbeing. These will be enabled by investing in technologies that help customer targeting, enhance the customer experience and improve speed to market.

However, the proportion of Australian businesses planning to increase investment in these areas is still below global levels.



of Australian businesses intend to increase investment in their business in the next year, despite the challenging environment

Strategies of Australian businesses to benefit from growth drivers and address threats



3. Future strategy

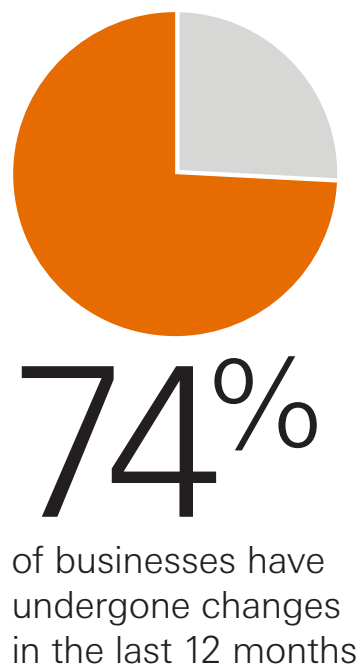


Most Australian businesses have **adapted to the demands** of a post-COVID economy

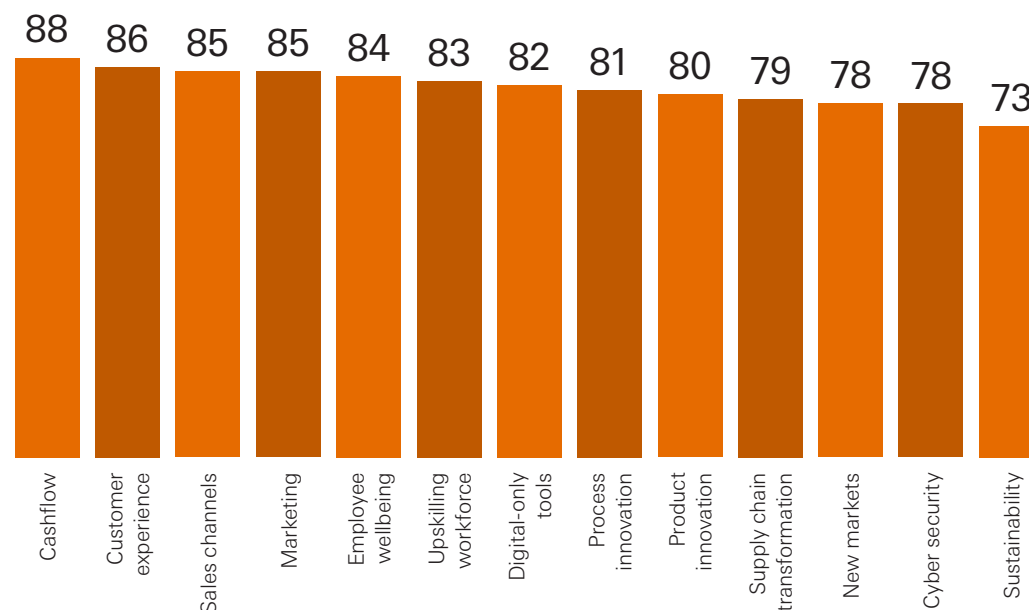
The level of change in Australian businesses is very close to the global picture, with three-quarters having undergone changes in 2020.

The key drivers of change were the need to adapt ways of working, reduce costs and mitigate risk. Beyond these, regulatory requirements and uncertainty about the future also played a part. When asked to define a successful future business, three important characteristics emerged: thought leadership and foresight; social/environmental responsibility; and corporate culture and inclusivity.

Becoming entrepreneurial means being more customer-centric, competitive and people-focused. Of the features that will continue to be important to successful entrepreneurial businesses, inclusivity and collaboration are priorities for more Australian companies than globally. And fewer see technical innovation as becoming more important (32% compared with 49% globally and 54% in APAC).



Investment priorities enabling businesses to move forward



Top 5 facets of a successful entrepreneurial business



4. International trade

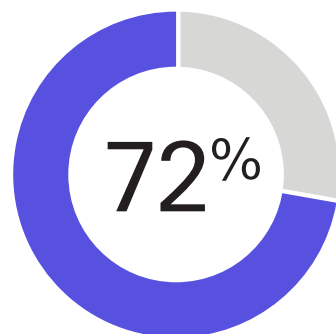


Australia recognises the **benefits of international trade** and is committed to expansion

Despite a majority view that international trade is more difficult, a situation likely to continue in 2021, Australian businesses' outlook in the next 1-2 years is as positive as that of the rest of the world.

Although slightly more international companies than last year report that over 50% of their business is international, intra-regional trade with APAC remains dominant. Protectionism is felt strongly, and competing on price is Australia's key strategy for combating it.

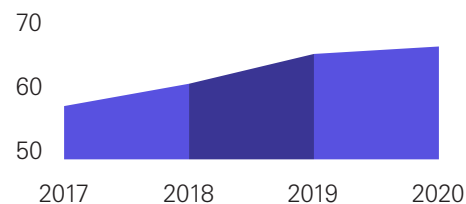
Australian businesses recognise the multiple and varied benefits of international trade to the communities in which they work and to consumers. They feel that a reduction in international trade will impact their business in three ways: restriction on employee movement, supply-side risks (rising costs and fewer partners) and decreasing demand.



of companies expect their international trade prospects over the next 1-2 years to be positive

Protectionism

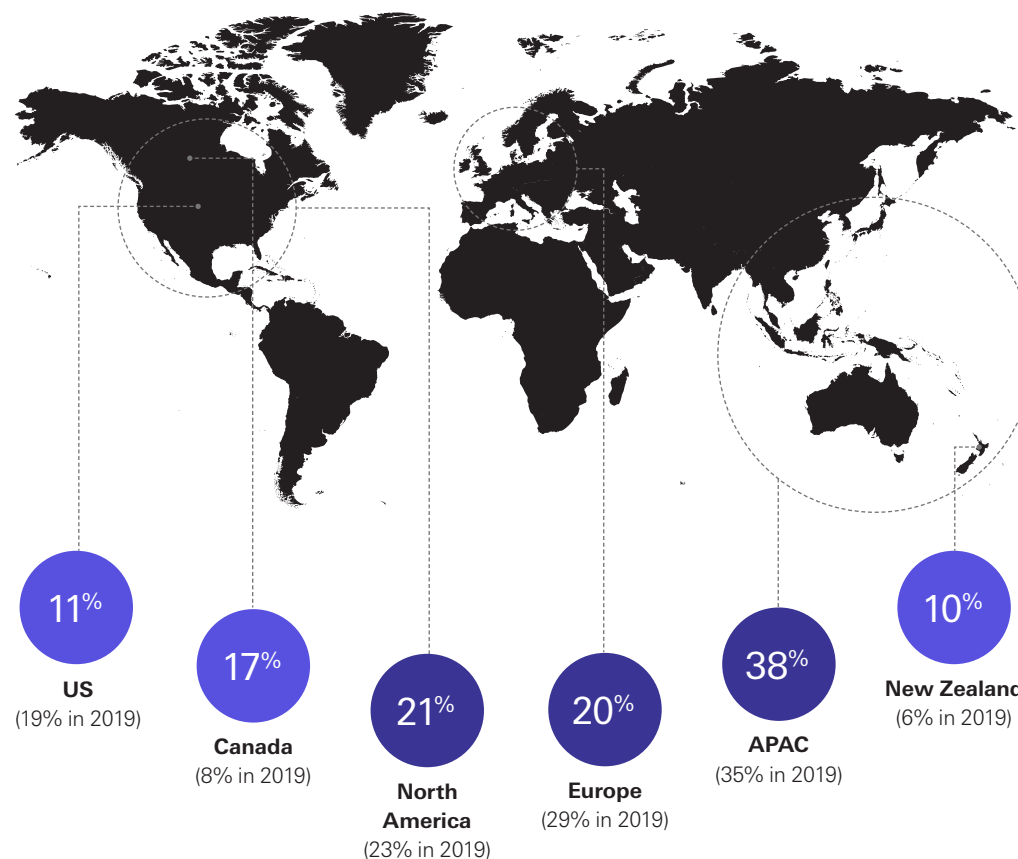
Percentage of businesses that think that countries/territories/governments are becoming more protective of their domestic businesses



Priorities for expansion in the next 3-5 years

The markets, territories and regions in which Australian businesses are looking to expand

● Markets & territories ● Regions



5. Reshaping supply chains

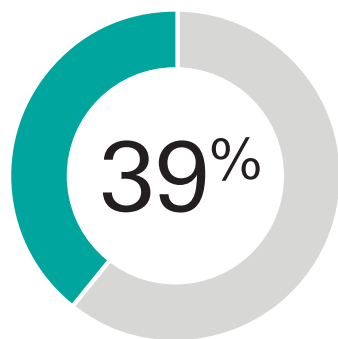


To combat COVID-19's effects, Australia has **implemented strict supplier-selection** criteria

Australian businesses are just as concerned about their supply chains as their global peers.

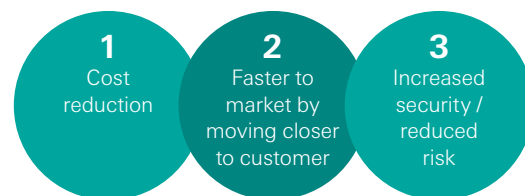
In response, they're selecting suppliers based on the level of COVID-19 control in the country in which a supplier is located, together with its levels of operational resilience and ability to deliver quickly. Therefore, resilience and delivery will be among the primary areas of investment in 2021. The expected outcome is cost reduction, increased speed to market, and enhanced security of the supply chain.

For more than two-fifths of Australian businesses, the priority in the year ahead is to work with suppliers that are closer to their customers (46% compared with 43% globally) and closer to home (45% compared with 40% globally). These slightly higher proportions reflect Australia's greater distance from other markets, although they are also typical of businesses across APAC.



of businesses expect that reshaping their supply chain will reduce costs

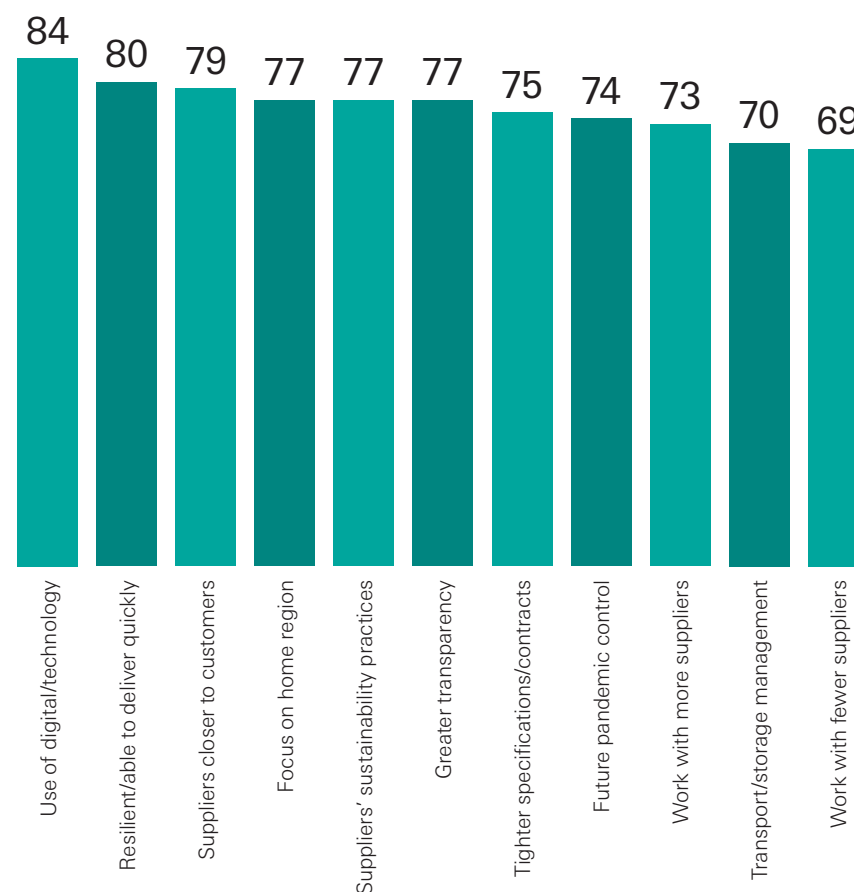
Top 3 benefits of reshaping the supply chain



Priorities for the supply chain

(Priorities immediately in 2021 and beyond)

%



6. Sustainability



Meeting stringent sustainability targets is **fundamentally important** for Australian business

Sustainability is an important aspect of business in Australia. Approximately three-quarters of companies (67%-79%) have set targets covering a broad range of environmental, social and governance (ESG) issues. Between one-fifth and one-third (20%-35%) have annual targets in place – most frequently for recycling materials and energy usage (both cost-saving). They also have targets for the impact of products and services on the environment and local communities, as well as across their supply chain.

Pressure to become sustainable is coming from consumers, industry regulators, employee engagement, supply chains, government incentives, and shareholder/owner/investor commitment to making businesses sustainable. Like the rest of the world, Australians already believe that sustainability is good for business. These pressures, together with a common reporting framework and green financing, will help Australian businesses to achieve their sustainability goals.



91%

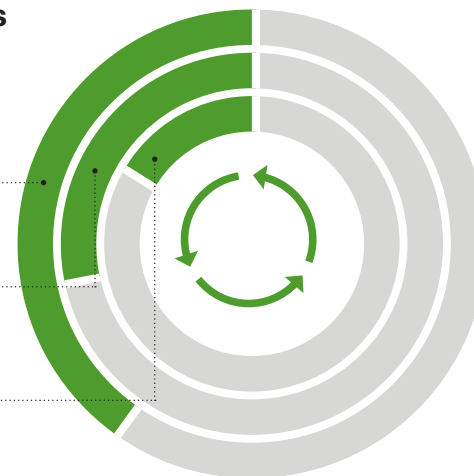
of Australian companies think there are multiple opportunities for their business from improving its environmental and ethical sustainability

Companies believe a greater focus on sustainability will drive growth

40% expect modest growth of up to 5%

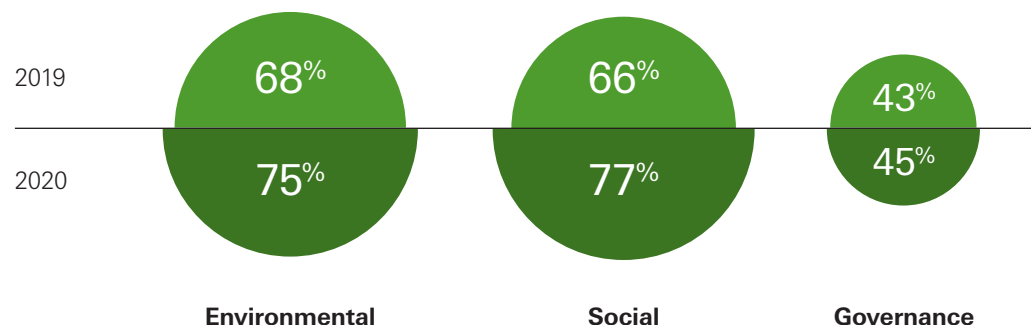
28% expect growth of between 6% and 10%

16% expect growth of 10% or more



Measuring sustainability

More companies in Australia have been measuring all 3 aspects compared with 2019



About HSBC Navigator Australia

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, future strategy, international trade, supply chains and sustainability. It is compiled from responses by decision-makers at 10,368 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 39 markets.

Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 200 businesses surveyed in Australia. Global results are based on an average of the 39 markets (using weights based on each market's share of world trade). The survey was conducted between 11th September and 7th October 2020. Interviewees were polled on a range of questions including how COVID-19 has affected their business and potential for growth. The survey represents a timely source of information on the fast-evolving international business environment.

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Or click on
www.business.hsbc.com/navigator

Note

There may be a slight discrepancy between the sum of individual items and the total as shown in the tables due to rounding.

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