

# Navigator 2020 Canada



Together we thrive

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## Introduction

The speed and scale of Canada's fiscal response to COVID-19 has helped to both cushion the blow of lockdown and kick-start recovery. Shortly before our 2020 Navigator survey launched, the government announced plans to merge its pandemic income support scheme (CERB) with existing programs to grow employment. It's also pledged to transform the economy. But imbalances are appearing across demographic groups, sectors and industries. Consumer spending will take a hit when credit-related deferrals end. And we expect insolvencies to grow among businesses as well as consumers.

## 1. Overview

Canadian companies are moving forward with **more caution** than their regional peers

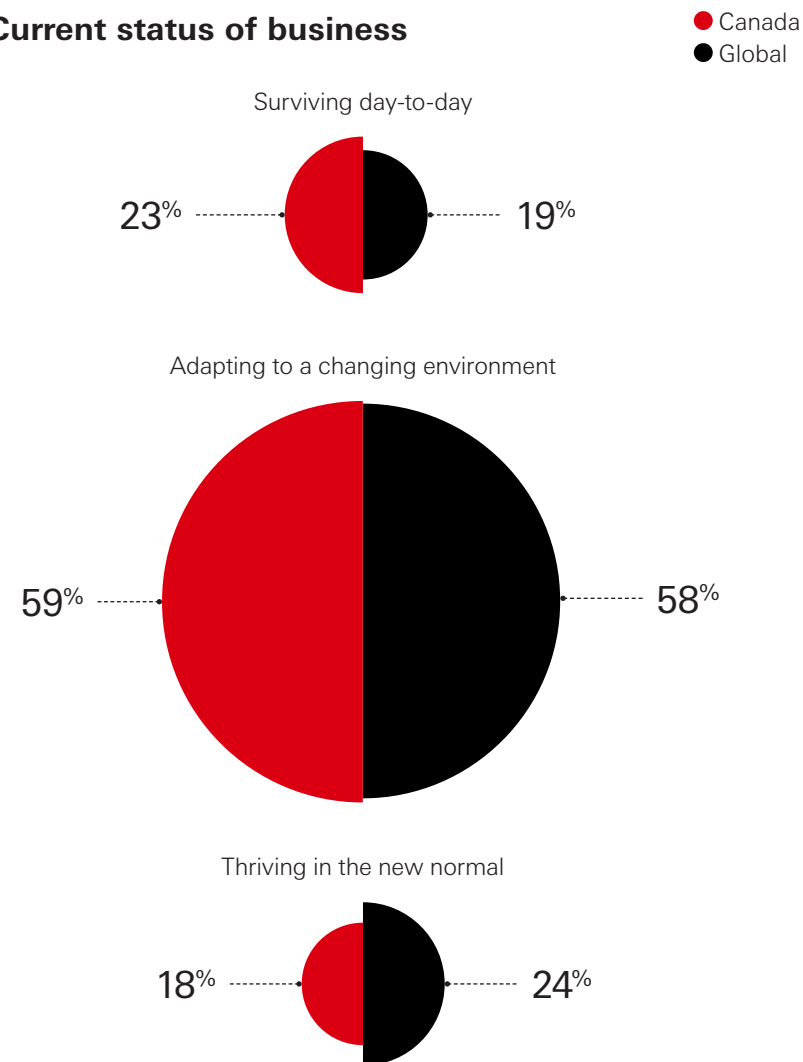
**Businesses in Canada are much less confident about growth than they were in 2019. But six in ten report that they're adapting to market conditions.**

Less than a fifth of companies are thriving, and close to half are considering cutting costs.

Their plans are correspondingly conservative, with six in ten companies looking to increase investment in 2021. But more than eight in ten expect to return to pre-COVID levels of profitability by the end of 2022.

Just over a quarter of those trading internationally conduct half of their business abroad. The majority of firms worry about their supply chains, causing them to select suppliers based on the government's management of COVID-19. And sustainability is a growing focus, with more businesses having targets in place than in 2019.

### Current status of business



## 2. Business outlook



### Confidence is dropping

and a resurgence of COVID-19 is a worry

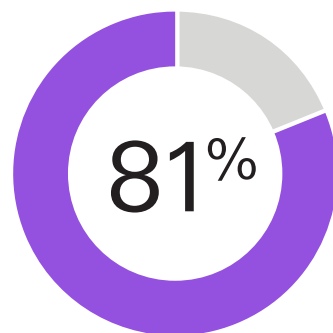
**The proportion of Canadian businesses that are more optimistic about their business growth has halved in 2020 – a much steeper drop than globally. This is reflected in their revenue growth expectations for 2021.**

In contrast, eight in ten expect a return to pre-COVID levels of profitability by the end of 2022. For one in three growth businesses\*, technology-driven efficiencies are the main driver.

In line with the global average, almost half (46%) of Canadian businesses see the resurgence of COVID-19 as the biggest threat to business growth, followed by reduced consumer spending and disruption to their supply chain.

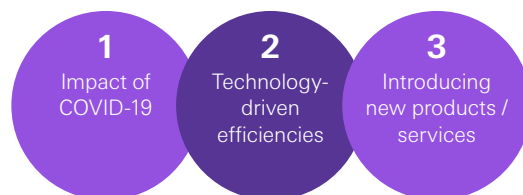
In response, almost half (45%) of Canadian businesses are cutting costs, compared with around two-fifths (38%) of companies globally. One in three are looking to improve product/service quality, and around a quarter (27%) are expanding into new markets.

\*Growth businesses project that their revenue will grow by more than 5% in the next year.



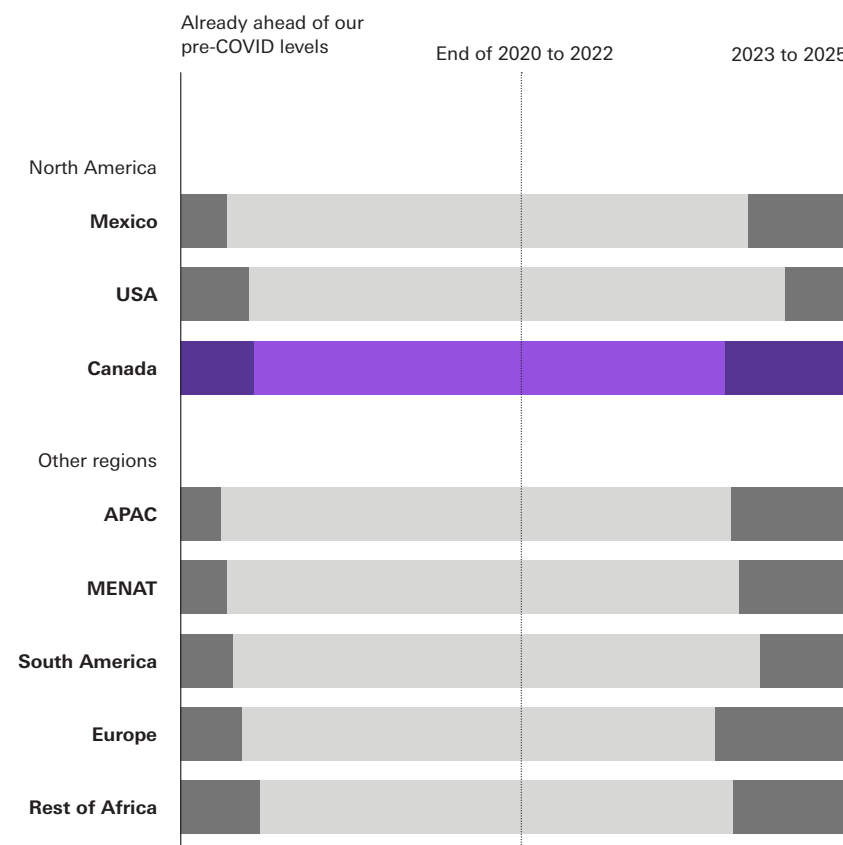
of businesses expect to return to pre-COVID profitability levels by the end of 2022

### Top 3 drivers of business growth



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

%

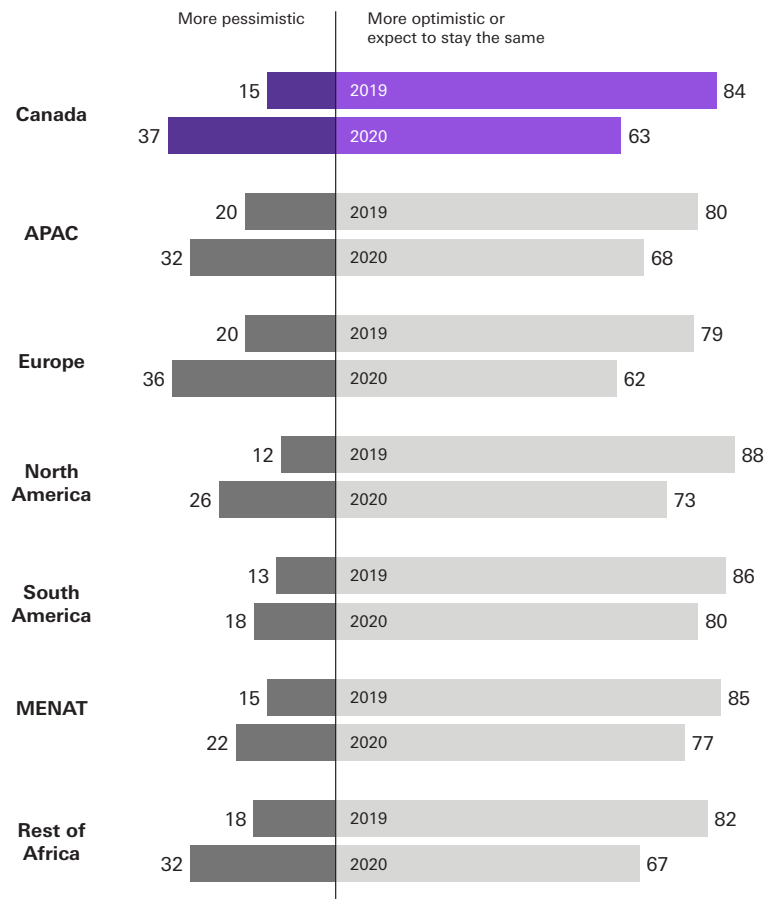


## 2. Business outlook (continued)



### How business outlook has changed in the last 12 months\*

%



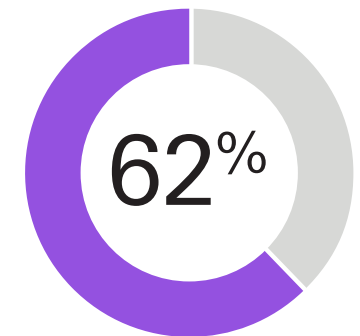
\*Excludes businesses answering 'Don't know'

### Investment remains conservative

When it comes to investment, Canadian businesses are the most conservative in North America: 62% intend to increase investment, compared with 82% in Mexico and 72% in the US. Just 26% will increase it by more than 10%, compared with 53% in Mexico and 43% in the US.

Expenditure will focus on two areas: the customer experience and employee wellbeing. For both, around two-thirds of companies say it's a priority for 2021 – considerably above the global average of around half.

Businesses in Canada also plan to invest in technologies that help target customers and improve the customer experience.



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

### Strategies of Canadian businesses to benefit from growth drivers and address threats





### 3. Future strategy



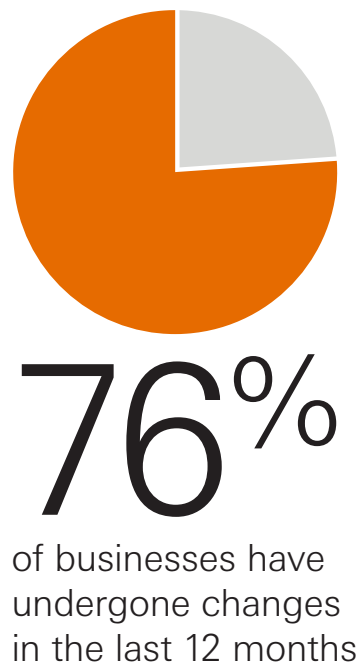
**Innovation** and **entrepreneurialism** are rated highly among Canadian businesses

**Canadian businesses have made similar operational changes to companies globally. Key drivers have been the need to cut costs, changes in working practices and future uncertainty.**

Innovation and reputation are cited as important characteristics of a successful future business. Technical innovation, being a great place to work and agility will become more important.

Interestingly, no-growth businesses rate innovation more highly: over half regard it as a characteristic of successful businesses, compared with 38% of lower-growth and 44% of growth businesses.\*

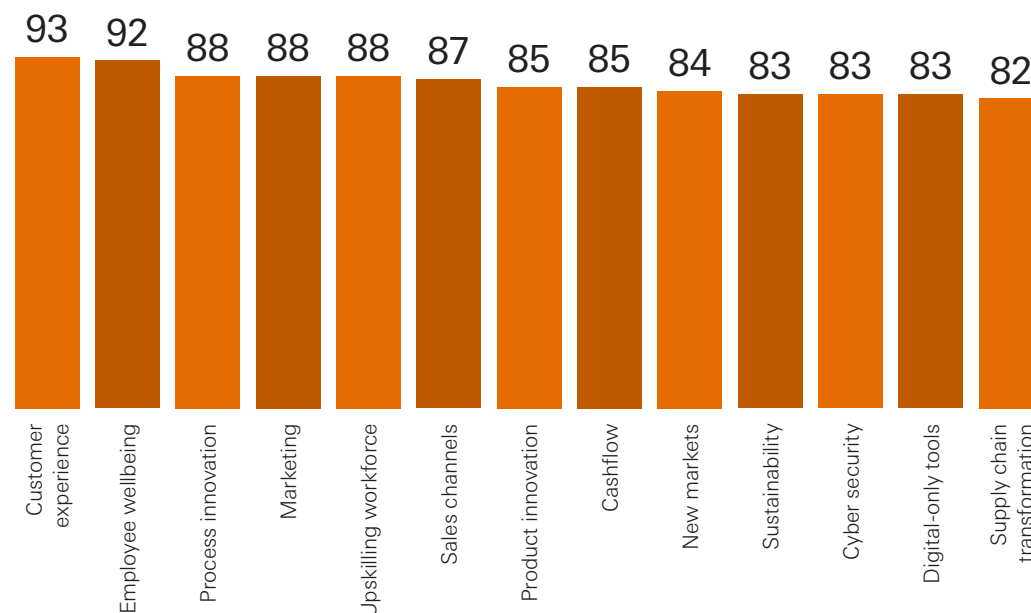
When it comes to what makes companies entrepreneurial, Canadian businesses value more people-centric traits, such as collaboration and human-centric leadership, more highly than their global peers. But they are in sync with global in thinking that becoming more entrepreneurial is important commercially and culturally.



\*Growth businesses project revenue growth of more than 5% in the next year. Lower-growth businesses project that their revenue will be stable or grow by up to 5%. No-growth businesses project that their revenue will decline.

#### Investment priorities enabling businesses to move forward

%



#### Top 5 facets of a successful entrepreneurial business



## 4. International trade

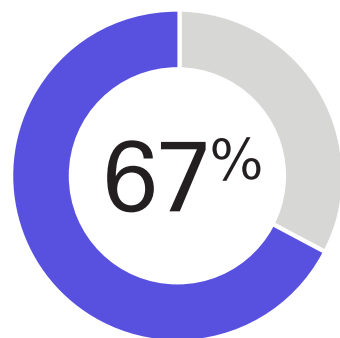


Canadian businesses expect **trade with Europe** to grow if intra-regional trade falls

While two-thirds of Canadian companies remain positive about international trade, this is a significant drop from close to nine in ten a year ago. Nonetheless, a steady quarter (27%) of international Canadian businesses report that more than half their business is across borders.

Intra-regional trade continues its uplift, and Europe remains the next attractive region for expansion. Businesses expect this to reverse in the next 3-5 years; intra-regional trade is projected to fall and European trade to rise.

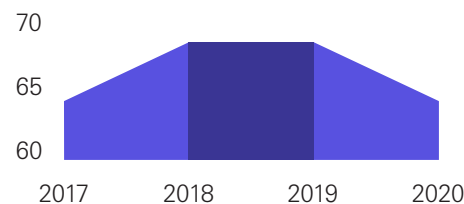
Canadian businesses, like their international peers, have concerns about rising protectionism. They worry that reduced international trade will lead to falling customer demand, loss of employee mobility, and limited supplies of raw materials.



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

### Protectionism

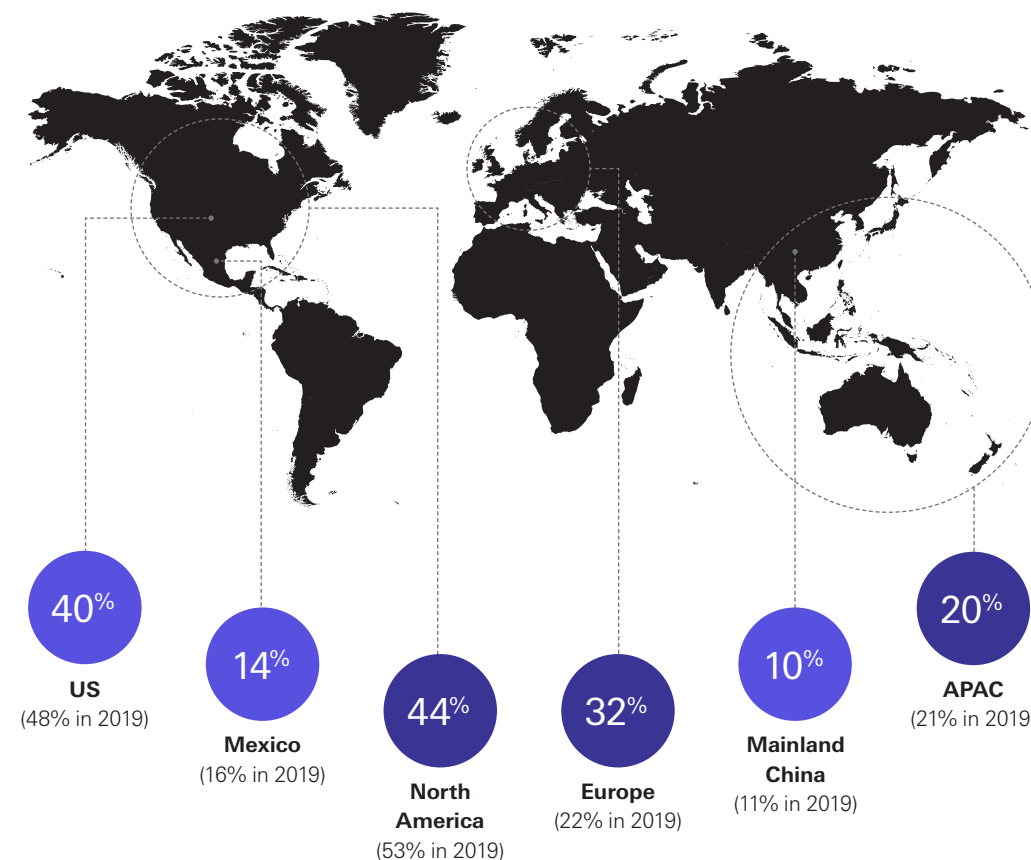
Percentage of businesses that think that countries/territories/governments are becoming more protective of their domestic businesses



### Priorities for expansion in the next 3-5 years

Markets, territories and regions in which Canadian businesses are looking to expand

● Markets & territories ● Regions



# 5. Reshaping supply chains



Fears over disrupted supply chains have Canadians looking **closer to home**

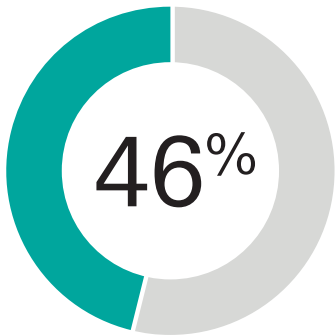
Canadian businesses are just as concerned about their supply chains as their global peers (both 93%) and are working at making them more secure.

Rising costs, suppliers not meeting sustainability requirements and non-agile suppliers are cited as concerns. Of the Canadian businesses that trade internationally, 43% worry about suppliers in territories at risk of sanctions, compared with 27% of domestic businesses.

In response to this unease, businesses have been selecting suppliers based on the government's control of COVID-19. Slightly more have diversified than reduced their supply chain (25% compared with 22%).

Just over two-fifths (21%) have focused on suppliers in their home region, hoping to benefit from reduced costs, increased speed to market and enhanced security.

Looking to 2021, half of businesses will prioritise suppliers closer to them and to home.



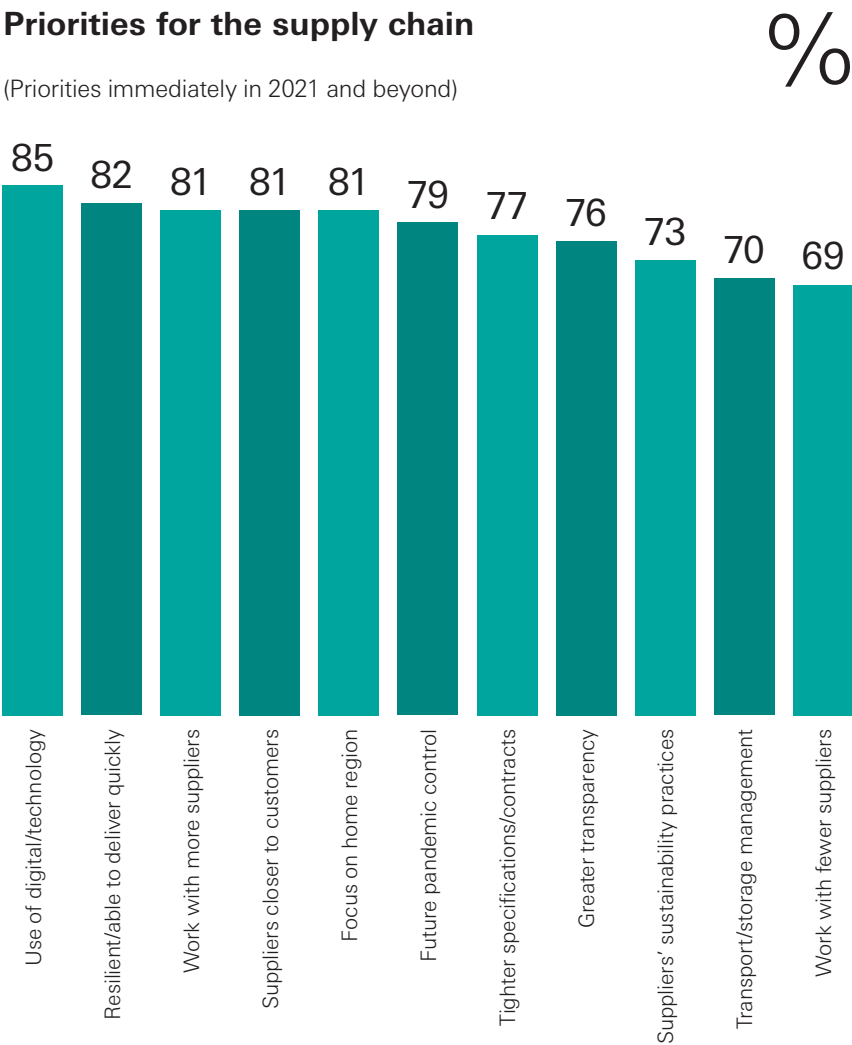
of businesses expect that reshaping their supply chain will reduce costs

## Top 3 benefits of reshaping the supply chain



## Priorities for the supply chain

(Priorities immediately in 2021 and beyond)



# 6. Sustainability



The **majority** of Canadian businesses now have set sustainability targets

**Like the global picture, Canadian businesses expect their sales to grow through a greater focus on sustainability.**

More companies are measuring environmental, social and governance-related aspects of sustainability than in 2019, and the majority have set targets.

Of those, 27-42% have annual targets. Between a fifth and a quarter have a 2025 deadline for theirs, and half to two-thirds will have targets in place within five years. This is in line with what's seen globally. Key targets include the impact their business has on local communities; recycling of materials; and diversity.

Canadian businesses say pressure to become more sustainable will come from government, industry regulations and consumers. This sentiment is echoed globally.

A majority believe that the main opportunities from focusing more on sustainability are workplace-focused – promoting employee wellbeing and new ways of working.



88%

of Canadian 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

44% expect modest growth of up to 5%

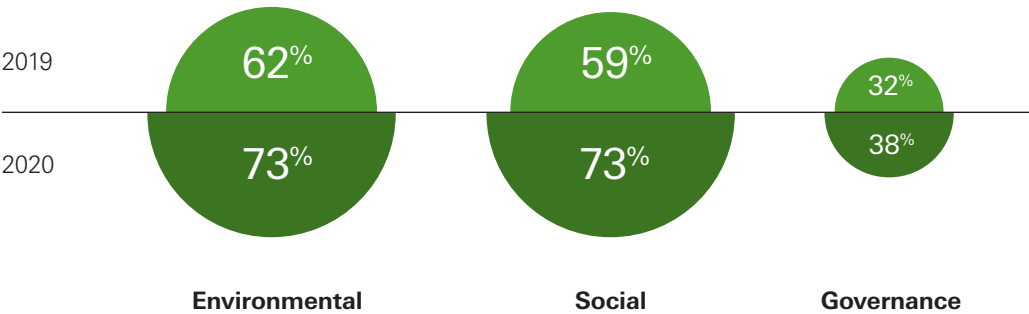
25% expect growth of between 6% and 9%

11% expect growth of 10% or more



## Measuring sustainability

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





## About HSBC Navigator Canada

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 501 businesses surveyed in Canada. 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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**[www.business.hsbc.com/navigator/canada](http://www.business.hsbc.com/navigator/canada)**

## 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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