

Navigator 2020

India



Together we thrive

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Introduction

With one of the world's highest COVID-19 caseloads and the deepest economic contraction in the first quarter, India has had a tough year. Since September 2020 there has been some economic recovery led by pent-up demand and festivals, but the overall picture remains very mixed. For every sector doing better, another is faring worse, slowing recovery overall. This dragging effect, together with a risk-averse banking sector, means we don't expect GDP to recover to pre-pandemic levels until 2023. And post-pandemic growth could be the lowest since the millennium.

1. Overview

Businesses in India are navigating **routes to opportunity** in testing times

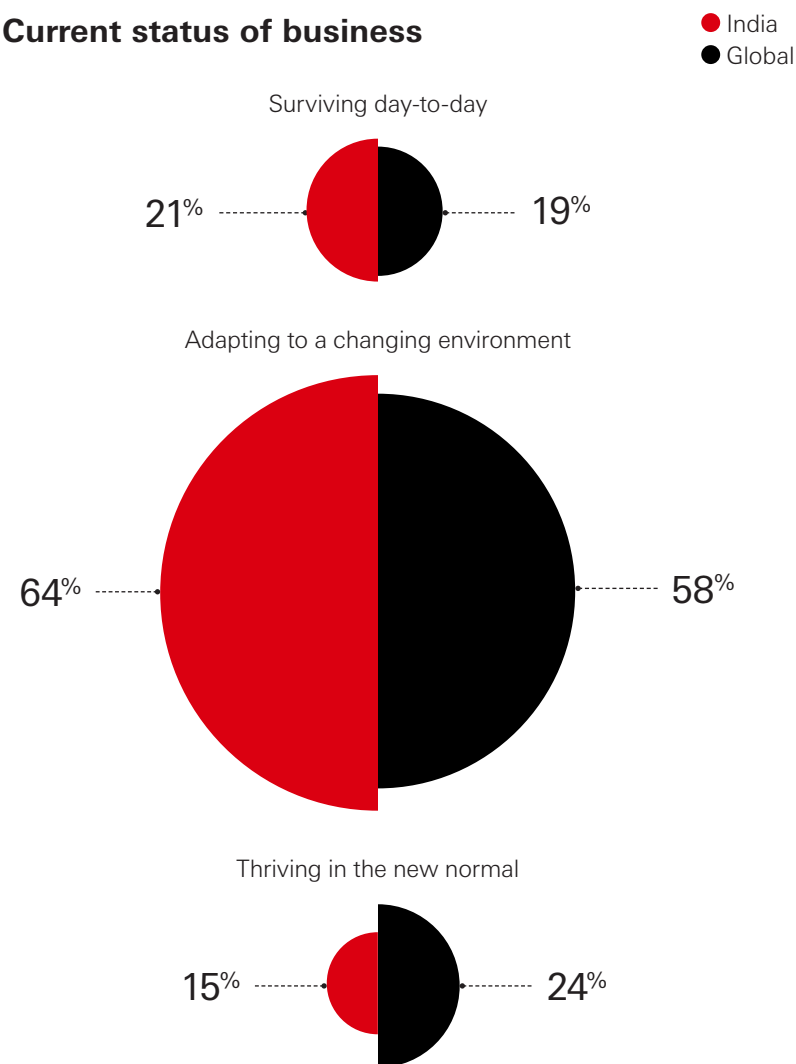
India's optimism has declined since last year, with resurgence of COVID-19 seen as the biggest obstacle to growth. However, nine in ten companies still intend increasing investment.

Having experienced considerable change, businesses see entrepreneurialism as crucial to future success, enabling faster product/service development, speed to market and stable supply chains. Concerns about the latter will be mitigated by selecting suppliers closer to home with tight COVID-19 controls, operational resilience and agility.

Despite difficult conditions, international trade has grown slightly, and the outlook is generally positive. Around half of businesses in India are trading within APAC, North America and Europe.

Almost all companies see the opportunities for growth offered by sustainability. Around four in five have set environmental, social and governance targets (up on 2019), and more are measuring all three aspects than in 2019.

Current status of business



2. Business outlook

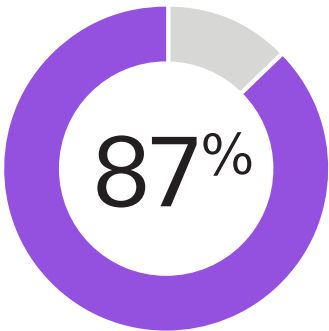


Optimism has declined since 2019, but Indian businesses see **modest growth** ahead

Two-thirds of companies in India (64%) say they’re adapting to the new environment, compared with 58% globally. But the proportion of companies that report feeling more optimistic has fallen from around three-quarters in 2019 to below half.

Indeed, only four out of five businesses (82%) now expect growth, compared with almost all (96%) in 2019. And yet a far greater proportion predict more than 5% growth compared with APAC or globally.

There’s also greater focus on the key growth drivers than globally, with almost half identifying the top three (right) – twice the global level. The biggest impediments are a resurgence of COVID-19 and a concomitant decline in consumer demand, tightened government policies, and supply chain disruption. To combat these, businesses plan to invest in workforce skills and wellbeing, market expansion and the customer experience.



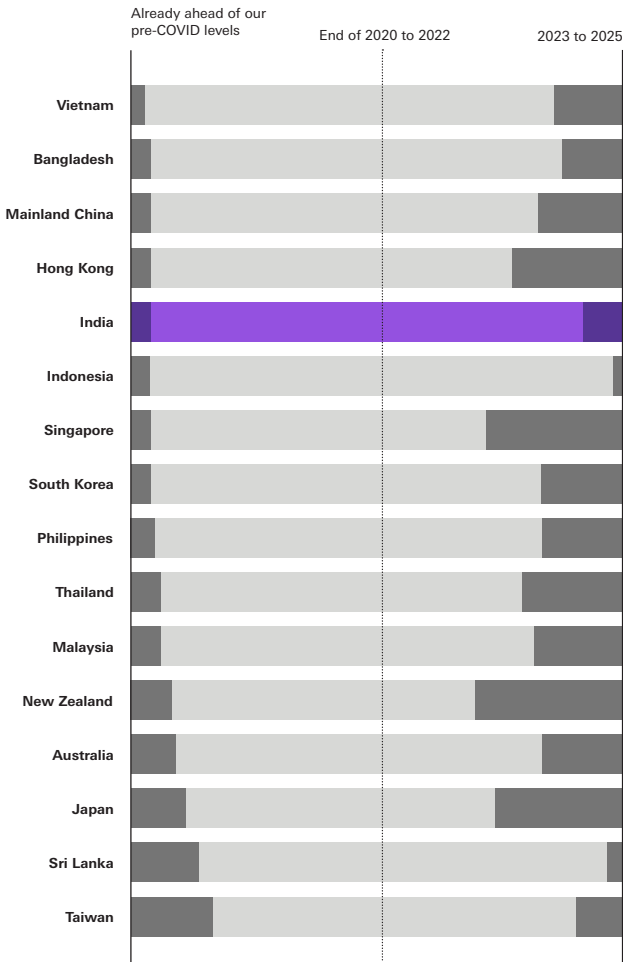
of businesses expect to return to pre-COVID profitability levels by the end of 2022

Top 3 drivers of business growth



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

%

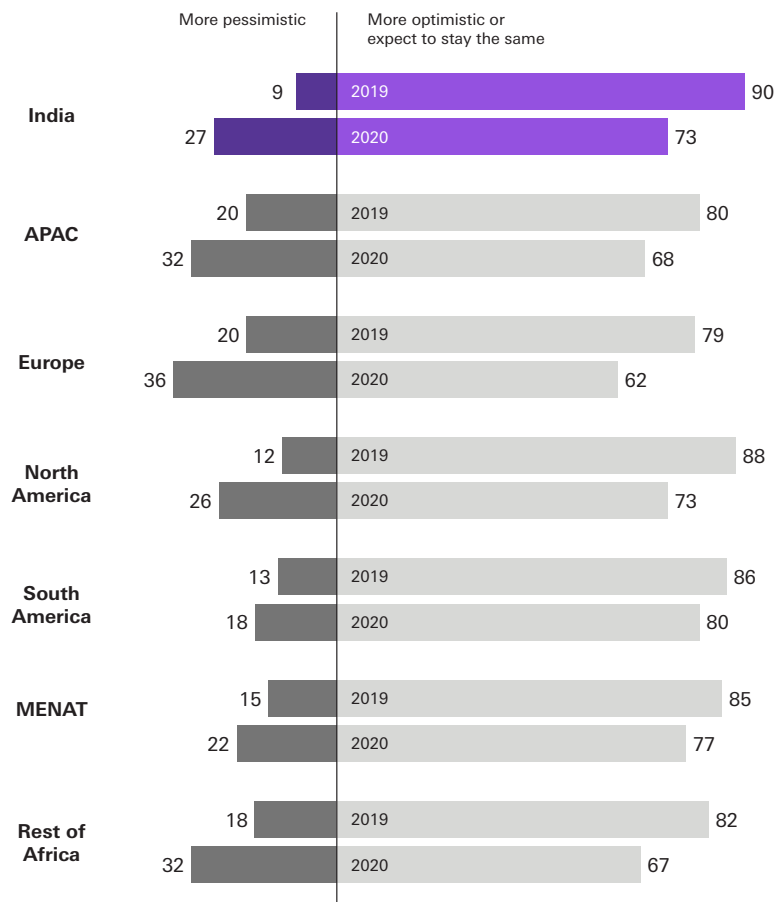


2. Business outlook (continued)



How business outlook has changed in the last 12 months*

%



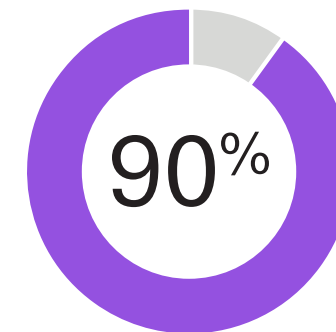
*Excludes businesses answering 'Don't know'

Investing for growth

The events of the past year have not dampened the appetite of Indian businesses for investing to grow. Nine in ten companies intend investing more next year, compared with about two-thirds globally and in APAC.

For around two-thirds of companies, the immediate investment priorities are the customer experience, marketing and sales channels, employee wellbeing and upskilling, and transforming supply chains to make them more secure.

Over nine in 10 Indian companies also plan to increase or maintain investment in key technologies. For those that plan to increase their investment (almost half), the priorities will be technologies that help target new customers and improve speed to market.



of Indian companies intend to increase investment in their businesses in the coming year, despite the challenging environment

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



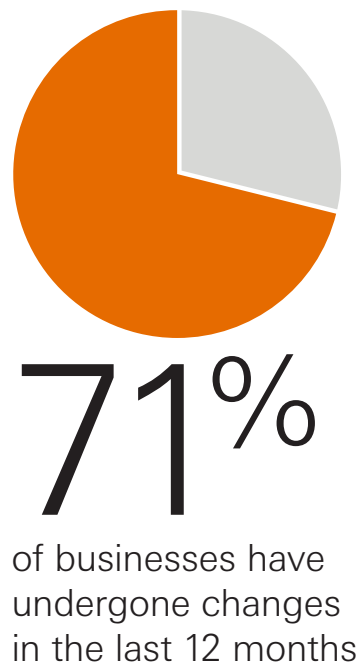
3. Future strategy



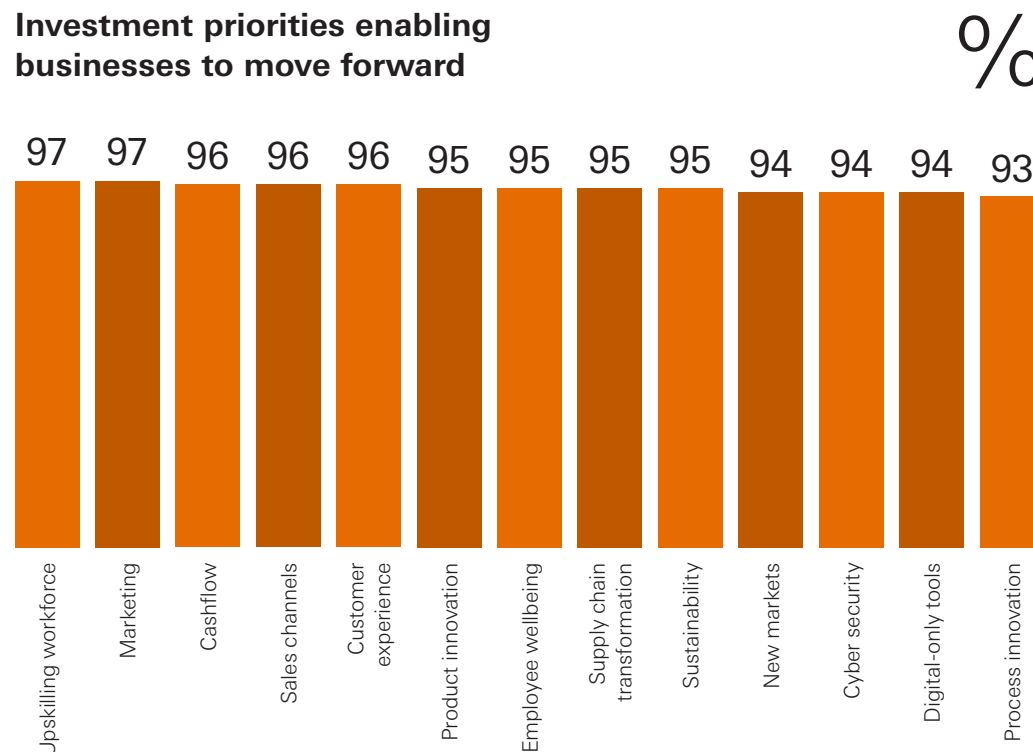
A **stronger focus** on entrepreneurialism underpins the game plan of Indian businesses

The level of change seen in Indian businesses closely mirrors the global picture. Nearly half have undergone short-term changes but expect to return to previous operations, almost a quarter have undergone long-term/transformational changes, and around a third have continued as before. New ways of working have driven these changes, along with regulatory requirements and a recognised need for improved sustainability.

Additionally, those surveyed listed the key characteristics of successful future businesses as social and environmental responsibility (almost double the global proportion), thought leadership and foresight, and corporate culture and inclusivity. Around half of Indian businesses believe greater entrepreneurialism will lead to a more stable supply chain, faster product/service development/speed to market and an enhanced reputation. It will also make them more customer-centric, people-focused and competitive.



Investment priorities enabling businesses to move forward



Top 5 facets of a successful entrepreneurial business



4. International trade

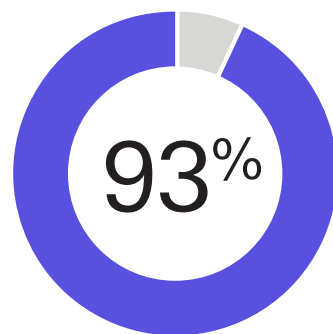


Despite ongoing protectionism, businesses are **positive** about finding routes to international markets

India's international trade is proportionately in line with APAC and global. The outlook is confident despite a belief that trading difficulties will probably continue next year. Protectionism is still strongly felt. To combat this, businesses will focus on digital channels and investing in local markets, communities and infrastructure.

Meanwhile, international trade has increased marginally since 2019. More than half of businesses (57%) trade within APAC, and more than four in ten trade within North America (42%) and Europe (41%). The US remains the top trading partner and the most attractive market for expansion.

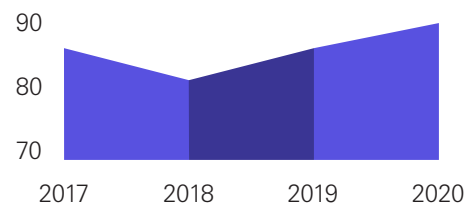
Ineffective government COVID-19 controls in suppliers' markets and a lack of partnerships with distributors are key reasons for reducing, or considering reducing, trade with a market. Businesses believe a reduction in international trade would restrict employee movement, increase costs and decrease demand.



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

Protectionism

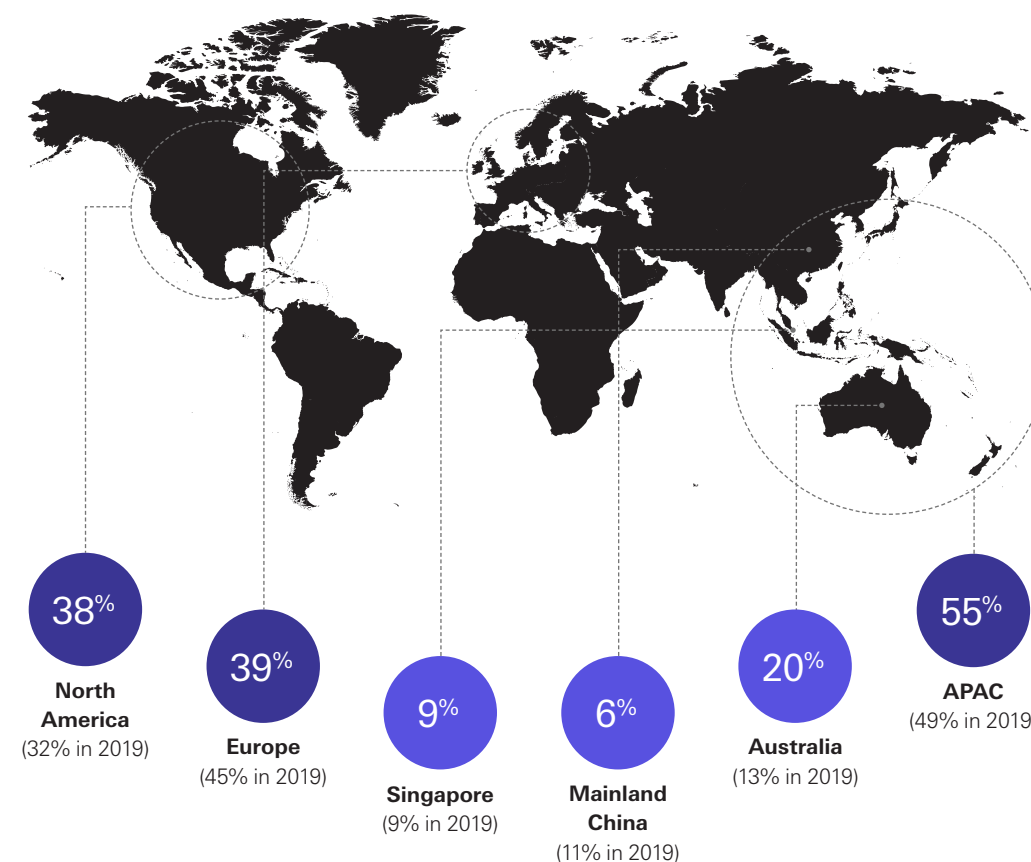
Percentage of businesses that think that countries/territories/governments are becoming more protective of their domestic businesses



Priorities for expansion in the next 3-5 years

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

● Markets & territories ● Regions



5. Reshaping supply chains

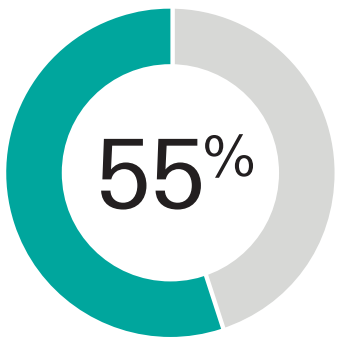


Indian businesses are applying supplier-selection criteria to **mitigate risk**

The vast majority (98%) of Indian businesses have concerns about their supply chain, such as instability or geographic distance from companies and their customers. In response, they are selecting suppliers according to their country/government's control of COVID-19, as well as their operational resilience and speed of delivery.

Around a third of businesses have diversified their suppliers, and an equal proportion have reduced them.

Reflecting these changes, the primary areas for investment in 2021 will be use of digital/technology and focusing on suppliers closer to customers, as well as closer to home. The main benefit for over half of businesses will be increased speed to market. Nearly half expect the changes to help them achieve greater regulatory compliance, increased and better-quality information, and better access to international customers.



of businesses expect that reshaping their supply chain will increase their speed to market

Top 3 benefits of reshaping the supply chain



Priorities for the supply chain

(Priorities immediately in 2021 and beyond)



6. Sustainability

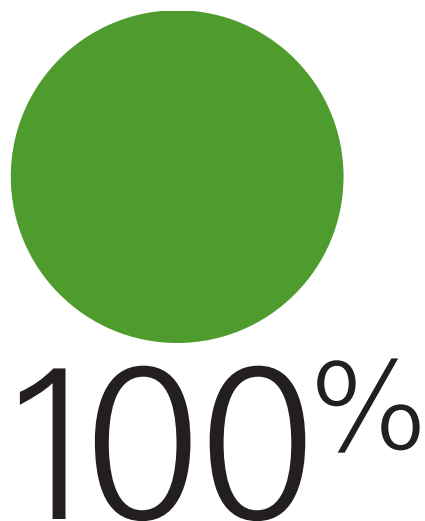


More Indian businesses have **set sustainability targets** than their global peers

Over eight in ten companies in India have set targets for a range of environmental, social and governance (ESG) items, with more businesses measuring ESG-related aspects of sustainability than in 2019.

The majority (a noticeably higher proportion than globally) have plans or set targets, largely relating to energy usage, executive salaries/compensation and diversity. By 2025, between half and three-quarters will have targets in place, in step with the global trend.

All Indian companies see business opportunities from improving environmental and ethical sustainability. More than half identify promoting employee wellbeing, increasing customer demand, attracting investment, qualifying for subsidies and enhancing their reputation as the most important benefits of becoming more sustainable. Almost all (98%) expect it to lead to sales growth.



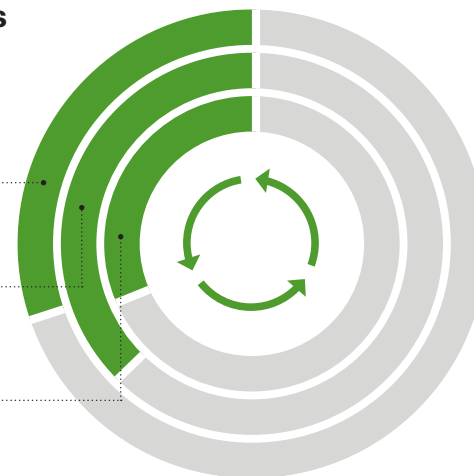
of Indian companies think there are multiple opportunities for their business from improving its environmental and ethical sustainability

Companies believe a greater focus on sustainability will drive growth

30% expect modest growth of up to 5%

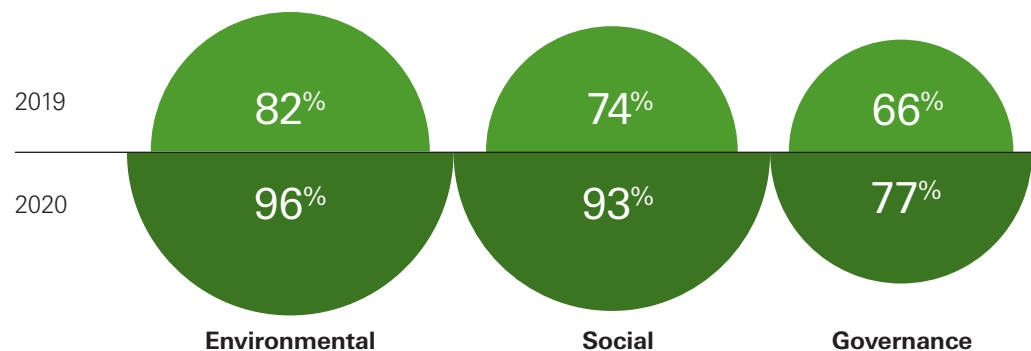
37% expect growth of between 6% and 9%

31% expect growth of 10% or more



Measuring sustainability

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



About HSBC Navigator India

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 350 businesses surveyed in India. 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/india

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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