

Navigator

Now, next and how for business

Belgium

Belgium

Weathering the global protectionist storm

Being located at the centre of Europe with strong ties to neighbouring economies, Belgian firms are less directly exposed to current geopolitical headwinds. This appears to be reflected in the high level of optimism about the ability to perform well in the current global environment, revealed in the HSBC Navigator survey.

What is happening now

Risks to trade are not denting business confidence

After a fairly strong performance in 2017, economic growth in Belgium appears to have shifted down a gear this year. Although this mirrors the dynamics of the Eurozone, a number of structural issues have also been hindering the pace of productivity improvements. While an escalation of the trade dispute between the EU and the US appears to have been shelved – at least for now – the escalating conflict between the US and China could still have second-round effects for this very open economy.

Despite mounting external risks, Belgian firms appear surprisingly confident about the trade outlook, according to the HSBC Navigator survey. A large majority of firms (84%) report a positive view of the international trading environment, higher than the global average (78%). The most frequently cited reasons for optimism included a positive view of global economic growth prospects, as well as exchange rates – no doubt reflecting the benefits of a weaker euro. Respondents most frequently identified France, Germany, and the Netherlands as key markets for business expansion (Fig. 1), reflecting Belgium's geographic position at the centre of Europe and existing strong ties with these countries.

Fig. 1: Which are the top 3 markets where your business will look to expand in the next 3-5 years? (Share of respondents identifying each market)



Source: TNS Kantar

How your business can respond

- ◆ Examine how directly and indirectly exposed your sales and downstream supply chains are to US and Chinese tariffs.
- ◆ Has your firm examined its exposure to a potential weakening of demand amongst key trading partners?

Policy Developments

Companies feel insulated from global protectionist developments

Less than half of Belgian companies (44%) believe that governments of key trading partners are becoming more protective of their domestic businesses. This is a significantly smaller share than the global average (63%), which probably reflects Belgium’s strong trade ties with other economies in the Eurozone.

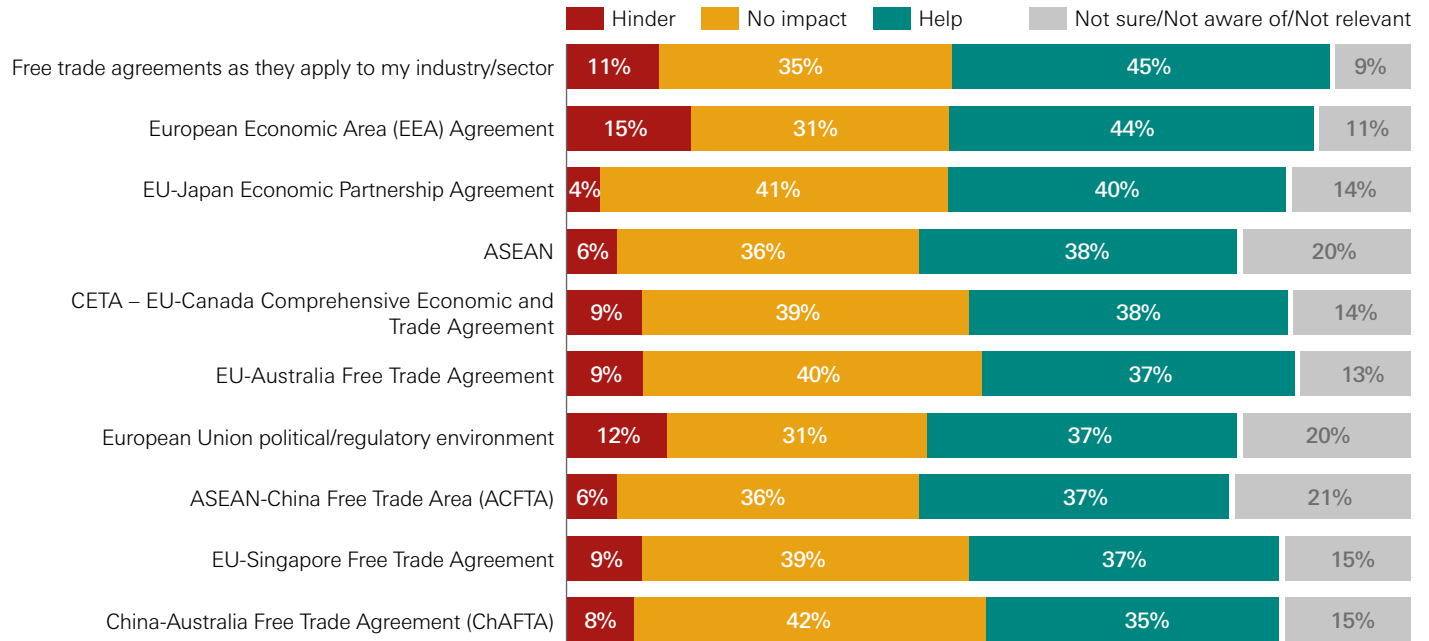
Focusing on the impact of regulations, views were mixed. While 26% of respondents believe that regulations reduce the competitiveness of their business, a similar proportion (20%) reported that they increase competitiveness. More specifically, 23% of respondents believe that regulations increase the cost of doing business, while 17% believe that they increase value in business. This diversity of opinion was equally evident at the sector level, demonstrating that the perceived balance between the benefits and burdens of regulations may depend on individual firm characteristics.

Nearly half (45%) of respondents in Belgium think that free trade agreements help their business, with a similar proportion (44%) having a positive view of the European Economic Area (Fig. 2). This is perhaps not surprising given the country’s integration into pan-European supply chains. Firms seem relatively relaxed on the implications of the UK’s departure from the European Union, with only 20% believing that it will disrupt existing supplier/buyer arrangements. Nevertheless, only 16% of respondents reported taking no action to prepare for Brexit.

How your business can respond

- ◆ Examine how your company can use data as a strategic asset to provide real-time information when making decisions and create competitive advantages for your business.
- ◆ Ensure your company is not left behind by the digital revolution – new innovations have the potential to disrupt entire industries and there are benefits to be realised in better understanding the power of these breakthrough technologies.

Fig. 2: Relevance and impact of policy developments in the next 3 years



Source: TNS Kantar

*May not total 100% due to rounding

What is happening next for business strategy

Belgian firms do not yet appear to have a data-driven culture

Survey results indicate that the near-term focus for strategic company direction differs markedly by the age of the company. For longer-established firms (5 years or more), growing market share was most frequently cited as a key priority, with upskilling the workforce second. For younger firms (less than 5 years old) taking on more risk and becoming more agile were the most frequently cited strategic goals.

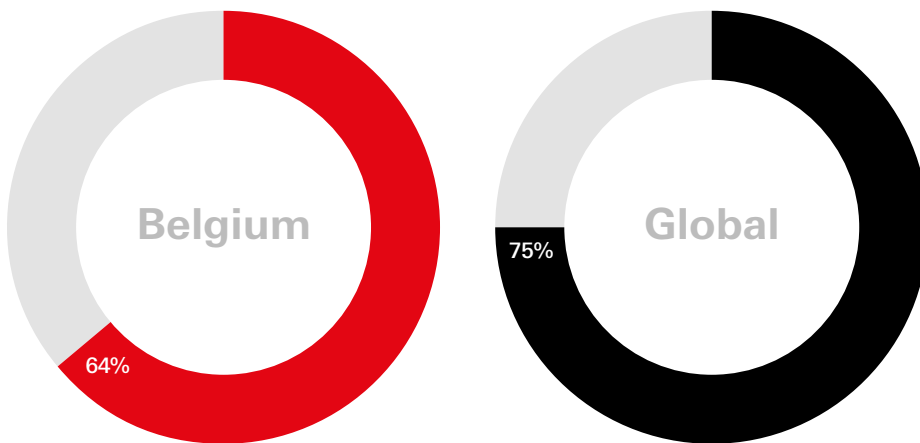
Just under two thirds of Belgian businesses utilise data to optimise performance, which is rather lower than the global average of 75% (Fig. 4). Proprietary datasets, such as transactional and customer data, are most frequently used. Notably, only 16% of respondents reported the use of Internet data such as Google Analytics, which is half the global average (32%). These results suggest that Belgian companies may be missing out on the data revolution.

Fig. 3: Top 3 actions for future company direction



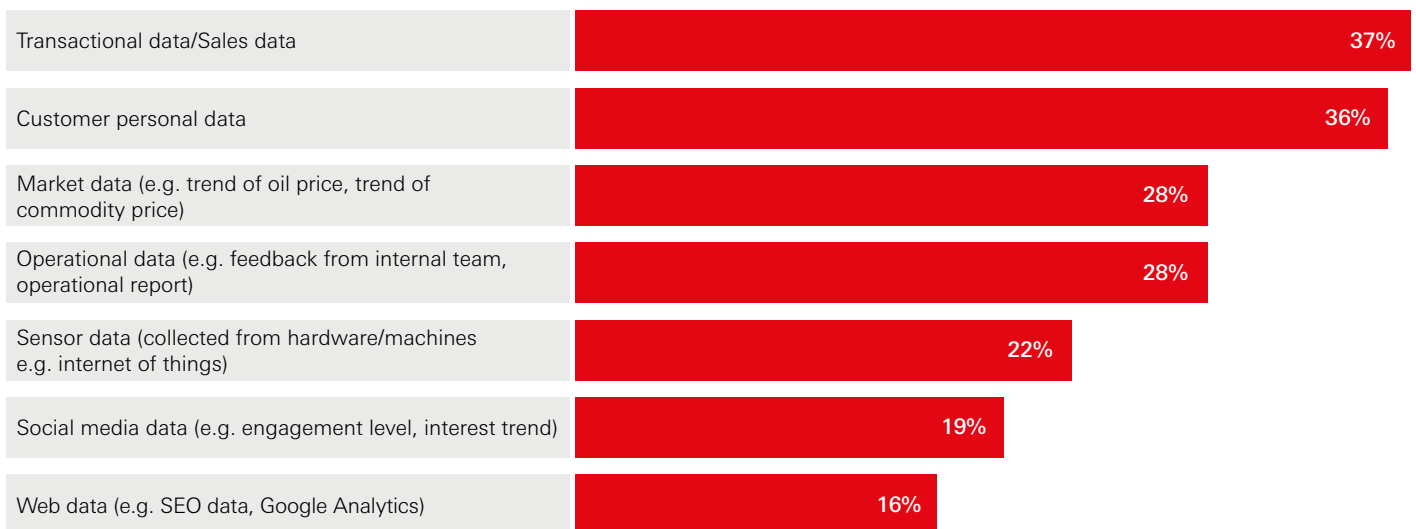
Fig. 4: Using data in business

Share of respondent firms using data to optimise performance



Source: TNS Kantar

Data sets currently being used



Source: TNS Kantar

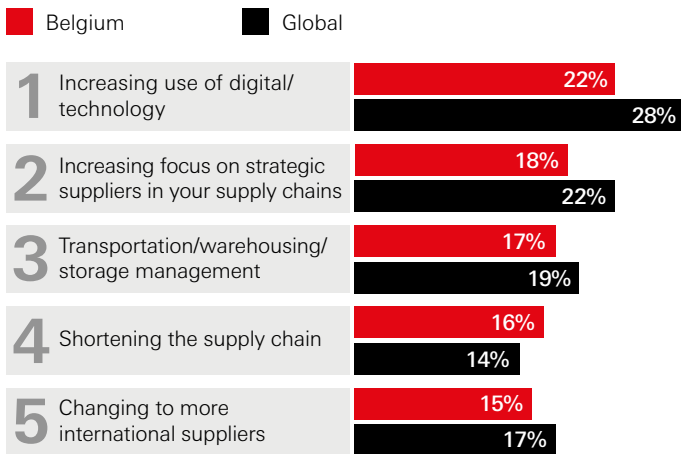
Indeed, respondents in Belgium were also more likely than the global average to dismiss new data innovations as being irrelevant to their business. The 'Internet of Things' was most frequently identified as posing opportunities for business, but the 41% share of Belgian respondents who had a positive view of this development still lagged well behind the 56% global average.

An increased focus on technology to reduce costs in supply chains

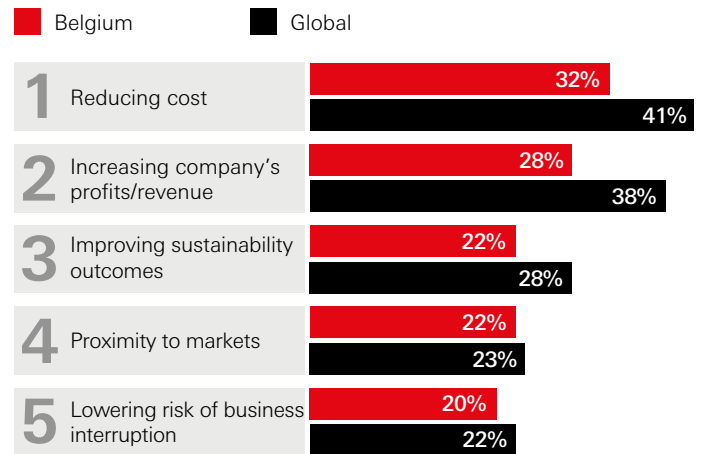
The most frequently mentioned change to supply chains in the next three years amongst respondents in the goods sector is increasing use of technology, followed by an increased focus on strategic suppliers (Fig. 5). Companies most frequently identified cost reduction and increasing company profits as the main goals of planned changes to supply chains.

Fig. 5: Supply chain changes for goods

Top 5 planned supply chain changes in the next 3 years



Top 5 objectives behind the changes

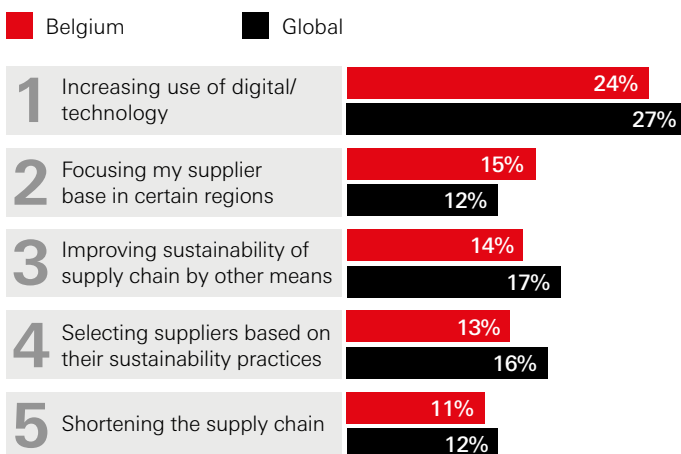


Source: TNS Kantar

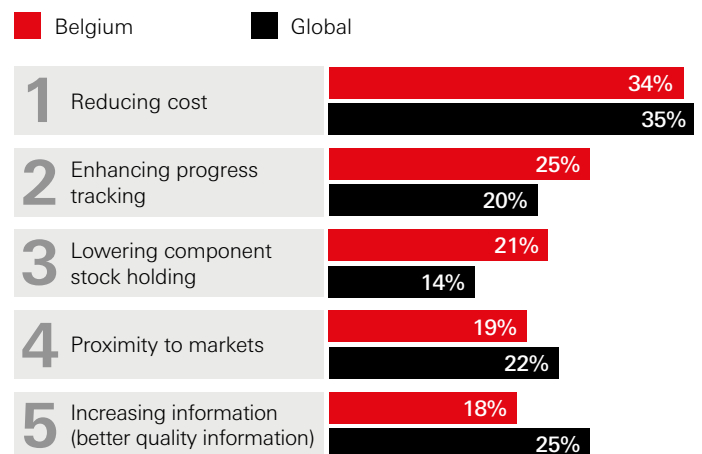
Firms in the services sector most frequently identified increasing use of technology as a key change for their supply chains, although an increased focus on regional suppliers was also a common strategy (Fig. 6). The most frequently identified aim of planned changes to supply chains was cost reduction, enhanced progress tracking, and lowering component stock holdings.

Fig. 6: Supply chain changes for services

Top 5 planned supply chain changes in the next 3 years



Top 5 objectives behind the changes



Source: TNS Kantar

In general, environmental and ethical sustainability appears to be important for Belgian companies across both the goods and services sector. Only 20% of companies in the goods sector and 17% in the services sector claim that sustainability is not a focus. Over three-quarters of companies report that they monitor their supply chain for environmental and ethical standards, although only 17% monitor more than half of the full supply chain.

About HSBC Navigator Belgium

The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar TNS. It is compiled from responses by decision-makers at over 8,650 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 34 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 200 businesses surveyed in Belgium. Global results are based on an average of the 34 markets (using weights based on each market's share of world trade). The survey was conducted over a six-week period from July to September 2018.

Interviewees were polled on a range of questions including expectations around future growth in trade, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving international business environment.

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