

Navigator

Now, next and how for business

India

India

Indian firms are upbeat on local and global opportunities

Following a strong economic rebound earlier this year, business sentiment in India is overwhelmingly optimistic. Although the threat of global protectionism is a concern, survey respondents believe they are well placed to succeed in the current international trading environment. Firms are actively embracing data innovation to optimise performance, but compliance with new regulatory standards remains a challenge.

What is happening now

Sentiment bolstered by high confidence in the economic outlook

The economy has recovered strongly from the lows touched last year, largely aided by government spending. This has been accompanied by a strong turnaround in exports, although spiralling imports have led to a wider trade deficit. Going forward, renewed financial sector stresses, rebounding oil prices and tighter financial conditions are likely to offset the positive impact from pre-election spending and the pick-up in exports to some degree. Nonetheless, with GDP growth expected to average 7.3% in FY19, India will remain one of the fastest growing economies globally. Not surprisingly, almost all Indian respondents (97%) in the HSBC Navigator survey reported confidence in the domestic economy.

Indeed, Indian businesses are some of the most optimistic in the survey, with 96% having a positive outlook on the global trade environment, compared to the global average of 78%. And a similar share believe that they are well placed to succeed in the current international trading environment. Firms expect greater use of technology, increased demand for their products and e-commerce growth to help their businesses. Key markets that they are targeting for expansion include the US, Australia and Canada (Fig. 1).

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

- ◆ Given the headwinds to the economic outlook, business should be prepared for demand fluctuations.
- ◆ Ensure your company stays abreast of the changing trade policy landscape so your business strategy can adjust as required.

Policy Developments

Indian firms see themselves benefitting from regulations

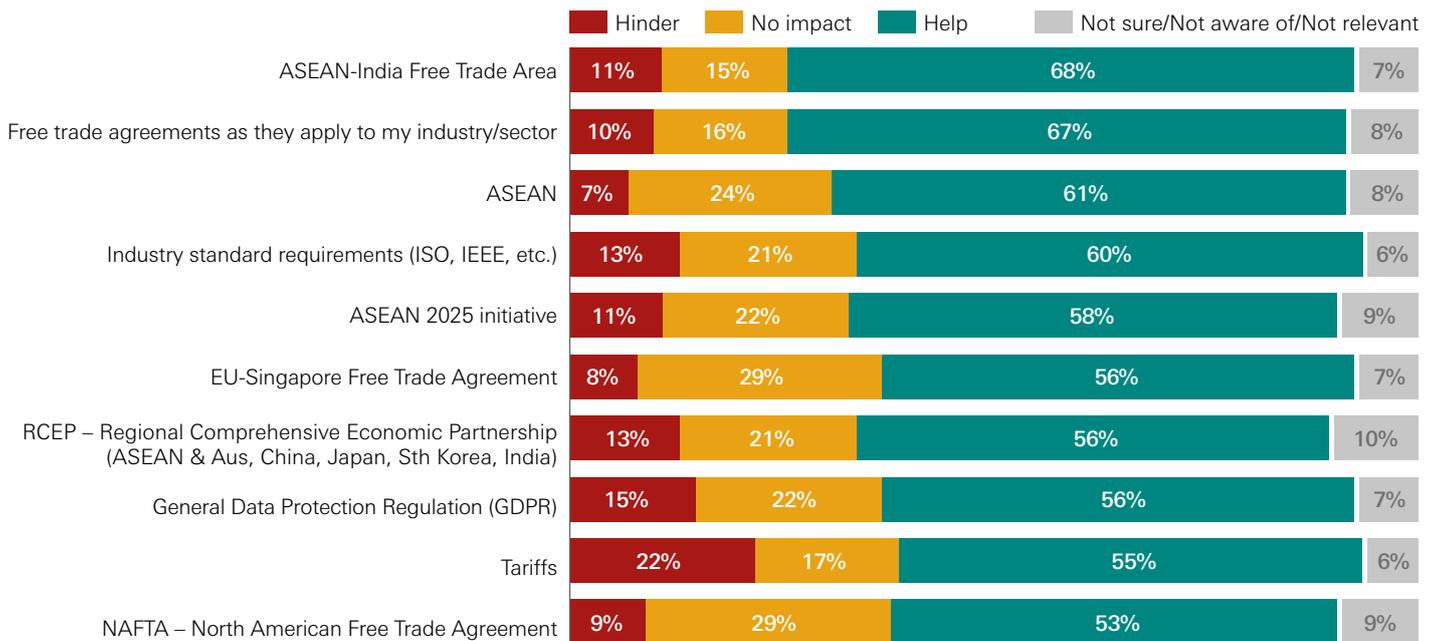
One development that is worrying Indian businesses is the threat of protectionism. A clear majority of respondents (81%) reported that governments in foreign markets were becoming more protectionist, which was far above the global average (63%). On the other hand, Indian respondents do not necessarily believe that regulations are always negative for their business. Although just under a third (31%) feel that complex approval systems make it harder to do business, nearly two in five firms say that regulations are increasing the competitiveness of their business and just under a third believe that it increases the value of their business.

Around two-thirds (67%) of firms expect industry or sector specific free trade agreements to have a positive impact on their businesses in the next three years (Fig. 2). This corresponds with the view that regulations in other markets raise the cost of raw materials (a factor identified by 33% of respondents) and create barriers to physically setting up office in those markets (31% of respondents). Businesses appear most confident about the positive impact of India's free trade agreement with ASEAN. Interestingly, a quarter of firms feel that Brexit will create opportunities for them outside and inside of the EU.

How your business can respond

- ◆ Ensure you take full advantage of FTAs to lower supply chain costs and support market entry strategies.
- ◆ Prioritise and expedite compliance with data protection regulation in the markets where you operate.

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

Raising market share locally and internationally is the top priority

Growing market share is the key factor in setting future direction for two in five Indian businesses in the survey (Fig. 3). Other key priorities for firms include improving productivity and skills, and emphasising strategies for long-term performance.

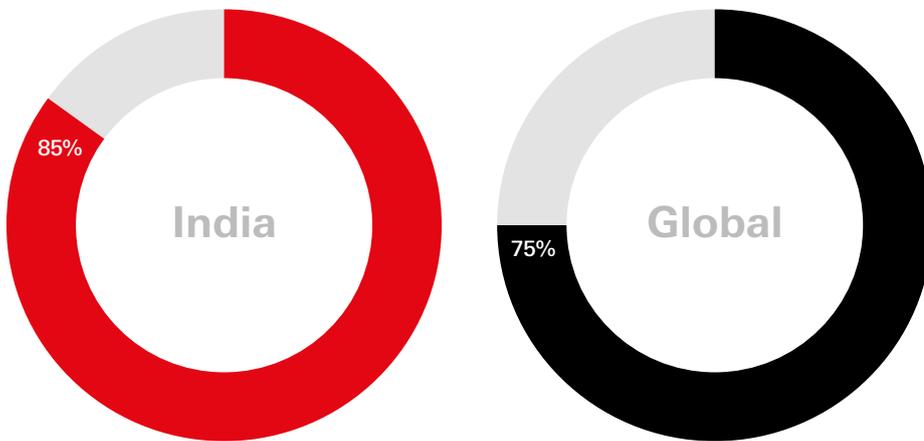
Firms are actively embracing data innovation to advance in these directions, with 85% of respondents already utilising data to optimise performance (Fig. 4). More than half use market data and a similar proportion use operational data. More than two-thirds of companies are optimistic that the 'Internet of Things' represents an opportunity for their business, with AI and machine learning also ranking highly. But respondents are also cognisant of the challenges posed by data innovations, especially regulation on data compliance. One third of businesses surveyed in India reported that they are still only getting ready to be compliant with data protection regulation.

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



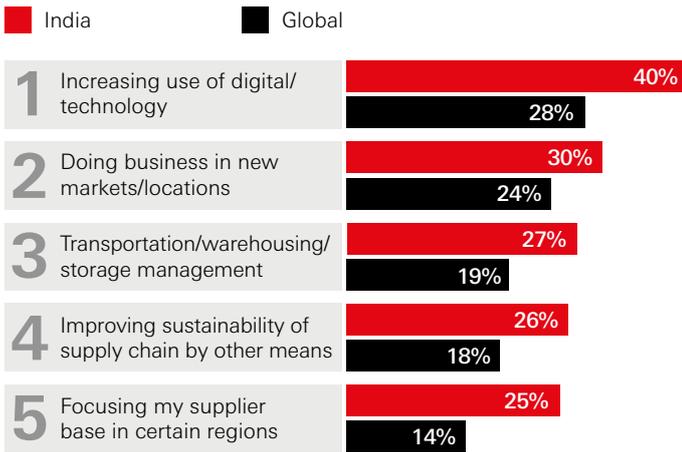
Source: TNS Kantar

Supply chain changes target increasing digitisation

The top supply-chain change identified across Indian businesses (Fig. 5 and Fig. 6) is to increase their use of technology in the supply chain (40% of respondents in the goods sector, 44% in services). Firms are also looking to make changes in transportation and storage management. 30% of firms producing goods want to do business in new markets, while a similar share of services firms want to deal with more international suppliers.

Fig. 5: Supply chain changes for goods

Top 5 planned supply chain changes in the next 3 years



Source: TNS Kantar

Top 5 objectives behind the changes

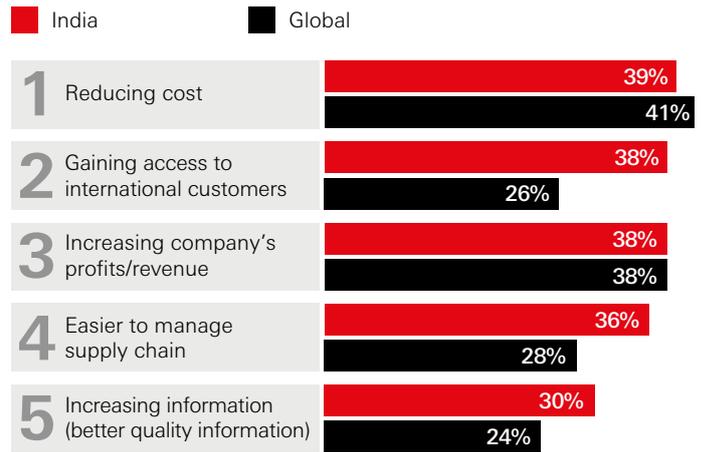


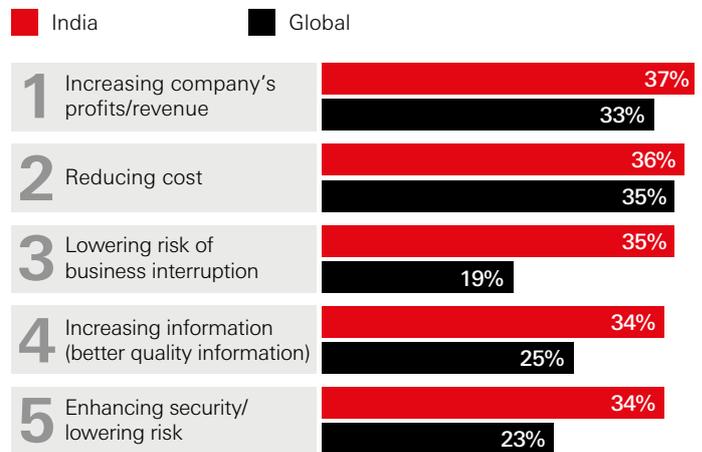
Fig. 6: Supply chain changes for services

Top 5 planned supply chain changes in the next 3 years



Source: TNS Kantar

Top 5 objectives behind the changes



Cost reduction and improving revenue and profits are the major objectives for both goods and services firms behind these changes. Firms producing goods also want to gain more access to international customers. Almost three quarters (74%) of goods businesses and slightly more (81%) services businesses claim that ethical and environmental sustainability is important to them and believe that they are either on par or ahead of their peers in their focus on sustainability. Only a very small proportion (4%) of the surveyed businesses said that sustainability was not a focus for them.

About HSBC Navigator India

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, 350 businesses were surveyed in India. 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.

For media enquires please contact:
Natasha Plowman
HSBC Global Communications
Natasha.Plowman@hsbc.com

Or go to www.business.hsbc.com/trade-navigator

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United Kingdom

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