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**Opportunity for Island Businesses to Show Ability to Adapt
as Political Headwinds Threaten Global Trade**

Internationally-focused businesses in the Channel Islands and Isle of Man need to demonstrate their ability to adapt as political headwinds threaten to disrupt global trade patterns, according to HSBC's Head of Commercial Banking in the Channel Islands and Isle of Man.

A new HSBC survey of over 8,500 companies in 34 markets, *'Navigator: Now, next and how for business'*, published this week, shows that businesses around the world are upbeat about their prospects, encouraged by customer demand and favourable economic conditions, but are revising their strategies as protectionism dents the outlook for international trade.

The report finds that more than three quarters (78%) of companies are positive about the trading environment, rising to 86% in ASEAN countries and 82% in the EU. Yet at the same time, political headwinds are gaining strength as 63% of firms think governments are becoming more protective of their home economies.

For those companies with a negative outlook on their company's prospects, tariffs and the US-China trade dispute are the main reasons for pessimism (31% each). In mainland China and Hong Kong, markets that Guernsey, the Isle of Man and Jersey have all built strong links with over recent years, the political dispute with the US is the greatest concern (65% and 53% respectively).

Reflecting these uncertainties, many companies are turning their attention to intra-regional rather than inter-regional trading opportunities. When asked about their top targets for future trade growth, for instance, the number of European companies citing Asian markets dropped from 26% in the first quarter to 13% now. At the same time, more Asia-Pacific companies are looking at China as a future growth market.

Commenting on the findings, Warwick Long, Head of Commercial Banking, Channel Islands and Isle of Man, said: “Businesses are staying positive, but they’re signalling to policymakers that protectionism is a significant concern that’s reducing their appetite to grow through international trade. Some are looking closer to home for opportunities, and many are adapting their approach to stay fit for the future.

“For globally-dynamic businesses in the Channel Islands and Isle of Man, this means that now more than ever, they need to show their understanding of global markets and demonstrate an ability to adapt. As IFCs immersed in cross-border trade, these findings are particularly pertinent for financial services firms and those who have invested heavily in building relationships with overseas markets such as China. There are challenges but also real opportunities, and those that can best demonstrate their agility will emerge the winners.”

Meanwhile, the report also finds that businesses are placing a real emphasis on skills development and productivity enhancements, with more than one in five (22%) businesses having invested in research and technology over the last two years, three quarters (75%) looking to data to drive business optimization and more than a quarter (26%) considering technological advancement as the top reason for choosing a supplier.

“All sectors in the islands should sit up and take notice of these findings. This report strongly suggests that technology, digitisation and data will play an increasingly important strategic role by enabling businesses to develop their products and services, reach new customers and cut costs by improving operational efficiency.”

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Note to editors:**HSBC Navigator: Now, next and how for business**

HSBC's Navigator report comprises a global survey gauging business sentiment and expectations on trade activity and business growth from 8,650 decision-makers in 34 markets. Research was conducted by Kantar TNS for HSBC between August and September 2018.

HSBC's Navigator helps businesses capitalise on new opportunities and make informed decisions for the future by understanding the outlook for international trade.

The full report can be accessed here: www.business.hsbc.com/trade-navigator

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