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INTERNATIONAL TRADE IS THE PASSPORT TO GROWTH, SAYS HSBC
HSBC Commercial Banking launches its inaugural Going International report

Four in 10 businesses (38 per cent) in the UK that are contemplating international trade see it as crucial to their overall survival, according to a new report from HSBC Commercial Banking.

In a study of 500 UK SMEs¹, half of which are currently trading internationally with the other half planning to, HSBC Commercial Banking has uncovered the number of businesses that view international trade as pivotal to success rises to 88 per cent for businesses that are already trading overseas, illustrating how important it is that businesses in the UK look to move into new marketplaces.

However, HSBC's **Going International report** also reveals that the perception and reality of what it takes to get started internationally is often quite different. Consequently, millions of SMEs are being overly cautious when it comes to acknowledging the positive effect international trade and it is preventing them from realising the potential business growth they could benefit from.

The reality:

The **Going International** report has revealed that:

- Four in five (80 per cent) SMEs currently trading internationally consider it a profitable venture, with a further 15 per cent breaking even
- 78 per cent of those businesses have grown by at least 10 per cent and one in five (20 per cent) have experienced growth of more than 50 per cent, as a direct consequence
- And to realise this exceptional growth more than half (54 per cent) spent less than £50,000 to get started

The fear factor:

In contrast SMEs yet to take the international plunge are considerably more pessimistic about the perceived impact:

- Four in 10 (42 per cent) estimate that their business will grow by less than 20 per cent and just one in 10 (nine per cent) expect that international trade will bring them growth of more than 50 per cent – less than half the number of businesses who are actually trading internationally and achieving this growth
- And to achieve this relatively small growth most expect a significant capital outlay – with 54 per cent estimating the cost of international business being over £50,000; nine per cent of those businesses are under the impression that they will need to invest in excess of £250,000 to make international trading a reality

Noel Quinn, HSBC head of commercial banking, UK said: “Conventional wisdom assumes that trading internationally is expensive, complicated and ‘not for businesses like us’. Our study has shown that, in most cases, businesses that adopt an international strategy are growing. In addition, it is costing less than anticipated to set up and the impact on the bottom line is better than expected.”

According to findings, the future of international business looks bright for British companies - 44 per cent of companies planning to trade internationally believe UK businesses are well placed to take advantage of the current climate; and this rises to 62 per cent for SMEs already exploiting overseas trade. Time is also of the essence with two out of three (68 per cent) businesses in the UK looking to trade internationally planning to launch by 2011.

Cross Border Blockades

There is, however, a disconnect in the aspects of international trade that may create headaches:

- Currently 41 per cent of SMEs not trading internationally view the language barrier as the key inhibitor in taking their businesses overseas, ahead of financial issues such as currency fluctuations (39 per cent) and securing the finance initially (36 per cent)

- In contrast, businesses currently trading internationally claimed that the issue of managing finance on an ongoing basis (44 per cent) and currency fluctuations (46 per cent) are by far the most important obstacles to overcome to successfully trade internationally

Noel Quinn comments: “It is interesting to see which elements of international trade many businesses assume will be most troublesome. Trading internationally, just as domestically, requires the same fundamentals – securing finance initially and managing cash flow sensibly.”

Lord Digby Jones, Chairman of the International Business Advisory Board of HSBC said: “The only way the UK will recover quickly and sustainably from the recession is by trading her way out. That calls for our continued, indeed our increased, commitment to the export of goods and services. Our manufacturing sector is among the best in the world for added value innovation and our service sector exports more than virtually any other country. Exposing a business to overseas competition makes it more competitive, more productive and better equipped to deal with the challenges of globalisation.”

Trade winds point to the EU

- Despite an insatiable consumer appetite in China and India, companies dipping their toes into international waters are opting to trade much closer to home.
- France (64 per cent), Germany (51 per cent), Spain (41 per cent) and Ireland (40 per cent) are the key markets for companies with a new found international appetite. However, just 14 per cent are considering China and only seven per cent are targeting India.
- Companies with an existing international profile are much more flexible with their trade destinations. France, Germany and North America are still the UK’s most common international trading hubs, while China, India and Scandinavia all feature prominently.

- Africa is the marketplace that holds the biggest fascination with 17 per cent of companies looking to grow in the world's second most populous continent in the next few years.

For businesses looking for more information please visit

www.hsbc.co.uk/Business

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Notes to editors:

¹The Going International Business report questioned 500 businesses based in the UK, 250 of which were trading internationally and 250 businesses who were considering it. The research was conducted by B2B International in May / June 2009.

HSBC International credentials

HSBC has over 8,000 Relationship Managers operating globally, with over 1,600 in the UK dedicated to helping businesses maximize their potential. HSBC has over 200 international product specialists in the UK helping SMEs with importing and exporting. HSBC also has four Regional International Commercial Managers whose role is to assist medium sized enterprises with their European trade. HSBC has over 55 Multi-lingual International Banking Centres worldwide which specialise in opening accounts in overseas markets to make the transition for businesses as smooth as possible, giving customers unrivalled on the ground support.

HSBC Holdings plc

HSBC Holdings plc serves over 130 million customers worldwide through 9,500 offices in 86 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of some US\$2,527 billion at 31 December 2008, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'The world's local bank'.

HSBC and Lord Digby Jones

In February 2009, HSBC appointed Lord Digby Jones, to become the Chairman of HSBC's newly-formed International Business Advisory Board in the UK. The Board advises HSBC on the development of its international business services for UK companies. It also created an educational programme to help British businesses to take advantage of the opportunities offered by cross-border trade and supports overseas trade missions

HSBC and UKTI

HSBC Holdings Plc and UK Trade & Investment (UKTI) committed to a joint initiative in January 2009, to help UK exporters of all sizes capitalise on trade opportunities. The joint HSBC / UKTI initiative is aimed at providing training events and additional trade assistance for businesses looking to enhance their ability to grow their international export business.

HSBC Country guides

HSBC offers a series of country guides available to HSBC Business internet Banking and HSBC net customers. There are also two demo sites available for the UAE and South Africa which demonstrate the depth of insight available. The guides are designed to advise businesses on etiquette and customers when trading with foreign markets.

For businesses looking for more information please visit www.hsbc.co.uk/Business