

12 December 2019

Korean companies more optimistic about the mid-term business outlook than the next 12 months

Korean businesses are more optimistic about the next five years than the next 12 months, and also report feeling less impacted by protectionism than their global peers, a new global HSBC report has found.

HSBC's '*Navigator: Now, next and how*' survey polled business leaders across 35 global markets to gauge business sentiment and growth prospects. This year it captures findings from 9,131 companies, including 350 companies in Korea, shedding light on their investment priorities, decision-making drivers, plans to implement change, and growth expectations.

Majority of Korean firms have a realistic business outlook

Korean companies have a realistic view of the short term business outlook with more than half (55%) expecting growth prospects to remain the same compared to a year ago. Interestingly, almost equal numbers of Korean firms were more pessimistic (20%) or more optimistic (19%) than a year ago. While 22% think their sales will shrink in the next year.

Looking further ahead, 74% expect their sales to grow over the next five years.

Impact of protectionism felt less strongly

Navigator finds that protectionism (51%) and geopolitical risks (44%) were not as strongly felt by Korean companies as others globally (65%, 64% each) or by firms in the Asia-Pacific region (71%, 61%).

Interestingly, of those Korean companies that reported impacts from protectionism, 26% think that they will have more to lose than gain, significantly higher than the global and Asia Pacific averages (16%, 17% respectively).

But Korean firms are responding differently to their global peers. Only 13% of Korean companies are investing in cybersecurity to counter geopolitical threats, compared to 23% of firms globally using this strategy.

Sustainability seen as a way to drive competitive advantage

Korean companies are highly engaged with sustainability, particularly in relation to social factors – 82% of those who think product safety and quality are relevant to their business, measure it, compared to 71% globally.

Again, 61% of those who consider impact on communities relevant, measure it, which is much higher than global average of 47%.

Korean companies are more motivated to engage in sustainable business practices than their global and Asia-Pacific peers owing to a number of factors. Namely, the competitive advantage achieved as a result of sustainability initiatives (29% global: 23%, Asia Pacific: 26%), improving transparency and traceability (28%, global: 21%, Asia Pacific: 24%) and to meet buyer expectations (25%, global: 23%, Asia Pacific: 20%).

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Meanwhile Korean companies feel the pressure to increase their focus on sustainability. This is mainly from end consumers (44%, global: 34%, Asia Pacific: 37%), competitors (39%, global: 36%, Asia Pacific: 41%) and buyers in the supply chain (39%, global: 22%, Asia Pacific: 26%).

In terms of investment priorities over the next five years, 37% of Korean companies chose investment in technology, innovation and infrastructure to improve sustainable production (global: 33%, Asia Pacific: 38%) and 34% partner and collaborate with suppliers to improve their own sustainability performance (global: 25%, Asia Pacific: 28%)

Interestingly, only 40% of Korean companies feel they have a role to play in achieving the UN's Sustainable Development Goals (global: 63%, Asia Pacific: 67%).

Eunyoung Jung, President & CEO, HSBC Korea, said, "HSBC's global survey provides a deep understanding of the business sentiment and expectations of Korean companies as compared to their peers in the world. As the leading international trade bank in Korea, we will continue to support our customers with global, regional and local economic insight."

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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 9,131 decision-makers in 35 markets. Research was conducted by Kantar for HSBC between August and September 2019. HSBC's Navigator helps businesses capitalise on new opportunities and make informed decisions for the future by understanding the outlook for international trade.

Interviews for the Navigator: Now, next and how survey were conducted in Argentina, Australia, Bangladesh, Belgium, Brazil, Canada, Egypt, France, Germany, Greece, Hong Kong SAR, India, Indonesia, Ireland, Italy, Japan, mainland China, Malaysia, Mexico, the Netherlands, Poland, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, Turkey, the UAE, the UK, the US, and Vietnam.

Over 5,000 of the companies interviewed were SMEs making annual sales of between US\$5m and US\$50m, with the remainder being larger enterprises.

For more information, please visit: www.business.hsbc.com/trade-navigator

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