HSBC

News Release

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Despite Uncertainty Around Protectionism, Businesses in U.S., Canada and Mexico Remain Bullish on Trade and NAFTA, HSBC Study Finds

****Half of firms surveyed expect NAFTA to have a positive impact on their business over the next two years****

****North American firms more optimistic about business benefits from NAFTA than other trade agreements****

NEW YORK, TORONTO and MEXICO CITY – Despite uncertainty around protectionist trade policies, business leaders in the United States, Canada and Mexico maintain a positive outlook for the North American Free Trade Agreement (NAFTA) and its impact on their firms, according to a newly released report from HSBC *'Navigator: Now, next and how for business'*.

More than 60% of business leaders surveyed across North America believe governments are increasingly taking a protectionist stance of raising trade barriers to defend domestic businesses.

But even amid ongoing renegotiations of NAFTA, half of firms surveyed (U.S. 49%; Canada 52%, Mexico 53%) expect the impact of the trade agreement to be positive over the next two years.

"In spite of the threat of new trade barriers, we expect growth in cross-border business to continue, especially among our North American neighbors. We're seeing a lot of optimism from U.S. clients right now stemming from factors like deregulation, lower taxes, a somewhat weaker U.S. dollar, climbing energy prices and a rise in global economic development," said Wyatt Crowell, Head of Commercial Banking, HSBC USA. "As the world's largest trade bank and leading international commercial bank in the US, we are uniquely positioned to provide end-to-end coverage: from structuring cross-currency financing transactions, to supplying access to broader institutional markets and acting as clients' primary operating and transactional bank."

The HSBC survey of 6,000 international firms around the world found that more than three in four (77%) businesses are optimistic about their international prospects, notwithstanding the worldwide concern among almost two-thirds of global businesses (61%) that governments are becoming protective of their domestic economies.

According to the survey, less than one in ten (9%) U.S. businesses expect NAFTA to inhibit growth -- a smaller share of firms with negative views of NAFTA than in Mexico (16%) and Canada (13%).

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In fact, the survey found that North American firms were more positive about NAFTA than agreements with trading partners farther from home. For example, a smaller share of Mexican firms (43%) expected a positive impact from the Pacific Alliance – a trade block comprising Mexico, Peru, Colombia and Chile – than from NAFTA (53%). Similarly, Canadian firms saw less growth opportunity from CETA (43%) and CPTPP (39%) than from NAFTA (52%).

“NAFTA has significantly benefitted Canada, Mexico and the United States,” said Linda Seymour, Head of Commercial Banking, HSBC Bank Canada. “It has facilitated increased trade, improved customer choice, allowed for the provision of more services and has fostered growth and greater co-operation among government policy makers and businesses in all three countries.”

Firms in all three countries remain upbeat about doing more business abroad, with Mexico leading the way with 87 percent of firms surveyed expecting increased trade volume over the next 12 months, compared to 77 percent of U.S. firms and 70 percent of Canadian firms.

“NAFTA has become a $1.2 trillion corridor for continental trade and investment, and represents a good opportunity to business in the three countries to grow and expand, said Juan Marotta, Head of Commercial Banking, HSBC Latin America and Mexico. “HSBC has a major presence in each NAFTA country, making us ideally placed to connect businesses to opportunities across North America, as well as around the world,”

In all three North American countries, surveyed businesses rank NAFTA partners as their top two most important target markets for expansion.

- U.S. firms identify Canada (20%), Mexico (19%) and Japan (11%) as their primary markets for expansion;
- Mexican firms are focused on expansion in the United States (39%), Canada (27%) and Argentina (10%);
- Canadian firms see opportunity in the United States (36%), Mexico (18%) and China (14%)

Other key survey findings include:

Canada

- To support their expected growth, over half (54%) of the Canadian businesses surveyed project an increased need for trade finance and the same proportion (53%) expect their access to trade finance to increase.
- More than half (57%) of Canadian businesses expect to increase their volume of trade in services in the next 12 months.
- Business-to-business (B2B) services as a share of total service exports are expected to account for just over 50% of total services export by 2030, up from 42% currently.
- Almost two-thirds of Canadian businesses agree that data regulation (62%) and big data (55%) may create barriers to open competition and cross border service delivery.

Mexico

- More than two-thirds of the businesses in Mexico surveyed expect to need more trade financing in 2018 than last year, and a full 70% expect access to trade finance to get easier.
- For nearly half (48%) of service businesses, entering new markets is the key approach to growth during the next 12 months, supported by increasing use of e-commerce (24%). Better use of data (23%) and upscaling the technology skills of employees (22%) are also considered among the top three strategies by nearly a quarter of services businesses
- Services exports, primarily driven by tourism as well as financial services, will become an increasingly important part of Mexico’s overall trade mix in the coming decade.
- Reforms to make Pemex more agile and competitive should help boost crude oil output in the years ahead, as well as the production of downstream products such as fuels and chemicals.

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U.S.

- In light of the upbeat trade outlook, just over half (52%) of theU.S. businesses surveyed expect to need more trade finance over the next 12 months. A similar proportion (49%) think their access to trade finance will improve.
- As the world's leader in service exports, the U.S. accounts for an estimated fifteen percent (15%) of total international services trade, with business-to-business services dominating the sector.
- Over a third (35%) of respondents think technology use stimulates growth in services trade. After entering new markets—the number one strategy for increasing service trade, cited by a third of respondents—e-commerce is the second most popular approach.
- More than three-quarters (77%) of U.S. firms say easier access to data creates a more level playing field in international business, while about two-thirds (68%) believe data regulation would impede cross-border service delivery.

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Note to editors:

HSBC Navigator: Now, next and how for business
HSBC Navigator is the most comprehensive report of global trade and business confidence. It combines an economic forecast of medium to long-term bilateral trade for exports/imports of goods and services across 25 countries (by Oxford Economics), and a global survey gauging business sentiment and expectations on trade activity and business growth by Kantar TNS.

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

The full report and country reports including Canada, Mexico and the United States can be accessed here: www.business.hsbc.com/trade-navigator

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HSBC Holdings plc serves around 38 million customers in 67 countries and territories in Asia, Europe, North America, Latin America and the Middle East and North Africa. With assets of US 2,522 billion at 31 December 2017, HSBC is one of the world's largest banking and financial services organisations.

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