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Amidst Global Trade Uncertainty, HSBC Finds that North American Businesses Look to Neighbors for Growth

Preliminary USMCA Deal Likely to Support Regional Growth Opportunities Identified by Businesses in the US, Mexico and Canada

NEW YORK, MEXICO CITY, TORONTO– Despite concerns about protectionist measures, businesses in the United States, Mexico and Canada expressed a high degree of confidence about international trade opportunities, according to HSBC’s latest Navigator Survey. Results show that firms in North America exhibited more interest in doing business within the region, likely due to ongoing uncertainty regarding trade negotiations happening around the globe.

“Businesses are clearly finding ways to move from uncertainty to growth,” said Jaron Campbell, US Head of International Subsidiary Banking, HSBC Commercial Banking. “Despite a number of global developments, we’ve observed a renewed sense of energy across all sectors and industries around doing business within the North America region.”

For example, firms in all three countries ranked their regional partners as their top two markets for growth:

- US firms identified Canada (28%) and Mexico (13%) as their top markets for growth led by an eight percentage point increase in interest for Canada
- Mexican firms are looking to the US (45%) and Canada (34%) for growth as evidenced by strong increases in interest for both markets
- Canadian firms see growth opportunities in the US (46%) and Mexico (15%) highlighted by a 10 percentage point increase in interest for the US

Pivoting to intra-regional rather than inter-regional trading opportunities is also observed in other regions. European companies citing Asian markets dropped from 26% in the first quarter to 13% now, North American firms citing Asia fell from 33% to 15%, and Asian companies citing North America slipped from 29% to 21%. At the same time, more Asia-Pacific companies are looking at China specifically as a future growth market, a four percentage point increase to 16%.

Although fielded before the preliminary framework of the rebranded United States-Mexico-Canada Trade Agreement (USMCA), survey data show that in both the US and Canada, nearly half (46%) of businesses felt that NAFTA will help their business in the next three years. Businesses in Mexico were more optimistic with 58% of those surveyed reporting it will help their business in the next three years. If approved, USMCA will likely strengthen the desire to capitalize on the growth opportunities previously identified within the region.

Key Findings for the US

- Nearly four out of five (79%) are confident that their company will succeed in the current international trade environment based on global economic growth (31%), strong domestic growth (26%) and interest rates (25%)
- Almost two-thirds (60%) of US companies with a negative outlook cite tariffs as the key reason
- US trade uncertainty with China is a second key concern for more than a third (36%) of US companies
- More than two thirds (69%) of US businesses feel that governments are becoming more protective of their domestic businesses, a nine percentage point increase since 2017, higher than the global average of 63%

Key Findings for Mexico

- The vast majority of respondents (90%) are confident about their company's future in the international trade environment due to consumer confidence (43%), buyer/supplier relationships (33%) and new technologies (30%)
- Looking ahead, a third of Mexican goods exporters are planning to diversify their markets – almost 10 percentage points more than the global average
- Plans for internationalization remain a key focus for company direction, particularly for those with less than 50% of their business abroad

Key Findings for Canada

- More Canadian firms expect US-China trade uncertainty to have a positive near-term impact on their business (30%) than expect a negative effect (25%)
- Over two-thirds (68%) of Canadian firms believe governments in their key trading partners are becoming more protective of domestic businesses- around five percentage points higher than the global average (63%)
- Many Canadian firms also intend to invest in up-skilling their workforces to focus on key skills development and productivity growth, perhaps in light of historically low unemployment and a tight labor market

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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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