



11 March 2009

CANADIAN SMALL BUSINESSES SEE THEIR FUTURE IN FOREIGN MARKETS

A recent survey conducted for HSBC Bank Canada found that the majority of Canadian small and mid-sized businesses see the benefits of doing business in international markets. According to the survey, 45 per cent of small businesses are currently conducting some business outside of Canada while an additional 8 per cent intend to develop some involvement in international markets over the next two years.

Jon Hountalas, Executive Vice President, Commercial Banking, HSBC Bank Canada, said: "These findings show that even in the current challenging economic times Canadian businesses understand that their future lies not in retreating into our home market but in continuing to look beyond our borders for new growth opportunities."

The HSBC survey was conducted with 250 small and mid-sized business owners and managers across the country whose businesses produced between \$1 million and \$20 million in annual revenues. It determined that the sectors most likely to be currently doing business abroad are those in the information services and manufacturing industries. Of the companies surveyed who are currently doing business outside of Canada, 72 per cent sell their products and services abroad while 28 per cent source some of their products from outside the country.

While this openness to expanding outside the country bodes well for the future of Canadian small and mid sized businesses, Mr. Hountalas notes that entering new offshore markets under current economic conditions may entail additional risks that many business owners may not have considered.

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HSBC Bank Canada

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Mr. Hountalas advises that there are a few steps that businesses should follow as they contemplate the move into foreign markets:

1. **Understand and prepare for the evolving challenges of doing business in unfamiliar foreign markets** - While not all roadblocks and difficulties can be determined in advance, doing your homework in the current market is crucial. For example, understanding country, currency, and payment risk is more important than ever. The recent economic challenges have forced some foreign buyers and suppliers to change the levels of required guarantees of credit now needed to ensure transactions get completed.
2. **Choose your bank (and banker) carefully** - Some financial institutions are better than others when it comes to helping Canadian businesses navigate in international markets. Many banks do not have a presence or have limited relationships in the countries where you may want to operate and this can complicate financial transitions or mean missed opportunities for Canadian businesses.
3. **When dealing in foreign markets, up-to-date local knowledge can be key** - Understand and plan for the financial risks of small business exports in advance and understand the changing economic and political dynamics in any countries in which you plan to operate. The current economic climate is extremely fluid and it is important that you work with business partners that can alert you to emerging local business and banking issues.
4. **Importers should review their contracts and prepare for ongoing adjustments as markets change** - Importing to Canada also represents risks to small business. A bank can assist with import letters of credit, import documentary collections, shipping guarantees or airway bill releases and import financing. It is important to set up these facilities well in advance of beginning transactions. Even your traditional foreign business suppliers may soon be asking for new types of financial guarantees based on changes to their own banking requirements.

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- 5. Look to the future but stay focused on the current business** - Establishing new relationships with buyers and sellers in foreign markets takes time, effort and money; all of which can distract you from running your day to day business. A bank that truly understands the challenges you face as you expand into relationships abroad should be able to offer the necessary tools and resources to keep you focused on reaching your international business goals without jeopardizing your existing business.

The survey of 250 small and mid-sized businesses was conducted for HSBC Bank Canada by Phase 5 Research in November 2008. Phase 5 is an independent Canadian marketing research consultancy which specializes in research for financial services, media, government, and technology clients.

About HSBC in Canada

HSBC Bank Canada, a subsidiary of HSBC Holdings plc, has more than 290 offices, including over 140 bank branches, and is the leading international bank in Canada. With around 9,500 offices in 86 countries and territories and assets of US\$2,527 billion at 31 December 2008, the HSBC Group is one of the world's largest banking and financial services organizations.

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