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CANADIAN SMALL BUSINESSES CONFIDENT ABOUT ECONOMIC GROWTH IN 2010

Although economic recovery begins to take hold, barriers to international business persist

A growing proportion of small businesses around the world are bullish on the first half of 2010 and many intend to increase in their capital investment and recruitment. In Canada, where small businesses represent 98 per cent of the country's 2.3 million businesses and form an integral part of the Canadian economy, survey results reveal a confident outlook on our economic growth, capital investments and recruitment, as signs of economic recovery become visible.

The semi-annual HSBC Global Small Business Confidence Monitor gauges the six-month outlook of SMEs (small and medium-sized enterprises) on local economic growth, capital investment plans and recruitment. This fifth edition of the survey captures the views of more than 6,000 SMEs across 20 markets in Asia, the Middle East, Europe, North America and Latin America – the largest international survey of its kind. The results were used to calculate an index ranging from 0 to 200, where 200 represents the highest confidence level, 0 represents the lowest, and 100, neutral.

The global results are fairly positive, with India leading the index scores at 132, Greater China at 121, and Canada at 116. Only France is below neutral, at 94. Emerging markets in Asia, the Middle East, Latin America and Eastern Europe are significantly more optimistic than the developed markets of the US, Canada, the UK and France, with an average index of 121 versus 106.

Miguel Barrieras, Senior Vice President and National Head of Business Banking, HSBC Bank Canada, said: "The Canadian results reflect the optimism that our small and medium-sized business clients share with us every day, and our global network is there to help turn some of the traditional barriers into paths of opportunity. Although Canada's major trading partner continues to be the United States, it may be time for small businesses to learn more about what other markets could mean for their bottom lines."

Reasons for doing business internationally

Canadian small businesses doing business internationally today cite sales and revenue opportunities (71%) and access to foreign markets (68%) as the top two reasons for doing so, followed by the presence of suppliers and partners in other markets (47%), lower costs (32%), following competitors (27%) and greater availability of talent (26%).

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Barriers to doing business internationally

The chief barrier to doing business internationally was identified by 39 per cent of Canadian respondents as bureaucratic red tape, followed closely by lack of product demand (37%), lack of knowledge or contacts in overseas markets (35%), low profit margins (34%), high shipping and storage costs (32%), and unstable financial conditions (31%). Globally, fluctuating foreign exchange and interest rates, as well as a lack of knowledge or contacts in overseas markets, pose the greatest barriers to doing business internationally.

More SMEs outside of North America choosing to become international

For the first time, the HSBC Small Business Confidence Monitor asked SMEs about the extent of their cross-border trade and other international business, such as overseas operations. In Canada, nearly 20 per cent of respondents say they do business internationally, as compared to 31 per cent of SMEs across all 20 markets surveyed.

Outlook on local economic growth

In terms of economic growth, 59 per cent of Canadian SMEs expect local GDP growth to maintain the same pace in the next six months. While 11 per cent expect growth to slow, nearly three times as many, or 29 per cent, expect the pace to increase.

Outlook on capital expenditure

Fifty-nine per cent of Canadian SMEs indicated that their plans for investing in their own businesses through capital expenditures have not changed. Where just under half, or 27 per cent, would slightly or significantly increase their capital expenditures, only 15 per cent would decrease capital expenditures slightly or significantly.

Outlook on recruitment plans

Three-quarters of Canadian SMEs, the bulk of whom (80%) employ no more than ten employees, foresee their hiring plans to remain unchanged in the coming six months. Encouragingly, 22% of respondents plan to increase staff in the next six months and the number planning to reduce staff sits at a low, four per cent.

HSBC: Unlocking the global potential of small business

Derrick Ragland, HSBC Global Head of Business Banking, said: “There is a rebalancing of the world economy, and emerging markets are becoming more and more important as a driver of growth. Small businesses are at the heart of this growth, driving local job creation, investment and productivity. And as they grow and develop and look to world markets for new opportunities, HSBC is uniquely placed, with its international connectivity and its on-the-ground expertise, to help small business unlock its global potential.”

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About the survey

The semi-annual HSBC Small Business Confidence Monitor, which this year includes Canada, the United States, France and the U.K. for the first time, gauges the six-month outlook of SMEs on local economic growth, capital investment plans and recruitment. This fifth edition of the survey captures the views of more than 6,000 SMEs across 20 markets in Asia, the Middle East, Europe, North America and Latin America – the largest international survey of its kind. The survey was conducted in October and November 2009, with a sampling error of +/- 5.7 per cent, at a 95 per cent confidence interval.

About HSBC

HSBC Bank Canada, a subsidiary of HSBC Holdings plc, has more than 260 offices, including over 140 bank branches, and is the leading international bank in Canada. With around 8,500 offices in 86 countries and territories and assets of US\$2,422 billion at 30 June 2009, the HSBC Group is one of the world's largest banking and financial services organizations.

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