

Navigator 2020

Channel Islands and Isle of Man

December 2020



Together we thrive PUBLIC

Contents

- 1. Overview
- 2. Channel Islands and Isle of Man
- 3. Business outlook
- 4. Digitisation and innovation
- 5. Sustainability
- 6. International trade
- Survey methodology

Introduction

We're pleased to share these summary findings of HSBC's latest global business research called Navigator.

In this report you'll find out what global business decision makers are thinking, acting on and doing now and their view of future opportunities and challenges for growth. And, HSBC's perspective on how that is relevant for businesses in the Channel Islands and Isle of Man.

HSBC's Navigator provides insights into business sentiment, expectations on trade activity and business growth from more than 10,000 business decision-makers across 39 countries, markets and regions.

1. Overview



The results of our 2020 Navigator survey reflect **mixed economic picture**

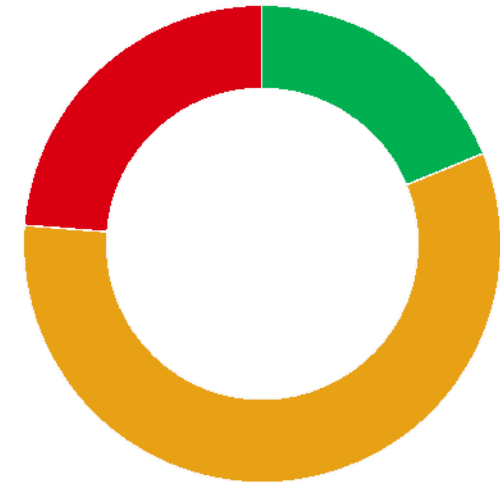
Navigator reveals a two-speed economic recovery spanning several years for businesses to recover from a challenging 2020.

Businesses are split in their outlooks:

- The more optimistic businesses are planning to increase their overall financial investment to drive future success.
- High growth businesses are taking more proactive steps, focussing on digitisation, ESG, and empowering employees and enhancing customer experience as key to future success.
- Whereas, the most challenged businesses are set on short-term measures for survival such as cost-cutting.

The criteria for future business are now broader than historically - innovation tops the list; sustainability and culture have also become more important.

Current status of business



19% Surviving day to day

58% Adapting to a changing environment

24% Thriving in the new environment

2. Channel Islands and Isle of Man



Companies in the islands have proven **remarkably resilient** in weathering the turmoil brought by Covid-19.

But this new environment will significantly **shape their decisions** to invest, to embrace technology, and to target future growth.

What they all recognise is that **responsibility, resilience and reputation** underpin long-term success.

For island businesses, **digital adoption, employee empowerment** and **sustainability** will be key as the world faces a two-speed recovery from Covid-19.

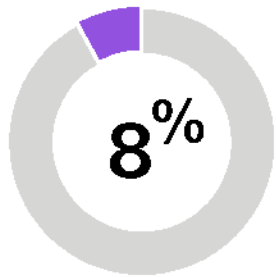
This challenge is helped by the islands' focus on **digital** innovation and **sustainable finance**, and their natural tendency to be outward-looking and **globally dynamic**.

Island businesses are therefore **well-placed** to be successful in this new environment.

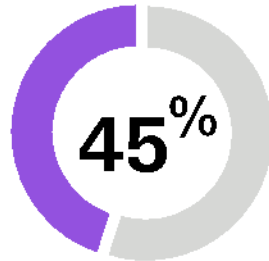
3. Business outlook



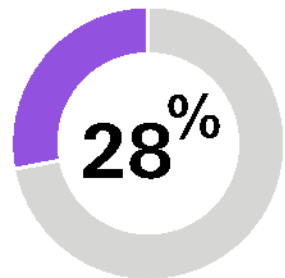
Businesses say regaining their pre-Covid profitability could take **1 to 3 years.**



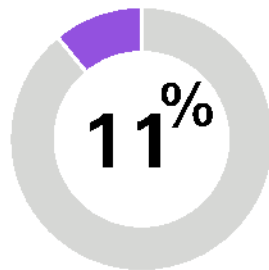
of businesses say they are **already ahead.**



of businesses expect to return to pre-Covid profitability by end **2021.**

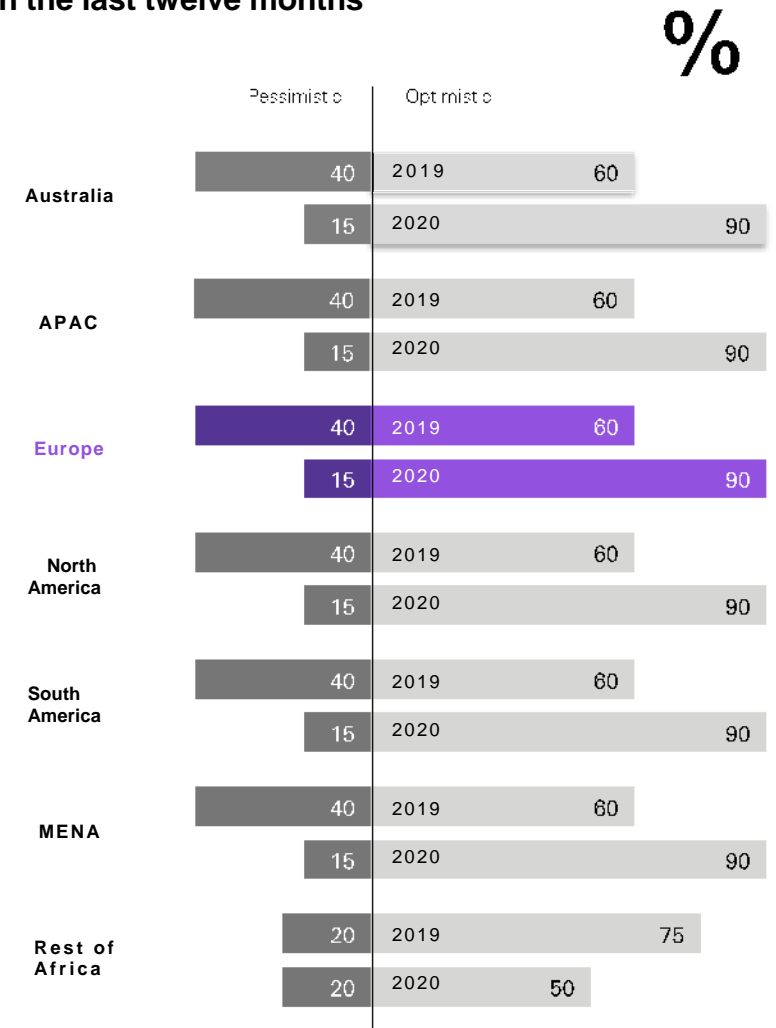


of businesses expect to return to pre-Covid profitability by end **2022.**



of businesses expect to return to pre-Covid profitability by end **2023.**

How business outlook has changed in the last twelve months



4. Digitisation and technology



Digitisation and technology are cited as **key growth drivers** in both the near and longer term.

88% of businesses say they plan to invest in digital tools and platforms:

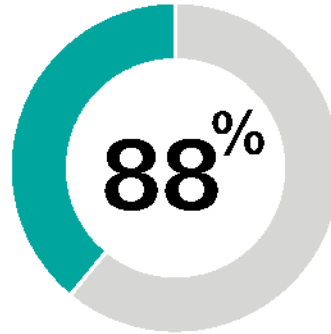
- 47% in 2021
- 40% beyond 2021 next year

A third of firms have already introduced new products and services.

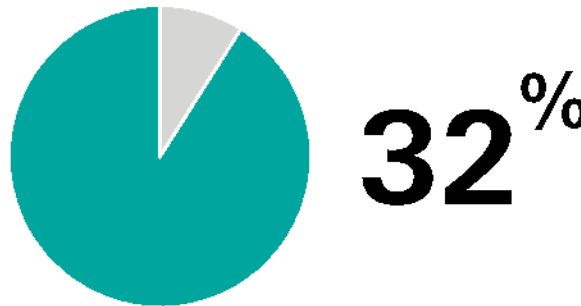
Amongst high growth firms, 32% expect technology-driven efficiencies to be a key driver for recovery, more so than businesses with lower or no growth.

For many firms, more than half their total sales are made online. The more growth the firm predicts, the more likely this is.

- *51% of higher growth companies have > 50% of their sales from online
- *34% of firms expecting moderate growth (<5%) have >50% of their sales from online
- *28% of companies expecting to shrink have >50% of their sales online.



of businesses plan to invest in digital tools and platforms



of high growth businesses expect technology-led efficiencies will drive growth

Business with >50% of sales online



5. Sustainability



Businesses are increasing their commitment to **sustainable practices**.

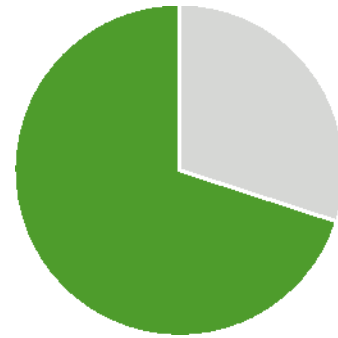
Firms are 'walking the talk' in their transition to more sustainable practices.

Over 70% of all companies and over 80% of high growth firms have some plans in place to target ESG issues.

The number of firms backing up their commitment by putting in place environmental and social sustainability metrics is increasing.

External pressures from consumers and government are galvanising businesses into action.

Furthermore, businesses are increasingly waking up to the commercial benefits from sustainability, recognising that 'going green' can also be good for business.



70%

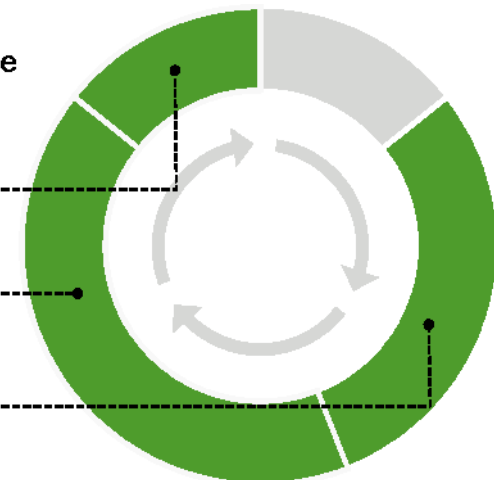
of all companies have plans to address ESG issues.

The vast majority of companies expect sustainability performance to boost growth (86%)

17% of companies expect increased growth in excess of 10%

41% expect increased growth of up to 5% over the next year

28% expect sustainability to boost growth of between 5% and 10%



6. International trade and supply chains



International trade

Navigator findings reveal there is **no redrawing of the global trade map.**

Whilst international trade is set to become more challenging, enthusiasm and **commitment remains unwavering.**



Supply chains

Across industries, the majority of businesses have **concerns** relating to their supply chain.

Supply chains are **reshaping for resilience.**

Firms are looking at the **distances** between their business to their suppliers and customers.

More firms are **diversifying** rather than reducing their supply chains.

About HSBC Navigator Channel Islands and Isle of Man

The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including business outlook, future strategy, international trade, supply chains and sustainability. It is compiled from responses by decision-makers at 10,368 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 39 markets.

Sample sizes for each market were chosen to ensure the statistical accuracy of results. Global results are based on an average of the 39 markets (using weights based on each market's share of world trade). The survey was conducted between 11th September and 7th October 2020. Interviewees were polled on a range of questions including how Covid-19 has affected their business and potential for growth. The survey represents a timely source of information on the fast-evolving international business environment.

For further information about the research please contact:

Kate Woodyatt
HSBC Global Communications
katewoodyatt@hsbc.com

Or go to
www.business.hsbc.com/navigator

Note

There may be a slight discrepancy between the sum of individual items and the total as shown in the tables due to rounding.

Whilst every effort has been made in the preparation of this report to ensure accuracy of the statistical and other content, the publishers and data suppliers cannot accept liability in respect of errors or omissions or for any losses or consequential losses arising from such errors or omissions. The information provided in this report is not intended as investment advice and investors should seek professional advice before making any investment decisions.

Call to action

HSBC Channel Islands and Isle of Man Commercial Banking
website - www.business.ciiom.hsbc.com

Aline Ayotte, Head of Commercial Banking
Heidi Peterson, Deputy Head of Commercial Banking Jersey
Gemma Scovell, Deputy Head of Commercial Banking Guernsey
Jaime A Amoedo, Head of Commercial Banking Isle of Man