

Navigator 2020

United States



Together we thrive

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Introduction

Like all the respondents in our 2020 Navigator survey, businesses in the US are continuing to grapple with the impacts of COVID-19. Consumer spending has had a positive trend since May, but with a third wave of the virus underway, and further potential job reductions expected in certain industries, the economy is under renewed strain. Still, US firms remain optimistic and are focusing on investment priorities that will enable them to move forward and grow their businesses.

1. Overview



Despite the challenges, companies in the US **remain positive** about the future

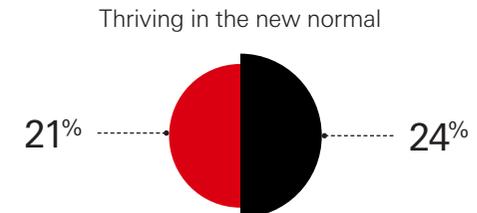
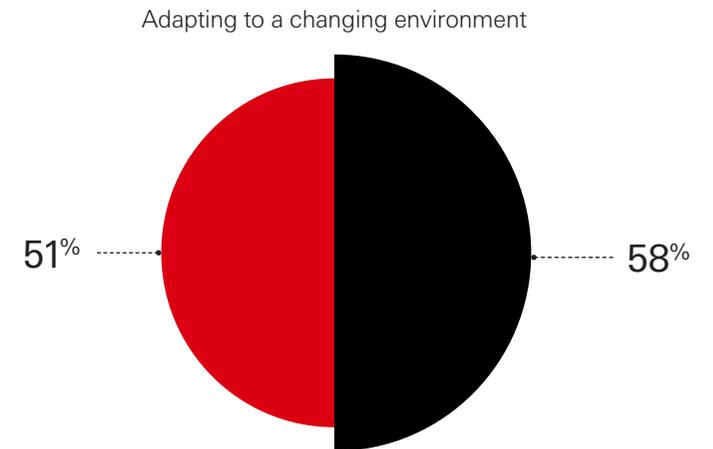
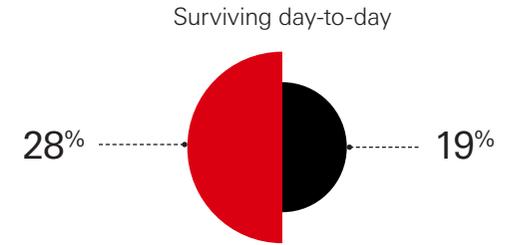
US businesses are less confident about business growth compared with last year. Yet the majority (72%) plan to boost investment next year, with two-thirds (69%) predicting a return to pre-COVID profitability levels by the end of 2021.

Sustainability is important to US companies. Around three-quarters have set environmental goals, and increasing numbers of companies have targets for diversity and executive pay. Compared with companies globally, US businesses remain more upbeat about cross-border trade. Europe and North America remain the country's main international trading partners. Competitive pricing is seen as the way to overcome protectionism.

Supply chain security is cited as key to successful international trade. As a result, US businesses are increasingly choosing partners based on their ability to ensure speed of delivery and resilience, whatever the market conditions.

Current status of business

- US
- Global



2. Business outlook

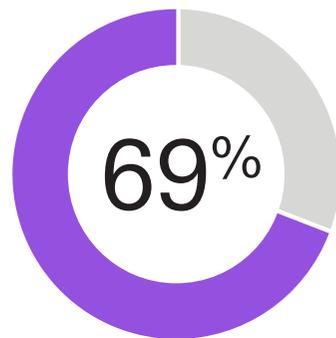


US companies expect **limited impact** from COVID-19 on their business

The proportion of US companies feeling more optimistic about business growth has fallen from two-thirds (67%) in 2019 to just over two-fifths (42%) in 2020. Despite the drop, almost three-quarters (74%) are either more optimistic or expect business to stay the same, compared with two-thirds (67%) globally.

US companies appear to have been less directly impacted by COVID-19. One in ten are already ahead of pre-pandemic profitability levels. More than two-thirds expect a return to pre-COVID levels by the end of 2021, compared with half globally.

Overall, COVID-19 has been the single biggest driver of growth/recovery for companies in the US, followed by technology-driven efficiencies to enable the introduction of new products or services.



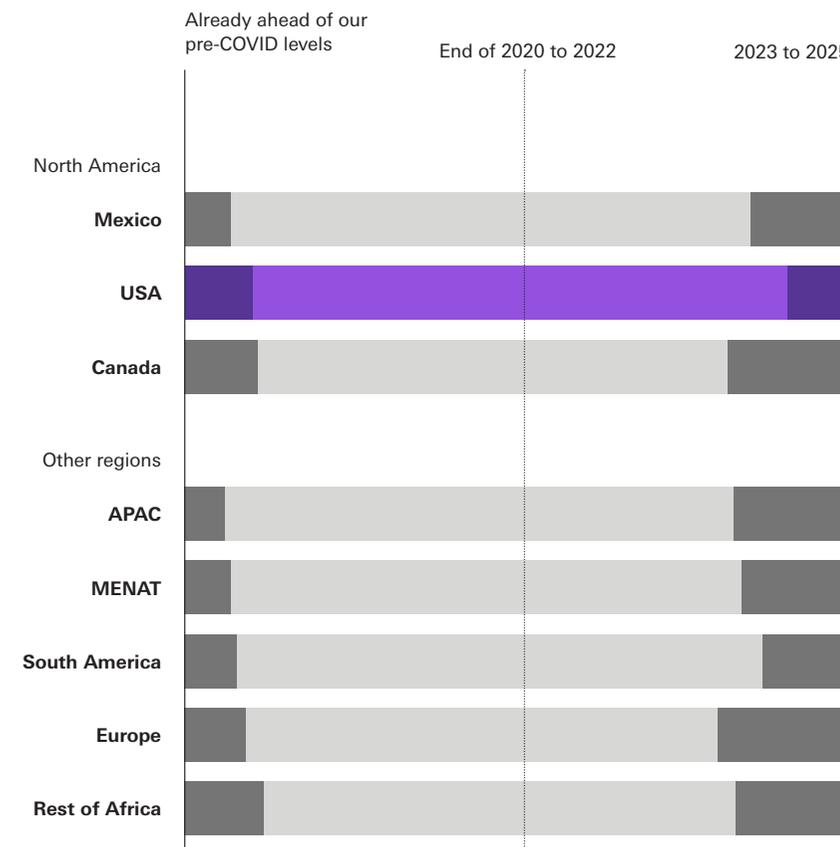
of businesses expect to return to pre-Covid profitability levels by the end of 2021

Top 3 drivers of business growth



When businesses expect to return to pre-COVID levels of profitability

%

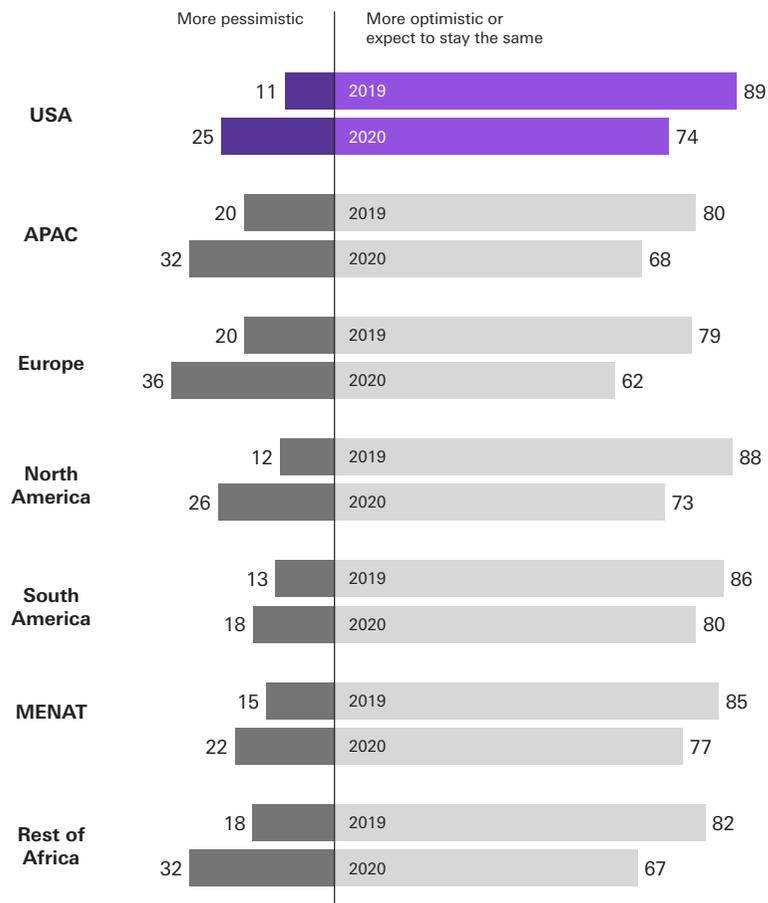


2. Business outlook (continued)



How business outlook has changed in the last 12 months*

%



*Excludes businesses answering 'Don't know'

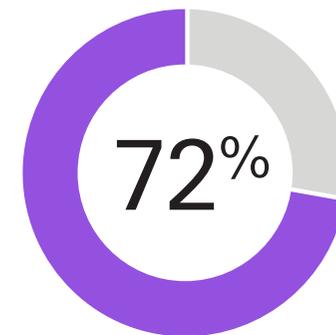
Investing to drive growth

Close to three-quarters of US companies intend to increase investment in their businesses. In line with markets globally, they recognise the need to invest to achieve projected longer-term growth.

Those projecting growth are focused on the quality of their products and services, as well as expansion into new markets. No-growth companies are focused on cost-cutting.

Top investment priorities for 2021 are improving the customer experience and marketing to stimulate sales growth. Employee wellbeing is cited as another key focus.

To achieve their goals, US companies plan to invest in technologies that help customer targeting and automation as well as improve speed to market.



of US businesses are intending to increase investment in their business, despite challenges

Strategies of US businesses to benefit from growth drivers and address threats

- 1 Improve the quality of products or services
- 2 Change the supply chain to make it more resilient
- 3 Invest in the customer experience
- 4 Expand into new markets
- 5 Increase collaboration with industry partners

3. Future strategy



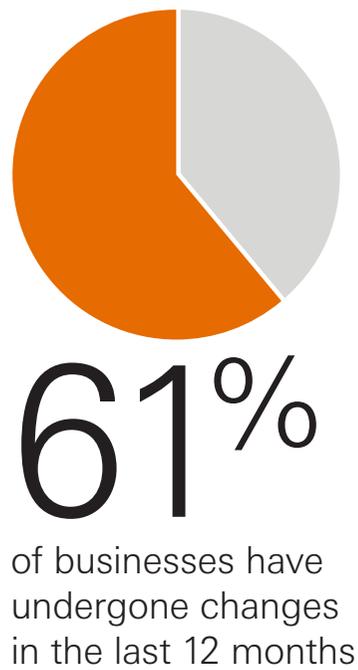
US businesses are making **fewer operational changes** than their global peers

The level of operational change among US businesses is lower than the rest of the world. Six in ten have made changes, compared with almost three-quarters (74%) globally. Four in ten US companies say they are carrying on as before.

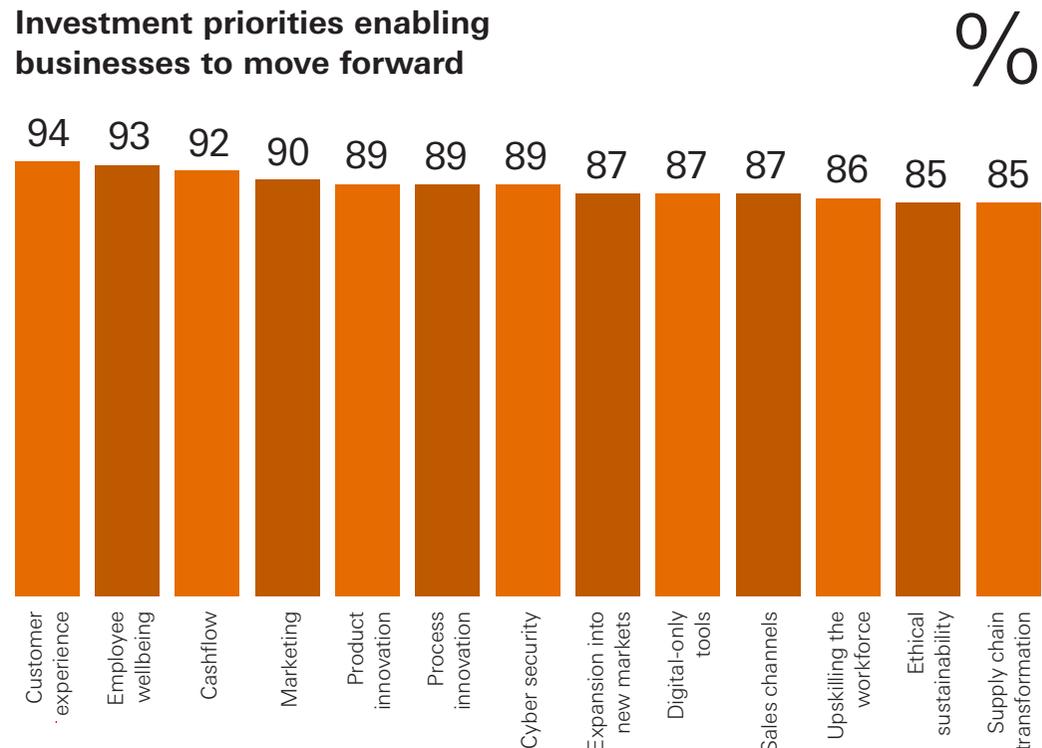
For businesses that did make changes, the key drivers were future uncertainty, the need to cut costs, and changes to ways of working.

When asked to define what makes a successful business, three important factors emerged: social or environmental responsibility; thought leadership and foresight; and corporate culture and inclusivity.

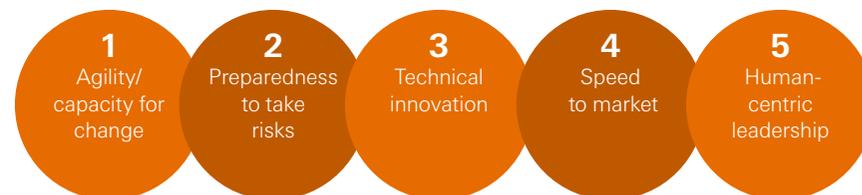
These were in line with the levels seen globally; they emphasise a general shift in mindset and a focus on the contribution made by people and culture to creating a good business.



Investment priorities enabling businesses to move forward



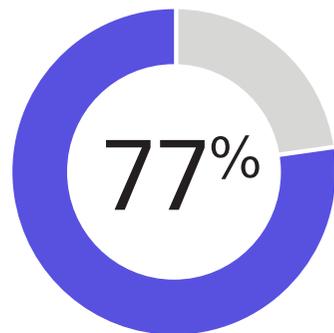
Top 5 facets of a successful entrepreneurial business



4. International trade*



US businesses **remain positive** as international trade is holding up



Close to three in five US businesses (59%) recognise that international trade has become more difficult, and half (49%) expect this to continue in 2021. Nonetheless, their future outlook remains positive.

The upbeat forecast is supported by the fact that of the US businesses that operate internationally, over two-fifths (43%) have not reduced trading with any markets in the past two years.

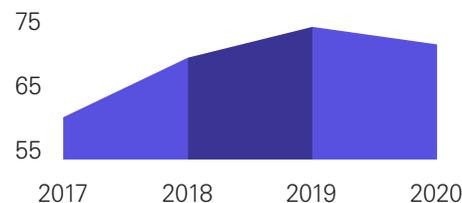
More than half (51%) indicated they do not anticipate this to change over the coming 24 months. Protectionism, however, is felt strongly. Their key strategy for combating this is competing on price.

North America and Europe remain the top trading partners of companies in the US, while the US itself is the top choice for businesses seeking to expand internationally.

of companies expect their international trade prospects over the next 1-2 years to be positive

Protectionism

Percentage of businesses that think that territories/governments are becoming more protective of their domestic businesses

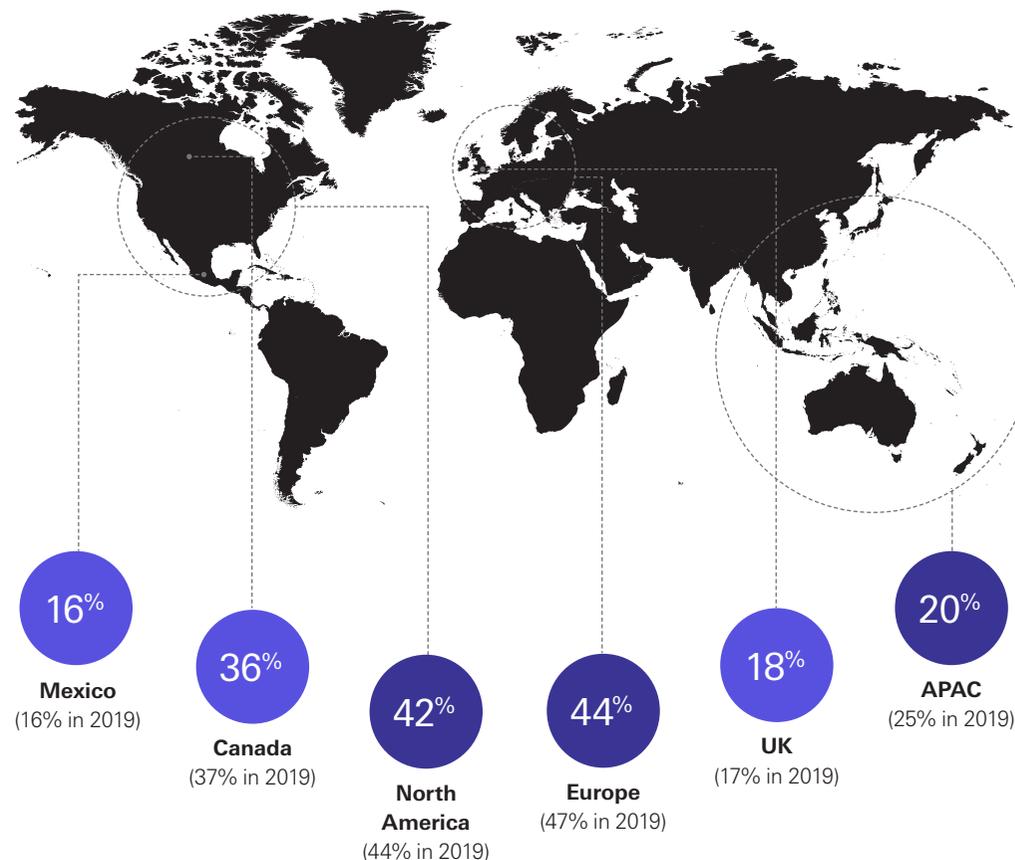


*Please note: The data on this page pre-dates the 2020 US election.

Priorities for expansion in the next 3-5 years

Markets, territories and regions in which US businesses are looking to expand

● Markets & territories ● Regions





5. Reshaping supply chains

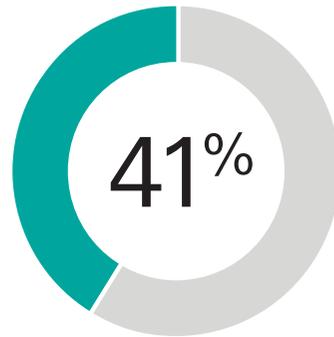
To combat COVID-19's effects, US businesses have implemented **strict supplier-selection** criteria

Supply chains are a concern for a majority (91%) of US businesses.

To combat this, they are choosing suppliers in countries that have effective controls for COVID-19. Equally important are suppliers' levels of technology, operational resilience and ability to deliver quickly.

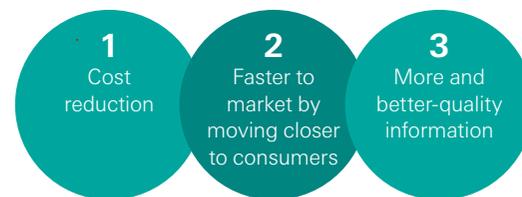
For about half (52%) of US businesses, the use of technology is a key priority in the year ahead. This is followed by focusing on suppliers closer to their customers and to their home region.

US businesses hope that the planned changes will bring about a range of benefits. These include increased supply chain security and transparency; a reduction in cost; and increased speed to market from positioning itself closer to buyers and consumers.



of businesses expect that reshaping their supply chain will reduce costs

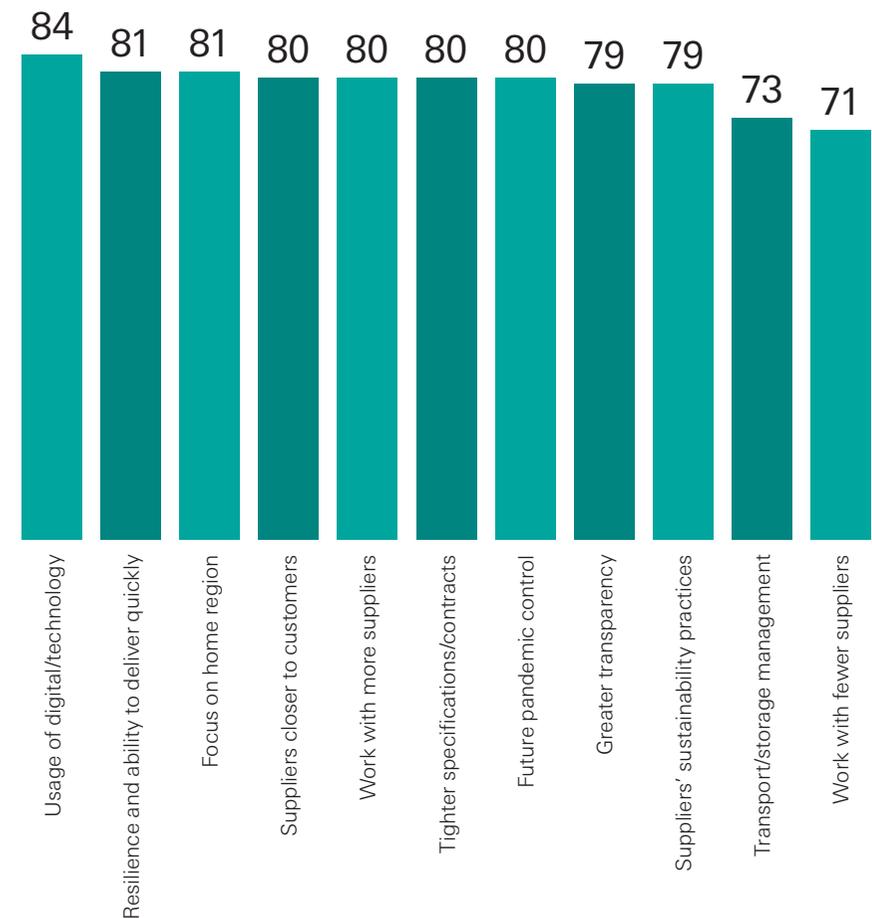
Top 3 benefits of reshaping the supply chain



Priorities for the supply chain

(Priorities immediately in 2021 and beyond)

%



6. Sustainability



US businesses are committed to becoming **more sustainable**

Companies in the US support the global view that sustainability is good for business.

More US companies are measuring environmental and social aspects of sustainability than in 2019. Between a quarter and two-fifths (28%-40%) have annual targets in place, with diversity, executive pay and water usage topping the list. And nearly all businesses believe there are opportunities to be gained from becoming more sustainable.

Key among them are promoting employee wellbeing, increasing customer demand, enhancing reputation, and finding new ways of working.

In common with businesses elsewhere, those in the US are under increasing pressure from consumers, government, activists and environmental groups, as well as supply chain partners, to become more sustainable.



94%

of US companies think there are multiple opportunities for their business from improving their environmental and ethical sustainability

Companies believe a greater focus on sustainability will drive growth

33% expect modest growth of up to 5%

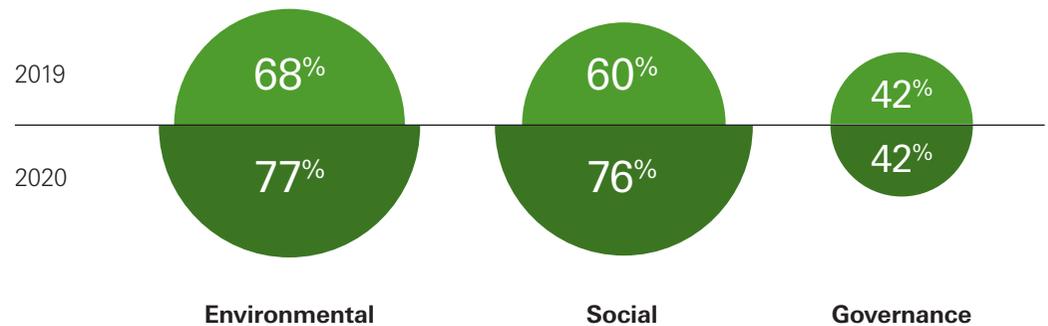
29% expect growth of between 6% and 9%

24% expect growth of 10% or more



Measuring sustainability

More companies have been measuring environmental and social aspects compared with 2019



About HSBC Navigator US

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, with 545 businesses surveyed in the US. 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.

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www.business.hsbc.com/navigator/us

Note

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

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