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SMALL BUSINESSES IN VIETNAM REMAIN POSITIVE ABOUT FUTURE TRADE PROSPECTS, SAYS HSBC'S TRADE CONFIDENCE INDEX

**** UAE is the most optimistic regarding trade activity for the next three month; Hong Kong least optimistic.*

****Volatile exchange rates are seen as biggest barrier to trade growth.*

The majority of small businesses in Vietnam expect the global economy to improve over the next few months, with more than half (54%) anticipating an increase in trade volumes – the highest proportion in Asia Pacific – according to HSBC's Trade Confidence Index (TCI) survey.

Launched by HSBC Trade and Supply Chain in March 2009, the survey is the first of its kind conducted to determine business confidence among small and medium-sized enterprises (SMEs) engaged in cross-border imports or export activities. In Vietnam, 300 SMEs – defined as companies with an annual turnover of less than US\$10million – across import/export traders, manufacturing, wholesale, retail, and construction industries participated in the survey.

Over 2,100 key decision makers of trade-oriented SMEs and mid-market businesses in Australia, Hong Kong, India, mainland China, Singapore, UAE and Vietnam gave their three-month outlook on import/export business volumes, risks of buyers and suppliers not honouring trade agreements, trade finance, and impacts of exchange rates and government trade regulations. 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. Full survey results can be viewed in the attached slides.

Lawrence Webb, HSBC Global Head for Trade and Supply Chain, said “Developing economies report brighter prospects for trade because in many cases their economies are not as heavily reliant on Western markets as the more mature markets in the survey. In mainland China, India and Vietnam, government measures to stimulate the domestic economy are also buoying business confidence. In addition, these developing markets are expected to recover faster from the downturn and continue to grow in 2010.”

In summary, the HSBC Trade Confidence Index provides two perspectives on the trade outlook in the region:

- the more developed markets of Hong Kong, Singapore and Australia are less optimistic – exports are significantly down and the recession continues to impact overall economic activity and sentiment; and
- the developing economies of UAE, India, mainland China and Vietnam emerged more positive, even if they are not immune to the slowdown.

Outlook on trade volume:

Along with developing markets like China and India, Vietnam holds a more confident view on global economy than the developed markets of Australia, Singapore and Hong Kong. Vietnam's results in TCI indicate that respondents hold an optimistic view towards the outlook for cross-border trade over the next three months. More than one-half (54%) expect an increase in trade volumes – the highest proportion from the countries surveyed. Forty-six per cent of Hong Kong traders – the biggest proportion among respondents in the region – expect trade volumes to decline during the same period.

Outlook on buyer & supplier related risks:

For the next three months, the majority of respondents across Asia expect no change in the level of risk they face from buyers defaulting on their payments or from suppliers not honouring their trade agreements. The biggest proportions of respondents that believe the level of risk will remain the same were from Vietnam and China (72%). However, about one-third of respondents in Australia (36%), India (34%) and Hong Kong (31%) expect the risk of defaulted payments to increase.

When asked what they would do to cover themselves against non-payment risks, businesses in India (56%), Vietnam (43%), the UAE (27%), Australia (26%) and Singapore (16%) cited greater use of trade finance through their banks as the top strategy. Nearly one-fifth of respondents in Hong Kong (17%) said they would ask for advance payment from buyers, while one-third of respondents in mainland China (32%) and Vietnam (14%) said they would rely on export credit insurance.

Outlook on the need for trade finance:

In line with their bullish outlook on trade, Vietnam had the largest portion (57%) of respondents within markets surveyed which said that they would need more trade finance in the next three months, followed by India (53%). Australia had the least number of respondents (14%) that expected their trade finance needs to increase.

When asked where they would obtain financing, around half of respondents in Vietnam (57%), mainland China (54%), Hong Kong (50%), UAE (49%), Australia (48%) and India (47%) said they expect their banks to meet their trade finance needs. In contrast, 39 per cent of respondents in Singapore said they would rely on self-funding over bank financing.

Outlook on impact of foreign exchange on business:

Companies were asked whether foreign exchange rates would positively or negatively impact their business. Sixty-four per cent of respondents in Vietnam, 32 per cent in Singapore and 30 per cent in Hong Kong expect foreign exchange rates to adversely impact their trade businesses in the next three months. On the other hand, 48 per cent of respondents in India and 39 per cent in UAE expect to benefit from exchange rates.

Small businesses in Vietnam remain positive about future Trade prospects /3
Fluctuating exchange rates were also rated as one of the top barriers to trade in the survey, especially by respondents in Vietnam (62%), Hong Kong (54%) and India (52%). In comparison, a lack of product demand was the top challenge for trade growth cited in Australia (62%), Singapore (48%) and mainland China (43%).

Nguyen Thanh Ha, head of TSC HSBC Bank (Vietnam) Ltd., said: “2008 was a disconcerting year for businesses worldwide, and although the outlook for 2009 remains uncertain, SMEs in Vietnam are among the most optimistic of countries and territories surveyed in Asia Pacific. Like HSBC, they appreciate that Vietnam’s long-term prospects are strong – a pro-business government, improving infrastructure and legal framework, a young and motivated workforce, and excellent regional position are all conducive to trade growth.”

“By gaining an insight business confidence of SMEs in terms of outlook and future prospects for trade over the next three months, we can better understand the needs and concerns of small businesses across the region. In Vietnam, this survey will enable the Bank to offer companies relevant quality products and services tailored to their needs, while they also benefit from our extensive international banking experience and global connectivity. Our local incorporation provided a platform to better support businesses in Vietnam, and we are committed to building on our reputation as a leading bank in Trade Supply Chain.”

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Media enquiries

Ha Lam Tu Quynh

+84 8 3 5204 128

quynhltha@hsbc.com.vn

Notes for editors

HSBC in Vietnam

HSBC has been in Vietnam for 138 years - the Bank first opened an office in Saigon (now Ho Chi Minh City) in 1870. HSBC currently holds 20 per cent of the share capital of Vietnam Technological and Commercial Joint Stock Bank (Techcombank), one of the largest joint stock commercial banks in Vietnam, and 10 per cent of the share capital of BaoViet Holdings, the leading financial insurance group in Vietnam. These investments strengthen HSBC’s position as the largest foreign bank in the country in terms of investment capital, network, product range, staff and customer base. The Bank officially started to operate as HSBC Bank (Vietnam) Ltd. on 1 January 2009 and is headquartered in Ho Chi Minh City.

The Hongkong and Shanghai Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited is the founding and a principal member of the HSBC Group which, with about 9,500 offices in 86 countries and territories and assets of US\$2,527 billion at 31 December 2008, is one of the world’s largest banking and financial services organisations.

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