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## Indian businesses expect a quicker return to pre-COVID profitability levels than most others: HSBC survey

~ Indian businesses continue to have an appetite for growth and investment ~  
~ Positive about international trade despite ongoing protectionism ~

Indian businesses expect a quicker return to pre-COVID levels of profitability than most others, reveals findings from HSBC's annual [Navigator](#) survey. This latest report surveys more than 10,000 companies across 39 global markets in the world – including 350 firms from India.

Businesses in India are navigating different routes to recovery as they emerge out of the deep economic contraction caused by the COVID pandemic. The key findings of this survey reveal various aspects of business outlook, financial investment and challenges to growth.

### Return to profitability

Almost nine out of ten (87%) of Indian businesses expect to return to pre-COVID levels of profitability within two years, by the end of 2022. **This is the second highest level seen across all markets surveyed** and points to the positive expectations of Indian businesses, which is notably higher than the global average (73%). This is despite the significant economic impact of the global pandemic, where India had one of the world's highest COVID case loads.

New digital platforms and channels expansion, new product introduction, technology-driven efficiencies enhancement and quality and availability of suppliers and raw materials are the biggest drivers to growth and recovery.

### Investing for growth

Despite the challenging environment over the past year, Indian businesses continue to have an appetite for growth and investment. A majority (90%) of Indian businesses intend to increase financial investment in their business to become more successful over the next year, notably higher than the global average (67%). For about two thirds, the focus will be on stimulating demand. Businesses will achieve this through immediate investment in the customer experience, marketing and sales channels, employee wellbeing and upskilling, and transforming supply chains to make them more secure. These higher levels are also seen in relation to investment in specific technologies to target new customers and to increase speed to market.

### Business outlook

Almost half (45%) of the surveyed Indian businesses are optimistic about business growth, which is significantly higher than the global average (29%). However, there has been a steep decline in business optimism with the proportion of more optimistic Indian businesses declining from almost three quarters (72%) during the corresponding survey in 2019. In line with this, expectations of future revenue growth have also fallen with four out of five (82%) businesses now expecting growth compared to almost a hundred per cent (96%) projecting growth in 2019. This, again is noticeably higher than the global average (64%). Despite this drop in expectations of future revenue growth, India still ranks amongst the top ten countries amongst all surveyed, that are expecting sales growth.

### International Trade

The outlook towards international trade remains positive with around 93% (vs 72% globally) of Indian companies having a positive outlook in the next 1- 2 years. This is despite the majority of businesses feeling that international trade has become more difficult and expect it to continue to be so in the next year. Indian businesses recognise multiple and varied benefits of International trade for their products and services, customers and business and feel that a reduction in international trade will impact their business in three main ways – restriction on

employee movement, increased costs and decreasing demand. The US remains the top trading partner and the most attractive market for expansion.

**Commenting on the survey findings, Rajat Verma, Head of Commercial Banking, HSBC India,** said: “The overall business sentiment is understandably muted, given the challenging environment over the course of the year. However, we are witnessing signs of recovery as companies are charting new pathways to recovery. The altered landscape of the business environment has ensured a reshaping of supply chains as well as a re-evaluation of investment priorities. We are confident about India’s consumption story and the opportunities it will offer on the path to recovery and economic growth. We also continue to believe that the optimism underlined in the survey by Indian companies is well founded and that India will continue as a very attractive investment and trade destination.”

### **Reshaping of supply chains**

Almost all (98%) of Indian businesses have concerns about their supply chain. The key concerns are supply chain stability and suppliers being distant from either target customers or their businesses. To counter these concerns, Indian businesses are selecting suppliers based on their country/government’s control of COVID, on their operational resilience and on their ability to deliver quickly. The primary areas for investment in 2021 are aimed at increasing use of digital/technology and enhancing reliability of their supply chain. They believe that this will help increase the speed to market by moving closer to end buyer / consumer.

### **Challenges**

A resurgence of COVID emerges as the biggest challenge to Indian businesses, threatening chances of recovery and growth over the next year. To address threats and leverage growth drivers, Indian businesses identified improving the quality of their products/services (56%) and investing in building new skills in the workforce (52%) as two key areas. Investment in skill development was chosen by over half (52%) of Indian businesses, the highest across all markets surveyed and double of the global average (26%).

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### **Note to editors:**

#### **HSBC Navigator:**

The Navigator survey is conducted on behalf of HSBC by Kantar. This survey of over 10,000 businesses spans 39 countries, markets and territories. It was conducted between 11 September and 7 October 2020.

Markets in scope:

**Europe:** Belgium, France, Germany, Greece, Ireland, Italy, Netherlands, Poland, Russia, Spain, Sweden, Switzerland, UK.

**Asia-Pacific:** Australia, Bangladesh, mainland China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, Vietnam.

**Middle East & North Africa:** Egypt, Saudi Arabia, Turkey, UAE.

**North America:** Canada, Mexico, USA.

**South America:** Argentina, Brazil.

**Rest of Africa:** South Africa.

For more information visit: <https://www.business.hsbc.com/navigator>

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