

Navigator

Now, next and how for business

Bangladesh



Together we thrive

Overview

Exports and domestic demand fuel Bangladesh's economic boom

Bangladesh is one of the world's fastest growing economies. GDP has nearly tripled in the last decade¹ and continues to grow at around 8% per annum², driven by strong domestic demand, private consumption and exports³. The market has benefited from trans-Pacific trade tensions by boosting exports to both China and the US, although it is not insulated from softening global demand⁴.

State of play

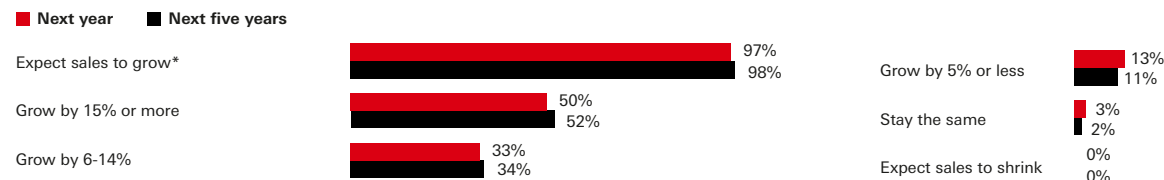
Everyone's a winner with robust growth

Bangladeshi businesses are brimming with confidence, reflecting the booming economy. Almost every company (97%) is projecting growth in the next year, with half (50%) classed as high-growth firms that are expecting to grow by 15% or more – and this is more than double the global average (22%).

On a five-year horizon this dynamism is expected to continue, with 52% of Bangladeshi firms also expecting growth of 15% or more. In keeping with this trend, almost three quarters (74%) of companies expect their business to change totally or substantially over the same period, compared to just half of their global peers.

Bangladeshi businesses believe international trade is a force for good, with many confident that it will drive innovation (94%) and improve efficiency (92%).

Expectations for future business growth



*This is the sum of grow by 5% or less, 6-14%, 15% or more.



What you need to know

- 1 97% of Bangladeshi businesses expect to grow next year, while 50% predict growth of 15% or more.
- 2 77% of Bangladeshi companies think a favourable political climate is a key driver for growth, compared with just 20% of firms surveyed globally.
- 3 74% of Bangladeshi companies are more confident than a year ago, compared to just 43% of their Asia-Pacific (APAC) peers.

What your business can do



Optimise working capital and secure finance to drive trade growth. Around half of Bangladeshi businesses think this is important.



Expand into new markets to counter business threats in existing markets. This is a preferred strategy for 48% of Bangladeshi companies.

¹<https://www.weforum.org/agenda/2019/10/bangladesh-is-booming/>

²<https://www.focus-economics.com/countries/bangladesh>

³<https://www.worldbank.org/en/news/feature/2019/04/04/bangladesh-development-update-regulatory-predictability-can-sustain-high-growth>

⁴<https://www.pwc.com/gx/en/news-room/press-releases/2019/global-economy-watch-july-2019.html>

Trade outlook

US and Japan rise in importance

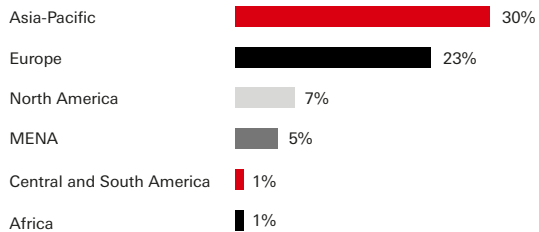
Markets within APAC remain fundamental trading partners for Bangladeshi businesses with more than four in five (83%) firms doing business there, despite a slight decline from the previous year (86% in 2018). China is still the largest single trading partner, although the number of Bangladeshi companies trading with China has dropped from half (50%) to 43%. Japan has more than tripled in importance in the past 12 months (to 36% up from 11% in 2018), replacing Malaysia to become the second most important trade partner in APAC.

Meanwhile, trade with most major European economies, such as Germany, France and Italy has fallen by more than 50% in the last 12 months. The slack has been picked up by the US, which has doubled in importance (to 16%) over the same period.

Bangladeshi businesses share the global sentiment that trade can be seen as a force for good over the next five years. More so than their global peers, they believe trade will drive innovation (cited by 94%), improve efficiency (92%), provide new business opportunities (82%) and support employment (81%).

Future trading expansion markets in the next three to five years

By region



By market

1. Malaysia	11%
2. Germany	10%
3. Japan	9%
4. Singapore	7%
5. United Kingdom	5%
6. India	5%
7. China	4%
8. France	4%
9. United States	4%



What you need to know

1

83% of Bangladeshi businesses rank APAC as a major trading partner, down from 86% the previous year.

2

Trade with Japan has more than tripled to 36%, while trade with the US has doubled to 16% over the past 12 months.

3

30% of Bangladeshi businesses intend to expand to markets in APAC in the next three to five years; although this is down substantially from 54% the previous year.

What your business can do



Seek opportunities in new markets to counter declining trade elsewhere. For instance, Taiwan has quadrupled in importance to 8% while Australia has grown from 0% to 6% over the past year.



Position yourself as a new supplier or partner for international companies. 31% of international businesses identify this as a reason to enter the Bangladeshi market.

Protectionism and geopolitics

The heat is off protectionism

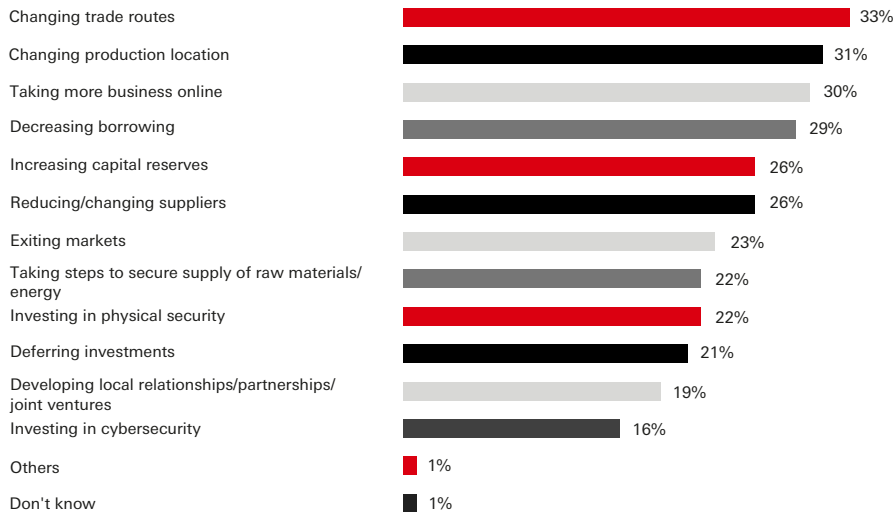
Bangladeshi businesses are more relaxed about protectionism than almost every other market in the world, with the exception of Sweden and Germany.

Just two in five (42%) Bangladeshi companies feel that protectionism is a growing trend, a sharp decline from the previous year, when more than nine in 10 (93%) felt this was the case. Among the minority that think protectionist tendencies are on the rise, views are evenly split on whether the impact will be positive or negative, unlike in other APAC and global markets where the majority expect to be beneficiaries.

Half (51%) of companies who feel protectionism is increasing believe increased competitiveness is the main benefit, while a third (32%) see increased tariffs as the main drawback.

The market appears to be sensitive to geopolitical influences, with two-thirds (67%) of businesses feeling an impact. However, this is in line with the global consensus (64%).

Ways in which businesses are coping with geopolitics



What you need to know



42% of Bangladeshi businesses believe that their key trading markets are becoming more protectionist, down from 93% the previous year.



53% of Bangladeshi businesses who think protectionism is increasing believe the effects will be balanced between positive and negative.



67% of Bangladeshi firms report that geopolitical pressures are having an impact on their international trade.

What your business can do



Explore selling through digital channels and platforms to overcome protectionist policies. 40% of Bangladeshi companies are taking this approach.



Act and adapt. Bangladeshi businesses are also sourcing more from local suppliers and changing their products and services in response to protectionism (both 32%).

The sustainable future

Sustainable is attainable

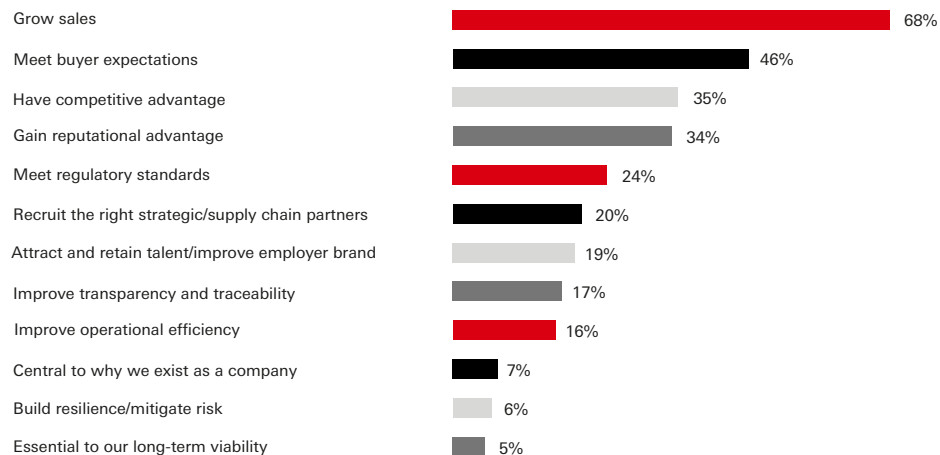
More than two-thirds (68%) of Bangladeshi businesses believe that introducing sustainable business practices will increase sales, while nearly half (46%) think it will help them meet buyer expectations. Bangladeshi companies are well ahead of the global average in considering these factors (both factors cited by 23% of firms globally).

Companies are also feeling external pressure to adopt sustainable practices in the next five years: 60% see investors as the primary driver in this area while 55% feel motivated by pressure from competitors. On average, global firms are feeling far less pressure from investors and competitors (27% and 36%, respectively).

Seven in ten (70%) Bangladeshi businesses feel they have a role to play in delivering the UN's Sustainable Development Goals (SDGs), with around one in five (19%) aiming to play a significant role.

In terms of measuring environmental and social goals, Bangladesh is significantly ahead of its global peers. Impacts to finance, sourcing raw materials and climate change vulnerability are the most widely monitored environmental goals.

Motivations for implementing sustainable practices



What you need to know



68% of Bangladeshi businesses believe that sustainable practices will drive sales growth, compared with 23% globally.



60% of Bangladeshi firms feel pressure from investors to adopt sustainable practices in the next five years, more than double the global average.



55% of companies see the UN's SDGs emphasis on decent work (work that is productive and delivers a fair income, security in the workplace and social protection for families) and economic growth as relevant, the highest level of any market.

What your business can do



Invest more in technology, innovation and infrastructure to improve sustainable production. Half of Bangladeshi companies plan to do so in the next five years.



Explore ways to raise funding to support sustainability. 57% of companies view working capital as a challenge when it comes to implementing environmental, social and governance (ESG) policies over the next five years.

Breakthrough tech

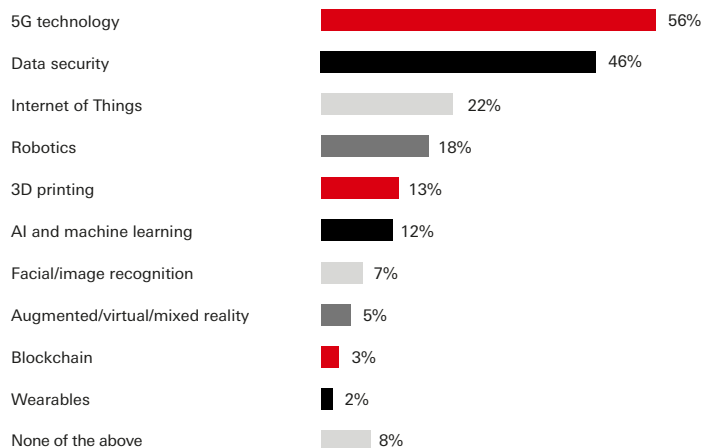
5G leads the way

5G and data security are the two technologies which Bangladeshi companies believe will have the greatest impact on business in the next five years. More than half (56%) anticipate benefits from 5G while 46% believe there will be positive outcomes from developments in data security technology. Bangladeshi businesses are more bullish on 5G and data security technologies than their counterparts globally or in APAC.

Other transformative technologies like the Internet of Things (IoT), artificial intelligence (AI) and machine learning, and robotics gain much less traction in Bangladesh than in North America, Europe and markets in APAC. From the perspective of Bangladeshi firms, the US is considered to be the global frontrunner in technological innovation for both 5G and data security technologies, while China and Japan are also recognised for their expertise.

Of Bangladeshi companies that foresee an impact from 5G and data security, a quarter (26% and 23%, respectively) see improved supply chain management as the primary benefit.

Technologies businesses think will be important over the next five years



What you need to know

- 1 56% of Bangladeshi companies consider 5G to be one of the most important technologies in the next five years.
- 2 Data security technology is identified by Bangladeshi businesses as the second most important digital platform in the next five years.
- 3 North America is seen as the market leader for technology innovation.

What your business can do

5G

Use technology to improve business processes. 26% of businesses in Bangladesh think 5G will improve supply chain management and 20% believe it will enhance product and service delivery.



Think about how technology can help with sustainability. 18% of businesses say data security technology will aid sustainability efforts.

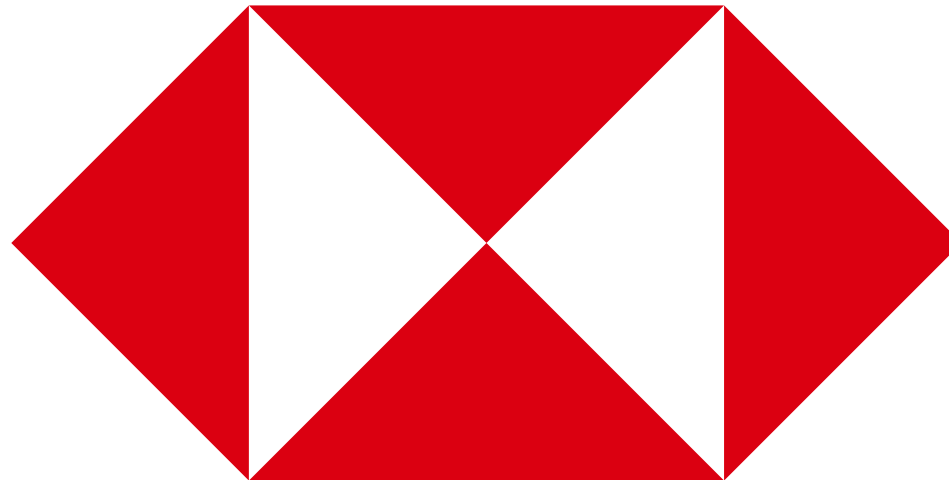
About HSBC Navigator Bangladesh

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, international trade, geopolitics, sustainability, technology and wellbeing. It is compiled from responses by decision-makers at 9,131 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 35 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 193 businesses surveyed in Bangladesh. Global results are based on an average of the 35 markets (using weights based on each market's share of world trade). The survey was conducted between August and September 2019. Interviewees were polled on a range of questions including expectations around future growth in trade, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving international business environment.

Data visualisations based on the following:

Page 2, 3, 5 & 6: all companies. n=193

Page 4: companies who are impacted by geopolitics. n=159



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