

Navigator

Now, next and how for business

Argentina



Together we thrive

Overview

Money's tight but export resurgence provides cheer

General elections in Argentina delivered the result that markets appear to have been expecting: a first-round win by Alberto Fernandez of the opposition Frente de Todos (FdT) coalition, with former President Cristina Fernandez de Kirchner elected vice president. They are set to be sworn in on 10 December. Now, all eyes will be on the cabinet and on initial comments regarding how the elected government is likely to interact and liaise with the IMF.

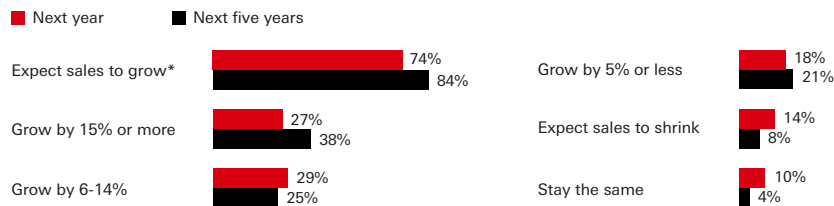
State of play

Optimism reigns on long-term growth prospects

Despite the continuing economic crisis at home, Argentina's businesses are remarkably resilient in terms of their trade outlook. Almost three-quarters are projecting some sales growth in the short term and 27% are classed as high-growth firms, meaning they project growth of 15% or more in the next year. This is above the global average of 22% for high-growth firms.

Business sentiment has softened a little in the last year, with almost three in 10 businesses becoming more pessimistic about sales growth, but companies are proactively seeking to improve their prospects. Consistent with the global average, half of Argentinian companies expect to totally or substantially change their business in the next five years.

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 84% of companies project growth in the next five years, while 38% expect growth of more than 15%.
- 2 More than four in five businesses believe international trade will drive innovation, new business opportunities and improved efficiency in the next half-decade.
- 3 42% of companies are changing their supply chains to favour new markets and locations.

What your business can do



Seek out opportunities to enter new markets. 45% of Argentinian firms see this as a key driver for growth while 41% see it as an effective strategic response to potential business decline.



Analyse how you can enhance productivity to improve competitiveness. 45% of companies believe this is a powerful contributor to growth.

Trade outlook

Good neighbours boost trade

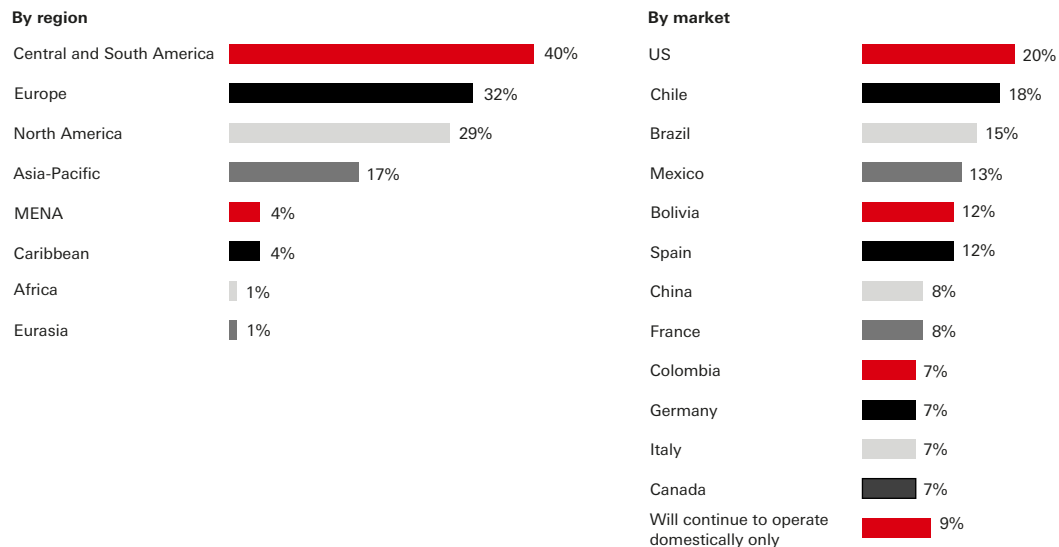
Companies in Argentina are strengthening trading relationships in their own backyard. Nearly two-thirds of companies are doing business in Central and South America, particularly with Brazil and Chile, compared to just over half a year ago. Only a quarter of Argentine companies now list the US as a main trading partner, compared to half a year ago, and Mexico has reduced from one in five companies to almost nothing.

Europe is also increasing in importance with nearly two in five companies doing business there. More companies this year cite Spain, France and the UK as trading partners.

Proven customer demand, favourable partnership opportunities and access to new suppliers or partners are the common reasons for companies seeking to expand in top trading markets like the US, Chile and Brazil.

Like many of their peers globally, Argentinian businesses agree that trade will be a force for good over the next five years. They believe international trade will drive innovation (88%), provide new business opportunities (85%) and improve efficiency (83%).

Future trading expansion markets in the next three to five years



What you need to know

- 1 63% of companies are trading with Central and South America, up from 52% last year, making it the most important region.
- 2 15% of Brazilian and 12% of Mexican businesses plan to boost trade with Argentina in the next three to five years.
- 3 One in five Argentinian businesses expect to step up trade with the US in the next three to five years.

What your business can do



Investigate opportunities in alternative markets to replace North American trade. Almost double the Argentinian companies rate Uruguay, Colombia, Paraguay and the UK as top trading partners for the next year compared with last year and treble the firms name France.



Reinforce your presence in markets with proven customer demand. 59% of companies are doing this in Brazil, while 41% are targeting Chile for this reason.

Protectionism and geopolitics

Prudent finance takes centre stage

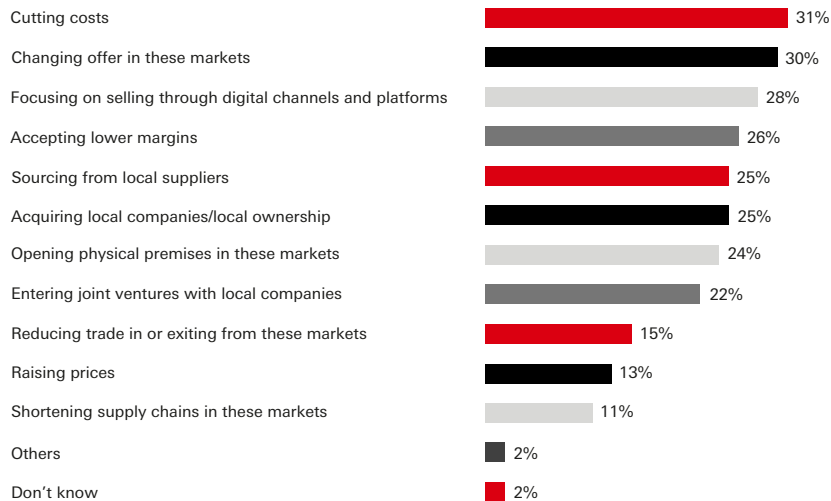
In line with last year's verdict, seven in 10 businesses in Argentina think that governments are becoming more protectionist. However, just over half of companies feel that they have gained overall from this, while a third consider the net effect to be neutral.

Almost three in 10 businesses believe that protectionism increases their competitiveness while one in five believe protectionism has undermined their ability to compete.

Companies are adopting several strategies to minimise the downside of protectionism, with a third of businesses concentrating their efforts on reducing costs, changing their offer and exploiting digital sales channels.

Pressure from geopolitical events is strongly felt by two-thirds of businesses in Argentina, in line with their peers around the world. The response by Argentinian companies focuses on prudent financial control: increasing capital reserves and decreasing borrowing are popular strategies, along with taking more business online.

Ways in which businesses are coping with protectionism



What you need to know



70% of Argentinian companies believe that protectionism is on the rise compared to 65% of businesses globally.



53% of businesses take the view that they have benefitted overall from growing protectionism.



Two-thirds of firms in Argentina are of the opinion that geopolitical pressures are having a substantial impact on their trading activities.

What your business can do



Offset tariff costs. Three in 10 companies claim tariffs are adding to business costs. Look at mitigating this by changing your market offer or making more use of digital sales channels.



Insulate your company from the vagaries of geopolitical risk by strengthening your balance sheet. 28% of companies are increasing capital reserves and reducing borrowing.

The sustainable future

Argentina forges its own path on sustainability

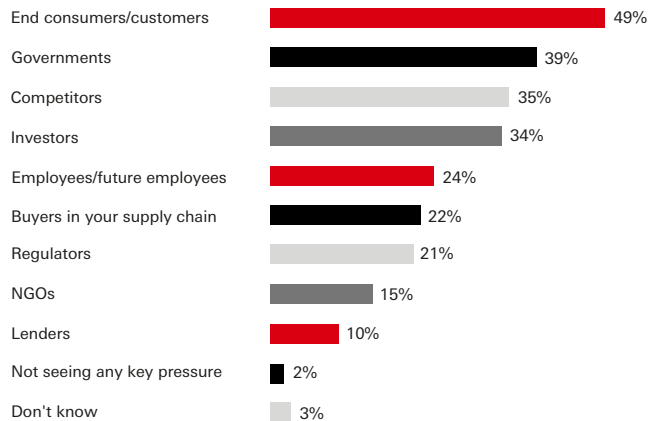
Argentina's businesses stand out from the global pack in terms of their motivation to become more sustainable. A third of companies believe sustainability will help them meet regulatory standards and grow sales, well ahead of global averages, while nearly three in 10 think it will improve operational efficiency.

Three in five companies think they have a role to play in delivering the UN's Sustainable Development Goals (SDGs), with a third of them saying it's a significant role. The most relevant goal is decent work and economic growth, mentioned by two in five companies, with Argentina ranking second only to Bangladesh in the popularity of this view.

Businesses are feeling pressure from all stakeholders to integrate sustainable practices in the next five years. Almost half feel pressure from customers, the highest level globally, while more than a third feel compelled to do so by governments, competitors, and investors.

The most relevant environmental, social and governance (ESG) metrics are energy usage, cited by 38%, followed by anti-bribery and corruption, and product safety and quality.

Sources of pressure to become more sustainable in the next five years



What you need to know



49% of businesses feel pressure from customers to become more sustainable in the next five years, the highest level of any country.



61% of companies believe they have a role to play in delivering the UN's SDGs.



At 38%, Argentinian businesses are more committed to the UN goal of decent work and economic growth than most other countries.

What your business can do



Contribute to reduced emissions, improved efficiency and lower costs by monitoring the ESG metric on energy usage. 38% of Argentinian companies see this as relevant.



Increase investment in technology, innovation and infrastructure to improve sustainable production. 39% of Argentinian businesses intend to spend more in this area in the next five years.

Breakthrough tech

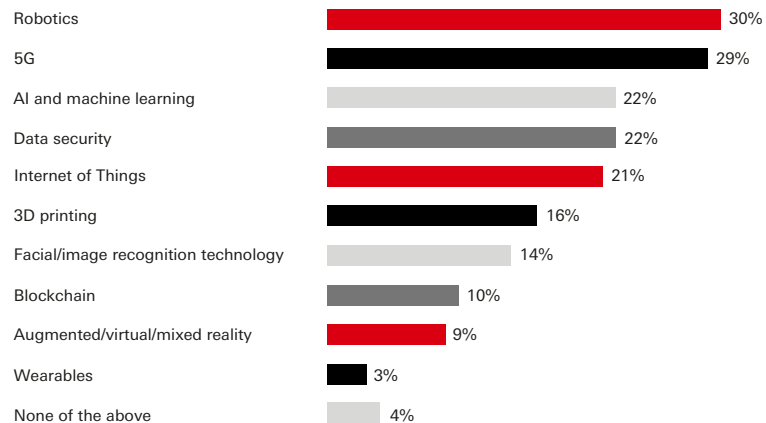
Robots take over to transform productivity

Robotics and 5G are the technologies that Argentina's business community believe will have the greatest impact in future. Three in 10 companies see these as game-changing innovations while just over one in five are excited about the potential of artificial intelligence and data security.

Argentina places more emphasis on robotics than its peers globally. More than half of companies that anticipate its impact expect it to reduce costs and improve productivity. For those firms that rate the impact of 5G, almost half anticipate product improvements, while more than two in five see benefits in improved customer experience and product delivery.

The US is seen as the undisputed global leader in all four technologies. Around half perceive it as most advanced in developing AI and data security while more than two in five see it as frontrunner in robotics and 5G.

Technologies businesses think will be important over the next five years



What you need to know



56% of Argentinian companies believe that robotics technology can reduce costs, while 55% think it can improve productivity.



Argentinian businesses are focused more on robotics (30% versus 20% globally), especially among international operators (33% versus 21% domestic operators).

What your business can do



Improve your speed to market by embedding robotics technology in your business. 37% of Argentinian companies anticipate this benefit.



Use 5G to your advantage. 5G ranks right behind robotics in importance and 48% of Argentinian businesses believe it will help boost productivity.

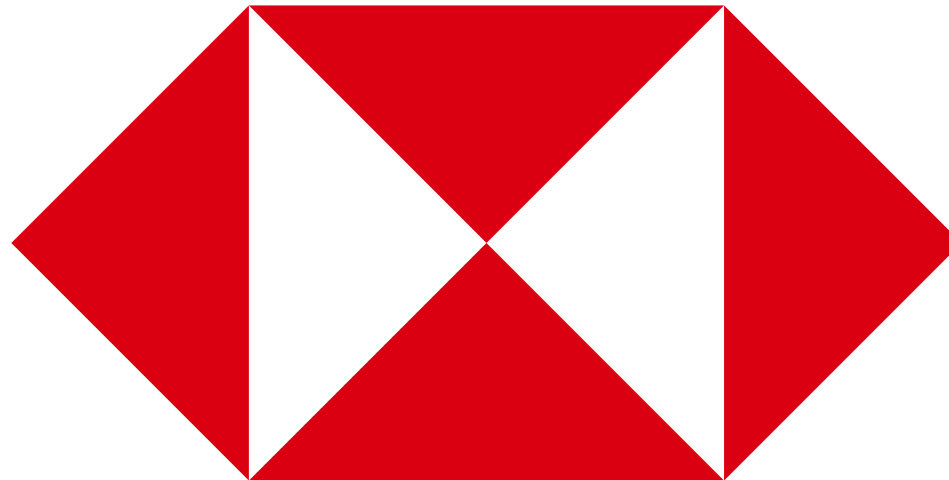
About HSBC Navigator Argentina

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 200 businesses surveyed in Argentina. 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=200

Page 4: companies who think governments are becoming more protective. n=140



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