

3 February 2010

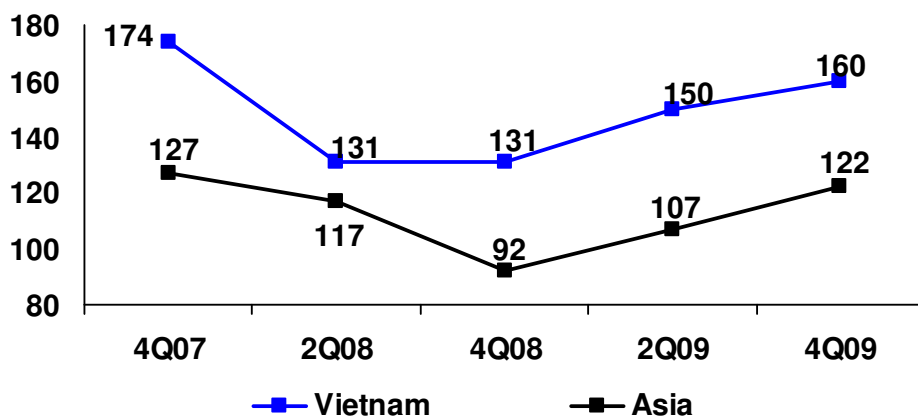
SMALL BUSINESS CONFIDENCE BOUNCES BACK TO PRE-CRISIS LEVELS ACROSS ASIA

Business confidence among Vietnam's small and medium-sized enterprises (SMEs) climbed 10 points in the fourth quarter 2009(4Q09), reaches it highest point since the hit of financial crisis in fourth quarter 2008 (4Q08) and tops the region confidence index.

Around the world, a growing proportion of small businesses are bullish on the first half of 2010 and many are, for the first time since the financial crisis, signaling increasing capital investment and recruitment.

The semi-annual HSBC Small Business Confidence Monitor gauges the six-month outlook of SMEs on local economic growth, capital investment plans and recruitment. This fifth wave of the survey is the largest to date, capturing the views of more than 6,000 SMEs across 20 markets in Asia, the Middle East, Europe, North America and Latin America – the largest international survey of its kind. 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. The survey was conducted in October and November 2009 by research agency TNS for HSBC Commercial Banking.

Small business confidence back up in Vietnam and across Asia



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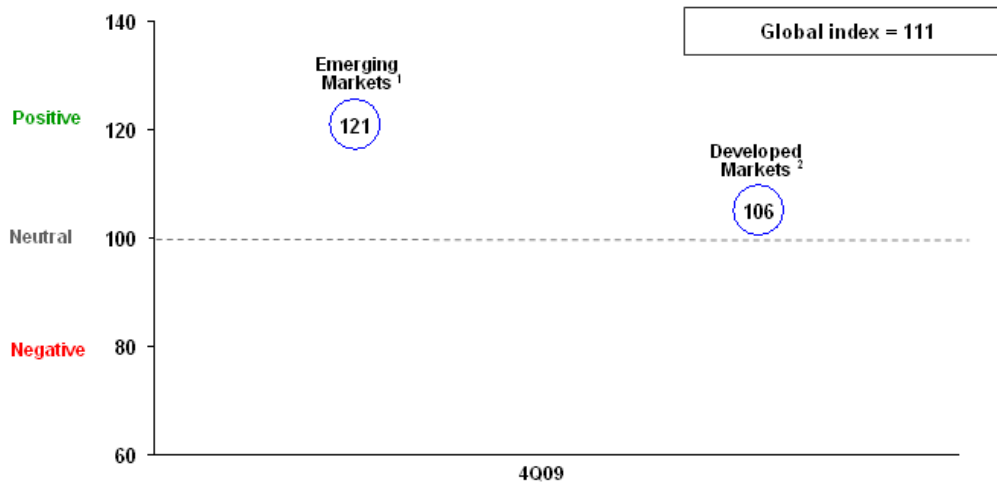
Small business confidence bounce back to pre-crisis levels across Asia/2

Sandy Flockhart, Chairman Personal and Commercial Banking, said: “Our small business confidence index is telling us confidence levels are back to pre-financial crisis levels. Not only are SMEs confident that their local economies will strengthen, they are ready to invest again in their own operations and people.”

The Asia index rose from 107 in the second quarter of 2009 to 122 in the fourth quarter. Vietnam’s business confidence climbed 10 points from 150 to 160, the highest confidence level amongst the Asia geographies in the survey while Hong Kong has the biggest index rise from 83 to 108 placing it back in positive territory from the negative territory in 2Q09. Vietnam remained at the top, with an index of 160, followed by India (132), mainland China (124) and Singapore (117). (Full survey results are in the attached slides.)

Globally, the SME indices tracked by HSBC in most countries and territories hold a positive outlook, with the Middle East at 125, Latin America at 118, the US and Canada at 107 and the UK at 101. France is just below neutral at 94. But emerging markets in Asia, the Middle East, Latin America and Eastern Europe are significantly most optimistic than the developed markets of the US, Canada, the UK and France, with an index of 121 versus 106.

Emerging markets are significantly more confident than developed markets



Outlook on Vietnam economic growth

In terms of local GDP growth, seventy one per cent of Vietnam SMEs expect local GDP to increase, twenty three per cent expect growth to maintain the same and only six per cent expect growth to slow down in the next six months. There is a noticeable increase in the portion of respondents who believe that the economy will grow over 4% from 28 per cent in second quarter of 2009 (2Q09) to 53 per cent in 4Q09.

In the Middle East, 47 per cent of SMEs expect the pace of growth to increase, as do 41 per cent in each of mainland China, India and Turkey. In France, only 11 per cent expect faster growth.

Outlook on capital expenditure

Vietnam SMEs are also more confident when it comes to their investing in their own businesses in 1H10. Over half of them (66%, up from 58% in 2Q09) are planning to increase their capital expenditures, 32 per cent say they will maintain current levels (vs 38%) and only 1 per cent are planning reductions (vs 3%).

Globally, there are significant numbers of SMEs planning to increase capital expenditure, led by Vietnam (66%), India (49%) and the Middle East (47%).

Outlook on recruitment plans

Vietnam SMEs, more than half of SMEs – 54 per cent start to hire again. 36 per cent of SMEs say they will increase staff up to 20% and 18 percent say they will increase their staff over 20% and 44 per cent will maintain their staff base in the next six months. The number planning to reduce staff dropped down at one per cent (vs three per cent in 2Q09)

Recruitment is generally stable across the 20 markets in the survey, with hiring increases planned by 36 per cent of SMEs in the Middle East. Although UK has the smallest of SMEs plan to recruit more staff, the vast majority of UK SMEs -84 per cent will maintain their staff base.

More SMEs to become international

For the first time, the HSBC Small Business Confidence Monitor asked SMEs about the extent of their cross-border trade and other international business, such as overseas operations. Three in 10 SMEs (31%) across all 20 markets surveyed say they are engaged in international business today. Levels ranged widely from only four per cent of SMEs in Brazil involved in international business, to 52 per cent in Hong Kong, up to 66 per cent in Vietnam and 69 per cent in Qatar

Small business confidence bounce back to pre-crisis levels across Asia/4

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In Vietnam, two out of three respondents say they have some level of cross-border trade or international business. 53 per cent of Vietnam SMEs say they plan to do more international business by 2011, 19 percent said they will have the same amount of business while 28 per cent say they are not doing business internationally and have no intention to do international business in the next two year.

The top market for Vietnam's international SMEs are Greater China (28%)*, Europe (22%) and South Korea (22%).

Reasons for doing business internationally

For Vietnam SMEs engaged in international business today, the top reasons are the sales and revenue opportunities (mentioned by 60% of SMEs), and the presence of suppliers and partners in other markets (50%) – results which are consistent with most of the Asian markets in the survey.

But other markets outside Asia, the need to gain access to international markets is more important, as SMEs seek to diversify their risk beyond domestic markets.

Barriers to doing business internationally

Doing international business is not without its challenges. Among Vietnam SMEs that are already international and those that are not, the top barrier cited remains the unstable financial conditions, such as fluctuating exchange rates and interest rates (55%)

HSBC: Unlocking the global potential of small business

Huynh Buu Quang- Head of Commercial Banking HSBC Bank (Vietnam) Ltd. said: "Since the last survey in 2Q09, we had seen an increase in business confidence among the Vietnamese SMEs. Now the survey result of 4Q09 makes it clear that a majority of Vietnamese SMEs are expecting the economy to further recover in the next 6 months. As a result, Vietnam small businesses are planning to expand their staff base and investment to prepare them for new business opportunities not only in Vietnam but also overseas. At HSBC, with a network of 8,500 offices in 86 countries and territories, our international connectivity and its on-the-ground expertise, we are uniquely placed to help small businesses unlock their business potential."

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Small business confidence bounce back to pre-crisis levels across Asia/5

Notes to editors:

Footnotes

1: Emerging markets include Hong Kong, India, Indonesia, Mainland China, Malaysia, Singapore, Taiwan, Vietnam, Egypt, Qatar, Saudi Arabia, Turkey, Argentina, Brazil, Panama and Mexico

2: Developed markets include US, Canada, UK and France

* Greater China includes Hong Kong, Mainland China and Taiwan.

More details of the survey

Please see the attached report *Global Small Business Confidence Monitor – February 2010* for more information. The survey was conducted by research company TNS in October and November 2009.

HSBC in Vietnam

HSBC has been in Vietnam for 139 years - the Bank first opened an office in Saigon (now Ho Chi Minh City) in 1870. HSBC launched its local incorporation on 1 January 2009 as HSBC Bank (Vietnam) Ltd. (HSBC Vietnam). The Bank's current network includes one branch and four transaction offices in Ho Chi Minh City, one branch and three transaction offices in Ha Noi, and one branch in Binh Duong. HSBC is the largest foreign bank in the country in terms of investment capital, network, product range, staff and customer base.

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 8,500 offices in 86 countries and territories and assets of US\$2,422 billion at 30 June 2009, is one of the world's largest banking and financial services organisations.

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