

An aerial photograph of a port and city at sunset. The scene is dominated by a large cable-stayed bridge in the foreground, extending from the bottom left towards the center. To the right, a busy port area is visible with numerous shipping containers stacked in neat rows, and several large gantry cranes. In the background, a city skyline with various buildings is visible under a warm, orange-hued sky. A large, semi-transparent red geometric shape, consisting of several overlapping triangles, is centered over the bridge and port area. The overall atmosphere is one of industrial activity and modern infrastructure.

Asia Supply Chains - A New Era

Opportunities for shaping a resilient future

Research report summary

External

Contents

Click to go to each section

Background	3
Key takeaways	4
Top factors driving change in corporate supply chains	5
The future of supply chains	6
Supply chain locations	7
Common supply chain funding programmes	8
Top supply chain funding initiatives	9
Outlook for supply chains – Digitisation	10
Outlook for supply chains – Sustainability	11
Market analysis	12-16

Background

In November 2021, HSBC partnered with East and Partners to speak to financial decision makers from more than 400 organisations across Asia-Pacific to find out how they are assessing their supply chains based on the macro-economic and geo-political environment, and to understand their digital and sustainability priorities.

This research report summary highlights the key insights that have arisen out of the survey, the challenges organisations are facing with their supply chains, as well as the opportunities for shaping a resilient future. Helping you shape the future of trade is what matters to us and we're here to build a smarter business together.

Market	% of total
Hong Kong SAR	16.1%
India	15.9%
Japan	16.4%
Mainland China	15.9%
Singapore	16.4%
Australia	4.8%
Indonesia	4.8%
Malaysia	4.8%
South Korea	4.8%

Participant job title	% of total
Corporate Treasurer	77.3%
CFO	12.3%
Corporate Trade Head	9.4%
Finance Director	0.5%
Other	0.5%



“ Under the pandemic, corporates have been looking for more efficient working capital solutions and digitisation for the supply chains. They are looking to the banks to provide this in a seamless and cost-efficient manner. ”

Ajay Sharma
Regional Head of Global Trade and
Receivables Finance, Asia Pacific, HSBC

Key takeaways

Regional trends



Covid-19 remains the top macro factor impacting corporate supply chain management.



Top supply chain challenges according to corporates:

- ▶ Global economic slowdown (84%)
- ▶ Growing regulatory requirements (73%)
- ▶ Major currencies volatility (62%)



52% of Asia Pacific corporates continue to onshore their supply chains in Asia and rationalise their supply chain partners to build resilience.

Financing



Most common funding programmes for supply chains in Asia Pacific:

- ▶ Traditional trade finance (77%)
- ▶ Available working capital (67%)



27% of corporates are using receivables financing, but for those that do, it represents 65% of their total supply chain funding.

Sustainability



33% of corporates have environmental policies in place across their supply chains.

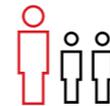


Yet **41%** of these have no metrics in place to measure progress or success.

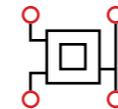


36% of corporates view 'a lack of associated definitions' as the key barrier to integrating sustainability policies.

Digitisation



Investors (25%), customers (24%) and internal stakeholders (21%) are the top three drivers of digitisation.



76% are expecting to increase the level of digitisation across their supply chains.

What are the biggest factors influencing corporate supply chains?

Pandemic-related factors



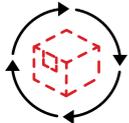
Border restrictions



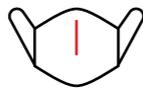
Counterparty risk



Supply chain restrictions/
Logistic challenges



Supply shortage



Overall impact of the pandemic

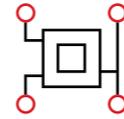


Inventory management

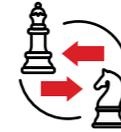
Non-pandemic-related factors



Changes in policies



Opportunities in digitising physical supply chains



Geo-political issues

“ Covid’s continuing to impact our supply chain, in particular shipping times and costs, both of which are going through the roof. ”

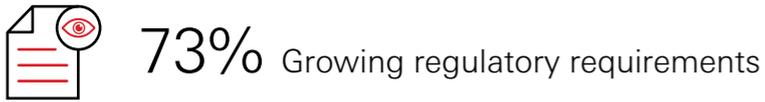
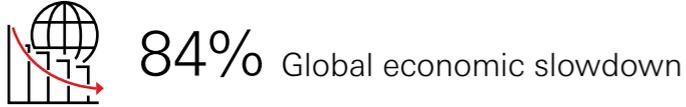
Regional Treasurer, Japanese Consumer Manufacturer

“ The whole geo-political situation is creating a lot of hesitancy around order timings and volumes from our distributors and large direct customers in the region; everyone’s trying to shorten their chains as much as they can. ”

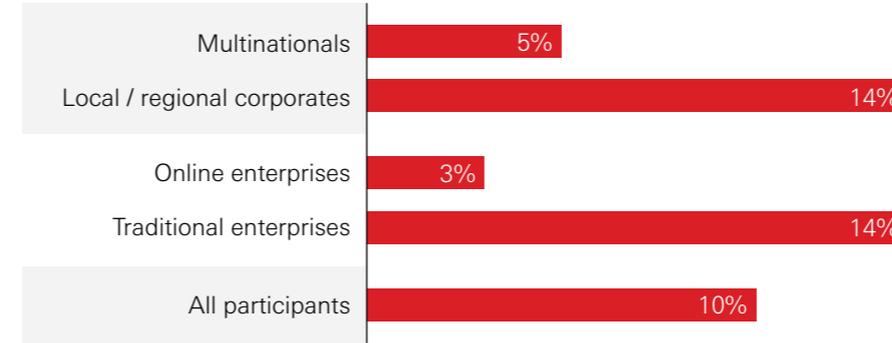
Corporate Treasurer, Exporter Hong Kong SAR

The future of supply chains

Top supply chain challenges in 2022



Corporates struggling with what to do next for their supply chains:



Challenges vary across different segments



Major currencies volatility (85%)
Counterparty risks (73%)
Digitising the supply chain (60%)



Physical stock security (45%)
Major currencies volatility (44%)
Supply chain fulfillment risks (41%)



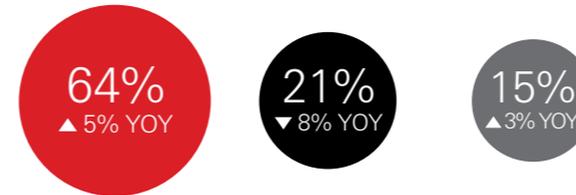
Major currencies volatility (61%)
Counterparty risks (54%)
Physical stock security (46%)



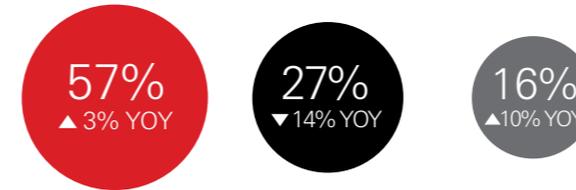
Digitising the supply chain (69%)
Major currencies volatility (65%)
Supply chain fulfillment risks (59%)

Corporates continue to rationalise their supply chain partners in 2022 / 2023:

All corporates

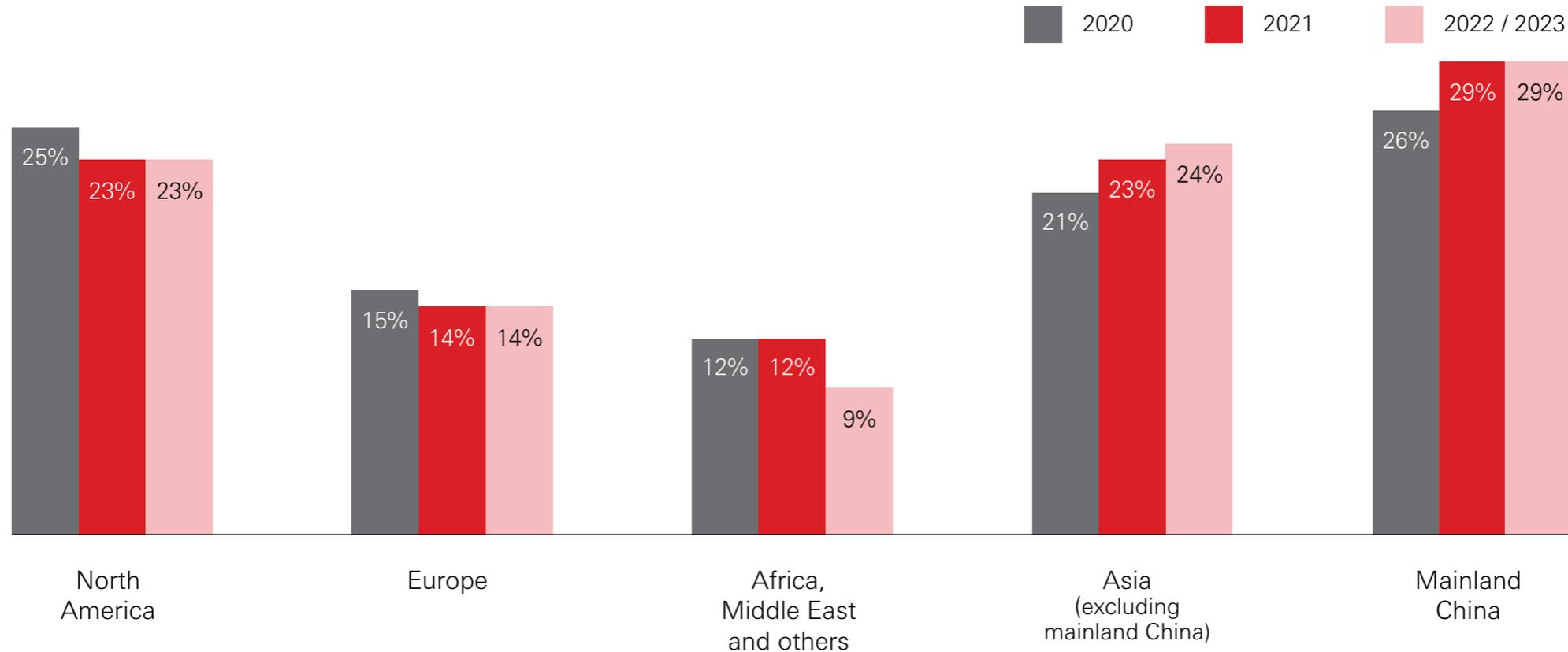


HSBC customers



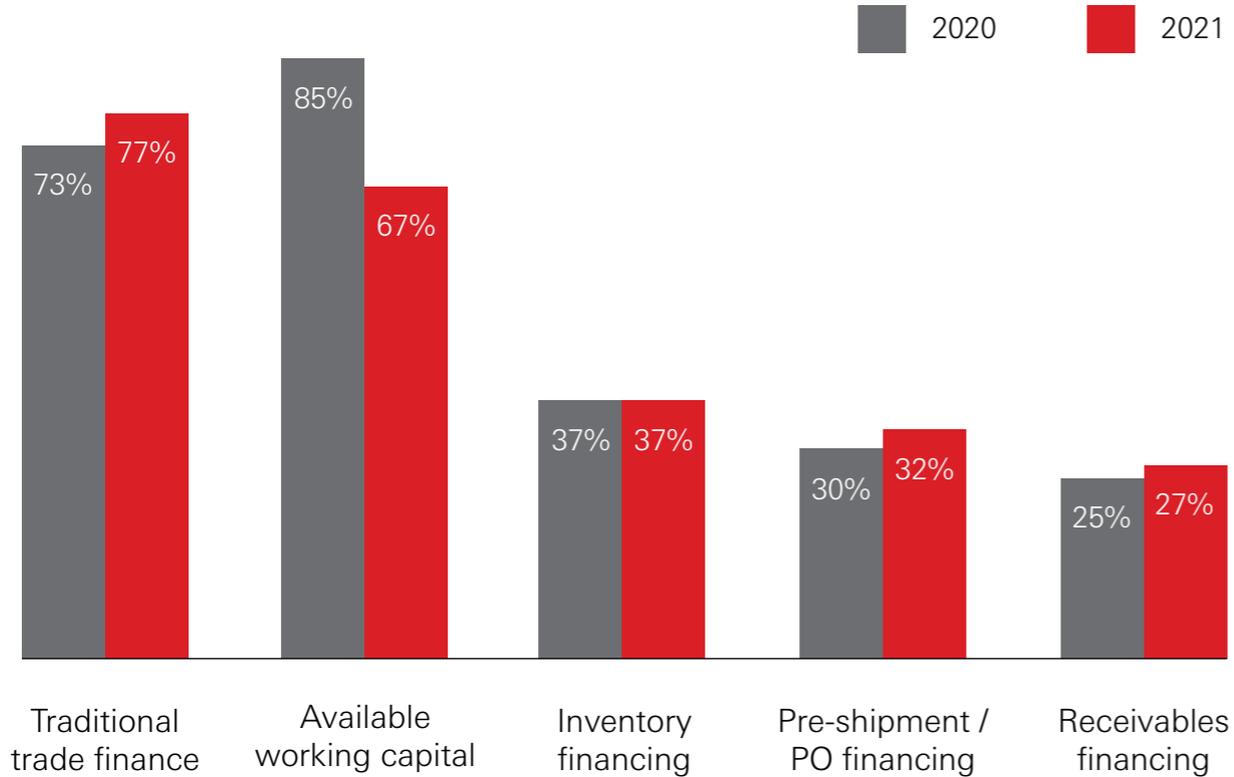
Corporates are still pivoting their supply chains closer to home, and the trend is expected to continue into 2022 and 2023

Current / planned supply chain locations

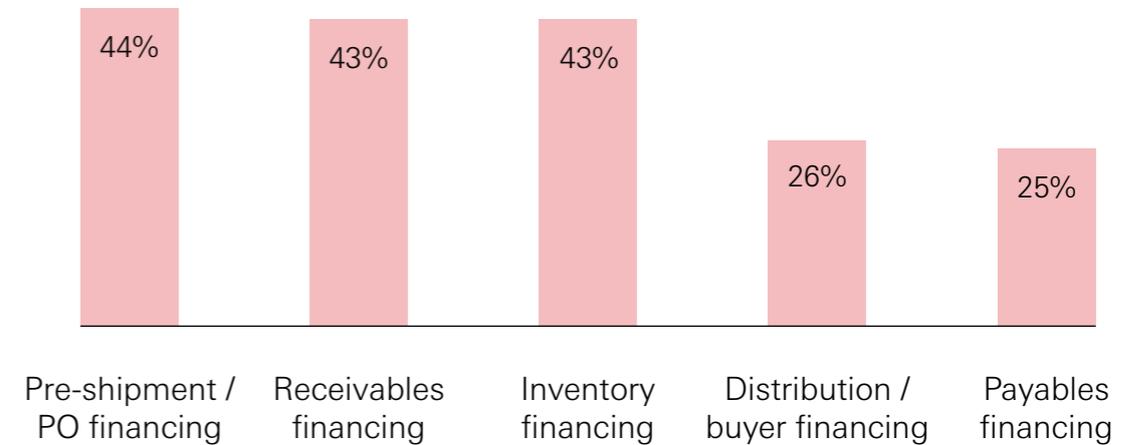


There is increased appetite for alternative supply chain funding programmes

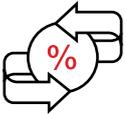
Top supply chain funding solutions by product penetration

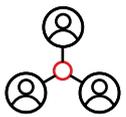


Most popular supply chain financing products by 2022 / 23
(By combining existing demand with forecast product uptake)



These strategic priorities reflect a desire to consider alternative supply chain funding programmes

 56% Refinance supply chain funding / change financiers used

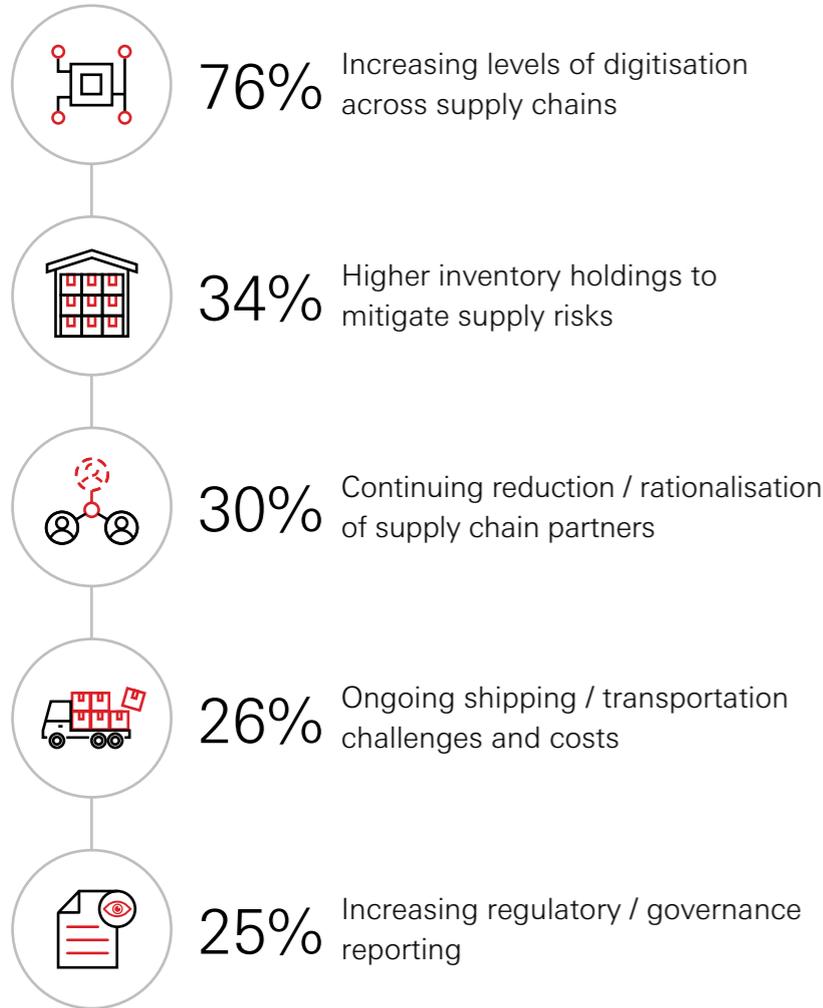
 50% Strengthen strategic supplier relationships

 41% Establish a distributor financing / floor plan

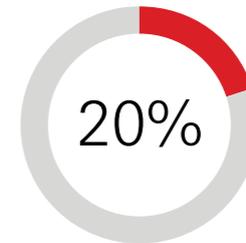
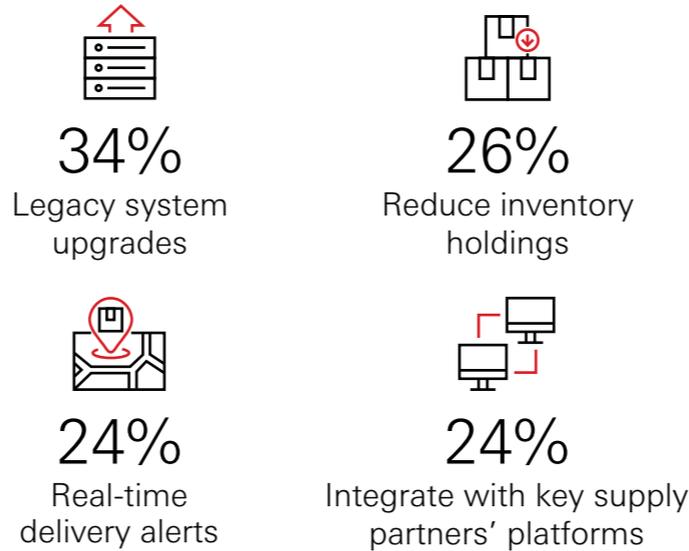
 34% Optimise working capital along the entire supply chain

 23% Reduce days outstanding across supply chains

Digitisation is the top strategic priority for corporate supply chains



Corporates are using digital tools to enhance their supply chain capabilities:



of corporates are not yet using digital tools to connect to a supply chain ecosystem

“ Looking to digitise as much as we can; we’re about halfway through this, partnering with our trade bank, and benefits, especially around reporting, risk and speed are already coming through; very pleased so far. ”
Corporate Treasurer, Singaporean Consumer and Durables Corporation

“ We’re finding the more digitisation in our supply chain the stickier customers and suppliers actually become. ”
Treasurer, Singaporean Health Group

Clearer ESG measurement definitions are needed



33% already have environmental policies in place across their supply chain.



Yet **41%** of these have no metrics to measure the progress / success of their sustainability transition projects.



do not have sustainable finance solutions in place for their supply chains.

Key barriers facing corporates incorporating sustainability into their supply chains:



36%

Lack of definitions around sustainability measurements



11%

Inadequate support / focus at senior levels / board



8%

@JW_cZ_knowledge and understanding internally



8%

Levels of investment involved

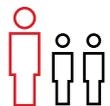
“We’ve been going green for a while now and we think we’re ahead of our peers; we’re seeing our funding costs slowly reduce against book, much more interest in the business from external investors and starting to see an entirely different kind of customer coming in.”

Treasurer, mainland Chinese Telecom Group

“Building better clarity around what 'green' actually means from a financing perspective; quantify the benefits and conditions involved for our sheet.”

Group Treasurer, Japanese Manufacturer

Asia Supply Chains - A New Era for mainland China



Supply chain challenges:

1. Supply chain restrictions / logistic challenges
2. Supply shortage
3. Border restrictions
4. Overall impact of the pandemic
5. Counterparty risk



Supply chain financing:

1. Pre-shipment / PO financing (11%)
2. Receivables financing (9%)
3. Traditional trade finance (6%)
4. Inventory financing (6%)

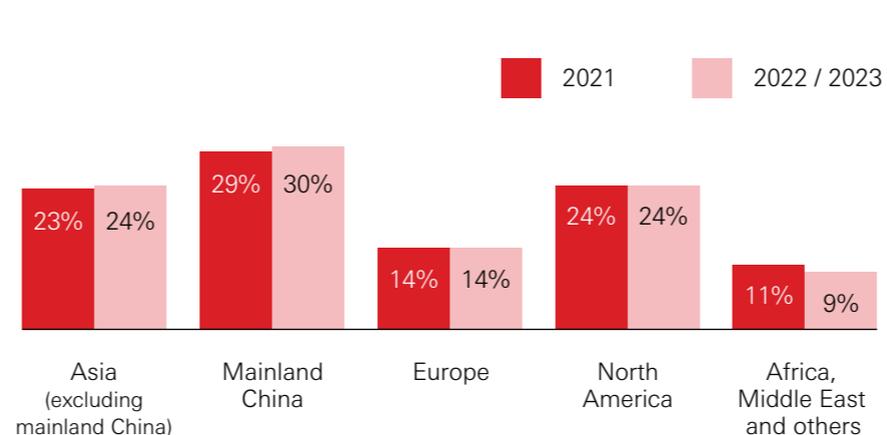


Supply chain initiatives:

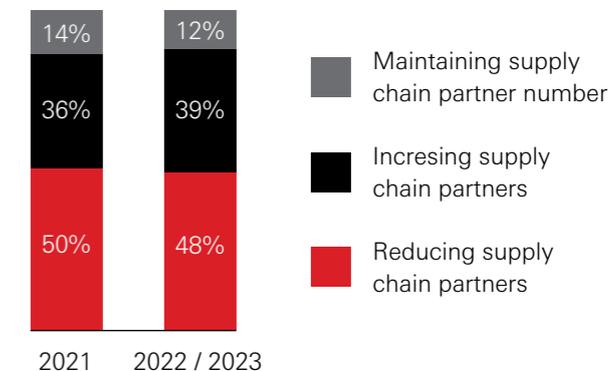
1. Strengthen strategic supplier relationships (53%)
2. Refinance supply chain funding / change financiers used (50%)
3. Optimise working capital (36%)
4. Establish a distributor financing / floor plan (30%)

Supply chain locations 2021 vs 2022 / 23

Supply chain locations



Changes made / planned to supply chain partners



“Just completing a margin review of our supply partnerships to identify with whom we’re making most money. 2022 is when we’re looking to implement some pretty big changes.”

CFO, mainland Chinese e-Commerce Retailer

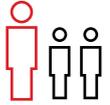
“We are increasing the number of our supply partners as a way of de-risking delivery and fulfillment, following an existing key supplier stopping shipments to us for four months.”

Group CFO, mainland Chinese Light Manufacturing Group

“Putting the finishing touches on a distributor funding deal with our financing panel to tighten and de-risk our receivables as well as lock in our distribution partners.”

Corporate Treasurer, mainland Chinese Exporting Manufacturer

Asia Supply Chains - A New Era for Hong Kong SAR



Supply chain challenges:

1. Border restrictions
2. Supply chain restrictions / logistic challenges
3. Counterparty risk
4. Overall impact of the pandemic
5. Supply shortage



Supply chain financing:

1. Receivables financing (19%)
2. Pre-shipment / PO financing (13%)
3. Distribution / buyer financing (12%)
4. Payables financing (9%)

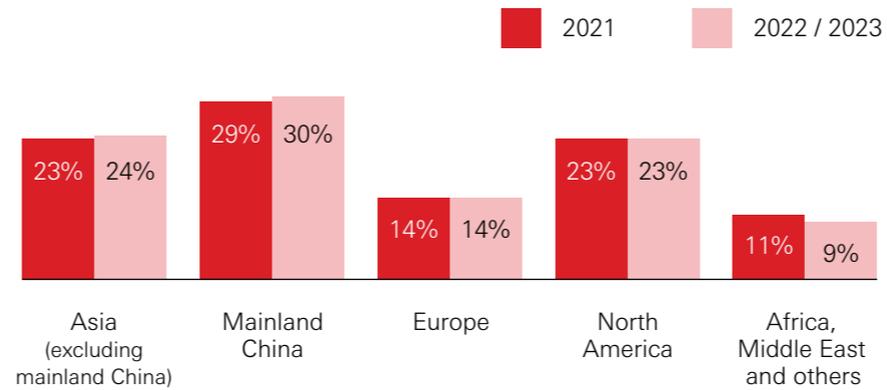


Supply chain initiatives:

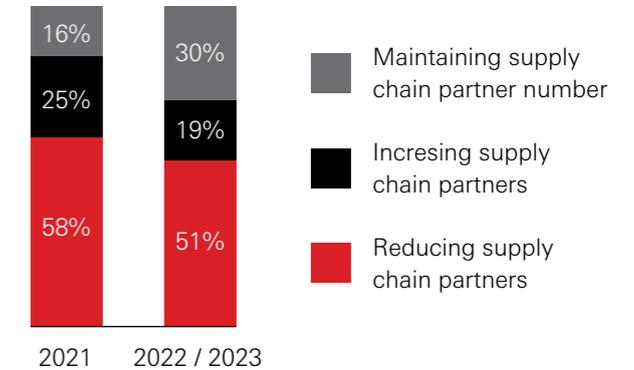
1. Refinance supply chain funding / change financiers used (52%)
2. Strengthen strategic supplier relationships (48%)
3. Optimise working capital (40%)
4. Establish a distributor financing / floor plan (31%)

Supply chain locations 2021 vs 2022 / 23

Supply chain locations



Changes made / planned to supply chain partners



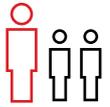
“A number of our suppliers have broadened their own supply networks and are incorporating new / extra partners which is benefitting us.”

Treasurer, Importer / Exporter Hong Kong SAR

“We bank with three trade financiers but are expecting to consolidate this just to HSBC; quite like their receivables solutions which our other two banks don't really have.”

Corporate Treasurer, Retailer Hong Kong SAR

Asia Supply Chains - A New Era for India



Supply chain challenges:

1. Border restrictions
2. Counterparty risk
3. Supply chain restrictions / logistic challenges
4. Overall impact of the pandemic
5. Supply shortage



Supply chain financing:

1. Receivables financing (9%)
2. Traditional trade finance (8%)
3. Inventory financing (5%)
4. Pre-shipment / PO financing (5%)

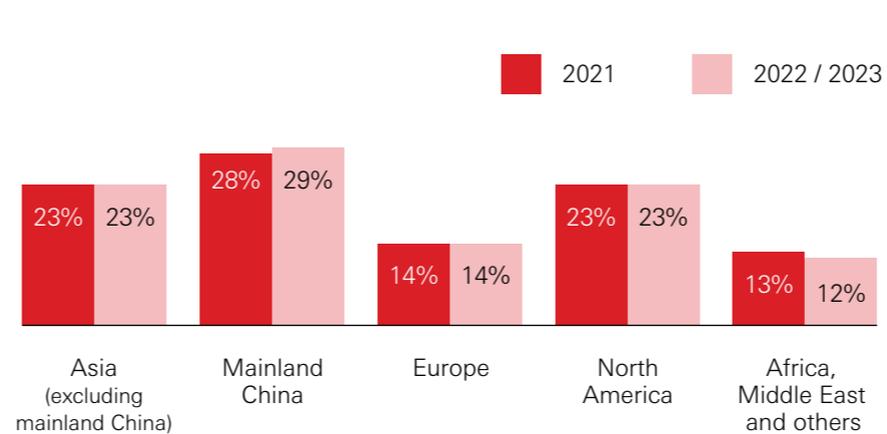


Supply chain initiatives:

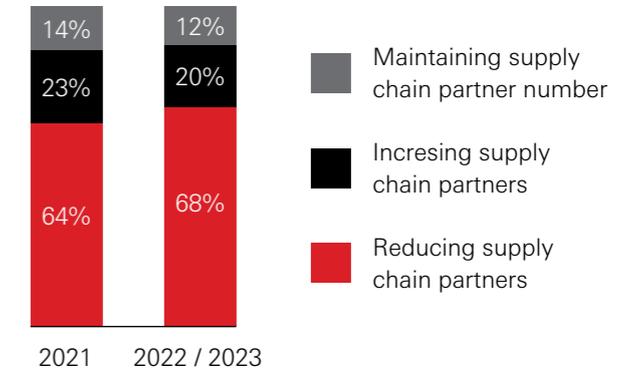
1. Strengthen strategic supplier relationships (67%)
2. Refinance supply chain funding /change financiers used (46%)
3. Optimise working capital (46%)
4. Introduce pre-shipment financing (32%)

Supply chain locations 2021 vs 2022 / 23

Supply chain locations



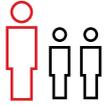
Changes made / planned to supply chain partners



“ Looking to put our supply chain financing out to tender first quarter 2022. We know there’s been a lot of change and product innovation that we need to take advantage of.”

Treasurer, Indian Manufacturer

Asia Supply Chains - A New Era for Singapore



Supply chain challenges:

1. Border restrictions
2. Counterparty risk
3. Supply shortage
4. Overall impact of the pandemic
5. Supply chain restrictions / logistic challenges



Supply chain financing:

1. Receivables financing (19%)
2. Distribution / buyer financing (16%)
3. Pre-shipment / PO financing (12%)
4. Payables financing (6%)

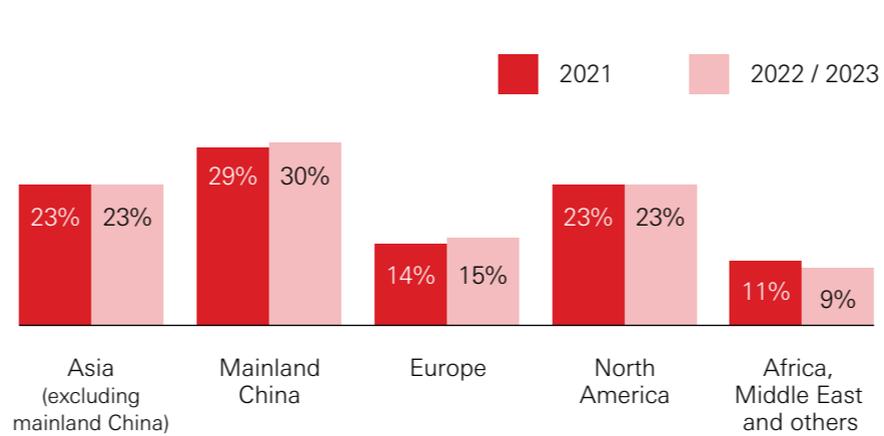


Supply chain initiatives:

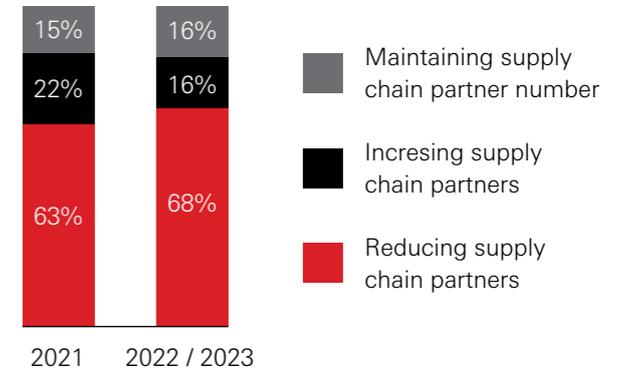
1. Strengthen strategic supplier relationships (56%)
2. Optimise working capital (56%)
3. Refinance supply chain funding / change financiers used (38%)
4. Reduce days outstanding across supply chains (28%)

Supply chain locations 2021 vs 2022 / 23

Supply chain locations



Changes made / planned to supply chain partners



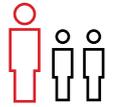
“We’ve already rationalised a lot of our supply partners; some way to go yet but we’re about 25% down of the numbers we work with compared with two years ago.”

Treasurer, Singaporean Wholesale Trader

“Partly organic growth in our trade but also reallocating/ combining volume from our regional subsidiary local banking relationships and getting much more of our financing onto the one platform.”

Treasurer, Singaporean Consumer Durables Importer / Exporter

Asia Supply Chains - A New Era for Japan



Supply chain challenges:

1. Border restrictions
2. Counterparty risk
3. Supply chain restrictions / logistic challenges
4. Supply shortage
5. Overall impact of the pandemic



Supply chain financing:

1. Distribution / buyer financing (9%)
2. Receivables financing (7%)
3. Payables financing (7%)
4. Inventory financing (7%)

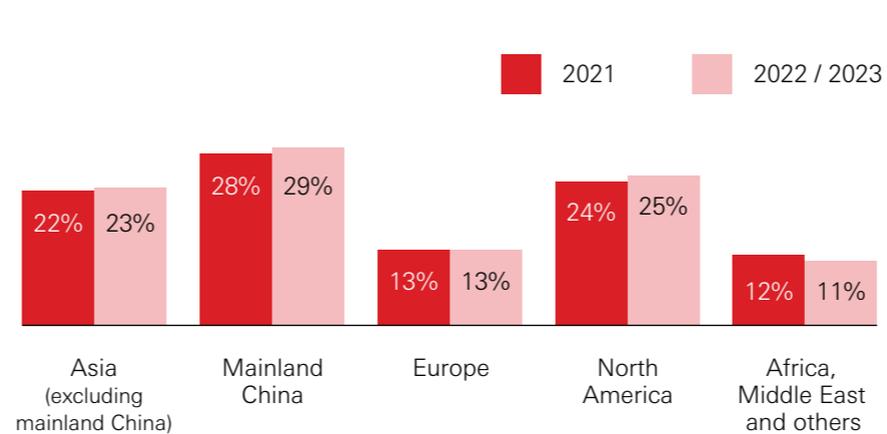


Supply chain initiatives:

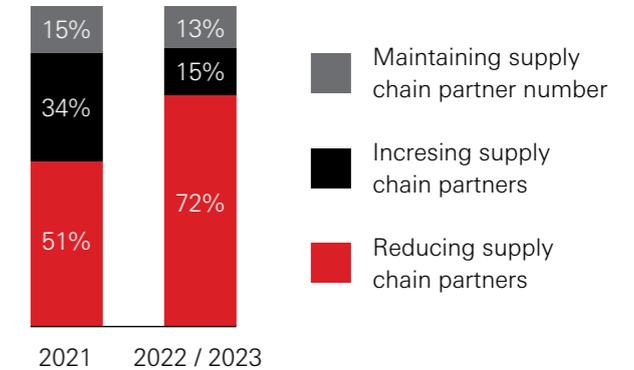
1. Establish a distributor financing / floor plan (81%)
2. Refinance supply chain funding / change financiers used (68%)
3. Strengthen strategic supplier relationships (40%)
4. Reduce days outstanding across supply chains (30%)

Supply chain locations 2021 vs 2022 / 23

Supply chain locations



Changes made / planned to supply chain partners



“ Our suppliers use different shipping channels and providers which is where supply roadblocks have been happening; by increasing the number of suppliers, we increase the number of shipping options which provides us with quite effective cover. ”

Corporate Treasurer, Japanese Pharma Manufacturer

“ Our Board is our key digital driver; they put a roadmap together two years ago which we’ve been implementing since and actually put in place a Digital Committee, chaired by our Assistant Chairman to push things. ”

Corporate Treasurer, Japanese Health Group

Disclaimer

This document is issued by HSBC (as defined below) and is for the exclusive use of the person to whom it is provided. It is not intended for onward distribution. It is intended for general information only. This document does not constitute an offer or advice for you to purchase from or otherwise enter into any transaction with HSBC or any member of the HSBC Group (as defined below). It is not for solicitation of business across international borders where to do so may require licensing and/or consent from the applicable regulatory authority. Products/services described in this document may not be available in all jurisdictions.

HSBC makes no guarantee, representation or warranty (express or implied) and accepts no responsibility or liability for the contents of this document and/or as to its currency, accuracy or completeness and expressly disclaims any liability whatsoever for any losses (including but not limited to any direct, indirect or consequential losses) arising from or in connection with, including any reliance upon, the whole or any part of the contents of this document by any person and such liability is excluded to the maximum extent permitted by law. You are responsible for making your own evaluation about the products referred to in this document. Nothing in this document is intended by HSBC to be construed as financial, legal, accounting, tax and/or other advice. HSBC recommends that before you make any decision or take any action that might affect you or your business, you consult with suitably qualified professional advisers to obtain the appropriate financial, legal, accounting, tax and/or other advice.

©Copyright HSBC 2022. All rights reserved. No part of this document may be reproduced, stored, distributed, or transmitted in any form without the prior written permission of HSBC.

For the purposes of the foregoing:

“HSBC” means one or more members of the HSBC Group which issue(s) this document.

“HSBC Group” means HSBC Holdings plc and its subsidiaries and affiliates from time to time.

